

SK TELECOM CO LTD  
Form 6-K  
December 13, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16**  
**UNDER THE SECURITIES EXCHANGE ACT OF 1934**  
**FOR THE MONTH OF DECEMBER 2013**  
**COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**

(Translation of registrant's name into English)

11, Euljiro2-ga, Jung-gu

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Seoul 100-999, Korea

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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):

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QUARTERLY BUSINESS REPORT

(From January 1, 2013 to September 30, 2013)

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

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

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

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

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

Starting in the first quarter of 2011, the Company prepares and reports its financial statements under K-IFRS. The transition date of the Company and its consolidated subsidiaries to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company's quarterly business report for the nine months ended September 30, 2013 includes the following consolidated subsidiaries:

<b>Name</b>	<b>Date of Establishment</b>	<b>Principal Business</b>	<b>Total Assets as of Dec. 31, 2012 (millions of Won)</b>	<b>Material Subsidiary*</b>
SK Telink Co., Ltd.	Apr. 9, 1998	Telecommunication services	241,977	Material
M&Service Co., Ltd.	Feb. 10, 2000	Online information services	48,493	
SK Communications Co., Ltd.	Sep. 19, 1996	Internet portal and other Internet information services	265,819	Material
Stonebridge Cinema Fund	Sep. 30, 2005	Investment partnership	10,965	
Commerce Planet Co., Ltd.	Jul. 1, 1997	Online shopping mall operation services	34,007	
SK Broadband Co., Ltd.	Sep. 26, 1997	Fixed-line telecommunication services, multimedia and IPTV services	3,035,657	Material
K-net Culture and Contents Venture Fund	Nov. 24, 2008	Investment partnership	43,779	
Hwaitec Focus Investment Partnership 2	Dec. 12, 2008	Investment partnership	22,547	
Open Innovation Fund	Dec. 22, 2008	Investment partnership	43,394	
PS&Marketing Co., Ltd.	Apr. 3, 2009	Sale of telecommunication devices	317,613	Material
Service Ace Co., Ltd.	Jul. 1, 2010	Customer center management services	48,956	
Service Top Co., Ltd.	Jul. 1, 2010	Customer center management services	43,332	
Network O&S Co., Ltd.	Jul. 1, 2010	Network maintenance services	165,818	Material
BNCP Co., Ltd.	Dec. 7, 2009	Internet services	24,000	
SK Planet Co., Ltd.	Oct. 1, 2011	Telecommunication and platform services	1,647,965	Material
SK Planet Japan, K.K.	Mar. 14, 2012	Software development and digital contents sourcing services	47	
SK Planet Global PTE, LTD.	Aug. 14, 2012	Software development and digital contents sourcing services	636	
SK Planet America LLC	Dec. 27, 2012	Software development and digital contents sourcing services	6,669	
SKP Global Holdings PTE, LTD.	Apr. 22, 2013	Holding company for overseas commerce		
SK Global Healthcare Business Group	Sep. 14, 2012	Investment	25,784	
Technology Innovation Partners, L.P.	Jun. 24, 2011	Investment	34,120	
SK Telecom China Fund I L.P.	Sep. 14, 2011	Investment	3,454	
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment	35,233	
Shenzhen E-eye High Tech Co., Ltd.	Apr. 1, 2000	Telematics manufacturing	18,915	

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<b>Name</b>	<b>Date of Establishment</b>	<b>Principal Business</b>	<b>Total Assets as of Dec. 31, 2012 (millions of Won)</b>	<b>Material Subsidiary*</b>
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Telecommunication services	38,331	
SKT Americas, Inc.	Dec. 29, 1995	Information collection and management consulting services	36,378	
YTK Investment Ltd.	Jul. 1, 2010	Investment	64,036	Material
Atlas Investment	Jun. 24, 2011	Investment	51,065	Material

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

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

(1) Address: 11 Euljiro 2-ga, Jung-gu, Seoul, Korea

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

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

**D. Major Businesses**

## (1) Wireless business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld devices, affordable pricing, network coverage and an extensive contents library. Since the introduction of services employing LTE technology in July 2011, the telecommunications market for such services has grown as demand for fast data transfer speeds and differentiated services has increased. Having reached one million subscribers by January 2012 and over 10 million subscribers by April 2013, the Company has solidified its leadership position in LTE services as it has done with its 3G services. In June 2013, the Company became the first telecommunications service provider in the world to provide commercial LTE-Advanced ( LTE-A ) services using carrier aggregation technology. In September 2013, beginning with the Seoul area, the Company also began offering wideband LTE service, which utilizes the 1.8 GHz band to enhance the customer experience of new and existing LTE customers. The Company is also improving the profitability of its wireless business through efficient capital expenditures and marketing and enhancement of marketing network and products.

In the business-to-business area, the Company is strengthening its solutions business through the implementation of five main solution products: Smart Store, Smart Work, Smart Cloud, Green & Safety and M Ad & Payment. As of September 30, 2013, the Company had 480,000 paying subscribers for our mobile IPTV services, which commercially launched in October 2012. The Company is the first telecommunications services provider in the world to provide full high definition streaming services using its LTE-A network. With increasing video on demand usage and the potential to expand into other business areas such as advertising and shopping, the Company expects that the mobile IPTV services business will grow in the mid- to long-term.

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In addition, in order to strengthen our sales channels, the Company has been offering a variety of fixed-line and wireless telecommunication convergence products to its customers through PS&Marketing Co., Ltd. ( PS&Marketing ), one of its subsidiaries. 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.

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(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. With the adoption of K-IFRS in 2011, our broadband and fixed-line services segment also includes multimedia services and IPTV services.

(3) Other businesses

In the digital contents business area, the Company provides high-quality digital contents in its leading mobile contents marketplace, T Store, which had 21.3 million subscribers as of September 30, 2013 and which the Company plans to expand globally. With respect to the Company's commerce business, 11th Street, which continues to gain market share, is a platform service that connects various sellers and purchasers online. In the loyalty marketing business area, the Company provides an increasing number of products involving OK Cashbag points in order to attract new customers and retain existing customers. Since its inception in 1999, OK Cashbag, owned by SK Planet Co., Ltd. ( SK Planet ) continues to be Korea's largest loyalty mileage program with 36 million members. In the location-based services business area, users of the Company's T-Map Navigation service reached 18.0 million as of September 30, 2013. 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 media business area, the Company provides Hoppin service that enables subscribers to access various multimedia contents through personal computers, mobile devices and other digital devices. In the advertising business area, the Company is engaged in advertisement production, promotion services and research and consulting services to substantively help businesses increase their value in a rapidly evolving business environment.

SK Communications Co., Ltd. ( SK Communications ) provides integrated Internet portal services through NATE, social networking services through Cyworld and instant messaging services through NATE-ON. Key sources of revenue for SK Communications are display advertising, search engine-based advertising, and contents and other services. Display advertising consists of image, video and Flash-based multimedia advertising carried on NATE, Cyworld 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 sales of online items to be used on Cyworld, contents sales and providing certain types of services. Revenues from contents and other services are generated through sales of online digital items through fixed-line Cyworld services and revenues generated by usage of mobile Cyworld services, which are shared with mobile phone service operators, as well as revenues from NATE-ON instant messaging, custom decorations for mobile phones, cartoon strips, fortunetelling, movies and other contents services. In addition, SK Planet receives revenue from its services agreement with the Company in connection with operation of WAP wireless NATE services and application development.

In order to find future growth engines and strengthen the Company's competitiveness, the Company has made strategic investments in YTK Investment Ltd. and Atlas Investment, both investment fund companies.

See II-1. Business Overview for more information.

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

## (1) Corporate bonds

<b>Credit rating date</b>	<b>Subject of rating</b>	<b>Credit rating</b>	<b>Credit rating entity (Credit rating range)</b>	<b>Rating classification</b>
May 27, 2011	Corporate bond	AAA	Korea Ratings	Regular rating
June 13, 2011	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Regular rating
June 23, 2011	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
December 12, 2011	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
December 13, 2011	Corporate bond	AAA	NICE Investors Service Co., Ltd.	Current rating
December 16, 2011	Corporate bond	AAA	Korea Ratings	Current rating
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

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

## (2) Commercial paper ( CP )

<b>Credit rating date</b>	<b>Subject of rating</b>	<b>Credit rating</b>	<b>Credit rating entity (Credit rating range)</b>	<b>Rating classification</b>
May 27, 2011	CP	A1	Korea Ratings	Current rating
June 13, 2011	CP	A1	NICE Investors Service Co., Ltd.	Current rating
June 23, 2011	CP	A1	Korea Investors Service, Inc.	Current rating
December 12, 2011	CP	A1	Korea Investors Service, Inc.	Regular rating
December 13, 2011	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
December 16, 2011	CP	A1	Korea Ratings	Regular rating
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 18, 2012	CP	A1	Korea Ratings.	Regular rating
December 14, 2012	CP	A1	Korea Investors Service, Inc.	Regular rating
December 18, 2012	CP	A1	NICE Investors Service Co., Ltd.	Regular rating
April 11, 2013	CP	A1	Korea Ratings	Current rating
April 11, 2013	CP	A1	Korea Investors Service, Inc.	Current rating
April 11, 2013	CP	A1	NICE Investors Service Co., Ltd.	Current rating

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





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## (3) International credit ratings

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

**2. Company History**

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

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

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

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

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

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

**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)

11 Euljiro 2-ga, Jung-gu, Seoul (December 13, 2004)

**B. Significant Changes in Management**

At the Extraordinary General Meeting of Shareholders held on August 31, 2011, Jun Ho Kim was elected as an inside director and Jin Woo So resigned from the Company's board of directors to transfer to an affiliate of the Company. At the 28th General Meeting of Shareholders held on March 23, 2012, (1) Young Tae Kim and Dong Seob Jee were elected as inside directors, (2) Hyun Chin Lim was re-elected as an independent director, and (3) Hyun Chin Lim was re-elected as a member of the audit committee. 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.

**Table of Contents****C. Change in Company Name**

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

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

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

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

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

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

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

Category	Date
Board resolution on spin-off	July 19, 2011
Record Date for Determination of Shareholders for the Shareholders' Meeting for Spin-off	August 4, 2011
Shareholders' Meeting for Approval of Spin-off Plan	August 31, 2011
Date of Spin-off	October 1, 2011
Shareholders' Meeting for Report of Spin-off and Inaugural Meeting of Shareholders	October 4, 2011
Registration of Spin-off	October 5, 2011
Others - Notice of closure of shareholders register	July 20, 2011

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Period of closure of shareholders register	August 5, 2011~ August 8, 2011
Public notice of shareholders meeting	August 10, 2011 and August 12, 2011
Dispatch of notice of shareholders meeting	August 12, 2011

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

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

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

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

(2) Acquisition of shares of SK hynix Inc. (formerly, Hynix Semiconductor Inc.)  
In accordance with the resolution of the Company's board of directors on November 14, 2011, the Company purchased 146,100,000 shares of SK hynix Inc. (formerly, Hynix Semiconductor Inc.) ( SK Hynix ) (aggregate purchase price of Won 3,374,726 million) on February 14, 2012 in order to acquire control of SK Hynix. The Company had a 21.05% equity interest in SK Hynix after the purchase. The Company's equity interest in SK Hynix decreased to 20.6% after certain convertible bonds issued by SK Hynix were converted into shares upon the exercise of conversion rights by their holders during the three months ended September 30, 2013.

(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, SK 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.

**[SK Broadband]**

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

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

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



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**[SK Planet]**

(1) Merger

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

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

**[SK Telink]**

(1) Merger

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

**[SK Communications]**

(1) Disposition and acquisition of businesses

1. Disposition of publishing business division

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

2. Acquisition of the KUKU division

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

3. Disposition of the Spicus division

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

(2) Disposition of shares

1. Disposition of shares of Etoos



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

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

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

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

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

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

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

## **E. Other Important Matters related to Management Activities [SK Telecom]**

### (1) Issuance of bonds

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

### (2) Issuance of hybrid securities

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

### (3) Conversion of convertible notes

On April 7, 2009, the Company issued convertible notes with a maturity of five years in the principal amount of US\$332,528,000 with an annual interest rate of 1.75%. During the nine-month period ended September 30, 2013, holders exercised their conversion rights with respect to an aggregate principal amount of US\$120,901,000 of the convertible notes and the Company delivered 880,557 treasury shares upon conversion. In connection with such conversion, the Company recognized Won 40,422 million in financial costs during the nine-month period ended September 30, 2013. As of September 30, 2013, 1,548,032 common shares are available for conversion upon the holders' exercise of their conversion rights. The conversion price was lowered from Won 197,760 to Won 189,121 as a result of dividend payments made following their declaration on March 22, 2013 and July 25, 2013.

## **[SK Broadband]**

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

## **[SK Communications]**

### Leak of personal information

In July 2011, there was a leak of personal information of subscribers of NATE and Cyworld websites operated by SK Communications. As of September 30, 2013, twenty lawsuits were filed against SK Communications, alleging that the leak was caused by its poor management of

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subscribers' personal information and seeking damages of approximately Won 5.5 billion. With respect to a few of the lawsuits, the relevant district courts have rendered judgments for the relevant plaintiffs' claims in part and SK Communications has appealed such judgments to the applicable high courts, where the cases are currently pending. Other cases remain pending at various district courts in Korea.

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

(As of September 30, 2013)

(Unit: in shares)

Classification	Share type		Remarks
	Common shares	Total	
<b>I. Total number of authorized shares</b>	220,000,000	220,000,000	
<b>II. Total number of shares issued to date</b>	89,278,946	89,278,946	
<b>III. Total number of shares retired to date</b>	8,533,235	8,533,235	
a. reduction of capital			
b. retirement with profit	8,533,235	8,533,235	
c. redemption of redeemable shares			
d. others			
<b>IV. Total number of shares (II-III)</b>	80,745,711	80,745,711	
<b>V. Number of treasury shares</b>	10,170,155	10,170,155	
<b>VI. Number of shares outstanding (IV-V)</b>	70,575,556	70,575,556	

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

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(1) Acquisitions and dispositions of treasury shares

(As of September 30, 2013)

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	77,974		880,557*		(802,583)		
Total	Common shares	11,050,712		880,557		10,170,155		
	Preferred shares							

\* During the nine-month period ended September 30, 2013, 880,557 common shares were delivered to bondholders upon conversion of the Company's convertible notes. Of the 10,170,155 treasury shares held by the Company as of September 30, 2013, 1,548,032 shares are deposited with the Korea Securities Depository for delivery upon conversion of the Company's convertible notes.

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

(As of September 30, 2013)			(Unit: in shares)
Classification		Number of shares	Remarks
<b>Total shares (A)</b>	Common share	80,745,711	
	Preferred share		
<b>Number of shares without voting rights (B)</b>	Common share	10,170,155	Treasury shares
	Preferred share		
<b>Shares without voting rights pursuant to the Company's articles of incorporation (the Articles of Incorporation) (C)</b>	Common share		
	Preferred share		
<b>Shares with restricted voting rights pursuant to Korean law (D)</b>	Common share		
	Preferred share		
<b>Shares with reestablished voting rights (E)</b>	Common share		
	Preferred share		
<b>The number of shares with exercisable voting rights (F = A - B - C - D + E)</b>	Common share	70,575,556	
	Preferred share		

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

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

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

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

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

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

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

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

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

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



**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, 2013	As of and for the year ended December 31, 2012	As of and for the year ended December 31, 2011
Par value per share (Won)	500	500	500
Net income	741,756	1,242,767	1,694,363
Net income per share (Won)	10,516	17,832	24,002
Total cash dividend	70,508	655,133	656,533
<b>Total stock dividends</b>			
Percentage of cash dividend to available income (%)	9.5	52.7	38.7
Cash dividend yield ratio (%)			
	Common share	0.5	6.2
	Preferred share		6.6
Stock dividend yield ratio (%)			
	Common share		
	Preferred share		
Cash dividend per share (Won)			
	Common share	1,000	9,400
	Preferred share		9,400
Stock dividend per share (share)			
	Common share		
	Preferred share		

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

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

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



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

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

**1. Business Overview**

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

<b>Classification</b>	<b>Company name</b>	<b>Description of business</b>
<b>Wireless</b>	SK Telecom Co., Ltd.	Wireless voice and data telecommunications services via digital wireless networks
	PS&Marketing Co., Ltd.	Sale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels
	Network O&S Co., Ltd.	Network maintenance services such as the operation of the Company's base stations and related transmission and power facilities
<b>Fixed-line</b>	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
	SK Telink Co., Ltd.	Various media-related services, such as channel management, including video on demand, and mobile IPTV services International wireless direct-dial 00700 services, pre-paid international card calling services, voice services using Internet protocol and Mobile Virtual Network Operator ( MVNO ) services
<b>Other business</b>	SK Planet Co., Ltd.	Various platform services such as 11th Street, T Store, T-Map Navigation and Hoppin in the application, commerce and new media areas, among others
	SK Communications Co., Ltd.	Integrated portal services through NATE, social networking services through Cyworld and instant messaging services through NATE-ON
	YTK Investment Ltd.	Established to strategically invest in funds in order to find future growth opportunities and
	Atlas Investment	strengthen the Company's competitiveness

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

As of September 30, 2013, the Korean mobile communication market can be considered to have reached its maturation stage with more than a 100% penetration rate. However, the Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology and the development of highly advanced LTE-A, LTE and 3G smartphones which enable the provision of convergence services for multimedia contents, mobile commerce, telematics, new media and other related services. In addition, through the commercialization of LTE network in July 2011 and LTE-A network in June 2013, B2B businesses, such as the corporate connected workforce business which can directly contribute to an enhancement in productivity, are expected to grow rapidly.

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

(Unit: in 1,000 persons)

Classification		As of		As of December 31,		
		September, 30, 2013	2012	2011	2010	2009
Number of subscribers	SK Telecom	27,211	26,961	26,553	25,750	24,270
	Others (KT, LGU+)	27,038	26,663	25,954	25,062	23,675
	<b>Total</b>	<b>54,249</b>	<b>53,624</b>	<b>52,507</b>	<b>50,767</b>	<b>47,944</b>

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

**C. Domestic and Overseas Market Conditions**

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

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

(Unit: in percentages)

Classification	As of		As of December 31,		
	September, 30, 2013	2012	2011	2010	2009
Mobile communication services	50.2	50.3	50.6	50.6	50.6

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

**D. Business Overview and Competitive Strengths**

The Company is seeking to transform itself from a telecommunications service provider into a comprehensive ICT service provider. It has continued to innovate the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As of September 30, 2013, the Company recorded Won 12.3 trillion in revenue and Won 1.5 trillion in operating income on a consolidated basis and Won 9.5 trillion in revenue and Won 1.5 trillion in operating income on a separate basis.

The number of subscribers (including MVNO subscribers) as of September 30, 2013 was 27.21 million, an increase of approximately 70,000 from the previous quarter. In particular, the number of smartphone subscribers as of September 30, 2013 was 18.08 million, an increase of approximately 600,000 from the previous quarter, including 12.3 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 LTE-A services in June 2013, and also launched commercial wideband LTE services in September 2013 utilizing its newly acquired 1.8 GHz band. By launching various high quality services utilizing the LTE-A network 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 16 years, 16 years and 14 years, respectively.

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

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

PS&Marketing, a subsidiary of the Company involved in wholesale, retail and online sales, offers fixed-line and wireless telecommunication products and services to meet the lifestyle needs of customers.

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

Mergers among fixed-line operators and wireless operators have accelerated the convergence within the Korean telecommunications industry, and with the advent in the wireless telecommunications industry of a market for wideband LTE services utilizing LTE frequencies allocated to wireless operators following the completion of frequency auctions in August 2013, a market structure has evolved in which groups with both fixed-line and wireless capabilities compete for greater market share to secure a more solid footing in the market by offering superior services. As subscribers to various bundled wireless and fixed-line products are continuing to increase, the IPTV business is evolving to satisfy diverse customer needs for media services through differentiated service offerings including mobile IPTV and bundled wireless and IPTV products. The market for our corporate business is also growing with cloud computing, mobile offices and other new information and communications technologies being commercialized. The increased usage of smartphones and tablet computers, the pilot programming of commercial ultra-high definition television broadcasting services and competition for wideband LTE services has greatly increased data traffic, thereby further emphasizing the importance of fixed-line network infrastructure that is capable of handling large capacities of data traffic with stability and efficiency.

**B. Growth Potential**

Classification		As of September 30,	(Unit: in 1,000 persons)	
		2013	As of December 31, 2012	2011
Fixed-line Subscribers	High-speed Internet	18,636	18,254	17,860
	Fixed-line telephone	17,912	18,459	18,633
	IPTV (real-time)	7,898	6,310	4,570

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

**C. Cyclical Nature and Seasonality**

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

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

Classification	As of September 30, 2013	(Unit: in percentages)	
		As of December 31, 2012	2011
High-speed Internet (include resales)	24.2	24.1	23.4
Fixed-line telephone (include VOIP)	16.6	16.7	15.5
IPTV (real-time)	23.9	22.2	19.3

\* Source: MSIP website, Korea Communications Commission website and each Korean telecommunications company's respective earnings releases.

**D. Business Overview and Competitive Strengths**

SK Broadband, which in 1999 became the first company in the world to commence commercial ADSL services, has strengthened its co-marketing efforts with SK Telecom. The co-marketing efforts and the enhanced competitiveness of the bundled products have resulted in an expanded subscriber base across all of our 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, SK Broadband intends to generate revenue in the mid- to long-term by strengthening the competitiveness of its IPTV business through efforts that include the first fully high-definition live broadcast on mobile television in Korea, its collaboration with Samsung Electronics in developing set-top box-free smart television services and development of ultra-high definition broadcast technology.

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

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

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

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

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



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### **B. Growth Potential**

The Company expects that the scope and value generated by the platform business, including application and content marketplaces and N-screen services, will 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 are growing, which include 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 and the strengthening of online business models by off-line operators.

#### (2) Digital contents

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

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

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

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

#### (1) Digital contents

T Store, launched in September 2009, reached 21.25 million subscribers and cumulative downloads of 1.4 billion as of September 2013, solidifying its leadership position in the Korean application market and plans to widen its services to tablets and navigation devices. The Company intends to further develop T Store into a global service platform by evolving it into a personalized gateway and mobile playground through expansion of the scope of serviceable devices, reinforcement of digital content offerings and enhancement of search services, among other things.

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

#### (2) Commerce (Open Market, OK Cashbag)

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

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e-commerce market and is also firmly establishing its position as the leader 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.



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OK Cashbag is a point-based loyalty marketing program which has grown to become a global top-tier loyalty marketing program since its inception in 1999. Customers have access to increased benefits through accumulation of loyalty reward points and partner companies use OK Cashbag as a marketing resource. With 36 million subscribers, OK Cashbag maintains a leading position in the industry and plans to continue strengthening its position by providing customized services befitting customers' needs and market conditions.

**(3) Location-based services**

T-Map Navigation provides map, local information, real-time traffic information and navigation services. With cumulative subscribers of 17.96 million as of September 30, 2013, T-Map Navigation is one of the leading location-based service platforms in Korea. The Company is broadening the range of its location-based services by also providing infotainment systems to commercial vehicle businesses as well as providing localized content on its products, such as region-specific information and advertisements. The Company plans to further develop the T-Map Navigation platform by initiating open application programming interface-based services, providing services to more diverse types of devices and providing local area-based services.

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

CyWorld service, the Company's social networking website in Korea, had 26 million cumulative subscribers, 10 million monthly net users and 270 million page views as of September 30, 2013. The Company's instant messenger service, Nate-On, had the largest market share of 70.9% in the instant messenger market in Korea with 6 million net users as of September 30, 2013. The Company's Internet search portal service, Nate, had a market share of 5.8% as of September 30, 2013. (Source: Korean Click and Company's internal data)

**Satellite DMB service**

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

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

(Unit: in millions of Won and percentages)

Business	Major Companies	Item	Major Trademarks	Consolidated Sales Amount (ratio)
<b>Wireless</b>	SK Telecom Co., Ltd., PS&Marketing Co., Ltd., Service Ace Co., Ltd., Service Top Co. Ltd., Network O&S Co., Ltd.	Mobile communication service, wireless data service, ICT service	T and others	9,888,302(80.4%)
<b>Fixed-line</b>	SK Broadband Co., Ltd., SK Telink Co., Ltd.	Fixed-line phone, high speed Internet, data and network lease service	B tv , 00700 international call, 7Mobile and others	1,727,591(14.0%)
<b>Other</b>	SK Planet Co., Ltd , Commerce Planet Co., Ltd , SK Communications Co., Ltd., M&Service Co., Ltd., YTK Investment Ltd., Atlas Investment	Internet portal service and investment	OK Cashbag, NATE, 11th Street, T Store, T-Map Navigation, Cyworld and others	691,321(5.6%)

Total

12,307,214(100.0%)

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**[Wireless Business]**

In the past, based on the Company's basic monthly subscription plan, the basic service fee was Won 13,000 per month and the usage fee was Won 20 per 10 seconds (daytime calls) and based on the Company's standard monthly subscription plan, the basic service fee was Won 12,000 per month and the usage fee was Won 18 per 10 seconds. As of June 30, 2013, based on the Company's standard monthly subscription plan, the basic service fee was Won 11,000 per month and the usage fee was Won 1.8 per second.

**[Fixed-line Business]**

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. As of September 30, 2013, broadband Internet and TV services comprised 49.9% of SK Broadband's revenue, telephony service 23.7%, corporate data services 25.4% and other telecommunications services 1.0%. Price fluctuations in the different services provided by SK Broadband are due to discounts provided for long-term contracts, changes in equipment costs and competition between companies.

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

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

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

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

<b>Business</b>	<b>Classification</b>	<b>Investment period</b>	<b>Subject of investment</b>	<b>Investment effect</b>	<b>(Unit: in 100 millions of Won)</b>		
					<b>Expected investment amount</b>	<b>Amount already invested</b>	<b>Future investment</b>
Network/Common	Upgrade/ New installation	2013	Network, systems and others	Capacity increase and quality improvement; systems improvement	21,000	9,489	To be determined
	Total				21,000	9,489	To be determined

**B. Future Investment Plan**

<b>Business</b>	<b>Expected investment amount</b>		<b>Expected investment for each year</b>			<b>Investment effect</b>
	<b>Asset type</b>	<b>Amount</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	
Network/Common	Network, systems and others	21,000	21,000	To be determined	To be determined	Upgrades to the existing services and provision of new services including LTE Multi-Carrier and LTE-A
	Total	21,000	21,000	To be determined	To be determined	

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

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(Unit: in 100 millions of Won)

<b>Business</b>	<b>Classification</b>	<b>Investment period</b>	<b>Subject of investment</b>	<b>Investment effect</b>	<b>Total investments</b>	<b>Amount already invested</b>	<b>Future investment</b>	
High-speed Internet		<b>For the nine months ended September 30, 2013</b>	Backbone and subscriber network / others	Expand subscriber networks and facilities		786		
Telephone						36		
Television						428		
Corporate Data	Upgrade/ New installation					2,980	1,305	To be determined
Others					Expand networks and required space		425	
		Total				2,980		

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

(Unit: in millions of Won)

Business	Sales type	Item	For the nine	For the year	For the year	
			months ended	ended	ended	
			September 30,	December 31,	December 31,	
			2013	2012*	2011*	
Wireless	Services	Mobile communication	Export	1,907	14,202	1,331
			Domestic	9,886,396	13,204,702	13,100,614
			Subtotal	9,888,303	13,218,904	13,101,945
Fixed-line	Services	Fixed-line, B2B data, High-speed Internet, TV	Export	20,362	29,883	28,070
			Domestic	1,707,229	2,163,978	2,134,498
			Subtotal	1,727,591	2,193,861	2,162,568
Other	Services	Display and Search ad., Content	Export	7,220	4,698	12,036
			Domestic	684,100	723,946	526,625
			Subtotal	691,320	728,644	538,661
Total			Export	29,489	48,783	41,437
			Domestic	12,277,725	16,092,626	15,761,737
			Total	12,307,214	16,141,409	15,803,174

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

(Unit: in millions of Won)

For the nine months ended						
September 30, 2013	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation
<b>Total sales</b>	10,760,819	2,173,316	1,251,228	14,185,363	1,878,149	12,307,214
<b>Internal sales</b>	872,517	445,725	559,907	1,878,149	1,878,149	
<b>External sales</b>	9,888,302	1,727,591	691,321	12,307,214		12,307,214
<b>Operating income (loss)</b>	1,504,189	31,340	(34,120)	1,501,409		1,501,409
<b>Total assets</b>	22,831,074	3,119,903	3,163,102	29,114,079	3,180,600	25,933,479
<b>Total liabilities</b>	9,595,320	1,871,875	905,828	12,373,023	222,547	12,150,476

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

Currency swap contracts under cash flow hedge accounting as of September 30, 2013 are as follows.

<b>Borrowing date</b>	<b>Hedged item</b>	<b>Hedged risk</b>	<b>Contract type</b>	<b>Financial institution</b>	<b>Duration of contract</b>
Oct.10, 2006	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated long-term borrowings face value of US\$100,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	Credit Agricole Corporate & Investment Bank	Oct.10, 2006 Oct. 10, 2013
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	Foreign currency risk	Cross currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 Jul. 20, 2027
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$250,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	DBS Bank and Citibank	Dec. 15, 2011 Dec. 12, 2014
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD65,000,000)	Foreign currency risk and interest rate risk	Cross currency interest rate swap	United Overseas Bank	Dec. 15, 2011 Dec. 12, 2014
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF300,000,000)	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 AUD300,000,000)	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

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

As of September 30, 2013, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows.

Hedged item	(Unit: in millions of Won and thousands of foreign currencies)					Trading purposes	Total
	Accumulated gain (loss) on valuation of derivatives	Tax effect	Cash flow hedge Foreign currency translation gain (loss)	Others <sup>(*)</sup>	Fair value		
<b>Current assets:</b>							
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated long-term borrowings face value of US\$100,000,000)	(1,778)	(68)	12,760				10,914
Convertible option <sup>(*)</sup> (face amounts of Won 50,000 million)						491	491
<b>Non-current assets:</b>							
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$400,000,000)	(40,166)	(12,823)	(26,855)	129,806			49,962
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$300,000,000)	5,878	1,877	(2,389)				5,367
<b>Total assets</b>							66,732
<b>Non-current liabilities:</b>							
Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD65,000,000)	21	7	(1,838)				(1,810)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of US\$250,000,000)	6,206	1,981	(20,548)				(12,361)
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF300,000,000)	(9,417)	(3,006)	(7,205)				(19,628)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of US\$700,000,000)	(11,454)	(3,657)	(10,368)				(25,479)
Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD300,000,000)	6,432	2,054	(35,167)				(26,681)
<b>Total liabilities</b>							(85,959)

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



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2012.

