

SK TELECOM CO LTD
Form 6-K
February 19, 2016

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
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF FEBRUARY 2016

Commission File Number: 333-04906

SK Telecom Co., Ltd.

(Translation of registrant's name into English)

Euljiro 65(Euljiro2-ga), Jung-gu

Seoul 100-999, Korea

(Address of principal executive office)

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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):

RESOLUTION TO CALL

THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Board of Directors of SK Telecom Co., Ltd. (the Company) has resolved to call the Annual General Meeting of Shareholders, to be held at the following time and place and the agenda of which shall be as follows:

- 1. Date / Time** March 18, 2016 10:00 AM (Seoul time)
- 2. Place** 4th Floor, SK Telecom Boramae Building, Boramae-ro 5-Gil 1, Gwanak-gu, Seoul, Korea
- 3. Agenda**
1. Approval of financial statements for the 32nd fiscal year(2015)
 2. Amendment to the Articles of Incorporation
 3. Approval of the appointment of directors as set forth in Item 3 of the Company s agenda enclosed herewith
 - 3.1 Election of an executive Director(candidate: Cho, Dae Sik)
 - 3.2 Election of an independent non-executive director
(candidate: Oh, Dae Shick)
 4. Approval of the election of a member of the Audit Committee (candidate: Oh, Dae Shick)
 5. Approval of ceiling amount of the remuneration for directors
 6. Amendment to the remuneration policy for executives
- 4. Date of the resolution by the Board of Directors** February 18, 2016

| | | |
|------------------------|---------|---|
| Attendance of external | Present | 4 |
| directors | Absent | 0 |

**5. Other Noteworthy
Matters**

-

Documents relating to the Annual Meeting of Shareholders

**1. Approval of Financial Statements for the 32nd Fiscal Year(2015)
SK TELECOM CO., LTD. AND SUBSIDIARIES**

Consolidated Financial Statements

December 31, 2015

Consolidated Statements of Financial Position

As of December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | December 31, 2015 | December 31, 2014 |
|--|---------------|------------------------------|------------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 34,35 | ₩ 768,922 | 834,429 |
| Short-term financial instruments | 6,34,35,36,37 | 691,090 | 313,068 |
| Short-term investment securities | 9,34,35 | 92,262 | 280,161 |
| Accounts receivable - trade, net | 7,34,35,36 | 2,344,867 | 2,392,150 |
| Short-term loans, net | 7,34,35,36 | 53,895 | 74,512 |
| Accounts receivable - other, net | 7,34,35,36 | 673,739 | 690,527 |
| Prepaid expenses | | 151,978 | 134,404 |
| Inventories, net | 8,37 | 273,556 | 267,667 |
| Assets classified as held for sale | 10 | | 10,510 |
| Advanced payments and other | 7,9,34,35,36 | 109,933 | 85,720 |
| Total Current Assets | | 5,160,242 | 5,083,148 |
| Non-Current Assets: | | | |
| Long-term financial instruments | 6,34,35,37 | 10,623 | 631 |
| Long-term investment securities | 9,34,35 | 1,207,226 | 956,280 |
| Investments in associates and joint ventures | 12 | 6,896,293 | 6,298,088 |
| Property and equipment, net | 13,36,37 | 10,371,256 | 10,567,701 |
| Investment property, net | 14 | 15,071 | 14,997 |
| Goodwill | 15 | 1,908,590 | 1,917,595 |
| Intangible assets, net | 16 | 2,304,784 | 2,483,994 |
| Long-term loans, net | 7,34,35,36 | 62,454 | 55,728 |
| Long-term accounts receivable - other | 7,34,35 | 2,420 | 3,596 |
| Long-term prepaid expenses | 37 | 76,034 | 51,961 |
| Guarantee deposits | 6,7,34,35,36 | 297,281 | 285,144 |
| Long-term derivative financial assets | 22,34,35 | 166,399 | 70,035 |
| Deferred tax assets | 2,31 | 17,257 | 25,083 |
| Other non-current assets | 7,34,35 | 85,457 | 127,252 |
| Total Non-Current Assets | | 23,421,145 | 22,858,085 |
| Total Assets | | ₩ 28,581,387 | 27,941,233 |

Consolidated Statements of Financial Position, Continued

As of December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | December 31, 2015 | December 31, 2014 |
|--|-------------|------------------------------|------------------------------|
| Liabilities and Equity | | | |
| Current Liabilities: | | | |
| Short-term borrowings | 17,34,35 | ₩ 260,000 | 366,600 |
| Current installments of long-term debt, net | 17,34,35 | 703,087 | 590,714 |
| Current installments of finance lease liabilities | 20,34,35 | 26 | 3,804 |
| Current installments of long-term payables - other | 18,34,35 | 120,185 | 189,389 |
| Accounts payable - trade | 34,35,36 | 279,782 | 275,495 |
| Accounts payable - other | 34,35,36 | 1,323,434 | 1,381,850 |
| Withholdings | 34,35,36 | 865,327 | 1,053,063 |
| Accrued expenses | 34,35 | 920,739 | 952,418 |
| Income tax payable | 31 | 381,794 | 99,236 |
| Unearned revenue | | 224,233 | 327,003 |
| Provisions | 19 | 40,988 | 51,075 |
| Advanced receipts | 34,35 | 136,844 | 129,255 |
| Liabilities classified as held for sale | 10 | | 408 |
| Other current liabilities | | 54 | |
| Total Current Liabilities | | 5,256,493 | 5,420,310 |
| Non-Current Liabilities: | | | |
| Debentures, excluding current installments, net | 17,34,35 | 6,439,147 | 5,649,158 |
| Long-term borrowings, excluding current installments | 17,34,35 | 121,553 | 149,720 |
| Long-term payables - other | 18,34,35 | 581,697 | 684,567 |
| Long-term unearned revenue | | 2,842 | 19,659 |
| Finance lease liabilities | 20,34,35 | | 26 |
| Defined benefit liabilities | 21 | 98,856 | 91,587 |
| Long-term derivative financial liabilities | 22,34,35 | 89,296 | 130,889 |
| Long-term provisions | 19 | 29,217 | 36,013 |
| Deferred tax liabilities | 31 | 538,114 | 444,211 |
| Other non-current liabilities | 34,35 | 50,076 | 66,823 |
| Total Non-Current Liabilities | | 7,950,798 | 7,272,653 |
| Total Liabilities | | 13,207,291 | 12,692,963 |
| Equity | | | |
| Share capital | 1,23 | 44,639 | 44,639 |
| Capital surplus and other capital adjustments | 23,24,25 | 189,510 | 277,998 |
| Retained earnings | 26 | 15,007,627 | 14,188,591 |
| Reserves | 27 | 9,303 | (4,489) |
| Equity attributable to owners of the Parent Company | | 15,251,079 | 14,506,739 |

| | | |
|-------------------------------------|---------------------|-------------------|
| Non-controlling interests | 123,017 | 741,531 |
| Total Equity | 15,374,096 | 15,248,270 |
| Total Liabilities and Equity | ₩ 28,581,387 | 27,941,233 |

Consolidated Statements of Income

For the years ended December 31, 2015 and 2014

| <i>(In millions of won except for per share data)</i> | <i>Note</i> | 2015 | 2014 |
|---|---------------|------------------|------------------|
| Operating revenue: | <i>5,36</i> | | |
| Revenue | | ₩ 17,136,734 | 17,163,798 |
| Operating expense: | <i>36</i> | | |
| Labor cost | <i>21</i> | 1,893,745 | 1,659,777 |
| Commissions paid | | 5,206,951 | 5,692,680 |
| Depreciation and amortization | <i>5</i> | 2,845,295 | 2,714,730 |
| Network interconnection | | 957,605 | 997,319 |
| Leased line | | 389,819 | 399,014 |
| Advertising | | 405,005 | 415,857 |
| Rent | | 493,586 | 460,309 |
| Cost of products that have been resold | | 1,955,861 | 1,680,110 |
| Other operating expenses | <i>28</i> | 1,280,861 | 1,318,897 |
| | | 15,428,728 | 15,338,693 |
| Operating income | <i>5</i> | 1,708,006 | 1,825,105 |
| Finance income | <i>5,30</i> | 103,900 | 126,337 |
| Finance costs | <i>5,30</i> | (350,100) | (386,673) |
| Gain related to investments in subsidiaries, associates and joint ventures, net | <i>1,5,12</i> | 786,140 | 906,338 |
| Other non-operating income | <i>5,29</i> | 30,910 | 56,279 |
| Other non-operating expenses | <i>5,29</i> | (243,491) | (273,558) |
| Profit before income tax | <i>5</i> | 2,035,365 | 2,253,828 |
| Income tax expense | <i>31</i> | 519,480 | 454,508 |
| Profit for the year | | 1,515,885 | 1,799,320 |
| Attributable to : | | | |
| Owners of the Parent Company | | ₩ 1,518,604 | 1,801,178 |
| Non-controlling interests | | (2,719) | (1,858) |
| Earnings per share | <i>32</i> | | |
| Basic earnings per share (in won) | | ₩ 20,988 | 25,154 |
| Diluted earnings per share (in won) | | ₩ 20,988 | 25,154 |

