

SK TELECOM CO LTD
Form 6-K
March 23, 2016
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF MARCH 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)

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):

Table of Contents**Results of the Annual General Meeting of Shareholders****1. Approval of the Financial Statements⁽¹⁾⁽²⁾**The 32nd Fiscal Year (Fiscal Year ended December 31, 2015)

(in millions of Won, except for basic earnings per share)

Consolidated	- Total Assets	28,581,387	- Operating Revenue	17,136,734
	- Total Liabilities	13,207,291	- Operating Income	1,708,006
	- Share Capital	44,639	- Profit for the Year	1,515,885
	- Total Equity	15,374,096	- Basic Earnings per Share	20,988
Separate	- Total Assets	23,146,940	- Operating Revenue	12,556,979
	- Total Liabilities	9,367,480	- Operating Income	1,658,776
	- Share Capital	44,639	- Profit for the Year	1,106,761
	- Total Equity	13,779,460	- Basic Earnings per Share	15,233

(1) Prepared in accordance with International Financial Reporting Standards as adopted in Korea

(2) Opinion of independent auditors: Appropriate

2. Approval of Dividends

(in Won, except for percentages and stock dividend)

a. Cash Dividends	Dividend per Share	Common Stock	Year-end Dividend	9,000
			Interim Dividends	1,000
		Preferred Stock	Year-end Dividend	
			Interim/Quarterly Dividend	
	Total Cash Dividend			708,111,600,000
	Market Dividend Rate (%)		Common Stock	4.3
	(including interim dividend)		Preferred Stock	
b. Stock Dividends	Stock Dividend Rate (%)		Common Stock	
			Preferred Stock	

Total Stock Dividend (Shares)

Common Stock

Preferred Stock

Table of Contents

3. Status of Directors (as of the date of appointment)

a. Approval of the Appointment of Directors	- One (1) Executive Director - One (1) Independent Non-Executive Director - One (1) Member of the Audit Committee (Who is an Independent Non-Executive Director)	
b. Number of Independent Non-Executive Directors Following Appointment	Total Number of Directors	6
	Total Number of Independent Non-Executive Directors	4
	Percentage of Independent Non-Executive Directors (%)	66.7
c. Number of Auditors Following Appointment	Full-time Auditors Part-time Auditors	
	Number of Members of Audit Committee who are Independent	3
d. Number of Members of Audit Committee Following Appointment	Non-Executive Directors Number of Members of Audit Committee who are not Independent Non-Executive Directors	

4. Other Resolutions

Agenda No. 1. Approval of Financial Statements for the 32st Fiscal Year

(Fiscal Year ended December 31, 2015)

: Approved as originally submitted.

Agenda No. 2. Amendment to the Articles of Incorporation

: Approved as originally submitted.

Agenda No. 3. Approval of the Appointment of Directors

3.1 Election of an Executive Director(Cho, Dae Sik)

: Approved as originally submitted.

3.2 Election of an Independent Non-Executive Director(Oh, Dae Shick)

: Approved as originally submitted.

Agenda No. 4. Approval of the Appointment of a Member of the Audit Committee

(Oh, Dae Shick)

: Approved as originally submitted.

Agenda No. 5. Approval of Ceiling Amount of the Remuneration for Directors

: Approved as originally submitted.

Agenda No. 6. Approval of the Remuneration Policy for Executives

: Approved as originally submitted.

**5. Date of General Meeting
of Shareholders**

March 18, 2016

Table of Contents

1. Approval of Financial Statements

SK TELECOM CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2015 and 2014

(With Independent Auditors' Report Thereon)

Table of Contents

Contents

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

Table of Contents

Independent Auditors' Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

We have audited the accompanying consolidated financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, the consolidated statements of income, comprehensive income, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Korean Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2015 and 2014 and of its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Korean International Financial Reporting Standards.

Other Matter

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

Table of Contents

KPMG Samjong Accounting Corp.