- (\*2) Fair value of the conversion option of convertible bonds held by SK Communications Co., Ltd. amounting to Won 491 million was accounted for as derivative financial assets.

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

(Unit: in 100 millions of Won)

Category	Vendor	Start Date	Completion Date	Contract Title	Contract Amount
Service	SK Planet Co., Ltd.	February 25, 2013	December 31, 2013	B2B contents purchase contract for Smart Safe and Phone Safe 40	206
Service	SK Planet Co., Ltd.	February 25, 2013	March 31, 2013	Contract for 2012 production of above-the-line advertisements (former SK Marketing & Company)	58
Service	M&Service Co., Ltd.	January 1, 2013	December 31, 2013	Contract for 2013 operation of virtual learning center	10
Service	Happy Ecophone Foundation	April 1, 2013	December 31, 2013	Contract for 2013 operation of T ecophone center	21
Construction	Dongwon Construction Industry Corporation	March 1, 2013	May 20, 2014	Construction of SK Dream Park	146
Real Estate	Woori Bank*		December 26, 2012	Disposal of Namsan Green Building	1,972
Real Estate	Woori Bank*		December 26, 2012	Disposal of Guro Offices	400
Real Estate	Individual	January 1, 2013	June 30, 2013	Purchase of regional centers (23 centers)	180
Subtotal					2,993

\* The manager of the 18th IGIS KORIF private real estate investment fund.  
**[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		Interconnection among telecommunication service providers
KEPCO	Provision of electric facilities	From Dec. 2012 to Nov. 2013	Use of electricity poles
Seoul City Railway	Use of telecommunication line conduits	From Jan. 2009 to Dec. 2011 (Renewal in progress)	Use of railway telecommunication conduit (Serviced areas to expand)
Seoul Metro	Use of telecommunication line conduits	From May 2010 to May 2013 (Renewal in progress)	Use of railway telecommunication conduit (Serviced areas to expand)
Busan Transportation Corporation	Use of telecommunication line conduits	From July 2009 to July 2012 (Renewal in progress)	Use of railway telecommunication conduit (Serviced areas to expand)
Gwangju City Railway	Use of telecommunication line conduits	From Sep. 2010 to Dec. 2012 (Renewal in progress)	Use of railway telecommunication conduit (Service lease)



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

Counterparty	Contract Contents	Contract Period	Amount
SK Communications	Operation of shopping business at Nate.com website	From Jul. 1, 2011 to Dec. 31, 2013	Variable depending on the NATE shopping revenues and other factors

**[SK Communications]**

Counterparty	Purpose	Contract Period	Contract Amount
Daum Communications	Cost-per-click Internet search advertisement		Amount determined based on the number of clicks
SK Planet Co., Ltd.	Sale of asset in construction (Pangyo office building)		Sold for Won 69.5 billion on June 11, 2013
SK Planet Co., Ltd.	Operation of shopping business at nate.com website	From Jul. 1, 2011 to Dec. 31, 2013	Minimum guarantee of Won 18.4 billion for the period from Jul. 1, 2011 to Dec. 31, 2011; Amounts for 2012 and 2013 are to be determined depending on the NATE shopping revenues and other factors

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

**7. R&D Investments**

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

Category	(Unit: in millions of Won except percentages)			Remarks
	For the nine months ended September 30, 2013	For the year ended 2012	For the year ended December 31, 2011	
Raw material	25	42	45	
Labor	66,306	59,050	48,656	
Depreciation	115,740	163,295	149,850	
Commissioned service	17,338	62,399	40,257	
Others	49,875	61,546	57,118	
Total R&D costs	249,284	346,332	295,927	
Accounting				
Sales and administrative expenses	239,680	304,557	289,979	
Development expenses (Intangible assets)	9,604	41,775	5,948	
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)	2.03%	2.12%	1.85%	

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

The Company manages its corporate brand and other product brands in a comprehensive way to protect and increase their value. The Company's Brand Strategy Council in charge of overseeing its systematic corporate branding operates full-time to execute decisions involving major brands

and operates Brandnet, an intranet system to manage corporate brands which provides solutions including registering and licensing of the brands.

**B. Business-related Intellectual Property**

**[SK Telecom]**

The Company holds 5,023 Korean-registered patents, 288 U.S.-registered patents, 203 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 860 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.

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**[SK Broadband]**

SK Broadband holds 396 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, 2013, SK Planet held 2,227 registered patents, 94 registered design marks, 1,135 registered trademarks and one copyright (including those held jointly with other companies) in Korea. It also holds 24 U.S.-registered patents, 35 Chinese-registered patents, 8 Japanese-registered patents, 17 E.U.-registered patents (all including patents held jointly with other companies) and 168 registered trademarks, along with a number of other intellectual property rights, in other countries.

**[SK Communications]**

As of September 30, 2013, SK Communications held 70 registered patents, 26 registered design rights and 720 registered trademarks in Korea.

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

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

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

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

	As of September 30, 2013	As of December 31, 2012	As of December 31, 2011	As of December 31, 2010
Current Assets	5,381,629,864	5,294,420,978	6,117,478,958	6,653,991,923
Cash and Cash Equivalents	1,470,615,400	920,124,810	1,650,793,876	659,404,935
Accounts Receivable Trade, net	2,272,796,560	1,954,920,332	1,823,169,889	1,949,397,279
Accounts Receivable Other, net	638,483,671	582,098,398	908,836,454	2,531,847,155
Others	999,734,233	1,837,277,438	1,734,678,739	1,513,342,554
Non-Current Assets	20,551,848,375	20,301,138,645	18,248,557,471	16,478,397,157
Long-Term Investment Securities	946,465,998	953,712,512	1,537,945,216	1,680,582,091
Investments in Associates and Joint Ventures	5,289,873,703	4,632,477,315	1,384,605,401	1,204,691,805
Property and Equipment, net	9,388,430,999	9,712,718,716	9,030,998,201	8,153,412,683
Intangible Assets, net	2,707,539,778	2,689,657,645	2,995,803,300	1,884,955,652
Goodwill	1,733,260,574	1,744,483,009	1,749,932,878	1,736,649,137
Others	486,277,323	568,089,448	1,549,272,475	1,818,105,789
<b>Total Assets</b>	<b>25,933,478,239</b>	<b>25,595,559,623</b>	<b>24,366,036,429</b>	<b>23,132,389,080</b>
Current Liabilities	5,653,315,400	6,174,895,434	6,673,589,809	6,202,170,452
Non-Current Liabilities	6,497,159,721	6,565,881,872	4,959,737,573	4,522,219,358
<b>Total Liabilities</b>	<b>12,150,475,121</b>	<b>12,740,777,306</b>	<b>11,633,327,382</b>	<b>10,724,389,810</b>
Equity Attributable to Owners of the Parent Company	13,047,893,347	11,854,777,781	11,661,880,863	11,329,990,900
Share Capital	44,639,473	44,639,473	44,639,473	44,639,473
Capital Surplus (Deficit) and Other Capital Adjustments	236,307,569	(288,882,796)	(285,347,419)	(78,952,875)
Retained Earnings	12,785,127,879	12,124,657,526	11,642,525,267	10,721,249,327
Reserves	(18,181,574)	(25,636,422)	260,063,542	643,054,975
Non-controlling Interests	735,109,771	1,000,004,536	1,070,828,184	1,078,008,370
<b>Total Equity</b>	<b>13,783,003,118</b>	<b>12,854,782,317</b>	<b>12,732,709,047</b>	<b>12,407,999,270</b>
Number of Companies Consolidated	28	32	31	32

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

	For the nine months ended September 30, 2013	For the year ended December 31, 2012*	For the year ended December 31, 2011*	For the year ended December 31, 2010
Operating Revenue	12,307,212,791	16,141,409,477	15,803,173,999	15,489,373,747
Operating Income	1,501,408,792	1,730,049,433	2,266,197,346	2,555,781,816
Profit Before Income Tax	1,442,592,156	1,519,368,041	2,212,273,226	2,373,223,839
Profit for the Period	1,315,879,605	1,115,662,553	1,582,073,280	1,766,834,754
Profit for the Period Attributable to Owners of the Parent Company	1,324,824,488	1,151,704,905	1,612,889,086	1,841,612,790

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Profit for the Period Attributable to Non-controlling Interests	(8,944,883)	(36,042,352)	(30,815,806)	(74,778,036)
Basic Earnings Per Share (Won)	18,841	16,525	22,848	25,598
Diluted Earnings Per Share (Won)	18,841	16,141	22,223	24,942

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



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

#### **(1) Financial Instruments: Disclosures**

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

#### **(2) Presentation of Financial Statements**

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

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

#### **(1) Presentation of Financial Statements**

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

#### **(2) Consolidated Financial Statements**

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

#### **(3) Joint Arrangements**

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

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(4) Disclosure of Interests in Other Entities

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

(5) Employee Benefits

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

(6) Fair Value Measurement

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

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

(1) Consolidated Financial Statements

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

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

	(Unit: in thousands of Won)			
	As of	As of	As of	As of
	September 30, 2013	December 31, 2012	December 31, 2011	December 31, 2010
Current Assets	2,956,840,090	2,589,699,186	3,948,077,706	5,316,976,799
Cash and Cash				
Equivalents	505,512,739	256,576,827	895,557,654	357,469,908
Accounts Receivable				
Trade, net	1,560,619,447	1,407,205,772	1,282,233,900	1,453,060,673
Accounts Receivable				
Other, net	403,549,462	383,048,424	774,221,266	2,499,969,010
Others	487,158,442	542,868,163	996,064,886	1,006,477,208
Non-Current Assets	19,459,368,771	19,659,803,155	16,572,449,699	14,410,149,512
Long-Term Investment				
Securities	701,949,359	733,893,220	1,312,437,834	1,517,029,011
Investments in				
Subsidiaries and Associates	8,122,175,262	7,915,546,670	4,647,505,583	3,584,394,790
Property and Equipment,				
net	6,818,443,325	7,119,090,098	6,260,168,675	5,469,747,495
Intangible Assets, net	2,200,441,075	2,187,872,109	2,364,795,182	1,424,968,542
Goodwill	1,306,236,299	1,306,236,299	1,306,236,299	1,308,422,097
Others	310,123,451	397,164,759	681,306,126	1,105,587,577
Total Assets	22,416,208,861	22,249,502,341	20,520,527,405	19,727,126,311
Current Liabilities	3,600,713,719	4,343,086,486	4,467,005,877	4,561,013,611
Non-Current Liabilities	5,785,747,981	5,529,367,602	4,087,219,816	3,585,155,050
Total Liabilities	9,386,461,700	9,872,454,088	8,554,225,693	8,146,168,661
Share Capital	44,639,473	44,639,473	44,639,473	44,639,473
Capital Surplus and Other				
Capital Adjustments	352,885,915	(236,160,479)	(236,016,201)	(24,643,471)
Retained Earnings	12,491,288,297	12,413,981,340	11,837,184,788	10,824,355,758
Reserves	140,933,476	154,587,919	320,493,652	736,605,890
Total Equity	13,029,747,161	12,377,048,253	11,966,301,712	11,580,957,650

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

	For the nine months ended September 30, 2013	For the year ended December 31, 2012	For the year ended December 31, 2011	For the year ended December 31, 2010
Operating Revenue	9,544,076,711	12,332,719,444	12,551,255,630	12,514,520,922
Operating Income	1,489,538,574	1,675,388,351	2,184,498,641	2,530,954,768
Profit Before Income Tax	993,312,640	1,546,719,635	2,274,421,558	2,503,637,367
Profit for the Period	741,756,284	1,242,767,480	1,694,363,093	1,947,007,919
Basic Earnings Per Share (Won)	10,516	17,832	24,002	27,063

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Diluted Earnings Per Share (Won)	10,516	17,406	23,343	26,366
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### **B. Changes to Accounting Standards Adopted During 2012**

#### (1) Financial Instruments: Disclosures

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

#### (2) Presentation of Financial Statements

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

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

#### **(1) Presentation of Financial Statements**

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

#### **(2) Consolidated Financial Statements**

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

#### **(3) Joint Arrangements**

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

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

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

#### **(5) Employee Benefits**

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

#### **(6) Fair Value Measurement**

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

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

(1) Consolidated Financial Statements

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

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

Transition to K-IFRS

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

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**IV. AUDITOR S OPINION**

**1. Auditor (Consolidated)**

<b>Nine months ended September 30, 2013</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2012</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2011</b> Deloitte Anjin LLC
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**2. Audit Opinion (Consolidated)**

<b>Period</b>	<b>Auditor s opinion</b>	<b>Issues noted</b>
Nine months ended September 30, 2013		
Year ended December 31, 2012	Unqualified	
Year ended December 31, 2011	Unqualified	

**3. Auditor (Separate)**

<b>Nine months ended September 30, 2013</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2012</b> KPMG Samjong Accounting Corp.	<b>Year ended December 31, 2011</b> Deloitte Anjin LLC
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**4. Audit Opinion (Separate)**

<b>Period</b>	<b>Auditor s opinion</b>	<b>Issues noted</b>
Nine months ended September 30, 2013		
Year ended December 31, 2012	Unqualified	
Year ended December 31, 2011	Unqualified	

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

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

<b>Fiscal Year</b>	<b>Auditors</b>	<b>Contents</b>	<b>Fee</b>	<b>Total number of hours accumulated for the fiscal year</b>
Year ended December 31, 2013	KPMG Samjong Accounting Corp.	Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,250,000	17,796
Year ended December 31, 2012	KPMG Samjong Accounting Corp.	Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,220,000	19,583
Year ended December 31, 2011	Deloitte Anjin LLC	Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,364,000	14,033

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

(Unit: in thousands of Won)

<b>Period</b>	<b>Contract date</b>	<b>Service provided</b>	<b>Service duration</b>	<b>Fee</b>
Nine months ended September 30, 2013	N/A	N/A	N/A	N/A
Year ended December 31, 2012	N/A	N/A	N/A	N/A
Year ended December 31, 2011	April 11, 2011	Tax consulting	30 days	45,000
	April 28, 2011	Tax consulting	30 days	45,000

**6. Change of Independent Auditors**

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



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**V. MANAGEMENT S DISCUSSION AND ANALYSIS**

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

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

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

(As of November 8, 2013)

<b>Total number of persons</b>	<b>Inside directors</b>	<b>Independent directors</b>
8	Sung Min Ha, Dae Sik Cho, Dong Seob Jee	Rak Yong Uhm, Dae Shick Oh, Hyun Chin Lim, Jay Young Chung, Jae Ho Cho

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 a member of the audit committee.

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

<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
		Financial statement as of and for the year ended December 31, 2012	Approved as proposed
		Annual business report as of and for the year ended December 31, 2012	Approved as proposed
351th (the 1st meeting of 2013)	February 7, 2013	Bond offering	Approved as proposed
		Report of internal accounting management	
		Report for subsequent events following 4Q 2012	
352th (the 2nd meeting of 2013)	February 21, 2013	2013 transaction of goods, services and assets with SK Planet	Approved as proposed
		Convocation of the 29th annual general meeting of shareholders	Approved as proposed

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Result of internal accounting management system evaluation

		Election of chairman of the Board of Directors	Approved as proposed
353th  (the 3rd meeting of 2013)	March 22, 2013	Election of committee members	Approved as proposed
		Financial transactions with affiliated company (SK Securities)	Approved as proposed
		Sublease transaction of advisor offices	Approved as proposed
354th  (the 4th meeting of 2013)	April 25, 2013	Budget and operation plans for 2013 SUPEX conferences	Approved as proposed
		Report for the period after the first quarter of 2013	
		Landscaping at Future Management Institute	Approved as proposed
		Issuance of hybrid securities	Approved as proposed
355th  (the 5th meeting of 2013)	May 23, 2013	Issuance of asset-backed short-term bonds	Approved as proposed
		Report of compliance review and validity evaluation	
		Financial transactions with affiliated company (SK Securities)	Approved as proposed
356th  (the 6th meeting of 2013)	June 20, 2013	Service transactions with SK Telecom China Holdings Co., Ltd.	Approved as proposed

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		Payment of interim dividends	Approved as proposed
		Incurrence of long-term debt	Approved as proposed
357 <sup>th</sup> (the 7th meeting of 2013)	July 25, 2013	Additional procurement of LTE network frequency	Approved as proposed
		Financial results for the first six months of 2013	
		Post-second quarter of 2013 report	
358 <sup>th</sup> (the 8th meeting of 2013)	September 26, 2013	Financial transactions with affiliated company (SK Securities)	Approved as proposed
		Additional investments in LTE network	Approved as proposed

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

**C. Committees within Board of Directors**

(1) Committee structure (as of November 8, 2013)

(a) Compensation Review Committee

			Members	
Total number of persons	Inside Directors	Independent Directors		Task
5		Rak Yong Uhm, Dae Shick Oh, Hyun Chin Lim,  Jay Young Chung, Jae Ho Cho		Review CEO remuneration system and amount

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

(b) Capex Review Committee

			Members	
Total number of persons	Inside Directors	Independent Directors		Task
5	Dong Seob Jee	Rak Yong Uhm, Dae Shick Oh,		

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Jay Young Chung, Jae Ho Cho

Review major investment plans and changes thereto

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

### (c) Corporate Citizenship Committee

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

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

### (d) Independent Director Nomination Committee

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

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

### (e) Audit Committee

	<b>Members</b>		
<b>Total number of persons</b>	<b>Inside Directors</b>	<b>Independent Directors</b>	<b>Task</b>
4		Dae Shick Oh, Hyun Chin Lim,  Jay Young Chung, Jae Ho Cho	Review financial statements and supervise independent audit process, etc.

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

**Table of Contents****2. Audit System**

The Company's Audit Committee consists of four independent directors, Dae Shick Oh, Hyun Chin Lim, Jae Ho Cho and Jay Young Chung.

Major activities of the Audit Committee as of November 8, 2013 are set forth below.

<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
		Construction of mobile phone facilities for 2013	Approved as proposed
		Construction of transmission network facilities for 2013	Approved as proposed
The 1st meeting of 2013	February 6, 2013	Evaluation of internal accounting controls based on the opinion of the members of the Audit Committee	Approved as proposed
		Review business and audit results for the second half of 2012 and business and audit plan for 2013	
		Report of internal accounting management system	
The 2nd meeting of 2013	February 20, 2013	Report on 2012 IFRS audit	
		Report on review of 2012 internal accounting management system	
		Evaluation of internal accounting management system operation	Approved as proposed
		Agenda and document review for the 29th annual general meeting of shareholders	Approved as proposed
		Auditor's report for fiscal year 2012	Approved as proposed
		IT service management contract for 2013	Approved as proposed

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		Transactions with SK C&C in the second quarter of 2013	Approved as proposed
The 3rd meeting of 2013	March 21, 2013	Plans for financial transactions with affiliated company (SK Securities)	
		Election of chairman	Approved as proposed
		Purchase of maintenance, repair and operations items from Happynarae Co., Ltd.	Approved as proposed
The 4th meeting of 2013	April 24, 2013	Service contract for SK Telecom China Holdings Co., Ltd.	Approved as proposed
		Remuneration for outside auditor for fiscal year 2013	Approved as proposed
		Outside auditor service plan for fiscal year 2013	Approved as proposed
		Audit plan for fiscal year 2013	
		Transactions with SK C&C in the third quarter of 2013	Approved as proposed
The 5th meeting of 2013	June 19, 2013	Myshop solution supply agreement with the Company's Thailand branch	Approved as proposed
		Plans for financial transactions with affiliated company (SK Securities)	
The 6th meeting of 2013	July 24, 2013	Construction of mobile phone facilities for 2013	Approved as proposed
		Construction of transmission network facilities for 2013	Approved as proposed
		Report on the 2013 first half IFRS review	

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Transactions with SK C&C in the fourth quarter of 2013

Approved as proposed

The 7th  
meeting of 2013

September 25,  
2013

Review business and audit results and business and audit plan for  
2013

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



**Table of Contents****3. Shareholders Exercise of Voting Rights****A. Voting System and Exercise of Minority Shareholders Rights**

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

<b>Articles of Incorporation</b>	<b>Description</b>
Article 32 (3) (Election of Directors)	Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors.

Article 4 of the 12 <sup>th</sup> Supplement to the Articles of Incorporation (Interim Regulation)	Article 32 (3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general meeting of shareholders held in 2003.
Also, neither written or electronic voting system nor minority shareholder rights is applicable.	

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

(As of September 30, 2013)

Investing company	Invested companies									
	SK Corporation	SK Innovation	SK Energy	SK Global Chemical	SK Telecom	SK Networks	SKC	SK E&C	SK Shipping	SK Securities
SK Holdings		33.4%			25.2%	39.1%	42.5%	40.0%	83.1%	
SK Innovation			100.0%	100.0%						
SK Energy										
SK Global Chemical										
SK Networks										
SK Telecom										
SK Chemicals						0.02%		25.4%		
SKC										
SK E&C										
SK Gas										
SK C&C	31.8%									10.0%
SK E&S										
SK Communications										
SK Broadband										
SK D&D										
SK Continental										
E-Motion										
SK Lubricants										
SK Shipping										
SK Planet										
SK Hynix										
Ko-one Energy										
SK Seentec										

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Total affiliated companies	31.8%	33.4%	100.0%	100.0%	25.2%	39.2%	42.5%	65.4%	83.1%	10.0%
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Investing company	Invested companies									
	SK E&S	SK Gas	DOPCO	CCE	YN Energy	Ko-one Energy Service	Entis	SK Telink	Busan City Gas	Jeonnam City Gas
SK Holdings	94.1%									
SK Innovation			41.0%							
SK Energy										
SK Global Chemical										
SK Networks										
SK Telecom								83.5%		
SK Chemicals		45.5%					50.0%			
SKC										
SK E&C										
SK Gas										
SK C&C	5.9%									
SK E&S				100.0%	100.0%	99.9%			40.0%	100.0%
SK Communications										
SK Broadband										
SK D&D										
SK Continental E-Motion										
SK Lubricants										
SK Shipping										
SK Planet										
SK Hynix										
Ko-one Energy Service										
SK Seentec		10.0%								
<b>Total affiliated companies</b>	<b>100.0%</b>	<b>55.5%</b>	<b>41.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>99.9%</b>	<b>50.0%</b>	<b>83.5%</b>	<b>40.0%</b>	<b>100.0%</b>

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

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Total affiliated companies	100.0%	100.0%	100.0%	100.0%	100.0%	95.0%	50.0%	80.0%	50.0%	100.0%
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Investing company	Invested companies									
	SK D&D	Natruck	Loen Entertainment	Speed Motor	SK Mobile Energy	SK Petrochemical	SK Communications	SK Planet	SKC Air Gas	SKN service
SK Holdings										
SK Innovation					100.0%					
SK Energy		100.0%								
SK Global Chemical						100.0%				
SK Networks				100.0%						86.5%
SK Telecom								100.0%		
SK Chemicals										
SKC									80.0%	
SK E&C	40.4%									
SK Gas										
SK C&C										
SK E&S										
SK Communications										
SK Broadband										
SK D&D										
SK Continental E-Motion										
SK Lubricants										
SK Shipping										
SK Planet			15.0%				64.5%			
SK Hynix										
Ko-one Energy Service										
SK Seentec										
Total affiliated companies	40.4%	100.0%	15.0%	100.0%	100.0%	100.0%	64.5%	100.0%	80.0%	86.5%

Investing company	Invested companies									
	Commerce Planet	Real Vest	SKC Solmics Co., Ltd.	SK Broadband	LC&C	PMP	PS&Marketing	UBcare	PyongTaek Energy Service	Wirye Energy Service
SK Holdings										
SK Innovation										
SK Energy										
SK Global Chemical										
SK Networks					79.6%					
SK Telecom				50.6%			100.0%			
SK Chemicals								44.0%		
SKC			46.3%							
SK E&C		100.0%								
SK Gas										
SK C&C										
SK E&S						100.0%			100.0%	71.0%
SK Communications										
SK Broadband										
SK D&D										
SK Continental E-Motion										
SK Lubricants										
SK Shipping										
SK Planet	100.0%									
SK Hynix										
Ko-one Energy Service										
SK Seentec										

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Total affiliated companies	100.0%	100.0%	46.3%	50.6%	79.6%	100.0%	100.0%	44.0%	100.0%	71.0%
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Investing company	Invested companies									
	Jeju United FC	MKS Guarantee	SK Forest	SK Lubricants	SKC Lighting	Bizen	SK HY ENG	HYTEC	Silicon File	SKSM
SK Holdings			100.0%							
SK Innovation				100.0%						
SK Energy	100.0%									
SK Global Chemical										
SK Networks										
SK Telecom										
SK Chemicals										
SKC					72.2%					
SK E&C										
SK Gas										
SK C&C						99.0%				
SK E&S										
SK Communications										
SK Broadband										
SK D&D		100.0%								
SK Continental E-Motion										
SK Lubricants										
SK Shipping										100.0%
SK Planet										
SK Hynix							100.0%	100.0%	27.9%	
Ko-one Energy Service										
SK Seentec										
<b>Total affiliated companies</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>72.2%</b>	<b>99.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>27.9%</b>	<b>100.0%</b>

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



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Investing company	Invested companies								
	SK Hynix	Ulsan Aromatics	SK Biofarm	SK Continental E-Motion Korea	G.Hub	SK Incheon Petrochem	SK Trading International	Boryeong LNG Terminal	Initz
SK Holdings			100.0%						
SK Innovation						100.0%	100.0%		
SK Energy									
SK Global Chemical		50.0%							
SK Networks									
SK Telecom	20.6%								
SK Chemicals									66.0%
SKC									
SK E&C									
SK Gas					100.0%				
SK C&C									
SK E&S								50.0%	
SK Communications									
SK Broadband									
SK D&D									
SK Continental E-Motion				100.0%					
SK Lubricants									
SK Shipping									
SK Planet									
SK Hynix									
Ko-one Energy Service									
SK Seentec									
<b>Total affiliated companies</b>	<b>20.6%</b>	<b>50.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>50.0%</b>	<b>66.0%</b>

\* Change in company names:

Ulsan Aromatics changed its name from Arochemi

Happynarae changed its name from MRO Korea

Bizen changed its name from Telsk

SK Hystec changed its name from Hystec

SK HY ENG changed its name from Hynix Engineering

Entis changed its name from SK Sci-tech

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

(As of September 30, 2013)

(Unit: in shares and percentages)

Name	Relationship	Type of share	Number of shares owned and ownership ratio			
			Beginning of Period		End of Period	
			Number of shares	Ownership ratio	Number of shares	Ownership ratio
SK Holdings Co., Ltd.	Largest Shareholder	Common share	20,363,452	25.22	20,363,452	25.22
Tae Won Chey	Officer of affiliated company	Common share	100	0.00	100	0.00
Shin Won Chey	Officer of affiliated company	Common share	2,000	0.00	2,000	0.00
Sung Min Ha	Officer of affiliated company	Common share	738	0.00	738	0.00
Bang Hyung Lee*	Officer of affiliated company	Common share	200	0.00	0	0.00
Total-		Common share	20,366,490	25.22	20,366,290	25.22

\* Resigned on January 31, 2012.

**B. Overview of the Largest Shareholder**

SK Holdings Co., Ltd. ( SK Holdings ) is a holding company and as of September 30, 2013, has nine subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK Shipping Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd., SK Biofarm Co., Ltd. and SK Forest Co., Ltd.

Details of the subsidiaries of SK Holdings are as follows:

(Unit: in millions of Won)

Affiliates	Share Holdings	Book Value (million Won)	Industry	Description
SK Innovation Co., Ltd.	33.4%	3,944,657	Energy and Petrochemical	Publicly Listed
SK Telecom Co., Ltd.	25.2%	3,091,125	Telecommunication	Publicly Listed
SK Networks Co., Ltd.	39.1%	1,165,759	Trading, Energy Sale	Publicly Listed
SKC Co., Ltd.	42.5%	254,632	Synthetic Resin Manufacturing	Publicly Listed
SK E&C Co., Ltd.	40.0%	485,171	Construction	Privately Held
SK Shipping Co., Ltd.	83.1%	607,643	Ocean Freight	Privately Held
SK E&S Co., Ltd.	94.1%	1,026,307	Gas Company Holdings and Power Generation	Privately Held
SK Biofarm Co., Ltd.	100.0%	228,702	Biotechnology	Privately Held
SK Forest Co., Ltd.	100.0%	61,387	Forestry and landscaping	Privately Held

\* The above shareholdings are based on common share holdings as of September 30, 2013.

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

The rule is applicable to subsidiaries whose book value of the holding company's shareholding exceeds 10% of its total assets based on the financial statements as of December 31, 2012. SK Innovation Co., Ltd., SK Telecom Co., Ltd. and SK Networks Co., Ltd. are three such subsidiaries.

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

Changes in shareholdings of the largest shareholder are as follows.

(As of September 30, 2013)

(Unit: in shares and percentages)

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

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

**3. Distribution of Shares**

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

(As of June 30, 2013)

(Unit: in shares and percentages)

Rank	Name (title)	Number of shares	Common share		Remarks
			Ownership ratio		
1	Citibank ADR	14,345,852	17.77		
2	SK Holdings	20,363,452	25.22		
3	SK Telecom	10,237,229	12.68		Treasury shares
4	National Pension Service	4,928,904	6.10		As of February 6, 2013
	Shareholdings under the Employee Stock Ownership Program	122,365	0.15		As of September 30, 2013

### B. Shareholder Distribution

(As of June 30, 2013)

(Unit: in shares and percentages)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
Total minority shareholders*	26,885	99.76%	29,869,979	36.99%	

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

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

(Unit: in Won and shares)

Types	September 2013	August 2013	July 2013	June 2013	May 2013	April 2013
<b>Common stock Highest</b>	222,000	226,500	225,000	226,500	125,500	196,000
<b>Common stock Lowest</b>	213,000	208,000	202,000	200,500	204,500	172,000
<b>Monthly transaction volume</b>	3,308,919	3,450,141	4,132,452	4,627,223	5,682,439	5,003,456

**B. Foreign Securities Market**

New York Stock Exchange

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

Types	September 2013	August 2013	July 2013	June 2013	May 2013	April 2013
<b>Depository Receipt Highest</b>	22.70	22.32	22.26	21.43	22.37	19.49
<b>Depository Receipt Lowest</b>	21.64	20.47	19.47	19.13	19.31	17.05
<b>Monthly transaction volume</b>	16,420,048	14,577,017	24,407,441	35,332,275	44,906,511	30,418,749

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

(As of September 30, 2013)

(Unit: in persons and thousands of Won)

Classification	Number of employees			Total	Average service year	Aggregate wage for the year ended December 31, 2012	Average wage per person	Remarks
	Regular employees	Contract employees	Others					
Male	3,532	57		3,589	12.7	342,676,841	90,920	
Female	524	66		590	10.2	41,165,815	61,442	
Total	4,056	123		4,179	12.3	383,842,656	86,471	

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

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

(Unit: in millions of Won)

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

\* The amounts approved for the years ended December 31, 2011 and 2012 were also Won 12 billion.

