

SK TELECOM CO LTD
Form 6-K
December 17, 2015
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

SK Telecom Co., Ltd.

(Translation of registrant's name into English)

Euljiro 65 (Euljiro2-ga), Jung-gu

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

Seoul 100-999, Korea

(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

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

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

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

Table of Contents

QUARTERLY BUSINESS REPORT

(From January 1, 2015 to September 30, 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**

Since the first quarter of 2011, the Company has reported its financial statements under K-IFRS. The transition date of the Company and its consolidated subsidiaries to K-IFRS is January 1, 2010, and the adoption date is January 1, 2011. The Company's semi-annual business report for the nine months ended September 30, 2015 includes the following consolidated subsidiaries:

| Name | Date of Establishment | Principal Business | Total Assets as of Dec. 31, 2014 (millions of Won) | Material Subsidiary* |
|---|-----------------------|---|--|----------------------|
| SK Telink Co., Ltd. | Apr. 9, 1998 | Telecommunication services and satellite broadcasting services | 324,028 | 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 | |
| Iriver 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 |
| 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 | |

Table of Contents

| Name | Date of Establishment | Principal Business | Total Assets as of Dec. 31, 2014 (millions of Won) | Material Subsidiary* |
|---------------------------------------|------------------------------|---|---|-----------------------------|
| SK Telecom China Fund I L.P. | Sep. 14, 2011 | Investment | 14,290 | |
| SK Telecom China Holdings Co., Ltd. | Jul. 12, 2007 | Investment | 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. | Jan. 14, 2014 | 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. Changes in subsidiaries are set forth below.

| Change | Name | Remarks |
|---------------|---|---|
| Additions | groovers Japan Co. Ltd. | Newly established as a subsidiary of Iriver Ltd. (Iriver) during the first three quarters of 2015 |
| | Entrix Co., Ltd. | Split from SK Planet Co., Ltd. and newly established during the first three quarters of 2015 |
| Exclusions | Iriver CS Co., Ltd. | Merged into Iriver |
| | Shenzen E-eye High Tech Co., Ltd. (Shenzen E-eye) | Disposed of equity investment (Sold to individuals) |

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 its 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. T-Phone, T-outdoor and T Kids Phone Joon, introduced in 2014, are customer-focused products that create additional value for customers. In addition, the Company released Pet Fit , a smart healthcare device for pets in April 2015 and T-Pet, which provides a variety of services such as a pet's live location information through a device embedded with USIM and positioning modules in May 2015. The Company expects that these products will have a lock-in effect on existing customers.

The Company plans to increase its profitability by strengthening its retention policy, which is the fundamental basis of competitiveness for telecommunication companies in this data-intensive era. The Company will lead the information and communication technology (ICT) trend by providing products through which customers can have a distinctive experience and by providing innovative services, such as the T-Phone, to transition to service-based competition.

In the business-to-business (B2B) area, the Company has strengthened 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 September 30, 2015, the number of subscribers was 3.6 million.

In the area of healthcare, the Company achieved several tangible milestones in 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. 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 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 services 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, utilized the existing network of partner businesses of OK Cashbag, Korea's largest loyalty mileage program, consumer information from big data, information technology, and other sources of competitive edges that can lead the industry to launch 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 12.9 million users as of September 30, 2015 and leads the online-to-offline commerce business.

In the location-based services business area, users of the Company's T-Map Navigation service reached 19.9 million as of September 30, 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 24.0 million subscribers as of September 30, 2015 and which the Company plans to expand.

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.

In the media business area, the Company provides the optimum environment for subscribers to access multimedia contents according to personal taste and preference through Hoppin and Btv mobile, available on various digital devices such as personal computers and mobile devices.

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

See II-1. Business Overview for more information.

Table of Contents**E. Credit Ratings**

(1) Corporate bonds

| Credit rating date | Subject of rating | Credit rating | Credit rating entity (Credit rating range) | Rating classification |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| June 21, 2012 | Corporate bond | AAA | Korea Ratings | Regular rating |
| June 22, 2012 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| June 29, 2012 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| August 10, 2012 | Corporate bond | AAA | Korea Ratings | Current rating |
| August 14, 2012 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| August 14, 2012 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Current rating |
| April 11, 2013 | Corporate bond | AAA | Korea Ratings | Current rating |
| April 11, 2013 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| April 11, 2013 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Current rating |
| April 11, 2013 | Corporate bond | AAA | Korea Ratings | Regular rating |
| April 11, 2013 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| April 11, 2013 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| April 22, 2014 | Corporate bond | AAA | Korea Ratings | Regular rating |
| April 22, 2014 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| April 22, 2014 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| April 22, 2014 | Corporate bond | AAA | Korea Ratings | Current rating |
| April 22, 2014 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| April 22, 2014 | Corporate bond | AAA | NICE Investors Service, Co., Ltd. | Current rating |
| October 15, 2014 | Corporate bond | AAA | Korea Ratings | Current rating |
| October 15, 2014 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| October 15, 2014 | Corporate bond | AAA | NICE Investors Service, Co., Ltd. | Current rating |
| February 9, 2015 | Corporate bond | AAA | Korea Ratings | Current rating |
| February 9, 2015 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| February 9, 2015 | Corporate bond | AAA | NICE Investors Service, Co., Ltd. | Current rating |
| May 21, 2015 | Corporate bond | AAA | Korea Ratings | Regular rating |
| May 27, 2015 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| June 10, 2015 | Corporate bond | AAA | NICE Investors Service, Co., Ltd. | Regular rating |
| July 6, 2015 | Corporate bond | AAA | Korea Ratings | Current rating |
| July 6, 2015 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| July 6, 2015 | Corporate bond | AAA | NICE Investors Service, Co., Ltd. | Current rating |

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

(2) Commercial paper (CP)

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

Table of Contents

| Credit rating date | Subject of rating | Credit rating | Credit rating entity (Credit rating range) | Rating classification |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| April 11, 2013 | CP | A1 | Korea Ratings | Current rating |
| April 11, 2013 | CP | A1 | Korea Investors Service, Inc. | Current rating |
| April 11, 2013 | CP | A1 | NICE Investors Service Co., Ltd. | Current rating |
| November 29, 2013 | CP | A1 | Korea Ratings | Regular rating |
| December 18, 2013 | CP | A1 | Korea Investors Service, Inc. | Regular rating |
| December 20, 2013 | CP | A1 | NICE Investors Service Co., Ltd. | Regular rating |
| April 22, 2014 | CP | A1 | Korea Ratings | Current rating |
| April 22, 2014 | CP | A1 | Korea Investors Service, Inc. | Current rating |
| April 22, 2014 | CP | A1 | NICE Investors Service Co., Ltd. | Current rating |
| October 15, 2014 | CP | A1 | Korea Ratings | Regular rating |
| October 15, 2014 | CP | A1 | Korea Investors Service, Inc. | Regular rating |
| October 15, 2014 | CP | A1 | NICE Investors Service Co., Ltd. | Regular rating |
| May 21, 2015 | CP | A1 | Korea Ratings | Current rating |
| May 27, 2015 | CP | A1 | Korea Investors Service, Inc. | Current rating |
| June 10, 2015 | CP | A1 | NICE Investors Service Co., Ltd. | Current rating |

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

(3) International credit ratings

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

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

* On October 4, 2015, S&P lowered the outlook on the Company s rating from A- (Positive) to A- (Stable).

2. Company History

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

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

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

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

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

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

Table of Contents

June 2015: Consummation of the comprehensive share exchange transaction (the Share Exchange) through which the Company acquired all of the shares of SK Broadband that it did not otherwise own in exchange for its treasury shares such that SK Broadband became 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)

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, Young Tae Kim and Dong Seob Jee were elected as inside directors, and Hyun Chin Lim was re-elected as an independent director and 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

(1) Spin-off

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

| Description | Detail |
|--------------------|--------------------------|
| Method of Spin-off | Simple vertical spin-off |

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Resulting Companies

SK Telecom Co., Ltd. (Surviving Company)

Effective Date

SK Planet Co., Ltd. (Spin-off Company)
October 1, 2011

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

Table of Contents

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

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

| Category | Date |
|---|-------------------------------------|
| Board resolution on spin-off | July 19, 2011 |
| Record Date for Determination of Shareholders 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.

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

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

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

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

Table of Contents

(4) Acquisition of shares of PS&Marketing

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

(5) Disposition of shares of iHQ Inc.

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

(6) Acquisition of shares of 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%.

(7) Acquisition of shares of Iriver

On August 13, 2014, 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 in order to foster application development and smartphone accessories as part of the Company's growth engines. 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 has 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 on high-growth business areas in the Chinese ICT market. 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 in 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 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 were allotted 0.0168936 common shares of SK Telecom

Table of Contents

Shares 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

(12) Establishment of Entrix Co., Ltd.

In the first three quarters of 2015, SK Planet spun off its cloud streaming division and established Entrix Co., Ltd. The Company exchanged 1,300,000 shares of SK Planet for 1,300,000 shares of Entrix at the time of the spin-off and later acquired an additional 2,857,000 shares by participating in the recapitalization.

(13) Additional capital raise by NanoEnTek Inc.

In the first three quarters of 2015, the Company acquired 1,090,155 shares through the additional capital raise by NanoEnTek.

(14) Reclassification of Packet One Networks' accounts

In the first three quarters of 2015, the Company reclassified its investments in Packet One from investments in associates and joint ventures to assets classified as held for sale as the Company no longer had significant control over Packet One. The difference between the book value and the fair value of Won 37.4 billion at the time of reclassification was recognized as impairment loss.

[SK Broadband]

(1) Merger

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

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

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

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On July 29, 2015, the board of directors of SK Broadband approved the acquisition of SK Planet's Hoppin business through a spin-off and subsequent merger transaction pursuant to Article 530-2 of the Korean Commercial Code, with both SK Broadband and SK Planet remaining as existing companies. The spin-off and subsequent merger were effective as of September 1, 2015, and on the same day, SK Broadband issued 2,501,125 new common shares resulting from the merger, allotting 0.0349186 common shares of SK Broadband per one common share of SK Planet to SK Telecom, SK Planet's sole shareholder.

Table of Contents

(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 became the parent company of SK Broadband with 100% ownership and remained a listed corporation on the KRX KOSPI Market, and SK Broadband became a wholly-owned subsidiary of the Company and was delisted from the KRX KOSDAQ Market. There was 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 were allotted 0.0168936 common shares of SK Telecom

Shares 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

[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.

On July 29, 2015, the board of directors of SK Planet resolved to spin off its Hoppin business, which was merged into SK Broadband on September 1, 2015, in order to unify capabilities within the business and maximize synergies to improve its competitive power in the Korean and international mobile media market. SK Planet issued 2,501,125 new common shares in connection with this transaction, and the merger ratio between SK Planet and SK Broadband was 0.0349186:1.

(2) Equity spinoff of cloud streaming business

On May 29, 2015, the board of directors of SK Planet resolved to spin off its cloud streaming division on July 1, 2015 in order to strengthen its business capabilities and expand overseas. The spin-off ratio was 0.9821740 for the surviving company to 0.0178260 for the newly-established

company, and the capital reduction ratio was 1.7825968%.

Table of Contents

[SK Communications]

(1) Disposition of shares of SK i-media

Pursuant to the resolution of its board of directors on October 17, 2011, SK Communications Co., Ltd. (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 December 21, 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 6, 2014, SK Communications sold its Cyworld service and certain related assets to Cyworld Co., Ltd. for Won 2.8 billion on April 8, 2014.

(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 a 100% equity stake in M&Service, and SK Planet on February 1, 2013, SK Planet holds a 100% equity stake in M&Service.

[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, was subject to adjustment depending on the customer transfer rate. The final acquisition cost was determined on September 30, 2015 as Won 14.4 billion based on the customer transfer rate as of such date. However, an additional payment may be required if a customer extends its contract with Neos Networks. 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)

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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 and merger registration were completed on January 31, 2015 and February 2, 2015, respectively.

Table of Contents

(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).

On July 17, 2015, the Company issued four tranches of fixed-rate unsecured bonds in the principal amounts of Won 90 billion (with an annual interest rate of 1.89% and a maturity date of July 17, 2018), Won 70 billion (with an annual interest rate of 2.66% and a maturity date of July 17, 2025), Won 90 billion (with an annual interest rate of 2.82% and a maturity date of July 17, 2030), and Won 50 billion (with an annual interest rate of 3.40% and a maturity date of July 17, 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 is adjusted five years after the date of issuance. The Company classified the hybrid securities as equity, as there is no contractual obligation to deliver financial assets to the bondholders. The maturity date of the hybrid securities is June 7, 2073, which can be extended by the Company without any notice or announcement.

(3) Conversion of convertible notes

On April 7, 2009, the Company issued convertible notes with a maturity of five years in the principal amount of US\$332,528,000 with an annual interest rate of 1.75%. In 2013, holders exercised their conversion rights with respect to an aggregate principal amount of US\$326,023,000 of the convertible notes. The Company delivered 1,241,337 treasury shares in respect of US\$170,223,000 of the exercised aggregate principal amount and delivered cash in respect of the remainder due to the limit on foreign ownership. In connection with such conversion, the Company recognized Won 135 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. 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 paid in full as of January 6, 2014, and currently, there is no amount outstanding.

Table of Contents**[SK Broadband]**

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

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

(As of September 30, 2015)

(Unit: in shares)

| Classification | Common shares | Share type Preferred shares | Total | Remarks |
|--|---------------|-----------------------------------|-------------|---------|
| I. Total number of authorized shares | 220,000,000 | | 220,000,000 | |
| II. Total number of shares issued to date | 89,278,946 | | 89,278,946 | |
| III. Total number of shares retired to date | 8,533,235 | | 8,533,235 | |
| a. reduction of capital | | | | |
| b. retirement with profit | 8,533,235 | | 8,533,235 | |
| c. redemption of redeemable shares | | | | |
| d. others | | | | |
| IV. Total number of shares (II-III) | 80,745,711 | | 80,745,711 | |
| V. Number of treasury shares | 8,116,551 | | 8,116,551 | |
| VI. Number of shares outstanding (IV-V) | 72,629,160 | | 72,629,160 | |

Table of Contents**B. Treasury Shares**

(1) Acquisitions and dispositions of treasury shares

(As of September 30, 2015)

(Unit: in shares)

| Acquisition methods | | Type of shares | At the beginning of period | Acquired (+) | Changes Disposed (-) | Retired (-) | At the end of period | |
|--|--|------------------|----------------------------|--------------|----------------------|-------------|----------------------|--|
| Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea (FSCMA) | Direct acquisition | Common shares | 7,086,028 | | | | 7,086,028 | |
| | | Preferred shares | | | | | | |
| | Direct acquisition | Common shares | | | | | | |
| | | Preferred shares | | | | | | |
| | Tender offer | Common shares | | | | | | |
| | | Preferred shares | | | | | | |
| | Sub-total | Common shares | 7,086,028 | | | | 7,086,028 | |
| | | Preferred shares | | | | | | |
| | Acquisition through trust and other agreements | Held by trustee | Common shares | | | | | |
| | | | Preferred shares | | | | | |
| Held in actual stock | | Common shares | 3,886,710 | | | | 3,886,710 | |
| | | Preferred shares | | | | | | |
| Sub-total | | Common shares | 3,886,710 | | | | 3,886,710 | |
| | | Preferred shares | | | | | | |
| Other acquisition | | Common shares | (1,163,363) | | (1,692,824) | | (2,856,187) | |
| Total | | Common shares | 9,809,375 | | (1,692,824) | | 8,116,551 | |
| | | 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.

** The change in treasury shares through other acquisitions was a result of the Share Exchange.

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

(As of September 30, 2015)

| Classification | | Number of shares | (Unit: in shares) | Remarks |
|---|-----------------|------------------|-------------------|-----------------|
| Total shares (A) | Common share | 80,745,711 | | |
| | Preferred share | | | |
| Number of shares without voting rights (B) | Common share | 8,116,551 | | Treasury shares |
| | Preferred share | | | |
| Shares without voting rights pursuant to the Company's articles of incorporation (the Articles of Incorporation) (C) | Common share | | | |
| | Preferred share | | | |
| Shares with restricted voting rights pursuant to Korean law (D) | Common share | | | |
| | Preferred share | | | |
| Shares with reestablished voting rights (E) | Common share | | | |
| | Preferred share | | | |
| The number of shares with exercisable voting rights (F = A - B - C - D + E) | Common share | 72,629,160 | | |
| | Preferred share | | | |

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

- (1) 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.

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

- (3) 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.

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

- (5) 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.

- (6) Distribution of interim dividends of Won 1,000 was approved during the 378th Board of Directors Meeting on July 23, 2015.

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

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

| Classification | As of and for the nine months ended September 30, 2015 | As of and for the year ended December 31, 2014 | As of and for the year ended December 31, 2013 |
|---|---|--|--|
| Par value per share (Won) | 500 | 500 | 500 |
| (Consolidated)Net income | 1,222,432 | 1,799,320 | 1,609,549 |
| Net income per share (Won) | 16,949 | 25,154 | 23,211 |
| Total cash dividend | 72,629 | 666,802 | 666,374 |
| Total stock dividends | | | |
| (Consolidated) | | | |
| Percentage of cash dividend to available income (%) | 5.9 | 37.1 | 41.4 |
| Cash dividend yield ratio (%) | 0.4 | 3.5 | 4.1 |
| | | | |
| Stock dividend yield ratio (%) | | | |
| Cash dividend per share (Won) | 1,000 | 9,400 | 9,400 |
| Stock dividend per share (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.

| Classification | Company name | Description of business |
|----------------------------|-----------------------------------|---|
| Wireless | SK Telecom Co., Ltd. | Wireless voice and data telecommunications services via digital wireless networks |
| | PS&Marketing Co., Ltd. | Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels |
| Fixed-line | 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 |
| | | Various media-related services, such as channel management, including video on demand, and mobile IPTV services |
| Other business | 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, Syrup, T Store and T-Map Navigation in the application and commerce areas |
| | SK Communications Co., Ltd. | Integrated portal services through NATE and instant messaging services through NATE-ON |
| | M&Service Co., Ltd. | System software development, distribution and technical support services and other online information services |
| | SK Planet America LLC | System software development, distribution and investments |
| | Shopkick Management Company, Inc. | System software development, distribution and investments |
| [Wireless Business] | | |

A. Industry Characteristics

The Korean mobile communication market is 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 64.8% as of September 30, 2015.

Table of Contents**B. Growth Potential**

(Unit: in 1,000 persons)

| | Classification | As of | As of December 31, | | |
|-----------------------|-------------------|-----------------------|--------------------|---------------|---------------|
| | | September 30, 2015 | 2014 | 2013 | 2012 |
| Number of subscribers | SK Telecom | 26,264 | 26,468 | 26,286 | 26,555 |
| | Others (KT, LGU+) | 26,557 | 26,125 | 25,909 | 25,793 |
| | MVNO | 5,601 | 4,584 | 2,485 | 1,276 |
| | Total | 58,422 | 57,177 | 54,680 | 53,624 |

* Source: Ministry of Science, ICT and Future Planning (MSIP) website.

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. There is also a growing importance to the business-to-business segment, which creates added value by selling and developing various solutions. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

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

(Unit: in percentages)

| Classification | As of | As of December 31, | | |
|-------------------------------|-----------------------|--------------------|------|------|
| | September 30, 2015 | 2014 | 2013 | 2012 |
| Mobile communication services | 49.6 | 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 nine months ended September 30, 2015, the Company recorded Won 12.8 trillion in revenue and Won 1.3 trillion in operating income on a consolidated basis and Won 9.4 trillion in revenue and Won 1.3 trillion in operating income on a separate basis.

The number of subscribers (including MVNO subscribers) as of September 30, 2015 was 28.5 million, an increase of approximately 160,000 from the previous quarter due to the launching of new data-centric tariff plans. In particular, the number of smartphone subscribers as of September 30, 2015 was 20.3 million, an increase of approximately 340,000 from the previous quarter, propelled by 18.4 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.

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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.

Table of Contents

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

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

PS&Marketing, a subsidiary of the Company, provides a sales platform for products of the Company and SK Broadband including fixed-line and wireless telecommunication products that 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 continue 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 have greatly increased data traffic, thereby further emphasizing the importance of fixed-line network infrastructure that is capable of handling large capacities of data traffic with stability and efficiency.

B. Growth Potential

| Classification | | (Unit: in 1,000 persons) | | |
|---------------------------|----------------------|-----------------------------|----------------------------|--------|
| | | As of September 30, 2015 | As of December 31, 2014 | 2013 |
| Fixed-line Subscribers | High-speed Internet | 19,938 | 19,199 | 18,738 |
| | Fixed-line telephone | 16,494 | 16,939 | 17,620 |
| | IPTV (real-time) | 11,338 | 10,840 | 8,522 |

* Source: MSIP website and Korea Communications Commission website

* The number of IPTV subscribers as of September 30, 2015 has not been announced by the MSIP, and the number shown above is as of March 31, 2015.

C. Cyclical Nature and Seasonality

High-speed Internet, fixed-line telephone and IPTV services are mature markets that are comparatively less sensitive to cyclical economic changes as such services have become more of a necessity and the market has matured. The telecommunications services market overall is not expected to be particularly affected by economic downturns due to the low income elasticity of demand for telecommunication services.

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

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| Classification | (Unit: in percentages) | | | |
|---|-----------------------------|------|----------------------------|------|
| | As of September 30, 2015 | 2014 | As of December 31, 2013 | 2012 |
| High-speed Internet (including resales) | 25.1 | 25.1 | 24.4 | 24.1 |
| Fixed-line telephone (including Voice over Internet Protocol (VoIP)) | 17.2 | 17.0 | 16.9 | 16.7 |
| IPTV | 26.6 | 26.1 | 23.8 | 22.0 |

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

Table of Contents

- * 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 September 30, 2015 has not been announced by the MSIP, and the number shown above is as of March 31, 2015.

D. Business Overview and Competitive Strengths

In 1999, the Company was the first in the world to commence commercial ADSL services. 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 has reinforced 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. The Company has also been selected by the government as the lead trial operator of gigabit (GiGA) Internet service to promote the discovery of new technologies and services related to the expansion of GiGA coverage within the hybrid fiber-coaxial network and provide GiGA Wi-Fi and other services. Furthermore, the Company has solidified its technological leadership by setting a worldwide precedent for providing super 8K ultra-high definition broadcasting service, which has resolution four times as high as the pre-existing 4K ultra-high definition broadcasting service in the IPTV industry.

SK Telink, a provider of international telecommunications service, 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 by providing 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.

Table of Contents

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

(3) Media

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, called N-screen service. Users can recommend music to other users through social networking services and this is expected to become a distribution model for digital media contents. Various service providers are competing in this market expecting a strong growth in the online and mobile video market.

D. Business Overview and Competitive Strengths

The Company plans to expand its platform ecosystem focusing on its "Open & Collaboration" motto in operating its commerce business such as 11th Street, Syrup, and OK Cashbag, its digital contents business such as T Store and 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.

Table of Contents

Syrup is a consumer-oriented commerce service with the goal of minimizing its customers' time and efforts while maximizing the economic benefits 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. Furthermore, Syrup is strengthening its service foundation and competitiveness through the continual release of vertical products such as Syrup Pay, Syrup Order and Syrup Table and the expansion of Merchant.

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. As Korea's largest loyalty mileage program, OK Cashbag maintains a leading position in the industry and plans to continue strengthening its position by providing customized services befitting customers' needs and market conditions.

(2) Location-based services

T-Map Navigation provides map, local information, real-time traffic information and navigation services. With cumulative subscribers of 19.9 million as of September 30, 2015, T-Map Navigation is one of the leading location-based service platforms in Korea. By entering the Online to Offline service area with T map Taxi, T map Public Transportation and others, the Company is expanding its mobile platform foundation that connects day to day life. The Company is 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 24.0 million subscribers and cumulative downloads of 3.1 billion as of September 30, 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.

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

The Company's instant messenger service, Nate-On, had a market share of 24.8% in the instant messenger market in Korea with 3.9 million net users during the month of September 2015. The Company's Internet search portal service, Nate, had a page-view market share of 5.0% as of September 30, 2015. (Source: Korean Click, based on fixed-line access)

Satellite DMB service

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

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

(Unit: in millions of Won and percentages)

| Business | Major Companies | Item | Major Trademarks | Consolidated Sales Amount (ratio) |
|-------------------|---|---|--|-----------------------------------|
| Wireless | SK Telecom Co., Ltd., PS&Marketing Co., Ltd., Service Ace Co., Ltd., Network O&S Co., Ltd. | Mobile communication service, wireless data service, ICT service | T and others | 9,909,101 (78%) |
| Fixed-line | SK Broadband Co., Ltd., SK Telink Co., Ltd. | Fixed-line phone, high speed Internet, data and network lease service | B tv , 00700 international call, 7Mobile and others | 1,857,606 (15%) |
| Other | SK Planet Co., Ltd , SK Communications Co., Ltd., Iriver Inc. M&Service Co., Ltd., | Internet portal service and e-commerce | OK Cashbag, NATE, T Store, T-Map Navigation and others | 990,678 (8%) |
| Total | | | | 12,757,385 (100%) |

[Wireless Business]

As of September 30, 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 September 30, 2015, broadband Internet and TV services comprised 54.9% of SK Broadband's revenue, telephony service 19.5%, corporate data services 24.2% and other telecommunications services 1.4%. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long term contracts, changes in equipment costs and competition between companies.

[Other Business]

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

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

3. Investment Status**[Wireless Business]**

A. Investment in Progress

(Unit: in 100 millions of Won)

| Business | Classification | Investment period | Subject of investment | Investment effect | Expected investment amount | Amount already invested | Future investment |
|-----------------|------------------------------|--------------------------|-----------------------------------|--|-----------------------------------|--------------------------------|--------------------------|
| Network/Common | Upgrade/ New installation | 2015 | Network, systems and others | Capacity increase and quality improvement; systems improvement | 20,000 | 10,674 | |
| | Total | | | | 20,000 | 10,674 | |

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

(Unit: in 100 millions of Won)

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

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

For the nine months ended September 30, 2015, the Company made the capital expenditures set out below in order to expand its client base and network infrastructure, and 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 period | Subject of investment | Investment effect | Total investments | Amount already invested | Future investment |
|---------------------|------------------------------|---|--|--|-------------------|-------------------------|-------------------|
| High-speed Internet | | | | Expand subscriber networks and facilities | | 1,217 | |
| Telephone | | | | | | 50 | |
| Television | | | | | | 673 | |
| Corporate Data | Upgrade/ New installation | For the nine months ended September 30, 2015 | Backbone and subscriber network / others | Increase leased-line and integrated information system | 3,706 | 1,142 | To be determined |
| Others | | | | Expand networks and required space | | 624 | |
| | | Total | | | 3,706 | 3,706 | |

4. Revenues

(Unit: in millions of Won)

| Business | Sales type | | Item | For the nine months ended September 30, 2015 | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|----------|------------|----------------------|----------|--|--------------------------------------|--------------------------------------|
| Wireless | Services | Mobile communication | Export | 8,620 | 6,773 | 2,526 |
| | | | Domestic | 9,900,481 | 13,521,108 | 13,313,006 |
| | | | Subtotal | 9,909,101 | 13,527,881 | 13,315,532 |

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| | | | | | | |
|-------------------|----------|-------------------------|----------|------------|------------|------------|
| Fixed-line | Services | Fixed-line, | Export | 65,725 | 63,608 | 28,002 |
| | | B2B data, | Domestic | 1,791,881 | 2,386,312 | 2,296,387 |
| | | High-speed Internet, TV | Subtotal | 1,857,606 | 2,449,920 | 2,324,389 |
| Other | Services | Display and | Export | 32,550 | 20,798 | 14,049 |
| | | Search ad., Content | Domestic | 958,128 | 1,165,199 | 948,084 |
| | | | Subtotal | 990,678 | 1,185,997 | 962,133 |
| Total | | | Export | 106,895 | 91,179 | 44,577 |
| | | | Domestic | 12,650,490 | 17,072,619 | 16,557,477 |
| | | | Total | 12,757,385 | 17,163,798 | 16,602,054 |

Table of Contents

(Unit: in millions of Won)

For the nine months ended

| September 30, 2015 | Wireless | Fixed | Other | Sub total | Internal transaction | After consolidation |
|-------------------------------------|------------|-----------|-----------|------------|----------------------|---------------------|
| Total sales | 11,197,968 | 2,328,102 | 1,536,305 | 15,062,375 | (2,304,990) | 12,757,385 |
| Internal sales | 1,288,867 | 470,496 | 545,627 | 2,304,990 | (2,304,990) | |
| External sales | 9,909,101 | 1,857,606 | 990,678 | 12,757,385 | | 12,757,385 |
| Operating income (loss) | 1,288,478 | 74,686 | (57,010) | 1,306,154 | | 1,306,154 |
| Profit (loss) for the period | | | | | | 1,630,447 |
| Total assets | 23,885,941 | 3,628,563 | 3,220,129 | 30,734,633 | (2,175,913) | 28,558,720 |
| Total liabilities | 9,545,761 | 2,323,767 | 1,098,331 | 12,967,859 | (42,909) | 12,924,950 |

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

Currency swap and interest rate swap contracts under cash flow hedge accounting as of September 30, 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 Jul. 20, 2027 |
| Jun. 12, 2012 | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000,000) | Foreign currency risk | Cross currency swap | Citibank and five other banks | Jun. 12, 2012 Jun. 12, 2017 |
| Nov. 1, 2012 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000) | Foreign currency risk | Cross currency swap | Barclays and nine other banks | Nov. 1, 2012 May. 1, 2018 |
| Jan. 17, 2013 | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000,000) | Foreign currency risk | Cross currency swap | BNP Paribas and three other banks | Jan. 17, 2013 Nov. 17, 2017 |
| Mar. 7, 2013 | Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000) | Foreign currency risk and interest rate risk | Cross currency interest rate swap | DBS Bank | Mar. 7, 2013 Mar. 7, 2020 |
| Oct. 29, 2013 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000) | Foreign currency risk | Cross currency swap | Korea Development Bank and others | Oct. 29, 2013 Oct. 26, 2018 |
| Dec. 16, 2013 | Fixed-to-fixed cross currency swap (U.S. dollar denominated loan face value of US\$80,577,000) | Foreign currency risk | Cross currency swap | Deutsche Bank | Dec. 16, 2013 Apr. 29, 2022 |

B. Treatment of Derivative Instruments on the Balance Sheet

As of September 30, 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 (loss) on valuation of derivatives | Tax effect | Cash flow hedge Foreign currency translation gain (loss) | Others ^(*) | | | |
| Non-current assets: | | | | | | | |
| Convertible option ^(*) (face amounts of Won 100 billion) | | | | | | 8,983 | 8,983 |
| Fixed-to-fixed cross currency swap | | | | | | | |
| (U.S. dollar denominated bonds face value of US\$400,000,000) | (53,080) | (16,946) | 20,051 | 129,806 | | | 79,831 |
| Fixed-to-fixed cross currency swap | | | | | | | |
| (U.S. dollar denominated bonds face value of US\$700,000,000) | (19,212) | (6,134) | 72,364 | | | | 47,018 |

Table of Contents

| | | | | |
|---|---------|---------|----------|----------|
| Floating-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$300,000,000) | (9,430) | (3,010) | 33,163 | 20,723 |
| Fixed-to-fixed cross currency swap | | | | |
| (U.S. dollar denominated bonds face value of US\$300,000,000) | (6,164) | | 39,548 | 33,384 |
| Fixed-to-fixed cross currency swap | | | | |
| (U.S. dollar denominated bonds face value of US\$80,577,000) | (4,334) | (1,384) | 11,044 | 5,326 |
| Total assets | | | | 195,265 |
| Non-current liabilities: | | | | |
| Fixed-to-fixed cross currency swap | | | | |
| (Swiss Franc denominated bonds face value of CHF 300,000,000) | (8,219) | (2,624) | 5,354 | (5,489) |
| Fixed-to-fixed cross currency swap | | | | |
| (Australia dollar denominated bonds face value of AUD 300,000,000) | 3,264 | 1,042 | (84,273) | (79,967) |
| Total liabilities | | | | (85,456) |

(*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.

6. Major Contracts

[SK Telecom]

| (Unit: in 100 millions of Won) | | | | | |
|--------------------------------|-------------------------------|-------------------|--------------------|---|-----------------|
| Category | Vendor | Start Date | Completion Date | Contract Title | Contract Amount |
| Goods | Telcower Co. | January 22, 2015 | December 31, 2015 | 2014 B2B GOP Unmanned Security System Installation in eastern Korea | 118 |
| | Cremotech Co. | April 9, 2015 | September 30, 2015 | 2015 Purchase of Smart Beam Laser Products | 58 |
| | Noori Telecom | November 8, 2012 | April 30, 2015 | 2012 B2B Unit Price Contract for Wireless Modems to Remotely Read Meters of KEPCO's Transformer Users | 52 |
| | SK Planet Co., Ltd. | August 27, 2015 | December 31, 2016 | 2015-2016 Operation of T Mania Service | 146 |
| | Samsung Electronics Co., Ltd. | September 8, 2015 | September 30, 2017 | 2015 B2B Tablets For Use in Renault Samsung Motors Vehicles | 54 |
| Construction | Kocom | January 9, 2015 | December 31, 2015 | 2014 B2B GOP Unmanned Security System Installation in | 60 |

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| | | | | | |
|-------------|------------------------|------------------|--------------------|--|-----|
| Equipment | Oracle Korea | January 1, 2015 | December 31, 2017 | eastern Korea 2015 B2B SK Planet Oracle DBMS ULA | 49 |
| Real Estate | SK Broadband Co., Ltd. | February 1, 2015 | January 31, 2016 | Namsan Office Building Lease Contract | 52 |
| Real Estate | Individuals | January 1, 2015 | September 30, 2015 | Purchase of land (Jeonju region and 17 others) | 210 |
| Subtotal | | | | | 799 |

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.

| Counterparty | Contract Contents | Contract Period | Note |
|-------------------------------------|---|--|--|
| Telecommunication service providers | Interconnection among telecommunication service providers | From Jan. 2015 to Dec. 2015 | Automatically renewed for two years at a time unless specific amendments are requested |
| KEPCO | Provision of electric facilities | (Unless special reasons arise, the usage period will be renewed annually) From Jan. 2012 to Dec. 2014 | Use of electricity poles |
| Seoul City Railway | Use of telecommunication line conduits | (Renewal in progress, expected to enter into a contract after deciding technical service unit price, to be applied retroactively to 2015 payments) From July 2009 to July 2013 | Use of railway telecommunication conduit (Serviced areas to expand) |
| Busan Transportation Corporation | Use of telecommunication line conduits | (Renewal in progress, currently in the process of transitioning to private network system, plans to enter into a contract once completed and the remaining work is confirmed) From May 2010 to May 2013 | Use of railway telecommunication conduit (Serviced areas to expand) |
| Seoul Metro | Use of telecommunication line conduits | (Renewal in progress, currently in discussion to decide usage unit price, future plans to enter into a contract) From Sep. 2010 to Dec. 2012 | Use of railway telecommunication conduit (Serviced areas to expand) |
| Gwangju City Railway | Use of telecommunication line conduits | (Renewal in progress, in the completion stage of transitioning to private network system, currently reviewing whether to renew contract at the end of 2015) | Use of railway telecommunication conduit (Service lease) |

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

[SK Communications]

| Counterparty | Purpose | Contract Period | Contract Amount |
|--------------|---------|-----------------|-----------------|
|--------------|---------|-----------------|-----------------|

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Kakao Corp.