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | 2015 | 2014 |
|--|-------------|--------------------|------------------|
| Profit for the year | | ₩ 1,515,885 | 1,799,320 |
| Other comprehensive income (loss) | | | |
| Items that will never be reclassified to profit or loss, net of taxes: | | | |
| Remeasurement of defined benefit liabilities | 21 | (14,489) | (32,942) |
| Items that are or may be reclassified subsequently to profit or loss, net of taxes: | | | |
| Net change in unrealized fair value of available-for-sale financial assets | 27,30 | (3,661) | 27,267 |
| Net change in other comprehensive income of investments in associates and joint ventures | 12,27 | (5,709) | 8,187 |
| Net change in unrealized fair value of derivatives | 22,27,30 | (1,271) | (45,942) |
| Foreign currency translation differences for foreign operations | 27 | 26,965 | 14,944 |
| Other comprehensive income (loss) for the year | | 1,835 | (28,486) |
| Total comprehensive income | | ₩ 1,517,720 | 1,770,834 |
| Total comprehensive income attributable to: | | | |
| Owners of the Parent Company | | ₩ 1,522,280 | 1,777,519 |
| Non-controlling interests | | (4,560) | (6,685) |

Consolidated Statements of Changes in Equity

For the years ended December 31, 2015 and 2014

(In millions of won)

| | Controlling Interest | | | | Sub-total | Non-controlling interests | Total equity |
|---|----------------------|---|-------------------|----------|------------|---------------------------|--------------|
| | Share capital | Capital surplus (deficit) and other capital adjustments | Retained earnings | Reserves | | | |
| Balance, January 1, 2014 | ₩ 44,639 | 317,508 | 13,102,495 | (12,270) | 13,452,372 | 714,185 | 14,166,557 |
| Cash dividends | | | (666,802) | | (666,802) | (170) | (666,972) |
| Total comprehensive income | | | | | | | |
| Profit (loss) for the year | | | 1,801,178 | | 1,801,178 | (1,858) | 1,799,320 |
| Other comprehensive income (loss) | | | (31,440) | 7,781 | (23,659) | (4,827) | (28,486) |
| | | | 1,769,738 | 7,781 | 1,777,519 | (6,685) | 1,770,834 |
| Interest on hybrid bond | | | (16,840) | | (16,840) | | (16,840) |
| Changes in consolidation scope | | | | | | 23,667 | 23,667 |
| Business combination under common control | | (28,641) | | | (28,641) | | (28,641) |
| Changes in ownership in subsidiaries | | (10,869) | | | (10,869) | 10,534 | (335) |
| Balance, December 31, 2014 | ₩ 44,639 | 277,998 | 14,188,591 | (4,489) | 14,506,739 | 741,531 | 15,248,270 |
| Balance, January 1, 2015 | ₩ 44,639 | 277,998 | 14,188,591 | (4,489) | 14,506,739 | 741,531 | 15,248,270 |
| Cash dividends | | | (668,494) | | (668,494) | (143) | (668,637) |
| Total comprehensive income | | | | | | | |
| Profit (loss) for the year | | | 1,518,604 | | 1,518,604 | (2,719) | 1,515,885 |
| Other comprehensive income | | | (13,402) | 17,078 | 3,676 | (1,841) | 1,835 |

income (loss)

| | | | | | | |
|--------------------------------------|-----------------|----------------|-------------------|--------------|-------------------|-------------------|
| | | 1,505,202 | 17,078 | 1,522,280 | (4,560) | 1,517,720 |
| Interest on hybrid bond | | (16,840) | | (16,840) | | (16,840) |
| Acquisition of treasury stock | (490,192) | | | (490,192) | | (490,192) |
| Disposal of treasury stock | 425,744 | | | 425,744 | | 425,744 |
| Changes in consolidation scope | | | | | (5,226) | (5,226) |
| Changes in ownership in subsidiaries | (24,040) | (832) | (3,286) | (28,158) | (608,585) | (636,743) |
| Balance, December 31, 2015 | ₩ 44,639 | 189,510 | 15,007,627 | 9,303 | 15,251,079 | 123,017 |
| | | | | | | 15,374,096 |

Consolidated Statements of Cash Flows

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | 2015 | 2014 |
|---|-------------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operating activities | | | |
| Profit for the year | | ₩ 1,515,885 | 1,799,320 |
| Adjustments for income and expenses | 38 | 3,250,143 | 2,978,995 |
| Changes in assets and liabilities related to operating activities | 38 | (685,734) | (707,333) |
| Sub-total | | 4,080,294 | 4,070,982 |
| Interest received | | 43,400 | 56,706 |
| Dividends received | | 62,973 | 13,048 |
| Interest paid | | (275,796) | (280,847) |
| Income tax paid | | (132,742) | (182,504) |
| Net cash provided by operating activities | | 3,778,129 | 3,677,385 |
| Cash flows from investing activities: | | | |
| Cash inflows from investing activities: | | | |
| Decrease in short-term financial instruments, net | | | 5,627 |
| Decrease in short-term investment securities, net | | 105,158 | |
| Collection of short-term loans | | 398,308 | 207,439 |
| Decrease in long-term financial instruments | | 7,424 | 2,535 |
| Proceeds from disposals of long-term investment securities | | 149,310 | 65,287 |
| Proceeds from disposals of investments in associates and joint ventures | | 185,094 | 7,333 |
| Proceeds from disposals of property and equipment | | 36,586 | 25,143 |
| Proceeds from disposals of intangible assets | | 3,769 | 10,917 |
| Proceeds from disposals of assets held for sale | | 1,009 | 3,667 |
| Collection of long-term loans | | 2,132 | 4,454 |
| Decrease in deposits | | 14,635 | 8,891 |
| Proceeds from disposals of other non-current assets | | 607 | 94 |
| Proceeds from disposals of subsidiaries, | | 155 | |
| Increase in cash due to acquisition of a subsidiary | | 10,355 | |
| Sub-total | | 914,542 | 341,387 |
| Cash outflows for investing activities: | | | |
| Increase in short-term financial instruments, net | | (385,612) | |
| Increase in short-term investment securities, net | | | (174,209) |
| Increase in short-term loans | | (370,378) | (202,501) |
| Increase in long-term loans | | (16,701) | (4,341) |
| Increase in long-term financial instruments | | (10,008) | (2,522) |
| Acquisitions of long-term investment securities | | (312,261) | (41,305) |
| Acquisitions of investments in associates and joint ventures | | (65,080) | (60,020) |
| Acquisitions of property and equipment | | (2,478,778) | (3,008,026) |
| Acquisitions of intangible assets | | (127,948) | (130,667) |
| Cash held by disposal group classified as held for sale | | | (552) |

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| | | |
|--|----------------------|--------------------|
| Increase in deposits | (12,536) | (6,903) |
| Increase in other non-current assets | (2,542) | (18,233) |
| Acquisitions of business, net of cash acquired | (13,197) | (375,273) |
| Sub-total | (3,795,041) | (4,024,552) |
| Net cash used in investing activities | ₩ (2,880,499) | (3,683,165) |