Seoul, Korea

February 23, 2016

This report is effective as of February 23, 2016, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

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

See accompanying notes to the consolidated financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

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	<i>17,34,35</i>	₩ 260,000	366,600
Current installments of long-term debt, net	<i>17,34,35</i>	703,087	590,714
Current installments of finance lease liabilities	<i>20,34,35</i>	26	3,804
Current installments of long-term payables other	<i>18,34,35</i>	120,185	189,389
Accounts payable - trade	<i>34,35,36</i>	279,782	275,495
Accounts payable - other	<i>34,35,36</i>	1,323,434	1,381,850
Withholdings	<i>34,35,36</i>	865,327	1,053,063
Accrued expenses	<i>34,35</i>	920,739	952,418
Income tax payable	<i>31</i>	381,794	99,236
Unearned revenue		224,233	327,003
Provisions	<i>19</i>	40,988	51,075
Advanced receipts		136,844	129,255
Liabilities classified as held for sale	<i>10</i>		408
Other current liabilities		54	
Total Current Liabilities		5,256,493	5,420,310
Non-Current Liabilities:			
Debentures, excluding current installments, net	<i>17,34,35</i>	6,439,147	5,649,158
Long-term borrowings, excluding current installments	<i>17,34,35</i>	121,553	149,720
Long-term payables - other	<i>18,34,35</i>	581,697	684,567
Long-term unearned revenue		2,842	19,659
Finance lease liabilities	<i>20,34,35</i>		26
Defined benefit liabilities	<i>21</i>	98,856	91,587
Long-term derivative financial liabilities	<i>22,34,35</i>	89,296	130,889
Long-term provisions	<i>19</i>	29,217	36,013
Deferred tax liabilities	<i>31</i>	538,114	444,211
Other non-current liabilities	<i>34,35</i>	50,076	66,823
Total Non-Current Liabilities		7,950,798	7,272,653
Total Liabilities		13,207,291	12,692,963

Equity

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

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

See accompanying notes to the consolidated financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

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

See accompanying notes to the consolidated financial statements.

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

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)
<i>See accompanying notes to the consolidated financial statements.</i>			

Table of Contents

SK TELECOM CO., LTD. and Subsidiaries

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 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 (loss)			(13,402)	17,078	3,676	(1,841)	1,835

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

	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)
Balance, December 31, 2015	₩ 44,639	189,510	15,007,627	9,303	15,251,079
				123,017	15,374,096

See accompanying notes to the consolidated financial statements.

Table of Contents

<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)
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)

Table of Contents

<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)	
Cash outflows related to equity interest transactions		(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		(66,953)	(565,179)
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

See accompanying notes to the consolidated financial statements.

Table of Contents**1. Reporting Entity**

(1) General

SK Telecom Co., Ltd. (the Parent Company) was incorporated in March 1984 under the laws of 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		100.0	100.0

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

		Online shopping mall operation agency		
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
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

Table of Contents**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, K. K.	Japan	Digital contents sourcing service	100.0	100.0
SKT Vietnam PTE. Ltd.	Singapore	Telecommunication service	73.3	73.3
SK Planet Global PTE. Ltd.	Singapore	Digital contents sourcing service	100.0	100.0
SKP GLOBAL HOLDINGS PTE. LTD.	Singapore	Investment association	100.0	100.0
SKT Americas, Inc.	USA	Information gathering and consulting	100.0	100.0
SKP America LLC.	USA	Digital contents sourcing service	100.0	100.0
YTK Investment Ltd.	Cayman	Investment association	100.0	100.0
Atlas Investment	Cayman	Investment association	100.0	100.0
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 during 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.

Table of Contents

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

(*4) On November 2, 2015, the board of directors of the Parent Company entered into a share purchase agreement to acquire 30%(23,234,060 shares) 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). The proposed transaction closing date is April 4, 2016. According to the share purchase agreement, the Parent Company will grant put option (exercisable at a price of ₩26,994 during the two year period following the third anniversary of the transaction closing date) to CJ O Shopping and be granted call option (exercisable at a price of ₩26,994 during the five year period following the 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 4, 2016. As of December 31, 2015, the approval of relevant government agencies for the share purchase and the merger has not been completed, and the transaction closing date is subject to change depending on the status of the pre-requirements including the approval of government agencies.