Cost-per-click Internet search
advertisement

Amount determined based on
the number of clicks

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

Table of Contents**7. R&D Investments**

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

(Unit: in millions of Won except percentages)

| Category | For the nine months ended | For the year ended | | Remarks |
|--|---------------------------------|--------------------|---------|---------|
| | September 30, 2015 | 2014 | 2013 | |
| Raw material | 907 | 530 | 38 | |
| Labor | 50,976 | 71,224 | 79,865 | |
| Depreciation | 106,849 | 176,975 | 158,158 | |
| Commissioned service | 27,417 | 67,802 | 22,923 | |
| Others | 45,515 | 81,221 | 102,668 | |
| Total R&D costs | 231,664 | 397,752 | 363,652 | |
| Accounting | | | | |
| Sales and administrative expenses | 226,381 | 390,943 | 352,385 | |
| Development expenses (Intangible assets) | 5,283 | 6,809 | 11,267 | |
| R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100) | 1.82% | 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 by providing solutions such as registering and licensing of the brands.

B. Business-related Intellectual Property**[SK Telecom]**

The Company holds 4,391 Korean-registered patents, 338 U.S.-registered patents, 225 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 975 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 September 30, 2015, SK Planet held 2,637 registered patents, 128 registered design marks, 1,251 registered trademarks and five copyrights (including those held jointly with other companies) in Korea. It also holds 124 U.S.-registered patents, 92 Chinese-registered patents, 64 Japanese-registered patents, 34 E.U.-registered patents (all including patents held jointly with other companies) and 295 registered trademarks, along with a number of other intellectual property rights, in other countries.

[SK Communications]

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As of September 30, 2015, SK Communications held 85 registered patents, 26 registered design rights and 703 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 September 30, 2015, December 31, 2014 and December 31, 2013 and for the nine months ended September 30, 2015 and 2014 and the years ended December 31, 2014 and 2013. The Company's reviewed consolidated financial statements as of September 30, 2015 and December 31, 2014 and for the nine months ended September 30, 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 September 30, 2015 | As of December 31, 2014 | As of December 31, 2013 |
| Assets | | | |
| Current Assets | 5,573,261 | 5,083,148 | 5,123,415 |
| Cash and Cash Equivalents | 1,263,748 | 834,429 | 1,398,639 |
| Accounts Receivable Trade, net | 2,555,497 | 2,392,150 | 2,257,316 |
| Accounts Receivable Other, net | 725,728 | 690,527 | 643,603 |
| Others | 1,028,288 | 1,166,042 | 823,857 |
| Non-Current Assets | 22,985,459 | 22,858,085 | 21,453,100 |
| Long-Term Investment Securities | 1,135,057 | 956,280 | 968,527 |
| Investments in Associates and Joint Ventures | 6,771,515 | 6,298,088 | 5,325,297 |
| Property and Equipment, net | 10,170,550 | 10,567,701 | 10,196,607 |
| Intangible Assets, net | 2,199,204 | 2,483,994 | 2,750,782 |
| Goodwill | 1,932,658 | 1,917,595 | 1,733,261 |
| Others | 776,475 | 634,427 | 478,626 |
| Total Assets | 28,558,720 | 27,941,233 | 26,576,515 |
| Liabilities | | | |
| Current Liabilities | 5,233,888 | 5,420,310 | 6,069,220 |
| Non-Current Liabilities | 7,691,062 | 7,272,653 | 6,340,738 |
| Total Liabilities | 12,924,950 | 12,692,963 | 12,409,958 |
| Equity | | | |
| Equity Attributable to Owners of the Parent Company | 15,503,547 | 14,506,739 | 13,452,372 |
| Share Capital | 44,639 | 44,639 | 44,639 |
| Capital Surplus (Deficit) and Other Capital Adjustments | 676,234 | 277,998 | 317,508 |
| Retained Earnings | 14,726,953 | 14,188,591 | 13,102,495 |
| Reserves | 55,721 | (4,489) | (12,270) |
| Non-controlling Interests | 130,223 | 741,531 | 714,185 |
| Total Equity | 15,633,770 | 15,248,270 | 14,166,557 |
| Total Liabilities and Equity | 28,558,720 | 27,941,233 | 26,576,515 |
| Number of Companies Consolidated | 39 | 40 | 28 |

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

| | For the nine months ended September 30, 2015 | For the nine months ended September 30, 2014 | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|---|---|---|---|---|
| Operating Revenue | 12,757,385 | 12,874,772 | 17,163,798 | 16,602,054 |
| Operating Income | 1,306,154 | 1,335,052 | 1,825,105 | 2,011,109 |
| Profit Before Income Tax | 1,630,447 | 1,606,342 | 2,253,828 | 1,827,101 |
| Profit for the Period | 1,222,432 | 1,295,950 | 1,799,320 | 1,609,549 |
| Profit for the Period Attributable to Owners of the Parent Company | 1,222,585 | 1,299,898 | 1,801,178 | 1,638,964 |
| Profit for the Period Attributable to Non-controlling Interests | (153) | (3,948) | (1,858) | (29,415) |
| Basic Earnings Per Share (Won) | 16,949 | 18,206 | 25,154 | 23,211 |
| Diluted Earnings Per Share (Won) | 16,949 | 18,206 | 25,154 | 23,211 |

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

Below is the summary separate financial information of the Company as of September 30, 2015, December 31, 2014 and December 31, 2013 and for the nine months ended September 30, 2015 and 2014 and the years ended December 31, 2014 and 2013. The Company's reviewed separate financial statements as of September 30, 2015 and December 31, 2014 and for the nine months ended September 30, 2015 and 2014, which are prepared in accordance with K-IFRS, are attached hereto.

| | (Unit: in millions of Won) | | |
|---|-----------------------------|----------------------------|----------------------------|
| | As of September 30, 2015 | As of December 31, 2014 | As of December 31, 2013 |
| Assets | | | |
| Current Assets | 3,133,073 | 2,689,913 | 2,817,782 |
| Cash and Cash Equivalents | 523,839 | 248,311 | 448,459 |
| Accounts Receivable Trade, net | 1,636,670 | 1,559,281 | 1,513,138 |
| Accounts Receivable Other, net | 463,780 | 305,990 | 388,475 |
| Others | 508,784 | 576,331 | 467,710 |
| Non-Current Assets | 20,011,649 | 20,022,549 | 20,009,637 |
| Long-Term Investment Securities | 672,572 | 608,797 | 729,703 |
| Investments in Subsidiaries and Associates | 8,650,617 | 8,181,769 | 8,010,121 |
| Property and Equipment, net | 7,308,398 | 7,705,906 | 7,459,986 |
| Intangible Assets, net | 1,670,874 | 1,928,169 | 2,239,167 |
| Goodwill | 1,306,236 | 1,306,236 | 1,306,236 |
| Others | 402,952 | 291,672 | 264,424 |
| Total Assets | 23,144,722 | 22,712,462 | 22,827,419 |
| Liabilities | | | |
| Current Liabilities | 3,355,378 | 3,378,046 | 4,288,073 |
| Non-Current Liabilities | 5,744,773 | 5,792,195 | 5,223,938 |
| Total Liabilities | 9,100,151 | 9,170,241 | 9,512,011 |
| Equity | | | |
| Share Capital | 44,639 | 44,639 | 44,639 |
| Capital Surplus and Other Capital Adjustments | 859,638 | 433,894 | 433,894 |
| Retained Earnings | 13,204,177 | 12,996,790 | 12,665,699 |
| Reserves | (63,883) | 66,898 | 171,176 |
| Total Equity | 14,044,571 | 13,542,221 | 13,315,408 |
| Total Liabilities and Equity | 23,144,722 | 22,712,462 | 22,827,419 |

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

| | For the nine months ended September 30, 2015 | For the nine months ended September 30, 2014 | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|----------------------------------|---|---|---|---|
| Operating Revenue | 9,418,994 | 9,831,961 | 13,012,644 | 12,860,379 |
| Operating Income | 1,270,116 | 1,284,686 | 1,737,160 | 1,969,684 |
| Profit Before Income Tax | 1,188,977 | 1,014,801 | 1,321,750 | 1,220,797 |
| Profit for the Period | 889,374 | 810,182 | 1,028,541 | 910,157 |
| Basic Earnings Per Share (Won) | 12,297 | 11,303 | 14,262 | 12,837 |
| Diluted Earnings Per Share (Won) | 12,297 | 11,303 | 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 nine months ended September 30, 2015

| | Gross amount | Allowance for Doubtful Accounts | Percentage |
|---------------------------|------------------|---------------------------------|------------|
| Accounts receivable trade | 2,855,671 | 244,904 | 9% |
| Loans | 128,434 | 25,515 | 20% |
| Accounts receivable other | 800,663 | 72,547 | 9% |
| Accrued income | 11,470 | | 0% |
| Guarantee deposits | 303,662 | | 0% |
| Total | 4,099,900 | 342,966 | 8% |

(Unit: in millions of Won)

For the year ended December 31, 2014

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

(Unit: in millions of Won)

For the year ended December 31, 2013

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

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

(Unit: in millions of Won)

| | For the nine months ended September 30, 2015 | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|---|---|---|---|
| Beginning balance | 328,191 | 323,985 | 300,668 |
| Increase of allowance for doubtful accounts | 51,425 | 63,697 | 79,330 |
| Reversal of allowance for doubtful accounts | | | (359) |
| Write-offs | (58,100) | (89,529) | (76,697) |
| Other | 21,450 | 30,039 | 21,042 |
| Ending balance | 342,966 | 328,191 | 323,985 |

Table of Contents

(3) Policies for Allowance for Doubtful Accounts

The Company establishes allowances for doubtful accounts based on the likelihood of recoverability of trade and other receivables based on their aging at the end of the period and past customer default experience for the past two years. With respect to trade receivables relating to wireless telecommunications services, the Company considers the likelihood of recovery based on past customer default experience and the length of default in connection with the type of default (e.g., whether the customer's service has been terminated or is continued). For such trade receivables that have been overdue for more than two years after the customer's service has been terminated, the Company records an allowance of 100% of such receivables. 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

(Unit: in millions of Won)

| | As of September 30, 2015 | | | | Total |
|---------------------------|--------------------------|-----------------------------|------------------------------|-----------------------|-----------|
| | Six months or less | From six months to one year | From one year to three years | More than three years | |
| Accounts receivable trade | 2,557,236 | 57,524 | 155,596 | 85,315 | 2,855,671 |
| Percentage | 89.6% | 2.0% | 5.5% | 3.0% | 100.0% |

C. Inventories

(1) Detailed Categories of Inventories

(Unit: in millions of Won)

| Account Category | For the nine months ended September 30, 2015 | For the year ended December 31, 2014 | For the year ended December 31, 2013 |
|--|--|--------------------------------------|--------------------------------------|
| Merchandise | 241,224 | 246,738 | 161,928 |
| Goods in transit | | | |
| Other inventories | 30,771 | 20,929 | 15,192 |
| Total | 271,995 | 267,667 | 177,120 |
| Percentage of inventories to total assets | | | |
| [Inventories / Total assets] | 0.95% | 0.96% | 0.67% |
| Inventory turnover | | | |
| [Cost of sales / { (Beginning balance of inventories + Ending balance of inventories) / 2 }] | 7.01 | 7.55 | 6.20 |

(2) Reporting of Inventories

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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**E. Key Terms of Debt Securities
[SK Telecom]**

The following are key terms and conditions of bonds issued by the Company.

(As of September 30, 2015)

(Unit: in millions of Won except percentages)

| Name | Issue Date | Maturity | | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent |
|----------------------------|----------------|----------------|------|------------------|---------------------------------|------------------------------|
| | | Issue Date | Date | | | |
| Unsecured Bond Series 54 | Sept. 12, 2006 | Sept. 12, 2016 | | 200,000 | Sept. 4, 2006 | Shinhan Investment Corp. |
| Unsecured Bond Series 57-2 | March 3, 2008 | March 3, 2018 | | 200,000 | Feb. 22, 2008 | Shinhan Investment Corp. |
| Unsecured Bond Series 59-1 | Jan. 22, 2009 | Jan. 22, 2016 | | 40,000 | Jan. 14, 2009 | Samsung Securities Co., Ltd. |

| | | |
|--------------------------------------|----------------------------|---|
| Maintenance of Financial Ratio | Key Term Compliance Status | Debt ratio no greater than 400% Compliant |
| Restriction on Liens | Key Term Compliance Status | The total amount of secured debt not to exceed 50% of share capital as of the end of the previous fiscal year Compliant |
| Restriction on Disposition of Assets | Key Term Compliance Status | Disposal of assets per fiscal year not to exceed 5 trillion won Compliant |
| Submission of Compliance Certificate | Compliance Status | Submitted on October 27, 2015 |

| Name | Issue Date | Maturity | | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent |
|----------------------------|---------------|---------------|------|------------------|---------------------------------|--------------------------------------|
| | | Issue Date | Date | | | |
| Unsecured Bond Series 60-1 | March 5, 2009 | March 5, 2016 | | 230,000 | Feb. 24, 2009 | NH Investment & Securities Co., Ltd. |
| Unsecured Bond Series 61-1 | Dec. 27, 2011 | Dec. 27, 2016 | | 110,000 | Dec. 19, 2011 | Hana Financial Investment Co., Ltd. |
| Unsecured Bond Series 61-2 | Dec. 27, 2011 | Dec. 27, 2021 | | 190,000 | Dec. 19, 2011 | Hana Financial Investment Co., Ltd. |

| | | |
|--------------------------------------|----------------------------|---|
| Maintenance of Financial Ratio | Key Term Compliance Status | Debt ratio no greater than 300% Compliant |
| Restriction on Liens | Key Term Compliance Status | The total amount of secured debt not to exceed 50% of share capital as of the end of the previous fiscal year Compliant |
| Restriction on Disposition of Assets | Key Term Compliance Status | Disposal of assets per fiscal year not to exceed 2 trillion won Compliant |
| Submission of Compliance Certificate | Compliance Status | Submitted on October 28, 2015 |

| Name | Issue Date | Maturity | | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent |
|----------------------------|---------------|---------------|------|------------------|---------------------------------|--------------|
| | | Issue Date | Date | | | |
| Unsecured Bond Series 62-1 | Aug. 28, 2012 | Aug. 28, 2019 | | 170,000 | Aug. 22, 2012 | |

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| | | | | | | |
|----------------|-------------|---------------|---------------|---------|---------------|-----------------------------|
| | | | | | | Meritz Securities Co., Ltd. |
| Unsecured Bond | Series 62-2 | Aug. 28, 2012 | Aug. 28, 2022 | 140,000 | Aug. 22, 2012 | Meritz Securities Co., Ltd. |
| Unsecured Bond | Series 62-3 | Aug. 28, 2012 | Aug. 28, 2032 | 90,000 | Aug. 22, 2012 | Meritz Securities Co., Ltd. |

Table of Contents

| | | |
|--------------------------------------|-------------------|--|
| Maintenance of Financial Ratio | Key Term | Debt ratio no greater than 300% |
| | Compliance Status | Compliant |
| Restriction on Liens | Key Term | The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year |
| | Compliance Status | Compliant |
| Restriction on Disposition of Assets | Key Term | Disposal of assets per fiscal year not to exceed 2 trillion won |
| | Compliance Status | Compliant |
| Submission of Compliance Certificate | Compliance Status | Submitted on October 27, 2015 |

| Name | | Maturity | | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent |
|----------------|-------------|----------------|----------------|------------------|---------------------------------|--------------------------------|
| | | Issue Date | Date | | | |
| Unsecured Bond | Series 63-1 | April 23, 2013 | April 23, 2023 | 230,000 | April 17, 2013 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 63-2 | April 23, 2013 | April 23, 2033 | 130,000 | April 17, 2013 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 64-1 | May 14, 2014 | May 14, 2019 | 50,000 | April 29, 2014 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 64-2 | May 14, 2014 | May 14, 2024 | 150,000 | April 29, 2014 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 64-4 | May 14, 2014 | May 14, 2029 | 50,000 | April 29, 2014 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 65-1 | Oct. 28, 2014 | Oct. 28, 2019 | 160,000 | Oct. 16, 2014 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 65-2 | Oct. 28, 2014 | Oct. 28, 2021 | 150,000 | Oct. 16, 2014 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 65-3 | Oct. 28, 2014 | Oct. 28, 2024 | 190,000 | Oct. 16, 2014 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 66-1 | Feb. 26, 2015 | Feb. 26, 2022 | 100,000 | Feb. 11, 2015 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 66-2 | Feb. 26, 2015 | Feb. 26, 2025 | 150,000 | Feb. 11, 2015 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 66-3 | Feb. 26, 2015 | Feb. 26, 2030 | 50,000 | Feb. 11, 2015 | Korea Securities Finance Corp. |

| | | |
|--------------------------------------|-------------------|--|
| Maintenance of Financial Ratio | Key Term | Debt ratio no greater than 300% |
| | Compliance Status | Compliant |
| Restriction on Liens | Key Term | The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year |
| | Compliance Status | Compliant |
| Restriction on Disposition of Assets | Key Term | Disposal of assets per fiscal year not to exceed 2 trillion won |
| | Compliance Status | Compliant |
| Submission of Compliance Certificate | Compliance Status | Submitted on August 21, 2015 |

| Name | | Maturity | | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent |
|----------------|-------------|---------------|---------------|------------------|---------------------------------|--------------------------------|
| | | Issue Date | Date | | | |
| Unsecured Bond | Series 67-1 | July 17, 2015 | July 17, 2018 | 90,000 | July 9, 2015 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 67-2 | July 17, 2015 | July 17, 2025 | 70,000 | July 9, 2015 | Korea Securities Finance Corp. |
| Unsecured Bond | Series 67-3 | July 17, 2015 | July 17, 2030 | 90,000 | July 9, 2015 | Korea Securities Finance Corp. |

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| | | | | | | |
|----------------|-------------|---------------|---------------|--------|--------------|--|
| Unsecured Bond | Series 67-4 | July 17, 2015 | July 17, 2030 | 50,000 | July 9, 2015 | Korea Securities Finance Corp. Korea Securities Finance Corp. |
|----------------|-------------|---------------|---------------|--------|--------------|--|

Table of Contents

| | | |
|--|-------------------|--|
| Maintenance of Financial Ratio | Key Term | Debt ratio no greater than 300% |
| | Compliance Status | Compliant |
| Restriction on Liens | Key Term | The total amount of secured debt not to exceed 100% of share capital as of the end of the previous fiscal year |
| | Compliance Status | Compliant |
| Restriction on Disposition of Assets | Key Term | Disposal of assets per fiscal year not to exceed 2 trillion won |
| | Compliance Status | Compliant |
| Submission of Compliance Certificate [SK Broadband] | Compliance Status | Expected to submit after 2015 3Q Business Report |

The following are key terms and conditions of bonds issued by SK Broadband.

(As of September 30, 2015)

(Unit: in millions of Won except percentages)

| Name | Issue Date | Maturity | | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent |
|----------------------------|---------------|---------------|---------|------------------|--|--------------|
| | | Issue Date | Date | | | |
| Unsecured Bond Series 36-3 | Jan. 19, 2012 | Jan. 19, 2017 | 100,000 | January 11, 2012 | Samsung Securities Co., Ltd. | |
| Unsecured Bond Series 37-2 | Oct. 12, 2012 | Oct. 12, 2017 | 120,000 | October 8, 2012 | Hanwha Investment & Securities Co., Ltd. | |

| | | |
|--------------------------------------|-------------------|--|
| Maintenance of Financial Ratio | Key Term | Debt ratio no greater than 500% |
| | Compliance Status | Compliant |
| Restriction on Liens | Key Term | The total amount of secured debt not to exceed 200% of share capital as of the end of the previous fiscal year |
| | Compliance Status | Compliant |
| Restriction on Disposition of Assets | Key Term | Disposal of assets per fiscal year not to exceed 10 trillion won |
| | Compliance Status | Compliant |
| Submission of Compliance Certificate | Compliance Status | Compliant |

| Name | Issue Date | Maturity | | Principal Amount | Date of Fiscal Agency Agreement | Fiscal Agent |
|----------------------------|----------------|----------------|---------|------------------|---------------------------------|--------------|
| | | Issue Date | Date | | | |
| Unsecured Bond Series 38-1 | April 2, 2014 | Oct. 2, 2016 | 80,000 | March 21, 2014 | Korea Securities Finance Corp. | |
| Unsecured Bond Series 38-2 | April 2, 2014 | April 2, 2019 | 210,000 | March 21, 2014 | Korea Securities Finance Corp. | |
| Unsecured Bond Series 39 | Sept. 29, 2014 | Sept. 29, 2019 | 130,000 | Sept. 17, 2014 | Korea Securities Finance Corp. | |
| Unsecured Bond Series 40-1 | Jan. 14, 2015 | Jan. 14, 2018 | 50,000 | Jan. 2, 2014 | Korea Securities Finance Corp. | |
| Unsecured Bond Series 40-2 | Jan. 14, 2015 | Jan. 14, 2020 | 160,000 | Jan. 2, 2014 | Korea Securities Finance Corp. | |
| Unsecured Bond Series 41 | July 15, 2015 | July 15, 2020 | 140,000 | July 3, 2015 | Korea Securities Finance Corp. | |

| | | |
|--------------------------------|-------------------|---------------------------------|
| Maintenance of Financial Ratio | Key Term | Debt ratio no greater than 400% |
| | Compliance Status | Compliant |
| Restriction on Liens | Key Term | |

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| | | |
|--------------------------------------|-------------------|--|
| | | The total amount of secured debt not to exceed 200% of share capital as of the end of the previous fiscal year |
| | Compliance Status | Compliant |
| Restriction on Disposition of Assets | Key Term | Disposal of assets per fiscal year not to exceed 2 trillion won |
| | Compliance Status | Compliant |
| Submission of Compliance Certificate | Compliance Status | Compliant |

Table of Contents

[SK Telink]

The following are key terms and conditions of bonds issued by SK Telink.

(As of September 30, 2015)

(Unit: in millions of Won except percentages)

| Name | Issue Date | Maturity | Principal Amount | Date of | Underwriter |
|-------------------------|---------------|---------------|------------------|---------------|------------------------------|
| | | Date | | Underwriting | |
| Unsecured Bond Series 3 | Nov. 29, 2011 | Nov. 29, 2015 | 10,000 | Nov. 21, 2011 | Samsung Securities Co., Ltd. |

| | | |
|--------------------------------------|-------------------------------|---|
| Maintenance of Financial Ratio | Key Term Compliance Status | Debt ratio no greater than 500% Compliant |
| Restriction on Liens | Key Term Compliance Status | The total amount of secured debt not to exceed 500% of share capital as of the end of the previous fiscal year Compliant |
| Restriction on Disposition of Assets | Key Term Compliance Status | Disposal of assets per fiscal year not to exceed 2 trillion won Compliant |
| Submission of Compliance Certificate | Compliance Status | Submitted on Sept. 11, 2015 |

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

| | | |
|---|--|--|
| Nine months ended June 30, 2015 KPMG Samjong Accounting Corp. | Year ended December 31, 2014 KPMG Samjong Accounting Corp. | Year ended December 31, 2013 KPMG Samjong Accounting Corp. |
|---|--|--|

2. Audit Opinion (Consolidated)

| | | |
|---------------------------------|--------------------------|---------------------|
| Period | Auditor s opinion | Issues noted |
| Nine months ended June 30, 2015 | | |
| Year ended December 31, 2014 | Unqualified | N/A |
| Year ended December 31, 2013 | Unqualified | N/A |

3. Auditor (Separate)

| | | |
|--|--|--|
| Nine months ended March 31, 2015 KPMG Samjong Accounting Corp. | Year ended December 31, 2014 KPMG Samjong Accounting Corp. | Year ended December 31, 2013 KPMG Samjong Accounting Corp. |
|--|--|--|

4. Audit Opinion (Separate)

| | | |
|---------------------------------|--------------------------|---------------------|
| Period | Auditor s opinion | Issues noted |
| Nine months ended June 30, 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 millions of Won except number of hours)

| Fiscal Year | Auditors | Contents | Fee | Total number of hours accumulated for the fiscal year |
|------------------------------|-------------------------------|--|------------|--|
| Year ended December 31, 2015 | KPMG Samjong Accounting Corp. | Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task | 1,320 | 19,008 |
| Year ended December 31, | KPMG Samjong | Semi-annual review Quarterly review | 1,280 | 17,890 |

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| | | | | |
|------------------------------|-------------------------------|--|-------|--------|
| 2014 | Accounting Corp. | Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task | | |
| Year ended December 31, 2013 | KPMG Samjong Accounting Corp. | Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task | 1,250 | 17,796 |

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

(Unit: in millions of Won)

| Period | Contract date | Service provided | Service duration | Fee |
|--------------------------------------|----------------------|----------------------------------|------------------------------------|------------|
| Nine months ended September 30, 2015 | January 9, 2015 | Audit of public WiFi | January 9-January 23, 2015 | 85 |
| | September 30, 2015 | Confirmation of debt ratio | September 30, 2015-October 5, 2015 | 30 |
| Year ended 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 |
| Year ended December 31, 2013 | June 12, 2014 | Review of revised local tax laws | June 12-July 14, 2014 | 22 |
| | 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 September 30, 2015)

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

At the 31st General Meeting of Shareholders held on March 20, 2015, Dong Hyun Jang was newly 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 | February 5, 2015 | Financial statements as of and for the year ended December 31, 2014 | Approved as proposed |
| (the 1st meeting of 2015) | | Annual business report as of and for the year ended December 31, 2014 | Approved as proposed |
| | | Bond offering | Approved as proposed |
| | | Lease contract of Namsan office building with SK Broadband | Approved as proposed |
| | | Report of internal accounting management | |

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| | | | |
|---|----------------------|---|----------------------|
| 372nd (the 2nd meeting of 2015) | February 24, 2015 | Report for the period after the fourth quarter of 2014 Convocation of the 31st General Meeting of Shareholders | Approved as proposed |
| | | Report of internal accounting management Election of the representative director | Approved as proposed |
| | | Election of the chairman of the Board of Directors | Approved as proposed |
| 373rd (the 3rd meeting of 2015) | March 20, 2015 | Election of committee members | Approved as proposed |
| | | Financial transactions with affiliated company (SK Securities) | Approved as proposed |
| | | Share Exchange with SK Broadband | Approved as proposed |
| | | Disposal of treasury shares | Approved as proposed |
| | | Additional investment in Neosnetworks | Approved as proposed |
| 374th (the 4th meeting of 2015) | April 23, 2015 | Reappointment of compliance officer | Approved as proposed |
| | | Provision of funds for management of the 2015 SUPEX meetings | Approved as proposed |
| 375th (the 5th meeting of 2015) | May 6, 2015 | Report for the period after the first quarter of 2015 Approval of Share Exchange Agreement with SK Broadband | Approved as proposed |
| 376th (the 6th meeting of 2015) | May 29, 2015 | Purchase of SK Broadband shares Report in relation to the equity spinoff for SK Planet's cloud streaming business | Approved as proposed |

Table of Contents

| Meeting | Date | Agenda | Approval |
|---|---------------|--|----------------------|
| | | Transactions with SK C&C in the third quarter of 2015 | Approved as proposed |
| | | Transactions with INFOSEC Co., Ltd. in the third quarter of 2015 | Approved as proposed |
| 377th (the 7th meeting of 2015) | June 25, 2015 | Bond offering | Approved as proposed |
| | | Transactions regarding corporate bonds with affiliated company (SK Securities) | Approved as proposed |
| | | Financial transactions with affiliated company (SK Securities) | Approved as proposed |
| | | Service transactions with SK (China) Enterprise Management Co., Ltd. | Approved as proposed |
| | | Investment in Entrix Co., Ltd. | Approved as proposed |
| | | Extension of maturity of KIF(Korea IT Fund) | Approved as proposed |
| 378th (the 8th meeting of 2015) | July 23, 2015 | Extension of SK Telecom's CVC | Approved as proposed |
| | | Payment of interim dividends | Approved as proposed |
| | | Report on the financial results for the first half of 2015 | |
| | | Report for the period after the second quarter of 2015 | |
| | | Status of SK Telecom's media business | |

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| | | | |
|---|-----------------------|--|----------------------|
| | | Next generation information technology business proposal | Approved as proposed |
| | | Transactions with INFOSEC Co., Ltd. in the fourth quarter of 2015 | Approved as proposed |
| | | Transactions with SK Holdings in the fourth quarter of 2015 | Approved as proposed |
| 379th (the 9th meeting of 2015) | September 24, 2015 | Transactions of marketable securities with SK Planet | Approved as proposed |
| | | Acquisition of treasury shares | Approved as proposed |
| | | Transactions regarding corporate bonds with affiliated company (SK Securities) | Approved as proposed |
| | | Financial transactions with affiliated company (SK Securities) | Approved as proposed |
| | | Plans for participation in internet bank consortium | |

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

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

C. Committees within Board of Directors

(1) Committee structure (as of September 30, 2015)

(a) Compensation Review Committee

| Total number of persons | Inside Directors | Independent Directors | Members | Task |
|-------------------------|------------------|-----------------------|---|---|
| 3 | | | Jay Young Chung, Dae Shick Oh, Jae Hoon Lee | Review CEO remuneration system and amount |

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

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(b) Capex Review Committee

| Total number of persons | Inside Directors | Independent Directors | Members | Task |
|--------------------------------|-------------------------|------------------------------|--|---|
| 4 | | | Jay Young Chung, Dae Shick Oh, Jae Hoon Lee, 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.

Table of Contents

(c) Corporate Citizenship Committee

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

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

(d) Independent Director Nomination Committee

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

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

(e) Audit Committee

| Total number of persons | 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.

Major activities of the Audit Committee as of September 30, 2015 are set forth below.

| Meeting | Date | Agenda | Approval |
|-------------------------|------------------|---|----------|
| The 1st meeting of 2015 | February 4, 2015 | Report of internal accounting management system | |

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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

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

Table of Contents

| Meeting | Date | Agenda | Approval |
|----------------------------|-------------------|--|----------------------|
| | | Report on the IFRS audit of fiscal year 2014 | |
| | | Report on review of 2014 internal accounting management system | |
| | | Evaluation of internal accounting management system operation | Approved as proposed |
| The 2nd meeting of 2015 | February 23, 2015 | Agenda and document review for the 31st General Meeting of Shareholders | Approved as proposed |
| | | Auditor's report for fiscal year 2014 | Approved as proposed |
| | | Construction of fixed-line and wireless networks in 2015 | Approved as proposed |
| | | Contract for payment of customer appreciation gifts in 2015 | Approved as proposed |
| | | Transactions with SK C&C Co., Ltd. in the second quarter of 2015 | Approved as proposed |
| The 3rd meeting of 2015 | March 19, 2015 | 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 meeting of 2015 | April 22, 2015 | Election of the chairman | Approved as proposed |
| | | Purchase of maintenance, repair and operations items from Happynarae Co., Ltd. | Approved as proposed |
| | | | Approved as proposed |

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Remuneration for outside auditor for fiscal year 2015

Approved as proposed

Outside auditor service plan for fiscal year 2015

Audit plan for fiscal year 2015

The 5th

May 29, 2015

meeting of 2015

Construction of fixed-line and wireless networks in 2015

Approved as proposed

Remuneration increase for outside auditors for fiscal year 2015

Approved as proposed

The 6th

July 22, 2015

meeting of 2015

Review report of outside auditors for the first half of fiscal year 2015

Review of business and audit results for the first half of 2015 and
business and audit plans for the second half of 2015

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

3. Shareholders Exercise of Voting Rights

A. Voting System and Exercise of Minority Shareholders Rights

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

| Articles of Incorporation | Description |
|--|---|
| Article 32(3) (Election of Directors) | Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors. |
| Article 4 of the 12 th Supplement to the Articles of Incorporation (Interim Regulation) Also, neither written or electronic voting system nor minority shareholder rights is applicable. | 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. |

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

(As of September 30, 2015)

(Unit: in shares and percentages)

| Name | Relationship | Type of share | Number of shares owned and ownership ratio | | | |
|-----------------------|-------------------------------|---------------|--|-----------------|------------------|-----------------|
| | | | Beginning of Period | | End of Period | |
| | | | Number of shares | Ownership ratio | Number of shares | Ownership ratio |
| SK Holdings Co., Ltd. | Largest Shareholder | Common share | 20,363,452 | 25.22 | 20,363,452 | 25.22 |
| Tae Won Chey | Officer of affiliated company | Common share | 100 | 0.00 | 100 | 0.00 |
| Shin Won Chey | Officer of affiliated company | Common share | 4,000 | 0.00 | 1,067 | 0.00 |
| Dong Hyun Jang | Officer of the Company | Common share | 0 | 0.00 | 251 | 0.00 |
| Myung Hyun Cho | Officer of affiliated company | Common share | 0 | 0.00 | 60 | 0.00 |
| Total | | Common share | 20,368,290 | 25.22 | 20,364,930 | 25.22 |

B. Overview of the Largest Shareholder

SK Holdings Co., Ltd. (SK Holdings) is a holding company in accordance with the Fair Trade Act and as of September 30, 2015, has ten 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., SK Forest Co., Ltd. and INFOSEC Co., Ltd.