Consolidated Statements of Cash Flows, Continued

For the years ended December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | 2015 | 2014 |
|---|-------------|--------------------|--------------------|
| Cash flows from financing activities: | | | |
| Cash inflows from financing activities: | | | |
| Increase in short-term borrowings, net | ₩ | | 102,868 |
| Proceeds from issuance of debentures | | 1,375,031 | 1,255,468 |
| Proceeds from long-term borrowings | | | 62,552 |
| Cash inflows from settlement of derivatives | | 175 | 200 |
| Sub-total | | 1,375,206 | 1,421,088 |
| Cash outflows for financing activities: | | | |
| Decrease in short-term borrowings, net | | (106,600) | |
| Repayments of long-term account payables-other | | (191,436) | (207,791) |
| Repayments of debentures | | (620,000) | (1,039,938) |
| Repayments of long-term borrowings | | (21,924) | (23,284) |
| Cash outflows from settlement of derivatives | | (655) | (6,444) |
| Payments of finance lease liabilities | | (3,206) | (19,388) |
| Payments of dividends | | (668,494) | (666,802) |
| Payments of interest on hybrid bond | | (16,840) | (16,840) |
| Acquisitions of treasury stock | | (490,192) | |
| Decrease in cash from the consolidated capital transaction | | (220,442) | |
| Sub-total | | (2,339,789) | (1,980,487) |
| Net cash used in financing activities | | (964,583) | (559,399) |
| Net decrease in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the year | | 834,429 | 1,398,639 |
| Effects of exchange rate changes on cash and cash equivalents | | 1,446 | 969 |
| Cash and cash equivalents at end of the year | ₩ | 768,922 | 834,429 |

1. Reporting Entity

(1) General

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

| | Number of shares | Percentage of total shares issued (%) |
|--|---------------------|--|
| SK Holdings Co., Ltd.(*) | 20,363,452 | 25.22 |
| National Pension Service | 6,963,591 | 8.63 |
| Institutional investors and other minority stockholders | 43,282,117 | 53.60 |
| Treasury stock | 10,136,551 | 12.55 |
| Total number of shares | 80,745,711 | 100.00 |

(*) During the year ended December 31, 2015, SK C&C Co., Ltd., the ultimate controlling entity's investee accounted using the equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Parent Company, and changed its name to SK, Holdings Co., Ltd.

These consolidated 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 December 31, 2015 and 2014 is as follows:

| Subsidiary | Location | Primary business | Ownership (%) | |
|--|----------|--|------------------|------------------|
| | | | Dec. 31, 2015 | Dec. 31, 2014 |
| SK Telink Co., Ltd. | Korea | Telecommunication and MVNO service | 83.5 | 83.5 |
| M&Service Co., Ltd. | Korea | Data base and internet website service | 100.0 | 100.0 |
| SK Communications Co., Ltd. | Korea | Internet website services | 64.6 | 64.6 |
| Stonebridge Cinema Fund | Korea | Investment association | 55.2 | 56.0 |
| Commerce Planet Co., Ltd. | Korea | Online shopping mall operation agency | 100.0 | 100.0 |
| SK Broadband Co., Ltd.(*1,4) | Korea | Telecommunication services | 100.0 | 50.6 |
| K-net Culture and Contents Venture Fund | Korea | Investment association | 59.0 | 59.0 |
| Fitech Focus Limited Partnership II | Korea | Investment association | 66.7 | 66.7 |

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| | | | | |
|------------------------------|-------|---------------------------------------|-------|-------|
| Open Innovation Fund | Korea | Investment association | 98.9 | 98.9 |
| PS&Marketing Corporation | Korea | Communications device retail business | 100.0 | 100.0 |
| Service Ace Co., Ltd. | Korea | Customer center management service | 100.0 | 100.0 |
| Service Top Co., Ltd. | Korea | Customer center management service | 100.0 | 100.0 |
| Network O&S Co., Ltd. | Korea | Base station maintenance service | 100.0 | 100.0 |
| BNCP Co., Ltd.(*5) | Korea | Internet website services | | 100.0 |
| Iconcube Holdings, Inc. (*5) | Korea | Investment association | | 100.0 |
| Iconcube, Inc. (*5) | Korea | Internet website services | | 100.0 |
| SK Planet Co., Ltd. | Korea | Telecommunication service | 100.0 | 100.0 |
| Neosnetworks Co.,Ltd.(*2) | Korea | Guarding of facilities | 83.9 | 66.7 |

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

| Subsidiary | Location | Primary business | Ownership (%) | |
|--|-----------|---|---------------|---------------|
| | | | Dec. 31, 2015 | Dec. 31, 2014 |
| IRIVER LIMITED (*3) | Korea | Manufacturing digital audio players and other portable media devices. | 49.0 | 49.0 |
| Iriver CS Co., Ltd. (*5) | Korea | After-sales service and logistics agency | | 100.0 |
| iriver Enterprise Ltd. | Hong Kong | Management of Chinese subsidiary | 100.0 | 100.0 |
| iriver America Inc. | USA | Marketing and sales in North America | 100.0 | 100.0 |
| iriver Inc. | USA | Marketing and sales in North America | 100.0 | 100.0 |
| iriver China Co., Ltd. | China | Sales and manufacturing MP3,4 in China | 100.0 | 100.0 |
| Dongguan iriver Electronics Co., Ltd. | China | Sales and manufacturing e-book in China | 100.0 | 100.0 |
| Groovers JP Ltd.(*5) | Japan | Digital music contents sourcing and distribution service | 100.0 | |
| SK Telecom China Holdings Co., Ltd. | China | Investment association | 100.0 | 100.0 |
| Shenzhen E-eye High Tech Co., Ltd.(*5) | China | Manufacturing | | 65.5 |
| SK Global Healthcare Business Group., Ltd. | Hong Kong | Investment association | 100.0 | 100.0 |
| SK Planet Japan | Japan | Digital contents sourcing service | 100.0 | 100.0 |
| SKT Vietnam PTE. Ltd. | Singapore | Telecommunication service | 73.3 | 73.3 |
| SK Planet Global PTE. Ltd. | Singapore | Digital contents sourcing service | 100.0 | 100.0 |
| SKP GLOBAL HOLDINGS PTE. LTD. | Singapore | Investment association | 100.0 | 100.0 |
| SKT Americas, Inc. | USA | Information gathering and consulting | 100.0 | 100.0 |
| SKP America LLC. | USA | Digital contents sourcing service | 100.0 | 100.0 |
| YTK Investment Ltd. | Cayman | Investment association | 100.0 | 100.0 |
| Atlas Investment | Cayman | Investment association | 100.0 | 100.0 |
| Technology Innovation Partners, LP. | USA | Investment association | 100.0 | 100.0 |
| SK Telecom China Fund I L.P. | Cayman | Investment association | 100.0 | 100.0 |
| Entrix Co., Ltd.(*5) | Korea | Cloud streaming services | 100.0 | |
| shopkick Management Company, Inc. | USA | Investment association | 95.2 | 95.2 |
| shopkick, Inc. | USA | Mileage-based online transaction app development | 100.0 | 100.0 |

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

(*2) Due to the shareholders' agreement which grants put option to the non-controlling shareholders, this entity is consolidated as a wholly owned subsidiary in the consolidated financial statements. The Parent Company newly acquired 50,377 and 326,748 shares of Neosnetworks Co., Ltd. by participating in the capital increase and capital increase without consideration respectively for the year ended December 31, 2015,

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

vote holders, and the other shareholdings are widely dispersed.

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

(*4) On November 2, 2015, the board of directors of the Parent Company resolved to acquire 30% of the issued and outstanding common shares of CJ Hello Vision Co, Ltd. (CJ Hello Vision) from CJ O Shopping Co., Ltd. (CJ O Shopping), and the Parent Company entered into a share purchase agreement with CJ O Shopping. On April 4, 2016 (the transaction closing date), the Parent Company will acquire 23,234,060 shares of CJ Hello Vision. As of December 31, 2015, the approval of relevant government agencies for the share purchase has not been completed yet and the deal closing will depend upon the status of the pre-requirements including the government agencies approval. According to the share purchase agreement, the Parent Company will grant put option (the exercise date: after 2 years from the date which is 3 years from the transaction closing date) to CJ O Shopping and be granted call option (the exercise date: after 5 years from the transaction closing date) on CJ O Shopping s remaining shares in CJ Hello Vision. On November 2, 2015, the board of directors of SK Broadband Co., Ltd. (SK Broadband), a subsidiary of the Parent Company, held a meeting to resolve the merger of SK Broadband into CJ Hello Vision, and SK Broadband entered into a merger agreement with CJ Hello Vision. Under the agreement, SK Broadband will be merged into CJ Hello Vision on April 1, 2016 (the registered date of the merger: April 4, 2016). As of December 31, 2015, the approval of relevant government agencies for the merger has not been completed yet and the deal closing will depend upon the status of the pre-requirements including the government agencies approval.