**B. Amount Paid**

(As of September 30, 2013)

(Unit: in millions of Won)

Classification	Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director
Insider Directors	3	2,750	917
Independent Directors*	1	63	63
Audit Committee Members	4	241	60
Total	8	3,053	382

\* Excludes independent directors who are Audit Committee members.





**Table of Contents****IX. RELATED PARTY TRANSACTIONS****1. Loans to the Largest Shareholder and Related Persons**

None

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

None.

**B. Transfer of Assets**

None.

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

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	(Unit: in millions of Won)		Remarks
				Increase	Decrease		Accrued interest		
Midus and others	Agency	Long-term and short-term loans	89,491	166,593	170,110	85,974			

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	(Unit: in millions of Won)		Remarks
				Increase	Decrease		Accrued interest		
Daehan Kangun BcN Co., Ltd.	Investee	Long-term loans	22,102			22,102			

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

None.

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

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

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

1.	Approval of the financial statements for the year ended December 31, 2012	Approved (Cash dividend, Won 8,400 per share)
2.	Amendments to Articles of Incorporation	Approved
3.	Election of Directors	
	Election of an inside director	Approved (Dae Sik Cho)
	Election of an independent director	Approved (Dae Shick Oh)
4.	Election of an independent director as Audit Committee member	Approved (Dae Shick Oh)
5.	Approval of Remuneration Limit for Directors	Approved (Won 12 billion)

29<sup>th</sup> Fiscal Year Meeting of Shareholders  
(March 22, 2013)

**Table of Contents****2. Contingent Liabilities**

[SK Telecom]

**A. Material Legal Proceedings**

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

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

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

**B. Other Matters**

## (1) Pledged assets and covenants

SK Broadband has provided geun mortgage amounting to Won 14.8 billion to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

In 2011, PS&Marketing, a consolidated subsidiary of the Company, entered into a loan agreement to borrow up to Won 40 billion of working capital from Shinhan Bank.

[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
Claim for Cancellation of Korea Fair Trade Commission s Penalty Reassessment	September 2009	1,810,000	Pending before Supreme Court
Claim relating to Gangnamgu District Office Cable-Burying Project	March 2010	345,271	Pending before Supreme Court
Administrative Proceeding relating to Gangnamgu District Office	April 2010	703,440	Pending before Administrative Court
Damages Claims against Golden Young and Others	April 2011	454,267	Pending before District Court

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Damages Claim relating to Hyundai Construction	December 2010	561,283	Pending before Appellate Court
Other claims and proceedings		52,074	
Total		3,926,334	

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## (2) SK Broadband as the defendant

(Unit: in thousands of Won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Damage Claim by Sun Technology and One Other	October 2011	1,223,778	Pending before Supreme Court
Damages Claim by Haein Networks	March 2013	101,000	Pending before District Court
Damages Claim by On-nuri Co., Ltd.	December 2011	101,000	Pending before District Court
Damages Claim by Mac Telecom and Five Other Companies	January 2012	606,000	Pending before District Court
Other claims and proceedings		265,746	
Total		2,297,524	

During the first half of 2013, SK Broadband paid an aggregate of Won 5,599 million in damages in connection with the litigation relating to the leak of personal information at the district court with respect to the cases in which final judgments have been rendered (the total amount of which is Won 24,689 million and the total amount of damages ordered being Won 6,091 million). The Company has recorded a provision in the amount of Won 192 million for the pending cases (the total amount of which is Won 3,000 million.)

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

As of September 30, 2013, the aggregate amount of claims was Won 3.9 billion. The management cannot reasonably forecast the outcome of the pending cases.

**B. Other Contingent Liabilities**

The material payment guarantees provided by third parties to SK Communications as of September 30, 2013 are set forth in the table below.

(Unit: in thousands of Won)

Financial Institution	Guarantee	Amount
Seoul Guarantee Insurance Company	Prepaid coverage payment guarantee	700,000
Seoul Guarantee Insurance Company	Provisional deposit guarantee insurance for bonds	912,572

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

As of September 30, 2013, there were two pending proceedings with SK Planet as the defendant and the aggregate amount of the claims was Won 1.7 billion. The management cannot reasonably forecast the outcome of the pending cases and no amount in connection with these proceedings were recognized on the Company's financial statements.

In addition, on July 4, 2012, SK Planet received a correctional order and a fine of Won 1,349 million from the Fair Trade Commission of Korea for alleged violation of Article 23 of the Fair Trade Act relating to the payment of system management and operation fees. SK Planet appealed the order and filed a suit with the administrative court, which is still pending.



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

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

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

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

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

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

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

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

On July 4, 2012, the Company received a correctional order and a fine of Won 24,987 million from the Fair Trade Commission of Korea for alleged violation of Article 23 of the Fair Trade Act relating to the payment of system management and operation fees. The Company appealed the order and filed a suit with the administrative court. On September 12, 2012, the Company received a formal written letter from the Fair Trade Commission of Korea with a corrected fine of Won 25,042 million, which also includes the fine for transactions in the first half of 2012.

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 completed to pay the fine and reported to the Korea Communications Commission regarding the implementation of actions pursuant to the correctional order in 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 is expected to complete the improvement of the procedures in consultation with the Korea Communications Commission by November 2013.





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

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 October 2, 2013, both the above-mentioned former director and the prosecutors have appealed the decision and the case is currently pending in the Supreme Court of Korea. While the court's decision on the appealed case is not expected to have a material effect on the Company's financial position, investors should note that it is difficult to predict, among others, the market's assessment of such case.

**[SK Broadband]**

(1) Violation of 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.

(2) Violation of the Telecommunications Business Act

Date: May 18, 2012

Subject Company: SK Broadband

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

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

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

Company's plan: Continuous management of the company's distribution network and improve the company's distribution structure.  
(3) 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.

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

Status of Implementation: Paid the fine.

Company's Plan: Will improve accounting management system.

(4) Violation of the Telecommunication Business Act

Date: November 23, 2011

Subject Company: SK Broadband

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

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

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

Company's Plan: Will improve operating procedures.

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

Date: July 14, 2011

Subject: SK Broadband and a former officer of SK Broadband

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

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

Status of Implementation: Paid the fine.

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

(6) Violation of the Telecommunication Business Act

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Date: February 21, 2011

Subject Company: SK Broadband

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

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

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

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

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(7) 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.

(8) Violation of the Telecommunication Business Act

Date: August 21, 2013

Subject Company: SK Broadband

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

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

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

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

**4. Important Matters That Occurred After September 30, 2013**

None.

**5. Use of Proceeds**

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

Not applicable.

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

(Unit: in millions of Won)

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

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**6. Information on Developments including Mergers, etc.**

**A. Disposition of Loen Entertainment shares by SK Planet**

During the three-month period ended September 30, 2013, SK Planet sold 13,294,369 shares (52.6% ownership interest) of Loen Entertainment, a company engaged in the publishing of music and provision of online music services, to Star Invest Holdings Limited. Consideration for the sale amounted to Won 265,887 million, and following the disposition of shares, SK Planet's ownership interests in Loen Entertainment decreased to 15.0%. As a result of the transaction, Loen Entertainment was excluded from scope of consolidation.



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**SK TELECOM CO., LTD.**

Condensed Consolidated Interim Financial Statements

(Unaudited)

**September 30, 2013 and 2012**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

**Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the condensed consolidated statement of financial position as of September 30, 2013, the related condensed consolidated statements of income and comprehensive income for the three-month and nine-month periods ended September 30, 2013 and 2012, the condensed consolidated interim statements of changes in equity and cash flows for the nine-month periods ended September 30, 2013 and 2012, 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 did not review the financial statements of SK Broadband Co., Ltd., a domestic subsidiary, and an associate, whose financial statements constitute 20.7% of the Group's consolidated total assets as of September 30, 2013, 11.9% of the Group's consolidated operating revenue and 32.1% of the Group's profit before income tax for the nine-month period ended September 30, 2013 and the financial statements of SK Broadband Co., Ltd., and two other domestic subsidiaries and an associate, whose financial statements constitute 15.2% of the Group's consolidated operating revenue for the nine-month period ended September 30, 2012. Other auditors reviewed those financial statements and our report, insofar as it relates to the amounts included for these entities, is based solely on the reports of other auditors.

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

**Conclusion**

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

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### **Highlights**

As discussed in note 36 to the condensed consolidated interim financial statements, the Group disposed of its partial interests in Loen Entertainment, Inc., a subsidiary, which resulted in loss of control during the nine-month period ended September 30, 2013. The Group presented the results of operations of Loan Entertainment, Inc. as discontinued operation in the condensed consolidated statements of income for the for the three and nine-month periods ended September 30, 2013 and accordingly restated the comparative information for the three and nine-month periods ended September 30, 2012.

### **Other matters**

The consolidated statement of financial position of the Group as of December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated February 22, 2013, expressed an unqualified opinion. The accompanying condensed consolidated statement of financial position of the Group as of December 31, 2012, presented for comparative purposes, is not different from that audited by us, from which it was derived, in all material respects.

The procedures and practices utilized in the Republic of Korea to review such condensed consolidated interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying condensed consolidated interim financial statements are for use by those knowledgeable about Korean review standards and their application in practice.

KPMG Samjong Accounting Corp.

Seoul, Korea

November 8, 2013

This report is effective as of November 8, 2013, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position

As of September 30, 2013 and December 31, 2012

<i>(In millions of won)</i>	Note	September 30, 2013	December 31, 2012
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	10,32,33	1,470,615	920,125
Short-term financial instruments	5,10,32,33	426,378	514,417
Short-term investment securities	8,10,32,33	135,679	60,127
Accounts receivable - trade, net	6,10,32,33,34	2,272,797	1,954,920
Short-term loans, net	6,32,33,34	76,056	84,908
Accounts receivable - other, net	6,32,33,34	638,484	582,098
Prepaid expenses	10	111,327	102,572
Derivative financial assets	21,32,33	11,405	9,656
Inventories, net	7,10,35	176,220	242,146
Assets classified as held for sale	9	2,143	775,556
Advanced payments and other	6,10,32,33	60,526	47,896
<b>Total Current Assets</b>		<b>5,381,630</b>	<b>5,294,421</b>
<b>Non-Current Assets:</b>			
Long-term financial instruments	5,10,32,33	8,141	144
Long-term investment securities	8,10,32,33	946,466	953,712
Investments in associates and joint ventures	10,11	5,289,874	4,632,477
Property and equipment, net	10,12,35	9,388,431	9,712,719
Investment property, net	13	15,871	27,479
Goodwill	14	1,733,261	1,744,483
Intangible assets, net	10,15	2,707,540	2,689,658
Long-term loans, net	6,10,32,33	56,201	69,299
Long-term prepaid expenses	35	30,069	31,341
Guarantee deposits	5,6,10,32,33	248,684	236,242
Long-term derivative financial assets	21,32,33	55,327	52,992
Deferred tax assets	10,30	35,653	124,098
Other non-current assets	6,32,33	36,330	26,494
<b>Total Non-Current Assets</b>		<b>20,551,848</b>	<b>20,301,138</b>
<b>Total Assets</b>		<b>25,933,478</b>	<b>25,595,559</b>

See accompanying notes to the condensed consolidated interim financial statements.

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Financial Position, Continued

As of September 30, 2013 and December 31, 2012

<i>(In millions of won)</i>	Note	September 30, 2013	December 31, 2012
<b>Liabilities and Equity</b>			
<b>Current Liabilities:</b>			
Short-term borrowings	16	80,500	600,245
Current portion of long-term debt, net	10,16,17,19,32,33	1,691,107	892,867
Accounts payable - trade	10,32,33	185,611	253,884
Accounts payable - other	10,32,33,34	1,099,495	1,811,038
Withholdings	10,32,33	781,788	717,170
Accrued expenses	10,32,33	985,695	890,863
Income tax payable	30	136,487	60,253
Unearned revenue	10	484,970	258,691
Provisions	18	98,985	287,307
Advanced receipts and other	10,32,33	108,677	108,272
Liabilities classified as held for sale	9		294,305
<b>Total Current Liabilities</b>		<b>5,653,315</b>	<b>6,174,895</b>
<b>Non-Current Liabilities:</b>			
Debentures, net, excluding current portion	16,32,33	5,158,275	4,979,220
Long-term borrowings, excluding current portion	16,32,33	21,852	369,237
Long-term payables - other	17, 32,33	835,391	715,508
Long-term unearned revenue		87,672	160,821
Finance lease liabilities	19,32,33	8,428	22,036
Defined benefit liabilities	10,20	137,507	86,521
Long-term derivative financial liabilities	21,32,33	85,959	63,599
Long-term provisions	18	36,462	106,561
Deferred tax liabilities	30	63,038	
Other non-current liabilities	32,33	62,576	62,379
<b>Total Non-Current Liabilities</b>		<b>6,497,160</b>	<b>6,565,882</b>
<b>Total Liabilities</b>		<b>12,150,475</b>	<b>12,740,777</b>
<b>Equity</b>			
Share capital	1,22	44,639	44,639
Capital surplus and other capital adjustments	10,22,23,24	236,307	(288,883)
Retained earnings	25	12,785,128	12,124,657
Reserves	26	(18,181)	(25,636)
<b>Equity attributable to owners of the Parent Company</b>		<b>13,047,893</b>	<b>11,854,777</b>
<b>Non-controlling interests</b>		<b>735,110</b>	<b>1,000,005</b>
<b>Total Equity</b>		<b>13,783,003</b>	<b>12,854,782</b>
<b>Total Liabilities and Equity</b>		<b>25,933,478</b>	<b>25,595,559</b>

See accompanying notes to the condensed consolidated interim financial statements.



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SK TELECOM CO., LTD. and Subsidiaries

Unaudited Condensed Consolidated Statements of Income

For the three and nine-month periods ended September 30, 2013 and 2012

(In millions of won except for per share data)

	Note	September 30, 2013		September 30, 2012 (Restated)	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
<b>Continuing operations</b>					
<b>Operating revenue:</b>	4,34				
Revenue		4,124,594	12,307,213	4,084,360	11,985,698
<b>Operating expense:</b>	34				
Labor cost		363,241	1,166,404	305,254	945,469
Commissions paid		1,349,595	4,132,638	1,572,936	4,501,967
Depreciation and amortization	4	667,476	1,975,969	611,784	1,762,458
Network interconnection		264,877	769,719	286,168	855,787
Leased lines		113,661	343,891	121,748	353,507
Advertising		91,629	263,799	89,479	251,860
Rent		115,331	336,386	105,182	311,443
Cost of products that have been resold		306,335	930,475	417,325	985,854
Other operating expenses	27	301,013	886,523	281,829	826,345
Sub-total		3,573,158	10,805,804	3,791,705	10,794,690
<b>Operating income</b>	4	<b>551,436</b>	<b>1,501,409</b>	<b>292,655</b>	<b>1,191,008</b>
Finance income	4,29	17,297	76,406	28,947	139,006
Finance costs	4,29	(100,856)	(407,250)	(113,560)	(323,873)
Gain (losses) related to investments in subsidiaries, associates and joint ventures, net	4,9,11	235,155	584,758	4,841	(41,007)
Other non-operating income	4,28	12,082	50,292	14,507	32,360
Other non-operating expense	4,28	(285,398)	(363,023)	(40,901)	(123,734)
<b>Profit before income tax</b>	4	<b>429,716</b>	<b>1,442,592</b>	<b>186,489</b>	<b>873,760</b>
Income tax expense from continuing operations	30	99,356	310,490	17,655	163,530
<b>Profit from continuing operations</b>		<b>330,360</b>	<b>1,132,102</b>	<b>168,834</b>	<b>710,230</b>
<b>Discontinued operations</b>					
Gain (loss) from discontinued operations, net of income taxes	36	171,874	183,778	6,802	(113,657)
<b>Profit for the period</b>		<b>502,234</b>	<b>1,315,880</b>	<b>175,636</b>	<b>596,573</b>
Attributable to :					
Owners of the Parent Company		504,026	1,324,824	178,872	628,692
Non-controlling interests		(1,792)	(8,944)	(3,236)	(32,119)
<b>Earnings per share (in won)</b>					
Basic earnings per share	31	7,086	18,841	2,566	9,021
Diluted earnings per share	31	7,086	18,841	2,566	8,800
<b>Earnings per share - Continuing operations (in won)</b>					
Basic earnings per share	31	4,699	16,322	2,496	10,476



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Diluted earnings per share	31	4,699	16,322	2,496	10,208
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*See accompanying notes to the condensed consolidated interim financial statements.*

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Comprehensive Income

For the three and nine-month periods ended September 30, 2013 and 2012

*(In millions of won)*

	Note	September 30, 2013		September 30, 2012	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
<b>Profit for the period</b>		<b>502,234</b>	<b>1,315,880</b>	<b>175,636</b>	<b>596,573</b>
<b>Other comprehensive loss</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of defined benefit obligations	20	2,778	(2,827)	680	(4,266)
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Net change in unrealized fair value of available-for-sale financial assets	26	27,039	(24,366)	12,392	(38,107)
Net change in other comprehensive income of investments in associates and joint ventures	26	(74,986)	24,493	(24,699)	(17,522)
Net change in unrealized fair value of derivatives	26,29	71,641	7,547	(13,875)	(14,769)
Foreign currency translation differences for foreign operations	26	(15,239)	(1,184)	(21,962)	(24,459)
		11,233	3,663	(47,464)	(99,123)
<b>Total comprehensive income</b>		<b>513,467</b>	<b>1,319,543</b>	<b>128,172</b>	<b>497,450</b>
Total comprehensive income (loss) attributable to:					
Owners of the Parent Company		515,846	1,329,163	138,370	539,100
Non-controlling interests		(2,379)	(9,620)	(10,198)	(41,650)

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

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Changes in Equity

For the nine-month periods ended September 30, 2013 and 2012

*(In millions of won)*

	Controlling Interest					Non-controlling interests	Total equity
	Share capital	Capital surplus and other capital adjustments	Retained earnings	Reserves	Sub-total		
<b>Balance, January 1, 2012</b>	<b>44,639</b>	<b>(285,347)</b>	<b>11,642,525</b>	<b>260,064</b>	<b>11,661,881</b>	<b>1,070,828</b>	<b>12,732,709</b>
Cash dividends			(655,133)		(655,133)	(2,133)	(657,266)
Total comprehensive income							
Profit (loss) for the period			628,692		628,692	(32,119)	596,573
Other comprehensive loss			(5,328)	(84,264)	(89,592)	(9,531)	(99,123)
Changes in ownership in subsidiaries		(5,313)			(5,313)	(8,651)	(13,964)
<b>Balance, September 30, 2012</b>	<b>44,639</b>	<b>(290,660)</b>	<b>11,610,756</b>	<b>175,800</b>	<b>11,540,535</b>	<b>1,018,394</b>	<b>12,558,929</b>
<b>Balance, January 1, 2013</b>	<b>44,639</b>	<b>(288,883)</b>	<b>12,124,657</b>	<b>(25,636)</b>	<b>11,854,777</b>	<b>1,000,005</b>	<b>12,854,782</b>
Cash dividends			(655,946)		(655,946)	(2,242)	(658,188)
Total comprehensive income							
Profit (loss) for the period			1,324,824		1,324,824	(8,944)	1,315,880
Other comprehensive loss			(3,116)	7,455	4,339	(676)	3,663
Issuance of hybrid bond		398,518			398,518		398,518
Interest on hybrid bond			(5,291)		(5,291)		(5,291)
Treasury stock		190,528			190,528		190,528
Business combination under common control		(61,854)			(61,854)		(61,854)
Changes in ownership in subsidiaries		(2,002)			(2,002)	(253,033)	(255,035)
<b>Balance, September 30, 2013</b>	<b>44,639</b>	<b>236,307</b>	<b>12,785,128</b>	<b>(18,181)</b>	<b>13,047,893</b>	<b>735,110</b>	<b>13,783,003</b>

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

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

For the nine-month periods ended September 30, 2013 and 2012

<i>(In millions of won)</i>	Note	September 30, 2013	September 30, 2012
<b>Cash flows from operating activities:</b>			
Cash generated from operating activities			
Profit for the period		1,315,880	596,573
Adjustments for income and expenses	37	2,363,633	2,547,459
Changes in assets and liabilities related to operating activities	37	(1,210,694)	483,852
Sub-total		2,468,819	3,627,884
Interest received		40,313	70,287
Dividends received		10,199	28,310
Interest paid		(218,764)	(272,553)
Income tax paid		(118,689)	(369,583)
<b>Net cash provided by operating activities</b>		<b>2,181,878</b>	<b>3,084,345</b>
<b>Cash flows from investing activities:</b>			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net		74,970	502,990
Decrease in short-term investment securities, net			14,182
Collection of short-term loans		225,493	189,476
Proceeds from disposal of long-term financial instruments		15	5,000
Proceeds from disposal of long-term investment securities		224,118	58,922
Proceeds from disposal of investments in associates and joint ventures		40,021	1,898
Proceeds from disposal of property and equipment		8,572	10,234
Proceeds from disposal of intangible assets		2,117	6,589
Proceeds from disposal of assets held for sale		190,393	
Collection of long-term loans		11,563	8,783
Decrease of guarantee deposits		9,761	6,556
Proceeds from disposal of other non-current assets		554	640
Proceeds from disposal of subsidiaries		216,471	88,641
Sub-total		1,004,048	893,911
Cash outflows for investing activities:			
Increase in short-term investment securities, net		(30,422)	(2,000)
Increase in short-term loans		(211,677)	(163,785)
Increase in long-term loans		(3,069)	(2,523)
Increase in long-term financial instruments		(7,504)	(12)
Acquisition of long-term investment securities		(15,762)	(36,146)
Acquisition of investments in associates and joint ventures		(93,191)	(3,132,690)
Acquisition of property and equipment		(1,668,004)	(2,144,752)
Acquisition of intangible assets		(192,846)	(84,529)
Increase in guarantee deposits		(19,686)	(4,186)
Increase in other non-current assets		(1,103)	(1,838)
Acquisition of business, net of cash acquired		(94,805)	(11,560)
Sub-total		(2,338,069)	(5,584,021)

<b>Net cash used in investing activities</b>	<b>(1,334,021)</b>	<b>(4,690,110)</b>
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*See accompanying notes to the condensed consolidated interim financial statements.*

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SK TELECOM CO., LTD. and Subsidiaries

Condensed Consolidated Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2013 and 2012

<i>(In millions of won)</i>	September 30, 2013	September 30, 2012
<b>Cash flows from financing activities:</b>		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	44,000	1,791,386
Issuance of debentures	1,014,859	1,086,992
Proceeds from long-term borrowings	8,600	2,059,779
Issuance of hybrid bond	398,518	
Cash inflows from settlement of derivatives	2,270	1,619
Cash inflows from other financial activities		92
<b>Sub-total</b>	<b>1,468,247</b>	<b>4,939,868</b>
Cash outflows for financing activities:		
Repayment of short-term borrowings	(563,745)	(1,937,255)
Repayment of current portion of long-term debt	(161,575)	(100,464)
Repayment of debentures		(888,124)
Repayment of long-term borrowings	(357,615)	(207,948)
Cash outflows from settlement of derivatives		(5,415)
Payment of finance lease liabilities	(15,359)	(15,204)
Payment of dividends	(658,189)	(657,266)
Cash paid for transactions with non-controlling interest	(3,871)	(1,025)
<b>Sub-total</b>	<b>(1,760,354)</b>	<b>(3,812,701)</b>
<b>Net cash provided by (used in) financing activities</b>	<b>(292,107)</b>	<b>1,127,167</b>
<b>Net increase in cash and cash equivalents</b>	<b>555,750</b>	<b>(478,598)</b>
Cash and cash equivalents at beginning of the period	920,125	1,650,794
Effects of exchange rate changes on cash and cash equivalents	(5,260)	(4,105)
<b>Cash and cash equivalents at end of the period</b>	<b>1,470,615</b>	<b>1,168,091</b>

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

**Table of Contents****1. Reporting Entity**

## (1) General

SK Telecom Co., Ltd. ( the Parent Company ) was incorporated in March 1984 under the laws of 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, 2013, 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	4,928,904	6.10%
Institutional investors and other minority stockholders	45,283,200	56.08%
Treasury stock	10,170,155	12.60%
<b>Total number of shares</b>	<b>80,745,711</b>	<b>100.00%</b>

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, 2013 and December 31, 2012 is as follows:

Subsidiary	Location	Primary business	Ownership(%)	
			September 30, 2013	December 31, 2012
SK Telink Co., Ltd.	Korea	Telecommunication service	83.5	83.5
M&Service Co., Ltd.(*).	Korea	Data base and online information agency	100.0	
SK Communications Co., Ltd.	Korea	Internet website services	64.6	64.6
PAXNet Co., Ltd.(*).	Korea	Internet website services		59.7
Loen Entertainment, Inc.(*).	Korea	Release of music disc.		67.6
Stonebridge Cinema Fund	Korea	Investment association	54.1	57.0
Commerce Planet Co., Ltd.	Korea	Online shopping mall operation agency	100.0	100.0
SK Broadband Co., Ltd.	Korea	Telecommunication services	50.6	50.6
Broadband Media Co., Ltd.(*).	Korea	Multimedia TV portal services		100.0
K-net Culture and Contents Venture Fund	Korea	Investment association	59.0	59.0
Fitech Focus Limited Partnership II	Korea	Investment association	66.7	66.7
Open Innovation Fund	Korea	Investment association	98.9	98.9
PS&Marketing Corporation	Korea	Communications device retail business	100.0	100.0
Service Ace Co., Ltd.	Korea	Customer center management service	100.0	100.0
Service Top Co., Ltd.	Korea	Customer center management service	100.0	100.0
Network O&S Co., Ltd.	Korea	Base station maintenance service	100.0	100.0

**Table of Contents****1. Reporting Entity, Continued**

## (2) List of subsidiaries, Continued

Subsidiary	Location	Primary business	Ownership(%)	
			September 30, 2013	December 31, 2012
BNCP Co., Ltd.	Korea	Internet website services	100.0	100.0
SK Planet Co., Ltd.	Korea	Telecommunication service and new media business	100.0	100.0
Madsmart, Inc.(*)	Korea	Application software production		100.0
SK Telecom China Holdings Co., Ltd.	China	Investment association	100.0	100.0
SKY Property Mgmt. Ltd.(*)	Virgin Island	Real estate investment		60.0
Shenzhen E-eye High Tech Co., Ltd.	China	Manufacturing	65.5	65.5
SK Global Healthcare Business Group., Ltd.	China	Investment association	100.0	100.0
SK China Real Estate Co., Ltd.(*)	Hong Kong	Real estate investment		99.4
SK Planet Japan	Japan	Digital contents sourcing service	100.0	100.0
SKT Vietnam PTE. Ltd.	Singapore	Telecommunication service	73.3	73.3
SK Planet Global PTE. Ltd.	Singapore	Digital contents sourcing service	100.0	100.0
SKP Global Holdings PTE. Ltd.(*)	Singapore	Investment association	100.0	
SKT Americas, Inc.	USA	Information gathering and consulting	100.0	100.0
SKP America LLC.	USA	Digital contents sourcing service	100.0	100.0
YTK Investment Ltd.	Cayman	Investment association	100.0	100.0
Atlas Investment	Cayman	Investment association	100.0	100.0
Technology Innovation Partners, L.P.	USA	Investment association	100.0	100.0
SK Telecom China Fund I L.P.	Cayman	Investment association	100.0	100.0

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

In accordance with the 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 financial statements are not material considering both individual and overall quantitative and qualitative effects, although the Group has ownership interests of more than 50% on those subsidiaries.