Details of the subsidiaries of SK Holdings are as follows:

(Unit: in millions of Won)

| Affiliates | Share Holdings | Book Value (million Won) | Industry | Description |
|-------------------------|----------------|--------------------------|--|-----------------|
| SK Innovation Co., Ltd. | 33.4% | 3,072,937 | Energy and Petrochemical | Publicly Listed |
| SK Telecom Co., Ltd. | 25.2% | 5,080,681 | Telecommunication | Publicly Listed |
| SK Networks Co., Ltd. | 39.1% | 706,229 | Trading and Energy | Publicly Listed |
| SKC Co., Ltd. | 41.8% | 548,654 | PET Film Manufacturing and Chemical Products | Publicly Listed |
| SK E&C Co., Ltd. | 44.5% | 545,300 | Infrastructure, Architectural Housing and Plant Construction | Privately Held |
| SK Shipping Co., Ltd. | 83.1% | 332,400 | Ocean Freight | Privately Held |
| SK E&S Co., Ltd. | 100.0% | 2,600,000 | 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 |
| INFOSEC Co., Ltd. | 99.4% | 43,753 | Information Protection | Privately Held |

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

Table of Contents

The rule is applicable to subsidiaries whose book value of the holding company's shareholding exceeds 10% of their total assets based on the financial statements as of September 30, 2015. SK Innovation Co., Ltd. and SK Telecom Co., Ltd. are two such subsidiaries.

2. Matters Relevant to the Largest Shareholder

As of September 30, 2015, SK Holdings, the company's largest shareholder, held 20,363,452 shares (25.22%) and, including affiliated parties, held 20,364,930 shares (25.22%).

3. Changes in Shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(As of September 30, 2015)

(Unit: in shares and percentages)

| Largest Shareholder | Date of the change in the largest shareholder/ Date of change in shareholding | Shares Held | Holding Ratio | Remarks |
|---------------------|--|-------------|---------------|--|
| SK Holdings | January 31, 2012 | 20,366,290 | 25.22 | Retirement of Bang Hyung Lee, a former officer of an affiliated company (ownership of 200 shares of the Company) |
| | January 2, 2014 | 20,367,290 | 25.22 | Shin Won Chey, SKC's Chairman, purchased 1,000 shares |
| | March 24, 2014 | 20,368,290 | 25.23 | Shin Won Chey, SKC's Chairman, purchased 1,000 shares |
| | 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 |
| | June 9, 2015 | 20,365,006 | 25.22 | Purchase through the Share Exchange between SK Broadband and SK Telecom (Shin Won Chey, SKC's Chairman, purchased 1,067 shares, and Myung Hyun Cho, SK Broadband's independent director, purchased 136 shares) |
| | August 3, 2015 | 20,364,930 | 25.22 | Myung Hyun Cho, SK Broadband's independent director, disposed of 76 shares |

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

4. Distribution of Shares

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

(Unit: in shares and percentages)
Common share

| Rank | Name (title) | Number of shares | Ownership ratio | Remarks |
|------|--|------------------|-----------------|---|
| 1 | Citibank ADR | 9,974,658 | 12.35 | As of June 30, 2015 |
| 2 | SK Holdings | 20,363,452 | 25.22 | As of September 30, 2015 |
| 3 | SK Telecom | 8,116,551 | 10.05 | As of September 30, 2015, Treasury shares |
| 4 | National Pension Service | 6,560,727 | 8.13 | As of August 21, 2015 |
| | Shareholdings under the Employee Stock Ownership Program | 67 | 0.00 | As of September 30, 2015 |

Table of Contents**B. Shareholder Distribution**

(As of June 30, 2015)

(Unit: in shares and percentages)

| Classification | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Remarks |
|------------------------------|------------------------|-----------|------------------|-----------|---------|
| Total minority shareholders* | 56,778 | 99.87% | 34,906,951 | 43.23% | |

* 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 | September 2015 | August 2015 | July 2015 | June 2015 | May 2015 | April 2015 |
|-----------------------------------|----------------|-------------|-----------|-----------|-----------|------------|
| Common stock | | | | | | |
| Highest | 263,000 | 258,000 | 257,000 | 262,500 | 281,500 | 293,500 |
| Lowest | 241,000 | 238,000 | 237,000 | 240,500 | 246,500 | 262,500 |
| Monthly transaction volume | 3,739,852 | 4,385,257 | 3,564,039 | 3,727,042 | 4,782,569 | 4,506,099 |

B. Foreign Securities Market

New York Stock Exchange

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

| Types | September 2015 | August 2015 | July 2015 | June 2015 | May 2015 | April 2015 |
|-----------------------------------|----------------|-------------|------------|------------|------------|------------|
| Depository Receipt | | | | | | |
| Highest | 24.47 | 24.46 | 25.22 | 26.00 | 29.61 | 30.07 |
| Lowest | 22.51 | 22.08 | 22.55 | 23.96 | 24.44 | 26.49 |
| Monthly transaction volume | 12,084,913 | 9,995,140 | 10,941,676 | 11,842,065 | 13,521,822 | 12,349,916 |

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

(As of September 30, 2015)

(Unit: in persons and millions of Won)

| Classification | Number of employees | | | Total | Average service year | Aggregate wage for the year 2015 | Average wage per person | Remarks |
|----------------|---------------------|--------------------|--------|-------|----------------------|----------------------------------|-------------------------|---------|
| | Regular employees | Contract employees | Others | | | | | |
| Male | 3,423 | 75 | | 3,498 | 12.7 | 289,889 | 81 | |
| Female | 487 | 57 | | 544 | 9.9 | 32,730 | 57 | |
| Total | 3,910 | 132 | | 4,042 | 12.3 | 322,619 | 78 | |

* 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 for the nine months ended September 30, 2015 (Total: 4,148, Male: 3,574 Female: 574)

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

| Classification | Number of Directors | Aggregate Amount Approved |
|----------------|---------------------|---------------------------|
| | | |
| Directors | 6 | 12,000 |

B. Amount Paid

(As of September 30, 2015)

(Unit: in millions of Won)

| Classification | Number of Directors* | Aggregate Amount Paid | Average Amount Paid Per Director |
|-------------------------|----------------------|-----------------------|----------------------------------|
| Insider Directors | 4 | 2,098 | 525 |
| Independent Directors | 2 | 101 | 51 |
| Audit Committee Members | 2 | 152 | 51 |
| Total | 9 | 2,351 | |

3. Individual Compensation of Directors

A. Amount Paid

(As of September 30, 2015)

(Unit: in millions of Won)

| Name | Title | Aggregate Amount Paid |
|---------------|---------------------------------------|--------------------------|
| Sung Min Ha | Chief Executive Officer and President | 716 |
| Dong Seob Jee | Head of Strategy & Planning Office | 527 |

Table of Contents

B. Method of Calculation

| Name | Method of calculation |
|-------------|---------------------------|
| Sung Min Ha | <u>Total remuneration</u> |

Won 716 million (consisting of Won 163 million in salary and Won 553 million in bonus).

Did not receive any other income or retirement income.

Salary

Annual salary is set within the executive compensation limit established by the board of directors and reflects the relevant position of the director.

Annual salary is equally divided and paid on a monthly basis.

Bonus

Bonus is awarded based on performance in the previous year and is composed of target incentive payments and profit sharing payments.

Bonus in the range of 0 to 200% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as leadership, meeting the Company's strategy plans, expertise and other contributions.

Financial indicators: For the year ended December 31, 2014, the Company met its financial targets with revenue of Won 17.2 trillion and operating profit of Won 1.8 trillion.

Non-financial indicators: Mr. Ha contributed to the Company's market leadership position despite intensified competition in the industry (maintaining number one position in the industry by National Customer Satisfaction Index for the previous 17 years and being first to commercialize L3 technology globally) and enhanced mid-to-long term sustainability by establishing the foundation of its growth business areas of solutions, IPTV and healthcare.

Dong Seob Jee Total remuneration

Won 527 million (consisting of Won 82 million in salary, Won 441 million in bonus and Won 4 million in other income).

Did not receive any retirement income.

Salary

Annual salary is set within the executive compensation limit established by the board of directors and reflects the relevant position of the director.

Annual salary is equally divided and paid on a monthly basis.

Bonus

Bonus is awarded based on performance in the previous year and is composed of target incentive payments and profit sharing payments.

Bonus in the range of 0 to 200% of annual salary may be awarded by evaluating the previous year's performance through certain financial indicators, such as revenue and operating profit, and non-financial indicators, such as leadership, meeting the Company's strategy plans, expertise and other contributions.

Financial indicators: For the year ended December 31, 2014, the Company met its financial targets with revenue of Won 17.2 trillion and operating profit of Won 1.8 trillion.

Non-financial indicators: Mr. Jee contributed to increasing the Company's corporate value by changing the market perception of the Company to be more positive.

Other income

Other income consists of payment of medical expenses and tuition in accordance with the Company's guidelines.

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 | Beginning | Change details | | Ending | Accrued interest | Remarks |
|-----------------------|--------------|--------------------------------|-----------|----------------|----------|--------|------------------|---------|
| | | | | 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 | Transaction amount |
|-----------------------|--------------|------------|------------------|-----------|-------------------|--------------------|
| | | | | | | |

B. Acquisition and Sale of Securities

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Investment | Transaction date | Base date | Transaction items | Transaction amount |
|-----------------------|--------------|--------------------|--------------------|-----------|--------------------------|--------------------|
| | | | | | | |
| SK Planet | Affiliate | Property dividends | September 30, 2015 | | Registered common shares | 140,834 |

C. Transfer of Assets

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Transferred Assets | Purpose of Transfer | Date of Transfer | Purchase Price | Sale Price | Remarks |
|-----------------------|--------------|---|-----------------------|------------------|----------------|------------|---------|
| | | | | | | | |
| 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 | |
| PS&Marketing | Affiliate | Vehicles, computer software and trademark rights | Transfer of Business | April 30, 2015 | | 152 | |
| SK Innovation | Affiliate | Incidental expenses for the acquisition of aircraft | Disposition of assets | July 31, 2015 | | 1,743 | |
| SK Telesys | Affiliate | Machinery and equipment | Disposition of assets | July 29, 2015 | | 21 | |
| Total | | | | | | 1,949 | |

Table of Contents**D. Transfer of Business**

None.

3. Transactions with the Largest Shareholder

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Investment | Transaction period | Transaction items | Transaction amount |
|-----------------------|--------------|-----------------|---------------------------------------|--------------------------------|--------------------|
| PS&Marketing | Affiliate | Sales/Purchases | January 1, 2015 to September 30, 2015 | Marketing commissions, etc. | 596,959 |
| SK Broadband | Affiliate | Sales/Purchases | January 1, 2015 to September 30, 2015 | Interconnection revenues, etc. | 527,334 |
| SK Planet | Affiliate | Sales/Purchases | January 1, 2015 to September 30, 2015 | Contents usage fees, etc. | 504,872 |

4. Related Party Transactions

See note 34 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)**

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Account category | Beginning | Change details | | Ending | Accrued interest | Remarks |
|-----------------------------|--------------|--------------------------------|-----------|----------------|-----------|--------|------------------|---------|
| | | | | Increase | Decrease | | | |
| Baekmajang and others | Agency | Long-term and short-term loans | 82,739 | 296,601 | (336,856) | 42,484 | | |
| 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**

| Date | Resolution | Description | Status |
|--------------------|---|--|---|
| September 24, 2015 | Acquisition of treasury shares | 1. Expected acquisition: 2,020,000 common shares | The Company is currently in the process of purchasing treasury shares and plans to report the results of the acquisition without delay once the planned purchase of treasury shares is complete |
| | | 2. Expected acquisition cost: Won 523.2 billion | |
| | | 3. Expected acquisition period: September 25, 2015-December 24, 2015 | |
| | | 4. Purpose of acquisition: To raise shareholder value through stabilization of stock price | |
| November 2, 2015 | Acquisition of other company shares and investment securities | 1. Issuing company: CJ HelloVision, Co., Ltd. | The expected acquisition date is April 4, 2016, subject to change depending on when the closing conditions are met, including obtaining approval from the relevant authorities |
| | | 2. Expected acquisition: 23,234,060 common shares (30.0%) | |
| | | 3. Amount to be paid: Won 500 billion | |
| | | 4. Acquisition Method: cash | |
| | | 5. Purpose of acquisition: To secure position as the next generation media platform provider through merger with subsidiary SK Broadband | |

B. Summary Minutes of the General Meeting of Shareholders

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

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

Table of Contents

| Date | Agenda | Resolution |
|--|--|---|
| | | Approved (Cash dividend, Won 8,400 per share) |
| | | Approved |
| | 1. Approval of the financial statements for the year ended December 31, 2012 | |
| 29th Fiscal Year Meeting of Shareholders | 2. Amendments to Articles of Incorporation | Approved (Dae Sik Cho) |
| (March 22, 2013) | 3. Election of directors | |
| | Election of an inside director | Approved (Dae Shick Oh) |
| | Election of an independent director | Approved (Dae Shick Oh) |
| | 4. Election of an independent director as Audit Committee member | |
| | 5. Approval of remuneration limit for directors | Approved (Won 12 billion) |
| 30th Fiscal Year Meeting of Shareholders | 1. Approval of the financial statements for the year ended December 31, 2013 | Approved (Cash dividend, Won 8,400 per share) |
| (March 21, 2014) | 2. Amendments to Articles of Incorporation | |
| | 3. Election of directors | Approved |

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Election of an inside director

Election of an independent director

Approved (Sung Min Ha)

Election of an independent director

Approved (Jay Young Chung)

Election of an independent director

Approved (Jae Hoon Lee)

4. Election of an independent director as Audit Committee member

Approved (Jae Hyeon Ahn)

5. Approval of remuneration limit for directors

Approved (Jae Hyeon Ahn)

Approved (Won 12 billion)

31st Fiscal Year Meeting of Shareholders

1. Approval of the financial statements for the year ended December 31, 2014

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

(March 20, 2015)

2. Amendments to Articles of Incorporation

3. Election of directors

Approved

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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.

Table of Contents**[SK Broadband]****A. Material Legal Proceedings**

(1) SK Broadband as the plaintiff

(Unit: in thousands of Won)

| Description of Proceedings | Date of Commencement of Proceedings | Amount of Claim | Status |
|---|-------------------------------------|-----------------|--------------------------------|
| Dispute to dismiss an order to compensate for damages | October 2014 | 715,121 | Pending before appellate court |
| Others | | 254,058 | |
| Total | | 969,179 | |

(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 | | 190,923 | |
| Total | | 998,923 | |

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 1.2 billion to support employees' funding for the Employee Stock Ownership Program.

Additionally, SK Broadband has provided geun mortgage amounting to Won 14.6 billion to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

Seoul Guarantee Insurance Company has provided a performance guarantee of Won 18.1 billion to SK Broadband in connection with the performance of certain contracts and the repair of any defects.

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SK Broadband has entered into revolving credit facilities with a limit of Won 100 billion with Shinhan Bank and one other financial institution in relation to the Company's loans.

[SK Planet]

A. Material Legal Proceedings

As of September 30, 2015, there were seven pending cases proceeding with SK Planet as the defendant and the aggregate amount of the claim was Won 54.8 million. The management cannot reasonably forecast the outcome of this case and no amount in connection with this proceeding was recognized on the Company's financial statements.

Table of Contents**B. Other Contingent Liabilities**

None.

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

As of September 30, 2015, the aggregate amount of claims was Won 1.2 billion. The Company successfully defended some but not all suits relating to a leak of personal information of subscribers of NATE. Relevant proceedings remain pending at various courts in Korea. The management cannot reasonably forecast the outcome of the pending proceedings, and as a result, adjustments were not made in the financial statements of the Company. The Company does not believe that the outcome of any of the proceedings in which SK Communications is named as a defendant will have a material effect on the Company's financial statements.

B. Other Contingent Liabilities

The material payment guarantees provided by third parties to SK Communications as of September 30, 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 |
| | Provisional deposit guarantee insurance for bonds | | 180,000 |
| | Provisional deposit guarantee insurance for bonds | | 688,000 |
| Total | | | 1,568,000 |

[PS&Marketing]**A. Other Contingent Liabilities**

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

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.

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

Table of Contents

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.

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 suspension on acquiring new customers was implemented from October 1, 2015 to October 7, 2015.

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 (a fine of Won 360 million imposed for violation of its obligations to protect personal information and Won 3.2 billion imposed for damaging users' interests). The Company paid the fine in July 2015 and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order in September 2015. Whether the correctional order on the violation of obligations to protect personal information will be enforced depends on the Court's ruling following the Company's filing of an administrative proceeding to appeal the order on June 24, 2015.

On May 28, 2015, the Korea Communications Commission imposed on the Company a fine of Won 350 million and issued a correctional order for damaging users' interests through misleading and exaggerated advertisement of bundled media and telecommunications products. The Company paid the fine in August 2015 and reported to the Korea Communications Commission on the implementation of actions pursuant to the correctional order in October 2015.

[SK Broadband]

- (1) Violation of the Telecommunications Business Act

Date: May 28, 2015

Subject: SK Broadband

Sanction: SK Broadband received a correctional order (corrective measures for damaging users' interests through misleading and exaggerated advertisement of bundled media and telecommunications products).

Table of Contents

Reason and the Relevant Law: Violated Article 50-1 Paragraph 5 of the Telecommunications Business Act and Article 42-1 of its enforcement ordinance by inducing subscribers through misleading and exaggerated advertisements.

Status of Implementation: Established plans to manage distribution network related to the misleading and exaggerated advertisements.

Company's Plan: Make an official announcement about having received the correctional order and improve operational procedures.

(2) 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.

(3) 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.

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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.

(4) Violation of the Telecommunication Business Act

Date: August 21, 2013

Subject Company: SK Broadband

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

Table of Contents

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

Status of Implementation: Completed revision of subscription agreements to include material terms and conditions pertaining to high-speed Internet usage. 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.

(5) 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.

(6) 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.

(7) Violation of the Telecommunications Business Act

Date: May 18, 2012

Subject Company: SK Broadband

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

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

Table of Contents

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

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

(8) 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: To improve accounting management system.

[SK Telink]

(1) Violation of the Telecommunications Business Act

Date: August 21, 2015

Subject: SK Telink

Sanction: SK Telink received a correctional order and a fine of Won 480 million.

Reason and the Relevant Law: Violated Article 50-1, Paragraph 5 and Article 50-2 of the Telecommunications Business Act and Article 42-1 of the related Enforcement Decree by failing to inform or giving false information about key terms of the contract and failing to deliver usage contract

Status of Implementation: Ceased the prohibited practice, disclosed having received the correctional order in a newspaper (October 2015), improved operating procedures related to recruitment of users through phone solicitation calls and paid the fine (October 2015).

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Company's Plan: To accurately inform consumers of key terms of the contract and distribute usage contract by mail after entering into contract.

4. Important Matters That Occurred After September 30, 2015 [SK Telecom]

On November 2, 2015, the Company's board of directors resolved to acquire shares of CJ HelloVision Co., Ltd. (CJ HelloVision), and on the same day, signed a share purchase agreement with CJ O Shopping Co., Ltd. (CJ O Shopping). The Company plans to acquire 23,234,060 shares of CJ HelloVision on April 1, 2016. The Company also expects to give CJ O Shopping a put option and receive a call option with respect to all or some of the CJ HelloVision shares that are owned by CJ O Shopping as of April 1, 2016. See the Company's Form 6-K furnished to the U.S. Securities and Exchange Commission (SEC) on November 4, 2015 with respect to its decision on acquisition of shares of CJ HelloVision for more information.

Table of Contents**[SK Broadband]**

On November 2, 2015, the board of directors of SK Broadband approved the merger agreement with CJ HelloVision. SK Broadband will merge with and into CJ HelloVision, such that CJ HelloVision will be the surviving entity and SK Broadband will be the non-surviving entity. SK Telecom will be the largest shareholder of the surviving company with a 75.29% equity stake. The date of the general meeting of shareholders to approve the merger agreement will be January 26, 2016, and the merger date will be April 1, 2016. See the Company's Form 6-K furnished to the SEC on November 4, 2015 with respect to the decision on merger of SK Broadband for more information.

[SK Communications]

On September 24, 2015, SK Telecom and SK Planet entered into a stock purchase agreement with respect to the shares of SK Communications such that SK Telecom became the largest shareholder of SK Communications as of October 1, 2015.

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

(As of September 30, 2015)

(Unit: in millions of Won)

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

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

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

Condensed Consolidated Interim Financial Statements

(Unaudited)

September 30, 2015 and 2014

(With Independent Auditors' Review Report Thereon)

Table of Contents

Contents

| | Page |
|---|-------------|
| <u>Independent Auditors' Review Report</u> | 1 |
| <u>Condensed Consolidated Statements of Financial Position</u> | 3 |
| <u>Condensed Consolidated Statements of Income</u> | 5 |
| <u>Condensed Consolidated Statements of Comprehensive Income</u> | 6 |
| <u>Condensed Consolidated Statements of Changes in Equity</u> | 7 |
| <u>Condensed Consolidated Statements of Cash Flows</u> | 8 |
| <u>Notes to the Condensed Consolidated Interim Financial Statements</u> | 10 |

Table of Contents

Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying condensed consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the condensed consolidated statement of financial position as of September 30, 2015, the related condensed consolidated statements of income and comprehensive income for the three and nine-month periods ended September 30, 2015 and 2014, the condensed consolidated statements of changes in equity and cash flows for the nine-month periods ended September 30, 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.

Table of Contents

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 consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

November 6, 2015

This report is effective as of November 6, 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position

As of September 30, 2015 and December 31, 2014

| <i>(In millions of won)</i> | Note | September 30, 2015 | December 31, 2014 |
|--|---------------|-----------------------|----------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 32,33 | 1,263,748 | 834,429 |
| Short-term financial instruments | 5,32,33,34,35 | 289,758 | 313,068 |
| Short-term investment securities | 8,32,33 | 137,246 | 280,161 |
| Accounts receivable - trade, net | 6,32,33,34 | 2,555,497 | 2,392,150 |
| Short-term loans, net | 6,32,33,34 | 40,195 | 74,512 |
| Accounts receivable - other, net | 6,32,33,34 | 725,728 | 690,527 |
| Prepaid expenses | | 154,324 | 134,404 |
| Inventories, net | 7 | 271,995 | 267,667 |
| Assets classified as held for sale | 9 | 14,020 | 10,510 |
| Advanced payments and other | 6,8,32,33,34 | 120,750 | 85,720 |
| Total Current Assets | | 5,573,261 | 5,083,148 |
| Non-Current Assets: | | | |
| Long-term financial instruments | 5,32,33,35 | 10,627 | 631 |
| Long-term investment securities | 8,32,33 | 1,135,057 | 956,280 |
| Investments in associates and joint ventures | 11 | 6,771,515 | 6,298,088 |
| Property and equipment, net | 12,34,35 | 10,170,550 | 10,567,701 |
| Investment property, net | 13 | 15,130 | 14,997 |
| Goodwill | 14 | 1,932,658 | 1,917,595 |
| Intangible assets, net | 15 | 2,199,204 | 2,483,994 |
| Long-term loans, net | 6,32,33,34 | 62,724 | 55,728 |
| Long-term accounts receivable - other | 6,32,33 | 2,388 | 3,596 |
| Long-term prepaid expenses | 35 | 63,729 | 51,961 |
| Guarantee deposits | 5,6,32,33,34 | 301,807 | 285,144 |
| Long-term derivative financial assets | 21,32,33 | 195,265 | 70,035 |
| Deferred tax assets | 30 | 23,649 | 25,083 |
| Other non-current assets | 6,32,33 | 101,156 | 127,252 |
| Total Non-Current Assets | | 22,985,459 | 22,858,085 |
| Total Assets | | 28,558,720 | 27,941,233 |

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position, Continued

As of September 30, 2015 and December 31, 2014

| <i>(In millions of won)</i> | Note | September 30, 2015 | December 31, 2014 |
|--|----------|-----------------------|----------------------|
| Liabilities and Equity | | | |
| Current Liabilities: | | | |
| Short-term borrowings | 16,32,33 | 395,000 | 366,600 |
| Current installments of debentures and long-term borrowings, net | 16,32,33 | 730,118 | 590,714 |
| Current installments of finance lease liabilities | 19,32,33 | 687 | 3,804 |
| Current installments of long-term payables - other | 17,32,33 | 119,566 | 189,389 |
| Accounts payable - trade | 32,33,34 | 334,438 | 275,495 |
| Accounts payable - other | 32,33,34 | 978,921 | 1,381,850 |
| Withholdings | 32,33,34 | 1,073,877 | 1,053,063 |
| Accrued expenses | 32,33 | 877,909 | 952,418 |
| Income tax payable | 30 | 319,668 | 99,236 |
| Unearned revenue | | 237,529 | 327,003 |
| Provisions | 18 | 38,406 | 51,075 |
| Advanced receipts | | 127,679 | 129,255 |
| Liabilities classified as held for sale | 9 | | 408 |
| Other current liabilities | | 90 | |
| Total Current Liabilities | | 5,233,888 | 5,420,310 |
| Non-Current Liabilities: | | | |
| Debentures, excluding current installments, net | 16,32,33 | 6,168,839 | 5,649,158 |
| Long-term borrowings, excluding current installments | 16,32,33 | 134,832 | 149,720 |
| Long-term payables - other | 17,32,33 | 579,888 | 684,567 |
| Long-term unearned revenue | | 3,106 | 19,659 |
| Finance lease liabilities | 19,32,33 | | 26 |
| Defined benefit liabilities | 20 | 143,273 | 91,587 |
| Long-term derivative financial liabilities | 21,32,33 | 85,456 | 130,889 |
| Long-term provisions | 18 | 27,691 | 36,013 |
| Deferred tax liabilities | 30 | 482,657 | 444,211 |
| Other non-current liabilities | 32,33 | 65,320 | 66,823 |
| Total Non-Current Liabilities | | 7,691,062 | 7,272,653 |
| Total Liabilities | | 12,924,950 | 12,692,963 |
| Equity | | | |
| Share capital | 1,22 | 44,639 | 44,639 |
| Capital surplus and other capital adjustments | 22,23,24 | 676,234 | 277,998 |
| Retained earnings | 25 | 14,726,953 | 14,188,591 |
| Reserves | 26 | 55,721 | (4,489) |
| Equity attributable to owners of the Parent Company | | 15,503,547 | 14,506,739 |
| Non-controlling interests | | 130,223 | 741,531 |
| Total Equity | | 15,633,770 | 15,248,270 |

| | | |
|-------------------------------------|-------------------|-------------------|
| Total Liabilities and Equity | 28,558,720 | 27,941,233 |
|-------------------------------------|-------------------|-------------------|

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Income

For the three and nine-month periods ended September 30, 2015 and 2014

(In millions of won except for per share data)

| | Note | September 30, 2015 | | September 30, 2014 | |
|---|---------------|--------------------------------|----------------------------|--------------------------------|----------------------------|
| | | Three-month period ended | Nine-month period ended | Three-month period ended | Nine-month period ended |
| Operating revenue: | <i>4,34</i> | | | | |
| Revenue | | 4,261,360 | 12,757,385 | 4,367,484 | 12,874,772 |
| Operating expense: | <i>34</i> | | | | |
| Labor cost | | 426,408 | 1,445,270 | 411,219 | 1,241,495 |
| Commissions paid | | 1,274,460 | 3,883,758 | 1,326,710 | 4,318,663 |
| Depreciation and amortization | <i>4</i> | 719,126 | 2,115,573 | 672,349 | 1,996,612 |
| Network interconnection | | 236,009 | 710,118 | 286,279 | 842,812 |
| Leased line | | 97,257 | 293,647 | 101,762 | 309,099 |
| Advertising | | 92,928 | 290,366 | 104,843 | 290,076 |
| Rent | | 125,224 | 364,712 | 118,240 | 340,816 |
| Cost of products that have been resold | | 477,432 | 1,418,282 | 474,058 | 1,203,712 |
| Other operating expenses | <i>27</i> | 321,888 | 929,505 | 335,462 | 996,435 |
| | | 3,770,732 | 11,451,231 | 3,830,922 | 11,539,720 |
| Operating income | <i>4</i> | 490,628 | 1,306,154 | 536,562 | 1,335,052 |
| Finance income | <i>4,29</i> | 31,813 | 93,115 | 38,391 | 88,191 |
| Finance costs | <i>4,29</i> | (88,242) | (259,282) | (101,490) | (275,827) |
| Gains relating to investments in subsidiaries, associates and joint ventures, net | <i>1,4,11</i> | 173,955 | 626,278 | 272,144 | 566,846 |
| Other non-operating income | <i>4,28</i> | 4,643 | 20,006 | 10,637 | 47,211 |
| Other non-operating expenses | <i>4,28</i> | (57,955) | (155,824) | (90,485) | (155,131) |
| Profit before income tax | <i>4</i> | 554,842 | 1,630,447 | 665,759 | 1,606,342 |
| Income tax expense | <i>30</i> | 173,045 | 408,015 | 134,757 | 310,392 |
| Profit for the period | | 381,797 | 1,222,432 | 531,002 | 1,295,950 |
| Attributable to: | | | | | |
| Owners of the Parent Company | | 382,251 | 1,222,585 | 531,548 | 1,299,898 |
| Non-controlling interests | | (454) | (153) | (546) | (3,948) |
| Earnings per share | <i>31</i> | | | | |
| Basic earnings per share (in won) | | 5,263 | 16,949 | 7,493 | 18,206 |
| Diluted earnings per share (in won) | | 5,263 | 16,949 | 7,493 | 18,206 |

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

For the three and nine-month periods ended September 30, 2015 and 2014

(In millions of won)

| | | September 30, 2015 | | September 30, 2014 | |
|--|-------|--------------------------------|----------------------------|--------------------------------|----------------------------|
| | Note | Three-month period ended | Nine-month period ended | Three-month period ended | Nine-month period ended |
| Profit for the period | | 381,797 | 1,222,432 | 531,002 | 1,295,950 |
| Other comprehensive income (loss) | | | | | |
| Items that will never be reclassified to profit or loss, net of taxes: | | | | | |
| Remeasurement of defined benefit liabilities | 20 | (4,472) | (7,564) | 1,379 | (10,615) |
| Items that are or may be reclassified subsequently to profit or loss, net of taxes: | | | | | |
| Net change in unrealized fair value of available-for-sale financial assets | 26 | (62,971) | (9,923) | 68,063 | 67,526 |
| Net change in other comprehensive income of investments in associates and joint ventures | 26 | 24,463 | 52,343 | 28,157 | (25,312) |
| Net change in unrealized fair value of derivatives | 21,26 | 5,427 | (15,246) | (21,589) | (40,402) |
| Foreign currency translations differences for foreign operations | 26 | 30,790 | 40,208 | (7,855) | (18,271) |
| Other comprehensive income (loss) for the period, net of taxes | | (6,763) | 59,818 | 68,155 | (27,074) |
| Total comprehensive income | | 375,034 | 1,282,250 | 599,157 | 1,268,876 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Parent Company | | 374,872 | 1,279,604 | 601,745 | 1,276,364 |
| Non-controlling interests | | 162 | 2,646 | (2,588) | (7,488) |

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 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 | | | |
| Balance, January 1, 2014 | 44,639 | 317,508 | 13,102,495 | (12,270) | 13,452,372 | 714,185 | 14,166,557 |
| Cash dividends | | | (666,802) | | (666,802) | (170) | (666,972) |
| Total comprehensive income | | | | | | | |
| Profit (loss) for the period | | | 1,299,898 | | 1,299,898 | (3,948) | 1,295,950 |
| Other comprehensive loss | | | (10,783) | (12,751) | (23,534) | (3,540) | (27,074) |
| | | | 1,239,115 | (12,751) | 1,276,364 | (7,488) | 1,268,876 |
| Interest on hybrid bond | | | (8,420) | | (8,420) | | (8,420) |
| Changes in consolidation scope | | | | | | 12,675 | 12,675 |
| Business combination under common control | | (28,641) | | | (28,641) | | (28,641) |
| Changes in ownership in subsidiaries | | (141) | | | (141) | 141 | |
| Balance, September 30, 2014 | 44,639 | 288,726 | 13,716,388 | (25,021) | 14,024,732 | 719,343 | 14,744,075 |
| Balance, January 1, 2015 | 44,639 | 277,998 | 14,188,591 | (4,489) | 14,506,739 | 741,531 | 15,248,270 |
| Cash dividends | | | (668,494) | | (668,494) | (143) | (668,637) |
| Total comprehensive income | | | | | | | |
| Profit (loss) for the period | | | 1,222,585 | | 1,222,585 | (153) | 1,222,432 |
| Other comprehensive income (loss) | | | (6,477) | 63,496 | 57,019 | 2,799 | 59,818 |
| | | | 1,216,108 | 63,496 | 1,279,604 | 2,646 | 1,282,250 |
| Interest on hybrid bond | | | (8,420) | | (8,420) | | (8,420) |
| Treasury stock | | 425,744 | | | 425,744 | | 425,744 |
| Changes in consolidation scope | | | | | | (5,226) | (5,226) |
| Changes in ownership in subsidiaries | | (27,508) | (832) | (3,286) | (31,626) | (608,585) | (640,211) |
| Balance, September 30, 2015 | 44,639 | 676,234 | 14,726,953 | 55,721 | 15,503,547 | 130,223 | 15,633,770 |

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2015 and 2014

| <i>(In millions of won)</i> | Note | September 30, 2015 | September 30, 2014 |
|--|------|-----------------------|-----------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operating activities | | | |
| Profit for the period | | 1,222,432 | 1,295,950 |
| Adjustments for income and expenses | 36 | 2,361,343 | 2,225,622 |
| Changes in assets and liabilities related to operating activities | 36 | (693,307) | (891,768) |
| Sub-total | | 2,890,468 | 2,629,804 |
| Interest received | | 32,386 | 37,886 |
| Dividends received | | 62,231 | 13,048 |
| Interest paid | | (202,508) | (198,785) |
| Income tax paid | | (138,634) | (182,186) |
| Net cash provided by operating activities | | 2,643,943 | 2,299,767 |
| Cash flows from investing activities: | | | |
| Cash inflows from investing activities: | | | |
| Decrease in short-term financial instruments, net | | 16,366 | 18,956 |
| Decrease in short-term investment securities, net | | 60,158 | 15,243 |
| Collection of short-term loans | | 343,472 | 132,965 |
| Decrease in long-term financial instruments | | 6,764 | 11 |
| Proceeds from disposal of long-term investment securities | | 118,199 | 51,839 |
| Proceeds from disposal of investments in associates and joint ventures | | 187,791 | 6,645 |
| Proceeds from disposal of property and equipment | | 26,612 | 19,377 |
| Proceeds from disposal of intangible assets | | 2,005 | 8,275 |
| Proceeds from disposal of assets held for sale | | 1,007 | 1,056 |
| Collection of long-term loans | | 1,772 | 3,437 |
| Decrease in deposits | | 13,670 | 8,247 |
| Proceeds from disposal of other non-current assets | | 2,783 | 71 |
| Increase in cash due to acquisition of a subsidiary | | 10,148 | |
| Sub-total | | 790,747 | 266,122 |
| Cash outflows for investing activities: | | | |
| Increase in short-term loans | | (302,676) | (130,803) |
| Increase in long-term loans | | (15,706) | (3,148) |
| Increase in long-term financial instruments | | (10,007) | (2,522) |
| Acquisition of long-term investment securities | | (214,458) | (28,294) |
| Acquisition of investments in associates and joint ventures | | (47,825) | (40,264) |
| Acquisition of property and equipment | | (1,724,586) | (2,113,393) |
| Acquisition of intangible assets | | (61,098) | (65,856) |
| Increase in deposits | | (11,247) | (2,643) |
| Increase in other non-current assets | | | (1,835) |
| Acquisition of business, net of cash acquired | | (13,957) | (158,228) |
| Sub-total | | (2,401,560) | (2,546,986) |
| Net cash used in investing activities | | (1,610,813) | (2,280,864) |

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2015 and 2014

| <i>(In millions of won)</i> | September 30, 2015 | September 30, 2014 |
|---|-----------------------|-----------------------|
| Cash flows from financing activities: | | |
| Cash inflows from financing activities: | | |
| Proceeds from short-term borrowings, net | 28,400 | 523,600 |
| Proceeds from issuance of debentures | 946,330 | 757,459 |
| Proceeds from long-term borrowings | | 52,552 |
| Cash inflows from settlement of derivatives | 361 | 119 |
| Sub-total | 975,091 | 1,333,730 |
| Cash outflows for financing activities: | | |
| Repayments of long-term account payables-other | (191,018) | (207,693) |
| Repayments of debentures | (480,000) | (506,149) |
| Repayments of long-term borrowings | (13,489) | (14,109) |
| Cash outflows from settlement of derivatives | (475) | (556) |
| Payments of finance lease liabilities | (2,698) | (14,828) |
| Payments of dividends | (668,494) | (666,802) |
| Payments of interest on hybrid bond | (8,420) | (8,420) |
| Decrease in cash from the consolidated capital transaction | (218,178) | |
| Sub-total | (1,582,772) | (1,418,557) |
| Net cash used in financing activities | (607,681) | (84,827) |
| Net Increase (decrease) in cash and cash equivalents | 425,449 | (65,924) |
| Cash and cash equivalents at beginning of the period | 834,429 | 1,398,639 |
| Effects of exchange rate changes on cash and cash equivalents | 3,870 | (96) |
| Cash and cash equivalents at end of the period | 1,263,748 | 1,332,619 |

See accompanying notes to the condensed consolidated interim financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 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 September 30, 2015, the Parent Company's total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|---|---------------------|--|
| SK Holdings Co., Ltd.(*) | 20,363,452 | 25.22 |
| National Pension Service, other institutional investors and other minority stockholders | 52,265,708 | 64.73 |
| Treasury stock | 8,116,551 | 10.05 |
| Total number of shares | 80,745,711 | 100.00 |

(*) During the nine-month period ended September 30, 2015, SK C&C Co., Ltd., the ultimate controlling entity's investee accounted using the equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Parent Company, and changed its name to SK Holdings Co., Ltd.