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

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

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries

Condensed financial information of subsidiaries as of and for the year ended December 31, 2015 is as follows:

(In millions of won)

| Subsidiary | Total assets | Total liabilities | Total equity | Revenue | Profit (loss) |
|--|---------------------|--------------------------|---------------------|----------------|----------------------|
| SK Telink Co., Ltd. | ₩ 309,955 | 113,878 | 196,077 | 431,368 | 55,781 |
| M&Service Co., Ltd. | 89,452 | 42,414 | 47,038 | 143,255 | 5,549 |
| SK Communications Co., Ltd. | 152,496 | 35,014 | 117,482 | 80,147 | (14,826) |
| Stonebridge Cinema Fund | 7,797 | 523 | 7,274 | | 3,290 |
| Commerce Planet Co., Ltd. | 26,291 | 33,660 | (7,369) | 78,647 | (3,003) |
| SK Broadband Co., Ltd. | 3,291,707 | 2,170,484 | 1,121,223 | 2,731,344 | 10,832 |
| K-net Culture and Contents Venture Fund | 13,169 | | 13,169 | | (421) |
| Fitech Focus Limited Partnership II | 18,249 | | 18,249 | | (1,085) |
| Open Innovation Fund | 19,455 | | 19,455 | | (2,348) |
| PS&Marketing Corporation | 509,580 | 300,364 | 209,216 | 1,791,944 | 4,835 |
| Service Ace Co., Ltd. | 65,424 | 34,240 | 31,184 | 206,338 | 2,778 |
| Service Top Co., Ltd. | 61,897 | 38,482 | 23,415 | 197,092 | 4,396 |
| Network O&S Co., Ltd. | 77,426 | 48,069 | 29,357 | 210,676 | 6,466 |
| SK Planet Co., Ltd. | 2,406,988 | 784,631 | 1,622,357 | 1,624,630 | (75,111) |
| Neosnetworks Co.,Ltd. | 68,361 | 15,583 | 52,778 | 61,092 | (5,615) |
| IRIVER LIMITED(*1) | 60,434 | 12,377 | 48,057 | 55,637 | 635 |
| SK Telecom China Holdings Co., Ltd. | 37,748 | 2,111 | 35,637 | 10,764 | (10,124) |
| SK Global Healthcare Business Group., Ltd. | 24,584 | | 24,584 | | (1,290) |
| SK Planet Japan | 5,068 | 1,021 | 4,047 | 699 | (4,988) |
| SKT Vietnam PTE. Ltd. | 4,523 | 1,371 | 3,152 | | |
| SK Planet Global PTE. Ltd. | 1,570 | 218 | 1,352 | 1 | (4,069) |
| SKP GLOBAL HOLDINGS PTE. LTD. | 28,320 | 16 | 28,304 | | (23,918) |
| SKT Americas, Inc. | 51,138 | 837 | 50,301 | 9,132 | (3,204) |
| SKP America LLC. | 380,141 | | 380,141 | | 791 |
| YTK Investment Ltd. | 16,318 | | 16,318 | | (3,210) |
| Atlas Investment(*2) | 77,750 | 199 | 77,551 | | (2,429) |
| Entrix Co., Ltd. | 30,876 | 3,186 | 27,690 | 4,895 | (1,826) |
| shopkick Management Company, Inc. | 306,248 | 7 | 306,241 | 7 | (2,455) |
| shopkick, Inc. | 25,388 | 32,243 | (6,855) | 33,851 | (52,390) |

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

(*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.

1. Reporting Entity, Continued**(3) Condensed financial information of subsidiaries, Continued**

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

(In millions of won)

| Subsidiary | Total assets | Total liabilities | Total equity | Revenue | Profit (loss) |
|--|---------------------|--------------------------|---------------------|----------------|----------------------|
| SK Telink Co., Ltd. | ₩ 324,028 | 184,074 | 139,954 | 465,463 | 13,073 |
| M&Service Co., Ltd. | 78,826 | 36,817 | 42,009 | 133,789 | 7,492 |
| SK Communications Co., Ltd. | 176,168 | 41,987 | 134,181 | 93,910 | (18,386) |
| Stonebridge Cinema Fund | 11,137 | 320 | 10,817 | | 383 |
| Commerce Planet Co., Ltd. | 26,078 | 27,259 | (1,181) | 64,509 | 933 |
| SK Broadband Co., Ltd. | 3,109,991 | 1,988,379 | 1,121,612 | 2,654,381 | 4,307 |
| K-net Culture and Contents Venture Fund | 21,094 | 4 | 21,090 | | 4,920 |
| Fitech Focus Limited Partnership II | 19,301 | | 19,301 | | (2,055) |
| Open Innovation Fund | 21,765 | | 21,765 | | (6,266) |
| PS&Marketing Corporation | 544,292 | 336,221 | 208,071 | 1,627,217 | 2,817 |
| Service Ace Co., Ltd. | 66,336 | 37,770 | 28,566 | 207,427 | 3,570 |
| Service Top Co., Ltd. | 57,032 | 36,723 | 20,309 | 188,835 | 3,503 |
| Network O&S Co., Ltd. | 71,348 | 45,770 | 25,578 | 211,916 | 3,823 |
| BNCP Co., Ltd. | 6,785 | 5,887 | 898 | 12,869 | (1,505) |
| Iconcube Holdings, Inc.(*1) | 1,415 | 515 | 900 | 630 | (2,284) |
| SK Planet Co., Ltd. | 2,579,286 | 746,832 | 1,832,454 | 1,512,492 | 1,593 |
| Neosnetworks Co.,Ltd. | 31,633 | 13,251 | 18,382 | 33,302 | (1,989) |
| IRIVER LIMITED(*2) | 61,945 | 14,392 | 47,553 | 53,192 | 2,345 |
| SK Telecom China Holdings Co., Ltd. | 37,877 | 2,335 | 35,542 | 12,420 | 1,058 |
| Shenzhen E-eye High Tech Co., Ltd. | 15,566 | 408 | 15,158 | 3,637 | (1,143) |
| SK Global Healthcare Business Group., Ltd. | 25,768 | | 25,768 | | (106) |
| SK Planet Japan | 5,222 | 1,638 | 3,584 | 93 | (4,561) |
| SKT Vietnam PTE. Ltd. | 4,242 | 1,286 | 2,956 | | (73) |
| SK Planet Global PTE. Ltd. | 4,215 | 64 | 4,151 | 87 | (2,543) |
| SKP GLOBAL HOLDINGS PTE. LTD. | 29,529 | 11 | 29,518 | | (9,716) |
| SKT Americas, Inc. | 42,159 | 554 | 41,605 | 9,100 | (5) |
| SKP America LLC. | 297,981 | 67 | 297,914 | | (2,370) |
| YTK Investment Ltd. | 27,944 | | 27,944 | | (15,259) |
| Atlas Investment(*3) | 66,825 | 94 | 66,731 | | (6,626) |
| shopkick Management Company, Inc. | 230,925 | | 230,925 | | |
| shopkick, Inc. | 28,216 | 13,698 | 14,518 | | |

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

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

Ltd., subsidiaries of IRIVER LIMITED.

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

1. Reporting Entity, Continued

(4) Changes in subsidiaries

The list of subsidiaries that were newly included from consolidation during the year ended December 31, 2015 is as follows:

| Subsidiary | Reason |
|-------------------|--|
| Groovers JP Ltd. | Established by IRIVER LIMITED, a subsidiary of the Parent Company during the year ended December 31, 2015. |
| Entrix Co., Ltd | Established by spin-off from SK Planet Co., Ltd., a subsidiary of the Parent Company. |

The list of subsidiaries that were excluded from subsidiaries during the year ended December 31, 2015 is as follows:

| Subsidiary | Reason |
|------------------------------------|---|
| BNCP Co., Ltd. | Disposed during the year ended December 31, 2015. |
| Iconcube Holdings, Inc. | Disposed during the year ended December 31, 2015. |
| Iconcube, Inc. | Disposed during the year ended December 31, 2015. |
| Irver CS Co., Ltd. | Merged into IRIVER LIMITED, a subsidiary of the Parent Company during the year ended December 31, 2015. |
| Shenzhen E-eye High Tech Co., Ltd. | Disposed during the year ended December 31, 2015. |

1. Reporting Entity, Continued

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

(In millions of won)

| | December 31, 2015 | |
|--|------------------------------------|----------|
| | SK Communications Co., Ltd. | |
| Ownership of non-controlling interests (%) | | 35.4 |
| Current assets | ₩ | 95,662 |
| Non-current assets | | 56,834 |
| Current liabilities | | (33,298) |
| Non-current liabilities | | (1,708) |
| Net assets | | 117,490 |
| Net assets of consolidated entities | | 117,490 |
| Carrying amount of non-controlling interests | | 41,659 |
| Revenue | ₩ | 80,147 |
| Loss for the period | | (14,819) |
| Loss of the consolidated entities | | (14,819) |
| Total comprehensive loss | | (21,546) |
| Loss attributable to non-controlling interests | | (5,254) |
| Net cash used in operating activities | ₩ | (2,706) |
| Net cash provided by investing activities | | 8,723 |
| Net cash provided by financing activities | | |
| Net increase in cash and cash equivalents | | 6,017 |

1. Reporting Entity, Continued

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

(In millions of won)

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

2. Basis of Presentation

(1) Statement of compliance

These consolidated financial statements were prepared in accordance with K-IFRS, as prescribed in the Act on External Audits of Stock Companies in the Republic of Korea.