**Table of Contents****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, 2013 is as follows:

*(In millions of won)*

<b>Subsidiary</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total equity</b>	<b>Revenue</b>	<b>Profit (loss)</b>
SK Telink Co., Ltd.	254,644	127,691	126,953	320,906	16,349
M&Service Co., Ltd.(*1)	68,463	32,136	36,327	94,373	4,658
SK Communications Co., Ltd.	239,655	59,848	179,807	100,818	(15,795)
Stonebridge Cinema Fund	11,348	349	10,999	1	937
Commerce Planet Co., Ltd.	34,925	35,130	(205)	43,503	1,442
SK Broadband Co., Ltd.	2,865,258	1,744,184	1,121,074	1,852,410	10,691
K-net Culture and Contents Venture Fund	24,970		24,970		(13,794)
Fitech Focus Limited Partnership II	21,700		21,700		(925)
Open Innovation Fund	28,107		28,107		(15,297)
PS&Marketing Corporation	256,127	119,648	136,479	812,427	134
Service Ace Co., Ltd.	55,025	28,238	26,787	137,969	4,158
Service Top Co., Ltd.	47,375	28,669	18,706	117,806	3,538
Network O&S Co., Ltd.	57,589	33,554	24,035	148,540	3,117
BNCP Co., Ltd.	12,257	6,899	5,358	10,993	(9,275)
SK Planet Co., Ltd.	2,481,866	759,385	1,722,481	978,586	198,192
SK Telecom China Holdings Co., Ltd.	35,928	1,046	34,882	13,206	1,177
Shenzhen E-eye High Tech Co., Ltd.	17,650	1,532	16,118	5,639	(885)
SK Global Healthcare Business Group., Ltd.	25,784		25,784		
SK Planet Japan	673	118	555	380	(1,091)
SKT Vietnam PTE. Ltd.	38,206	9,036	29,170		(1,424)
SK Planet Global PTE. Ltd.	1,107	129	978	277	(1,005)
SKP Global Holdings PTE. Ltd.(*1)	21,419	10	21,409		1,698
SKT Americas, Inc.	34,293	323	33,970	4,671	(5,807)
SKP America LLC.	8,795	1,607	7,188		
YTK Investment Ltd.	64,305		64,305		
Atlas Investment(*2)	40,154	144	40,010		(9,236)

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

(\*2) 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****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, 2012 is as follows:

*(In millions of won)*

<b>Subsidiary</b>	<b>Total assets</b>	<b>Total liabilities</b>	<b>Total equity</b>	<b>Revenue</b>	<b>Profit (loss)</b>
SK Telink Co., Ltd.	241,977	128,191	113,786	341,084	(74,951)
SK Communications Co., Ltd.	265,819	70,483	195,336	197,153	(35,334)
PAXNet Co., Ltd.	31,400	9,173	22,227	34,237	(156)
Loen Entertainment, Inc.	173,079	44,998	128,081	185,016	23,839
Stonebridge Cinema Fund	10,965	903	10,062	509	5,707
Commerce Planet Co., Ltd.	34,007	35,351	(1,344)	52,507	655
SK Broadband Co., Ltd.	3,035,657	1,656,923	1,378,734	2,486,317	26,412
Broadband media Co., Ltd.	50,574	320,727	(270,153)	90,602	(3,396)
K-net Culture and Contents Venture Fund	43,779	15	43,764		(1,778)
Fitech Focus Limited Partnership II	22,547		22,547		(3,934)
Open Innovation Fund	43,394		43,394		(788)
PS&Marketing Corporation	317,613	181,737	135,876	1,484,492	(9,662)
Service Ace Co., Ltd.	48,956	24,461	24,495	146,554	3,418
Service Top Co., Ltd.	43,332	25,963	17,369	133,705	4,198
Network O&S Co., Ltd.	165,818	140,853	24,965	377,909	7,970
BNCP Co., Ltd.	24,000	9,367	14,633	26,167	(2,463)
SK Planet Co., Ltd.	1,647,965	381,620	1,266,345	1,034,697	11,977
Madsmart, Inc.	1,591	724	867	635	(2,756)
SK Telecom China Holdings Co., Ltd.	35,233	1,782	33,451	25,755	(151)
SKY Property Mgmt. Ltd.(*1)	773,413	294,305	479,108	70,808	10,390
Shenzhen E-eye High Tech Co., Ltd.	18,915	1,788	17,127	9,590	(1,068)
SK Global Healthcare Business Group., Ltd.	25,784		25,784		
SK Planet Japan	47	4	43		(63)
SKT Vietnam PTE. Ltd.	38,331	7,904	30,427	990	(8)
SK Planet Global PTE. Ltd.	636	130	506		(526)
SKT Americas, Inc.	36,378	784	35,594	10,712	(10,837)
SKP America LLC.	6,669	2,431	4,238	109	(3,301)
YTK Investment Ltd.	64,036		64,036		
Atlas Investment(*2)	51,065	205	50,860		(4,324)

(\*1) The financial information of Sky Property Mgmt. Ltd. includes the financial information of SK China Real Estate Co., Ltd., a subsidiary of Sky Property Mgmt. Ltd.

(\*2) 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****1. Reporting Entity, Continued**

## (4) Changes in subsidiaries

- 1) The list of subsidiary that was newly included during the nine-month period ended September 30, 2013 is as follows:

Subsidiary	Reason
M&Service Co., Ltd.	The Group acquired additional ownership interest in M&Service Co., Ltd. and obtained control.
SKP Global Holdings PTE. Ltd.	The Group newly invested in SKP Global Holdings PTE. Ltd.

- 2) The list of subsidiaries that were excluded during the nine-month period ended September 30, 2013 is as follows:

Subsidiary	Reason
PAXNet Co., Ltd.	The Parent Company sold its investment during the period.
Broadband media Co., Ltd.	Merged into SK Broadband Co., Ltd. during the period.
Madsmart, Inc.	Merged into SK Planet Co., Ltd. during the period.
SKY Property Mgmt. Ltd.	The Parent Company sold its investment during the period.
SK China Real Estate Co., Ltd.	The Parent Company sold its investment during the period.
Loen Entertainment, Inc.	The Parent Company sold its investment during the period.

- (5) The information of significant non-controlling interests of consolidated entities as of and for the nine-month period ended September 30, 2013, and as of and for the year ended December 31, 2012 is as follows. There were no dividends paid from the consolidated entities of which non-controlling interests are significant.

*(In millions of won)*

	September 30, 2013	
	SK Communications Co., Ltd.	SK Broadband Co., Ltd.
Ownership of non-controlling interests (%)	35.4	49.4
Current assets	127,679	492,504
Non-current assets	111,976	2,372,754
Current liabilities	(52,291)	(1,077,455)
Non-current liabilities	(7,557)	(666,729)
Net assets	179,807	1,121,074
Adjustment for fair value		121,222
Net assets of consolidated entities	179,807	1,242,296
Carrying amount of non-controlling interests	63,693	614,148
Revenue	100,818	1,852,410
Profit (loss) for the period	(15,795)	10,691
Amortization of adjustment for fair value		(23,233)
Loss of the consolidated entities	(15,795)	(12,542)
Total comprehensive loss	(15,548)	(11,869)
Loss attributable to non-controlling interests	(5,599)	(6,200)

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

	<b>September 30, 2013</b>	
	SK Communications Co., Ltd.	SK Broadband Co., Ltd.
Net cash provided by (used in) operating activities	(14,148)	319,762
Net cash provided by (used in) investing activities	29,877	(103,673)
Net cash provided by (used in) financing activities	19	(205,633)
Net increase in cash and cash equivalents	15,748	10,456

*(In millions of won)*

	<b>December 31, 2012</b>		
	SK Communications Co., Ltd.	SK Broadband Co., Ltd.(*1)	SKY Property Mgmt. Ltd.(*2)
Ownership of non-controlling interests(%)	35.4	49.4	40.0
Current assets	99,599	684,804	69,093
Non-current assets	166,220	2,394,352	704,319
Current liabilities	(64,811)	(907,000)	(51,068)
Non-current liabilities	(5,672)	(1,061,608)	(243,236)
Net assets	195,336	1,110,548	479,108
Adjustment for fair value		144,455	
Net assets of consolidated entities	195,336	1,255,003	479,108
Carrying amount of non-controlling interests	69,222	621,055	195,907
Revenue	197,153	2,492,160	70,808
Profit (loss) for the period	(35,334)	22,499	10,390
Amortization of adjustment for fair value		(72,192)	
Profit (loss) of the consolidated entities	(35,334)	(49,693)	10,390
Total comprehensive Income (loss)	(36,785)	17,397	(23,948)
Profit (loss) attribute to non-controlling interests	(12,525)	(24,595)	4,156
Net cash provided by (used in) operating activities	(14,925)	375,848	16,258
Net cash provided by (used in) Investing activities	5,319	(287,975)	(396)
Net cash provided by (used in) financing activities	92	(224,837)	(1,405)
Net increase (decrease) in cash and cash equivalents	(9,514)	(136,964)	14,457

(\*1) The condensed financial information of SK Broadband Co., Ltd. is consolidated financial information which includes financial information of Broadband Media Co., Ltd., a subsidiary of SK Broadband Co., Ltd.

(\*2) The condensed financial information of SKY Property Mgmt. Ltd. is consolidated financial information which includes financial information of SK China Real Estate Co., Ltd., a subsidiary of SKY Property Mgmt. Ltd.

There were no dividends received for the nine-month period ended September 30, 2013 and for the year ended December 31, 2012.

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**2. Basis of Preparation**

(1) Statement of compliance

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

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting* as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as at and for the year ended December 31, 2012. 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

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, 2012.

(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****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, 2012. 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, 2013.

## (1) Changes in accounting policies

## 1) K-IFRS No. 1001, Presentation of Financial Statements

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

## 2) K-IFRS No.1110, Consolidated Financial Statements

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

## 3) K-IFRS No.1111, Joint Arrangements

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

## 4) K-IFRS No.1112, Disclosure of Interests in Other Entities

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

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**3. Significant Accounting Policies, Continued**

(1) Changes in accounting policies, Continued

5) K-IFRS No. 1019, Employee Benefits

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

6) Amendments to K-IFRS No. 1113, Fair Value Measurement

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

(2) Impact of changes in accounting policies

1) K-IFRS No.1110, Consolidated Financial Statements

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

(3) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2013. The Group is in the process of evaluating the impact of these new standards, interpretations and amendments to the consolidated financial statements, if any, as of September 30, 2013.

1) K-IFRS No. 1032, Financial Instruments: Presentation

The amendments clarified the application guidance related to offsetting a financial asset and a financial liability. The amendment is mandatorily effective for periods beginning on or after January 1, 2014 with earlier application permitted.

**Table of Contents****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 immaterial operations, do not meet the quantitative thresholds to be considered reportable segments and are presented as Other.

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

*(In millions of won)*

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



**Table of Contents****4. Operating Segments, Continued**

(2) Details of the segment information as of and for the nine-month period ended September 30, 2012 are as follows:

(In millions of won)

	Cellular Services	Fixed-line Telecommunication		Sub-total	Consolidation Adjustments	Consolidated amount
		services	Other			
Total revenue	10,763,934	2,206,565	1,092,333	14,062,832	(2,077,134)	11,985,698
Internal revenue	965,481	560,536	551,117	2,077,134	(2,077,134)	
External revenue	9,798,453	1,646,029	541,216	11,985,698		11,985,698
Depreciation and amortization	1,248,116	433,990	80,352	1,762,458		1,762,458
Operating income	1,125,869	39,501	25,638	1,191,008		1,191,008
Finance income and costs, net						(184,867)
Loss related to investments in subsidiaries, associates and joint ventures, net						(41,007)
Other non-operating income and expense, net						(91,374)
Profit from continuing operations before income tax						873,760
Total assets	23,116,767	3,372,434	3,349,851	29,839,052	(3,780,556)	26,058,496
Total liabilities	10,922,843	2,164,119	844,364	13,931,326	(431,759)	13,499,567

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, 2013 and 2012.

**5. Restricted Deposits**

Deposits which are restricted in use as of September 30, 2013 and December 31, 2012 are summarized as follows:

(In millions of won)

	September 30, 2013	December 31, 2012
Short-term financial instruments(*)	79,284	241,587
Long-term financial instruments(*)	7,569	106
Guarantee deposits	40	40
	86,893	241,733

(\*) Financial instruments include charitable trust fund established by the Group (profits from this charitable fund are donated to charitable institutions and the funds cannot be withdrawn as of September 30, 2013) and guarantees for loans and other similar instruments.

**Table of Contents****6. Trade and Other Receivables**

(1) Details of trade and other receivables as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	<b>September 30, 2013</b>		
	<b>Gross amount</b>	<b>Allowances for impairment</b>	<b>Carrying amount</b>
<b>Current assets:</b>			
Accounts receivable trade	2,506,775	(233,978)	2,272,797
Short-term loans	77,638	(1,582)	76,056
Accounts receivable other	710,539	(72,055)	638,484
Accrued income	14,073	(171)	13,902
Others	2,670		2,670
	<b>3,311,695</b>	<b>(307,786)</b>	<b>3,003,909</b>
<b>Non-current assets:</b>			
Long-term loans	84,962	(28,761)	56,201
Guarantee deposits	248,684		248,684
Long-term accounts receivable trade	13,960		13,960
	<b>347,606</b>	<b>(28,761)</b>	<b>318,845</b>
	<b>3,659,301</b>	<b>(336,547)</b>	<b>3,322,754</b>

*(In millions of won)*

	<b>December 31, 2012</b>		
	<b>Gross Amount</b>	<b>Allowances for impairment</b>	<b>Carrying amount</b>
<b>Current assets:</b>			
Accounts receivable trade	2,166,293	(211,373)	1,954,920
Short-term loans	86,789	(1,881)	84,908
Accounts receivable other	639,386	(57,288)	582,098
Accrued income	8,857	(142)	8,715
Others	431		431
	<b>2,901,756</b>	<b>(270,684)</b>	<b>2,631,072</b>
<b>Non-current assets:</b>			
Long-term loans	97,636	(28,337)	69,299
Guarantee deposits	236,242		236,242
Long-term accounts receivable trade	15,024	(1,647)	13,377
	<b>348,902</b>	<b>(29,984)</b>	<b>318,918</b>
	<b>3,250,658</b>	<b>(300,668)</b>	<b>2,949,990</b>

(2) The movements in allowances for doubtful accounts of trade and other receivables during the nine-month periods ended September 30, 2013 and 2012 were as follows:

*(In millions of won)*

**For the nine-month period ended**  
**2013                      2012**

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Balance at January 1	300,668	318,820
Increase of bad debt	64,641	58,903
Write-off	(43,553)	(69,250)
Others(*)	14,791	19,926
Balance at September 30	336,547	328,399

(\*) Others include collection of receivables written-off, net exchange difference and changes in consolidation scope.

**Table of Contents****6. Trade and Other Receivables, Continued**

- (3) Details of overdue but not impaired, and impaired trade and other receivables as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013		December 31, 2012	
	Accounts receivable		Accounts receivable	
	- trade	Other receivables	- trade	Other receivables
Neither overdue nor impaired	1,913,436	940,361	1,589,911	976,882
Overdue but not impaired	47,713	1,285	38,590	1,588
Impaired	559,586	196,920	552,816	90,871
	2,520,735	1,138,566	2,181,317	1,069,341
Allowance for doubtful accounts	(233,978)	(102,569)	(213,020)	(87,648)
	2,286,757	1,035,997	1,968,297	981,693

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

- (4) The aging of overdue but not impaired accounts receivable as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013		December 31, 2012	
	Accounts receivable	Accounts receivable	Accounts receivable	Accounts receivable
	- trade	- other	- trade	- other
Less than 1 month	21,172	608	4,067	171
1 ~ 3 months	5,624	403	10,264	673
3 ~ 6 months	3,016	37	10,507	101
More than 6 months	17,901	237	13,752	643
	47,713	1,285	38,590	1,588

**7. Inventories**

Details of inventories as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013			December 31, 2012		
	Acquisition cost	Write - down of inventory	Carrying amount	Acquisition cost	Write - down of inventory	Carrying amount

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Merchandise	171,709	(2,004)	169,705	230,640	(1,784)	228,856
Finished goods	2,229	(35)	2,194	3,525	(962)	2,563
Work in process				309		309
Raw materials and supplies	4,321		4,321	10,487	(69)	10,418
	178,259	(2,039)	176,220	244,961	(2,815)	242,146

**Table of Contents****8. Investment Securities**

(1) Details of short-term investment securities as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Beneficiary certificates(*)	132,045	56,160
Current portion of long-term investment securities	3,634	3,967
	<b>135,679</b>	<b>60,127</b>

(\*) The distributions arising from beneficiary certificates as of September 30, 2013 were accounted for as accrued income.

(2) Details of long-term investment securities as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>Equity securities:</b>		
Marketable equity securities	551,308	584,035
Unlisted equity securities	88,204	99,643
Equity investments	264,124	223,370
	<b>903,636</b>	<b>907,048</b>
<b>Debt securities:</b>		
Public bonds(*1)	356	377
Investment bonds(*2)	46,108	50,254
	<b>46,464</b>	<b>50,631</b>
<b>Total</b>	<b>950,100</b>	<b>957,679</b>
Less current portion of long-term investment securities	(3,634)	(3,967)
<b>Long-term investment securities</b>	<b>946,466</b>	<b>953,712</b>

(\*1) Details of maturity for the public bonds as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Less than 1 year	198	8
1 ~ 5 years	158	369
	<b>356</b>	<b>377</b>

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- (\*2) The Group classified convertible bonds of NanoEnTek, Inc. (carrying amount as of September 30, 2013: W 17,743 million) as financial assets at fair value through profit or loss. The difference between acquisition cost and fair value is accounted for as finance income (loss).

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

For the year ended December 31, 2012, the Group classified assets and liabilities of a subsidiary, SKY Property Mgmt. Ltd., as held for sale as a result of the Board of Directors' decision on December 21, 2012 to dispose of the Group's ownership interests of 27% in the subsidiary in order to utilize the proceeds for new business opportunities.

Non-current assets and liabilities held for sale as of December 31, 2012 are as follows:

<i>(In millions of won)</i>	
	<b>December 31, 2012</b>
Asset group held-for sale	773,413
Current assets(*1)	69,094
Non-current assets	704,319
Long-term prepaid expense	486,439
Investment property	186,682
Property and equipment	1,566
Other non-current assets	29,632
Liability group held-for-sale	294,305
Current liabilities	51,069
Non-current liabilities	243,236

(\*1) Cash and cash equivalents of 51,831 million which are included in current assets are recognized as cash outflows from investing activities in the statement of cashflows as the cash equivalents are expected to be recovered through the disposal of assets and liabilities held for sale.

As of December 31, 2012, the assets and liabilities classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

On January 11, 2013, the Group sold the Group's ownership interests of 27% accounted for as a non-current assets held for sale to SK Innovation Co., Ltd., a related party, and recognized a gain on disposal of a subsidiary of 140,689 million in profit or loss.

**(2) Investments in associates**

The Group entered into agreement to dispose of its ownership interests in SK Fans Co., Ltd., an associate, during the year ended December 31, 2012 and investment in the associate was reclassified to non-current assets held for sale after an impairment loss of 7,656 million was recognized.

Non-current assets held for sale relating to investment in associates as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>		
	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Investments in associates	2,143	2,143



**Table of Contents****10. Business combination****(1) General information**

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

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

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

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

<i>(In millions of won)</i>	<b>Amount</b>
<b>Consideration paid</b>	
Cash and cash equivalents	190,605
Investments in associates (carrying value)	141,534
	332,139
<b>Identifiable assets and liabilities transferred</b>	
Cash and cash equivalents	95,800
Trade receivables	132,514
Inventories	3,472
Property and equipment, and intangible assets	68,699
Other assets	457,431
Trade payables	(150,014)
Other liabilities	(337,617)
	270,285
Amount recorded in capital surplus and other capital adjustments	61,854

**Table of Contents****11. Investments in Associates and Joint Ventures**

- (1) Investments in associates and joint ventures accounted for using the equity method as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

		September 30, 2013		December 31, 2012	
	Country	Ownership percentage	Carrying amount	Ownership percentage	Carrying amount
<b>Investments in associates</b>					
SK Marketing & Company Co., Ltd.(*1)	Korea			50.0	145,333
SK China Company Ltd.(*2)	China	9.6	36,500	9.6	37,628
SK USA, Inc.	USA	49.0	3,986	49.0	4,580
F&U Credit information Co., Ltd.	Korea	50.0	3,648	50.0	4,011
Korea IT Fund(*3)	Korea	63.3	230,945	63.3	230,016
Loen Entertainment, Inc.(*2,4)	Korea	15.0	50,267		
JYP Entertainment Corporation(*5)	Korea			25.5	4,232
Konan Technology	Korea	29.5	4,143	29.5	4,835
Etoos Co., Ltd. (*2)	Korea	15.6	13,437	15.6	12,037
Wave City Development Co., Ltd. (*2)	Korea	19.1		19.1	
HanaSK Card Co., Ltd.	Korea	49.0	377,609	49.0	378,457
Daehan Kangun BcN Co., Ltd.	Korea	29.0	7,982	29.0	7,982
Candle Media Co., Ltd.	Korea	40.9	21,110	40.9	21,935
NanoEnTek, Inc. (*2)	Korea	9.3	9,265	9.3	9,276
UNISK(Beijing) Information Technology Co., Ltd.	China	49.0	7,502	49.0	6,589
SK Industrial Development China Co. Ltd.	Hong Kong	35.0	78,765	35.0	77,967
Packet One Network	Malaysia	27.0	88,704	28.2	88,389
Mobile Money Venture, LLC	USA	50.0	793	50.0	826
SK Technology Innovation Company	Cayman	49.0	59,907	49.0	63,559
LightSquared Inc.(*2)	USA	3.3		3.3	
ViKi, Inc.(*6)	USA			26.3	15,667
HappyNarae Co., Ltd.	Korea	42.5	13,895	42.5	13,113
SK hynix Inc.	Korea	20.6	3,795,765	21.1	3,328,245
SK MENA Investment B.V.	Netherlands	32.1	13,731	32.1	13,666
SK Latin America Investment	Spain	32.1	13,731	32.1	13,685
Gemini	Singapore	20.0	3,943	20.0	7,139
SKY Property Mgmt. Ltd.(*4)	Virgin Island	33.0	238,937		
Xinan Tianlong Science and Technology Co., Ltd. (*7)	China	49.0	26,982		
TR Entertainment and others			138,193		121,101
Sub-total			5,239,740		4,610,268
<b>Investments in joint ventures</b>					
Dogus Planet, Inc.	Turkey	50.0	16,068	50.0	6,005
PT. Melon Indonesia	Indonesia	49.0	3,460	49.0	4,447
Television Media Korea Ltd.	Korea	51.0	9,187	51.0	11,757
PT XL Planet Digital(*7)	Indonesia	50.0	21,419		
Sub-total			50,134		22,209
Total			5,289,874		4,632,477

**Table of Contents****11. Investments in Associates and Joint Ventures, Continued**

- (\*1) SK Marketing & Company Co., Ltd. was merged into SK Planet Co., Ltd., a subsidiary of the Parent Company during the nine-month period ended September 30, 2013 (Note 10).
- (\*2) The Group classified the investments in SK China Company Ltd., Loen Entertainment, Inc., Etoos Co., Ltd., Wave City Development Co., Ltd., NanoEnTek, Inc. and LightSquared Inc. as investments in associates as the Group can exercise significant influence on these investees through participation of their board of directors even though the Group has less than 20% of equity interests in those investees.
- (\*3) 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.
- (\*4) The Group reclassified investment in SKY Property Mgmt. Ltd. and Loen Entertainment, Inc. as investments in associates from subsidiaries due to partial disposal of its shares.
- (\*5) The Group de-recognized this investment during the nine-month period ended September 30, 2013 as this investee is an associate of Loen Entertainment, Inc., which was reclassified from subsidiaries to investment in associates upon the Group's partial disposal of its interest in Loen Entertainment, Inc.
- (\*6) The Group de-recognized this investment during the nine-month period ended September 30, 2013 upon disposal.
- (\*7) The Group newly acquired this investment during the nine-month period ended September 30, 2013.

- (2) There is no joint venture listed publicly and the market price of investments in associates listed publicly as of September 30, 2013 and December 31, 2012 are as follows:

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

	September 30, 2013			December 31, 2012		
	Market value per share	Number of shares	Market price	Market value per share	Number of shares	Market price
Candle Media Co., Ltd.	994	21,620,360	21,491	858	21,620,360	18,550
NanoEnTek, Inc.	4,285	1,807,130	7,744	3,915	1,807,130	7,075
SK hynix Inc.	30,250	146,100,000	4,419,525	25,750	146,100,000	3,762,075
Loen Entertainment, Inc.	12,950	3,793,756	49,129			

**Table of Contents****11. Investments in Associates and Joint Ventures, Continued**

- (3) The condensed financial information of the major investees as of and for the nine-month period ended September 30, 2013 and as of and for the year ended December 31, 2012 are as follows:

(In millions of won)

	As of and for the nine-month period ended September 30, 2013				
	SK hynix Inc.	HanaSK Card Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT Fund	Packet One Network
Current assets	6,802,076	5,304,412	103,101	148,463	49,037
Non-current assets	13,735,214	209,656	705,986	216,342	223,058
Current liabilities	3,495,675	1,905,780	141,120		114,644
Non-current liabilities	4,727,911	2,938,288	167,024		89,566
Revenue	10,797,415	643,009	58,063	7,432	81,200
Profit (loss) from continuing operations	2,083,710	781	8,884	1,405	(34,376)
Other comprehensive income (loss)	(219,424)	1,102			
Total comprehensive income (loss)	1,864,286	1,883	8,884	1,405	(34,376)

(In millions of won)

	As of and for the year ended December 31, 2012			
	SK hynix Inc.	HanaSK Card Co., Ltd.	Korea IT Fund	Packet One Network
Current assets	5,313,573	7,888,008	195,164	46,872
Non-current assets	13,335,120	296,007	168,182	210,027
Current liabilities	4,441,180	259,659	6	143,936
Non-current liabilities	4,468,071	7,240,140		80,896
Revenue	10,162,210	1,012,772	19,444	110,152
Profit (loss) from continuing operations	(158,795)	(29,571)	5,820	(42,830)
Other comprehensive income (loss)	(305,601)	(2,653)		2,259
Total comprehensive income (loss)	(464,396)	(32,224)	5,820	(40,571)

**Table of Contents****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, 2013 and as of and for the year ended December 31, 2012 are as follows:

(In millions of won)

	As of and for the nine-month period ended September 30, 2013			
	Television Media Korea Ltd.	Dogus Planet, Inc.	PT. Melon Indonesia	PT XL Planet Digitals
Current assets	19,171	31,478	7,845	39,183
Cash and cash equivalents	15,146	28,241	5,171	38,500
Non-current assets	5,503	8,501	1,648	879
Current liabilities	6,814	7,647	2,315	2,259
Account payable, other payables and provisions	6,701	7,509	2,315	2,259
Non-current liabilities	317	194	66	
Account payable, other payables and provisions		103		
Revenue	10,335	3,107	5,419	
Depreciation and amortization	(8)	(1,314)	(108)	2
Interest income	304	1,315	210	82
Interest expense		(24)		1
Profit (loss) from continuing operations	(4,983)	(18,228)	(551)	3,968
Total comprehensive income (loss)	(4,983)	(18,228)	(551)	3,968

(In millions of won)

	As of and for the year ended December 31, 2012		
	Television Media Korea Ltd.	Dogus Planet, Inc.	PT. Melon Indonesia
Current assets	22,449	7,735	7,770
Cash and cash equivalents	10,562	6,085	6,882
Non-current assets	6,056	7,349	2,265
Current liabilities	5,724	2,970	832
Account payable, other payables and provisions	5,323	2,631	821
Non-current liabilities	199	104	78
Account payable, other payables and provisions		104	
Revenue	12,115		1,218
Depreciation and amortization	(2,886)	(864)	(442)
Interest income	758	539	418
Loss from continuing operations	(6,873)	(4,494)	(572)
Total comprehensive loss	(6,873)	(4,494)	(572)

**Table of Contents****11. Investments in Associates and Joint Ventures, Continued**

- (5) Details of changes in investments in associates and joint ventures accounted for using the equity method for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	For the nine-month period ended September 30, 2013					Ending balance
	Beginning balance	Acquisition and disposal	Share of profits (losses)	Other comprehensive income	Other increase (decrease)	
<b>Investments in associates</b>						
SK Marketing & Company Co., Ltd.(*1)	145,333		(3,955)	155	(141,533)	
SK China Company Ltd.	37,628		(9,189)	8,061		36,500
SK USA, Inc.	4,580		(630)	36		3,986
F&U Credit information Co., Ltd.	4,011		21	(384)		3,648
Korea IT Fund	230,016		890	39		230,945
Loen Entertainment, Inc.(*2)					50,267	50,267
JYP Entertainment Corporation(*3)	4,232		999	58	(5,289)	
Konan Technology	4,835		(692)			4,143
Etoos Co., Ltd.	12,037		1,400			13,437
Wave City Development Co., Ltd.						
HanaSK Card Co., Ltd.	378,457		(1,373)	525		377,609
Daehan Kanggun BeN Co., Ltd.	7,982					7,982
Candle Media Co., Ltd.	21,935		(912)	87		21,110
NanoEnTek, Inc.	9,276		(14)	3		9,265
UNISK(Beijing) Information Technology Co., Ltd.	6,589		782	131		7,502
SK Industrial Development China Co., Ltd.	77,967		(635)	1,433		78,765
Packet One Network	88,389		1,156	(841)		88,704
Mobile Money Venture, LLC	826		(20)		(13)	793
SK Technology Innovation Company	63,559		(3,999)	347		59,907
LightSquared Inc.						
ViKi, Inc.(*4)	15,667	(14,636)	(995)	(36)		
HappyNarae Co., Ltd.	13,113		781	1		13,895
SK hynix Inc.	3,328,245		453,042	14,478		3,795,765
SK MENA Investment B.V.	13,666			65		13,731
SK Latin America Investment	13,685		(287)	333		13,731
Gemini	7,139		(3,213)	17		3,943
SKY Property Mgmt. Ltd.(*2)			4,229	2,005	232,703	238,937
Xinan Tianlong Science and Technology Co., Ltd.		26,982				26,982
TR Entertainment and others	121,100	23,681	(5,795)	216	(1,009)	138,193
Sub-total	4,610,267	36,027	431,591	26,729	135,126	5,239,740
<b>Investments in joint ventures</b>						
Dogus Planet, Inc.	6,006	21,428	(9,115)	(2,251)		16,068
PT. Melon Indonesia	4,447		(326)	(661)		3,460
Television Media Korea Ltd.	11,757		(2,570)			9,187
PT XL Planet Digital		19,713	1,706			21,419
Sub-total	22,210	41,141	(10,305)	(2,912)		50,134
Total	4,632,477	77,168	421,286	23,817	135,126	5,289,874



**Table of Contents****11. Investments in Associates and Joint Ventures, Continued**

- (\*1) The entity was merged into SK Planet Co., Ltd., a subsidiary of the Parent Company during the nine-month period ended September 30, 2013 (Note 10).
- (\*2) The Group reclassified the investments in Loen Entertainment, Inc., and SKY Property Mgmt. Ltd. as investments in associates during the nine-month period ended September 30, 2013.
- (\*3) Investment in JYP Entertainment Corporation was de-recognized as Loen Entertainment, Inc., which controls JYP Entertainment Corporation, was classified from investments in subsidiaries to investments in associates.
- (\*4) De-recognized upon disposal during the nine-month period ended September 30, 2013.