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

(2) List of subsidiaries

The list of subsidiaries as of September 30, 2015 and December 31, 2014 is as follows:

| Subsidiary | Location | Primary business | Ownership (%) | |
|---|----------|--|--------------------|-------------------|
| | | | September 30, 2015 | December 31, 2014 |
| SK Telink Co., Ltd. | Korea | Telecommunication and MVNO service | 83.5 | 83.5 |
| M&Service Co., Ltd. | Korea | Data base and internet website service | 100.0 | 100.0 |
| SK Communications Co., Ltd. | Korea | Internet website services | 64.6 | 64.6 |
| Stonebridge Cinema Fund | Korea | Investment association | 55.2 | 56.0 |
| Commerce Planet Co., Ltd. | Korea | Online shopping mall operation agency | 100.0 | 100.0 |
| SK Broadband Co., Ltd.(*1) | Korea | Telecommunication services | 100.0 | 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 |

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| | | | | |
|--------------------------|-------|---------------------------------------|-------|-------|
| 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 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

The list of subsidiaries as of September 30, 2015 and December 31, 2014 is as follows, Continued:

| Subsidiary | Location | Primary business | Ownership (%) | |
|--|-----------|--|--------------------|-------------------|
| | | | September 30, 2015 | December 31, 2014 |
| Network O&S Co., Ltd. | Korea | Base station maintenance service | 100.0 | 100.0 |
| BNCP Co., Ltd. | Korea | Internet website services | 100.0 | 100.0 |
| Iconcube Holdings, Inc. | 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 | 83.9 | 66.7 |
| IRIVER LIMITED(*3) | | Manufacturing digital audio players and | | |
| | Korea | 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 |
| SK Global Healthcare Business Group., Ltd. | Hong Kong | Investment association | 100.0 | 100.0 |
| 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 | Cayman | Investment association | 100.0 | 100.0 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

The list of subsidiaries as of September 30, 2015 and December 31, 2014 is as follows, Continued:

| Subsidiary | Location | Primary business | Ownership (%) | |
|-------------------------------------|----------|--|--------------------|-------------------|
| | | | September 30, 2015 | December 31, 2014 |
| Technology Innovation Partners, LP. | USA | Investment association | 100.0 | 100.0 |
| SK Telecom China Fund I L.P. | Cayman | Investment association | 100.0 | 100.0 |
| Entrix Co., Ltd.(*4) | Korea | Cloud streaming services | 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 |

(*1) On March 20, 2015, 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. became 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. The Parent Company newly acquired 50,377 and 326,748 shares of Neosnetworks Co., Ltd. by participating in the capital increase and capital increase without consideration respectively during the nine-month period ended September 30, 2015.

(*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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries

Condensed financial information of subsidiaries as of and for the nine-month period ended September 30, 2015 is as follows:

(In millions of won)

| Subsidiary | Total assets | Total liabilities | Total equity (deficit) | Revenue | Profit (loss) for the period |
|--|--------------|-------------------|------------------------|-----------|------------------------------|
| SK Telink Co., Ltd. | 339,271 | 148,274 | 190,997 | 326,817 | 51,974 |
| M&Service Co., Ltd. | 83,611 | 38,062 | 45,549 | 100,682 | 4,193 |
| SK Communications Co., Ltd. | 164,838 | 38,628 | 126,210 | 61,242 | (7,992) |
| Stonebridge Cinema Fund | 11,910 | 406 | 11,504 | | 3,288 |
| Commerce Planet Co., Ltd. | 26,870 | 27,824 | (954) | 60,700 | 238 |
| SK Broadband Co., Ltd. | 3,289,291 | 2,175,494 | 1,113,797 | 2,001,285 | (805) |
| K-net Culture and Contents Venture Fund | 13,255 | | 13,255 | | (335) |
| Fitech Focus Limited Partnership II | 18,378 | | 18,378 | | (933) |
| Open Innovation Fund | 20,500 | | 20,500 | | (1,296) |
| PS&Marketing Corporation | 539,648 | 329,878 | 209,770 | 1,326,114 | 1,683 |
| Service Ace Co., Ltd. | 69,571 | 38,737 | 30,834 | 156,508 | 2,874 |
| Service Top Co., Ltd. | 67,531 | 43,770 | 23,761 | 148,890 | 5,153 |
| Network O&S Co., Ltd. | 64,468 | 33,225 | 31,243 | 147,462 | 5,656 |
| BNCP Co., Ltd. | 5,595 | 5,713 | (118) | 8,288 | (1,015) |
| Iconcube Holdings, Inc.(*1) | 1,099 | 351 | 748 | 1,223 | (150) |
| SK Planet Co., Ltd. | 2,623,352 | 916,833 | 1,706,519 | 1,188,736 | (19,255) |
| Neosnetworks Co.,Ltd. | 72,418 | 18,338 | 54,080 | 42,246 | (4,233) |
| IRIVER LIMITED(*2) | 60,164 | 11,855 | 48,309 | 40,264 | 527 |
| SK Telecom China Holdings Co., Ltd. | 36,057 | 1,656 | 34,401 | 5,889 | (12,639) |
| SK Global Healthcare Business Group., Ltd. | 24,584 | | 24,584 | | (1,290) |
| SK Planet Japan, K. K. | 4,837 | 682 | 4,155 | 427 | (3,507) |
| SKT Vietnam PTE. Ltd. | 4,610 | 1,397 | 3,213 | | |
| SK Planet Global PTE. Ltd. | 1,520 | 118 | 1,402 | 1 | (3,343) |
| SKP GLOBAL HOLDINGS PTE. LTD. | 33,544 | 1 | 33,543 | | (13,494) |
| SKT Americas, Inc. | 51,635 | 820 | 50,815 | 6,530 | (3,602) |
| SKP America LLC. | 369,200 | 88 | 369,112 | | (118) |
| YTK Investment Ltd. | 16,631 | | 16,631 | | (3,184) |
| Atlas Investment(*3) | 78,326 | 145 | 78,181 | | (2,313) |
| Entrix Co., Ltd. | 28,960 | 528 | 28,432 | 1,259 | (1,129) |
| shopkick Management Company, Inc. | 296,700 | 7 | 296,693 | | (2,435) |
| shopkick, Inc. | 27,250 | 29,915 | (2,665) | 18,470 | (41,146) |

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

(*2)

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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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 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)

| Subsidiary | Total assets | Total liabilities | Total equity (deficit) | Revenue | Profit (loss) for the year |
|--|--------------|-------------------|------------------------|-----------|----------------------------|
| 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) |
| 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)

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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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

1. Reporting Entity, Continued

(4) Changes in subsidiaries

The list of subsidiaries that were newly included in consolidation during the nine-month period ended September 30, 2015 is as follows:

| Subsidiary | Reason |
|-------------------|--|
| Groovers JP Ltd. | Established by IRIVER LIMITED, a subsidiary of the Parent Company during the nine-month period ended September 30, 2015. |

Entrix Co., Ltd Established by spin-off from SK Planet Co., Ltd., a subsidiary of the Parent Company.

The list of subsidiaries that were excluded from subsidiaries during the nine-month period ended September 30, 2015 is as follows:

| Subsidiary | Reason |
|---------------------|---|
| Iriver CS Co., Ltd. | Merged into IRIVER LIMITED, a subsidiary of the Parent Company during the nine-month period ended September 30, 2015. |

Shenzhen E-eye High Tech
Co., Ltd. Disposed during the nine-month period ended September 30, 2015.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

1. Reporting Entity, Continued

- (5) The information of significant non-controlling interests of the Group as of and for the nine-month period ended September 30, 2015, and as of and for the year ended December 31, 2014 is as follows. There were no dividends paid during the nine-month period ended September 30, 2015 and year ended December 31, 2014 by subsidiaries of which non-controlling interests are significant.

| <i>(In millions of won)</i> | September 30, 2015 SK Communications Co., Ltd. |
|--|---|
| Ownership of non-controlling interests (%) | 35.4 |
| Current assets | 97,865 |
| Non-current assets | 66,973 |
| Current liabilities | (35,756) |
| Non-current liabilities | (2,872) |
| Net assets | 126,210 |
| Net assets of consolidated entities | 126,210 |
| Carrying amount of non-controlling interests | 44,751 |
| Revenue | 61,242 |
| Loss for the period | (7,992) |
| Loss of the consolidated entities | (7,992) |
| Total comprehensive loss | (7,970) |
| Loss attributable to non-controlling interests | (2,834) |
| Net cash used in operating activities | (2,118) |
| Net cash provided by investing activities | 33,904 |
| Net cash provided by financing activities | |
| Net increase in cash and cash equivalents | 31,786 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

1. Reporting Entity, Continued

- (5) The information of significant non-controlling interests of the Group as of and for the nine-month period ended September 30, 2015, and as of and for the year ended December 31, 2014 is as follows. There were no dividends paid during the nine-month period ended September 30, 2015 and year ended December 31, 2014 by subsidiaries of which non-controlling interests are significant, Continued.

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

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 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 33.

(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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

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 nine-month period ended September 30, 2015 are as follows:

(In millions of won)

| | Cellular Services | Fixed-line Telecommunication services | Others | Sub-total | Consolidation adjustments | Consolidated amount |
|--|------------------------------|--|---------------|------------------|--------------------------------------|--------------------------------|
| Total revenue | 11,197,968 | 2,328,102 | 1,536,305 | 15,062,375 | (2,304,990) | 12,757,385 |
| Inter-segment revenue | 1,288,867 | 470,496 | 545,627 | 2,304,990 | (2,304,990) | |
| External revenue | 9,909,101 | 1,857,606 | 990,678 | 12,757,385 | | 12,757,385 |
| Depreciation and amortization | 1,616,493 | 394,646 | 104,434 | 2,115,573 | | 2,115,573 |
| Operating income (loss) | 1,288,478 | 74,686 | (57,010) | 1,306,154 | | 1,306,154 |
| Finance income and costs, net | | | | | | (166,167) |
| Gain related to investments in subsidiaries, associates and joint ventures, net | | | | | | 626,278 |
| Other non-operating income and expense, net | | | | | | (135,818) |
| Profit before income tax | | | | | | 1,630,447 |
| Total assets | 23,885,941 | 3,628,563 | 3,220,129 | 30,734,633 | (2,175,913) | 28,558,720 |
| Total liabilities | 9,545,761 | 2,323,767 | 1,098,331 | 12,967,859 | (42,909) | 12,924,950 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

4. Operating Segments, Continued

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

(In millions of won)

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

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

No single customer contributed 10% or more to the Group's total revenue for the nine-month periods ended September 30, 2015 and 2014.

5. Restricted Deposits

Deposits which are restricted in use as of September 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|-------------------------------------|--------------------|-------------------|
| Short-term financial instruments(*) | 88,969 | 90,321 |
| Long-term financial instruments(*) | 10,601 | 612 |
| Guarantee deposits | 280 | 280 |
| | 99,850 | 91,213 |

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(*) Financial instruments include charitable trust fund established by the Group. Profits from the fund are donated to charitable institutions. As of September 30, 2015, the funds cannot be withdrawn.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

6. Trade and Other Receivables

(1) Details of trade and other receivables as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | | |
|---------------------------------------|---------------------------|----------------------------------|------------------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |
| Accounts receivable - trade | 2,799,114 | (243,617) | 2,555,497 |
| Short-term loans | 40,517 | (322) | 40,195 |
| Accounts receivable - other | 798,275 | (72,547) | 725,728 |
| Accrued income | 11,470 | | 11,470 |
| Others | 1,855 | | 1,855 |
| | 3,651,231 | (316,486) | 3,334,745 |
| Non-current assets: | | | |
| Long-term loans | 87,917 | (25,193) | 62,724 |
| Long-term accounts receivable - other | 2,388 | | 2,388 |
| Guarantee deposits | 301,807 | | 301,807 |
| Long-term accounts receivable - trade | 56,557 | (1,287) | 55,270 |
| | 448,669 | (26,480) | 422,189 |
| | 4,099,900 | (342,966) | 3,756,934 |

(In millions of won)

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

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

6. Trade and Other Receivables, Continued

- (2) Changes in allowances for doubtful accounts of trade and other receivables during the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|---------------------------------|---------------------------------|--------------------|
| | September 30, 2015 | September 30, 2014 |
| Balance at January 1 | 328,191 | 323,984 |
| Increase of bad debt allowances | 51,425 | 45,829 |
| Write-offs | (58,100) | (41,294) |
| Others | 21,450 | 15,938 |
| Balance at September 30 | 342,966 | 344,457 |

- (3) Details of overdue but not impaired, and impaired trade and other receivables as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | | December 31, 2014 | |
|----------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | Accounts receivable - trade | Other receivables | Accounts receivable - trade | Other receivables |
| Neither overdue nor impaired | 2,019,166 | 1,093,591 | 1,831,243 | 1,089,001 |
| Overdue but not impaired | 71,096 | 4,763 | 76,671 | 3,481 |
| Impaired | 765,409 | 145,875 | 774,681 | 137,306 |
| | 2,855,671 | 1,244,229 | 2,682,595 | 1,229,788 |
| Allowances for doubtful accounts | (244,904) | (98,062) | (221,909) | (106,282) |
| | 2,610,767 | 1,146,167 | 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 September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | | December 31, 2014 | |
|-----------------------------|---------------------|-------------------|-----------------------|-------------------|
| | Accounts receivable | Other receivables | Accounts receivable - | Other receivables |
| | | | | |

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| | - | | trade | |
|--------------------|--------|-------|--------|-------|
| | trade | | | |
| Less than 1 month | 31,239 | 2,440 | 25,254 | 1,795 |
| 1 ~ 3 months | 10,992 | 594 | 26,469 | 213 |
| 3 ~ 6 months | 10,846 | 248 | 11,641 | 608 |
| More than 6 months | 18,019 | 1,481 | 13,307 | 865 |
| | 71,096 | 4,763 | 76,671 | 3,481 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

7. Inventories

Details of inventories as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | | | December 31, 2014 | | |
|----------------------------|--------------------|-------------------------|-----------------|-------------------|-------------------------|-----------------|
| | Acquisition cost | Write-down of inventory | Carrying amount | Acquisition cost | Write-down of inventory | Carrying amount |
| Merchandise | 245,742 | (4,518) | 241,224 | 252,063 | (5,325) | 246,738 |
| Finished goods | 3,518 | (131) | 3,387 | 1,930 | (216) | 1,714 |
| Work in process | 1,329 | (103) | 1,226 | 1,144 | (131) | 1,013 |
| Raw materials and supplies | 27,220 | (1,062) | 26,158 | 19,242 | (1,040) | 18,202 |
| | 277,809 | (5,814) | 271,995 | 274,379 | (6,712) | 267,667 |

8. Investment Securities

(1) Details of short-term investment securities as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|---|--------------------|-------------------|
| Beneficiary certificates(*) | 137,246 | 277,003 |
| Current installments of long-term investment securities | | 3,158 |
| | 137,246 | 280,161 |

(*) The distributions arising from beneficiary certificates as of September 30, 2015 were accounted for as accrued income.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

8. Investment Securities, Continued

(2) Details of long-term investment securities as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| Equity securities: | | |
| Marketable equity securities | 823,128 | 657,286 |
| Unlisted equity securities | 91,385 | 56,236 |
| Equity investments | 212,692 | 209,120 |
| | 1,127,205 | 922,642 |
| Debt securities: | | |
| Public bonds(*1) | | 158 |
| Investment bonds(*2) | 7,852 | 36,638 |
| | 7,852 | 36,796 |
| Total | 1,135,057 | 959,438 |
| Less current installments of long-term investment securities | | (3,158) |
| Long-term investment securities | 1,135,057 | 956,280 |

(*1) Details of maturity for the public bonds as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|------------------|--------------------|-------------------|
| Less than 1 year | | 158 |

(*2) During the nine-month period ended September 30, 2015, the Parent Company exercised the conversion right for the convertible bonds of Health Connect Co., Ltd., which were classified as available-for-sale financial assets. Health Connect Co., Ltd. has been classified as investments in associates (5,900 million) as the Parent Company obtained significant influence over the company. As a result of this transaction, investments in associates have increased by 5,900 million and the remaining convertible bonds of 560 million was fully redeemed.

9. Assets and Liabilities Classified as Held for Sale

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(1) Long-term investment securities

On September 7, 2015, the board of directors of SK Communications, Co., Ltd., a subsidiary of the Group, resolved to dispose of 701,000 shares of Ettos Academy Co., Ltd. Accordingly, the Group reclassified the investment securities from available-for-sale financial assets to assets held-for-sale. The fair value of investment asset amounts to 14,020 million and the difference between carrying amount and fair value amounting to 1,384 million was recognized as other comprehensive income. The Group disposed of assets held-for-sale on October 8, 2015, after a reporting period.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

9. Assets and Liabilities Classified as Held for Sale, Continued**(2) Subsidiaries**

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 nine-month period ended September 30, 2015.

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

On April 1, 2015, Neosnetworks Co., Ltd., a subsidiary of the Parent Company, acquired an unmanned machine security business of Joeun Safe Co., Ltd., which manages facility guarding services, in order to expand infrastructure and enhance competitiveness of its security business.

The Group recognized the acquired assets and liabilities as fair value and the difference between the consideration and fair value of net assets as goodwill.

(2) Consideration paid and assets and liabilities transferred

Consideration paid and assets in succession recognized at the acquisition date are as follows:

(In millions of won)

| | 2015 |
|---------------------------|-------------|
| Consideration paid | |
| Cash and cash equivalents | 13,957 |
| Accounts payable - other | 2,302 |
| | 16,259 |
| Assets transferred | |
| Property and equipment | 3,641 |
| Intangible assets | 8,219 |
| Other assets | 2,525 |
| Deferred tax liabilities | (1,808) |
| | 12,577 |

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The fair value of such intangible assets transferred has been provisionally recorded and subject to change since the independent valuation process of the intangible assets has not been completed as of September 30, 2015.

- (3) During the nine-month period ended September 30, 2015, hoppin service division of SK Planet Co., Ltd., a subsidiary of the Company, was spun off from SK Planet Co., Ltd. and merged into SK Broadband, Co., Ltd. There is no impact on the consolidated financial statements as it is a business combination under common control.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Investments in Associates and Joint Ventures

- (1) Investments in associates and joint ventures accounted for using the equity method as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | Country | September 30, 2015 | | December 31, 2014 | |
|---|---------------|--------------------------|-----------------|--------------------------|-----------------|
| | | Ownership percentage (%) | Carrying amount | Ownership percentage (%) | Carrying amount |
| Investments in associates | | | | | |
| SK China Company Ltd.(*1) | China | 9.6 | 38,818 | 9.6 | 35,817 |
| Korea IT Fund(*2) | Korea | 63.3 | 242,166 | 63.3 | 240,676 |
| KEB HanaCard Co., Ltd.(*1,3) | Korea | 15.0 | 256,262 | 25.4 | 425,140 |
| Candle Media Co., Ltd. | Korea | 35.1 | 19,928 | 35.1 | 19,486 |
| NanoEnTek, Inc.(*4) | Korea | 28.6 | 45,738 | 26.0 | 36,527 |
| SK Industrial Development China Co., Ltd. | Hongkong | 21.0 | 82,144 | 21.0 | 79,394 |
| Packet One Network(*5) | Malaysia | | | 13.6 | 53,670 |
| SK Technology Innovation Company | Cayman | 49.0 | 47,722 | 49.0 | 44,052 |
| HappyNarae Co., Ltd. | Korea | 42.5 | 16,820 | 42.5 | 15,551 |
| SK hynix Inc. | Korea | 20.1 | 5,508,986 | 20.1 | 4,849,159 |
| SK MENA Investment B.V. | Netherlands | 32.1 | 15,212 | 32.1 | 14,015 |
| SKY Property Mgmt. Ltd. | Virgin Island | 33.0 | 259,544 | 33.0 | 248,534 |
| Xinan Tianlong Science and Technology Co., Ltd. | China | 49.0 | 24,584 | 49.0 | 25,874 |
| Daehan Kanggun BcN Co., Ltd. and others | | | 162,056 | | 158,725 |
| Sub-total | | | 6,719,980 | | 6,246,620 |
| Investments in joint ventures | | | | | |
| Dogus Planet, Inc.(*6) | Turkey | 50.0 | 14,122 | 50.0 | 11,441 |
| PT. Melon Indonesia | Indonesia | 49.0 | 3,888 | 49.0 | 3,564 |
| Television Media Korea Ltd.(*7) | Korea | | | 51.0 | 6,944 |
| Celcom Planet | Malaysia | 51.0 | 9,707 | 51.0 | 16,605 |
| PT XL Planet Digital(*6) | Indonesia | 50.0 | 23,818 | 50.0 | 12,914 |
| Sub-total | | | 51,535 | | 51,468 |
| Total | | | 6,771,515 | | 6,298,088 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Investments in Associates and Joint Ventures, Continued

(1) Investments in associates and joint ventures accounted for using the equity method as of September 30, 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 nine-month period ended September 30, 2015, the Group disposed of 27,725,264 shares of KEB HanaCard Co., Ltd.
- (*4) During the nine-month period ended September 30, 2015, the Group newly acquired 1,090,155 shares of NanoEnTek, Inc. by participating in paid-in capital increase through third-party allocation.
- (*5) Reclassified from investment in associates to available-for-sale financial assets during the nine-month period ended September 30, 2015 as the Group lost the right to appoint directors of this investee and consequently no longer has significant influence.
- (*6) There were additional investments in associates and joint ventures during the nine-month period ended September 30, 2015.
- (*7) During the nine-month period ended September 30, 2015, the Group disposed of all shares of Television Media Korea Ltd.

(2) The market price of investments in listed associates as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won, except for share data)

| | September 30, 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. | 1,155 | 21,620,360 | 24,972 | 734 | 21,620,360 | 15,869 |
| NanoEnTek, Inc. | 7,930 | 6,960,445 | 55,196 | 5,710 | 5,870,290 | 33,519 |
| SK hynix Inc. | 33,550 | 146,100,000 | 4,901,655 | 47,750 | 146,100,000 | 6,976,275 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Investments in Associates and Joint Ventures, Continued

- (3) The financial information of the significant investees as of and for the nine-month period ended September 30, 2015 and as of and for the year ended December 31, 2014 are as follows:

(In millions of won)

| | As of and for the nine-month period ended September 30, 2015 | | | |
|-----------------------------------|---|------------------------------|-------------------------------|------------------|
| | SK hynix Inc. | KEB HanaCard Co., Ltd. | SKY Property Mgmt. Ltd. | Korea IT Fund |
| Current assets | 9,700,457 | 6,514,485 | 175,458 | 126,994 |
| Non-current assets | 19,641,683 | 571,883 | 685,003 | 255,529 |
| Current liabilities | 5,389,340 | 1,384,338 | 253,116 | |
| Non-current liabilities | 3,186,473 | 4,348,546 | 36,780 | |
| Revenue | 14,381,954 | 1,105,589 | 66,502 | 16,935 |
| Profit for the period | 3,452,106 | 25,385 | 14,345 | 10,863 |
| Other comprehensive income (loss) | 249,855 | 2,405 | (24,791) | |
| Total comprehensive income (loss) | 3,701,961 | 27,790 | (10,446) | 10,863 |

(In millions of won)

| | As of and for the year ended December 31, 2014 | | | |
|-----------------------------------|--|------------------------------|-------------------------------|------------------|
| | SK hynix Inc. | KEB HanaCard Co., Ltd. | SKY Property Mgmt. Ltd. | Korea IT Fund |
| 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) for the period | 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Investments in Associates and Joint Ventures, Continued

- (4) The condensed financial information of joint ventures as of and for the nine-month period ended September 30, 2015 and as of and for the year ended December 31, 2014 are as follows:

(In millions of won)

| | As of and for nine-month period ended September 30, 2015 | | | |
|--|--|---------------------|----------------------|---------------|
| | Dogus Planet, Inc. | PT. Melon Indonesia | PT XL Planet Digital | Celcom Planet |
| Current assets | 25,305 | 10,856 | 19,387 | 21,416 |
| Cash and cash equivalents | 22,432 | 3,941 | 15,079 | 19,371 |
| Non-current assets | 13,080 | 2,440 | 37,435 | 5,519 |
| Current liabilities | 10,081 | 5,175 | 8,604 | 7,900 |
| Account payable, other payables and provisions | 3,006 | 2,038 | 3,638 | 5,889 |
| Non-current liabilities | 60 | 134 | 582 | |
| Revenue | 30,905 | 11,969 | 3,394 | 860 |
| Depreciation and amortization | (2,629) | (107) | (1,993) | (874) |
| Interest income | 369 | 226 | | 194 |
| Interest expense | | | | |
| Income tax benefit | | | 4,630 | |
| Profit (loss) for the period | (20,308) | 1,288 | (13,174) | (13,525) |
| Total comprehensive income (loss) | (20,308) | 1,288 | (13,174) | (13,525) |

(In millions of won)

| | As of and for the year ended December 31, 2014 | | | | |
|--|--|--------------------|---------------------|----------------------|---------------|
| | Television Media Korea Ltd. | Dogus Planet, Inc. | PT. Melon Indonesia | PT XL Planet Digital | Celcom Planet |
| Current assets | 16,252 | 38,641 | 10,022 | 9,241 | 30,407 |
| Cash and cash equivalents | 5,104 | 6 | 4,763 | 6,710 | 30,400 |
| Non-current assets | 4,543 | 13,011 | 3,094 | 14,589 | 3,343 |
| Current liabilities | 7,188 | 28,406 | 5,689 | 4,198 | 1,182 |
| Account payable, other payables and provisions | 265 | 3,648 | | | |
| Non-current liabilities | 464 | 377 | 102 | 124 | |
| Account payable, other payables and provisions | 464 | 377 | | 124 | |
| Revenue | 16,403 | 23,897 | 11,826 | 1,019 | |
| Depreciation and amortization | (3,732) | (2,402) | (928) | (1,452) | (1) |
| Interest income | 254 | 1,154 | 268 | | |
| Interest expense | | (6) | | | |
| Income tax expense | | | | (5,334) | |
| Profit (loss) for the year | (3,361) | (37,146) | 523 | (15,596) | (1,479) |
| Total comprehensive income (loss) | (3,361) | (37,146) | 523 | (15,596) | (1,479) |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Investments in Associates and Joint Ventures, Continued

- (5) Reconciliations of financial information of significant associates to carrying amounts of investments in associates in the consolidated financial statements as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | | | September 30, 2015 | | |
|-----------------------------|------------|-------------------------|--|-------------------------------|-----------------|
| | Net assets | Ownership interests (%) | Net assets attributable to the ownership interests | Cost-book value differentials | Carrying amount |
| Associates: | | | | | |
| SK hynix Inc.(*1,2) | 20,766,453 | 20.1 | 4,294,120 | 1,214,866 | 5,508,986 |
| KEB HanaSK Card Co., Ltd. | 1,353,483 | 15.0 | 203,022 | 53,240 | 256,262 |
| SKY Property Mgmt. Ltd.(*1) | 562,638 | 33.0 | 185,670 | 73,874 | 259,544 |
| Korea IT Fund | 382,367 | 63.3 | 242,166 | | 242,166 |

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

(*2) The ownership interest is calculated based on the number of shares owned by the Parent Company for the total outstanding shares of the investee company. The Group applied the equity method using the ownership interest of 20.68% which is based on the number of shares owned by the Parent Company for the outstanding shares not including the shares held by the investee company as treasury shares.