The consolidated financial statements were authorized for issuance by the Board of Directors on February 3, 2016, which will be submitted for approval at the shareholders meeting to be held on March 18, 2016.

(2) Basis of measurement

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

derivative financial instruments are measured at fair value

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

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

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

(3) Functional and presentation currency

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

(4) Use of estimates and judgments

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

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

1) Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes: revenue, consolidation: whether the Group has de facto control over an investee: and classification of lease.

2. Basis of Presentation, Continued

(4) Use of estimates and judgments, Continued

2) Assumptions and estimation uncertainties

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

3) Fair value measurement

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

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

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

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

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

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

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

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

(5) Common control transactions

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

3. Changes in Accounting Policies

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

The Group has adopted the following amendments to standards with a date of initial application of January 1, 2015.

1) K-IFRS 1019 Employee Benefits Employee contributions

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

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

4. Significant Accounting Policies

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

(1) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group's operating segments have been determined to be each business unit, for which the Group generates separately identifiable financial information that is regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The Group has three reportable segments which consist of cellular services, fixed-line telecommunication services and others, as described in Note 5. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Significant Accounting Policies, Continued

(2) Basis of consolidation

(i) Business combination

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

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

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

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

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

(ii) Non-controlling interests

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

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

(iii) Subsidiaries

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

4. Significant Accounting Policies, Continued

(2) Basis of consolidation, Continued

(iv) Loss of control

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

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

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

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

(vi) Intra-group transactions

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

(vii) Business combinations under common control

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

(3) Cash and cash equivalents

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

(4) Inventories

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

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

(v) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets

that is created or retained by the Group is recognized as a separate asset or liability. If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

(vi) Offsetting between financial assets and financial liabilities

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

(6) Derivative financial instruments, including hedge accounting

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

(i) Hedge accounting

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

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

Fair value hedge

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

Cash flow hedge

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

in profit or loss.

4. Significant Accounting Policies, Continued

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

(ii) Separable embedded derivatives

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

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

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

(iii) Other derivative financial instruments

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

(7) Impairment of financial assets

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

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

significant financial difficulty of the issuer or obligor;

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

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

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

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

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

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

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets, Continued

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

(i) Financial assets measured at amortized cost

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

(ii) Financial assets carried at cost

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

(iii) Available-for-sale financial assets

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

(8) Property, plant and equipment

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

4. Significant Accounting Policies, Continued

(8) Property, plant and equipment, Continued

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

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

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

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

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

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

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

(9) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the

purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

4. Significant Accounting Policies, Continued

(10) Intangible assets

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

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

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

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

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

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

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

4. Significant Accounting Policies, Continued

(11) Government grants

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

(i) Grants related to assets

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

(ii) Grants related to income

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

(12) Investment property

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

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

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

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

(13) Impairment of non-financial assets

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

4. Significant Accounting Policies, Continued

(13) Impairment of non-financial assets, Continued

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

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

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

(14) Leases

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

(i) Finance leases

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

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

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

asset may be impaired.

4. Significant Accounting Policies, Continued

(14) Leases, Continued

(ii) Operating leases

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

(iii) Determining whether an arrangement contains a lease

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

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

(15) Non-current assets held for sale

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

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

4. Significant Accounting Policies, Continued

(16) Non-derivative financial liabilities

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

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

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

(ii) Other financial liabilities

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

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

(17) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

4. Significant Accounting Policies, Continued

(17) Employee benefits, Continued

(iii) Retirement benefits: defined contribution plans

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

(iv) Retirement benefits: defined benefit plans

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

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

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

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

(v) Termination benefits

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

4. Significant Accounting Policies, Continued

(18) Provisions

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

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

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

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

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

(19) Foreign currencies

(i) Foreign currency transactions

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

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

(ii) Foreign operations

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

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

4. Significant Accounting Policies, Continued

(19) Foreign currencies, Continued

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

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

(20) Equity capital

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

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

(21) Hybrid bond

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

(22) Revenue

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

(i) Services

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

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

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

4. Significant Accounting Policies, Continued

(22) Revenue, Continued

(ii) Goods sold

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

(iii) Customer loyalty programmes

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

(iv) Bundled arrangements

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

(23) Finance income and finance costs

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

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

(24) Income taxes

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

comprehensive income.

4. Significant Accounting Policies, Continued

(24) Income taxes, Continued

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

4. Significant Accounting Policies, Continued

(25) Earnings per share

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

(26) Discontinued operations

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

(27) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and but not effective for the Group for annual periods beginning on or after January 1, 2015 are as follows. The Group has not early adopted them.

As of December 31, 2015, management is not able to evaluate the impact, if any, of applying these standards on its financial position and results of operations.

1) K-IFRS 1109 Financial Instruments

K-IFRS 1109, published in December 2015, replaces the existing guidance in K-IFRS 1039, Financial Instruments: Recognition and Measurement. K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS 1039. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

2) K-IFRS 1115 Revenue from Contracts with Customers

K-IFRS 1115, published in January 2016, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS 1018, Revenue, K-IFRS 1011, Construction Contracts and K-IFRS 2113, Customer Loyalty Programmes. K-IFRS 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

SK TELECOM CO., LTD.
Separate Financial Statements
December 31, 2015

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Separate Statements of Financial Position

As of December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | December 31, 2015 | December 31, 2014 |
|--|--------------|------------------------------|------------------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 29,30 | ₩ 431,666 | 248,311 |
| Short-term financial instruments | 5,29,30 | 121,500 | 143,000 |
| Short-term investment securities | 7,29,30 | 92,262 | 197,161 |
| Accounts receivable - trade, net | 6,29,30,31 | 1,528,751 | 1,559,281 |
| Short-term loans, net | 6,29,30,31 | 47,741 | 67,989 |
| Accounts receivable - other, net | 6,29,30,31 | 264,741 | 305,990 |
| Prepaid expenses | | 92,220 | 86,070 |
| Inventories, net | | 45,991 | 23,694 |
| Advanced payments and other | 6,29,30 | 88,657 | 58,417 |
| Total Current Assets | | 2,713,529 | 2,689,913 |
| Non-Current Assets: | | | |
| Long-term financial instruments | 5,29,30 | 10,062 | 69 |
| Long-term investment securities | 7,29,30 | 726,505 | 608,797 |
| Investments in subsidiaries and associates | 8 | 8,810,548 | 8,181,769 |
| Property and equipment, net | 9,31 | 7,442,280 | 7,705,906 |
| Goodwill | 10 | 1,306,236 | 1,306,236 |
| Intangible assets, net | 11 | 1,766,069 | 1,928,169 |
| Long-term loans, net | 6,29,30,31 | 35,080 | 38,457 |
| Long-term prepaid expenses | | 29,802 | 28,551 |
| Guarantee deposits | 5,6,29,30,31 | 166,656 | 156,807 |
| Long-term derivative financial assets | 16,29,30 | 139,923 | 67,728 |
| Other non-current assets | | 250 | 60 |
| Total Non-Current Assets | | 20,433,411 | 20,022,549 |
| Total Assets | | ₩ 23,146,940 | 22,712,462 |