*(In millions of won)***For the nine-month period ended September 30, 2012**

	<b>Beginning balance</b>	<b>Acquisition and Disposal</b>	<b>Share of profits (losses)</b>	<b>Other compre- hensive income</b>	<b>Impair- ment loss</b>	<b>Other increase (decrease)</b>	<b>Ending balance</b>
<b>Investments in associates</b>							
SK Marketing & Company Co., Ltd.	128,320		10,963	(1,134)			138,149
SK China Company Ltd.	48,488		69	(5,513)			43,044
SK USA, Inc.	4,534		328	(85)			4,777
F&U Credit information Co., Ltd.	3,565		1,700				5,265
Korea IT Fund	230,980		(3,502)	320		(750)	227,048
JYP Entertainment Corporation	4,008		351	(58)			4,301
Konan Technology	4,760		(644)				4,116
Etoos Co., Ltd.	13,928		(828)				13,100
Wave City Development Co., Ltd.	1,124		(1,124)				
HanaSK Card Co., Ltd.	396,553		(10,758)	(1,566)			384,229
Candle Media Co., Ltd.	11,814	5,854	4,160	308		47	22,183
NanoEnTek, Inc.	10,470		(1,010)	93			9,553
UNISK(Beijing) Information Technology Co., Ltd.	5,886		1,021	(380)			6,527
Packet One Network	103,409		(13,473)	844			90,780
Mobile Money Venture, LLC	983		(77)			(29)	877
SK Technology Innovation Company	75,974		(3,368)	(26)			72,580
LightSquared Inc.	49,441		(10,571)	1,513	(40,383)		
SK hynix Inc.		3,374,725	(29,550)	(8,830)			3,336,345
SK MENA Investment B.V.		14,485	16	(240)			14,261
SK Latin America Investment		14,243					14,243
Gemini		6,108					6,108
TR Entertainment and others	269,780	42,565	(4,623)	(2,443)		(1,401)	303,878
Sub-total	1,364,017	3,457,980	(60,920)	(17,197)	(40,383)	(2,133)	4,701,364
<b>Investments in joint ventures</b>							
PT. Melon Indonesia	5,326		(469)	(411)			4,446
Television Media Korea Ltd.	15,262		(2,831)				12,431
Sub-total	20,588		(3,300)	(411)			16,877
Total	1,384,605	3,457,980	(64,220)	(17,608)	(40,383)	(2,133)	4,718,241



**Table of Contents****11. Investments in Associates and Joint Ventures, Continued**

- (6) 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, 2013 are as follows:

(In millions of won)

	Unrealized loss		Unrealized change in equity	
	Period ended September 30, 2013	Accumulated	Period ended September 30, 2013	Accumulated
ULand Company Limited		1,703		127
Wave City Development Co., Ltd.	(1,035)	714		
Cyworld Holdings Hong Kong and others		2,937		334
	(1,035)	5,354		461

**12. Property and Equipment**

- (1) Property and equipment as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013			December 31, 2012	
	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount	Carrying Amount
Land	722,662			722,662	704,908
Buildings	1,410,341	(542,602)		867,739	886,371
Structures	697,508	(343,727)		353,781	363,484
Machinery	24,194,958	(17,903,593)	(1,698)	6,289,667	6,316,192
Other	1,427,089	(913,480)	(761)	512,848	637,212
Construction in progress	641,734			641,734	804,552
	29,094,292	(19,703,402)	(2,459)	9,388,431	9,712,719

- (2) Changes in property and equipment for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	For the nine-month period ended September 30, 2013						Change of consolidation scope	Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation			
Land	704,908	6,696	(24)	5,994		5,088	722,662	
Buildings	886,371	165	(136)	11,216	(33,848)	3,971	867,739	
Structures	363,484	8,577	(7)	7,037	(25,310)		353,781	
Machinery	6,316,192	270,163	(9,231)	1,190,378	(1,478,874)	1,039	6,289,667	

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Other	637,212	616,902	(2,463)	(641,619)	(100,278)	3,094	512,848
Construction in progress	804,552	470,656	(13,008)	(628,981)		8,515	641,734
	9,712,719	1,373,159	(24,869)	(55,975)	(1,638,310)	21,707	9,388,431

**Table of Contents****12. Property and Equipment, Continued***(In millions of won)*

For the nine-month period ended September 30, 2012

	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Impairment(*)	Classified as held for sale	Change of consolidation scope	Ending balance
Land	730,361	569	(1,052)	5,740			(42,727)		692,891
Buildings	989,078	1,020	(1,040)	5,594	(39,251)		(65,539)		889,862
Structures	301,115	30,854	(4)	15,305	(25,226)		(111)		321,933
Machinery	5,493,572	299,541	(3,469)	1,518,874	(1,295,597)	(108,026)			5,904,895
Other	711,461	1,122,986	(11,712)	(1,145,313)	(92,539)	(449)		(1,555)	582,879
Construction in progress	805,411	689,782	(810)	(803,898)		(10,062)			680,423
	9,030,998	2,144,752	(18,087)	(403,698)	(1,452,613)	(118,537)	(108,377)	(1,555)	9,072,883

(\*) The Group recognized W 108,899 million of impairment loss on property and equipment in relation to the discontinuance of the Digital Multimedia Broadcasting service and included the amount in profit (loss) from discontinued operation.

**13. Investment Property**

(1) Investment property as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	September 30, 2013			December 31, 2012
	Acquisition cost	Accumulated depreciation	Carrying amount	Carrying amount
Land	2,846		2,846	12,638
Buildings	15,632	(2,607)	13,025	14,841
	18,478	(2,607)	15,871	27,479

(2) Changes in investment property for the nine-month periods ended September 30, 2013 and 2012 are as follows:

*(In millions of won)*

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

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(In millions of won)

For the nine-month period ended September 30, 2012

	Beginning balance	Transfer	Depreciation	Classified as held for sale	Ending balance
Land	23,153	278		(10,737)	12,694
Buildings	247,933	(9,264)	(6,267)	(22,723)	209,679
	271,086	(8,986)	(6,267)	(33,460)	222,373

**Table of Contents****14. Goodwill**

(1) Goodwill as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013	December 31, 2012
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	68,582	79,804
	1,733,261	1,744,483

(2) Details of changes in goodwill for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	For the nine-month period ended September 30, 2013	September 30, 2012
Beginning balance	1,744,483	1,749,933
Change of consolidation scope	1,253	(9,685)
Impairment loss on goodwill	(9,982)	
Other decrease	(2,493)	(99)
	1,733,261	1,740,149

**15. Intangible Assets**

(1) Intangible assets as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)	September 30, 2013			December 31, 2012	
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Carrying amount	Carrying amount
Frequency use rights	3,033,879	(1,299,177)		1,734,702	1,693,868
Land use rights	45,595	(30,887)		14,708	16,062
Industrial rights	87,018	(27,783)		59,235	60,104
Development costs	171,664	(148,672)	(11,930)	11,062	13,420
Facility usage rights	143,387	(83,157)		60,230	65,340
Customer relations	53,087	(35,626)		17,461	48,886
Memberships(*1)	129,120		(732)	128,388	118,954
Other(*2)	2,416,222	(1,727,592)	(6,876)	681,754	673,024
	6,079,972	(3,352,894)	(19,538)	2,707,540	2,689,658

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- (\*1) Memberships are classified as intangible assets with indefinite useful life and are not amortized.
- (\*2) Other intangible assets consist of computer software and usage rights to a research facility which the Group built and donated to a university and the Group in turn is given rights-to-use for a definite number of years.

**Table of Contents****15. Intangible Assets, Continued**

(2) Details of changes in intangible assets for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

**For the nine-month period ended September 30, 2013**

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

(\*) The Group newly acquired 1.8GHz frequency use rights through auction for the nine-month period ended September 30, 2013 and returned the existing 1.8GHz frequency use rights as partial consideration in connection with the new acquisition. The Group recognized W 199,613 million of loss on disposal of property and equipment and intangible assets with regard to this transaction.

(In millions of won)

**For the nine-month period ended September 30, 2012**

	<b>Beginning balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Transfer</b>	<b>Amortiza- tion</b>	<b>Impair- ment(*)</b>	<b>Change of consolida- tion scope</b>	<b>Ending balance</b>
Frequency use rights	1,889,102	16,660			(145,834)	(2,907)		1,757,021
Land use rights	19,327	3,167	(80)		(5,195)			17,219
Industrial rights	59,473	4,045		599	(3,333)	(6)	(48)	60,730
Development costs	20,961	1,832			(5,211)			17,582
Facility usage rights	69,491	681	(92)	13	(6,095)			63,998
Customer relations	141,819	249			(68,178)			73,890
Memberships	117,711	3,325	(3,848)				(784)	116,404
Other	677,919	62,579	(3,003)	122,237	(216,309)	(9,260)	(1,709)	632,454
	2,995,803	92,538	(7,023)	122,849	(450,155)	(12,173)	(2,541)	2,739,298

**Table of Contents****15. Intangible Assets, Continued**

(\*) The Group recognized W12,101 million of impairment loss on intangible assets in relation to the frequency use rights of the discontinuance of Digital Multimedia Broadcasting service and included the amount in gain (loss) from discontinued operations.

(3) The carrying amount and residual useful lives of major intangible assets as of September 30, 2013 are as follows:

(In millions of won)

	Amount	Description	Commencement of depreciation	Completion of depreciation	Depreciation method
W-CDMA license	318,171	Frequency use rights relating to W-CDMA service	Dec. 2003	Dec. 2016	
W-CDMA license	53,011	Frequency use rights relating to W-CDMA service	Oct. 2010	Dec. 2016	
800MHz license	314,216	Frequency use rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021	Straight-line method
1.8GHz license	1,036,365	Frequency use rights relating to LTE service	Sep. 2013	Dec. 2021	
WiBro license	12,939	WiBro service	Mar. 2012	Mar. 2019	
	1,734,702				

**16. Borrowings and Debentures**

(1) Short-term borrowings as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	Lender	Annual interest rate (%)	September 30, 2013	December 31, 2012
Commercial Paper	Korea Exchange Bank, etc.	2.69 ~ 3.10	80,000	130,000
Short-term borrowings (Korean won)	Kookmin Bank, etc.	3.65 ~ 6.20	500	470,245
			80,500	600,245



**Table of Contents****16. Borrowings and Debentures, Continued**

(2) Long-term borrowings as of September 30, 2013 and December 31, 2012 are as follows:

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

<b>Lender</b>	<b>Annual interest rate (%)</b>	<b>Maturity</b>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Bank of Communications (*)	6M Libor + 0.29	Oct. 10, 2013	32,268	32,133
			(USD 30,000)	(USD 30,000)
Bank of China (*)	6M Libor + 0.29	Oct. 10, 2013	21,512	21,422
			(USD 20,000)	(USD 20,000)
DBS Bank (*)	6M Libor + 0.29	Oct. 10, 2013	26,890	26,778
			(USD 25,000)	(USD 25,000)
SMBC (*)	6M Libor + 0.29	Oct. 10, 2013	26,890	26,778
			(USD 25,000)	(USD 25,000)
Kookmin Bank and 13 others	4.48	Feb. 14, 2015		350,000
Korea Development Bank	2.89	Jun. 17, 2013		1,762
Korea Development Bank	2.84	Jun. 16, 2014	2,471	4,942
Shinhan Bank	2.84	Jun. 15, 2015	5,993	8,561
Kookmin Bank	2.84	Jun. 15, 2016	8,937	9,749
Kookmin Bank	2.84	Mar. 15, 2017	5,996	5,996
Kookmin Bank	2.84	Mar. 15, 2018	8,600	
Sub-total			139,557	488,121
Less present value discount on long-term borrowings				(1,667)
			139,557	486,454
Less current portion of long-term borrowings			(117,705)	(117,217)
Long-term borrowings			21,852	369,237

(\*) As of September 30, 2013, 6M Libor rate is 0.44%.

**Table of Contents****16. Borrowings and Debentures, Continued**

(3) Debentures as of September 30, 2013 and December 31, 2012 are as follows:

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

	Purpose	Maturity	Annual interest rate (%)	September 30, 2013	December 31, 2012
Unsecured private bonds	Refinancing fund	2016	5.00	200,000	200,000
Unsecured private bonds		2013	4.00	200,000	200,000
Unsecured private bonds		2014	5.00	200,000	200,000
Unsecured private bonds	Other fund	2015	5.00	200,000	200,000
Unsecured private bonds		2018	5.00	200,000	200,000
Unsecured private bonds		2013	6.92	250,000	250,000
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	
Unsecured private bonds		2033	3.22	130,000	
Unsecured private bonds(*1)		2014	4.86	20,000	20,000
Unsecured private bonds(*1)		2015	4.62	10,000	10,000
Unsecured private bonds(*2)		2013	3.99	150,000	150,000
Unsecured private bonds(*2)		2014	4.53	290,000	290,000
Unsecured private bonds(*2)		2014	4.40	100,000	100,000
Unsecured private bonds(*2)		2015	4.09	110,000	110,000
Unsecured private bonds(*2)		2015	4.14	110,000	110,000
Unsecured private bonds(*2)		2017	4.28	100,000	100,000
Unsecured private bonds(*2)		2015	3.14	130,000	130,000
Unsecured private bonds(*2)		2017	3.27	120,000	120,000
Foreign global bonds		2027	6.63	430,240	428,440
				(USD 400,000)	(USD 400,000)
Exchangeable bonds(*5,6)	Refinancing fund	2014	1.75	338,594	405,678
				(USD 220,797)	(USD 332,528)
Floating rate notes(*3)	Operating fund	2014	3M Libor + 1.60	268,900	267,775
				(USD 250,000)	(USD 250,000)
Floating rate notes(*4)		2014	SOR rate + 1.20	55,617	56,906
				(SGD 65,000)	(SGD 65,000)
Swiss unsecured private bonds		2017	1.75	356,298	351,930
				(CHF 300,000)	(CHF 300,000)
Foreign global bonds		2018	2.13	752,920	749,770
				(USD 700,000)	(USD 700,000)
Australia unsecured private bonds		2017	4.75	300,222	
				(AUD 300,000)	
Floating rate notes(*3)		2020	3M Libor + 0.88	322,680	
				(USD 300,000)	
Sub-total				6,545,471	5,620,499
Less discounts on bonds				(39,322)	(43,500)
				6,506,149	5,576,999
Less current portion of bonds				(1,347,874)	(597,779)



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**16. Borrowings and Debentures, Continued**

- (\*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) As of September 30, 2013, 3M Libor rate is 0.25%.
- (\*4) As of September 30, 2013, SOR rate is 0.21%.
- (\*5) As of September 30, 2013, exchangeable bonds are classified as financial liabilities at fair value through profit or loss.
- (\*6) On April 7, 2009, the Company issued exchangeable bonds with a maturity of five years in the principal amount of USD332,528,000 for USD326,397,463 with a coupon rate of 1.75%.

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

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

As of September 30, 2013, accumulated principal amount claimed for exchange is USD120,901,000. During the nine-month period ended September 30, 2013, exchange of bonds in the principal amount of USD120,901,000 were claimed and the Group granted 880,557 shares of treasury stock. The Company recognized 40,422 million of financial costs in relation to the exchanged bonds for the nine-month period ended September 30, 2013.

In accordance with a resolution of the general shareholder's meeting on March 22, 2013 and a resolution of the Board of Directors' meeting on July 25, 2013, the exchange price has changed from 197,760 to 189,121 and the number of common shares that can be exchanged was changed from 1,480,404 shares to 1,548,029 shares based on number of shares unexchanged, due to the payment of periodic and interim dividends.

As of September 30, 2013, fair value of the exchangeable bonds is USD314,795,162 and the exchange price is 189,121. The exchange price could be adjusted with the exchange rate of 1,383.40 per USD1. In addition, the number of common shares that can be exchanged as of September 30, 2013 is 1,548,029 shares.

**Table of Contents****17. Long-term Payables - other**

(1) Long-term payables as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013	December 31, 2012
Payables related to acquisition of W-CDMA licenses	824,492	705,605
Other(*)	10,899	9,903
	835,391	715,508

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

(2) As of September 30, 2013 and December 31, 2012, long-term payables consist of payables related to acquisition of W-CDMA licenses for 2.1GHz, 800MHZ, 1.8GHz and 2.3GHz frequency and other details are as follows:

(In millions of won)

	Period of repayment	Coupon rate(*1)	Annual effective interest rate(*2)	September 30, 2013	December 31, 2012
2.1GHz	2012~2014	3.58%	5.89%	17,533	35,067
800MHZ	2013~2015	3.51%	5.69%	138,833	208,250
2.3GHz	2014~2016	3.00%	5.80%	8,650	8,650
1.8GHz	2012~2021	2.43~3.00%	4.84~5.25%	942,675	671,625
				1,107,691	923,592
Present value discount on long-term payables - other				(77,444)	(60,021)
				1,030,247	863,571
Current portion of long-term payables other				(205,755)	(157,966)
Carrying amount at September 30, 2013				824,492	705,605

(\*1) The Group applied an annual interest rate equal to the previous year average lending rate of public funds financing account less 1%.

(\*2) The Group estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term payables-other.

(2) The repayment schedule of long-term payables - other as of September 30, 2013 is as follows:

(In millions of won)

	Amount
2014	207,667
2015	190,134
2016	120,718
2017 and thereafter	589,172



**Table of Contents****18. Provisions**

Change in provisions for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

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

(In millions of won)

	For the nine-month period ended September 30, 2012						As of September 30, 2012	
	Beginning balance	Increase	Utilization	Reversal	Others	Ending balance	Current	Non-current
Provision for handset subsidy	762,238	272,869	(538,804)			496,303	373,044	123,259
Provision for restoration	36,378	2,477	(468)		7,226	45,613	7,525	38,088
Other provisions	943	25	(244)	(87)	(118)	519	64	455
	799,559	275,371	(539,516)	(87)	7,108	542,435	380,633	161,802

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

**Table of Contents****19. Finance Lease Liabilities**

## (1) Finance Lease

The Group has leased telecommunication equipment under the finance lease agreement with Cisco Capital Korea and display equipment under the finance lease agreement with Hana Capital. Finance lease liabilities as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013	December 31, 2012
<b>Finance Lease Liabilities</b>		
Current portion of long-term finance lease liabilities	19,773	19,904
Long-term finance lease liabilities	8,428	22,036
	28,201	41,940

The Group's related interest and principal as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013		December 31, 2012	
	Minimum lease payment	Present value	Minimum lease payment	Present value
Less than 1 year	20,708	19,773	21,375	19,904
1~5 years	8,641	8,428	22,744	22,036
Sub-total	29,349	28,201	44,119	41,940
Current portion of long-term finance lease liabilities		(19,773)		(19,904)
Long-term finance lease liabilities		8,428		22,036

## (2) Operating Lease

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

(In millions of won)

	Lease payments	Lease revenues
Less than 1 year	27,771	1,050
1~5 years	76,842	1,074
More than 5 years	68,837	1,090
	173,450	3,214



(3) Sales and Leaseback

For the year ended December 31, 2012, the Group disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is considered as an operating lease and expected future lease payments and lease revenues are explained in Note 19-(2).

**Table of Contents****20. Defined Benefit Liabilities**

(1) Details of defined benefit liabilities as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Present value of defined benefit obligations	309,686	244,866
Fair value of plan assets	(172,179)	(158,345)
	137,507	86,521

(2) Principal actuarial assumptions as of September 30, 2013 and December 31, 2012 are as follows:

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Discount rate for defined benefit obligations	3.28% ~ 4.75%	3.28% ~ 4.75%
Expected rate of salary increase	3.00% ~ 5.81%	3.00% ~ 5.81%

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

(3) Changes in defined benefit obligations for the nine-month periods ended September 30, 2013 and 2012 are as follows:

*(In millions of won)*

	<b>For the nine-month period ended September 30, 2013</b>	<b>September 30, 2012</b>
Beginning balance	244,866	188,120
Current service cost	66,040	56,242
Interest cost	6,704	6,269
Remeasurement - Adjustment based on experience	4,519	6,503
Benefit paid	(28,555)	(32,388)
Others(*)	16,112	(2,672)
Ending balance	309,686	222,074

(\*) Others include liabilities of 14,703 million transferred due to business combination, (4,141) million for changes in consolidation scope and transfer to construction in progress during the nine-month period ended September 30, 2013 and effects of changes in consolidation scope of (4,185) million in relation to the disposal of Ntreev Soft Co., Ltd. during the nine-month period ended September 30, 2012.

**Table of Contents****20. Defined Benefit Liabilities, Continued**

(4) Changes in plan assets for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>September 30, 2013</b>	<b>September 30, 2012</b>
Beginning balance	158,345	102,179
Expected return on plan assets	4,585	2,818
Remeasurement factor of plan assets	1,040	801
Contributions by employer directly to plan assets	8,606	5,597
Benefit paid	(11,674)	(6,351)
Others(*)	11,277	(135)
<b>Ending balance</b>	<b>172,179</b>	<b>104,909</b>

(\*) Others include assets of 14,334 million transferred due to business combination and effects of changes in consolidation scope of (3,074) million during the nine-month period ended September 30, 2013.

(5) Expenses recognized in profit and loss for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>September 30, 2013</b>	<b>September 30, 2012</b>
Current service cost	66,040	56,242
Interest cost, net	2,119	3,451
	<b>68,159</b>	<b>59,693</b>

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

(6) Details of plan assets as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Equity instruments	1,485	1,221
Debt instruments	46,520	34,269
Short-term financial instruments, etc.	124,174	122,855
	<b>172,179</b>	<b>158,345</b>

Actual return on plan assets for the nine-month periods ended September 30, 2013 and 2012 amounted to 5,625 million and 3,619 million, respectively.



**Table of Contents****21. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting as of September 30, 2013 are as follows:

<b>Borrowing date</b>	<b>Hedged item</b>	<b>Hedged risk</b>	<b>Contract type</b>	<b>Financial institution</b>	<b>Duration of contract</b>
Oct. 10, 2006	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated long-term borrowings face value of USD100,000,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	Credit Agricole Corporate & Investment Bank	Oct. 10, 2006 ~ Oct. 10, 2013
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD400,000,000)	Foreign currency risk	Currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 ~ Jul. 20, 2027
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD250,000,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank and Citi Bank	Dec. 15, 2011 ~ Dec. 12, 2014
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD65,000,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	United Overseas Bank	Dec. 15, 2011 ~ Dec. 12, 2014
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF300,000,000)	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 USD700,000,000)	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 AUD300,000,000)	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 USD300,000,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank	Mar. 7, 2013 ~ Mar. 7, 2020

**Table of Contents****21. Derivative Instruments, Continued**

- (2) As of September 30, 2013, 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	Others (*1)		
			Accumulated foreign currency translation gain (loss)			
<b>Current assets:</b>						
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated long-term borrowings face value of USD100,000,000)	(1,778)	(68)	12,760			10,914
Convertible bonds (available-for-sale securities) (Korean won denominated bonds face value of 50,000 million)					491	491
<b>Non-current assets:</b>						
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD400,000,000)	(40,166)	(12,823)	(26,855)	129,806		49,962
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD300,000,000)	5,878	1,876	(2,389)			5,365
<b>Total assets</b>						66,732
<b>Non-current liabilities:</b>						
Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD65,000,000)	21	7	(1,838)			(1,810)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD250,000,000)	6,206	1,981	(20,548)			(12,361)
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF300,000,000)	(9,417)	(3,006)	(7,205)			(19,628)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD700,000,000)	(11,454)	(3,657)	(10,368)			(25,479)
Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD300,000,000)	6,432	2,054	(35,167)			(26,681)
<b>Total liabilities</b>						(85,959)

(\*1) Cash flow hedge accounting has been applied to the relevant contract from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2012.

(\*2) Fair value of the conversion option of convertible bonds held by SK Communications Co., Ltd., a subsidiary, amounting to 491 million was accounted for as derivative financial assets.

**Table of Contents****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, 2013 and December 31, 2012 are as follows:

(In millions of won, except for share data)

	September 30, 2013	December 31, 2012
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	(2,218,379)	(2,410,451)
Loss on disposal of treasury stock	(20,399)	(18,855)
Hybrid bond(Note 24)	398,518	
Others(*2)	(839,320)	(775,464)
	236,307	(288,883)

(\*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 Law. As a result, the Parent Company's outstanding shares have decreased without change in the share capital.

(\*2) Others primarily consist of net losses on disposals of businesses and 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.

There were no changes in share capital for the nine-month period ended September 30, 2013 and the year ended December 31, 2012. Changes in number of shares outstanding for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In shares)

	For the nine-month period ended					
	September 30, 2013			September 30, 2012		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Beginning issued shares	80,745,711	11,050,712	69,694,999	80,745,711	11,050,712	69,694,999
Disposal of treasury stock		(880,557)	880,557			
Ending issued shares	80,745,711	10,170,155	70,575,556	80,745,711	11,050,712	69,694,999

**Table of Contents****23. Treasury Stock**

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

In addition, the Parent Company granted 880,557 shares of treasury stock for 192,072 million from May 14, 2013 to June 28, 2013 as a result of exercise of exchange rights by the holders of exchangeable bonds.

Treasury stock as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won, shares)*

	September 30, 2013	December 31, 2012
Number of shares	10,170,155	11,050,712
Amount	2,218,379	2,410,451

**24. Hybrid Bond**

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

*(In millions of won)*

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

Hybrid bond issued by the Parent Company is classified as equity as there is no contractual obligation for delivery of financial assets to the bond holders.

(\*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****25. Retained Earnings**

(1) Retained earnings as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	September 30, 2013	December 31, 2012
<b>Appropriated:</b>		
Legal reserve	22,320	22,320
Reserve for research & manpower development	155,767	220,000
Reserve for business expansion	9,376,138	9,106,138
Reserve for technology development	2,271,300	1,901,300
	11,825,525	11,249,758
<b>Unappropriated</b>	959,603	874,899
	12,785,128	12,124,657

(2) Legal reserve

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

(3) Reserve for research & manpower development

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

**26. Reserves**

(1) Details of reserves as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	September 30, 2013	December 31, 2012
Net change in unrealized fair value of available-for-sale financial assets	182,611	207,063
Net change in other comprehensive income of investments in associates and joint ventures	(150,676)	(175,044)
Net change in unrealized fair value of derivatives	(39,104)	(46,652)
Foreign currency translations differences for foreign operations	(11,012)	(11,003)
	(18,181)	(25,636)



**Table of Contents****26. Reserves, Continued**

(2) Change in reserves for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	Net change in unrealized fair value of available-for- sale financial assets	Net change in other compre- hensive income of investment in associates and joint ventures	Net change in unrealized fair value of derivatives	Foreign currency translation differences for foreign operations	Total
Balance at January 1, 2012	354,951	(93,599)	(25,100)	23,812	260,064
Changes	(48,567)	(17,831)	(16,508)	(16,691)	(99,597)
Tax effect	11,566	219	3,548		15,333
Balance at September 30, 2012	317,950	(111,211)	(38,060)	7,121	175,800
Balance at January 1, 2013	207,063	(175,044)	(46,652)	(11,003)	(25,636)
Changes	(31,221)	23,817	9,958	(9)	2,545
Tax effect	6,769	551	(2,410)		4,910
Balance at September 30, 2013	182,611	(150,676)	(39,104)	(11,012)	(18,181)

**27. Other Operating Expenses**

Details of other operating expenses for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
<b>Other Operating Expenses:</b>				
Communication expenses	16,075	46,789	14,996	48,575
Utilities	65,238	170,544	55,518	144,107
Taxes and dues	8,945	22,435	13,071	76,502
Repair	60,924	185,648	39,222	160,887
Research and development	77,469	239,680	83,982	221,147
Training	11,528	26,106	10,527	25,507
Bad debt for accounts receivables - trade	16,645	43,974	10,062	30,877
Travel	7,687	22,742	7,476	22,123
Supplies and other	36,502	128,605	46,975	96,620
	301,013	886,523	281,829	826,345

**Table of Contents****28. Other Non-operating Income and Expenses**

Details of other non-operating income and expenses for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
<b>Other Non-operating Income:</b>				
Fees revenues	1,329	4,193	1,026	1,987
Gain on disposal of property and equipment and intangible assets	1,095	5,849	2,138	4,970
Others	9,658	40,250	11,343	25,403
	12,082	50,292	14,507	32,360
<b>Other Non-operating Expenses:</b>				
Impairment loss on property and equipment and intangible assets	216	10,833	5,850	9,648
Loss on disposal of property and equipment and intangible assets	208,665	221,727	8,301	13,258
Donations	32,653	55,302	4,192	45,191
Bad debt for accounts receivable other	4,150	20,667	4,989	28,026
Others	39,714	54,494	17,569	27,611
	285,398	363,023	40,901	123,734

**Table of Contents****29. Finance Income and Costs**

(1) Details of finance income and costs for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
<b>Finance Income:</b>				
Interest income	14,853	47,704	21,552	77,430
Dividends	2	10,199	5,363	28,310
Gain on foreign currency transactions	1,239	8,670		4,879
Gain on foreign currency translation		1,835	1,351	2,065
Gain on disposal of long-term investment securities	1,203	3,337	681	13,628
Gain on settlement of derivatives		2,274		12,694
Gain on valuation of financial asset at fair value through profit or loss		2,387		
	17,297	76,406	28,947	139,006
<b>Finance Costs:</b>				
Interest expense	78,669	251,593	102,899	302,339
Loss on foreign currency transactions	3,032	10,298	526	5,441
Loss on foreign currency translation	1,785	2,908	1,562	2,089
Loss on disposal of long-term investment securities	151	4,864		9,134
Impairment loss of long-term investment securities	8	16,556		580
Loss on valuation of derivatives		198		443
Loss on settlement of derivatives				1,232
Loss on valuation of financial asset at fair value through profit or loss	978		1,007	824
Loss relating to financial liability at fair value through profit or loss(*)	16,233	120,833	7,566	1,791
	100,856	407,250	113,560	323,873

(\*) Loss relating to financial liability at fair value through profit or loss for the nine-month period ended September 30, 2013 represents 1) valuation loss related to exchangeable bond (issue price of USD326,397,463) as a result of increase in stock price of the Parent Company and increase in foreign exchange rate, and 2) loss on repayment of debentures upon the claim for exchange.