(In millions of won)

| | | | December 31, 2014 | | |
|----------------------------|------------|-------------------------|--|-------------------------------|-----------------|
| | Net assets | Ownership interests (%) | Net assets attributable to the ownership interests | Cost-book value differentials | Carrying amount |
| Associates: | | | | | |
| SK hynix Inc.(*) | 18,036,453 | 20.1 | 3,619,666 | 1,229,493 | 4,849,159 |
| KEB HanaCard Co., Ltd. | 1,326,649 | 25.4 | 337,266 | 87,874 | 425,140 |
| SKY Property Mgmt. Ltd.(*) | 527,479 | 33.0 | 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Investments in Associates and Joint Ventures, Continued

- (6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | For the nine-month period ended September 30, 2015 | | | | | Ending balance |
|---|--|--------------------------|---------------------------|-----------------------------------|---------------------------|----------------|
| | Beginning balance | Acquisition and Disposal | Share of profits (losses) | Other comprehensive income (loss) | Other increase (decrease) | |
| Investments in associates | | | | | | |
| SK China Company Ltd. | 35,817 | | (1,702) | 4,703 | | 38,818 |
| Korea IT Fund(*) | 240,676 | | 5,037 | (1,444) | (2,103) | 242,166 |
| KEB HanaCard Co., Ltd. | 425,140 | (174,475) | 5,101 | 496 | | 256,262 |
| Candle Media Co., Ltd. | 19,486 | | 401 | 41 | | 19,928 |
| NanoEnTek, Inc. | 36,527 | 10,000 | (853) | 64 | | 45,738 |
| SK Industrial Development China Co., Ltd. | 79,394 | | (870) | 3,620 | | 82,144 |
| Packet One Network | 53,670 | | (8,714) | (565) | (44,391) | |
| SK Technology Innovation Company | 44,052 | | (1,991) | 5,661 | | 47,722 |
| HappyNarae Co., Ltd. | 15,551 | | 1,270 | (1) | | 16,820 |
| SK hynix Inc.(*) | 4,849,159 | | 672,739 | 30,918 | (43,830) | 5,508,986 |
| SK MENA Investment B.V. | 14,015 | | 4 | 1,193 | | 15,212 |
| SKY Property Mgmt. Ltd. | 248,534 | | 4,831 | 6,179 | | 259,544 |
| Xian Tianlong Science and Technology Co., Ltd | 25,874 | | (1,290) | | | 24,584 |
| Daehan Kanggun BcN Co., Ltd. and others (*) | 158,725 | 4,251 | (10,612) | 5,515 | 4,177 | 162,056 |
| Sub-total | 6,246,620 | (160,224) | 663,351 | 56,380 | (86,147) | 6,719,980 |
| Investments in joint ventures | | | | | | |
| Dogus Planet, Inc. | 11,441 | 10,627 | (10,154) | 2,208 | | 14,122 |
| PT. Melon Indonesia | 3,564 | | 631 | (307) | | 3,888 |
| Television Media Korea Ltd. | 6,944 | (6,712) | (232) | | | |
| Celcom Planet | 16,605 | | (6,898) | | | 9,707 |
| PT XL Planet Digital | 12,914 | 17,491 | (6,587) | | | 23,818 |
| Sub-total | 51,468 | 21,406 | (23,240) | 1,901 | | 51,535 |
| Total | 6,298,088 | (138,818) | 640,111 | 58,281 | (86,147) | 6,771,515 |

(*) Dividends paid by the associate are deducted from the carrying amount during the nine-month period ended September 30, 2015.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Investments in Associates and Joint Ventures, Continued

- (6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the nine-month periods ended September 30, 2015 and 2014 are as follows, Continued:

(In millions of won)

For the nine-month period ended September 30, 2014

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

(*) Reclassified from investment in associates to available-for-sale financial assets during the nine-month period ended September 30, 2014 as the Group lost the right to appoint directors of this investee and consequently no longer has significant influence.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Investments in Associates and Joint Ventures, Continued

- (7) As the Group discontinued the application of the equity method due to the carrying amount of the Group's share being reduced to zero, the unrecognized accumulated equity losses as of September 30, 2015 are as follows:

(In millions of won)

| | Unrealized loss | | Unrealized change in equity | |
|---------------------------------|---------------------------------|-------------|---------------------------------|-------------|
| | Period ended September 30, 2015 | Accumulated | Period ended September 30, 2015 | Accumulated |
| Wave City Development Co., Ltd. | 2,829 | 4,473 | | |
| Gemini and others | 1,032 | 6,348 | | 365 |
| | 3,861 | 10,821 | | 365 |

12. Property and Equipment

Changes in property and equipment for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | For the nine-month period ended September 30, 2015 | | | | | | |
|--------------------------|--|-------------|----------|-----------|--------------|----------------------|----------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | Business combination | Ending balance |
| Land | 766,780 | 4,493 | (2,031) | 30,569 | | | 799,811 |
| Buildings | 933,867 | 4,630 | (6,839) | 23,622 | (36,996) | | 918,284 |
| Structures | 352,789 | 3,462 | (57) | 12,652 | (25,670) | | 343,176 |
| Machinery | 7,310,815 | 362,615 | (14,162) | 910,549 | (1,585,542) | 3,641 | 6,987,916 |
| Other | 499,050 | 601,542 | (13,710) | (455,947) | (106,561) | | 524,374 |
| Construction in progress | 704,400 | 509,744 | (1,045) | (616,110) | | | 596,989 |
| | 10,567,701 | 1,486,486 | (37,844) | (94,665) | (1,754,769) | 3,641 | 10,170,550 |

(In millions of won)

| | For the nine-month period ended September 30, 2014 | | | | | | | | |
|------------|--|-------------|----------|-----------|--------------|------------|--------|----------------------|----------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | Impairment | Others | Business acquisition | Ending balance |
| Land | 732,206 | 6,069 | | 16,258 | | | 1,493 | 609 | 756,635 |
| Buildings | 956,691 | 4,012 | (383) | 7,138 | (36,488) | | 2,678 | 948 | 934,596 |
| Structures | 364,951 | 4,040 | | 4,795 | (24,545) | | | | 349,241 |
| Machinery | 6,847,059 | 282,536 | (22,315) | 1,289,434 | (1,524,473) | (2,883) | | 7,756 | 6,877,114 |
| Other | 533,181 | 897,063 | (2,324) | (611,626) | (99,539) | (46) | 4,743 | 1,173 | 722,625 |

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| | | | | | | | | | |
|--------------------------|------------|-----------|----------|-----------|-------------|---------|-------|--------|------------|
| Construction in progress | 762,519 | 595,815 | (4,624) | (776,315) | | | | | 577,395 |
| | 10,196,607 | 1,789,535 | (29,646) | (70,316) | (1,685,045) | (2,929) | 8,914 | 10,486 | 10,217,606 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

13. Investment Property

Changes in investment property for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended September 30, 2015 | | | |
|-----------------------------|---|-----------------|---------------------|---------------------------|
| | Beginning balance | Transfer | Depreciation | Ending balance |
| Land | 10,418 | 216 | | 10,634 |
| Buildings | 4,579 | 97 | (180) | 4,496 |
| | 14,997 | 313 | (180) | 15,130 |

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

14. Goodwill

(1) Goodwill as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | December 31, 2014 |
|--|---------------------------|--------------------------|
| 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 | 267,979 | 252,916 |
| | 1,932,658 | 1,917,595 |

(2) Changes in goodwill for the nine-month periods ended September 30, 2015 and 2014 are as follows:

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(In millions of won)

| | For the nine-month period ended | |
|------------------------------------|---------------------------------|--------------------|
| | September 30, 2015 | September 30, 2014 |
| Beginning balance | 1,917,595 | 1,733,261 |
| Addition from business acquisition | 3,682 | 39,144 |
| Impairment loss on goodwill | (1,976) | |
| Others | 13,357 | |
| | 1,932,658 | 1,772,405 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

15. Intangible Assets

(1) Changes in intangible assets for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | Beginning balance | For the nine-month period ended September 30, 2015 | | | | | Ending balance |
|-----------------------|----------------------|--|----------|----------|-------------------|-------------------------|-------------------|
| | | Acquisition | Disposal | Transfer | Amortiza- tion | Business combination | |
| Frequency use rights | 1,384,044 | | | | (210,395) | | 1,173,649 |
| Land use rights | 25,353 | 9,579 | (193) | | (7,016) | | 27,723 |
| Industrial rights | 107,760 | 9,349 | | 4,175 | (4,346) | | 116,938 |
| Development costs | 8,331 | 1,856 | | 22 | (3,448) | | 6,761 |
| Facility usage rights | 52,636 | 1,059 | (23) | 293 | (6,322) | | 47,643 |
| Customer relations | 6,404 | | | 1,335 | (3,961) | 8,219 | 11,997 |
| Memberships | 94,119 | 554 | (1,576) | 68 | | | 93,165 |
| Other | 805,347 | 38,737 | (2,187) | 111,887 | (232,456) | | 721,328 |
| | 2,483,994 | 61,134 | (3,979) | 117,780 | (467,944) | 8,219 | 2,199,204 |

(In millions of won)

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

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

15. Intangible Assets, Continued

- (2) The carrying amount and residual useful lives of frequency usage rights as of September 30, 2015 are as follows, all of which are depreciated on a straight-line basis:

(In millions of won)

| | Amount | Description | Commencement of amortization | Completion of amortization |
|----------------|---------------|--|---|---------------------------------------|
| W-CDMA license | 126,765 | Frequency use rights relating to W-CDMA service | Dec. 2003 | Dec. 2016 |
| W-CDMA license | 20,389 | Frequency use rights relating to W-CDMA service | Oct. 2010 | Dec. 2016 |
| 800MHz license | 233,128 | Frequency use rights relating to CDMA and LTE service | Jul. 2011 | Jun. 2021 |
| 1.8GHz license | 785,125 | Frequency use rights relating to LTE service | Sep. 2013 | Dec. 2021 |
| WiBro license | 8,242 | WiBro service | Mar. 2012 | Mar. 2019 |
| | 1,173,649 | | | |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

16. Borrowings and Debentures

(1) Short-term borrowings as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | Lender | Annual interest rate (%) | September 30, 2015 | December 31, 2014 |
|-----------------------|---|--------------------------|--------------------|-------------------|
| Commercial Paper | KTB Investment & Securities Co., Ltd., etc. | 1.58~2.37 | 273,000 | 206,000 |
| Short-term borrowings | Korea Development Bank, etc. | 2.09~3.08 | 122,000 | 160,600 |
| | | | 395,000 | 366,600 |

(2) Long-term borrowings as of September 30, 2015 and December 31, 2014 are as follows:

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

| Lender | Annual interest rate (%) | Maturity | September 30, 2015 | December 31, 2014 |
|---|-----------------------------|---------------|--------------------|-------------------|
| Shinhan Bank | 2.39 | Jun. 15, 2015 | | 1,712 |
| Kookmin Bank | 1.97 | Jun. 15, 2016 | 2,437 | 4,874 |
| Kookmin Bank | 1.97 | Mar. 15, 2017 | 2,998 | 4,496 |
| Kookmin Bank | 1.97 | Mar. 15, 2018 | 7,167 | 8,600 |
| Shinhan Bank(*1) | 6M bank debenture 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 | 96,250 | 94,903 |
| | | | (USD 80,577) | (USD 86,338) |
| Sub-total | | | 167,852 | 173,585 |
| Less present value discount on long-term borrowings | | | (2,328) | (2,623) |
| | | | 165,524 | 170,962 |
| Less current installments of long-term borrowings | | | (30,692) | (21,242) |
| Long-term borrowings | | | 134,832 | 149,720 |

(*1) As of September 30, 2015, the 6M bank debenture rate of Shinhan Bank is 1.56%.

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(*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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

16. Borrowings and Debentures, Continued

(3) Debentures as of September 30, 2015 and December 31, 2014 are as follows:

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

| | Purpose | Maturity | Annual interest rate (%) | September 30, 2015 | December 31, 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 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(*5,6) | | 2029 | 4.73 | | 55,188 |
| Unsecured private bonds(*5) | | 2029 | 4.72 | 56,024 | 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 | Operating and | 2022 | 2.40 | 100,000 | |
| Unsecured private bonds | refinancing fund | 2025 | 2.49 | 150,000 | |
| Unsecured private bonds | | 2030 | 2.61 | 50,000 | |
| Unsecured private bonds | Operating fund | 2018 | 1.89 | 90,000 | |
| Unsecured private bonds | | 2025 | 2.66 | 70,000 | |
| Unsecured private bonds | | 2030 | 2.82 | 90,000 | |
| Unsecured private bonds(*5) | | 2030 | 3.40 | 54,003 | |
| Unsecured private bonds(*1) | | 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 |
| 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(*2) | | 2020 | 3.24 | 140,000 | |
| Unsecured private bonds(*3) | | 2015 | 3.12 | | 10,000 |
| Unsecured private bonds(*3) | | 2016 | 3.24 | 10,000 | 10,000 |

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| | | | | |
|-------------------------------|------|------|---------------|---------------|
| Unsecured private bonds(*3) | 2017 | 3.48 | 20,000 | 20,000 |
| Foreign global bonds | | | 477,800 | 439,680 |
| | 2027 | 6.63 | (USD 400,000) | (USD 400,000) |
| Swiss unsecured private bonds | 2017 | 1.75 | 368,862 | 333,429 |
| | | | (CHF 300,000) | (CHF 300,000) |
| Foreign global bonds | 2018 | 2.13 | 836,150 | 769,440 |
| | | | (USD 700,000) | (USD 700,000) |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

16. Borrowings and Debentures, Continued

(3) Debentures as of September 30, 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 rate (%) | September 30, 2015 | December 31, 2014 |
|------------------------------------|----------------|----------|--------------------------|--------------------------|--------------------------|
| Australia unsecured private bonds | Operating fund | 2017 | 4.75 | 250,881 (AUD 300,000) | 269,727 (AUD 300,000) |
| Floating rate notes(*4) | | 2020 | 3M Libor + 0.88 | 358,350 (USD 300,000) | 329,760 (USD 300,000) |
| Foreign global bonds(*2) | | 2018 | 2.88 | 358,350 (USD 300,000) | 329,760 (USD 300,000) |
| Sub-total | | | | 6,900,420 | 6,252,161 |
| Less discounts on bonds | | | | (32,155) | (33,531) |
| | | | | 6,868,265 | 6,218,630 |
| Less current installments of bonds | | | | (699,426) | (569,472) |
| | | | | 6,168,839 | 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&Marketing Corporation, a subsidiary of the Parent Company.

(*4) As of September 30, 2015, 3M Libor rate is 0.33%.

(*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 10,027 million as of September 30, 2015.

(*6) As of December 31, 2014, the principal amount and the fair value of the structured bonds were 50,000 million and 55,188 million, respectively. The entire bonds were early redeemed during the nine-month period ended September 30, 2015.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

17. Long-term Payables - other

- (1) Long-term payables - other as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| Payables related to acquisition of W-CDMA licenses | 547,970 | 657,001 |
| Other(*) | 31,918 | 27,566 |
| | 579,888 | 684,567 |

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

- (2) As of September 30, 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 15):

(In millions of won)

| | Period of repayment | Coupon rate | Annual effective interest rate(*) | September 30, 2015 | December 31, 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 | | | | (42,352) | (53,633) |
| | | | | 667,536 | 846,390 |
| Less current installments of long-term payables - other | | | | (119,566) | (189,389) |
| Carrying amount at period end | | | | 547,970 | 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 September 30, 2015 is as follows:

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(In millions of won)

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

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

18. Provisions

Changes in provisions for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | For the nine-month period ended September 30, 2015 | | | | | | As of September 30, 2015 | |
|-------------------------------|--|----------|-------------|----------|-------|----------------|--------------------------|-------------|
| | Beginning balance | Increase | Utilization | Reversal | Other | Ending balance | Current | Non-current |
| Provision for handset subsidy | 26,799 | | (4,288) | (17,583) | | 4,928 | 2,951 | 1,977 |
| Provision for restoration | 59,727 | 3,126 | (510) | (5,115) | 1,346 | 58,574 | 33,479 | 25,095 |
| Other provisions | 562 | 2,929 | (424) | (472) | | 2,595 | 1,976 | 619 |
| | 87,088 | 6,055 | (5,222) | (23,170) | 1,346 | 66,097 | 38,406 | 27,691 |

(In millions of won)

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

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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

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

The Group has leased telecommunication equipment under finance lease agreements with Cisco Systems Capital Korea Ltd. Finance lease liabilities as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | December 31, 2014 |
|---|---------------------------|--------------------------|
| Finance Lease Liabilities | | |
| Current installments of long-term finance lease liabilities | 687 | 3,804 |
| Long-term finance lease liabilities | | 26 |
| | 687 | 3,830 |

The Group's related interest and principal as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | | December 31, 2014 | |
|---|------------------------------|----------------------|------------------------------|----------------------|
| | Minimum lease payment | Present value | Minimum lease payment | Present value |
| Less than 1 year | 695 | 687 | 3,909 | 3,804 |
| 1~5 years | | | 26 | 26 |
| Sub-total | 695 | 687 | 3,935 | 3,830 |
| Current installments of long-term finance lease liabilities | | (687) | | (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 September 30, 2015 are as follows:

| <i>(In millions of won)</i> | Lease payments | Lease revenues |
|-----------------------------|-----------------------|-----------------------|
| Less than 1 year | 33,133 | 1,650 |

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| | | |
|-------------------|---------|-------|
| 1~5 years | 77,956 | 1,026 |
| More than 5 years | 37,588 | 577 |
| | 148,677 | 3,253 |

(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 19-(2).

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

20. Defined Benefit Liabilities

- (1) Details of defined benefit liabilities as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| Present value of defined benefit obligations | 496,404 | 437,844 |
| Fair value of plan assets | (353,131) | (346,257) |
| | 143,273 | 91,587 |

- (2) Principal actuarial assumptions as of September 30, 2015 and December 31, 2014 are as follows:

| | September 30, 2015 | December 31, 2014 |
|---|--------------------|-------------------|
| 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 obligations is determined based on the Group's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligations. Expected rate of salary increase is determined based on the Group's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement.

- (3) Changes in defined benefit obligations for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | For the nine-month period ended | |
|----------------------------------|---------------------------------|--------------------|
| | September 30, 2015 | September 30, 2014 |
| Beginning balance | 437,844 | 312,494 |
| Current service cost | 78,469 | 92,249 |
| Interest cost | 9,009 | 9,065 |
| Remeasurement | | |
| - Demographic assumption | (6) | |
| - Financial assumption | 1,488 | |
| - Adjustment based on experience | 7,673 | 12,553 |
| Benefit paid | (43,416) | (38,302) |
| Others | 5,343 | 7,222 |
| Ending balance | 496,404 | 395,281 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

20. Defined Benefit Liabilities, Continued

(4) Changes in plan assets for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|---|--|---------------------------|
| | September 30, 2015 | September 30, 2014 |
| Beginning balance | 346,257 | 238,293 |
| Interest income | 7,035 | 6,824 |
| Actuarial loss | (1,917) | (1,288) |
| Contributions by employer directly to plan assets | 34,424 | 7,644 |
| Benefit paid | (35,093) | (13,092) |
| Others | 2,425 | 2,048 |
| Ending balance | 353,131 | 240,429 |

(5) Expenses recognized in profit and loss for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|-----------------------------|--|---------------------------|
| | September 30, 2015 | September 30, 2014 |
| Current service cost | 78,469 | 92,249 |
| Net interest cost | 1,974 | 2,241 |
| | 80,443 | 94,490 |

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

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

21. Derivative Instruments

(1) Currency swap contracts under cash flow hedge accounting as of September 30, 2015 are as follows:

*(In thousands of foreign currencies)***Borrowing**

| date | Hedged item | Hedged risk | Contract type | Financial institution | Duration of contract |
|---------------|---|--|-----------------------------|-------------------------------------|-------------------------------|
| Jul. 20, 2007 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000) | Foreign currency risk | Currency swap | Morgan Stanley and five other banks | Jul. 20, 2007 ~ Jul. 20, 2027 |
| Jun. 12, 2012 | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000) | Foreign currency risk | Currency swap | Citibank and five other banks | Jun. 12, 2012 ~ Jun.12, 2017 |
| Nov. 1, 2012 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000) | Foreign currency risk | Currency swap | Barclays and nine other banks | Nov. 1, 2012 ~ May 1, 2018 |
| Jan. 17, 2013 | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000) | Foreign currency risk | Currency swap | BNP Paribas and three other banks | Jan. 17, 2013 ~ Nov. 17, 2017 |
| 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 80,577) | Foreign currency risk | Currency swap | Deutsche bank | Dec.16, 2013 ~ Apr. 29, 2022 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

21. Derivative Instruments, Continued

- (2) As of September 30, 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 (*) | | |
| Non-current assets: | | | | | | |
| Structured bond (face value of KRW 100,000) | | | | | 8,983 | 8,983 |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000) | (53,080) | (16,946) | 20,051 | 129,806 | | 79,831 |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000) | (19,212) | (6,134) | 72,364 | | | 47,018 |
| Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000) | (9,430) | (3,010) | 33,163 | | | 20,723 |
| Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000) | (6,164) | | 39,548 | | | 33,384 |
| Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 80,577) | (4,334) | (1,384) | 11,044 | | | 5,326 |
| Total assets | | | | | | 195,265 |
| Non-current liabilities: | | | | | | |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000) | (8,219) | (2,624) | 5,354 | | | (5,489) |
| Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000) | 3,264 | 1,042 | (84,273) | | | (79,967) |
| Total liabilities | | | | | | (85,456) |

- (*) 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

22. 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 September 30, 2015 and December 31, 2014 are as follows:

(In millions of won, except for share data)

| | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| Authorized shares | 220,000,000 | 220,000,000 |
| Issued shares(*1) | 80,745,711 | 80,745,711 |
| Share capital | | |
| Common stock | 44,639 | 44,639 |
| Capital surplus and other capital adjustments: | | |
| Paid-in surplus | 2,915,887 | 2,915,887 |
| Treasury stock (Note 23) | (1,770,434) | (2,139,683) |
| Loss on disposal of treasury stock | | (18,087) |
| Hybrid bond (Note 24) | 398,518 | 398,518 |
| Others(*2) | (867,737) | (878,637) |
| | 676,234 | 277,998 |

(*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 nine-month period ended September 30, 2015 and the year ended December 31, 2014 and changes in shares outstanding for the nine-month period ended September 30, 2015 and 2014 are as follows:

| <i>(In shares)</i> | For the nine-month period ended September 30, 2015 | | | For the nine-month period ended September 30, 2014 | | |
|----------------------------|---|-------------------|-----------------------|---|-------------------|-----------------------|
| | Issued shares | Treasury stock | Outstanding shares | Issued shares | Treasury stock | Outstanding shares |
| Beginning issued shares | 80,745,711 | 9,809,375 | 70,936,336 | 80,745,711 | 9,809,375 | 70,936,336 |
| Disposal of treasury stock | | (1,692,824) | 1,692,824 | | | |
| Ending issued shares | 80,745,711 | 8,116,551 | 72,629,160 | 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

23. 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 September 30, 2015 and December 31, 2014 are as follows:

(In millions of won, shares)

| | September 30, 2015 | December 31, 2014 |
|------------------|--------------------|-------------------|
| Number of shares | 8,116,551 | 9,809,375 |
| Amount | 1,770,434 | 2,139,683 |

On June 9, 2015, the Parent Company granted 1,692,824 shares of its treasury stock (acquisition cost: 369,249 million) in order to acquire shares of SK Broadband Co., Ltd.

24. Hybrid Bond

Hybrid bonds classified as equity as of September 30, 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

25. Retained Earnings

(1) Retained earnings as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 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 | 2,329,895 | 2,122,300 |
| | 14,726,953 | 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 & 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

26. Reserves

(1) Details of reserves, net of taxes, as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| Unrealized fair value of available-for-sale financial assets | 225,447 | 235,385 |
| Other comprehensive loss of investments in associates and joint ventures | (111,468) | (163,808) |
| Unrealized fair value of derivatives | (97,175) | (77,531) |
| Foreign currency translations differences for foreign operations | 38,917 | 1,465 |
| | 55,721 | (4,489) |

(2) Change in reserves for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | Unrealized fair value of available-for- sale financial assets | Other compre- hensive loss of investment in associates | Unrealized fair value of derivatives | Foreign currency translations differences for foreign operations | Total |
|-------------------------------|--|---|--|---|----------|
| Balance at January 1, 2014 | 208,529 | (172,117) | (35,429) | (13,253) | (12,270) |
| Changes | 85,138 | (25,253) | (47,522) | (18,160) | (5,797) |
| Tax effect | (17,640) | 55 | 10,631 | | (6,954) |
| Balance at September 30, 2014 | 276,027 | (197,315) | (72,320) | (31,413) | (25,021) |
| Balance at January 1, 2015 | 235,385 | (163,808) | (77,531) | 1,465 | (4,489) |
| Changes | (14,461) | 52,539 | (23,732) | 37,452 | 51,798 |
| Tax effect | 4,523 | (199) | 4,088 | | 8,412 |
| Balance at September 30, 2015 | 225,447 | (111,468) | (97,175) | 38,917 | 55,721 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

27. Other Operating Expenses

Details of other operating expenses for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|--|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Other Operating Expenses: | | | | |
| Communication expenses | 10,253 | 34,304 | 15,209 | 44,341 |
| Utilities | 76,194 | 202,802 | 70,893 | 185,627 |
| Taxes and dues | 11,330 | 27,798 | 10,745 | 25,505 |
| Repair | 76,323 | 222,155 | 53,633 | 188,114 |
| Research and development | 78,959 | 226,381 | 107,727 | 312,687 |
| Training | 9,967 | 24,536 | 11,955 | 28,549 |
| Bad debt for accounts receivable - trade | 8,860 | 43,855 | 10,284 | 33,837 |
| Travel | 6,513 | 20,478 | 6,537 | 21,100 |
| Supplies and other | 43,489 | 127,196 | 48,479 | 156,675 |
| | 321,888 | 929,505 | 335,462 | 996,435 |

28. Other Non-operating Income and Expenses

(1) Details of other non-operating income and expenses for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|--|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Other Non-operating Income: | | | | |
| Gain on disposal of property and equipment and intangible assets | 1,640 | 4,406 | 3,381 | 6,792 |
| Others | 3,003 | 15,600 | 7,256 | 40,419 |
| | 4,643 | 20,006 | 10,637 | 47,211 |
| Other Non-operating Expenses: | | | | |
| Loss on impairment of property and equipment and intangible assets | | 1,976 | | 3,166 |
| | 14,313 | 17,604 | 9,658 | 13,638 |

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| | | | | |
|--|--------|---------|--------|---------|
| Loss on disposal of property and equipment and intangible assets | | | | |
| Donations | 13,240 | 44,009 | 21,971 | 49,023 |
| Bad debt for accounts receivable - other | 3,496 | 7,570 | 3,867 | 11,992 |
| Loss on disposal of investment securities | | | 5 | 12 |
| Loss on impairment of investment assets | 15,719 | 34,387 | | 127 |
| Others | 11,187 | 50,278 | 54,984 | 77,173 |
| | 57,955 | 155,824 | 90,485 | 155,131 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

29. Finance Income and Costs

(1) Details of finance income and costs for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|--|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Finance Income: | | | | |
| Interest income | 11,316 | 36,497 | 15,528 | 45,283 |
| Dividends | 2,742 | 16,081 | 2,481 | 13,048 |
| Gain on foreign currency transactions | 7,213 | 13,502 | 2,763 | 9,427 |
| Gain on foreign currency translations | 6,359 | 10,382 | 1,927 | 3,222 |
| Gain on disposal of long-term investment securities | 580 | 6,832 | 2,721 | 8,835 |
| Gain on valuation of derivatives | 3,603 | 4,633 | 12,971 | 8,257 |
| Gain on settlement of derivatives | | | | 119 |
| Gain on relating to financial liabilities at fair value through profit or loss | | 5,188 | | |
| | 31,813 | 93,115 | 38,391 | 88,191 |
| Finance Costs: | | | | |
| Interest expense | 73,866 | 224,090 | 82,171 | 243,400 |
| Loss on foreign currency transactions | 3,428 | 11,619 | 4,324 | 13,876 |
| Loss on foreign currency translations | 6,111 | 9,243 | 11,010 | 1,566 |
| Loss on disposal of long-term investment securities | 95 | 1,746 | 496 | 2,607 |
| Loss on valuation of derivatives | | | | 1,404 |
| Loss on settlement of derivatives | | 4,517 | | 335 |
| Loss relating to financial assets at fair value through profit or loss | | | | 1,352 |
| Loss relating to financial liabilities at fair value through profit or loss | 4,676 | 4,850 | 3,489 | 11,287 |
| Other finance costs | 66 | 3,217 | | |
| | 88,242 | 259,282 | 101,490 | 275,827 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

29. Finance Income and Costs, Continued

- (2) Details of interest income included in finance income for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|---|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Interest income on cash equivalents and deposits | 6,630 | 21,781 | 9,352 | 27,602 |
| Interest income on installment receivables and others | 4,686 | 14,716 | 6,176 | 17,681 |
| | 11,316 | 36,497 | 15,528 | 45,283 |

- (3) Details of interest expense included in finance costs for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|--|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Interest expense on bank overdrafts and borrowings | 4,052 | 16,775 | 7,427 | 21,545 |
| Interest expense on debentures | 60,562 | 177,076 | 62,873 | 184,785 |
| Interest on finance lease liabilities | 9 | 56 | 101 | 450 |
| Others | 9,243 | 30,183 | 11,770 | 36,620 |
| | 73,866 | 224,090 | 82,171 | 243,400 |

- (4) Details of impairment losses for financial assets for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|-------------------------------------|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Available-for-sale financial assets | 66 | 3,217 | | |
| Accounts receivable - trade | 8,860 | 43,855 | 10,284 | 33,837 |

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| | | | | |
|-------------------|--------|--------|--------|--------|
| Other receivables | 3,496 | 7,570 | 3,867 | 11,992 |
| | 12,422 | 54,642 | 14,151 | 45,829 |

30. 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

31. Earnings per Share

(1) Basic earnings per share

1) Basic earnings per share for the three and nine-month periods ended September 30, 2015 and 2014 are calculated as follows:

(In millions of won, shares)

| | 2015 | | 2014 | |
|---|---|--|---|--|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Basic earnings per share attributable to owners of the Parent Company: | | | | |
| Profit attributable to owners of the Parent Company on common shares | 382,251 | 1,222,585 | 531,548 | 1,299,898 |
| Interest on hybrid bonds | | (8,420) | | (8,420) |
| Profit for the period on common shares | 382,251 | 1,214,165 | 531,548 | 1,291,478 |
| Weighted average number of common shares outstanding | 72,629,160 | 71,637,029 | 70,936,336 | 70,936,336 |
| Basic earnings per share (In won) | 5,263 | 16,949 | 7,493 | 18,206 |

2) The weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2015 and 2014 are calculated as follows:

(In shares)

| | Number of shares | Weighted number of shares | |
|--|---------------------|---|--|
| | | Three-month period ended September 30 | Nine-month period ended September 30 |
| Outstanding common shares at January 1, 2015 | 80,745,711 | 80,745,711 | 80,745,711 |
| Effect of treasury stock | (8,116,551) | (8,116,551) | (9,108,682) |
| Weighted average number of common shares outstanding at September 30, 2015 | 72,629,160 | 72,629,160 | 71,637,029 |

(In shares)

| | Number of shares | Weighted number of shares | |
|--|---------------------|---|--|
| | | Three-month period ended September 30 | Nine-month period ended September 30 |
| Outstanding common shares at January 1, 2014 | 80,745,711 | 80,745,711 | 80,745,711 |
| Effect of treasury stock | (9,809,375) | (9,809,375) | (9,809,375) |

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| | | | |
|--|------------|------------|------------|
| Weighted average number of common shares outstanding at September 30, 2014 | 70,936,336 | 70,936,336 | 70,936,336 |
|--|------------|------------|------------|

(2) Diluted earnings per share

For the nine-month periods ended September 30, 2015 and 2014, there were no potentially dilutive shares. Therefore, diluted earnings per share for the nine-month periods ended September 30, 2015 and 2014 are the same as basic earnings per share.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

32. Categories of Financial Instruments

(1) Financial assets by categories as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | | | | |
|----------------------------------|--|---|--------------------------|---|-----------|
| | Financial assets at fair value through profit or loss | Available- for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| Cash and cash equivalents | | | 1,263,748 | | 1,263,748 |
| Financial instruments | | | 300,385 | | 300,385 |
| Short-term investment securities | | 137,246 | | | 137,246 |
| Long-term investment securities | | 1,135,057 | | | 1,135,057 |
| Accounts receivable - trade | | | 2,610,767 | | 2,610,767 |
| Loans and other receivables(*) | | | 1,146,167 | | 1,146,167 |
| Derivative financial assets | 8,983 | | | 186,282 | 195,265 |
| | 8,983 | 1,272,303 | 5,321,067 | 186,282 | 6,788,635 |

(In millions of won)

| | December 31, 2014 | | | | |
|----------------------------------|--|---|--------------------------|---|-----------|
| | Financial assets at fair value through profit or loss | Available- for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| 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 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

32. Categories of Financial Instruments, Continued

(1) Financial assets by categories as of September 30, 2015 and December 31, 2014 are as follows, Continued:

(*) Details of loans and other receivables as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|---------------------------------------|--------------------|-------------------|
| Short-term loans | 40,195 | 74,512 |
| Accounts receivable - other | 725,728 | 690,527 |
| Accrued income | 11,470 | 10,134 |
| Other current assets | 1,855 | 3,866 |
| Long-term loans | 62,724 | 55,728 |
| Long-term accounts receivable - other | 2,388 | 3,596 |
| Guarantee deposits | 301,807 | 285,144 |
| | 1,146,167 | 1,123,507 |

(2) Financial liabilities by categories as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | | | Total |
|---|--|--|--|------------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | |
| Accounts payable - trade | | 334,438 | | 334,438 |
| Derivative financial liabilities | | | 85,456 | 85,456 |
| Borrowings | | 560,524 | | 560,524 |
| Debentures(*1) | 110,027 | 6,758,238 | | 6,868,265 |
| Accounts payable - other and others(*2) | | 2,585,546 | | 2,585,546 |
| | 110,027 | 10,238,746 | 85,456 | 10,434,229 |

(In millions of won)

| | December 31, 2014 | | | Total |
|--|---|---|---|-------|
| | Financial liabilities at fair value through | Financial liabilities measured at amortized | Derivative financial instruments designated | |

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| | profit or loss | cost | as hedged item | |
|---|-------------------|------------|-------------------|------------|
| Accounts payable - trade | | 275,495 | | 275,495 |
| Derivative financial liabilities | | | 130,889 | 130,889 |
| Borrowings | | 537,562 | | 537,562 |
| Debentures(*1) | 110,365 | 6,108,265 | | 6,218,630 |
| Accounts payable - other and others(*2) | | 3,241,615 | | 3,241,615 |
| | 110,365 | 10,162,937 | 130,889 | 10,404,191 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

32. Categories of Financial Instruments, Continued

(2) Financial liabilities by categories as of September 30, 2015 and December 31, 2014 are as follows, Continued:

(*1) Bonds classified as financial liabilities at fair value through profit or loss as of September 30, 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 September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | December 31, 2014 |
|--|---------------------------|--------------------------|
| Accounts payable - other | 978,921 | 1,381,850 |
| Withholdings | 1,099 | 1,760 |
| Accrued expenses | 877,909 | 952,418 |
| Current installments of long-term payables - other | 120,253 | 193,193 |
| Long-term payables - other | 579,888 | 684,567 |
| Finance lease liabilities | | 26 |
| Other non-current liabilities | 27,476 | 27,801 |
| | 2,585,546 | 3,241,615 |

33. Financial Risk Management

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

33. 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 September 30, 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 | 160,258 | 190,861 | 1,876,314 | 2,241,256 |
| EUR | 6,075 | 8,164 | 11 | 13 |
| JPY | 22,686 | 303 | 348 | 3 |
| AUD | | | 298,897 | 249,959 |
| CHF | | | 299,269 | 367,964 |
| Others | 4,997 | 1,111 | 10 | 2 |
| | | 200,439 | | 2,859,197 |