Separate Statements of Financial Position, Continued

As of December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | December 31, 2015 | December 31, 2014 |
|--|-----------------|------------------------------|------------------------------|
| Liabilities and Equity | | | |
| Current Liabilities: | | | |
| Short-term borrowings | <i>12,29,30</i> | ₩ 230,000 | 200,000 |
| Current installments of debentures and long-term borrowings, net | <i>12,29,30</i> | 592,637 | 211,863 |
| Current installments of long-term payables - other | <i>13,29,30</i> | 120,185 | 189,389 |
| Accounts payable - other | <i>29,30,31</i> | 927,170 | 1,086,485 |
| Withholdings | <i>29,30</i> | 607,690 | 801,119 |
| Accrued expenses | <i>29,30</i> | 540,770 | 615,488 |
| Income tax payable | <i>26</i> | 375,189 | 91,315 |
| Unearned revenue | | 10,014 | 92,783 |
| Provisions | <i>14</i> | 37,551 | 50,456 |
| Advanced receipts | | 50,100 | 39,148 |
| Total Current Liabilities | | 3,491,306 | 3,378,046 |
| Non-Current Liabilities: | | | |
| Debentures, excluding current installments, net | <i>12,29,30</i> | 5,033,495 | 4,655,137 |
| Long-term borrowings, excluding current installments | <i>12,29,30</i> | 72,554 | 80,147 |
| Long-term payables - other | <i>13,29,30</i> | 550,964 | 657,001 |
| Long-term unearned revenue | | 2,768 | 19,544 |
| Defined benefit liabilities | <i>15</i> | 4,006 | 15,555 |
| Long-term derivative financial liabilities | <i>16,29,30</i> | 89,296 | 130,889 |
| Long-term provisions | <i>14</i> | 20,055 | 27,676 |
| Deferred tax liabilities | <i>26</i> | 56,274 | 144,876 |
| Other non-current liabilities | <i>29,30</i> | 46,762 | 61,370 |
| Total Non-Current Liabilities | | 5,876,174 | 5,792,195 |
| Total Liabilities | | 9,367,480 | 9,170,241 |
| Equity | | | |
| Share capital | <i>1,17</i> | 44,639 | 44,639 |
| Capital surplus and other capital adjustments | <i>17,18,19</i> | 369,446 | 433,894 |
| Retained earnings | <i>20,21</i> | 13,418,603 | 12,996,790 |
| Reserves | <i>22</i> | (53,228) | 66,898 |
| Total Equity | | 13,779,460 | 13,542,221 |
| Total Liabilities and Equity | | ₩ 23,146,940 | 22,712,462 |

Separate Statements of Income

For the years ended of December 31, 2015 and 2014

| <i>(In millions of won except for per share data)</i> | <i>Note</i> | 2015 | 2014 |
|--|-------------|--------------------|------------------|
| Operating revenue: | <i>31</i> | | |
| Revenue | | ₩ 12,556,979 | 13,012,644 |
| Operating expense: | <i>31</i> | | |
| Labor cost | | 694,666 | 588,635 |
| Commissions paid | | 5,102,723 | 5,591,245 |
| Depreciation and amortization | | 2,155,531 | 2,095,702 |
| Network interconnection | | 720,879 | 771,786 |
| Leased line | | 358,031 | 370,549 |
| Advertising | | 175,776 | 213,605 |
| Rent | | 403,317 | 377,112 |
| Cost of products that have been resold | | 462,256 | 457,049 |
| Other operating expenses | <i>23</i> | 825,024 | 809,801 |
| | | 10,898,203 | 11,275,484 |
| Operating income | | 1,658,776 | 1,737,160 |
| Finance income | <i>25</i> | 246,394 | 82,276 |
| Finance costs | <i>25</i> | (314,191) | (293,338) |
| Other non-operating income | <i>24</i> | 15,277 | 37,422 |
| Other non-operating expenses | <i>24</i> | (132,993) | (184,177) |
| Loss relating to investments in subsidiaries and associates, net | <i>8</i> | (3,819) | (57,593) |
| Profit before income tax | | 1,469,444 | 1,321,750 |
| Income tax expense | <i>26</i> | 362,683 | 293,209 |
| Profit for the year | | ₩ 1,106,761 | 1,028,541 |
| Earnings per share | <i>27</i> | | |
| Basic earnings per share (in won) | | ₩ 15,233 | 14,262 |
| Diluted earnings per share (in won) | | ₩ 15,233 | 14,262 |

Separate Statements of Comprehensive Income

For the years ended of December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | 2015 | 2014 |
|--|--------------|--------------------|------------------|
| Profit for the year | | ₩ 1,106,761 | 1,028,541 |
| Other comprehensive income (loss) | | | |
| Items that will never be reclassified to profit or loss, net of taxes: | | | |
| Remeasurement of defined benefit liabilities | <i>15</i> | 386 | (13,808) |
| Items that are or may be reclassified subsequently to profit or loss, net of taxes: | | | |
| Net change in unrealized fair value of available-for-sale financial assets | <i>22</i> | (121,528) | (66,103) |
| Net change in unrealized fair value of derivatives | <i>16,22</i> | 1,402 | (38,175) |
| Other comprehensive loss for the year | | (119,740) | (118,086) |
| Total comprehensive income | | ₩ 987,021 | 910,455 |

Separate Statements of Changes in Equity

For the years ended of December 31, 2015 and 2014

| | Share capital | Capital surplus (deficit) and other capital adjustments | | | | | Retained earnings | Reserves | Total equity |
|------------------------------|---------------|---|----------------|------------------------------------|------------------|-----------|-------------------|-----------|--------------|
| | | Paid-in surplus | Treasury stock | Loss on disposal of treasury stock | Hybrid stockbond | Other | | | |
| Balance, January 1, 2014 | ₩ 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,665,699 | 171,176 | 13,310,829 |
| Dividends | | | | | | | (666,802) | | (666,802) |
| Impact on hybrid bonds | | | | | | | (16,840) | | (16,840) |
| Comprehensive income | | | | | | | | | |
| For the year | | | | | | | 1,028,541 | | 1,028,541 |
| Comprehensive loss | | | | | | | (13,808) | (104,278) | (118,086) |
| | | | | | | | 1,014,733 | (104,278) | 910,455 |
| Balance, December 31, 2014 | ₩ 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,996,790 | 66,898 | 13,545,904 |
| Balance, January 1, 2015 | ₩ 44,639 | 2,915,887 | (2,139,683) | (18,087) | 398,518 | (722,741) | 12,996,790 | 66,898 | 13,545,904 |
| Dividends | | | | | | | (668,494) | | (668,494) |
| Impact on hybrid bonds | | | | | | | (16,840) | | (16,840) |
| Issuance of treasury stock | | | (490,192) | | | | | | (490,192) |
| Repurchase of treasury stock | | | 369,249 | 18,087 | | 38,408 | | | 425,744 |
| Comprehensive income | | | | | | | | | |
| For the year | | | | | | | 1,106,761 | | 1,106,761 |
| Comprehensive income | | | | | | | 386 | (120,126) | (119,740) |
| | | | | | | | 1,107,147 | (120,126) | 987,021 |
| Balance, December 31, 2015 | ₩ 44,639 | 2,915,887 | (2,260,626) | | 398,518 | (684,333) | 13,418,603 | (53,228) | 13,777,871 |