(*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.

Table of Contents**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 (deficit)	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.	25,768		25,768		(106)
SK Planet Japan, K. K.	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.

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

(3) Condensed financial information of subsidiaries, Continued

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

(In millions of won)

Subsidiary	Total assets	Total liabilities	Total equity (deficit)	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.	25,874		25,874		(689)
SK Planet Japan, K. K.	5,222	1,638	3,584	93	(4,561)
SKT Vietnam PTE. Ltd.	4,242	1,286	2,956		(73)
SK Planet Global PTE. Ltd.	4,215	64	4,151	87	(2,543)
SKP GLOBAL HOLDINGS PTE. LTD.	29,529	11	29,518		(9,716)
SKT Americas, Inc.	42,159	554	41,605	9,100	(5)
SKP America LLC.	297,981	67	297,914		(2,370)
YTK Investment Ltd.	27,944		27,944		(15,259)
Atlas Investment(*3)	66,825	94	66,731		(6,626)
shopkick Management Company, Inc.	230,925		230,925		
shopkick, Inc.	28,216	13,698	14,518		

(*1)

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.

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

(3) Condensed financial information of subsidiaries, Continued

(*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.

(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.
Iriver 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.

Table of Contents**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.

<i>(In millions of won)</i>	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		(33,306)
Non-current liabilities		(1,708)
Net assets		117,482
Net assets of consolidated entities		117,482
Carrying amount of non-controlling interests		41,659
Revenue	₩	80,147
Loss for the period		(14,826)
Loss of the consolidated entities		(14,826)
Total comprehensive loss		(16,698)
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

Table of Contents**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

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

Table of Contents

2. Basis of Presentation

(1) Statement of compliance

These consolidated financial statements were prepared in accordance with Korean International Financial Reporting Standards (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 Note 4 for the following areas: revenue, consolidation: whether the Group has de facto control over an investee, and classification of lease.

Table of Contents

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 equipment 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 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 35.

(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.

Table of Contents

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.

Table of Contents

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 acquire 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 cease when the Group loses control of the investee.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents**4. Significant Accounting Policies, Continued****(8) Property, plant and equipment, continued**

Subsequent to initial recognition, an item of property, plant and equipment is 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.

Table of Contents**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.

Table of Contents

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.

Table of Contents**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.

Table of Contents

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).

Table of Contents

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.

Table of Contents**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 that involves the payment of termination benefits. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Table of Contents

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.

Table of Contents

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.

Table of Contents

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.

Table of Contents**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.

Table of Contents

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, have been published and are mandatory for the Group for annual period beginning on January 1, 2018, and the Group has not early adopted them.

As of December 31, 2015, management is in the process of evaluating the impact 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 December 2015, 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.

Table of Contents**5. Operating Segments**

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

(1) Segment information as of and for the years ended December 31, 2015 and 2014 is as follows:

(In millions of won)

	2015					
	Cellular Services	Fixed-line telecommunication services	Others	Sub-total	Consolidation adjustments	Consolidated amount
Total revenue	₩ 14,962,689	3,162,712	2,113,543	20,238,944	(3,102,210)	17,136,734
Inter-segment revenue	1,693,411	668,139	740,660	3,102,210	(3,102,210)	
External revenue	13,269,278	2,494,573	1,372,883	17,136,734		17,136,734
Depreciation and amortization	2,174,819	531,106	139,370	2,845,295		2,845,295
Operating income (loss)	1,678,339	108,252	(78,585)	1,708,006		1,708,006
Finance income and costs, net						(246,200)
Gain related to investments in subsidiaries, associates and joint ventures, net						786,140
Other non-operating income and expense, net						(212,581)
Profit from continuing operations before income tax						2,035,365
Total assets	23,861,267	3,600,890	3,008,592	30,470,749	(1,889,362)	28,581,387
Total liabilities	9,788,635	2,284,362	963,612	13,036,609	170,682	13,207,291