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 21)

As of September 30, 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)

| | If increased by 10% | If decreased by 10% |
|--------|---------------------|---------------------|
| USD | 5,440 | (5,440) |
| EUR | 782 | (782) |
| JPY | 30 | (30) |
| Others | 109 | (109) |
| | 6,361 | (6,361) |

(ii) Equity price risk

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The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of September 30, 2015, available-for-sale equity instruments measured at fair value amount to 1,034,282 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

33. 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 September 30, 2015, floating-rate borrowings and debentures amount to 34,602 million and 358,350 million respectively, the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures. (See Note 21) If interest rate only increases (decreases) by 1%, income before income taxes for the nine-month period ended September 30, 2015 would have been changed 346 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 September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|---|--------------------|-------------------|
| Cash and cash equivalents | 1,263,546 | 833,129 |
| Financial instruments | 300,385 | 313,699 |
| Available-for-sale financial assets | 5,345 | 15,498 |
| Accounts receivable - trade | 2,610,767 | 2,460,686 |
| Loans and receivables | 1,146,167 | 1,123,507 |
| Derivative financial assets | 195,265 | 70,035 |
| Financial assets at fair value through profit or loss | | 7,817 |
| | 5,521,475 | 4,824,371 |

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 nine-month period ended September 30, 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 September 30, 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 29.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

33. 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 September 30, 2015 are as follows:

(In millions of won)

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 5 years | More than 5 years |
|---|-----------------|------------------------|------------------|-------------|-------------------|
| Accounts payable - trade | 334,438 | 334,438 | 334,438 | | |
| Borrowings(*1) | 560,524 | 576,228 | 431,441 | 116,516 | 28,271 |
| Debentures(*1) | 6,868,265 | 8,198,458 | 926,358 | 4,436,869 | 2,835,231 |
| Accounts payable - other and others(*2) | 2,585,546 | 2,635,925 | 1,923,812 | 584,629 | 127,484 |
| | 10,348,773 | 11,745,049 | 3,616,049 | 5,138,014 | 2,990,986 |

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 September 30, 2015, periods which cash flows from cash flow hedge derivatives are expected to occur are as follows:

(In millions of won)

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 5 years | More than 5 years |
|-------------|-----------------|------------------------|------------------|-------------|-------------------|
| Assets | 186,282 | 198,993 | 1,789 | 164,739 | 32,465 |
| Liabilities | (85,456) | (88,781) | (4,748) | (84,033) | |
| | 100,826 | 110,212 | (2,959) | 80,706 | 32,465 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

33. 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 September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | December 31, 2014 |
|-----------------------------|---------------------------|--------------------------|
| Liabilities | 12,924,950 | 12,692,963 |
| Equity | 15,633,770 | 15,248,270 |
| Debt-equity ratio | 82.67% | 83.24% |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

33. Financial Risk Management, Continued

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of September 30, 2015 are as follows:

(In millions of won)

| | Carrying amount | Level 1 | Level 2 | Level 3 | Total |
|--|--------------------|---------|-----------|---------|-----------|
| Financial assets that can be measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 8,983 | | 8,983 | | 8,983 |
| Derivative financial assets | 186,282 | | 186,282 | | 186,282 |
| Available-for-sale financial assets | 1,034,282 | 823,128 | 70,577 | 140,577 | 1,034,282 |
| | 1,229,547 | 823,128 | 265,842 | 140,577 | 1,229,547 |
| Financial assets that cannot be measured at fair value | | | | | |
| Cash and cash equivalents(*1) | 1,263,748 | | | | 1,263,748 |
| Available-for-sale financial assets(*1,2) | 238,021 | | | | 238,021 |
| Accounts receivable - trade and others(*1) | 3,756,934 | | | | 3,756,934 |
| Financial instruments(*1) | 300,385 | | | | 300,385 |
| | 5,559,088 | | | | 5,559,088 |
| Financial liabilities that can be measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | 110,027 | | 110,027 | | 110,027 |
| Derivative financial liabilities | 85,456 | | 85,456 | | 85,456 |
| | 195,483 | | 195,483 | | 195,483 |
| Financial liabilities that cannot be measured at fair value | | | | | |
| Accounts payable - trade(*1) | 334,438 | | | | 334,438 |
| Borrowings | 560,524 | | 564,726 | | 564,726 |
| Debentures | 6,758,238 | | 7,231,264 | | 7,231,264 |
| Accounts payable - other and others(*1) | 2,585,546 | | | | 2,585,546 |
| | 10,238,746 | | 7,795,990 | | 7,795,990 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

33. 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 amount | Level 1 | Level 2 | Level 3 | Total |
|--|-----------------|---------|-----------|---------|-----------|
| Financial assets that can be measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 16,530 | | 8,713 | 7,817 | 16,530 |
| Derivative financial assets | 61,322 | | 61,322 | | 61,322 |
| Available-for-sale financial assets | 846,614 | 657,286 | 47,002 | 142,326 | 846,614 |
| | 924,466 | 657,286 | 117,037 | 150,143 | 924,466 |
| Financial assets that cannot be measured at fair value | | | | | |
| Cash and cash equivalents(*1) | 834,429 | | | | 834,429 |
| Available-for-sale financial assets(*1,2) | 382,010 | | | | 382,010 |
| Accounts receivable - trade and others(*1) | 3,584,193 | | | | 3,584,193 |
| Financial instruments(*1) | 313,699 | | | | 313,699 |
| | 5,114,331 | | | | 5,114,331 |
| Financial liabilities that can be measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | 110,365 | | 110,365 | | 110,365 |
| Derivative financial liabilities | 130,889 | | 130,889 | | 130,889 |
| | 241,254 | | 241,254 | | 241,254 |
| Financial liabilities that cannot be measured at fair value | | | | | |
| Accounts payable - trade(*1) | 275,495 | | | | 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 | | | | 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)

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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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

33. 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 September 30, 2015 are as follows:

| | |
|---------------------------|-------------------------------|
| Derivative instruments | Interest rate 1.74 ~ 2.14% |
| Borrowings and debentures | 2.32 ~ 3.06% |

- 3) There have been no transfers from Level 2 to Level 1 for the nine-month period ended September 30, 2015 and changes of financial assets classified as Level 3 for the nine-month period ended September 30, 2015 are as follows:

(In millions of won)

| | Balance at January 1 | Acquisition | Other comprehensive loss | Transfer | Balance at September 30 |
|-------------------------------------|-------------------------|-------------|--------------------------------|----------|-------------------------------|
| Available-for-sale financial assets | 142,326 | 12,761 | (490) | (14,020) | 140,577 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

33. 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 September 30, 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 Financial instruments | Cash collaterals received | Net amount |
|-------------------------------|------------------|--|---|---|---|---------------------------|------------|
| Financial assets: | | | | | | | |
| Derivatives(*) | | 68,522 | | 68,522 | (52,560) | | 15,962 |
| Accounts receivable | trade and others | 117,216 | (105,247) | 11,969 | | | 11,969 |
| | | 185,738 | (105,247) | 80,491 | (52,560) | | 27,931 |
| Financial liabilities: | | | | | | | |
| Derivatives(*) | | 52,560 | | 52,560 | (52,560) | | |
| Accounts payable | trade and others | 105,247 | (105,247) | | | | |
| | | 157,807 | (105,247) | 52,560 | (52,560) | | |

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 Financial instruments | Cash collaterals received | Net amount |
|-------------------------------|------------------|--|---|---|---|---------------------------|------------|
| Financial assets: | | | | | | | |
| Derivatives(*) | | 48,057 | | 48,057 | (45,892) | | 2,165 |
| Accounts receivable | trade and others | 128,794 | (117,568) | 11,226 | | | 11,226 |
| | | 176,851 | (117,568) | 59,283 | (45,892) | | 13,391 |
| Financial liabilities: | | | | | | | |
| Derivatives(*) | | 45,892 | | 45,892 | (45,892) | | |
| Accounts payable | 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).

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

34. Transactions with Related Parties

- (1) List of related parties

| Relationship | Company |
|-----------------------------|---|
| Ultimate Controlling Entity | SK Holdings Co., Ltd. |
| Joint ventures | Dogus Planet, Inc. and three others |
| Associates | SK hynix Inc. and 50 others |
| Affiliates | 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 and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|-----------------------------------|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Salaries | 207 | 1,767 | 379 | 2,212 |
| Provision for retirement benefits | 42 | 584 | 114 | 794 |
| | 249 | 2,351 | 493 | 3,006 |

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

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

34. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| Scope | Company | 2015 | | | | | | | |
|-----------------------------|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | Operating revenue and others | | Operating expense and others | | Acquisition of property and equipment | | Loans | |
| | | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 |
| Ultimate Controlling Entity | SK Holding Co., Ltd.(formerly, SK C&C Co., Ltd.)(*1) | 6,855 | 14,234 | 109,558 | 270,486 | 43,677 | 134,061 | | |
| | SK Holdings Co., Ltd. (formerly, SK Holding Co., Ltd.)(*2,3) | 55 | 1,299 | 23,257 | 212,378 | 117 | 117 | | |
| | | 6,910 | 15,533 | 132,815 | 482,864 | 43,794 | 134,178 | | |
| Associates | F&U Credit information Co., Ltd. | 633 | 1,964 | 11,114 | 33,480 | | | | |
| | HappyNarae Co., Ltd. | 88 | 227 | 1,651 | 4,610 | 2,352 | 5,221 | | |
| | SK hynix Inc.(*4) | 2,725 | 52,903 | 36 | 2,235 | | | | |
| | SK Wyverns Baseball Club Co., Ltd. | 413 | 3,543 | 2,002 | 13,437 | | | | |
| | KEB HanaCard Co., Ltd. | 5,325 | 16,175 | 3,958 | 12,181 | | | | |
| | Xian Tianlong Science and Technology Co., Ltd. | | | | | | | 1,463 | 8,616 |
| | Others(*5) | 898 | 5,954 | 1,822 | 11,334 | | 1,141 | | 500 |
| | 10,082 | 80,766 | 20,583 | 77,277 | 2,352 | 6,362 | 1,463 | 9,116 | |
| Other | SK Engineering & Construction Co., Ltd. | 1,537 | 6,296 | 12,845 | 25,902 | 98,555 | 223,949 | | |
| | SK Networks Co., Ltd. | 3,114 | 9,137 | 284,214 | 904,931 | 2 | 2 | | |
| | SK Networks service Co., Ltd. | 2,837 | 7,667 | 24,552 | 62,326 | 1,441 | 1,967 | | |
| | SK Telesys Co., Ltd. | 104 | 316 | 13,996 | 35,097 | 34,595 | 107,954 | | |
| | SK Energy Co., Ltd. | 2,919 | 5,934 | 318 | 761 | | | | |
| | SK Gas Co., Ltd. | 756 | 2,641 | 1 | 1 | | | | |
| | Others | 7,773 | 20,867 | 13,677 | 33,337 | 6,230 | 10,793 | | |
| | 19,040 | 52,858 | 349,603 | 1,062,355 | 140,823 | 344,665 | | | |
| Total | | 36,032 | 149,157 | 503,001 | 1,622,496 | 186,969 | 485,205 | 1,463 | 9,116 |

- (*1) On August 1, 2015, SK C&C Co., Ltd., the Ultimate Controlling Entity's investor using equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Parent Company, and changed its name to SK Holdings Co., Ltd.
- (*2) These relates to transactions occurred until July 31, 2015 before the merger with SK C&C Co., Ltd.
- (*3) Operating expense and others include 191,416 million of dividends paid by the Parent Company.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

34. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three and nine-month periods ended September 30, 2015 and 2014 are as follows, Continued:

(*4) Operating revenue and others include 43,830 million of dividends paid by SK hynix Inc. and deducted from the investment in associates.

(*5) Operating revenue and others include 2,103 million and 227 million of dividends paid by Korea IT Fund and UniSK, respectively, and deducted from the investment in associates.

(In millions of won)

| Scope | Company | 2014 | | | | | | | |
|--------------------|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | Operating revenue and others | | Operating expense and others | | Acquisition of property and equipment | | Loans | |
| | | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 |
| Ultimate | | | | | | | | | |
| Controlling Entity | SK Holding Co., Ltd.(*1) | 93 | 348 | 29,201 | 217,895 | | | | |
| Associates | F&U Credit information Co., Ltd. | 695 | 1,688 | 11,557 | 33,538 | | | | |
| | HappyNarae Co., Ltd. | 54 | 182 | 1,711 | 4,328 | 1,927 | 5,978 | | |
| | SK hynix Inc. | 3,342 | 8,264 | | 879 | | | | |
| | SK Wyverns Baseball Club Co., Ltd. | 163 | 390 | 3,160 | 12,201 | | | | |
| | HanaSK Card Co., Ltd.(*2) | 11,627 | 33,063 | 1,295 | 3,592 | | | | |
| | Others | 1,102 | 4,535 | 5,349 | 13,952 | | | | 45 |
| | | 16,983 | 48,122 | 23,072 | 68,490 | 1,927 | 5,978 | | 45 |
| Other | SK Engineering & Construction Co., Ltd. | 713 | 2,382 | 12,930 | 36,474 | 124,853 | 224,980 | | |
| | SK C&C Co., Ltd. | 4,350 | 12,946 | 91,657 | 245,797 | 26,136 | 77,546 | | |
| | SK Networks Co., Ltd. | 2,158 | 14,512 | 261,844 | 1,190,460 | | 3,251 | | |
| | SK Networks service Co., Ltd. | 2,518 | 7,941 | 36,984 | 78,495 | 515 | 1,231 | | |
| | SK Telesys Co., Ltd. | 159 | 361 | 13,558 | 59,671 | 58,064 | 136,901 | | |
| | SK Energy Co., Ltd. | 4,025 | 15,872 | 279 | 722 | | | | |
| | SK Gas Co., Ltd. | 3,392 | 7,344 | | | | | | |
| | Others | 6,544 | 17,078 | 8,864 | 23,583 | 544 | 5,694 | | |
| | | 23,859 | 78,436 | 426,116 | 1,635,202 | 210,112 | 449,603 | | |
| Total | | 40,935 | 126,906 | 478,389 | 1,921,587 | 212,039 | 455,581 | | 45 |

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- (*1) Operating expense and others include 191,416 million of dividends paid by the Parent Company.
- (*2) During the year ended December 31, 2014, due to 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

34. Transactions with Related Parties, Continued

(4) Account balances as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| Scope | Company | September 30, 2015 | | |
|-----------------------------|---|--------------------|--|---|
| | | Loans | Accounts receivable Accounts receivable - trade, and others | Accounts payable Accounts payable - trade, and others |
| Ultimate Controlling Entity | SK Holding Co., Ltd. (formerly, SK C&C Co., Ltd.) (*) | | 1,135 | 139,042 |
| Associates | HappyNarae Co., Ltd. | | | 1,256 |
| | F&U Credit information Co., Ltd. | | 17 | 1,223 |
| | SK hynix Inc. | | 2,439 | 1 |
| | SK Wyverns Baseball Club Co., Ltd. | 1,221 | 165 | 272 |
| | Wave City Development Co., Ltd. | 1,700 | 38,412 | |
| | Daehan Kanggun BcN Co., Ltd. | 22,148 | | |
| | KEB HanaCard Co., Ltd. | | 1,797 | 37,749 |
| | Xian Tianlong Science and Technology Co., Ltd. | 8,616 | | |
| | Others | | 328 | 266 |
| | | 33,685 | 43,158 | 40,767 |
| Other | SK Engineering & Construction Co., Ltd. | | 4,154 | 1,065 |
| | SK Networks Co., Ltd. | | 54,383 | 213,984 |
| | SK Networks Services Co., Ltd. | | 58 | 4,476 |
| | SK Telesys Co., Ltd. | | 195 | 12,429 |
| | SK innovation co., Ltd. | | 2,263 | 3,193 |
| | SK Energy Co., Ltd. | | 587 | 152 |
| | SK Gas Co., Ltd. | | 1,906 | 9 |
| | Others | | 2,306 | 23,766 |
| | | | 65,852 | 259,074 |
| Total | | 33,685 | 110,145 | 438,883 |

(*) On August 1, 2015, SK C&C Co., Ltd., the Ultimate Controlling Entity's investor using equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Parent Company, and changed its name to SK, Holdings Co., Ltd.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

34. Transactions with Related Parties, Continued

(4) Account balances as of September 30, 2015 and December 31, 2014 are as follows, Continued:

(In millions of won)

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

(5) As of September 30, 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.

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- (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. During the nine-month period ended September 30, 2015, the Parent Company exercised the conversion right for the convertible bonds of Health Connect Co., Ltd. As a result of this transaction, investments in associates have increased by 5,900 million.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

34. Transactions with Related Parties, Continued

- (8) There were additional investments in associates and joint ventures during the nine-month period ended September 30, 2015. (See Note 11)

35. Commitments and Contingencies

- (1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of 14,628 million as of September 30, 2015.

SK Broadband Co., Ltd., has guaranteed for employees' borrowings relating to employee stock ownership and provided short-term financial instruments amounting to 1,219 million as collateral as of September 30, 2015.

- (2) Contingencies

As of September 30, 2015, the claim amount of pending litigations of SK Communications Co., Ltd., a subsidiary of the Parent Company, amounts to 1,151 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.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

36. Statements of Cash Flows

- (1) Adjustments for income and expenses from operating activities for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|--|--|-------------------------------|
| | September 30, 2015 | September 30, 2014 |
| Interest income | (36,497) | (45,283) |
| Dividends | (16,081) | (13,048) |
| Gain on foreign currency translation | (10,382) | (3,222) |
| Gain on disposal of long-term investments assets | (6,832) | (8,835) |
| Gain on valuation of derivatives | (4,633) | (8,257) |
| Gain on settlement of derivatives | | (119) |
| Gain relating to investments in subsidiaries, associates and joint ventures, net | (626,278) | (566,846) |
| Gain on disposal of property and equipment and intangible assets | (4,406) | (6,792) |
| Gain relating to financial assets at fair value through profit or loss | (5,188) | |
| Other income | (98) | (51) |
| Interest expenses | 224,090 | 243,400 |
| Loss on foreign currency translation | 9,243 | 1,566 |
| Loss on disposal of long-term investments securities | 1,746 | 2,607 |
| Other finance costs | 3,217 | |
| Loss on valuation of derivatives | | 1,404 |
| Loss on settlement of derivatives | 4,517 | 335 |
| Income tax expense | 408,015 | 310,392 |
| Provision for retirement benefits | 80,443 | 94,490 |
| Depreciation and amortization | 2,222,893 | 2,141,686 |
| Bad debt expenses | 43,855 | 33,837 |
| Loss on disposal of property and equipment and intangible assets | 17,604 | 13,638 |
| Loss on impairment of property and equipment and intangible assets | 1,976 | 3,166 |
| Loss relating to financial assets at fair value through profit or loss | | 1,352 |
| Loss relating to financial liabilities at fair value through profit or loss | 4,850 | 11,287 |
| Bad debt for accounts receivable - other | 7,570 | 11,992 |
| Loss on disposal of investments assets | | 12 |
| Loss on impairment of investment assets | 34,387 | 127 |
| Other expenses | 7,332 | 6,784 |
| | 2,361,343 | 2,225,622 |

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

36. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|-------------------------------|--|-------------------------------|
| | September 30, 2015 | September 30, 2014 |
| Accounts receivable - trade | (193,599) | (441,375) |
| Accounts receivable - other | (53,057) | (142,659) |
| Accrued income | 84 | 29 |
| Advance payments | (35,155) | (27,976) |
| Prepaid expenses | (31,866) | (28,228) |
| V.A.T. refund receivable | 295 | 8,552 |
| Inventories | (5,662) | 32,415 |
| Long-term accounts receivable | | 55 |
| Guarantee deposits | (14,647) | (14,068) |
| Accounts payable - trade | 59,267 | 22,355 |
| Accounts payable - other | (173,754) | (364,164) |
| Advanced receipts | (3,399) | 16,665 |
| Withholdings | 9,761 | 141,308 |
| Deposits received | (5,746) | (2,427) |
| Accrued expenses | (51,303) | 22,288 |
| V.A.T. payable | 10,957 | 6,196 |
| Unearned revenue | (105,404) | (98,362) |
| Provisions | (29,555) | (14,399) |
| Long-term provisions | (6,623) | 20,335 |
| Plan assets | 669 | 5,448 |
| Retirement benefit payment | (43,416) | (38,302) |
| Others | (21,154) | 4,546 |
| | (693,307) | (891,768) |

- (3) Significant non-cash transactions for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|---|--|-------------------------------|
| | September 30, 2015 | September 30, 2014 |
| Transfer of construction in progress to property and equipment, and intangible assets | 1,135,996 | 1,445,192 |
| Transfer of other property and equipment and others to construction in progress | 519,886 | 668,877 |
| | (238,064) | (323,503) |

Decrease of accounts payable - other related to acquisition of property
and equipment and intangible assets

75

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

37. Subsequent Events

- (1) On November 2, 2015, the board of directors of the Parent Company resolved to acquire 30% of the issued and outstanding common shares of CJ Hello Vision Co, Ltd. (CJ Hello Vision) from CJ O Shopping Co., Ltd.(CJ O Shopping), and the Parent Company entered into a share purchase agreement with CJ O Shopping. On April 1, 2016, the Parent Company will acquire 23,234,060 shares of CJ Hello Vision and grant put option to CJ O Shopping and be granted call option on CJ O Shopping s remaining shares in CJ Hello Vision.

- (2) On November 2, 2015, the board of directors of SK Broadband Co., Ltd. (SK Broadband), a subsidiary of the Parent Company, held a meeting to resolve the merger of SK Broadband into CJ Hello Vision, and SK Broadband entered into a merger agreement with CJ Hello Vision. Under the agreement, SK Broadband will be merged into CJ Hello Vision on April 1, 2016.

Table of Contents

SK TELECOM CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

September 30, 2015 and 2014

(With Independent Auditors' Review Report Thereon)

Table of Contents

Contents

| | Page |
|---|-------------|
| <u>Independent Auditors' Review Report</u> | 1 |
| <u>Condensed Separate Statements of Financial Position</u> | 3 |
| <u>Condensed Separate Statements of Income</u> | 5 |
| <u>Condensed Separate Statements of Comprehensive Income</u> | 6 |
| <u>Condensed Separate Statements of Changes in Equity</u> | 7 |
| <u>Condensed Separate Statements of Cash Flows</u> | 8 |
| <u>Notes to the Condensed Separate Interim Financial Statements</u> | 10 |

Table of Contents

Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

Reviewed financial statements

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of September 30, 2015, the related condensed separate statements of income and comprehensive income for the three and nine-month periods ended September 30, 2015 and 2014, the condensed separate statements of changes in equity and cash flows for the nine-month periods ended September 30, 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.

Table of Contents

Other matters

The separate statement of financial 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 consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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

November 6, 2015

This report is effective as of November 6, 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 interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Table of Contents

SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position

As of September 30, 2015 and December 31, 2014

| <i>(In millions of won)</i> | <i>Note</i> | September 30, 2015 | December 31, 2014 |
|--|--------------|-------------------------------|------------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 26,27 | 523,839 | 248,311 |
| Short-term financial instruments | 4,26,27 | 123,000 | 143,000 |
| Short-term investment securities | 6,26,27 | 137,246 | 197,161 |
| Accounts receivable - trade, net | 5,26,27,28 | 1,636,670 | 1,559,281 |
| Short-term loans, net | 5,26,27,28 | 31,833 | 67,989 |
| Accounts receivable - other, net | 5,26,27,28 | 463,780 | 305,990 |
| Prepaid expenses | | 88,285 | 86,070 |
| Inventories, net | | 38,933 | 23,694 |
| Advanced payments and other | 5,26,27 | 89,487 | 58,417 |
| Total Current Assets | | 3,133,073 | 2,689,913 |
| Non-Current Assets: | | | |
| Long-term financial instruments | 4,26,27 | 10,064 | 69 |
| Long-term investment securities | 6,26,27 | 672,572 | 608,797 |
| Investments in subsidiaries and associates | 7 | 8,650,617 | 8,181,769 |
| Property and equipment, net | 8,28 | 7,308,398 | 7,705,906 |
| Goodwill | 9 | 1,306,236 | 1,306,236 |
| Intangible assets, net | 10 | 1,670,874 | 1,928,169 |
| Long-term loans, net | 5,26,27,28 | 35,045 | 38,457 |
| Long-term prepaid expenses | | 28,649 | 28,551 |
| Guarantee deposits | 4,5,26,27,28 | 167,064 | 156,807 |
| Long-term derivative financial assets | 15,26,27 | 161,881 | 67,728 |
| Other non-current assets | | 249 | 60 |
| Total Non-Current Assets | | 20,011,649 | 20,022,549 |
| Total Assets | | 23,144,722 | 22,712,462 |

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of September 30, 2015 and December 31, 2014

| <i>(In millions of won)</i> | <i>Note</i> | September 30, 2015 | December 31, 2014 |
|--|-----------------|-------------------------------|------------------------------|
| Liabilities and Equity | | | |
| Current Liabilities: | | | |
| Short-term borrowings | <i>11,26,27</i> | 260,000 | 200,000 |
| Current installments of debentures and long-term borrowings, net | <i>11,26,27</i> | 482,989 | 211,863 |
| Current installments of long-term payables - other | <i>12,26,27</i> | 119,566 | 189,389 |
| Accounts payable - other | <i>26,27,28</i> | 738,702 | 1,086,485 |
| Withholdings | <i>26,27</i> | 858,396 | 801,119 |
| Accrued expenses | <i>26,27</i> | 472,888 | 615,488 |
| Income tax payable | <i>24</i> | 315,979 | 91,315 |
| Unearned revenue | | 21,220 | 92,783 |
| Provisions | <i>13</i> | 35,980 | 50,456 |
| Advanced receipts | | 49,658 | 39,148 |
| Total Current Liabilities | | 3,355,378 | 3,378,046 |
| Non-Current Liabilities: | | | |
| Debentures, excluding current installments, net | <i>11,26,27</i> | 4,886,477 | 4,655,137 |
| Long-term borrowings, excluding current installments | <i>11,26,27</i> | 80,533 | 80,147 |
| Long-term payables - other | <i>12,26,27</i> | 547,970 | 657,001 |
| Long-term unearned revenue | | 2,915 | 19,544 |
| Defined benefit liabilities | <i>14</i> | 23,771 | 15,555 |
| Long-term derivative financial liabilities | <i>15,26,27</i> | 85,456 | 130,889 |
| Long-term provisions | <i>13</i> | 18,815 | 27,676 |
| Deferred tax liabilities | <i>24</i> | 40,962 | 144,876 |
| Other non-current liabilities | <i>26,27</i> | 57,874 | 61,370 |
| Total Non-Current Liabilities | | 5,744,773 | 5,792,195 |
| Total Liabilities | | 9,100,151 | 9,170,241 |
| Equity | | | |
| Share capital | <i>1,16</i> | 44,639 | 44,639 |
| Capital surplus and other capital adjustments | <i>16,17,18</i> | 859,638 | 433,894 |
| Retained earnings | <i>19</i> | 13,204,177 | 12,996,790 |
| Reserves | <i>20</i> | (63,883) | 66,898 |
| Total Equity | | 14,044,571 | 13,542,221 |
| Total Liabilities and Equity | | 23,144,722 | 22,712,462 |

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three and nine-month periods ended September 30, 2015 and 2014

(In millions of won except for per share data)

| | Note | September 30, 2015 | | September 30, 2014 | |
|--|------|--------------------------------|----------------------------|--------------------------------|----------------------------|
| | | Three-month period ended | Nine-month period ended | Three-month period ended | Nine-month period ended |
| Operating revenue: | 28 | | | | |
| Revenue | | 3,141,772 | 9,418,994 | 3,303,648 | 9,831,961 |
| Operating expense: | 28 | | | | |
| Labor cost | | 130,325 | 553,358 | 135,845 | 449,061 |
| Commissions paid | | 1,259,730 | 3,830,849 | 1,339,449 | 4,233,780 |
| Depreciation and amortization | | 545,222 | 1,601,798 | 521,035 | 1,548,242 |
| Network interconnection | | 179,431 | 531,798 | 226,553 | 661,316 |
| Leased line | | 88,394 | 269,980 | 94,126 | 283,478 |
| Advertising | | 41,202 | 132,230 | 59,424 | 155,970 |
| Rent | | 101,128 | 294,721 | 94,828 | 280,071 |
| Cost of products that have been resold | | 119,510 | 343,618 | 122,203 | 357,776 |
| Other operating expenses | 21 | 210,630 | 590,526 | 204,458 | 577,581 |
| | | 2,675,572 | 8,148,878 | 2,797,921 | 8,547,275 |
| Operating income | | 466,200 | 1,270,116 | 505,727 | 1,284,686 |
| Finance income | 23 | 158,183 | 239,996 | 17,718 | 57,516 |
| Finance costs | 23 | (103,336) | (236,228) | (74,504) | (225,982) |
| Other non-operating income | 22 | 3,401 | 10,370 | 6,027 | 34,619 |
| Other non-operating expenses | 22 | (29,794) | (91,458) | (80,547) | (136,038) |
| Loss relating to investments in subsidiaries and associates. | 7 | (3,819) | (3,819) | | |
| Profit before income tax | | 490,835 | 1,188,977 | 374,421 | 1,014,801 |
| Income tax expense | 24 | 129,244 | 299,603 | 81,147 | 204,619 |
| Profit for the period | | 361,591 | 889,374 | 293,274 | 810,182 |
| Earnings per share | 25 | | | | |
| Basic earnings per share (in won) | | 4,979 | 12,297 | 4,134 | 11,303 |
| Diluted earnings per share (in won) | | 4,979 | 12,297 | 4,134 | 11,303 |

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

SK TELECOM CO., LTD.

Condensed Separate Statements of Comprehensive Income

For the three and nine-month periods ended September 30, 2015 and 2014

(In millions of won)

| | | September 30, 2015 | | September 30, 2014 | |
|--|-------|--------------------------------|----------------------------|--------------------------------|----------------------------|
| | Note | Three-month period ended | Nine-month period ended | Three-month period ended | Nine-month period ended |
| Profit for the period | | 361,591 | 889,374 | 293,274 | 810,182 |
| Other comprehensive income (loss) | | | | | |
| Items that will never be reclassified to profit or loss, net of taxes: | | | | | |
| Remeasurement of defined benefit liabilities | 14 | (2,620) | (5,073) | 2,052 | (7,533) |
| Items that are or may be reclassified subsequently to profit or loss, net of taxes: | | | | | |
| Net change in unrealized fair value of available-for-sale financial assets | 20 | (64,409) | (117,978) | 42,556 | (8,875) |
| Net change in unrealized fair value of derivatives | 15,20 | 2,599 | (12,803) | (16,605) | (33,298) |
| Other comprehensive income (loss) for the period, net of taxes | | (64,430) | (135,854) | 28,003 | (49,706) |
| Total comprehensive income | | 297,161 | 753,520 | 321,277 | 760,476 |

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

For the nine-month periods ended September 30, 2015 and 2014

(In millions of won)

| | Share capital | Capital surplus (deficit) and other capital adjustments | | | | Retained earnings | Reserves | Total equity | |
|------------------------------------|---------------|---|--------------------|------------------------------------|----------------|-------------------|-------------------|-----------------|-------------------|
| | | Paid-in surplus | Treasury stock | Loss on disposal of treasury stock | Hybrid bond | Other | | | |
| Balance, January 1, 2014 | 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,665,699 | 171,176 | 13,315,408 |
| Cash dividends | | | | | | | (666,802) | | (666,802) |
| Total comprehensive income | | | | | | | | | |
| Profit for the period | | | | | | | 810,182 | | 810,182 |
| Other comprehensive loss | | | | | | | (7,533) | (42,173) | (49,706) |
| | | | | | | | 802,649 | (42,173) | 760,476 |
| Interest on hybrid bond | | | | | | | (8,420) | | (8,420) |
| Balance, September 30, 2014 | 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,793,126 | 129,003 | 13,400,662 |
| Balance, January 1, 2015 | 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,996,790 | 66,898 | 13,542,221 |
| Cash dividends | | | | | | | (668,494) | | (668,494) |
| Total comprehensive income | | | | | | | | | |
| Profit for the period | | | | | | | 889,374 | | 889,374 |
| Other comprehensive loss | | | | | | | (5,073) | (130,781) | (135,854) |
| | | | | | | | 884,301 | (130,781) | 753,520 |
| Treasury stock | | | 369,249 | 18,087 | | 38,408 | | | 425,744 |
| Interest on hybrid bond | | | | | | | (8,420) | | (8,420) |
| Balance, September 30, 2015 | 44,639 | 2,915,887 | (1,770,434) | | 398,518 | (684,333) | 13,204,177 | (63,883) | 14,044,571 |

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

For the nine-month periods ended September 30, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | September 30, 2015 | September 30, 2014 |
|--|-------------|-------------------------------|-------------------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operating activities | | | |
| Profit for the period | | 889,374 | 810,182 |
| Adjustments for income and expenses | 30 | 2,067,842 | 2,070,774 |
| Changes in assets and liabilities related to operating activities | 30 | (592,126) | (540,916) |
| Sub-total | | 2,365,090 | 2,340,040 |
| Interest received | | 13,910 | 14,874 |
| Dividends received | | 59,212 | 13,048 |
| Interest paid | | (166,573) | (161,915) |
| Income tax paid | | (135,480) | (172,307) |
| Net cash provided by operating activities | | 2,136,159 | 2,033,740 |
| Cash flows from investing activities: | | | |
| Cash inflows from investing activities: | | | |
| Decrease in short-term investment securities, net | | 60,158 | 15,198 |
| Decrease in short-term financial instruments, net | | 20,000 | 11,000 |
| Collection of short-term loans | | 336,441 | 127,176 |
| Decrease in long-term financial instruments | | 6 | |
| Proceeds from disposal of long-term investment securities | | 5,235 | 47,926 |
| Proceeds from disposal of investments in subsidiaries and associates | | 185,557 | |
| Proceeds from disposal of property and equipment | | 16,912 | 23,538 |
| Proceeds from disposal of intangible assets | | 95 | 412 |
| Proceeds from disposal of assets held for sale | | | 1,055 |
| Collection of long-term loans | | | 2,942 |
| Proceeds from disposal of other non-current assets | | | 72 |
| Sub-total | | 624,404 | 229,319 |
| Cash outflows for investing activities: | | | |
| Increase in short-term loans | | (297,101) | (128,377) |
| Increase in long-term financial instruments | | (10,000) | (2,522) |
| Acquisition of long-term investment securities | | (204,504) | (14,207) |
| Acquisition of investments in subsidiaries and associates | | (287,284) | (185,060) |
| Acquisition of property and equipment | | (1,201,184) | (1,600,472) |
| Acquisition of intangible assets | | (19,207) | (40,329) |
| Increase in long-term loans | | | (45) |
| Increase in other non-current assets | | (190) | |
| Sub-total | | (2,019,470) | (1,971,012) |
| Net cash used in investing activities | | (1,395,066) | (1,741,693) |

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2015 and 2014

| <i>(In millions of won)</i> | September 30, 2015 | September 30, 2014 |
|---|-------------------------------|-------------------------------|
| Cash flows from financing activities: | | |
| Cash inflows from financing activities: | | |
| Increase in short-term borrowings, net | 60,000 | 340,000 |
| Proceeds from long-term borrowings | | 3,552 |
| Proceeds from issuance of debentures | 597,840 | 299,354 |
| Cash inflows from settlement of derivatives | 175 | 119 |
| Sub-total | 658,015 | 643,025 |
| Cash outflows for financing activities: | | |
| Repayment of long-term borrowings | (6,407) | (6,407) |
| Repayment of long-term account payables-other | (190,134) | (207,668) |
| Repayment of debentures | (250,000) | (96,151) |
| Payment of cash dividends | (668,494) | (666,802) |
| Payment of interest on hybrid bond | (8,420) | (8,420) |
| Cash outflows from settlement of derivatives | (329) | (335) |
| Sub-total | (1,123,784) | (985,783) |
| Net cash used in financing activities | (465,769) | (342,758) |
| Net increase (decrease) in cash and cash equivalents | 275,324 | (50,711) |
| Cash and cash equivalents at beginning of period | 248,311 | 448,459 |
| Effects of exchange rate changes on cash and cash equivalents | 204 | 52 |
| Cash and cash equivalents at end of the period | 523,839 | 397,800 |

See accompanying notes to the condensed separate interim financial statements.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 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 September 30, 2015, the Company s total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|---|---------------------|--|
| SK Holdings Co., Ltd.(*) | 20,363,452 | 25.22 |
| National Pension Service, other institutional investors and other minority stockholders | 52,265,708 | 64.73 |
| Treasury stock | 8,116,551 | 10.05 |
| Total number of shares | 80,745,711 | 100.00 |

(*) During the nine-month period ended September 30, 2015, SK C&C Co., Ltd., the ultimate controlling entity s investee accounted using equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Company, and changed its name to SK Holdings Co., Ltd.