Separate Statements of Cash Flows

For the years ended of December 31, 2015 and 2014

| <i>(In millions of won)</i> | <i>Note</i> | 2015 | 2014 |
|---|-------------|--------------------|--------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operating activities | | | |
| Profit for the year | | ₩ 1,106,761 | 1,028,541 |
| Adjustments for income and expenses | 33 | 2,811,718 | 2,886,389 |
| Changes in assets and liabilities related to operating activities | 33 | (699,106) | (334,898) |
| Sub-total | | 3,219,373 | 3,580,032 |
| Interest received | | 18,786 | 20,954 |
| Dividends received | | 59,462 | 13,048 |
| Interest paid | | (221,309) | (224,119) |
| Income tax paid | | (129,183) | (168,482) |
| Net cash provided by operating activities | | 2,947,129 | 3,221,433 |
| Cash flows from investing activities: | | | |
| Cash inflows from investing activities: | | | |
| Decrease in short-term investment securities, net | | 105,158 | |
| Decrease in short-term financial instruments, net | | 21,500 | 30,500 |
| Collection of short-term loans | | 387,922 | 197,925 |
| Decrease in long-term financial instruments | | 7 | 2,522 |
| Proceeds from disposals of long-term investment securities | | 22,106 | 54,218 |
| Proceeds from disposals of investments in subsidiaries and associates | | 185,557 | |
| Proceeds from disposals of property and equipment | | 23,372 | 25,677 |
| Proceeds from disposals of intangible assets | | 343 | 1,127 |
| Proceeds from disposals of assets held for sale | | | 3,667 |
| Collection of long-term loans | | | 3,660 |
| Proceeds from disposals of other non-current assets | | | 93 |
| Sub-total | | 745,965 | 319,389 |
| Cash outflows for investing activities: | | | |
| Increase in short-term investment securities, net | | | (94,802) |
| Increase in short-term loans | | (364,687) | (195,700) |
| Increase in long-term financial instruments | | (10,000) | (2,522) |
| Acquisitions of long-term investment securities | | (296,254) | (28,801) |
| Acquisitions of investments in subsidiaries and associates | | (306,382) | (210,060) |
| Acquisitions of property and equipment | | (1,752,804) | (2,319,016) |
| Acquisitions of intangible assets | | (77,830) | (91,060) |
| Increase in long-term loans | | | (45) |
| Increase in other non-current assets, net | | (190) | |
| Sub-total | | (2,808,147) | (2,942,006) |
| Net cash used in investing activities | | (2,062,182) | (2,622,617) |

Separate Statements of Cash Flows, Continued

For the years ended of December 31, 2015 and 2014

| <i>(In millions of won)</i> | 2015 | 2014 |
|---|--------------------|--------------------|
| Cash flows from financing activities: | | |
| Cash inflows from financing activities: | | |
| Increase in short-term borrowings, net | ₩ 30,000 | |
| Proceeds from long-term borrowings | | 3,552 |
| Proceeds from issuance of debentures | 897,029 | 797,364 |
| Cash inflows from settlement of derivatives | 175 | 119 |
| Sub-total | 927,204 | 801,035 |
| Cash outflows for financing activities: | | |
| Decrease in short-term borrowings, net | | (60,000) |
| Repayments of long-term borrowings | (12,814) | (12,814) |
| Repayments of long-term account payables - other | (190,134) | (207,668) |
| Repayments of debentures | (250,000) | (629,940) |
| Payments of cash dividends | (668,494) | (666,802) |
| Payments of interest on hybrid bond | (16,840) | (16,840) |
| Acquisitions of treasury stock | (490,192) | |
| Cash outflows from settlement of derivatives | (150) | (5,882) |
| Sub-total | (1,628,624) | (1,599,946) |
| Net cash used in financing activities | (701,420) | (798,911) |
| Net increase (decrease) in cash and cash equivalents | 183,527 | (200,095) |
| Cash and cash equivalents at beginning of the year | 248,311 | 448,459 |
| Effects of exchange rate changes on cash and cash equivalents | (172) | (53) |
| Cash and cash equivalents at end of the year | ₩ 431,666 | 248,311 |

Separate Statements of Appropriation of Retained Earnings

For the years ended of December 31, 2015 and 2014

Date of appropriation for 2015: March 18, 2016

Date of appropriation for 2014: March 20, 2015

| <i>(In millions of won)</i> | 2015 | 2014 |
|---|-------------|-------------|
| Unappropriated retained earnings: | | |
| Unappropriated retained earnings | ₩ 3,866 | 3,542 |
| Remeasurement of defined benefit liabilities | 386 | (13,808) |
| Interim dividends - ₩ 1,000 per share, 200% on par value | (72,629) | (70,937) |
| Interest on hybrid bond | (16,840) | (16,840) |
| Profit | 1,106,761 | 1,028,541 |
| | 1,021,544 | 930,498 |
| Transfer from voluntary reserves: | | |
| Reserve for research and manpower development | 27,300 | 64,233 |
| Appropriation of retained earnings: | | |
| Reserve for research and manpower development | | |
| Reserve for business expansion | 200,000 | 195,000 |
| Reserve for technology development | 210,000 | 200,000 |
| Cash dividends - ₩ 9,000 per share, 1,800% on par value | 635,482 | 595,865 |
| | 1,045,482 | 990,865 |
| Unappropriated retained earnings to be carried over to subsequent year | ₩ 3,362 | 3,866 |

1. Reporting Entity

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

| | Number of shares | Percentage of total shares issued (%) |
|--|---------------------|--|
| SK Holdings Co., Ltd.(*) | 20,363,452 | 25.22 |
| National Pension Service | 6,963,591 | 8.63 |
| Institutional investors and other minority stockholders | 43,282,117 | 53.60 |
| Treasury stock | 10,136,551 | 12.15 |
| Total number of shares | 80,745,711 | 100.00 |

(*) During the year ended December 31, 2015, SK C&C Co., Ltd., the ultimate controlling entity s investee accounted using equity method, merged SK Holdings Co., Ltd., the ultimate controlling entity of the Company, and changed its name to SK, Holdings Co., Ltd.

2. Basis of Presentation

(1) Statement of compliance

These separate financial statements were prepared in accordance with (K-IFRS), as prescribed in the Act on External Audits of Stock Companies in the Republic of Korea.

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

The separate financial statements were authorized for issuance by the Board of Directors on February 3, 2016, which will be submitted for approval at the shareholders meeting to be held on March 18, 2016.

(2) Basis of measurement

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

derivative financial instruments are measured at fair value

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

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

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

(3) Functional and presentation currency

These separate financial statements are presented in Korean won, which is the Company's functional currency and the currency of the primary economic environment in which the Company operates.

2. Basis of Presentation, Continued

(4) Use of estimates and judgments

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

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

1) Critical judgments

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes: revenue, classification of lease.

2) Assumptions and estimation uncertainties

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

3) Fair value measurement

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

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

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

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

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

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

2. Basis of Presentation, Continued

(4) Use of estimates and judgments, continued

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

Information about assumptions used for fair value measurements are included in Note 31.

(5) Common control transactions

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

3. Changes in Accounting Policies

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

The Company has adopted the following amendments to standards with a date of initial application of January 1, 2015.

1) K-IFRS 1019 Employee Benefits Employee contributions

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

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

4. Significant Accounting Policies

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

(1) Operating segments

The Company presents disclosures relating to operating segments on its separate financial statements in accordance with K-IFRS No. 1108, *Operating Segments* and such disclosures are not separately disclosed on these separate financial statements.

(2) Investments in subsidiaries and associates

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027, *Separate Financial Statements*. The Company applied the cost method to investments in subsidiaries and associates in accordance with K-IFRS No. 1027. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

(3) Cash and cash equivalents

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

(4) Inventories

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

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets

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

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

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

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

(ii) Held-to-maturity investments

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

(iii) Loans and receivables

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

4. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

(v) De-recognition of financial assets

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

(vi) Offsetting between financial assets and financial liabilities

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

(6) Derivative financial instruments, including hedge accounting

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

(i) Hedge accounting

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

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

Fair value hedge

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

4. Significant Accounting Policies, Continued

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

Cash flow hedge

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

(ii) Separable embedded derivatives

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

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

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

(iii) Other derivative financial instruments

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

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets

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

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

significant financial difficulty of the issuer or obligor;

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

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

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

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

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

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

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

(i) Financial assets measured at amortized cost

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

4. Significant Accounting Policies, Continued

(7) Impairment of financial assets, Continued

(ii) Financial assets carried at cost

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

(iii) Available-for-sale financial assets

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

(8) Property, plant and equipment

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

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

4. Significant Accounting Policies, Continued

(8) Property, plant and equipment, Continued

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

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

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

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

| | Useful lives (years) |
|--|----------------------|
| Buildings and structures | 15, 30 |
| Machinery | 3 ~ 6 |
| Other property, plant and equipment (Other PP&E) | 4 ~ 10 |

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

(9) Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

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

4. Significant Accounting Policies, Continued

(10) Intangible assets

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

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

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

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

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

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

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

4. Significant Accounting Policies, Continued

(11) Government grants

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

(i) Grants related to assets

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

(ii) Grants related to income

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

(12) Impairment of non-financial assets

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

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

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

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

4. Significant Accounting Policies, Continued

(13) Leases

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

(i) Finance leases

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

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

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

(ii) Operating leases

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

(iii) Determining whether an arrangement contains a lease

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

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

4. Significant Accounting Policies, Continued

(14) Non-current assets held for sale

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

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

(15) Non-derivative financial liabilities

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

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

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

(ii) Other financial liabilities

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

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

4. Significant Accounting Policies, Continued

(16) Employee benefits

(i) Short-term employee benefits

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

(ii) Other long-term employee benefits

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

(iii) Retirement benefits: defined contribution plans

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

(iv) Retirement benefits: defined benefit plans

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

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

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

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

settlement of defined benefit plan occurs.