Table of Contents**5. Operating Segments, Continued***(In millions of won)*

	2014					
	Cellular Services	Fixed-line telecommunication services	Others	Sub-total	Consolidation adjustments	Consolidated Amount
Total revenue	₩ 15,248,039	3,119,845	1,884,784	20,252,668	(3,088,870)	17,163,798
Inter-segment revenue	1,720,158	669,925	698,787	3,088,870	(3,088,870)	
External revenue	13,527,881	2,449,920	1,185,997	17,163,798		17,163,798
Depreciation and amortization	2,113,510	501,623	99,597	2,714,730		2,714,730
Operating income (loss)	1,754,433	80,423	(9,751)	1,825,105		1,825,105
Finance income and costs, net						(260,336)
Gain related to investments in subsidiaries, associates and joint ventures, net						906,338
Other non-operating income and expense, net						(217,279)
Profit from continuing operations before income tax						2,253,828
Total assets	23,451,471	3,434,020	3,202,833	30,088,324	(2,147,091)	27,941,233
Total liabilities	9,626,724	2,172,454	924,683	12,723,861	(30,898)	12,692,963

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

No single customer contributed 10% or more to the Group's total revenue for the years ended December 31, 2015 and 2014.

Table of Contents**6. Restricted Deposits**

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

(In millions of won)

	December 31, 2015	December 31, 2014
Short-term financial instruments		
Charitable fund(*)	₩ 79,500	86,000
Other	2,969	4,321
Long-term financial instruments	10,596	612
Guarantee deposits	280	280
	₩ 93,345	91,213

(*) The Group established a trust fund for charitable purposes. Profits from the fund are donated to charitable institutions. As of December 31, 2015, the funds cannot be withdrawn.

7. Trade and Other Receivables

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

(In millions of won)

	Gross amount	December 31, 2015 Allowances for impairment	Carrying amount
Current assets:			
Accounts receivable trade	₩ 2,583,558	(238,691)	2,344,867
Short-term loans	54,377	(482)	53,895
Accounts receivable other	752,731	(78,992)	673,739
Accrued income	10,753		10,753
Others	1,861		1,861
	3,403,280	(318,165)	3,085,115
Non-current assets:			
Long-term loans	87,501	(25,047)	62,454
Long-term accounts receivable - other	2,420		2,420
Guarantee deposits	297,281		297,281
Long-term accounts receivable - trade	46,047	(804)	45,243
	433,249	(25,851)	407,398
	₩ 3,836,529	(344,016)	3,492,513

Table of Contents**7. Trade and Other Receivables, Continued**

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

(In millions of won)

	Gross amount	December 31, 2014 Allowances for impairment	Carrying Amount
Current assets:			
Accounts receivable trade	₩ 2,614,059	(221,909)	2,392,150
Short-term loans	75,199	(687)	74,512
Accounts receivable other	769,115	(78,588)	690,527
Accrued income	10,134		10,134
Others	3,865		3,865
	3,472,372	(301,184)	3,171,188
Non-current assets:			
Long-term loans	82,735	(27,007)	55,728
Long-term accounts receivable - other	3,596		3,596
Guarantee deposits	285,144		285,144
Long-term accounts receivable trade	68,536		68,536
	440,011	(27,007)	413,004
	₩ 3,912,383	(328,191)	3,584,192

- (2) The movements in allowances for doubtful accounts of trade and other receivables during the years ended December 31, 2015 and 2014 were as follows:

(In millions of won)

	2015	2014
Balance at January 1	₩ 328,191	323,984
Increase of bad debt allowances	75,773	63,697
Write-offs	(87,798)	(89,529)
Other	27,850	30,039
Balance at December 31	₩ 344,016	328,191

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

(In millions of won)