2. Basis of Preparation**(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

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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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

2. Basis of Preparation, Continued

(2) Use of estimates and judgments, Continued

1) Critical judgments, assumptions and estimation uncertainties, Continued

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.

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 27.

(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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

4. Restricted Deposits

Deposits which are restricted in use as of September 30, 2015 and December 31, 2014 are summarized as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|-------------------------------------|--------------------|-------------------|
| Short-term financial instruments(*) | 85,500 | 85,500 |
| Long-term financial instruments(*) | 10,064 | 69 |
| Guarantee deposits | 280 | 280 |
| | 95,844 | 85,849 |

(*) Financial instruments include charitable trust fund established by the Company. Profits from the fund are donated to charitable institutions. As of September 30, 2015, the funds cannot be withdrawn.

5. Trade and Other Receivables

(1) Details of trade and other receivables as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | | |
|----------------------------|--------------------|---------------------------|-----------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |
| Accounts receivable trade | 1,766,046 | (129,376) | 1,636,670 |
| Short-term loans | 32,155 | (322) | 31,833 |
| Accounts receivable other | 518,455 | (54,675) | 463,780 |
| Accrued income | 7,436 | | 7,436 |
| | 2,324,092 | (184,373) | 2,139,719 |
| Non-current assets: | | | |
| Long-term loans | 54,286 | (19,241) | 35,045 |
| Guarantee deposits | 167,064 | | 167,064 |
| | 221,350 | (19,241) | 202,109 |
| | 2,545,442 | (203,614) | 2,341,828 |

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(In millions of won)

| | December 31, 2014 | | |
|----------------------------|-------------------|------------------------------|--------------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |
| Accounts receivable trade | 1,665,941 | (106,660) | 1,559,281 |
| Short-term loans | 68,676 | (687) | 67,989 |
| Accounts receivable other | 366,821 | (60,831) | 305,990 |
| Accrued income | 6,354 | | 6,354 |
| | 2,107,792 | (168,178) | 1,939,614 |
| Non-current assets: | | | |
| 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 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

5. Trade and Other Receivables, Continued

- (2) Changes in allowances for doubtful accounts of trade and other receivables during the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | For the nine-month period ended | |
|--|---------------------------------|--------------------|
| | September 30, 2015 | September 30, 2014 |
| Balance at January 1 | 189,851 | 174,480 |
| Increase of bad debt allowances | 35,307 | 31,609 |
| Write-offs | (36,515) | (25,655) |
| Collection of receivables previously written-off | 14,971 | 14,481 |
| Balance at September 30 | 203,614 | 194,915 |

- (3) Details of overdue but not impaired, and impaired trade and other receivables as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | | December 31, 2014 | |
|----------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | Accounts receivable - trade | Other receivables | Accounts receivable - trade | Other receivables |
| Neither overdue nor impaired | 1,300,238 | 669,530 | 1,182,627 | 553,014 |
| Overdue but not impaired | 48,250 | | 47,663 | |
| Impaired | 417,558 | 109,866 | 435,651 | 105,774 |
| | 1,766,046 | 779,396 | 1,665,941 | 658,788 |
| Allowances for doubtful accounts | (129,376) | (74,238) | (106,660) | (83,191) |
| | 1,636,670 | 705,158 | 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 September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|-------------------|--------------------|-------------------|
| Less than 1 month | 15,509 | 12,045 |

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| | | |
|--------------------|--------|--------|
| 1 ~ 3 months | 4,710 | 15,222 |
| 3 ~ 6 months | 10,737 | 8,591 |
| More than 6 months | 17,294 | 11,805 |
| | 48,250 | 47,663 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

6. Investment Securities

(1) Details of short-term investment securities as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | December 31, 2014 |
|---|---------------------------|--------------------------|
| Beneficiary certificates(*) | 137,246 | 197,003 |
| Current installments of long-term investment securities | | 158 |
| | 137,246 | 197,161 |

(*) The distributions arising from beneficiary certificates as of September 30, 2015, were accounted for as accrued income.

(2) Details of long-term investment securities as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | December 31, 2014 |
|--|---------------------------|--------------------------|
| Equity securities: | | |
| Marketable equity securities | 519,627 | 490,741 |
| Unlisted equity securities(*1) | 66,209 | 28,696 |
| Equity investments(*2) | 76,721 | 73,054 |
| | 662,557 | 592,491 |
| Debt securities: | | |
| Public bonds(*3) | | 158 |
| Investment bonds(*4) | 10,015 | 16,306 |
| | 10,015 | 16,464 |
| Total | 672,572 | 608,955 |
| Less current installments of long-term investment securities | | (158) |
| Long-term investment securities | 672,572 | 608,797 |

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- (*1) Unlisted equity securities whose fair value cannot be measured reliably are recorded at cost.
- (*2) Equity investments are recorded at cost.
- (*3) Details of maturity for the public bonds as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | December 31, 2014 |
|-----------------------------|---------------------------|--------------------------|
| Less than 1 year | | 158 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

6. Investment Securities, continued

(2) Details of long-term investment securities as of September 30, 2015 and December 31, 2014 are as follows, continued:

(*4) During the nine-month period ended September 30, 2015, the Company exercised the conversion right for the convertible bonds of Health Connect Co., Ltd., which were classified as available-for-sale financial assets. Health Connect Co., Ltd. has been classified as investments in associates (5,900 million) as the Company obtained significant influence over the investee. As a result of this transaction, investments in associates have increased by 5,900 million and the remaining convertible bonds of 560 million was fully redeemed. Also, the Company classified the convertible bonds of IRIVER LIMITED, amounting to 7,986 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.

7. Investments in Subsidiaries and Associates

(1) Investments in subsidiaries and associates as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|-----------------------------|---------------------------|--------------------------|
| Investments in subsidiaries | 4,318,063 | 3,614,750 |
| Investments in associates | 4,332,554 | 4,567,019 |
| | 8,650,617 | 8,181,769 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

7. Investments in Subsidiaries and Associates, continued

(2) Details of investments in subsidiaries as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won, except for share data)

| | September 30, 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.(*1,4) | 298,460,212 | 100.0 | 1,870,582 | 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.(*3,4,5) | 71,209,687 | 100.0 | 1,520,206 | 1,538,020 |
| Neosnetworks Co., Ltd.(*2) | 408,435 | 83.9 | 63,967 | 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 | 93,319 | 83,871 |
| YTK Investment Ltd. | | 100.0 | 18,693 | 27,945 |
| Atlas Investment | | 100.0 | 78,618 | 77,050 |
| SK Global Healthcare Business Group Ltd. | | 100.0 | 39,649 | 25,784 |
| Entrix Co., Ltd.(*3) | 4,157,000 | 100.0 | 27,628 | |
| | | | 4,318,063 | 3,614,750 |

(*1) On March 20, 2015, 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. became a wholly-owned subsidiary of the Company.

(*2) The Company newly acquired 50,377 and 326,748 shares of Neosnetworks Co., Ltd. by participating in the capital increase and capital increase without consideration respectively during the nine-month period ended September 30, 2015.

(*3) During the nine-month period ended September 30, 2015, Entrix Co., Ltd., providing cloud streaming service, was established by spin off from SK Planet Co., Ltd., a subsidiary of the Company. The Company exchanged 1,300,000 shares of SK Planet Co., Ltd. for 1,300,000 shares of Entrix Co., Ltd. and additionally acquired 2,857,000 shares by participating in paid in capital increase.

(*4) During the nine-month period ended September 30, 2015, hoppin service division of SK Planet Co., Ltd., a subsidiary of the Company, spin off from SK Planet Co., Ltd. and was merged into SK Broadband Co., Ltd. Consequently, the Company exchanged 417,630 shares of SK Planet Co., Ltd. for 2,501,125 shares of SK broadband Co., Ltd.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

7. Investments in Subsidiaries and Associates, Continued

(2) Details of investments in subsidiaries as of September 30, 2015 and December 31, 2014 are as follows, Continued:

(*5) On September 24, 2015, the board of directors of SK Planet Co., Ltd., a subsidiary of the Company, resolved to distribute 26,523,815 shares of SK Communications Co., Ltd., a subsidiary of SK Planet Co., Ltd. to the Company as dividend in kind and to dispose of 1,506,130 shares of SK Communication Co., Ltd. to the Company. During the nine-month period ended September 30, 2015, the Company recognized dividend income amounting to 140,834 million based on carrying amount for 26,523,815 shares of separate financial statements of SK Planet Co., Ltd. On October 1, 2015, after a reporting period, the Company acquired 1,506,130 shares from SK Planet Co., Ltd.

(3) Details of investments in associates as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won, except for share data)

| | September 30, 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) | 393,460 | 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. | 1,675,124 | 29.0 | 8,340 | 8,340 |
| NanoEnTek, Inc.(*4) | 6,960,445 | 28.6 | 47,958 | 37,959 |
| SK Industrial Development China Co., Ltd. | 72,952,360 | 21.0 | 83,691 | 83,691 |
| Packet One Network(*5) | | | | 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 | | | 61,284 | 68,737 |
| | | | 4,332,554 | 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

7. Investments in Subsidiaries and Associates, Continued

(3) Details of investments in associates as of September 30, 2015 and December 31, 2014 are as follows, Continued:

- (*3) During the nine-month period ended September 30, 2015, the Company disposed of 27,725,264 shares of KEB HanaCard Co., Ltd.
- (*4) During the nine-month period ended September 30, 2015, the Company newly acquired 1,090,155 shares of NanoEnTek, Inc. by participating in paid in capital increase allocation of third parties.
- (*5) Reclassified from investment in associates to available-for-sale financial assets during the nine-month period ended September 30, 2015 as the Company no longer has significant influence. The Company recognized the difference between the carrying amount and the fair value amounting to 37,374 million as loss on impairment of investment assets.

(4) The market price of investments in listed subsidiaries as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won, except for share data)

| | September 30, 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 | 6,540 | 15,202,039 | 99,421 | 6,370 | 15,202,039 | 96,837 |
| SK Broadband Co., Ltd.(*) | | 298,460,212 | | 4,380 | 149,638,354 | 655,416 |

- (*) Due to the voluntary delisting of SK Broadband Co., Ltd. during the nine-month period ended September 30, 2015, the market price is not disclosed as of September 30, 2015.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

8. Property and Equipment

Changes in property and equipment for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | For the nine-month period ended September 30, 2015 | | | | | Ending balance |
|--------------------------|--|-------------|----------|-----------|--------------|----------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | |
| Land | 448,255 | 3,122 | (334) | 30,181 | | 481,224 |
| Buildings | 568,874 | 1,052 | (4,132) | 22,000 | (26,200) | 561,594 |
| Structures | 350,915 | 3,462 | (57) | 12,651 | (25,623) | 341,348 |
| Machinery | 5,277,929 | 85,111 | (10,172) | 802,952 | (1,202,684) | 4,953,136 |
| Other | 430,478 | 580,839 | (12,589) | (456,621) | (83,942) | 458,165 |
| Construction in progress | 629,455 | 361,941 | (1,011) | (477,454) | | 512,931 |
| | 7,705,906 | 1,035,527 | (28,295) | (66,291) | (1,338,449) | 7,308,398 |

(In millions of won)

| | For the nine-month period ended September 30, 2014 | | | | | Ending balance |
|--------------------------|--|-------------|----------|-----------|--------------|----------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | |
| Land | 416,991 | 5,860 | | 15,259 | | 438,110 |
| Buildings | 585,375 | 523 | (101) | 6,002 | (25,748) | 566,051 |
| Structures | 363,093 | 4,040 | | 4,718 | (24,499) | 347,352 |
| Machinery | 4,945,088 | 77,214 | (16,881) | 1,143,022 | (1,163,881) | 4,984,562 |
| Other | 472,832 | 873,252 | (2,119) | (613,419) | (78,270) | 652,276 |
| Construction in progress | 676,607 | 378,383 | (13,069) | (587,424) | | 454,497 |
| | 7,459,986 | 1,339,272 | (32,170) | (31,842) | (1,292,398) | 7,442,848 |

9. Goodwill

Goodwill as of September 30, 2015 and December 31, 2014 is as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|---|--------------------|-------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | 1,306,236 | 1,306,236 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

10. Intangible Assets

(1) Changes in intangible assets for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | Beginning balance | For the nine-month period ended September 30, 2015 | | | | Ending balance |
|-----------------------|----------------------|--|----------|----------|--------------|-------------------|
| | | Acquisition | Disposal | Transfer | Amortization | |
| Frequency use rights | 1,384,044 | | | | (210,395) | 1,173,649 |
| Land use rights | 14,016 | 1,592 | (1) | | (3,625) | 11,982 |
| Industrial rights | 10,583 | 3,507 | (2) | | (2,938) | 11,150 |
| Facility usage rights | 15,843 | 1,059 | (23) | 293 | (1,912) | 15,260 |
| Memberships | 63,465 | 62 | | | | 63,527 |
| Other | 440,218 | 12,987 | (7) | 74,217 | (132,109) | 395,306 |
| | 1,928,169 | 19,207 | (33) | 74,510 | (350,979) | 1,670,874 |

(In millions of won)

| | Beginning balance | For the nine-month period ended September 30, 2014 | | | | Ending balance |
|-----------------------|----------------------|--|----------|----------|--------------|-------------------|
| | | Acquisition | Disposal | Transfer | Amortization | |
| Frequency use rights | 1,664,571 | | | | (210,395) | 1,454,176 |
| Land use rights | 9,752 | 6,675 | | | (3,178) | 13,249 |
| Industrial rights | 9,113 | 4,960 | | | (2,756) | 11,317 |
| Facility usage rights | 16,155 | 1,182 | (16) | 379 | (1,909) | 15,791 |
| Memberships | 82,815 | | (136) | | | 82,679 |
| Other | 456,761 | 27,512 | (330) | 43,052 | (122,215) | 404,780 |
| | 2,239,167 | 40,329 | (482) | 43,431 | (340,453) | 1,981,992 |

(2) The carrying amount and residual useful lives of frequency usage rights as of September 30, 2015 are as follows, all of which are depreciated on a straight-line basis:

(In millions of won)

| | Amount | Description | Commencement of amortization | Completion of amortization |
|----------------|---------|---|---------------------------------|-------------------------------|
| W-CDMA license | 126,765 | Frequency use rights relating to W-CDMA service | Dec. 2003 | Dec. 2016 |
| W-CDMA license | 20,389 | Frequency use rights relating to W-CDMA service | Oct. 2010 | Dec. 2016 |
| 800MHz license | 233,128 | | Jul. 2011 | Jun. 2021 |

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| | | Frequency use rights relating to CDMA and LTE service | | |
|----------------|---------|---|-----------|-----------|
| 1.8GHz license | 785,125 | Frequency use rights relating to LTE service | Sep. 2013 | Dec. 2021 |
| WiBro license | 8,242 | WiBro service | Mar. 2012 | Mar. 2019 |
| 1,173,649 | | | | |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Borrowings and Debentures

(1) Short-term borrowings as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| Lender | Annual interest rate (%) | Maturity | September 30, 2015 | December 31, 2014 |
|------------------------|--------------------------|---------------|--------------------|-------------------|
| Korea Development Bank | 2.48 | Apr. 30, 2015 | | 100,000 |
| | 2.09 | Oct. 30, 2015 | 100,000 | |
| CP | 2.37 | Jan. 15, 2015 | | 100,000 |
| | 1.63 | Oct. 15, 2015 | 160,000 | |
| | | | 260,000 | 200,000 |

(2) Long-term borrowings as of September 30, 2015 and December 31, 2014 are as follows:

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

| Lender | Annual interest rate (%) | Maturity | September 30, 2015 | December 31, 2014 |
|---|--------------------------|---------------|--------------------|-------------------|
| Export Kreditnamnden(*) | 1.70 | Apr. 29, 2022 | 96,250 | 94,903 |
| | | | (USD 80,577) | (USD 86,338) |
| | | | 96,250 | 94,903 |
| Less present value discount on long-term borrowings | | | (2,328) | (2,623) |
| | | | 93,922 | 92,280 |
| Less current installments of long-term borrowings | | | (13,389) | (12,133) |
| | | | 80,533 | 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Borrowings and Debentures, Continued

(3) Debentures as of September 30, 2015 and December 31, 2014 are as follows:

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

| | Purpose | Maturity | Annual interest rate (%) | September 30, 2015 | December 31, 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 refinancing fund | 2019 | 3.24 | 170,000 | 170,000 |
| Unsecured private bonds | | 2022 | 3.30 | 140,000 | 140,000 |
| Unsecured private bonds | | 2032 | 3.45 | 90,000 | 90,000 |
| Unsecured private bonds | Operating fund | 2023 | 3.03 | 230,000 | 230,000 |
| Unsecured private bonds | | 2033 | 3.22 | 130,000 | 130,000 |
| Unsecured private bonds | | 2019 | 3.30 | 50,000 | 50,000 |
| Unsecured private bonds | | 2024 | 3.64 | 150,000 | 150,000 |
| Unsecured private bonds(*2,3) | | 2029 | 4.73 | | 55,188 |
| Unsecured private bonds(*2) | | 2029 | 4.72 | 56,024 | 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 | Operating and refinancing fund | 2022 | 2.40 | 100,000 | |
| Unsecured private bonds | | 2025 | 2.49 | 150,000 | |
| Unsecured private bonds | | 2030 | 2.61 | 50,000 | |
| Unsecured private bonds | Operating fund | 2018 | 1.89 | 90,000 | |
| Unsecured private bonds | | 2025 | 2.66 | 70,000 | |
| Unsecured private bonds | | 2030 | 2.82 | 90,000 | |
| Unsecured private bonds(*2) | | 2030 | 3.40 | 54,003 | |
| Foreign global bonds | | 2027 | 6.63 | 477,800 | 439,680 |
| | | | | (USD 400,000) | (USD 400,000) |
| Swiss unsecured private bonds | | 2017 | 1.75 | 368,862 | 333,429 |
| | | | | (CHF 300,000) | (CHF 300,000) |
| Foreign global bonds | | 2018 | 2.13 | 836,150 | 769,440 |
| | | | | (USD 700,000) | (USD 700,000) |
| Australian unsecured private bonds | | 2017 | 4.75 | 250,881 | 269,727 |
| | | | | (AUD 300,000) | (AUD 300,000) |
| Floating rate notes(*1) | | 2020 | 3M Libor + 0.88 | 358,350 | 329,760 |
| | | | | (USD 300,000) | (USD 300,000) |

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| | | |
|------------------------------------|-----------|-----------|
| Sub-total | 5,382,070 | 4,882,401 |
| Less discounts on bonds | (25,993) | (27,534) |
| | 5,356,077 | 4,854,867 |
| Less current installments of bonds | (469,600) | (199,730) |
| | 4,886,477 | 4,655,137 |

(*1) As of September 30, 2015, 3M Libor rate is 0.33%.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

11. Borrowings and Debentures, Continued

(3) Debentures as of September 30, 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 10,027 million as of September 30, 2015.

(*3) As of December 31, 2014, the principal amount and the fair value of the structured bonds were 50,000 million and 55,188 million, respectively. The entire bonds were early redeemed during the nine-month period ended September 30, 2015.

12. Long-term Payables other

(1) As of September 30, 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 10):

(In millions of won)

| | Period of repayment | Coupon rate | Annual effective interest rate(*) | September 30, 2015 | December 31, 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 | | | | (42,352) | (53,633) |
| | | | | 667,536 | 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 | | | | 1,152 | 745 |
| Carrying amount at period end | | | | 547,970 | 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.

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(2) The repayment schedule of long-term payables other as of September 30, 2015 is as follows:

(In millions of won)

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

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

13. Provisions

Changes in provisions for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended September 30, 2015 | | | | | As of September 30, 2015 | |
|-------------------------------|--|----------|-------------|----------|----------------|--------------------------|-------------|
| | Beginning balance | Increase | Utilization | Reversal | Ending balance | Current | Non-current |
| Provision for handset subsidy | 26,799 | | (4,288) | (17,583) | 4,928 | 2,951 | 1,977 |
| Provision for restoration | 51,333 | 2,444 | (479) | (3,431) | 49,867 | 33,029 | 16,838 |
| | 78,132 | 2,444 | (4,767) | (21,014) | 54,795 | 35,980 | 18,815 |

| <i>(In millions of won)</i> | For the nine-month period ended September 30, 2014 | | | | | As of September 30, 2014 | |
|-------------------------------|--|----------|-------------|----------|----------------|--------------------------|-------------|
| | Beginning balance | Increase | Utilization | Reversal | Ending balance | Current | Non-current |
| Provision for handset subsidy | 53,923 | 67,158 | (62,408) | | 58,673 | 38,934 | 19,739 |
| Provision for restoration | 32,173 | 3,096 | (281) | (884) | 34,104 | 21,039 | 13,065 |
| | 86,096 | 70,254 | (62,689) | (884) | 92,777 | 59,973 | 32,804 |

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.

14. Defined Benefit Liabilities

(1) Details of defined benefit liabilities as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won)</i> | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| Present value of defined benefit obligations | 209,630 | 195,130 |
| Fair value of plan assets | (185,859) | (179,575) |
| | 23,771 | 15,555 |

(2) Principal actuarial assumptions as of September 30, 2015 and December 31, 2014 are as follows:

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| | September 30, 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

14. Defined Benefit Liabilities, Continued

- (3) Changes in defined benefit obligations for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|----------------------------------|--|---------------------------|
| | September 30, 2015 | September 30, 2014 |
| Beginning balance | 195,130 | 154,460 |
| Current service cost | 26,171 | 24,842 |
| Interest cost | 4,072 | 4,663 |
| Remeasurement | | |
| - Demographic assumption | 16 | |
| - Adjustment based on experience | 4,309 | 9,512 |
| Benefit paid | (22,194) | (11,525) |
| Others | 2,126 | 1,833 |
| Ending balance | 209,630 | 183,785 |

- (4) Changes in plan assets for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|---|--|---------------------------|
| | September 30, 2015 | September 30, 2014 |
| Beginning balance | 179,575 | 131,574 |
| Interest income | 3,769 | 3,744 |
| Actuarial loss | (2,368) | (427) |
| Contributions by employer directly to plan assets | 25,000 | 4,000 |
| Benefit paid | (20,117) | (3,931) |
| Ending balance | 185,859 | 134,960 |

- (5) Expenses recognized in profit and loss for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|-----------------------------|--|---------------------------|
| | September 30, 2015 | September 30, 2014 |
| Current service cost | 26,171 | 24,842 |
| Net Interest cost | 303 | 919 |
| | 26,474 | 25,761 |

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

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

15. Derivative Instruments

(1) Currency swap contracts under cash flow hedge accounting as of September 30, 2015 are as follows:

(In thousands of foreign currencies)

| Borrowing date | Hedged item | Hedged risk | Contract type | Financial institution | Duration of contract |
|-----------------------|---|--|-----------------------------|-------------------------------------|----------------------------------|
| Jul. 20, 2007 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000) | Foreign currency risk | Currency swap | Morgan Stanley and five other banks | Jul. 20, 2007 ~ Jul. 20, 2027 |
| Jun. 12, 2012 | Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000) | Foreign currency risk | Currency swap | Citibank and five other banks | Jun. 12, 2012 ~ Jun. 12, 2017 |
| Nov. 1, 2012 | Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000) | Foreign currency risk | Currency swap | Barclays and nine other banks | Nov. 1, 2012 ~ May. 1, 2018 |
| Jan. 17, 2013 | Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000) | Foreign currency risk | Currency swap | BNP Paribas and three other banks | Jan. 17, 2013 ~ Nov. 17, 2017 |
| 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 80,577) | Foreign currency risk | Currency swap | Deutsche bank | Dec. 16, 2013 ~ Apr. 29, 2022 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

15. Derivative Instruments, Continued

- (2) As of September 30, 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 | Fair value | | | Held for trading purpose | Total |
|--|--|---------------|--|---------------|--------------------------------|-----------------|
| | | Tax effect | Cash flow hedge Accumulated (gain) loss on foreign currency translation | Others (*) | | |
| Non-current assets: | | | | | | |
| Structured bond (face value of KRW 100,000) | | | | | 8,983 | 8,983 |
| Fixed-to-fixed cross currency swap | | | | | | |
| (U.S. dollar denominated bonds | | | | | | |
| face value of USD 400,000) | (53,080) | (16,946) | 20,051 | 129,806 | | 79,831 |
| Fixed-to-fixed cross currency swap | | | | | | |
| (U.S. dollar denominated bonds face value of | | | | | | |
| USD 700,000) | (19,212) | (6,134) | 72,364 | | | 47,018 |
| Floating-to-fixed cross currency interest rate swap(U.S. dollar | | | | | | |
| denominated bonds face value of USD 300,000) | (9,430) | (3,010) | 33,163 | | | 20,723 |
| Fixed-to-fixed long-term borrowings | | | | | | |
| (U.S. dollar denominated bonds face value of USD 80,577) | (4,334) | (1,384) | 11,044 | | | 5,326 |
| Total assets | | | | | | 161,881 |
| Non-current liabilities: | | | | | | |
| Fixed-to-fixed cross currency swap (Swiss Franc denominated | | | | | | |
| bonds face value of CHF 300,000) | (8,219) | (2,624) | 5,354 | | | (5,489) |
| Fixed-to-fixed cross currency swap (Australia dollar denominated | | | | | | |
| bonds face value of AUD 300,000) | 3,264 | 1,042 | (84,273) | | | (79,967) |
| Total liabilities | | | | | | (85,456) |

(*) 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

16. Share Capital and Capital Surplus and Other Capital Adjustments

The Company's outstanding share capital consists entirely of common stock with a par value of 500. The number of authorized, issued and outstanding common shares and capital surplus and other capital adjustments as of September 30, 2015 and December 31, 2014 are as follows:

| <i>(In millions of won, except for share data)</i> | September 30, 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 17) | (1,770,434) | (2,139,683) |
| Loss on disposal of treasury stock | | (18,087) |
| Hybrid bond (Note 18) | 398,518 | 398,518 |
| Others | (684,333) | (722,741) |
| | 859,638 | 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 nine-month period ended September 30, 2015 and the year ended December 31, 2014 and changes in shares outstanding for the nine-month period ended September 30, 2015 and 2014 are as follows:

| <i>(In shares)</i> | For the nine-month period ended September 30, 2015 | | | For the nine-month period ended September 30, 2014 | | |
|----------------------------|---|---------------------------|-------------------------------|---|---------------------------|-------------------------------|
| | Issued shares | Treasury stock | Outstanding shares | Issued shares | Treasury stock | Outstanding shares |
| Beginning issued shares | 80,745,711 | 9,809,375 | 70,936,336 | 80,745,711 | 9,809,375 | 70,936,336 |
| Disposal of treasury stock | | (1,692,824) | 1,692,824 | | | |
| Ending issued shares | 80,745,711 | 8,116,551 | 72,629,160 | 80,745,711 | 9,809,375 | 70,936,336 |

17. 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 September 30, 2015 and December 31, 2014 are as follows:

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| <i>(In millions of won, shares)</i> | September 30, 2015 | December 31, 2014 |
|-------------------------------------|---------------------------|--------------------------|
| Number of shares | 8,116,551 | 9,809,375 |
| Amount | 1,770,434 | 2,139,683 |

On June 9, 2015, the Company granted 1,692,824 shares of its treasury stock (acquisition cost: 369,249 million) in order to acquire shares of SK Broadband Co., Ltd.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

18. Hybrid Bond

Hybrid bonds classified as equity as of September 30, 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 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.