4. Significant Accounting Policies, Continued

(v) Termination benefits

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

(17) Provisions

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

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

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

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

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

(18) Foreign currencies

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

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

4. Significant Accounting Policies, Continued

(19) Equity capital

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

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

4. Significant Accounting Policies, Continued

(20) Hybrid bond

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

(21) Revenue

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

(i) Services

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

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

(ii) Goods sold

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

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit.

(iii) Customer loyalty programmes

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

4. Significant Accounting Policies, Continued

(22) Finance income and finance costs

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

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

(23) Income taxes

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

(i) Current tax

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

(ii) Deferred tax

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

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

4. Significant Accounting Policies, Continued

(23) Income taxes, Continued

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis. If there are any additional income tax expense incurred in accordance with dividend payments, such income tax expense is recognized when liabilities relating to the dividend payments are recognized.

(24) Earnings per share

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

(25) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning on or after January 1, 2015, and the Company has not early adopted them.

As of December 31, 2015, management is not able to evaluate the impact, if any, of applying these standards on its financial position and results of operations.

3) K-IFRS 1109 Financial Instruments

K-IFRS 1109, published in December 2015, replaces the existing guidance in K-IFRS 1039, Financial Instruments: Recognition and Measurement. K-IFRS 1109 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from K-IFRS 1039. K-IFRS 1109 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

4) K-IFRS 1115 Revenue from Contracts with Customers

K-IFRS 1115, published in January 2016, establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including K-IFRS 1018, Revenue, K-IFRS 1011, Construction Contracts and K-IFRS 2113, Customer Loyalty Programmes. K-IFRS 1115 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

4. Significant Accounting Policies, Continued

(25) New standards and interpretations not yet adopted, Continued

5) K-IFRS 1027 Separate Financial Statements

Amendments to K-IFRS 1027 introduced equity accounting as a third option in the entity's separate financial statements, in addition to the existing cost and equity method options. This amendment is effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

Disclaimer:

The consolidated and separate financial statements included above have not yet been audited and remain subject to the audit process of the Company's independent auditors. For the Company's audited consolidated and separate financial statements as of and for the years ended December 31, 2014 and 2015 and the respective accompanying notes, please refer to the Company's future filings with the U.S. Securities and Exchange Commission, including its annual report to be filed on Form 20-F and the Company's annual business report to be furnished on Form 6-K.

2. Amendments to the Articles of Incorporation

The proposed amendments are as follows:

| Current | Proposed Amendment | Remarks |
|---|--|---|
| Article 2. Objectives | Article 2. Objectives | |
| (Text omitted) | (Same as the present text) | |
| In order to achieve the above objectives, the Company carries on the following businesses: | (Same as the present text) | |
| 1.~19. (Text omitted) | 1.~19. (Same as the present text) | Addition of related business due to the promotion of new business opportunities |
| 20. Any other incidental businesses relating to the foregoing activities (amended on March 18, 2016). | <u>20. Electric utility business including smart grid business, etc. (newly established on March 18, 2016); and</u> | |
| (Text omitted) | <u>21. Any other incidental businesses relating to the foregoing activities (amended on March 18, 2016).</u> | |
| | (Same as the present text) <u>Addendum No. 25 (as of March 18, 2016)</u> | |
| | <u>Article 1. Date of Effectiveness</u> | |
| | These Articles of Incorporation shall take effect as of March 18, 2016. | |

3. Approval of the Appointment of Directors

(1) Candidate for Executive Director

| Name | Term | Profile | Remarks |
|--------------|---------|--|---------------------|
| Cho, Dae Sik | 3 years | <p>.. Education</p> <p>B.A. in Sociology, Korea University</p> <p>M.B.A., Clark University</p> | |
| | | <p>.. Career</p> <p>CEO, SK Holdings Co., Ltd. (13~ Current)</p> | Current Director |
| | | <p>CFO, Head of Finance Division and Risk Mgmt. & Corporate Auditing Office, SK Holdings (12)</p> | |
| | | <p>Head of Business Mgmt. Office, SK Holdings (10~ 11)</p> | |
| | | <p>Head of Corporate Business Mgmt. Office, SK Holdings (09)</p> | |
| | | <p>SVP, Finance Mgmt. & Strategy Office, SK Holdings (07 ~ 08)</p> | |

(2) Candidate for Independent Non-Executive Director

| Name | Term | Profile | Remarks |
|---------------|---------|---|----------------------------|
| Oh, Dae Shick | 3 years | <p>.. Education</p> <p>B.A. in Archeology, Seoul National University (73)</p> | |
| | | <p>.. Career</p> | 108 Current Director |

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Advisor, Bae, Kim & Lee LLC (Law firm) (08 ~ Current)

Head of Seoul Regional Tax Office (07~ 08)

Head of Investigation Dept., Korea National Tax Service (06~ 07)

Head of Policy Promotion Dept., Korea National Tax Service (05~ 06)

Head of Investigation Dept., Seoul Regional Tax Office (03~ 05)

4. Approval of the Election of a Member of the Audit Committee

(1) Candidate for Audit Committee Member

| Name | Term | Profile | Remarks |
|--|---------|---|----------|
| Oh, Dae Shick | 3 years | <ul style="list-style-type: none"> .. Education | |
| | | B.A. in Archeology, Seoul National University ('73) | |
| | | <ul style="list-style-type: none"> .. Career | |
| | | Outside Director, CJ Corporation ('11 ~ Current) | Current |
| | | Outside Director, Doosan Corporation ('10 ~ To resign) | Director |
| | | Advisor, Bae, Kim & Lee LLC (Law firm) ('08 ~ Current) | |
| | | Head of Seoul Regional Tax Office ('07~ '08) | |
| | | Head of Investigation Dept., Korea National Tax Service ('06~ '07) | |
| Head of Policy Promotion Dept., Korea National Tax Service ('05~ '06) | | | |
| Head of Investigation Dept., Seoul Regional Tax Office ('03~ '05) | | | |

5. Approval of Ceiling Amount of the Remuneration of Directors

The number of directors and total amount and maximum authorized amount of compensation of directors are as follows:

| Classification | Fiscal year 2015 | Fiscal year 2016 |
|---|-------------------------|-------------------------|
| Number of directors (Number of independent non-executive directors) | 6 persons (4 persons) | 6 persons (4 persons) |
| Total amount and maximum authorized amount of compensation of directors | Won 12 billion | Won 12 billion |

6. Amendment to the Remuneration Policy for Executives

According to the position grade-based [performance management standard] adopted in 2012 with respect to the Company's executives, amendments to the severance pay policy for executives are proposed as below.

< Severance Payout Rate Grade >

| Position | Before amendment | | | After amendment | | |
|---------------------------------|------------------|-------------|-----------|------------------|-------------|---------------|
| | Years of Service | Payout Rate | Grade | Years of Service | Payout Rate | Grade |
| Chairman | 1 | 6.0 | Chairman, | 1 | 4.0 | Vice Chairman |
| Vice Chairman | 1 | 5.5 | Grade E | 1 | | |
| President | 1 | | Grade D | 1 | | |
| Senior Executive Vice President | 1 | 3.5 | Grade C | 1 | | |
| Executive Vice President | 1 | | Grade B | 1 | 3.5 | |
| Senior Vice President | 1 | 2.5 | Grade A | 1 | 2.5 | |

The severance payment amount is to be calculated as the sum of the relevant executive's monthly salary multiplied by the payout ratio corresponding to the executive's grade for each year of service. The proposed amendments are to be effective April 1, 2016. The payout rate with respect to periods of service prior to April 1, 2016 will be determined on the basis of the severance payout rate scale prior to the above amendments.

Forward-Looking Statement Disclaimer

The material above contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Additional information concerning these and other risk factors are contained in our latest annual report on Form 20-F and in our other filings with the U.S. Securities and Exchange Commission.

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/ Lee, Sunghyung
(Signature)
Name: Lee, Sunghyung
Title: Senior Vice President

Date: February 19, 2016