**Table of Contents****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, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Interest income on cash equivalents and deposits	10,252	32,412	13,981	50,581
Interest income on installment receivables and others	4,601	15,292	7,571	26,849
	14,853	47,704	21,552	77,430

- (3) Details of interest expense included in finance costs for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Interest expense on bank overdrafts and borrowings	2,205	25,264	42,537	102,830
Interest expense on debentures	67,072	195,372	51,004	151,202
Interest on finance lease liabilities	310	1,077	603	2,116
Others	9,082	29,880	8,755	46,191
	78,669	251,593	102,899	302,339

- (4) Details of impairment losses for financial assets for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Available-for-sale financial assets	8	16,556		580
Accounts receivable - trade	16,645	43,974	10,062	30,877
Accounts receivable - other	4,150	20,667	4,989	28,026
	20,803	81,197	15,051	59,483

**30. Income Tax Expense**

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

**Table of Contents****31. Earnings per Share**

(1) Basic earnings per share

1) Basic earnings per share for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

*(In millions of won, shares)*

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
<b>Basic earnings per share attributable to owners of the Parent Company from continuing operation:</b>				
Profit attributable to owners of the Parent Company from continuing operations	335,669	1,148,424	173,975	730,098
Interest on hybrid bond	(4,233)	(5,291)		
Profit for the period on common shares	331,436	1,143,133	173,975	730,098
Weighted average number of common shares outstanding	70,527,972	70,034,852	69,694,999	69,694,999
Basic earnings per share from continuing operations (In won)	4,699	16,322	2,496	10,476
<b>Basic earnings per share attributable to owners of the Parent Company:</b>				
Profit attributable to owners of the Parent Company	504,026	1,324,824	178,872	628,692
Interest on hybrid bond	(4,233)	(5,291)		
Profit for the period on common shares	499,793	1,319,533	178,872	628,692
Weighted average number of common shares outstanding	70,527,972	70,034,852	69,694,999	69,694,999
Basic earnings per share (In won)	7,086	18,841	2,566	9,021

2) Profit attributable to owners of the Parent Company from continuing operation for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

*(In millions of won)*

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Profit attributable to owners of the Parent Company	504,026	1,324,824	178,872	628,692
Results of discontinued operation attributable to owners of the Parent Company	168,357	176,400	4,897	(101,406)
Profit attributable to owners of the Parent Company from continuing operation	335,669	1,148,424	173,975	730,098



**Table of Contents****31. Earnings per Share, Continued**

(1) Basic earnings per share, Continued

3) The weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

<i>(In shares)</i>	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Outstanding common shares	80,745,711	80,745,711	80,745,711	80,745,711
Weighted number of treasury stocks	(10,217,739)	(10,710,859)	(11,050,712)	(11,050,712)
<b>Weighted average number of common shares outstanding</b>	<b>70,527,972</b>	<b>70,034,852</b>	<b>69,694,999</b>	<b>69,694,999</b>

(2) Diluted earnings per share

1) Diluted earnings per share for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

<i>(In millions of won, shares)</i>	2013		2012	
	Three-month period ended Sep. 30(*)	Nine-month period ended Sep. 30(*)	Three-month period ended Sep. 30(*)	Nine-month period ended Sep. 30
<b>Diluted earnings per share attributable to owners of the Parent Company from continuing operation:</b>				
Profit attributable to owners of the Parent Company from continuing operations	331,436	1,143,133	173,975	730,098
Profit relating to exchangeable bonds				5,058
Diluted profit attributable to owners of the Parent Company from continuing operations	331,436	1,143,133	173,975	735,156
<b>Weighted average number of common shares outstanding</b>	<b>70,527,972</b>	<b>70,034,852</b>	<b>69,694,999</b>	<b>72,021,148</b>
Diluted earnings per share from continuing operations (In won)	4,699	16,322	2,496	10,208
<b>Diluted earnings per share attributable to owners of the Parent Company:</b>				
Profit attributable to owners of the Parent Company	499,793	1,319,533	178,872	628,692
Profit relating to exchangeable bonds				5,058
Diluted profit attributable to owners of the Parent Company from continuing operations	499,793	1,319,533	178,872	633,750
<b>Weighted average number of common shares outstanding</b>	<b>70,527,972</b>	<b>70,034,852</b>	<b>69,694,999</b>	<b>72,021,148</b>
Diluted earnings per share (In won)	7,086	18,841	2,566	8,800

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- (\*) The number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds is excluded from the diluted earnings per share calculation for the three and nine-month periods ended September 30, 2013 and for the three-month period ended September 30, 2012, as the effect of exchangeable bond would have been anti-dilutive (the weighted average number of diluted shares of 1,548,209, 2,088,733, and 2,326,149, respectively); thus, diluted earnings per share for the three and nine-month periods ended September 30, 2013 and for the three-month period September 30, 2012 is the same as basic earnings per share.

**Table of Contents****31. Earnings per Share, Continued**

(2) Diluted earnings per share, Continued

2) Adjusted weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

<i>(In shares)</i>	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Weighted average number of common shares outstanding	70,527,972	70,034,852	69,694,999	69,694,999
Effect of exchangeable bonds(*)				2,326,149
Adjusted weighted average number of common shares outstanding	70,527,972	70,034,852	69,694,999	72,021,148

(\*) Effect of exchangeable bonds represents weighted average number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds, which could be exchanged to treasury stock.

(3) Basic earnings (loss) per share from discontinued operation

<i>(In millions of won, shares)</i>	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Profit (loss) from discontinued operation attributable to owners of the Parent Company	168,357	176,400	4,897	(101,406)
Weighted average number of common shares outstanding	70,527,972	70,034,852	69,694,999	69,694,999
Basic earnings (loss) per share (In won)	2,387	2,519	70	(1,455)

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

**Table of Contents****32. Categories of Financial Instruments**

(1) Financial assets by categories as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedging instruments	Total
Cash and cash equivalents			1,470,615		1,470,615
Financial instruments			434,519		434,519
Short-term investment securities		135,679			135,679
Long-term investment securities(*1)	17,743	928,723			946,466
Accounts receivable - trade			2,286,757		2,286,757
Loans and receivables(*2)			1,035,997		1,035,997
Derivative financial assets (*3)	491			66,241	66,732
	18,234	1,064,402	5,227,888	66,241	6,376,765

(In millions of won)

	December 31, 2012				
	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedging instruments	Total
Cash and cash equivalents			920,125		920,125
Financial instruments			514,561		514,561
Short-term investment securities		60,127			60,127
Long-term investment securities(*1)	15,356	938,356			953,712
Accounts receivable - trade			1,968,297		1,968,297
Loans and receivables(*2)			981,693		981,693
Derivative financial assets(*3)	689			61,959	62,648
	16,045	998,483	4,384,676	61,959	5,461,163

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

**Table of Contents****32. Categories of Financial Instruments, Continued**

(\*2) Details of loans and receivables as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013	December 31, 2012
Short-term loans	76,056	84,908
Accounts receivable - other	638,484	582,098
Accrued income	13,902	8,715
Other current assets	2,670	431
Long-term loans	56,201	69,299
Guarantee deposits	248,684	236,242
	1,035,997	981,693

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

(2) Financial liabilities by categories as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedging instruments	
Accounts payable - trade		185,611		185,611
Derivative financial liabilities			85,959	85,959
Borrowings		220,057		220,057
Debentures(*1)	338,594	6,167,555		6,506,149
Accounts payable - other and other payables(*2)		3,183,923		3,183,923
	338,594	9,757,146	85,959	10,181,699

(In millions of won)

	December 31, 2012			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedging instruments	
Accounts payable - trade		253,884		253,884
Derivative financial liabilities			63,599	63,599
Borrowings		1,086,699		1,086,699
Debentures(*1)	405,678	5,171,321		5,576,999
Accounts payable - other and other payables(*2)		3,646,486		3,646,486

405,678	10,158,390	63,599	10,627,667
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(\*1) The entire amount of debentures was designated as financial liabilities at fair value through profit or loss as the embedded derivative (conversion right), which should be separated from the main contract, could not be separately measured.

**Table of Contents****32. Categories of Financial Instruments, Continued**

(\*2) Details of accounts payable and other payables as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Accounts payable - other	1,099,495	1,811,038
Withholdings	2,066	1,840
Accrued expenses	985,695	890,863
Current portion of long-term payables - other	225,528	177,870
Long-term payables - other	835,391	715,508
Finance lease liabilities	8,428	22,036
Other non-current liabilities	27,320	27,331
	<b>3,183,923</b>	<b>3,646,486</b>

**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, financial assets available-for-sale, trade and other receivables. Financial liabilities consist of trade and other payables, borrowings, and debentures.

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

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

**Table of Contents****33. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

Monetary foreign currency assets and liabilities as of September 30, 2013 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	136,810	147,153	2,146,210	2,308,464
EUR	14,044	20,382	1,599	2,321
JPY	20,401	224		
SGD	192	165	64,761	55,413
AUD			297,921	298,141
CHF			298,439	354,444
Others	284	138	415	718
		168,062		3,019,501

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

As of September 30, 2013, 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	(29,635)	29,635
EUR	1,806	(1,806)
JPY	22	(22)
SGD	16	(16)
Other	(57)	57
	(27,848)	27,848

## (ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of September 30, 2013, available-for-sale equity instruments measured at fair value amount of 718,508 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****33. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

The Group's interest rate risk arises from floating-rate borrowings and payables. As of September 30, 2013, floating-rate borrowings and debentures amount to 647,197 million and 107,560 million respectively, the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures. (Refer to Note 21) If interest rate only increases (decreases) by 1%, income before income taxes for the nine-month period ended September 30, 2013 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 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, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Cash and cash equivalents	1,470,615	920,125
Financial instruments	434,519	514,561
Available-for-sale financial assets	1,064,402	998,483
Accounts receivable - trade	2,286,757	1,968,297
Loans and receivables	1,035,997	981,693
Derivative financial assets	66,241	61,959
Financial assets at fair value through profit or loss	18,234	16,045
	<b>6,376,765</b>	<b>5,461,163</b>

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

For the nine-month period ended September 30, 2013, 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, 2013.

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 determined to be impaired at the end of the reporting period is stated in Note 29.

**Table of Contents****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, 2013 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	185,611	185,611	185,579	32	
Derivative financial liabilities	85,959	92,470	15,544	76,926	
Borrowings	220,057	221,714	198,990	22,724	
Debentures(*1)	6,506,149	7,825,526	1,564,674	4,107,355	2,153,497
Accounts payable - other and others(*2)	3,183,923	3,321,482	2,218,064	728,752	374,666
	10,181,699	11,646,803	4,182,851	4,935,789	2,528,163

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 bonds.

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

(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, 2012.

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

Debt-equity ratio as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	September 30, 2013	December 31, 2012
Liabilities	12,150,475	12,740,777
Equity	13,783,003	12,854,782
Debt-equity ratio	88.16%	99.11%



**Table of Contents****33. Financial Risk Management, Continued**

## (3) Fair value

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

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

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

Interest rates used by the Group for the fair value measurement as of September 30, 2013 are as follows:

	<b>Interest rate</b>
Derivative instruments	2.91~3.74%
Borrowings and debentures	3.00~3.51%

## 1) Fair value and carrying amount

Carrying amount and fair value of financial assets and liabilities are as follows:

(In millions of won)

	September 30, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Assets carried at fair value</b>				
Financial assets at fair value through profit or loss	18,234	18,234	16,045	16,045
Derivative financial assets	66,241	66,241	61,959	61,959
Available-for-sale financial assets	718,508	718,508	765,759	765,759
	802,983	802,983	843,763	843,763
<b>Assets carried at amortized cost</b>				
Cash and cash equivalents	1,470,615	1,470,615	920,125	920,125
Available-for-sale financial assets	345,894	345,894	232,724	232,724
Accounts receivable - trade and others	3,322,754	3,322,754	2,949,990	2,949,990
Financial instruments	434,519	434,519	514,561	514,561
	5,573,782	5,573,782	4,617,400	4,617,400
<b>Liabilities carried at fair value</b>				
Financial liabilities at fair value through profit or loss	338,594	338,594	405,678	405,678
Derivative financial liabilities	85,959	85,959	63,599	63,599
	424,553	424,553	469,277	469,277



**Table of Contents****33. Financial Risk Management, Continued**

(3) Fair value, Continued

*(In millions of won)*

	September 30, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Liabilities carried at amortized cost</b>				
Accounts payable - trade	185,611	185,611	253,884	253,884
Borrowings	220,057	211,396	1,086,699	1,100,464
Debentures	6,167,555	6,299,921	5,171,321	5,461,142
Accounts payable - other and others	3,183,923	3,183,923	3,646,486	3,646,486
	9,757,146	9,880,851	10,158,390	10,461,976

2) Fair value hierarchy

The different levels have been defined as follows:

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

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

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

The table below analyzes financial instruments carried at fair value, by fair value hierarchy as of September 30, 2013.

*(In millions of won)*

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss		17,743	491	18,234
Derivative financial assets		66,241		66,241
Available-for-sale financial assets	551,308	46,345	120,855	718,508
Financial liabilities at fair value through profit or loss	338,594			338,594
Derivative financial liabilities		85,959		85,959

There have been no transfers from Level 2 to Level 1 in 2013 and changes of financial assets classified as Level 3 for the nine-month period ended September 30, 2013 are as follows:

*(In millions of won)*

	Balance at Jan. 1	Acquisition	Profit(loss) for the period	Other comprehensive income	Disposal	Other	Balance at Sep. 30
Financial assets at fair value through profit or loss	689		(198)				491
Available-for-sale financial assets	125,572	4,950	(16,548)	(3,275)	(16,297)	26,453	120,855





**Table of Contents****34. Transactions with Related Parties**

Transactions among consolidated entities have been eliminated upon the consolidation and significant related party transactions of the Group for the three and nine-month periods ended September 30, 2013 and 2012, and account balances as of September 30, 2013 and December 31, 2012 are as follows:

## (1) Transactions

*(In millions of won)*

	Operating revenue and others			
	2013		2012	
	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		1,320	198	501
Associates	6,889	21,194	112,103	530,788
Others	41,719	108,943	25,937	58,385
	48,608	131,457	138,238	589,674

*(In millions of won)*

	Operating expense and others			
	2013		2012	
	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		188,534	29,107	195,448
Associates	41,579	112,833	115,347	378,775
Others	719,427	1,959,136	929,720	2,211,194
	761,006	2,260,503	1,074,174	2,785,417

Please refer to Note 10 for details of business combination with entities under common control.

## (2) Account balances

*(In millions of won)*

	Accounts receivable and others		Accounts payable and others	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
	Ultimate controlling entity		310	
Associates	66,943	68,768	20,238	164,783
Others	48,980	55,757	238,546	520,487
	115,923	124,835	258,784	685,293

## (3) 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 compensations given to such key management for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:



**Table of Contents****34. Transactions with Related Parties, Continued**

(3) Compensation for the key management, Continued

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Salaries	329	1,923	300	8,588
Provision for retirement benefits	97	915	79	721
	426	2,838	379	9,309

**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 14,800 million as of September 30, 2013.

PS & Marketing Corporation, a subsidiary of the Parent Company, has obtained a line of credit for 40,000 million from Shinhan Bank for operational purposes.

(2) Contingencies

As of September 30, 2013, the Group paid cumulative amount of 5,599 million for the closed cases among total compensation of 6,091 million in relation to the violation of customer's privacy (plaintiff's claims of 24,689 million) by SK Broadband Co., Ltd., a subsidiary of the Parent Company. In addition, the Group has recorded a provision in the amount of 192 million for pending cases (plaintiff's claims of 3,000 million).

As of September 30, 2013, the claim amount of pending litigations of SK Communications Co., Ltd., a subsidiary of the Parent Company, amounts to 3,937 million and management does not believe that the ultimate result of these litigations will have a material impact on the Company's results or financial position.

**36. Discontinued Operation**

(1) Discontinued operation

During the nine-month period ended September 30, 2013, SK Planet Co., Ltd., a subsidiary of the Parent Company sold its investment in 52.6% of ownership interests (13,294,369 shares) of Loen Entertainment, Inc., to Star Invest Holdings Limited. Consideration for the sale amounts to 265,887 million. Loen Entertainment was a subsidiary of SK Planet Co., Ltd. and is engaged in release of music disc as primary business, The Group's ownership interests after the transfer is 15.0% and Loen Entertainment, Inc. was excluded from scope of consolidation upon the sale.

In addition, during the nine-month period ended September 30, 2012, SK Telink Co., Ltd., a subsidiary of the Parent Company, ceased its broadcasting business due to the rapid decrease in satellite digital multimedia broadcasting subscribers along with the effects from smart phones, etc.



**Table of Contents****36. Discontinued Operation, Continued**

## (2) Results of discontinued operation

Results of discontinued operation included in the consolidated statements of income for the nine-month periods ended September 30, 2013 and 2012 are as follows. The consolidated statement of income presented for comparative purposes was restated in order to present discontinued operation segregated from the continuing operations.

*(In millions of won)*

	<b>For the nine-month period ended September 30, 2013</b>
	<b>Discontinue release of music disc of Loen Entertainment, Inc.</b>
<b>Results of discontinued operation:</b>	
Revenue	167,033
Expense	(140,204)
<b>Operating income generated by discontinued operations</b>	<b>26,829</b>
Non-operating income	3,189
Gain on disposal relating to discontinued operations	214,885
Income tax expense	(61,125)
<b>Gain from discontinued operation</b>	<b>183,778</b>
Attributable to :	
Owners of the Parent Company	176,400
Non-controlling interests	7,378

*(In millions of won)*

	<b>For the nine-month period ended September 30, 2012</b>		
	<b>Discontinue release of music disc of Loen Entertainment, Inc.</b>	<b>Discontinue satellite digital multimedia broadcasting of SK Telink Co., Ltd.</b>	<b>Total</b>
<b>Results of discontinued operation:</b>			
Revenue	117,393	2,924	120,317
Expense	(92,864)	(155,401)	(248,265)
<b>Operating income generated by discontinued operations</b>	<b>24,529</b>	<b>(152,477)</b>	<b>(127,948)</b>
Non-operating income	2,374		2,374
Gain on disposal relating to discontinued operations			
Income tax benefit (expense)	(6,958)	18,875	11,917
<b>Gain (loss) from discontinued operation</b>	<b>19,945</b>	<b>(133,602)</b>	<b>(113,657)</b>
Attributable to :			
Owners of the Parent Company	13,475	(114,881)	(101,406)
Non-controlling interests	6,470	(18,721)	(12,251)



**Table of Contents****36. Discontinued Operation, Continued**

## (3) Cash flows from discontinued operation

Cash flows from discontinued operation for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	<b>For the nine-month period ended September 30, 2013</b>
	<b>Discontinue release of music disc of Loen Entertainment, Inc.</b>
<b>Cash flow from discontinued operation:</b>	
Net cash provided by operating activities	40,885
Net cash provided by investing activities	180,023
Net cash used in financing activities	(4,780)
	<b>216,128</b>

(In millions of won)

	<b>For the nine-month period ended September 30, 2012</b>		
	<b>Discontinue release of music disc of Loen Entertainment, Inc.</b>	<b>Discontinue satellite digital multimedia broadcasting of SK Telink Co., Ltd.</b>	<b>Total</b>
<b>Cash flow from discontinued operation:</b>			
Net cash provided by operating activities	25,596	3,647	29,243
Net cash used in investing activities	(15,996)	(303)	(16,299)
Net cash used in financing activities	(4,300)	(9,475)	(13,775)
	<b>5,300</b>	<b>(6,131)</b>	<b>(831)</b>

(4) Changes in financial condition relating to discontinued operation due to the disposal of ownership interests in Loen Entertainment, Inc. as of September 30, 2013 is as follows:

(In millions of won)

	<b>September 30, 2013</b>
Cash and cash equivalents	55,527
Long-term and short-term financial instruments	42,404
Accounts receivable trade	49,700
Property and equipment, and intangible assets	26,334
Other assets	39,526
Accounts payable trade	(33,154)
Defined benefit liabilities	(737)
Other liabilities	(87,022)
<b>Decrease in net assets</b>	<b>92,578</b>

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Consideration paid for disposal	264,778
Cash and cash equivalents disposed	(55,527)
<b>Net cash inflow</b>	<b>209,251</b>

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**Table of Contents****37. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the nine-month periods ended September 30, 2013 and 2012 are as follows:

*(In millions of won)*

	September 30, 2013	September 30, 2012
Interest income	(49,503)	(79,459)
Dividend	(10,199)	(28,310)
Gain on foreign currency translation	(1,835)	(2,065)
Gain on disposal of long-term investments securities	(3,337)	(13,628)
Gain on settlement of derivatives	(2,274)	(12,694)
Losses (gains) related to investments in subsidiaries, associates and joint ventures, net	(800,642)	40,656
Gain on disposal of property, equipment and intangible assets	(5,849)	(4,970)
Gain on valuation of financial assets at fair value through profit or loss	(2,387)	
Other income	(3,219)	5,251
Interest expenses	251,593	302,339
Loss on foreign currency translation	2,908	2,089
Loss on disposal of long-term investments securities	4,864	9,134
Impairment loss on long-term investment securities	16,556	580
Loss on valuation of derivatives	198	443
Loss on settlement of derivatives		1,232
Income tax expense	371,615	151,613
Provision for retirement benefits	68,159	59,693
Depreciation and amortization	2,101,706	1,909,035
Bad debt expenses for accounts receivable - trade	43,974	30,877
Loss on disposal of property and equipment and intangible assets	221,961	13,258
Impairment loss on property and equipment and intangible assets	11,461	130,709
Loss on valuation of financial assets at fair value through profit or loss		824
Loss relating to financial liabilities at fair value through profit or loss	120,833	1,791
Bad debt for accounts receivable - other	20,667	28,026
Loss on disposal of other investment securities	1	
Loss on impairment of other investment securities		950
Other expenses	6,382	85
	2,363,633	2,547,459

**Table of Contents****37. Statements of Cash Flows, Continued**

- (2) Changes in assets and liabilities from operating activities for the nine-month periods ended September 30, 2013 and 2012 are as follows:

*(In millions of won)*

	September 30, 2013	September 30, 2012
Accounts receivable trade	(274,514)	(167,107)
Accounts receivable other	(22,828)	345,826
Accrued income	1,206	(31,721)
Advance payments	(37,449)	3,572
Prepaid expenses	(2,071)	20,533
Proxy paid V.A.T.	(165)	(787)
Inventories	(2,237)	(80,360)
Long-term accounts receivables other		5,393
Guarantee deposits	1,947	15,448
Accounts payable trade	(33,270)	213,780
Accounts payable other	(562,502)	(191,109)
Advanced receipts	1,301	(4,366)
Withholdings	44,845	234,410
Deposits received	(708)	(942)
Accrued expenses	86,937	439,104
Advanced V.A.T.	12,264	1,611
Unearned revenue	(109,222)	(28,849)
Provisions	(192,190)	(283,568)
Long-term provisions	(66,080)	25,681
Plan assets	3,069	754
Retirement benefit payment	(28,555)	(32,388)
Others	(30,472)	(1,063)
	(1,210,694)	483,852

- (3) Significant non-cash transactions for the nine-month periods ended September 30, 2013 and 2012 are as follows:

*(In millions of won)*

	2013	2012
Transfer of construction in progress to property and equipment, and intangible assets	1,290,314	1,977,765
Transfer of other property and equipment and others to construction in progress	659,801	1,173,522
Transfer of inventories to property and equipment	73,534	60,055
Accounts payable other related to acquisition of property and equipment and intangible assets	22,223	8,010
Return of the existing 1.8GHz frequency use rights	614,600	

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**SK TELECOM CO., LTD.**

Condensed Separate Interim Financial Statements

(Unaudited)

**September 30, 2013 and 2012**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of September 30, 2013, the related condensed separate statements of income, comprehensive income for the three and nine-month periods ended September 30, 2013 and 2012, the changes in equity and cash flows for the nine-month periods ended September 30, 2013 and 2012, 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 auditing standards generally accepted in the Republic of Korea and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

### **Other matters**

The separate statement of financial position of the Company as of December 31, 2012, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated February 22, 2013, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2012, presented for comparative purposes, is not different from that audited by us, from which it was derived, in all material respects.

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The procedures and practices utilized in the Republic of Korea to review such condensed separate interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying condensed separate interim financial statements are for use by those knowledgeable about Korean review standards and their application in practice.

KPMG Samjong Accounting Corp.

Seoul, Korea

November 8, 2013

This report is effective as of November 8, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying condensed separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position

As of September 30, 2013 and December 31, 2012

<i>(In millions of won)</i>	Note	September 30, 2013	December 31, 2012
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	27,28	505,513	256,577
Short-term financial instruments	4,27,28	209,000	179,300
Short-term investment securities	6,27,28	86,816	56,401
Accounts receivable - trade, net	5,27,28,29	1,560,619	1,407,206
Short-term loans, net	5,27,28,29	68,472	75,449
Accounts receivable - other, net	5,27,28,29	403,549	383,048
Prepaid expenses		78,169	76,016
Derivative financial assets	16,27,28	10,914	9,656
Inventories, net		12,156	15,995
Non-current assets held for sale	7	2,143	121,337
Advanced payments and other	5,27,28	19,489	8,714
<b>Total Current Assets</b>		<b>2,956,840</b>	<b>2,589,699</b>
<b>Non-Current Assets:</b>			
Long-term financial instruments	4,27,28	7,569	69
Long-term investment securities	6,27,28	701,949	733,893
Investments in subsidiaries and associates	8	8,122,175	7,915,547
Property and equipment, net	9,29	6,818,443	7,119,090
Goodwill	10	1,306,236	1,306,236
Intangible assets, net	11	2,200,441	2,187,872
Long-term loans, net	5,27,28,29	38,117	49,672
Long-term prepaid expenses		20,980	21,582
Guarantee deposits	4,5,27,28,29	154,218	149,373
Long-term derivative financial assets	16,27,28	55,328	52,303
Deferred tax assets	25	33,638	123,723
Other non-current assets		275	443
<b>Total Non-Current Assets</b>		<b>19,459,369</b>	<b>19,659,803</b>
<b>Total Assets</b>		<b>22,416,209</b>	<b>22,249,502</b>

See accompanying notes to the condensed separate interim financial statements.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of September 30, 2013 and December 31, 2012

<i>(In millions of won)</i>	Note	September 30, 2013	December 31, 2012
<b>Liabilities and Equity</b>			
<b>Current Liabilities:</b>			
Short-term borrowings	12,27,28		330,000
Current portion of long-term debt, net	12,13,27,28	1,101,634	713,072
Accounts payable - other	27,28,29	822,357	1,509,456
Withholdings	27,28	610,478	552,380
Accrued expenses	27,28	592,850	600,101
Income tax payable		110,260	52,267
Unearned revenue		211,732	252,298
Provisions	14	98,808	286,819
Advanced receipts		52,596	46,693
<b>Total Current Liabilities</b>		<b>3,600,715</b>	<b>4,343,086</b>
<b>Non-Current Liabilities:</b>			
Debentures, net, excluding current portion	12,27,28	4,579,811	3,992,111
Long-term borrowings, excluding current portion	12,27,28		348,333
Long-term payables - other	13,27,28	824,492	705,605
Long-term unearned revenue		87,672	160,820
Defined benefit liabilities	15	56,016	34,951
Long-term derivative financial liabilities	16,27,28	85,959	63,599
Long-term provisions	14	27,597	99,355
Other non-current liabilities	27,28,29	124,200	124,594
<b>Total Non-Current Liabilities</b>		<b>5,785,747</b>	<b>5,529,368</b>
<b>Total Liabilities</b>		<b>9,386,462</b>	<b>9,872,454</b>
<b>Equity</b>			
Share capital	1,17	44,639	44,639
Capital surplus and other capital adjustments	17,18,19	352,886	(236,160)
Retained earnings	20	12,491,288	12,413,981
Reserves	21	140,934	154,588
<b>Total Equity</b>		<b>13,029,747</b>	<b>12,377,048</b>
<b>Total Liabilities and Equity</b>		<b>22,416,209</b>	<b>22,249,502</b>

See accompanying notes to the condensed separate interim financial statements.



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SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three and nine-month periods ended September 30, 2013 and 2012

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

	Note	September 30, 2013		September 30, 2012	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
<b>Operating revenue:</b>	29				
Revenue		3,222,924	9,544,077	3,097,482	9,173,497
<b>Operating expense:</b>	29				
Labor cost		126,092	457,358	113,976	402,171
Commissions paid		1,303,741	3,974,437	1,563,778	4,285,001
Depreciation and amortization		502,021	1,484,739	439,076	1,240,348
Network interconnection		197,747	558,682	216,233	648,645
Leased lines		102,682	313,387	110,413	321,297
Advertising		58,228	168,306	48,347	146,228
Rent		94,478	269,433	82,493	244,348
Cost of products that have been resold		104,617	277,691	77,638	194,893
Other operating expenses	22	196,128	550,505	195,987	565,062
<b>Sub-total</b>		<b>2,685,734</b>	<b>8,054,538</b>	<b>2,847,941</b>	<b>8,047,993</b>
<b>Operating income</b>	3	<b>537,190</b>	<b>1,489,539</b>	<b>249,541</b>	<b>1,125,504</b>
Finance income	24	17,021	59,099	15,148	90,423
Finance costs	24	(87,653)	(339,242)	(90,153)	(247,506)
Other non-operating income	23	9,884	30,227	8,751	14,756
Other non-operating expenses	23	(260,210)	(317,511)	(21,389)	(100,097)
Gain on disposal of investments in subsidiaries and associates	8		71,200		80,483
Impairment loss on investments in associates	8				(72,096)
<b>Profit before income tax</b>		<b>216,232</b>	<b>993,312</b>	<b>161,898</b>	<b>891,467</b>
Income tax expense	25	<b>90,085</b>	<b>251,556</b>	<b>13,897</b>	<b>167,129</b>
<b>Profit for the period</b>		<b>126,147</b>	<b>741,756</b>	<b>148,001</b>	<b>724,338</b>
Basic earnings per share (in won)	26	1,729	10,516	2,124	10,393
Diluted earnings per share (in won)	26	1,729	10,516	2,124	10,128

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Comprehensive Income

For the three and nine-month periods ended September 30, 2013 and 2012

*(In millions of won)*

		September 30, 2013		September 30, 2012	
	Note	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
<b>Profit for the period</b>		<b>126,147</b>	<b>741,756</b>	<b>148,001</b>	<b>724,338</b>
<b>Other comprehensive loss</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of defined benefit obligations	15	2,105	(3,212)	1,016	(4,870)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Net change in unrealized fair value of available-for-sale financial assets	21	27,039	(21,202)	12,969	(35,306)
Net change in unrealized fair value of derivatives	16,21	71,640	7,548	(13,875)	(11,112)
		100,784	(16,866)	110	(51,288)
<b>Total comprehensive income</b>		<b>226,931</b>	<b>724,890</b>	<b>148,111</b>	<b>673,050</b>

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

For the nine-month periods ended September 30, 2013 and 2012

*(In millions of won)*

	Capital surplus and other capital adjustments								
	Share capital	Paid-in surplus	Treasury stock	Loss on disposal of treasury stock	Hybrid bond	Other	Retained earnings	Reserves	Total equity
<b>Balance, January 1, 2012</b>	<b>44,639</b>	<b>2,915,887</b>	<b>(2,410,451)</b>	<b>(18,855)</b>		<b>(722,597)</b>	<b>11,837,185</b>	<b>320,494</b>	<b>11,966,302</b>
Cash dividends							(655,133)		(655,133)
Transfer of business						(145)			(145)
Total comprehensive income									
Profit for the period							724,338		724,338
Other comprehensive loss							(4,870)	(46,418)	(51,288)
<b>Balance, September 30, 2012</b>	<b>44,639</b>	<b>2,915,887</b>	<b>(2,410,451)</b>	<b>(18,855)</b>		<b>(722,742)</b>	<b>11,901,520</b>	<b>274,076</b>	<b>11,984,074</b>
<b>Balance, January 1, 2013</b>	<b>44,639</b>	<b>2,915,887</b>	<b>(2,410,451)</b>	<b>(18,855)</b>		<b>(722,741)</b>	<b>12,413,981</b>	<b>154,588</b>	<b>12,377,048</b>
Cash dividends							(655,946)		(655,946)
Issuance of hybrid bond					398,518				398,518
Interest on hybrid bond							(5,291)		(5,291)
Treasury stock			192,072	(1,544)					190,528
Total comprehensive income									
Profit for the period							741,756		741,756
Other comprehensive loss							(3,212)	(13,654)	(16,866)
<b>Balance, September 30, 2013</b>	<b>44,639</b>	<b>2,915,887</b>	<b>(2,218,379)</b>	<b>(20,399)</b>	<b>398,518</b>	<b>(722,741)</b>	<b>12,491,288</b>	<b>140,934</b>	<b>13,029,747</b>

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

For the nine-month periods ended September 30, 2013 and 2012

<i>(In millions of won)</i>	Note	September 30, 2013	September 30, 2012
<b>Cash flows from operating activities:</b>			
Cash generated from operating activities			
Profit for the period		741,756	724,338
Adjustments for income and expenses	31	2,309,683	1,713,369
Changes in assets and liabilities related to operating activities	31	(965,127)	415,077
Sub-total		2,086,312	2,852,784
Interest received		16,186	37,744
Dividends received		20,641	31,143
Interest paid		(178,418)	(194,593)
Income tax paid		(95,482)	(328,107)
<b>Net cash provided by operating activities</b>		<b>1,849,239</b>	<b>2,398,971</b>
<b>Cash flows from investing activities:</b>			
Cash inflows from investing activities:			
Decrease in short-term investment securities, net			14,182
Decrease in short-term financial instruments, net			506,700
Collection of short-term loans		216,944	183,363
Proceeds from disposal of long-term investment securities		14,432	15,411
Proceeds from disposal of investments in subsidiaries and associates		137	88,602
Proceeds from disposal of property and equipment		1,890	2,968
Proceeds from disposal of intangible assets		965	2,832
Proceeds from disposal of non-current assets held for sale		190,393	
Collection of long-term loans		10,567	8,098
Decrease in other non-current assets, net		169	
Sub-total		435,497	822,156
Cash outflows for investing activities:			
Increase in short-term investment securities, net		(30,415)	
Increase in short-term financial instruments, net		(29,700)	
Increase in short-term loans		(208,395)	(162,434)
Increase in long-term financial instruments		(7,500)	
Acquisition of long-term investment securities		(6,157)	(3,920)
Acquisition of investments in subsidiaries and associates		(206,766)	(3,105,160)
Acquisition of property and equipment		(1,318,050)	(1,865,858)
Acquisition of intangible assets		(146,899)	(41,271)
Increase in long-term loans			(22)
Cash outflows from transfer of business			(3,387)
Increase in other non-current assets, net			(329)
Sub-total		(1,953,882)	(5,182,381)
<b>Net cash used in investing activities</b>		<b>(1,518,385)</b>	<b>(4,360,225)</b>

See accompanying notes to the condensed separate interim financial statements.