19. Retained Earnings

(1) Retained earnings as of September 30, 2015 and December 31 2014 are as follows:

(In millions of won)

| | September 30, 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 | 807,119 | 930,498 |
| | 13,204,177 | 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 & 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

20. Reserves

- (1) Details of reserves, net of taxes, as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| Unrealized fair value of available-for-sale financial assets | 27,128 | 145,106 |
| Unrealized fair value of derivatives | (91,011) | (78,208) |
| | (63,883) | 66,898 |

- (2) Changes in reserves for the nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | For the nine-month period ended September 30, 2015 | | |
|-------------------------------|--|--------------------------------------|-----------|
| | Unrealized fair value of available-for-sale financial assets | Unrealized fair value of derivatives | Total |
| Balance at January 1, 2015 | 145,106 | (78,208) | 66,898 |
| Changes | (155,644) | (16,891) | (172,535) |
| Tax effect | 37,666 | 4,088 | 41,754 |
| Balance at September 30, 2015 | 27,128 | (91,011) | (63,883) |

(In millions of won)

| | For the nine-month period ended September 30, 2014 | | |
|-------------------------------|--|--------------------------------------|----------|
| | Unrealized fair value of available-for-sale financial assets | Unrealized fair value of derivatives | Total |
| Balance at January 1, 2014 | 211,209 | (40,033) | 171,176 |
| Changes | (11,708) | (43,929) | (55,637) |
| Tax effect | 2,833 | 10,631 | 13,464 |
| Balance at September 30, 2014 | 202,334 | (73,331) | 129,003 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

21. Other Operating Expenses

Details of other operating expenses for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|--|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Other Operating Expenses: | | | | |
| Communication expenses | 8,069 | 26,127 | 10,271 | 32,134 |
| Utilities | 57,242 | 152,502 | 52,595 | 136,308 |
| Taxes and dues | 7,466 | 16,974 | 7,741 | 16,550 |
| Repair | 54,217 | 145,708 | 52,013 | 138,530 |
| Research and development | 62,596 | 173,549 | 59,114 | 167,472 |
| Training | 7,055 | 17,217 | 9,122 | 21,090 |
| Bad debt for accounts receivable trade | 4,123 | 27,735 | 3,346 | 19,380 |
| Other | 9,862 | 30,714 | 10,256 | 46,117 |
| | 210,630 | 590,526 | 204,458 | 577,581 |

22. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|--|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Other Non-operating Income: | | | | |
| Gain on disposal of property and equipment and intangible assets | 1,137 | 2,075 | 2,291 | 2,891 |
| Others | 2,264 | 8,295 | 3,736 | 31,728 |
| | 3,401 | 10,370 | 6,027 | 34,619 |
| Other Non-operating Expenses: | | | | |
| Loss on disposal of property and equipment and intangible assets | 11,340 | 13,396 | 8,884 | 11,593 |
| Donations | 13,155 | 36,717 | 21,807 | 48,367 |
| Bad debt for accounts receivable other | 3,487 | 7,572 | 4,106 | 12,229 |
| Others | 1,812 | 33,773 | 45,750 | 63,849 |

29,794

91,458

80,547

136,038

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

23. Finance Income and Costs

(1) Details of finance income and costs for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|--|--|--|--|--|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Finance Income: | | | | |
| Interest income | 4,785 | 15,946 | 6,300 | 19,127 |
| Dividends | 143,315 | 200,046 | 2,481 | 13,048 |
| Gain on foreign currency transactions | 4,935 | 9,418 | 2,141 | 7,352 |
| Gain on foreign currency translation | 688 | 1,769 | 1,835 | 1,041 |
| Gain relating to financial liabilities at fair value through profit or loss | | 5,188 | | |
| Gain relating to financial assets at fair value through profit or loss | 857 | 168 | | |
| Gain on disposal of long-term investment securities | | 2,828 | 2,721 | 8,572 |
| Gain on valuation of derivatives | 3,603 | 4,633 | 2,240 | 8,257 |
| Gain on settlement of derivatives | | | | 119 |
| | 158,183 | 239,996 | 17,718 | 57,516 |
| Finance Costs: | | | | |
| Interest expense | 60,134 | 181,266 | 67,155 | 199,527 |
| Loss on foreign currency transactions | 1,151 | 8,178 | 3,860 | 12,643 |
| Loss on foreign currency translation | | 8 | | 832 |
| Loss on disposal of long-term investment securities | | 2 | | 6 |
| Loss on settlement of derivatives | | 4,517 | | 335 |
| Loss relating to financial assets at fair value through profit or loss | | | | 1,352 |
| Loss relating to financial liabilities at fair value through profit or loss | 4,676 | 4,850 | 3,489 | 11,287 |
| Other finance costs | 37,375 | 37,407 | | |
| | 103,336 | 236,228 | 74,504 | 225,982 |

(2) Details of interest income included in finance income three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

2015

2014

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| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
|---|--|--|--|--|
| Interest income on cash equivalents and deposits | 2,075 | 7,351 | 3,402 | 10,566 |
| Interest income on installment receivables and others | 2,710 | 8,595 | 2,898 | 8,561 |
| | 4,785 | 15,946 | 6,300 | 19,127 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

23. Finance Income and Costs, Continued

- (3) Details of interest expense included in finance costs for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|--|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Interest expense on bank overdrafts and borrowings | 2,842 | 12,853 | 5,350 | 17,333 |
| Interest expense on debentures | 48,297 | 139,650 | 50,624 | 147,160 |
| Others | 8,995 | 28,763 | 11,181 | 35,034 |
| | 60,134 | 181,266 | 67,155 | 199,527 |

- (4) Details of impairment losses for financial assets for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| | 2015 | | 2014 | |
|-------------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Accounts receivable trade | 4,123 | 27,735 | 3,346 | 19,380 |
| Other receivables | 3,487 | 7,572 | 4,106 | 12,229 |
| Available-for-sale financial assets | 37,375 | 37,407 | | |
| | 44,985 | 72,714 | 7,452 | 31,609 |

24. 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

25. Earnings per Share

(1) Basic earnings per share

- 1) Basic earnings per share for the three and nine-month periods ended September 30, 2015 and 2014 are calculated as follows:

(In millions of won, shares)

| | 2015 | | 2014 | |
|---|---|--|---|--|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Profit for the period | 361,591 | 889,374 | 293,274 | 810,182 |
| Interest on hybrid bond | | (8,420) | | (8,420) |
| Profit for the period on common shares | 361,591 | 880,954 | 293,274 | 801,762 |
| Weighted average number of common shares outstanding | 72,629,160 | 71,637,029 | 70,936,336 | 70,936,336 |
| Basic earnings per share (In won) | 4,979 | 12,297 | 4,134 | 11,303 |

- 2) The weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2015 and 2014 are calculated as follows:

(In shares)

| | Number of shares | Weighted number of shares | |
|---|---------------------|---|--|
| | | Three-month period ended September 30 | Nine-month period ended September 30 |
| Outstanding common shares at January 1, 2015 | 80,745,711 | 80,745,711 | 80,745,711 |
| Effect of treasury stock | (8,116,551) | (8,116,551) | (9,108,682) |
| Weighted average number of common shares outstanding at September 30, 2015 | 72,629,160 | 72,629,160 | 71,637,029 |

(In shares)

| | Number of shares | Weighted number of shares | |
|--|---------------------|---|--|
| | | Three-month period ended September 30 | Nine-month period ended September 30 |
| Outstanding common shares at January 1, 2014 | 80,745,711 | 80,745,711 | 80,745,711 |
| Effect of treasury stock | (9,809,375) | (9,809,375) | (9,809,375) |
| | 70,936,336 | 70,936,336 | 70,936,336 |

Weighted average number of common shares outstanding at
September 30, 2014

(2) Diluted earnings per share

For the nine-month periods ended September 30, 2015 and 2014, there were no potentially dilutive shares. Therefore, diluted earnings per share for the nine-month periods ended September 30, 2015 and 2014 are the same as basic earnings per share.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

26. Categories of Financial Instruments

(1) Financial assets by categories as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | | | | |
|-------------------------------------|---|-------------------------------------|-----------------------|--|-----------|
| | Financial assets at fair value through profit or loss | Available-for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| Cash and cash equivalents | | | 523,839 | | 523,839 |
| Financial instruments | | | 133,064 | | 133,064 |
| Short-term investment securities | | 137,246 | | | 137,246 |
| Long-term investment securities(*1) | 7,986 | 664,586 | | | 672,572 |
| Accounts receivable trade | | | 1,636,670 | | 1,636,670 |
| Loans and other receivables(*2) | | | 564,324 | | 564,324 |
| Derivative financial assets | 8,983 | | | 152,897 | 161,880 |
| | 16,969 | 801,832 | 2,857,897 | 152,897 | 3,829,595 |

(In millions of won)

| | December 31, 2014 | | | | |
|-------------------------------------|---|-------------------------------------|-----------------------|--|-----------|
| | Financial assets at fair value through profit or loss | Available-for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| 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)

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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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

26. Categories of Financial Instruments, Continued

(1) Financial assets by categories as of September 30, 2015 and December 31, 2014 are as follows, Continued:

(*2) Details of loans and other receivables as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|---------------------------|-----------------------|----------------------|
| Short-term loans | 31,833 | 67,989 |
| Accounts receivable other | 322,946 | 305,990 |
| Accrued income | 7,436 | 6,354 |
| Long-term loans | 35,045 | 38,457 |
| Guarantee deposits | 167,064 | 156,807 |
| | 564,324 | 575,597 |

(2) Financial liabilities by categories as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | | | |
|---------------------------------------|--|--|---|-----------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | Total |
| Derivative financial liabilities | | | 85,456 | 85,456 |
| Borrowings | | 353,922 | | 353,922 |
| Debentures(*1) | 110,027 | 5,246,050 | | 5,356,077 |
| Accounts payable other and others(*2) | | 1,910,682 | | 1,910,682 |
| | 110,027 | 7,510,654 | 85,456 | 7,706,137 |

(In millions of won)

| | December 31, 2014 | | | |
|--|--|--|---|-------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | Total |

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| | | | | |
|---------------------------------------|---------|-----------|---------|-----------|
| 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 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

26. Categories of Financial Instruments, Continued

(2) Financial liabilities by categories as of September 30, 2015 and December 31, 2014 are as follows, Continued:

(*1) Bonds classified as financial liabilities at fair value through profit or loss as of September 30, 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 September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|--|-----------------------|----------------------|
| Accounts payable other | 738,702 | 1,086,485 |
| Withholdings | | 3 |
| Accrued expenses | 472,888 | 615,488 |
| Current installments of long-term payables other | 119,566 | 189,389 |
| Long-term payables other | 547,970 | 657,001 |
| Other non-current liabilities | 31,556 | 34,242 |
| | 1,910,682 | 2,582,608 |

27. 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

27. 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 September 30, 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 | 51,603 | 61,073 | 1,468,006 | 1,753,533 |
| EUR | 6,004 | 8,068 | 2 | 2 |
| JPY | 20,726 | 207 | | |
| AUD | | | 298,897 | 249,959 |
| CHF | | | 299,269 | 367,964 |
| Others | 4,994 | 1,111 | 36 | 24 |
| | | 70,459 | | 2,371,482 |

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (See Note 15)

As of September 30, 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)

| | If increased by 10% | If decreased by 10% |
|--------|---------------------|---------------------|
| USD | 5,398 | (5,398) |
| EUR | 773 | (773) |
| JPY | 21 | (21) |
| Others | 109 | (109) |
| | 6,301 | (6,301) |

(ii) Equity price risk

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The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of September 30, 2015, available-for-sale equity instruments measured at fair value amount to 611,039 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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

27. 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 September 30, 2015, floating-rate debentures amount to 358,350 million and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (See Note 15). If interest rate only increases (decreases) by 1%, income before income taxes for the nine-month period ended September 30, 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 September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|---|-------------------------------|------------------------------|
| Cash and cash equivalents | 523,809 | 248,281 |
| Financial instruments | 133,064 | 143,069 |
| Available-for-sale financial assets | 2,030 | 8,648 |
| Accounts receivable - trade | 1,636,670 | 1,559,281 |
| Loans and receivables | 564,324 | 575,597 |
| Derivative financial assets | 161,881 | 67,728 |
| Financial assets at fair value through profit or loss | 7,986 | 7,817 |
| | 3,029,764 | 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 nine-month period ended September 30, 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 September 30, 2015.

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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 23.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

27. 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 September 30, 2015 are as follows:

(In millions of won)

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 5 years | More than 5 years |
|---------------------------------------|--------------------|---------------------------|---------------------|-----------|----------------------|
| Borrowings(*1) | 353,922 | 364,654 | 276,823 | 59,560 | 28,271 |
| Debentures(*1) | 5,356,077 | 6,533,362 | 650,222 | 3,047,909 | 2,835,231 |
| Accounts payable other and others(*2) | 1,910,682 | 1,961,060 | 1,291,061 | 548,880 | 121,119 |
| | 7,620,681 | 8,859,076 | 2,218,106 | 3,656,349 | 2,984,621 |

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

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

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

As of September 30, 2015, periods which cash flows from cash flow hedge derivatives are expected to occur are as follows:

(In millions of won)

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 5 years | More than 5 years |
|-------------|--------------------|---------------------------|---------------------|-----------|----------------------|
| Assets | 152,898 | 163,391 | 2,980 | 127,946 | 32,465 |
| Liabilities | (85,456) | (88,781) | (4,748) | (84,033) | |
| | 67,442 | 74,610 | (1,768) | 43,913 | 32,465 |

(2) Capital management

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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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

27. Financial Risk Management, Continued

(2) Capital management, Continued

Debt-equity ratio as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| | September 30, 2015 | December 31, 2014 |
|-------------------|--------------------|-------------------|
| Liabilities | 9,100,151 | 9,170,241 |
| Equity | 14,044,571 | 13,542,221 |
| Debt-equity ratio | 64.79% | 67.72% |

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of September 30, 2015 are as follows:

(In millions of won)

| | Carrying amount | September 30, 2015 | | | Total |
|---|-----------------|--------------------|---------|---------|-----------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets that can be measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 16,969 | | 8,983 | 7,986 | 16,969 |
| Derivative financial assets | 152,898 | | 152,898 | | 152,898 |
| Available-for-sale financial assets | 611,039 | 519,627 | 47,246 | 44,166 | 611,039 |
| | 780,906 | 519,627 | 209,127 | 52,152 | 780,906 |
| Financial assets that cannot be measured at fair value | | | | | |
| Cash and cash equivalents(*1) | 523,839 | | | | 523,839 |
| Available-for-sale financial assets(*1,2) | 190,793 | | | | 190,793 |
| Accounts receivable trade and others(*1) | 2,200,994 | | | | 2,200,994 |
| Financial instruments(*1) | 133,064 | | | | 133,064 |
| | 3,048,690 | | | | 3,048,690 |
| Financial liabilities that can be measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | 110,027 | | 110,027 | | 110,027 |
| Derivative financial liabilities | 85,456 | | 85,456 | | 85,456 |

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| | | | |
|--|-----------|-----------|-----------|
| | 195,483 | 195,483 | 195,483 |
| Financial liabilities that cannot be measured at fair value | | | |
| Borrowings | 353,922 | 355,404 | 355,404 |
| Debentures | 5,246,050 | 5,645,916 | 5,645,916 |
| Accounts payable other and others(*1) | 1,910,682 | | |
| | 7,510,654 | 6,001,320 | 6,001,320 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

27. 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 amount | December 31, 2014 | | | Total |
|--|--------------------|-------------------|-----------|---------|-----------|
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets that can be measured at fair value | | | | | |
| Financial assets at fair value through profit or loss | 16,530 | | 8,713 | 7,817 | 16,530 |
| Derivative financial assets | 59,015 | | 59,015 | | 59,015 |
| Available-for-sale financial assets | 586,675 | 490,741 | 47,002 | 48,932 | 586,675 |
| | 662,220 | 490,741 | 114,730 | 56,749 | 662,220 |
| Financial assets that cannot be measured at fair value | | | | | |
| Cash and cash equivalents(*1) | 248,311 | | | | 248,311 |
| Available-for-sale financial assets(*1,2) | 211,466 | | | | 211,466 |
| Accounts receivable trade and others(*1) | 2,134,878 | | | | 2,134,878 |
| Financial instruments(*1) | 143,069 | | | | 143,069 |
| | 2,737,724 | | | | 2,737,724 |
| Financial liabilities that can be measured at fair value | | | | | |
| Financial liabilities at fair value through profit or loss | 110,365 | | 110,365 | | 110,365 |
| Derivative financial liabilities | 130,889 | | 130,889 | | 130,889 |
| | 241,254 | | 241,254 | | 241,254 |
| Financial liabilities that cannot be measured at fair value | | | | | |
| Borrowings | 292,280 | | 300,048 | | 300,048 |
| Debentures | 4,744,502 | | 5,103,527 | | 5,103,527 |
| Accounts payable other and others(*1) | 2,582,608 | | | | 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)

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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.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

27. 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 and liabilities being evaluated.

Interest rates used by the Company for the fair value measurement as of September 30, 2015 are as follows:

| | Interest rate |
|---------------------------|----------------------|
| Derivative instruments | 1.74 ~ 2.14% |
| Borrowings and debentures | 2.33 ~ 2.50% |

- 3) There have been no transfers from Level 2 to Level 1 for the nine-month period ended September 30, 2015 and changes of financial assets classified as Level 3 for the nine-month period ended September 30, 2015 are as follows:

(In millions of won)

| | Balance at January 1 | Valuation | Disposal | Balance at September 30 |
|---|-------------------------------------|------------------|-----------------|------------------------------------|
| Financial assets at fair value through profit or loss | 7,817 | 169 | | 7,986 |
| Available-for-sale financial assets | 48,932 | | (4,766) | 44,166 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

27. 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 September 30, 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 Financial instruments | Cash collaterals received | Net amount |
|--------------------------------------|--|---|---|---|---------------------------|------------|
| Financial assets: | | | | | | |
| Derivatives(*) | 68,522 | | 68,522 | (52,560) | | 15,962 |
| Accounts receivable trade and others | 117,216 | (105,247) | 11,969 | | | 11,969 |
| | 185,738 | (105,247) | 80,491 | (52,560) | | 27,931 |
| Financial liabilities: | | | | | | |
| Derivatives(*) | 52,560 | | 52,560 | (52,560) | | |
| Accounts payable other and others | 105,247 | (105,247) | | | | |
| | 157,807 | (105,247) | 52,560 | (52,560) | | |

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 Financial instruments | Cash collaterals received | Net amount |
|--------------------------------------|--|---|---|---|---------------------------|------------|
| Financial assets: | | | | | | |
| Derivatives(*) | 48,057 | | 48,057 | (45,892) | | 2,165 |
| Accounts receivable trade and others | 128,794 | (117,568) | 11,226 | | | 11,226 |
| | 176,851 | (117,568) | 59,283 | (45,892) | | 13,391 |
| Financial liabilities: | | | | | | |
| Derivatives(*) | 45,892 | | 45,892 | (45,892) | | |
| Accounts payable other and others | 117,568 | (117,568) | | | | |

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| | | | |
|---------|-----------|--------|----------|
| 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).

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

28. Transactions with Related Parties

(1) List of related parties

| Relationship | Company |
|-----------------------------|---|
| Ultimate Controlling Entity | SK Holdings Co., Ltd. |
| Subsidiaries | SK Planet Co., Ltd. and 39 others(*) |
| Joint ventures | Dogus Planet, Inc. and three others |
| Associates | SK hynix Inc. and 50 others |
| Affiliates | The Ultimate Controlling Entity's subsidiaries and associates, etc. |

(*) As of September 30, 2015, subsidiaries of the Company are as follows:

| Company | Ownership percentage (%) | Types of business |
|--|-----------------------------|--|
| SK Telink Co., Ltd. | 83.5 | Telecommunication and MVNO service |
| M&Service Co., Ltd. | 100.0 | Data base and internet website service |
| SK Communications Co., Ltd. | 64.6 | Internet website services |
| Stonebridge Cinema Fund | 55.2 | Investment association |
| Commerce Planet Co., Ltd. | 100.0 | Online shopping mall operation agency |
| SK Broadband Co., Ltd. | 100.0 | 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. | 83.9 | Guarding of facilities |
| IRIVER LIMITED | 49.0 | Manufacturing of media and sound equipment |
| 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 |

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| | | |
|--------------------------------------|-------|--|
| 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 |
| Entrix Co., Ltd. | 100.0 | Cloud streaming service |
| shopkick Management Company, Inc. | 95.2 | Investment association |
| shopkick, Inc. | 100.0 | Mileage-based online transaction application development |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

28. 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 and nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | 2015 | | 2014 | |
|-----------------------------------|--|---|--|---|
| | Three-month period ended September 30 | Nine-month period ended September 30 | Three-month period ended September 30 | Nine-month period ended September 30 |
| Salaries | 207 | 1,767 | 379 | 2,212 |
| Provision for retirement benefits | 42 | 584 | 114 | 794 |
| | 249 | 2,351 | 493 | 3,006 |

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

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

28. Transactions with Related Parties, Continued

(3) Transactions with related parties for the three and nine-month periods ended September 30, 2015 and 2014 are as follows:

(In millions of won)

| Scope | Company | 2015 | | | | | | | |
|-----------------------------|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | Operating revenue and others | | Operating expense and others | | Acquisition of property and equipment | | Loans | |
| | | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 |
| Ultimate Controlling Entity | SK Holdings Co., Ltd. (formerly, SK C&C Co., Ltd.)(*1) | 2,191 | 4,217 | 88,561 | 210,247 | 28,082 | 91,524 | | |
| | SK Holdings Co., Ltd. (formerly, SK Holding Co., Ltd.)(*2,3) | 22 | 369 | 22,617 | 207,193 | | | | |
| | | 2,213 | 4,586 | 111,178 | 417,440 | 28,082 | 91,524 | | |
| Subsidiaries | SK Broadband Co., Ltd. | 30,982 | 95,360 | 143,012 | 403,911 | 12,803 | 14,803 | | |
| | PS&Marketing Corporation | 2,871 | 8,492 | 204,378 | 620,406 | 424 | 739 | | |
| | Network O&S Co., Ltd. | 1,848 | 3,407 | 53,141 | 132,814 | 4,784 | 4,784 | | |
| | SK Planet Co., Ltd.(*4) | 150,893 | 178,076 | 138,112 | 404,855 | 5,258 | 6,978 | | |
| | SK Telink Co., Ltd. | 16,145 | 46,441 | 5,347 | 18,854 | 5 | 5 | | |
| | Service Ace Co., Ltd. | 1,907 | 5,712 | 41,449 | 116,855 | | | | |
| | Service Top Co., Ltd. | 2,138 | 6,259 | 41,087 | 119,209 | | | | |
| | Others | 2,756 | 8,991 | 10,568 | 25,608 | 97 | 247 | | |
| | | 209,540 | 352,738 | 637,094 | 1,842,512 | 23,371 | 27,556 | | |
| Associates | F&U Credit information Co., Ltd. | 404 | 1,257 | 10,124 | 30,842 | | | | |
| | HappyNarae Co., Ltd. | 33 | 67 | 518 | 2,273 | 2,192 | 4,835 | | |
| | SK hynix Inc.(*5) | 1,514 | 49,712 | 36 | 2,235 | | | | |
| | SK Wyverns Baseball Club Co., Ltd. | 280 | 841 | 2,002 | 12,910 | | | | |
| | KEB HanaCard Co., Ltd. | 5,325 | 16,175 | 3,958 | 12,181 | | | | |
| | Others(*6) | 16 | 2,560 | 1,010 | 4,447 | | 11 | 500 | |
| | | 7,572 | 70,612 | 17,648 | 64,888 | 2,192 | 4,846 | | 500 |
| Other | SK Engineering & Construction Co., Ltd. | 1,223 | 5,361 | 9,577 | 18,167 | 59,346 | 142,961 | | |

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| | | | | | | | | |
|-------|-------------------------------|---------|---------|---------|-----------|---------|---------|-----|
| | SK Networks Co., Ltd. | 1,201 | 5,647 | 3,894 | 12,170 | | | |
| | SK Networks service Co., Ltd. | 2,773 | 7,504 | 13,083 | 30,243 | 1,418 | 1,845 | |
| | SK Telesys Co., Ltd. | 38 | 133 | 1,984 | 5,838 | 19,843 | 67,791 | |
| | Others | 5,086 | 11,417 | 8,598 | 21,332 | 1,996 | 3,878 | |
| | | 10,321 | 30,062 | 37,136 | 87,750 | 82,603 | 216,475 | |
| Total | | 229,646 | 457,998 | 803,056 | 2,412,590 | 136,248 | 340,401 | 500 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

28. Transactions with Related Parties, Continued

- (3) Transactions with related parties for the three and nine-month periods ended September 30, 2015 and 2014 are as follows,
Continued:

- (*1) On August 1, 2015, SK C&C Co., Ltd., the Ultimate Controlling Entity's investor using equity method, merged SK Holdings Co., Ltd. the ultimate controlling entity of the Company, and changed its name to SK, Holdings Co., Ltd.
- (*2) These relates to transactions occurred until July 31, 2015 before the merger with SK C&C Co., Ltd.
- (*3) Operating expense and others include 191,416 million of dividends paid by the Company.
- (*4) Operating revenue and others include 140,834 million of dividend recognized due to the declaration of dividend in kind of SK Planet Co., Ltd., a subsidiary of the Company.
- (*5) Operating revenue and others include 43,830 million of dividends received from SK hynix Inc.
- (*6) Operating revenue and others include 2,103 million and 227 million of dividends received from Korea IT Fund and UniSK, respectively.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

28. Transactions with Related Parties, Continued

- (3) Transactions with related parties for the three and nine-month periods ended September 30, 2015 and 2014 are as follows,
Continued:

(In millions of won)

| Scope | Company | 2014 | | | | | | | |
|-----------------------------|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|---------------------------------------|---------------------------------|----------------------------------|---------------------------------|
| | | Operating revenue and others | | Operating expense and others | | Acquisition of property and equipment | | Loans | |
| | | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 | Three-month period ended Sep. 30 | Nine-month period ended Sep. 30 |
| Ultimate Controlling Entity | SK Holdings Co., Ltd.(*) | 83 | 318 | 27,050 | 211,475 | | | | |
| Subsidiaries | SK Broadband Co., Ltd. | 35,450 | 107,549 | 164,144 | 419,785 | 8,645 | 8,691 | | |
| | PS&Marketing Corporation | 4,419 | 11,205 | 244,188 | 585,754 | 160 | 1,001 | | |
| | Network O&S Co., Ltd. | 1,861 | 3,133 | 42,103 | 112,246 | 146 | 146 | | |
| | SK Planet Co., Ltd. | 16,050 | 44,238 | 162,572 | 460,634 | 3,762 | 4,807 | | |
| | SK Telink Co., Ltd. | 14,057 | 37,186 | 3,388 | 14,740 | | 227 | | |
| | Service Ace Co., Ltd. | 1,807 | 5,349 | 37,646 | 107,205 | | | | |
| | Service Top Co., Ltd. | 1,657 | 4,960 | 38,986 | 114,186 | | | | |
| | Others | 3,482 | 7,191 | 9,296 | 22,310 | 564 | 614 | | |
| | | | 78,783 | 220,811 | 702,323 | 1,836,860 | 13,277 | 15,486 | |
| Associates | F&UCredit information Co., Ltd. | 410 | 1,303 | 10,939 | 31,957 | | | | |
| | HappyNarae Co., Ltd. | | | 1,017 | 2,518 | 1,844 | 5,337 | | |
| | SK hynix Inc. | 2,244 | 5,415 | | 879 | | | | |
| | SK Wyverns Baseball Club Co., Ltd. | 5 | 13 | 3,000 | 11,921 | | | | |
| | HanaSK Card Co., Ltd.(*2) | 6,058 | 19,477 | 968 | 2,481 | | | | |
| | Others | 73 | 1,372 | 3,478 | 7,816 | | | | 45 |
| | | | 8,790 | 27,580 | 19,402 | 57,572 | 1,844 | 5,337 | |
| Other | SK Engineering & Construction Co., Ltd | 502 | 1,798 | 10,799 | 22,273 | 78,484 | 134,071 | | |
| | SK C&C Co., Ltd. | 1,060 | 2,913 | 68,698 | 181,392 | 21,928 | 59,020 | | |
| | SK Networks Co., Ltd. | 1,429 | 11,422 | 5,484 | 200,758 | | 2,454 | | |
| | SK Networks service Co., Ltd. | 2,464 | 7,757 | 7,017 | 21,296 | 293 | 728 | | |
| | SK Telesys Co., Ltd. | 103 | 184 | 3,042 | 5,018 | 42,431 | 99,830 | | |
| | Others | 3,308 | 8,687 | 5,948 | 12,660 | 421 | 4,268 | | |

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| | | | | | | | |
|-------|--------|---------|---------|-----------|---------|---------|----|
| | 8,866 | 32,761 | 100,988 | 443,397 | 143,557 | 300,371 | |
| Total | 96,522 | 281,470 | 849,763 | 2,549,304 | 158,678 | 321,194 | 45 |

(*) Operating expense and others include 191,416 million of dividends paid by the Company.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

28. Transactions with Related Parties, Continued

(4) Account balances as of September 30, 2015 and December 31, 2014 are as follows:

(In millions of won)

| Scope | Company | Loans | September 30, 2015 | |
|-----------------------------|---|--------|--|---|
| | | | Accounts receivable Accounts receivable - trade, and others | Accounts payable Accounts payable trade, and others |
| Ultimate Controlling Entity | SK Holdings Co., Ltd. (formerly, SK C&C Co., Ltd.) (*) | | 666 | 94,236 |
| Subsidiaries | SK Broadband Co., Ltd. | | 1,878 | 19,275 |
| | PS&Marketing Corporation | | 1,296 | 71,655 |
| | Network O&S Co., Ltd. | | 222 | 26,422 |
| | SK Planet Co., Ltd. | | 145,298 | 36,666 |
| | SK Telink Co., Ltd. | | 9,952 | 3,830 |
| | Service Ace Co., Ltd. | | | 19,922 |
| | Service Top Co., Ltd. | | | 21,030 |
| | Others | | | 5,371 |
| | | | 164,017 | 214,926 |
| Associates | HappyNarae Co., Ltd. | | | 635 |
| | SK hynix Inc. | | 2,438 | |
| | 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. | | 1,797 | 36,906 |
| | Others | | 42 | 1,087 |
| | | 25,068 | 42,791 | 38,628 |
| Other | SK Engineering and Construction Co., Ltd. | | 3,414 | 1,064 |
| | SK Networks Co., Ltd. | | 1,332 | 1,133 |
| | SK Networks Services Co., Ltd. | | 53 | 4,286 |
| | SK Telesys Co., Ltd. | | 177 | 3,713 |
| | SK innovation Co., Ltd. | | 2,144 | 182 |
| | Others | | 1,593 | 20,054 |
| | | | 8,713 | 30,432 |
| Total | | 25,068 | 216,187 | 378,222 |

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- (*) On August 1, 2015, SK C&C Co., Ltd., the Ultimate Controlling Entity's investor using equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Company, and changed its name to SK, Holdings Co., Ltd.

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

28. Transactions with Related Parties, Continued

(4) Account balances as of September 30, 2015 and December 31, 2014 are as follows, Continued:

(In millions of won)

| Scope | Company | December 31, 2014 | | |
|-----------------------------|---|--|---------------------------------------|---------|
| | | Loans | Accounts payable | |
| | | Accounts receivable receivable - trade, and others | Accounts payable trade, and others | |
| Ultimate Controlling Entity | SK Holdings Co., Ltd. | | 89 | |
| Subsidiaries | SK Broadband Co., Ltd. | | 38,432 | |
| | PS&Marketing Corporation | | 101,431 | |
| | Network O&S Co., Ltd. | | 12,981 | |
| | SK Planet Co., Ltd. | | 51,991 | |
| | SK Telink Co., Ltd. | | 5,665 | |
| | Service Ace Co., Ltd. | | 19,972 | |
| | Service Top Co., Ltd. | | 21,386 | |
| | Others | | 15,042 | |
| | | | 35,233 | 266,900 |
| Associates | HappyNarae Co., Ltd. | | 1,780 | |
| | SK hynix Inc. | | 2,763 | |
| | SK Wyverns Baseball Club., Ltd. | 1,221 | | |
| | Wave City Development Co., Ltd. | 1,200 | 38,412 | |
| | Daehan Kanggun BeN Co., Ltd. | 22,147 | | |
| | KEB HanaCard Co., Ltd. | | 38 | |
| | Others | | 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 |

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- (5) As of September 30, 2015, there are no collateral or guarantee provided by related parties to the Company, nor by the Company to related parties.

- (6) The Company made an additional investment in associates and joint ventures during the nine-month period ended September 30, 2015. (Refer to Note 7)

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

29. 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 10,904 million and 10,587 million, respectively, in relation to the above operating lease agreement and lease revenue of 7,155 million and 6,773 million, respectively, in relation to the sublease agreement for the nine-month periods ended September 30, 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> | Lease payments | Lease revenue |
|-----------------------------|-----------------------|----------------------|
| Less than 1 year | 14,866 | 9,540 |
| 1~5 years | 54,268 | 30,482 |
| More than 5 years | 30,849 | 15,183 |
| | 99,983 | 55,205 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

30. Statements of Cash Flows

- (1) Adjustments for income and expenses from operating activities for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|---|--|-------------------------------|
| | September 30, 2015 | September 30, 2014 |
| Interest income | (15,946) | (19,127) |
| Dividends | (200,046) | (13,048) |
| Gain on foreign currency translation | (1,769) | (1,041) |
| Gain relating to financial assets at fair value through profit or loss | (168) | |
| Gain relating to financial liabilities at fair value through profit or loss | (5,188) | |
| Gain on disposal of long-term investment securities | (2,828) | (8,572) |
| Gain on disposal of property and equipment and intangible assets | (2,075) | (2,891) |
| Gain on valuation of derivatives | (4,633) | (8,257) |
| Gain on settlement of derivatives | | (119) |
| Loss on foreign currency translation | 8 | 832 |
| Bad debt for accounts receivable trade | 27,735 | 19,380 |
| Bad debt for accounts receivable other | 7,572 | 12,229 |
| Loss on disposal of long-term investments securities | 2 | 6 |
| Loss relating to financial assets at fair value through profit or loss | | 1,352 |
| Other finance costs | 37,407 | |
| Loss relating to investments in subsidiaries and associates | 3,819 | |
| Depreciation and amortization | 1,689,428 | 1,632,851 |
| Loss on disposal of property and equipment and intangible assets | 13,396 | 11,593 |
| Interest expenses | 181,266 | 199,527 |
| Loss relating to financial liabilities at fair value through profit or loss | 4,850 | 11,287 |
| Loss on settlement of derivatives | 4,517 | 335 |
| Provision for retirement benefits | 26,474 | 25,761 |
| Income tax expense | 299,603 | 204,619 |
| Other expenses | 4,418 | 4,057 |
| | 2,067,842 | 2,070,774 |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

30. Statements of Cash Flows, Continued

- (2) Changes in assets and liabilities from operating activities for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|-----------------------------|--|-------------------------------|
| | September 30, 2015 | September 30, 2014 |
| Accounts receivable trade | (104,537) | (155,436) |
| Accounts receivable other | (23,889) | (73,356) |
| Advance payments | (27,826) | (21,803) |
| Prepaid expenses | (2,215) | (580) |
| Inventories | (15,742) | 8,143 |
| Long-term prepaid expenses | (98) | (4,020) |
| Guarantee deposits | (9,376) | (2,876) |
| Accounts payable other | (182,128) | (321,880) |
| Advanced receipts | 10,511 | 5,251 |
| Withholdings | 57,277 | 88,692 |
| Deposits received | (7,256) | (1,081) |
| Accrued expenses | (154,137) | 16,740 |
| Unearned revenue | (88,191) | (75,529) |
| Provisions | (11,892) | (14,399) |
| Long-term provisions | (6,907) | 20,842 |
| Plan assets | (4,883) | (69) |
| Retirement benefit payment | (22,194) | (11,525) |
| Others | 1,357 | 1,970 |
| | (592,126) | (540,916) |

- (3) Significant non-cash transactions for the nine-month periods ended September 30, 2015 and 2014 are as follows:

| <i>(In millions of won)</i> | For the nine-month period ended | |
|---|--|-------------------------------|
| | September 30, 2015 | September 30, 2014 |
| Transfer of construction in progress to property and equipment and intangible assets | 996,751 | 1,231,055 |
| Transfer of other property and equipment and others to construction in progress | 519,297 | 643,631 |
| Decrease of accounts payable other related to acquisition of property and equipment and intangible assets | (165,657) | (261,200) |
| Transfer of investments in associates to available-for-sale financial assets | 60,706 | |

Table of Contents

SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2015 and 2014

31. Subsequent Events

- (1) On November 2, 2015, the board of directors of the Company resolved to acquire 30% of the issued and outstanding common shares of CJ Hello Vision Co, Ltd. (CJ Hello Vision) from CJ O Shopping Co., Ltd.(CJ O Shopping), and the Company entered into a share purchase agreement with CJ O Shopping. On April 1, 2016, the Company will acquire 23,234,060 shares of CJ Hello Vision and grant put option to CJ O Shopping and be granted call option on CJ O Shopping s remaining shares in CJ Hello Vision.

- (2) On November 2, 2015, the board of directors of SK Broadband Co., Ltd. (SK Broadband), a subsidiary of the Company, held a meeting to resolve the merger of SK Broadband into CJ Hello Vision, and SK Broadband entered into a merger agreement with CJ Hello Vision. Under the agreement, SK Broadband will be merged into CJ Hello Vision on April 1, 2016.

Table of Contents

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: December 17, 2015