	December 31, 2015		December 31, 2014	
	Accounts receivable - trade	Other receivables	Accounts receivable - trade	Other receivables
Neither overdue nor impaired	₩ 1,841,442	1,053,096	1,831,243	1,089,001
Overdue but not impaired	77,008	5,155	76,671	3,481
Impaired	711,155	148,673	774,681	137,306
	2,629,605	1,206,924	2,682,595	1,229,788
Allowances for doubtful accounts	(239,495)	(104,521)	(221,909)	(106,282)
	₩ 2,390,110	1,102,403	2,460,686	1,123,506

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

Table of Contents**7. Trade and Other Receivables, Continued**

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

(In millions of won)

	December 31, 2015		December 31, 2014	
	Accounts receivable - trade	Other receivables	Accounts receivable - trade	Other receivables
Less than 1 month	₩ 20,908	2,770	25,254	1,795
1 ~ 3 months	21,941	924	26,469	213
3 ~ 6 months	7,043	265	11,641	608
More than 6 months	27,116	1,196	13,307	865
	₩ 77,008	5,155	76,671	3,481

8. Inventories

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

(In millions of won)

	December 31, 2015			December 31, 2014		
	Acquisition cost	Write-down of inventory	Carrying amount	Acquisition cost	Write-down of inventory	Carrying amount
Merchandise	₩ 247,294	(5,064)	242,230	252,063	(5,325)	246,738
Finished goods	3,530	(179)	3,351	1,930	(216)	1,714
Work in process	1,976	(149)	1,827	1,144	(131)	1,013
Raw materials and supplies	27,296	(1,148)	26,148	19,242	(1,040)	18,202
	₩ 280,096	(6,540)	273,556	274,379	(6,712)	267,667

There are no significant reversals of inventory write-downs for the periods presented.

Table of Contents**9. Investment Securities**

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

(In millions of won)

	December 31, 2015	December 31, 2014
Beneficiary certificates(*)	₩ 92,262	277,003
Current portion of long-term investment securities		3,158
	₩ 92,262	280,161

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

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

(In millions of won)

	December 31, 2015	December 31, 2014
Equity securities:		
Marketable equity securities	₩ 897,958	657,286
Unlisted equity securities(*1)	96,899	56,236
Equity investments(*2)	207,916	209,120
	1,202,773	922,642
Debt securities:		
Public bonds(*3)		158
Investment bonds(*4)	4,453	36,638
	4,453	36,796
Total	1,207,226	959,438
Less current portion of long-term investment securities		(3,158)
Long-term investment securities	₩ 1,207,226	956,280

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

(*2) Equity investments are recorded at cost.

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

(In millions of won)

	December 31, 2015	December 31, 2014
Less than 1 year	₩	158

(*4) During the year ended December 31, 2015, the Parent Company exercised the conversion right for the convertible bonds of Health Connect Co., Ltd., which were classified as available-for-sale financial assets. Health Connect Co., Ltd. has been classified as investments in associates (₩5,900 million) as the Parent Company obtained significant influence over the company. As a result of this transaction, investments in associates have increased by ₩5,900 million and the remaining convertible bonds of ₩560 million was fully redeemed.

Table of Contents**10. Assets and Liabilities Classified as Held for Sale**

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

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

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

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

(2) Consideration paid and assets and liabilities transferred

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

(In millions of won)

	2015
Consideration paid	
Cash and cash equivalents	₩ 13,197
Accounts payable - other	1,858
	₩ 15,055
Assets transferred	
Property and equipment	₩ 3,208
Intangible assets	8,486
Other assets	1,603
	₩ 13,297

- (3) During the year ended December 31, 2015, hoppin service division of SK Planet Co., Ltd., a subsidiary of the Parent Company, was spun off from SK Planet Co., Ltd. and was merged into SK Broadband, Co., Ltd. There is no impact on the consolidated financial statements as it is a business combination under common

control.