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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2013 and 2012

<i>(In millions of won)</i>	September 30, 2013	September 30, 2012
<b>Cash flows from financing activities:</b>		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	40,000	1,500,000
Proceeds from long-term borrowings		1,986,800
Issuance of hybrid bond	398,518	
Issuance of debenture	1,014,858	768,296
Cash inflows from settlement of derivatives	2,274	1,517
Sub-total	1,455,650	4,256,613
Cash outflows for financing activities:		
Repayment of short-term borrowings	(370,000)	(1,500,000)
Repayment of long-term borrowings	(350,000)	(200,000)
Repayment of current portion of long-term debt	(161,575)	(92,158)
Repayment of debentures		(372,539)
Payment of cash dividends	(655,946)	(655,133)
Cash outflows from settlement of derivatives		(5,415)
Sub-total	(1,537,521)	(2,825,245)
<b>Net cash provided by (used in) financing activities</b>	<b>(81,871)</b>	<b>1,431,368</b>
<b>Net increase in cash and cash equivalents</b>	<b>248,983</b>	<b>(529,886)</b>
Cash and cash equivalents at beginning of the period	256,577	895,558
Effects of exchange rate changes on cash and cash equivalents	(47)	1
<b>Cash and cash equivalents at end of the period</b>	<b>505,513</b>	<b>365,673</b>

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

**Table of Contents****1. Reporting Entity**

SK Telecom Co., Ltd. ( the Company ) was incorporated in March 1984 under the laws of 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, 2013, 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	4,928,904	6.10%
Institutional investors and other minority stockholders	45,283,200	56.08%
Treasury stock	10,170,155	12.60%
<b>Total number of shares</b>	<b>80,745,711</b>	<b>100.00%</b>

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

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

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, Interim Financial Reporting as part of the period covered by the Company s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2012. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.1027, Separate Financial Statements presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

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

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

In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended December 31, 2012.

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**2. Basis of Presentation, Continued**

(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.

**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, 2012. 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, 2013.

(1) Changes in accounting policies

1) K-IFRS No. 1001, Presentation of Financial Statements

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

2) K-IFRS No.1110, Consolidated Financial Statements

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

3) K-IFRS No.1111, Joint Arrangements

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



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**3. Significant Accounting Policies, Continued**

(1) Changes in accounting policies, Continued

4) K-IFRS No.1112, Disclosure of Interests in Other Entities

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

5) K-IFRS No. 1019, Employee Benefits

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

6) K-IFRS No. 1113, Fair Value Measurement

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

(2) Impact of changes in accounting policies

1) K-IFRS No.1110, Consolidated Financial Statements

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

(3) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2013. The Company is in process of evaluating the impact of these new standards, interpretations and amendments to the separate financial statements, if any, as of September 30, 2013.

1) K-IFRS No. 1032, Financial Instruments: Presentation

The amendments clarified the application guidance related to offsetting a financial asset and a financial liability. The amendment is mandatorily effective for periods beginning on or after January 1, 2014 with earlier application permitted.

**Table of Contents****4. Restricted Deposits**

Deposits which are restricted in use as of September 30, 2013 and December 31, 2012 are summarized as follows:

*(In millions of won)*

	September 30, 2013	December 31, 2012
Short-term financial instruments(*)	76,000	83,500
Long-term financial instruments(*)	7,569	69
Deposit	40	40
	83,609	83,609

(\*) Financial instruments include charitable trust fund established by the Company. Profits from this charitable fund are donated to charitable institutions. As of September 30, 2013, the funds cannot be withdrawn.

**5. Trade and Other Receivables**

(1) Details of trade and other receivables as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	September 30, 2013		
	Gross amount	Allowances for impairment	Carrying amount
<b>Current assets:</b>			
Accounts receivable - trade	1,667,323	(106,704)	1,560,619
Short-term loans	69,296	(824)	68,472
Accounts receivable - other	455,161	(51,612)	403,549
Accrued income	6,445		6,445
	2,198,225	(159,140)	2,039,085
<b>Non-current assets:</b>			
Long-term loans	61,691	(23,574)	38,117
Guarantee deposits	154,218		154,218
	215,909	(23,574)	192,335
	2,414,134	(182,714)	2,231,420

**Table of Contents****5. Trade and Other Receivables, Continued***(In millions of won)*

	<b>December 31, 2012</b>		
	<b>Gross amount</b>	<b>Allowances for impairment</b>	<b>Carrying amount</b>
<b>Current assets:</b>			
Accounts receivable - trade	1,497,745	(90,539)	1,407,206
Short-term loans	76,471	(1,022)	75,449
Accounts receivable - other	421,695	(38,647)	383,048
Accrued income	4,147		4,147
	2,000,058	(130,208)	1,869,850
<b>Non-current assets:</b>			
Long-term loans	72,801	(23,129)	49,672
Guarantee deposits	149,373		149,373
	222,174	(23,129)	199,045
	2,222,232	(153,337)	2,068,895

- (2) The movement in allowance for doubtful accounts of trade and other receivables during the nine-month periods ended September 30, 2013 and 2012 were as follows:

*(In millions of won)*

	<b>2013</b>	<b>2012</b>
Balance at January 1	153,337	171,639
Increase of bad debt allowances	42,638	34,441
Reversal of allowances for doubtful accounts		(4,531)
Write-offs	(28,236)	(51,473)
Collection of receivables previously written-off	14,975	24,068
Balance at September 30	182,714	174,144

- (3) Details of overdue but not impaired, and impaired trade and other receivable as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	<b>September 30, 2013</b>		<b>December 31, 2012</b>	
	<b>Accounts receivable trade</b>	<b>Other receivables</b>	<b>Accounts receivable trade</b>	<b>Other receivables</b>
Neither overdue nor impaired	1,231,160	630,448	1,093,481	636,291
Overdue but not impaired	33,353		25,502	
Impaired	402,810	116,363	378,762	88,196
	1,667,323	746,811	1,497,745	724,487
Allowances for doubtful accounts	(106,704)	(76,010)	(90,539)	(62,798)
	1,560,619	670,801	1,407,206	661,689

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.

**Table of Contents****5. Trade and Other Receivables, Continued**

(4) The aging of overdue but not impaired accounts receivable as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Less than 1 month	10,537	3,699
1 ~ 3 months	5,413	3,686
3 ~ 6 months	2,725	9,175
More than 6 months	14,678	8,942
	<b>33,353</b>	<b>25,502</b>

**6. Investment Securities**

(1) Details of short-term investment securities as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Beneficiary certificates(*)	86,345	56,159
Current portion of long-term investment securities	471	242
	<b>86,816</b>	<b>56,401</b>

(\*) The distributions arising from beneficiary certificates as of September 30, 2013, were accounted for as accrued income.

(2) Details of long-term investment securities as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Equity securities:		
Marketable equity securities	551,308	584,029
Unlisted equity securities	19,131	18,814
Equity investments	113,422	115,120
	<b>683,861</b>	<b>717,963</b>
Debt securities:		
Public bonds(*1)	356	356
Investment bonds(*2)	18,203	15,816
	<b>18,559</b>	<b>16,172</b>
Total	702,420	734,135
Less current portion of long-term investment securities	(471)	(242)

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Long-term investment securities	701,949	733,893
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**Table of Contents****6. Investment Securities, Continued**

(\*1) Details of maturity for the public bonds as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Within 1 year	198	
1 ~ 5 years	158	356
	<b>356</b>	<b>356</b>

(\*2) The Company classified convertible bonds of NanoEnTek, Inc. (carrying amount as of September 30, 2013: 17,743 million) as financial assets at fair value through profit or loss. The difference between acquisition cost and fair value is accounted for as finance income (loss).

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

A disposal contract for the Company's ownership interests in SK Fans Co., Ltd., an associate, has been entered into during the year ended December 31, 2012 and investment in the associate was reclassified to non-current assets held for sale.

Non-current assets held for sale as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Investments in subsidiaries(*)		119,194
Investments in associates	2,143	2,143
	<b>2,143</b>	<b>121,337</b>

(\*1) For the nine-month period ended September 30, 2013, the Company disposed its ownership interests of 27% in SKY Property Mgmt. Ltd., a subsidiary, to SK Innovation Co., Ltd., a related party and recognized 71,200 million of disposal gain. The assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

**8. Investments in Subsidiaries and Associates**

(1) Investments in subsidiaries and associates as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Investments in subsidiaries	3,477,888	3,315,205
Investments in associates	4,644,287	4,600,342

8,122,175

7,915,547

150



**Table of Contents****8. Investments in Subsidiaries and Associates, Continued**

(2) Details of investments in subsidiaries as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	September 30, 2013			December 31, 2012
	Number of shares	Ownership (%)	Carrying amount	Carrying amount
SK Telink Co., Ltd.	1,082,272	83.5	144,740	144,740
SK Broadband Co., Ltd.	149,638,354	50.6	1,242,247	1,242,247
PS&Marketing Corporation	46,000,000	100.0	213,934	213,934
Service Ace Co., Ltd.	4,385,400	100.0	21,927	21,927
Service Top Co., Ltd.	2,856,200	100.0	14,281	14,281
Network O&S Co., Ltd.	3,000,000	100.0	15,000	15,000
SK Planet Co., Ltd.(*1)	72,927,317	100.0	1,538,020	1,234,884
SK Telecom China Holdings Co., Ltd.		100.0	29,116	29,116
SKY Property Mgmt. Ltd.(*2)				264,850
SKT Vietnam PTE. Ltd.	180,476,700	73.3	26,264	26,264
SKT Americas, Inc.	122	100.0	76,764	72,786
YTK Investment Ltd.		100.0	69,464	69,464
Atlas Investment		100.0	60,347	59,122
SK Global Healthcare Business Group Ltd.		100.0	25,784	25,784
			3,477,888	3,434,399
Non-current assets held for sale				(119,194)
			3,477,888	3,315,205

(\*1) The Company acquired additional 50% shares of SK Marketing & Company Co., Ltd., an associate, from SK Innovation Co., Ltd., a related party, and transferred its 100% shares of SK Marketing & Company Co., Ltd. to SK Planet Co., Ltd., and received 12,927,317 of new shares of SK Planet Co., Ltd. as a consideration. The additional interest in SK Planet Co., Ltd. is measured at the carrying value of the Company's investments in SK Marketing & Company Co., Ltd. at the date of transaction.

(\*2) The Company disposed its ownership interests of 27% in SKY Property Mgmt. Ltd., a subsidiary, to SK Innovation Co., Ltd., a related party and reclassified carrying value of the ownership interests of 145,656 million to investments in associates as the Company has less than 50% of the ownership interests.

**Table of Contents****8. Investments in Subsidiaries and Associates, Continued**

(3) Details of investments in associates as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013		December 31, 2012	
	Number of shares	Ownership percentage (%)	Carrying amount	Carrying amount
SK Marketing & Company Co., Ltd.(*1)				112,531
SK China Company Ltd.(*2,6)	720,000	9.6	47,830	47,830
SK USA, Inc.	49	49.0	5,498	5,498
HappyNarae Co., Ltd.	680,000	42.5	12,250	12,250
F&U Credit information Co., Ltd.	300,000	50.0	4,482	4,482
Korea IT Fund(*3)	190	63.3	220,957	220,957
Wave City Development Co., Ltd.(*2)	382,000	19.1	1,532	1,532
HanaSK Card Co., Ltd.	57,647,058	49.0	400,000	400,000
Daehan Kanggun BcN Co., Ltd.	1,675,126	29.0	8,340	8,340
NanoEnTek, Inc.(*2)	1,807,130	9.3	11,000	11,000
Health Connect Co., Ltd.	954,000	49.5	9,540	9,540
UNISK (Beijing) Information Technology Co., Ltd.	49	49.0	4,247	4,247
TR Entertainment		42.2	7,423	7,560
SK Industrial Development China Co., Ltd.	72,952,360	35.0	83,691	83,691
Packet One Network	1,153,674	27.0	140,139	140,139
SK Technology Innovation Company	9,800	49.0	85,873	85,873
Lightsquared Inc.(*2,4)	3,387,916	3.3		
SK hynix Inc.(*5)	146,100,000	20.6	3,374,725	3,374,725
SK MENA Investment B.V.		32.1	14,485	14,485
SK Latin America Investment S.A.		32.1	14,243	14,243
Gemini		20.0	6,108	6,108
SKY Property Mgmt. Ltd.	12,639	33.0	145,656	
SK Wyverns Baseball Club Co., Ltd. and others			46,268	35,311
			4,644,287	4,600,342

(\*1) Increased by 190,606 million as the Company acquired 50% shares from SK Innovation Co., Ltd., a related party, during the nine-month period ended September 30, 2013, and the entire ownership interests has been provided to SK Planet Co., Ltd. as a consideration for the investment in kind.

(\*2) Classified as investments in associates because the Company can exercise significant influence over the associate through participation on the associate's board of directors.

(\*3) Classified as an investment in associate because the Company has less than 50% of the voting rights of the board of directors.

(\*4) Recognized the entire amount as impairment loss as recoverable amount is considered to be zero as of December 31, 2012.

**Table of Contents****8. Investments in Subsidiaries and Associates, Continued**

(\*5) The Company's ownership interests in SK hynix Inc. decreased as investors of convertible bonds issued by SK hynix Inc. exercised their conversion rights during the nine-month period ended September 30, 2013.

(4) The market price of investments in listed subsidiaries as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won, except for share data)

	September 30, 2013			December 31, 2012		
	Market value per share (In won)	Number of shares	Market price	Market value per share (In won)	Number of shares	Market price
SK Broadband Co., Ltd.	4,750	149,638,354	710,782	4,665	149,638,354	698,063

**9. Property and Equipment**

(1) Property and equipment as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013			December 31, 2012	
	Acquisition cost	Accumulated depreciation	Carrying amount	Carrying amount	
Land	407,277		407,277	395,968	
Buildings	1,005,753	(421,726)	584,027	607,973	
Structures	697,312	(343,689)	353,623	363,364	
Machinery	18,215,174	(13,642,140)	4,573,034	4,532,811	
Other	1,226,980	(772,254)	454,726	579,448	
Construction in progress	445,756		445,756	639,526	
	21,998,252	(15,179,809)	6,818,443	7,119,090	

(2) Changes in property and equipment for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	Beginning balance	For the nine-month period ended September 30, 2013				Ending balance
		Acquisition	Disposal	Transfer	Depreciation	
Land	395,968	5,573	(14)	5,750		407,277
Buildings	607,973	34	(98)	1,811	(25,693)	584,027
Structures	363,364	8,539	(7)	7,036	(25,309)	353,623
Machinery	4,532,811	68,435	(5,313)	1,104,969	(1,127,868)	4,573,034
Other	579,448	598,473	(1,739)	(641,992)	(79,464)	454,726

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Construction in progress	639,526	339,682	(13,009)	(520,443)		445,756
	7,119,090	1,020,736	(20,180)	(42,869)	(1,258,334)	6,818,443

**Table of Contents****9. Property and Equipment, Continued***(In millions of won)*

	For the nine-month period ended September 30, 2012						Ending balance
	Beginning balance	Acquisition (*1)	Disposal	Transfer	Depreciation	Impairment (*2)	
Land(*3)	409,696	569	(140)	(25,756)			384,369
Buildings(*3)	676,095	1,020	(89)	(38,869)	(29,140)		609,017
Structures(*3)	300,995	30,853	(4)	15,194	(25,225)		321,813
Machinery	3,581,275	131,113	(796)	1,425,619	(935,800)	(12,531)	4,188,881
Other	640,317	1,108,710	(7,908)	(1,149,815)	(70,718)		520,585
Construction in progress	651,791	594,858	(810)	(720,219)			525,620
	6,260,169	1,867,123	(9,747)	(493,846)	(1,060,883)	(12,531)	6,550,285

(\*1) Acquisition for the nine-month period ended September 30, 2012 includes assets transferred of 1,265 million in relation to the transfer of Imagine business from SK Planet Co., Ltd.

(\*2) The Company recognized impairment loss on property and equipment of 12,531 million for the nine-month period ended September 30, 2012 in relation to the Digital Multimedia Broadcasting service.

(\*3) Carrying amounts of 72,015 million of land, buildings and structures were classified as non-current assets held for sale for the nine-month period ended September 30, 2012.

**10. Goodwill**

Goodwill as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	September 30, 2013	December 31, 2012
Goodwill related to acquisition of Shinsegi Telecom, Inc.	1,306,236	1,306,236

**Table of Contents****11. Intangible Assets**

(1) Intangible assets as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013			December 31, 2012
	Acquisition cost	Accumulated depreciation	Carrying amount	Carrying amount
Frequency use rights	3,033,879	(1,299,177)	1,734,702	1,693,868
Land use rights	32,761	(23,966)	8,795	9,815
Industrial rights	32,570	(23,158)	9,412	9,769
Development costs	101,957	(101,907)	50	665
Facility usage rights	42,701	(26,615)	16,086	16,786
Memberships(*1)	82,750		82,750	81,518
Other(*2)	1,560,054	(1,211,408)	348,646	375,451
	4,886,672	(2,686,231)	2,200,441	2,187,872

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

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

(2) Details of changes in intangible assets for the nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	Beginning balance	For the nine-month period ended September 30, 2013				Ending balance
		Acquisition (*1)	Disposal	Transfer	Amortization	
Frequency use rights	1,693,868	1,046,833	(814,213)		(191,786)	1,734,702
Land use rights	9,815	2,280	(50)		(3,250)	8,795
Industrial rights	9,769	1,620	(74)		(1,903)	9,412
Development costs	665				(615)	50
Facility usage rights	16,786	1,179	(75)		(1,804)	16,086
Memberships	81,518	2,066	(834)			82,750
Other	375,451	24,530	(5)	54,555	(105,885)	348,646
	2,187,872	1,078,508	(815,251)	54,555	(305,243)	2,200,441

(\*1) The Company newly acquired 1.8GHz frequency use rights through auction for the nine-month period ended September 30, 2013 and provided the existing 1.8GHz frequency use rights as partial consideration in connection with the new acquisition. The Company recognized 199,613 million of loss on disposal of property and equipment and intangible assets with regard to this transaction.

**Table of Contents****11. Intangible Assets, Continued***(In millions of won)*

	For the nine-month period ended September 30, 2012						Ending balance
	Beginning balance	Acquisition(*1)	Disposal	Transfer	Amortization	Impairment loss(*2)	
Frequency use rights	1,889,102	16,659			(145,833)	(2,907)	1,757,021
Land use rights	12,739	1,770	(80)		(3,700)		10,729
Industrial rights	8,328	4,006			(2,169)		10,165
Development costs	1,186				(1,169)		17
Facility usage rights	15,058	681	(92)	13	(1,685)		13,975
Memberships	80,607	20	(1,427)				79,200
Other	357,775	26,344	(1,431)	76,962	(104,869)		354,781
	2,364,795	49,480	(3,030)	76,975	(259,425)	(2,907)	2,225,888

(\*1) Acquisition for the nine-month period ended September 30, 2012 includes assets transferred of 200 million in relation to the transfer of Imagine business from SK Planet Co., Ltd.

(\*2) The Company recognized impairment loss on intangible assets of 2,907 million in relation to the frequency use rights of the discontinued Digital Multimedia Broadcasting service.

(3) The carrying amount and residual useful lives of frequency usage rights as of September 30, 2013 are as follows:

*(In millions of won)*

	Amount	Description	Commencement of depreciation	Completion of depreciation	Depreciation method
W-CDMA license	318,171	Frequency use rights relating to W-CDMA service	Dec. 2003	Dec. 2016	
W-CDMA license	53,011	Frequency use rights relating to W-CDMA service	Oct. 2010	Dec. 2016	
800MHz license	314,216	Frequency use rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021	Straight-line method
1.8GHz license	1,036,365	Frequency use rights relating to LTE service	Sep. 2013	Dec. 2021	
WiBro license	12,939	WiBro service	Mar. 2012	Mar. 2019	
	1,734,702				

**Table of Contents****12. Borrowings and Debentures**

(1) Short-term borrowings as of September 30, 2013 and December 31, 2012 are as follows:

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

Lender	Annual interest rate (%)	Maturity	September 30, 2013	December 31, 2012
Kookmin Bank	3.98	Jan. 10, 2013		100,000
Woori Bank	4.20	Jan. 10, 2013		100,000
CP	2.98	Jan. 14, 2013		60,000
	3.05	Jan. 25, 2013		20,000
	3.10	Jan. 29, 2013		50,000
				330,000

(2) Long-term borrowings as of September 30, 2013 and December 31, 2012 are as follows:

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

Lender	Annual interest rate (%)	Maturity	September 30, 2013	December 31, 2012
Bank of Communications (*)	6M Libor + 0.29	Oct. 10, 2013	32,268	32,133
			(USD 30,000)	(USD 30,000)
Bank of China(*)	6M Libor + 0.29	Oct. 10, 2013	21,512	21,422
			(USD 20,000)	(USD 20,000)
DBS Bank(*)	6M Libor + 0.29	Oct. 10, 2013	26,890	26,778
			(USD 25,000)	(USD 25,000)
SMBC(*)	6M Libor + 0.29	Oct. 10, 2013	26,890	26,778
			(USD 25,000)	(USD 25,000)
Kookmin Bank and 13 others	4.48	Feb. 14, 2015		350,000
			107,560	457,111
Less present value discount on long-term borrowings				(1,668)
			107,560	455,443
Less current portion of bonds			(107,560)	(107,110)
				348,333

(\*) As of September 30, 2013, 6M Libor rate is 0.44%.





**Table of Contents****12. Borrowings and Debentures, Continued**

(3) Debentures as of September 30, 2013 and December 31, 2012 are as follows:

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

	Purpose	Maturity	Annual interest rate (%)	September 30, 2013	December 31, 2012
Unsecured private bonds	Refinancing fund	2016	5.00	200,000	200,000
Unsecured private bonds		2013	4.00	200,000	200,000
Unsecured private bonds		2014	5.00	200,000	200,000
Unsecured private bonds	Other fund	2015	5.00	200,000	200,000
Unsecured private bonds		2018	5.00	200,000	200,000
Unsecured private bonds		2013	6.92	250,000	250,000
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	
Unsecured private bonds		2033	3.22	130,000	
Foreign global bonds		2027	6.63	430,240	428,440
				(USD 400,000)	(USD 400,000)
Exchangeable bonds (*3,4)	Refinancing fund	2014	1.75	338,594	405,678
				(USD 211,627)	(USD 332,528)
Floating rate notes (*1)	Operating fund	2014	3M Libor + 1.60	268,900	267,775
				(USD 250,000)	(USD 250,000)
Floating rate notes (*2)		2014	SOR rate + 1.20	55,617	56,906
				(SGD 65,000)	(SGD 65,000)
Swiss unsecured private bonds		2017	1.75	356,298	351,930
				(CHF 300,000)	(CHF 300,000)
Foreign global bonds		2018	2.13	752,920	749,770
				(USD 700,000)	(USD 700,000)
Australian unsecured private bonds		2017	4.75	300,222	
				(AUD 300,000)	
Floating rate notes (*1)		2020	3M Libor + 0.88	322,680	
				(USD 300,000)	
				5,405,471	4,480,499
Less discounts on bonds				(37,341)	(40,392)
				5,368,130	4,440,107
Less current portion of bonds				(788,319)	(447,996)
				4,579,811	3,992,111



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**12. Borrowings and Debentures, Continued**

(\*1) As of September 30, 2013, 3M Libor rate is 0.25%.

(\*2) As of September 30, 2013, SOR rate is 0.21%.

(\*3) As of September 30, 2013, exchangeable bonds are classified as financial liabilities at fair value through profit or loss.

(\*4) On April 7, 2009, the Company issued exchangeable bonds with a maturity of five years in the principal amount of USD332,528,000 for USD326,397,463 with a coupon rate of 1.75%.

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

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

As of September 30, 2013, accumulated principal amount claimed for exchange is USD120,901,000. During the nine-month period ended September 30, 2013, exchange of bonds in the principal amount of USD120,901,000 were claimed and the Group granted 880,557 shares of treasury stock. The Company recognized 40,422 million of financial costs in relation to the exchanged bonds for the nine-month period ended September 30, 2013.

In accordance with a resolution of the general shareholder's meeting on March 22, 2013 and a resolution of the Board of Directors' meeting on July 25, 2013, the exchange price has changed from 197,760 to 189,121 and the number of common shares that can be exchanged was changed from 1,480,404 shares to 1,548,029 shares based on number of shares unexchanged, due to the payment of periodic and interim dividends.

As of September 30, 2013, fair value of the exchangeable bonds is USD 314,795,162 and the exchange price is 189,121. The exchange price could be adjusted with the exchange rate of 1,383.40 per USD1. In addition, the number of common shares that can be exchanged as of September 30, 2013 is 1,548,029 shares.

**Table of Contents****13. Long-term Payables - other**

- (1) As of September 30, 2013 and December 31, 2012, long-term payables consist of payables related to the acquisition of W-CDMA licenses for 2.1GHz, 800MHZ, 1.8GHz and 2.3GHz frequencies as follows (Refer to Note 11):

(In millions of won)

	Period of repayment	Coupon rate(*1)	Annual effective interest rate(*2)	September 30, 2013	December 31, 2012
2.1GHz	2012~2014	3.58%	5.89%	17,533	35,067
800MHZ	2013~2015	3.51%	5.69%	138,833	208,250
2.3GHz	2014~2016	3.00%	5.80%	8,650	8,650
1.8GHz	2012~2021	2.43~3.00%	4.84~5.25%	942,675	671,625
				1,107,691	923,592
Present value discount on long-term payables - other				(77,444)	(60,021)
				1,030,247	863,571
Less current portion of long-term payables - other				(207,667)	(161,575)
Current portion of present value discount on long-term payables - other				1,912	3,609
Carrying amount at September 30, 2013				824,492	705,605

(\*1) The Company applied an annual interest rate equal to the previous year average lending rate of public funds financing account less 1%.

(\*2) The Company estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term payables-other.

- (2) The repayment schedule of long-term payables - other as of September 30, 2013 is as follows:

(In millions of won)

	Amount
2014	207,667
2015	190,134
2016	120,718
2017 and thereafter	589,172
	1,107,691

**Table of Contents****14. Provisions**

Change in provisions for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	<b>For the nine-month period ended September 30, 2013</b>				<b>As of September 30, 2013</b>		
	<b>Beginning balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Reversal</b>	<b>Ending balance</b>	<b>Current</b>	<b>Non-current</b>
Provision for handset subsidy	353,383	5,582	(264,036)		94,929	88,042	6,887
Provision for restoration	32,791	2,766	(296)	(3,785)	31,476	10,766	20,710
	386,174	8,348	(264,332)	(3,785)	126,405	98,808	27,597

<i>(In millions of won)</i>	<b>For the nine-month period ended September 30, 2012</b>				<b>As of September 30, 2012</b>		
	<b>Beginning balance</b>	<b>Increase</b>	<b>Utilization</b>	<b>Ending balance</b>	<b>Current</b>	<b>Non-current</b>	
Provision for handset subsidy	762,238	272,869	(538,803)	496,304	373,045	123,259	
Provision for restoration	28,623	9,450	(207)	37,866	7,054	30,812	
	790,861	282,319	(539,010)	534,170	380,099	154,071	

The Company recognizes a provision for handset subsidies given to the subscribers who purchase handsets on an installment basis.

**Table of Contents****15. Defined Benefit Liabilities**

(1) Details of defined benefit liabilities as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Present value of defined benefit obligations	157,375	133,098
Fair value of plan assets	(101,359)	(98,147)
	<b>56,016</b>	<b>34,951</b>

(2) Principal actuarial assumptions as of September 30, 2013 and December 31, 2012 are as follows:

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Discount rate for defined benefit obligations	3.56%	3.56%
Expected rate of salary increase	5.20%	5.20%

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

(3) Changes in defined benefit obligations for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>2013</b>	<b>2012</b>
Beginning balance	133,098	95,359
Current service cost	25,346	21,958
Interest cost	3,629	3,384
Remeasurement:		
- Adjustment based on experience	5,407	7,229
Benefit paid	(14,011)	(12,306)
Others(*)	3,906	1,150
Ending balance	157,375	116,774

(\*) Others include transfer to construction in progress and liabilities succeeded in relation to transfer of an executive from affiliates.

**Table of Contents****15. Defined Benefit Liabilities, Continued**

- (4) Changes in plan assets for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>September 30, 2013</b>	<b>September 30, 2012</b>
Beginning balance	98,147	68,619
Expected return on plan assets	2,508	1,673
Contributions to the plan	4,000	1,000
Remeasurement	1,171	803
Benefit paid	(4,528)	(2,416)
Others	61	189
<b>Ending balance</b>	<b>101,359</b>	<b>69,868</b>

- (5) Expenses recognized in profit and loss and capitalized into construction-in-progress for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>September 30, 2013</b>	<b>September 30, 2012</b>
Current service cost	25,346	21,958
Net interest cost	1,121	1,711
	<b>26,467</b>	<b>23,669</b>

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

- (6) Details of plan assets as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
	Equity instruments	102
Debt instruments	34,709	24,199
Short-term financial instruments, etc.	66,548	73,893
	<b>101,359</b>	<b>98,147</b>

Actual return on plan assets for the nine-month periods ended September 30, 2013 and 2012 amounted to 3,679 million and 2,476 million, respectively.



**Table of Contents****16. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting as of September 30, 2013 are as follows:

<b>Borrowing</b>		<b>Contract</b>			
<b>date</b>	<b>Hedged item</b>	<b>Hedged risk</b>	<b>type</b>	<b>Financial institution</b>	<b>Duration of contract</b>
Oct. 10, 2006	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated long-term borrowings face value of USD100,000,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	Credit Agricole Corporate & Investment Bank	Oct. 10, 2006 ~ Oct. 10, 2013
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD400,000,000)	Foreign currency risk	Currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 ~ Jul. 20, 2027
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD65,000,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	United Overseas Bank	Dec. 15, 2011 ~ Dec. 12, 2014
Dec. 15, 2011	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD250,000,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank and Citi Bank	Dec. 15, 2011 ~ Dec. 12, 2014
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF300,000,000)	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 USD700,000,000)	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 AUD300,000,000)	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 USD300,000,000)	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS Bank	Mar. 7, 2013 ~ Mar. 7, 2020

**Table of Contents****16. Derivative Instruments, Continued**

- (2) As of September 30, 2013, 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	Tax effect	Fair value Accumulated foreign currency translation gain (loss)	Others(*)	Fair value
<b>Current assets:</b>					
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated long-term borrowings face value of USD100,000,000)	(1,778)	(68)	12,760		10,914
<b>Non-current assets:</b>					
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD400,000,000)	(40,166)	(12,823)	(26,855)	129,806	49,962
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD300,000,000)	5,878	1,877	(2,389)		5,366
<b>Total assets</b>					66,242
<b>Non-current liabilities:</b>					
Floating-to-fixed cross currency interest rate swap (Singapore dollar denominated bonds face value of SGD65,000,000)	21	7	(1,838)		(1,810)
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD250,000,000)	6,206	1,981	(20,548)		(12,361)
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF300,000,000)	(9,417)	(3,006)	(7,205)		(19,628)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD700,000,000)	(11,454)	(3,657)	(10,368)		(25,479)
Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD300,000,000)	6,432	2,054	(35,167)		(26,681)
<b>Total liabilities</b>					(85,959)

- (\*) 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.

**Table of Contents****17. Share Capital and Capital Surplus (Deficit) and Other Capital Adjustments**

The Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus (deficit) and other capital adjustments as of September 30, 2013 and December 31, 2012 are as follows:

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

	September 30, 2013	December 31, 2012
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 (deficit) and other capital adjustments:		
Paid-in surplus	2,915,887	2,915,887
Treasury stock	(2,218,379)	(2,410,451)
Loss on disposal of treasury stock	(20,399)	(18,855)
Hybrid bond(Note 19)	398,518	
Others	(722,741)	(722,741)
	352,886	(236,160)

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

There were no changes in share capital for the nine-month period ended September 30, 2013 and the year ended December 31, 2012. Changes in number of shares outstanding for the nine-month period ended September 30, 2013 and the year ended December 31, 2012 are as follows:

*(In shares)*

	For the nine-month period ended					
	September 30, 2013			September 30, 2012		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Beginning issued shares	80,745,711	11,050,712	69,694,999	80,745,711	11,050,712	69,694,999
Disposal of treasury stock		(880,557)	880,557			
Ending issued shares	80,745,711	10,170,155	70,575,556	80,745,711	11,050,712	69,694,999

**Table of Contents****18. Treasury Stock**

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

In addition, the Company granted 880,557 shares of treasury stock for 192,072 million from May 14, 2013 to September 26, 2013 as a result of exercise of exchange rights by the holders of exchangeable bonds.

Treasury stock as of September 30, 2013 and December 31, 2012 are as follows:

*(In millions of won, shares)*

	September 30, 2013	December 31, 2012
Number of shares	10,170,155	11,050,712
Amount	2,218,379	2,410,451

**19. Hybrid Bond**

Hybrid bond classified as equity as of September 30, 2013 is as follows:

*(In millions of won)*

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

Hybrid bond issued by the Company is classified as equity as there is no contractual obligation for delivery of financial assets to the underwriter.

(\*1) The Company is able to extend the maturity under the same issuance terms without any notice or announcement.

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

**Table of Contents****20. Retained Earnings**

(1) Retained earnings as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
<b>Appropriated:</b>		
Legal reserve	22,320	22,320
Reserve for research & manpower development	155,767	220,000
Reserve for business expansion	9,376,138	9,106,138
Reserve for technology development	2,271,300	1,901,300
	11,825,525	11,249,758
<b>Unappropriated</b>	<b>665,763</b>	<b>1,164,223</b>
	12,491,288	12,413,981

(2) Legal reserve

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

(3) Reserve for research & manpower development

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

**21. Reserves**

(1) Details of reserves, net of taxes, as of September 30, 2013 and December 31, 2012 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Unrealized fair value of available-for-sale financial assets	185,212	206,414
Unrealized fair value of derivatives	(44,278)	(51,826)
	140,934	154,588

**Table of Contents****21. Reserves, Continued**

(2) Changes in reserves for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	For the nine-month period ended September 30, 2013		
	Net change in unrealized fair value of available-for-sale financial assets	Net change in unrealized fair value of derivatives	Total
Balance at January 1, 2013	206,414	(51,826)	154,588
Changes	(27,971)	9,958	(18,013)
Tax effect	6,769	(2,410)	4,359
Balance at September 30, 2013	185,212	(44,278)	140,934

<i>(In millions of won)</i>	For the nine-month period ended September 30, 2012		
	Net change in unrealized fair value of available-for-sale financial assets	Net change in unrealized fair value of derivatives	Total
Balance at January 1, 2012	352,616	(32,122)	320,494
Changes	(46,578)	(14,660)	(61,238)
Tax effect	11,272	3,548	14,820
Balance at September 30, 2012	317,310	(43,234)	274,076

**22. Other Operating Expenses**

Details of other operating expenses for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
<b>Other Operating Expenses:</b>				
Communication expenses	12,588	38,099	14,178	45,784
Utilities	48,913	125,904	41,844	107,159
Taxes and dues	6,477	14,179	10,490	67,903
Repair	45,480	132,331	45,775	129,903
Research and development	56,410	165,762	58,422	150,945
Training	8,258	18,210	7,877	19,072
Bad debt for accounts receivables trade	6,455	22,820	6,013	14,567

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Reversal of allowance for doubtful accounts			(57)	(4,531)
Other	11,547	33,200	11,445	34,260
	196,128	550,505	195,987	565,062

**Table of Contents****23. Other Non-operating Income and Expenses**

Details of other non-operating income and expenses for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
<b>Other Non-operating Income:</b>				
Gain on disposal of property and equipment and intangible assets	102	961	1,523	1,881
Others	9,782	29,266	7,228	12,875
	9,884	30,227	8,751	14,756
<b>Other Non-operating Expenses:</b>				
Loss on disposal of property and equipment and intangible assets	207,480	218,937	6,773	8,858
Impairment loss on property and equipment and intangible assets				15,438
Donations	11,902	33,189	4,013	44,495
Bad debt for accounts receivable other	3,492	19,818	503	19,874
Others	37,336	45,567	10,100	11,432
	260,210	317,511	21,389	100,097



**Table of Contents****24. Finance Income and Costs**

(1) Details of finance income and costs for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
<b>Finance Income:</b>				
Interest income	7,564	24,035	9,785	43,556
Dividends	7,998	20,640	5,363	31,143
Gain on foreign currency transactions	763	7,492		2,420
Gain on foreign currency translation		283		140
Gain on valuation of financial asset at fair value through profit or loss		2,387		
Gain on disposal of long-term investment securities	696	1,988		470
Gain on settlement of derivatives		2,274		12,694
	17,021	59,099	15,148	90,423
<b>Finance Costs:</b>				
Interest expense	65,594	208,692	80,706	231,289
Loss on foreign currency transactions	2,252	8,104	452	2,824
Loss on foreign currency translation	2,596	1,539	422	412
Loss on valuation of financial asset at fair value through profit or loss	978		1,007	824
Loss on disposal of long-term investment securities		73		9,134
Loss on settlement of derivatives				1,232
Loss relating to financial liability at fair value through profit or loss(*)	16,233	120,834	7,566	1,791
	87,653	339,242	90,153	247,506

(\*) Loss relating to financial liability at fair value through profit or loss for the nine-month period ended September 30, 2013 represents 1) valuation loss related to exchangeable bond (issue price of USD326,397,463) as a result of increase in stock price of the Parent Company and increase in foreign exchange rate, and 2) loss on repayment of debentures upon the claim for exchange.

(2) Details of interest income included in finance income for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Interest income on cash equivalents and deposits	4,605	14,343	5,971	25,761
Interest income on installment receivables and others	2,959	9,692	3,814	17,795
	7,564	24,035	9,785	43,556



**Table of Contents****24. Finance Income and Costs, Continued**

- (3) Details of interest expense included in finance costs for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Interest expense on bank overdrafts and borrowings	1,552	20,127	32,101	69,373
Interest expense on debentures	55,487	160,627	41,503	120,749
Others	8,555	27,938	7,102	41,167
	65,594	208,692	80,706	231,289

- (4) Details of impairment losses for financial assets for the three and nine-month periods ended September 30, 2013 and 2012 are as follows.

(In millions of won)

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Accounts receivable trade	6,455	22,820	6,013	14,567
Accounts receivable other	3,492	19,818	503	19,874
	9,947	42,638	6,516	34,441

**25. Income Tax Expense**

Income tax expense was recognized as current tax expense adjusted to current adjustments for prior periods, deferred tax expenses by origination and reversal of temporary differences, and income tax recognized in other comprehensive income. Changes in effective tax rate for the nine-month periods ended September 30, 2013 and 2012 mainly arose from changes in realizability of deferred tax assets.

**26. Earnings per Share**

- (1) Basic earnings per share

- 1) Basic earnings per share for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

(In millions of won, shares)

	2013		2012	
	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended

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	Sep. 30	Sep. 30	Sep. 30	Sep. 30
Profit for the period	126,147	741,756	148,001	724,338
Interest on hybrid bond	(4,233)	(5,291)		
Profit for the period on common shares	121,914	736,465	148,001	724,338
Weighted average number of common shares outstanding	70,527,972	70,034,852	69,694,999	69,694,999
Basic earnings per share (In Won)	1,729	10,516	2,124	10,393

**Table of Contents****26. Earnings per Share, Continued**

- 2) The weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

<i>(In shares)</i>	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Outstanding common shares	80,745,711	80,745,711	80,745,711	80,745,711
Weighted number of treasury stocks	(10,217,739)	(10,710,859)	(11,050,712)	(11,050,712)
<b>Weighted average number of common shares outstanding</b>	<b>70,527,972</b>	<b>70,034,852</b>	<b>69,694,999</b>	<b>69,694,999</b>

## (2) Diluted earnings per share

- 1) Diluted earnings per share for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

<i>(In millions of won, shares)</i>	2013		2012	
	Three-month period ended Sep. 30(*)	Nine-month period ended Sep. 30(*)	Three-month period ended Sep. 30(*)	Nine-month period ended Sep. 30
Profit for the period on common shares	121,914	736,465	148,001	724,338
Profit from exchangeable bonds				5,059
Diluted profit for the period on common shares	121,914	736,465	148,001	729,397
Diluted weighted average number of common shares outstanding	70,527,972	70,034,852	69,694,999	72,021,148
<b>Diluted earnings per share (In Won)</b>	<b>1,729</b>	<b>10,516</b>	<b>2,124</b>	<b>10,128</b>

- (\*) The number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds is excluded from the diluted earnings per share calculation for the three and nine-month periods ended September 30, 2013 and three-month period ended September 30, 2012, as the effect of exchangeable bond is nil (the weighted average number of diluted shares of 1,548,029, 2,088,733, and 2,326,149, respectively); thus, diluted earnings per share for the three and nine-month periods ended September 30, 2013 and three-month period ended September 30, 2012 are the same as basic earnings per share.

- 2) The weighted average number of common shares outstanding for the three and nine-month periods ended September 30, 2013 and 2012 are calculated as follows:

<i>(In shares)</i>	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
<b>Weighted average number of common shares outstanding</b>	<b>70,527,972</b>	<b>70,034,852</b>	<b>69,694,999</b>	<b>69,694,999</b>

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Effect of exchangeable bonds(*)				2,326,149
Adjusted weighted average number of common shares outstanding	70,527,972	70,034,852	69,694,999	72,021,148

(\*) Effect of exchangeable bonds represents weighted average number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds, which could be exchanged to treasury stock.

**Table of Contents****27. Categories of Financial Instruments**

(1) Financial assets by categories as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedging instruments	Total
Cash and cash equivalents			505,513		505,513
Financial instruments			216,569		216,569
Short-term investment securities		86,816			86,816
Long-term investment securities(*1)	17,743	684,206			701,949
Accounts receivable trade			1,560,619		1,560,619
Loans and other receivables(*2)			670,801		670,801
Derivative financial assets				66,242	66,242
	17,743	771,022	2,953,502	66,242	3,808,509

(In millions of won)

	December 31, 2012				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedging instruments	Total
Cash and cash equivalents			256,577		256,577
Financial instruments			179,369		179,369
Short-term investment securities		56,401			56,401
Long-term investment securities(*1)	15,356	718,537			733,893
Accounts receivable trade			1,407,206		1,407,206
Loans and other receivables(*2)			661,689		661,689
Derivative financial assets				61,959	61,959
	15,356	774,938	2,504,841	61,959	3,357,094

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

**Table of Contents****27. Categories of Financial Instruments, Continued**

(\*2) Details of loans and other receivables as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013	December 31, 2012
Short-term loans	68,472	75,449
Accounts receivable other	403,549	383,048
Accrued income	6,445	4,147
Long-term loans	38,117	49,672
Guarantee deposits	154,218	149,373
	670,801	661,689

(2) Financial liabilities by categories as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedging instruments	
Derivative financial liabilities			85,959	85,959
Borrowings		107,560		107,560
Debentures(*1)	338,594	5,029,536		5,368,130
Accounts payable other and others(*2)		2,546,574		2,546,574
	338,594	7,683,670	85,959	8,108,223

(In millions of won)

	December 31, 2012			Total
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedging instruments	
Derivative financial liabilities			63,599	63,599
Borrowings		785,443		785,443
Debentures(*1)	405,678	4,034,429		4,440,107
Accounts payable other and others(*2)		3,073,290		3,073,290
	405,678	7,893,162	63,599	8,362,439

(\*1) Debentures of which the embedded derivative (conversion right), which should be separated from the main contract, could not be separately measured, were designated as financial liabilities at fair value through profit or loss.





**Table of Contents****27. Categories of Financial Instruments, Continued**

(\*2) Details of accounts payable and other payables as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013	December 31, 2012
Accounts payable other	822,357	1,509,456
Withholdings	2	17
Accrued expenses	592,850	600,101
Current portion of long-term payables other	205,755	157,966
Long-term payables other	824,492	705,605
Other non-current liabilities	101,118	100,145
	2,546,574	3,073,290

**28. Financial Risk Management**

## (1) Financial risk management

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

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

## 1) Market risk

## (i) Currency risk

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

Monetary foreign currency assets and liabilities as of September 30, 2013 and December 31, 2012 are as follows:

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

	Assets		Liabilities	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
USD	57,842	62,215	2,062,412	2,218,330
EUR	14,044	20,382	1,599	2,321
JPY	18,370	202		
SGD	192	164	64,761	55,413
AUD			297,921	298,141
CHF			298,439	354,444

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Others	277	130	414	718
		83,093		2,929,367

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**Table of Contents****28. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 16)

As of September 30, 2013, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

<i>(In millions of won)</i>	<b>If increased by 10%</b>	<b>If decreased by 10%</b>
USD	(29,115)	29,115
EUR	1,806	(1,806)
JPY	20	(20)
SGD	16	(16)
Other	(58)	58
	(27,331)	27,331

## (ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of September 30, 2013, available-for-sale equity instruments measured at fair value amounts to W 694,271 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.

The Company's interest rate risk arises from floating-rate borrowings and payables. As of September 30, 2013, floating-rate debentures and borrowings amount to W 647,197 million and W 107,560 million, respectively, and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (Refer to Note 16). If interest rate only increases (decreases) by 1%, income before income taxes for the year ended September 30, 2013 would not have been changed due to the interest expense from floating-rate borrowings and debentures.

**Table of Contents****28. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

## 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, 2013 and December 31, 2012 are as follows:

*(In millions of won)*

	<b>September 30, 2013</b>	<b>December 31, 2012</b>
Cash and cash equivalents	505,513	256,577
Financial instruments	216,569	179,369
Available-for-sale financial assets	771,022	774,938
Accounts receivable trade	1,560,619	1,407,206
Loans and receivables	670,801	661,689
Derivative financial assets	66,242	61,959
Financial assets at fair value through profit or loss	17,743	15,356
	<b>3,808,509</b>	<b>3,357,094</b>

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

For the nine-month period ended September 30, 2013, 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, 2013.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 24.

## 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.

**Table of Contents****28. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

Contractual maturities of financial liabilities as of September 30, 2013 are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Derivative financial liabilities	85,959	92,470	15,544	76,926	
Borrowings	107,560	107,581	107,581		
Debentures (*1)	5,368,130	6,614,911	969,981	3,491,432	2,153,498
Accounts payable other and others (*2)	2,546,574	2,671,626	1,605,155	699,547	366,924
	8,108,223	9,486,588	2,698,261	4,267,905	2,520,422

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

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

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

## (2) Capital management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2012.

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

Debt-equity ratio as of September 30, 2013 and December 31, 2012 are as follows:

(In millions of won)

	September 30, 2013	December 31, 2012
Liability	9,386,462	9,872,454
Equity	13,029,747	12,377,048
Debt-equity ratio	72.04%	79.76%

**Table of Contents****28. Financial Risk Management, Continued**

## (3) Fair value

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

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

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

Interest rates used by the Company for the fair value measurement as of September 30, 2013 are as follows:

	<b>Interest rate</b>
Derivative instruments	2.91 ~ 3.74%
Borrowings and Debentures	3.51%

1) Fair value and carrying amount

Carrying amount and fair value of financial assets and liabilities are as follows:

(In millions of won)

	<b>September 30, 2013</b>		<b>December 31, 2012</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
<b>Assets carried at fair value</b>				
Financial assets at fair value through profit or loss	17,743	17,743	15,356	15,356
Derivative financial assets	66,242	66,242	61,959	61,959
Available-for-sale financial assets	694,271	694,271	730,754	730,754
	778,256	778,256	808,069	808,069
<b>Assets carried at amortized cost</b>				
Cash and cash equivalents	505,513	505,513	256,577	256,577
Available-for-sale financial assets	76,751	76,751	44,184	44,184
Accounts receivable trade and others	2,231,420	2,231,420	2,068,895	2,068,895
Financial instruments	216,569	216,569	179,369	179,369
	3,030,253	3,030,253	2,549,025	2,549,025

**Table of Contents****28. Financial Risk Management, Continued**

(3) Fair value, Continued

*(In millions of won)*

	September 30, 2013		December 31, 2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Liabilities carried at fair value</b>				
Financial liabilities at fair value through profit or loss	338,594	338,594	405,678	405,678
Derivative financial liabilities	85,959	85,959	63,599	63,599
	424,553	424,553	469,277	469,277
<b>Liabilities carried at amortized cost</b>				
Borrowings	107,560	107,560	785,443	798,908
Debentures	5,029,536	5,135,071	4,034,429	4,224,907
Accounts payable other and others	2,546,574	2,546,574	3,073,290	3,073,290
	7,683,670	7,789,205	7,893,162	8,097,105

## 2) Fair value hierarchy

The different levels have been defined as follows:

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

The table below analyzes financial instruments carried at fair value, by fair value hierarchy as of September 30, 2013.

*(In millions of won)*

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss		17,743		17,743
Derivative financial assets		66,242		66,242
Available-for-sale financial assets	551,308	46,345	96,618	694,271
Financial liabilities at fair value through profit or loss	338,594			338,594
Derivative financial liabilities		85,959		85,959

There have been no transfers from Level 2 to Level 1 in September 30, 2013 and changes of financial assets classified as Level 3 for the nine-month period ended September 30, 2013 are as follows:

*(In millions of won)*



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	<b>Balance at Jan. 1</b>	<b>Other comprehensive income</b>	<b>Disposal</b>	<b>Balance at Sep. 30</b>
Available-for-sale financial assets	100,566	4,563	(8,511)	96,618

**Table of Contents****29. Transactions with Related Parties**

(1) As of September 30, 2013, the parent company and subsidiaries of the Company are as follows:

Type	Company	Ownership percentage (%)	Types of business
Ultimate Controlling Entity(*1)	SK Holdings Co., Ltd.	25.2(*1)	Holding company
Subsidiaries	SK Telink Co., Ltd.	83.5	Telecommunication service
	M&Service Co., Ltd.(*2)	100	Data base and internet website service
	SK Communications Co., Ltd.	64.6(*3)	Internet website services
	PAXNet Co., Ltd.(*4)		Internet website services
	Loen Entertainment, Inc.(*5)	15.0(*3)	Release of music disc
	Stonebridge Cinema Fund	57	Investment association
	Commerce Planet Co., Ltd.	100.0(*3)	Online shopping mall operation agency
	SK Broadband Co., Ltd.	50.6	Telecommunication services
	Broadband Media Co., Ltd.(*6)		Multimedia TV portal service
	K-net Culture and Contents Venture Fund	59.0(*3)	Investment association
	Fitech Focus Limited Partnership II	66.7(*3)	Investment association
	Open Innovation Fund	98.9(*3)	Investment association
	PS&Marketing Corporation	100	Communications device retail business
	Service Ace Co., Ltd.	100	Customer center management service
	Service Top Co., Ltd.	100	Customer center management service
	Network O&S Co., Ltd.	100	Base station maintenance service
	BNCP Co., Ltd.	100.0(*3)	Internet website services
	SK Planet Co., Ltd.	100	Telecommunication services
	Madsmart, Inc.(*7)		Application software production
	SK Telecom China Holdings Co., Ltd.	100	Investment association
	SKY Property Mgmt. Ltd.(*5)	33.0	Investment association
	Shenzhen E-eye High Tech Co., Ltd.	65.5(*3)	Manufacturing
	SK Global Healthcare Business Group., Ltd.	100.0	Investment
	SK China Real Estate Co., Ltd.(*4)		Investment association
	SK Planet Japan	100.0(*3)	Digital contents sourcing service
	SKT Vietnam PTE. Ltd.	73.3	Telecommunication service
	SK Planet Global PTE. Ltd.	100.0(*3)	Digital contents sourcing service
SK Planet Global Holdings PTE. Ltd.	100.0(*3)	Information gathering and consulting	
SKT Americas, Inc.	100.0	Digital contents sourcing service	
SKP America LLC.	100.0(*3)	Investment association	
YTK Investment Ltd.	100.0	Investment association	
Atlas Investment	100.0	Investment association	
Technology Innovation Partners, L.P.	100.0(*3)	Investment association	
SK Telecom China Fund I L.P.	100.0(*3)	Investment association	

**Table of Contents****29. Transactions with Related Parties, Continued**

- (\*1) SK Holdings Co., Ltd. is the Ultimate Controlling Entity because of its de facto control over the Company. The ownership percentage represents parent company's ownership over the Company.
- (\*2) Newly included as subsidiaries during the nine-month period ended September 30, 2013.
- (\*3) The ownership percentage represents subsidiaries' ownership over their subsidiaries, in which the Company has no direct investment.
- (\*4) Excluded as the ownership interests have been disposed for the nine-month period ended September 30, 2013.
- (\*5) Reclassified to investment in associate as part of the ownership interests have been disposed for the nine-month period ended September 30, 2013.
- (\*6) Merged into SK Broadband Co., Ltd. for the nine-month period ended September 30, 2013.
- (\*7) Merged into SK Planet Co., Ltd. for the nine-month period ended September 30, 2013.

## (2) Transactions

*(In millions of won)*

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Parent Company		501	191	474
Subsidiaries	56,362	156,042	58,192	187,040
Associates	7,040	11,929	18,538	69,045
Others	17,733	56,712	17,323	37,570
	81,135	225,184	94,244	294,129

*(In millions of won)*

	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Parent Company		184,419	27,415	190,285
Subsidiaries	520,169	1,493,297	809,147	1,732,432
Associates	23,660	73,987	99,945	341,392
Others	334,326	853,758	487,423	1,245,209

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878,155	2,605,461	1,423,930	3,509,318
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Operating revenue include commission received in relation to the interconnection charges and satellite lease. Operating expense include commission paid in relation to the service provided by related parties.

**Table of Contents****29. Transactions with Related Parties, Continued**

## (3) Account balances

<i>(In millions of won)</i>	Accounts receivable and others		Accounts payable and others	
	September 30, 2013	December 31, 2012	September 30, 2013	December 31, 2012
Parent Company	51	222		
Subsidiaries	23,851	17,329	177,285	385,818
Associates	39,065	63,606	683	73,637
Others	16,876	15,122	61,933	189,659
	79,843	96,279	239,901	649,114

## (4) 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 compensations given to key management for the three and nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	2013		2012	
	Three-month period ended Sep. 30	Nine-month period ended Sep. 30	Three-month period ended Sep. 30	Nine-month period ended Sep. 30
Salaries	329	1,923	301	8,588
Provision for retirement benefits	97	915	78	721
	426	2,838	379	9,309

**30. Sale and Leaseback**

For the year ended December 31, 2012, the Company disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is considered as an operating lease.

For the nine-month period ended September 30, 2013, the Company recognized lease payment of W 10,277 million relating to the above operating lease agreement and lease revenue of W 6,347 million through a sublease agreement. 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	14,013	8,462
1~5 years	57,784	31,890
More than 5 years	56,633	24,866



**Table of Contents****31. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the nine-month periods ended September 30, 2013 and 2012 are as follows:

<i>(In millions of won)</i>	<b>2013</b>	<b>2012</b>
Interest income	(24,035)	(43,556)
Dividends	(20,640)	(31,143)
Gain on foreign currency translation	(283)	(140)
Gain on valuation of financial assets at fair value through profit or loss	(2,387)	
Gain on disposal of long-term investments securities	(1,988)	(470)
Gain on settlement of derivatives	(2,274)	(12,694)
Gain on disposal of investments in subsidiaries and associates	(71,200)	(80,483)
Gain on disposal of property and equipment and intangible assets	(961)	(1,881)
Reversal of allowance for doubtful accounts		(4,531)
Other income	(3,149)	
Interest expenses	208,692	231,289
Loss on foreign currency translation	1,539	412
Loss on disposal of long-term investments securities	73	9,134
Loss on valuation of financial assets at fair value through profit or loss		824
Loss on settlement of derivatives		1,232
Loss relating to financial liabilities at fair value through profit or loss	120,834	1,791
Impairment loss on investment in associates		72,096
Income tax expense	251,556	167,129
Provision for retirement benefits	26,467	23,669
Depreciation and amortization	1,563,577	1,321,897
Bad debt for accounts receivable trade	22,820	14,567
Loss on disposal of property and equipment and intangible assets	218,937	8,858
Impairment loss on property and equipment and intangible assets		15,438
Bad debt for accounts receivable other	19,818	19,874
Other expenses	2,287	57
	2,309,683	1,713,369

**Table of Contents****31. Statements of Cash Flows, Continued**

- (2) Changes in assets and liabilities from operating activities for the nine-month periods ended September 30, 2013 and 2012 are as follows:

*(In millions of won)*

	2013	2012
Accounts receivable trade	(176,999)	(151,836)
Accounts receivable other	(41,398)	408,092
Advance payments	(21,226)	18,944
Prepaid expenses	(2,153)	7,995
Inventories	3,839	(4,420)
Long-term accounts receivables other		5,393
Long-term prepaid expenses	602	
Guarantee deposits	(180)	18,309
Accounts payable other	(394,851)	(191,107)
Advanced receipts	5,903	2,642
Withholdings	58,098	226,808
Deposits received	467	(1,792)
Accrued expenses	(14,159)	373,013
Unearned revenue	(113,714)	(27,067)
Provisions	(191,936)	(283,552)
Long-term provisions	(66,276)	25,927
Plan assets	467	1,416
Retirement benefit payment	(14,011)	(12,306)
Others	2,400	(1,382)
	(965,127)	415,077

- (3) Significant non-cash transactions for the nine-month periods ended September 30, 2013 and 2012 are as follows:

*(In millions of won)*

	2013	2012
Transfer of construction in progress to property and equipment and intangible assets	1,180,245	1,893,741
Transfer of other property and equipment and others to construction in progress	659,800	1,173,522
Accounts payable other related to acquisition of tangible assets and others	19,695	8,010
Provide the existing 1.8GHz frequency use rights	614,600	



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SIGNATURES

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

**SK Telecom Co., Ltd.**

(Registrant)

By: /s/ Soo Cheol Hwang  
(Signature)

Name: Soo Cheol Hwang  
Title: Senior Vice President

Date: December 13, 2013