45

Table of Contents**12. Investments in Associates and Joint Ventures**

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

(In millions of won)

	Country	December 31, 2015		December 31, 2014	
		Ownership percentage	Carrying amount	Ownership percentage	Carrying amount
Investments in associates					
SK China Company Ltd.(*1)	China	9.6	₩ 43,814	9.6	₩ 35,817
Korea IT Fund(*2)	Korea	63.3	260,456	63.3	240,676
KEB HanaCard Co., Ltd.(*1,3)	Korea	15.0	254,177	25.4	425,140
Candle Media Co., Ltd.	Korea	35.1	20,144	35.1	19,486
NanoEnTek, Inc. (*4)	Korea	28.6	45,008	26.0	36,527
SK Industrial Development China Co., Ltd.	Hong Kong	21.0	86,324	21.0	79,394
Packet One Network(*5)	Malaysia			13.6	53,670
SK Technology Innovation Company	Cayman	49.0	45,891	49.0	44,052
HappyNarae Co., Ltd.	Korea	42.5	17,095	42.5	15,551
SK hynix Inc.	Korea	20.1	5,624,493	20.1	4,849,159
SK MENA Investment B.V.	Netherlands	32.1	14,929	32.1	14,015
SKY Property Mgmt. Ltd.	Virgin Island	33.0	251,166	33.0	248,534
Xinan Tianlong Science and Technology Co., Ltd.	China	49.0	25,767	49.0	25,874
Daehan Kanggun BcN Co., Ltd. and others			161,058		158,725
Sub-total			6,850,322		6,246,620
Investments in joint ventures					
Dogus Planet, Inc.(*6)	Turkey	50.0	15,118	50.0	11,441
PT. Melon Indonesia	Indonesia	49.0	4,339	49.0	3,564
Television Media Korea Ltd.(*7)	Korea			51.0	6,944
Celcom Planet	Malaysia	51.0	3,406	51.0	16,605
PT XL Planet Digital(*6)	Indonesia	50.0	23,108	50.0	12,914
Sub-total			45,971		51,468
Total			₩ 6,896,293		₩ 6,298,088

Table of Contents

12. Investments in Associates and Joint Ventures, Continued

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

- (*1) Classified as investments in associates as the Group can exercise significant influence through participation on the board of directors even though the Group has less than 20% of equity interests.
- (*2) Investment in Korea IT Fund was classified as investment in associates as the Group has less than 50% of voting rights, and therefore does not have control over Korea IT Fund under the agreement.
- (*3) During the year ended December 31, 2015, the Group disposed of 27,725,264 shares of KEB HanaCard Co., Ltd.
- (*4) During the year ended December 31, 2015, the Group newly acquired 1,090,155 shares of NanoEnTek, Inc. by participating in paid in capital increase allocation of third parties.
- (*5) Reclassified from investment in associates to available-for-sale financial assets during the year ended December 31, 2015, as the Group lost the right to appoint directors of this investee and consequently no longer has significant influence.
- (*6) There were additional investments in associates and joint ventures during the year ended December 31, 2015.
- (*7) During the year ended December 31, 2015, the Group disposed of all shares of Television Media Korea Ltd.

Table of Contents**12. Investments in Associates and Joint Ventures, Continued**

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

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

	December 31, 2015			December 31, 2014		
	Market value per share (In won)	Number of shares	Market price	Market value per share (In won)	Number of shares	Market price
Candle Media Co., Ltd.	₩ 1,170	21,620,360	25,296	734	21,620,360	15,869
NanoEnTek, Inc.	7,300	6,960,445	50,811	5,710	5,870,290	33,519
SK hynix Inc.	30,750	146,100,000	4,492,575	47,750	146,100,000	6,976,275

(3) The financial information of the significant investees as of and for the years ended December 31, 2015 and 2014 is as follows:

(In millions of won)

	As of and for the year ended December 31, 2015			
	SK hynix Inc.	KEB HanaCard Co., Ltd.	SKY Property Mgmt. Ltd.	Korea IT Fund
Current assets	₩ 9,760,030	6,228,076	176,517	152,070
Non-current assets	19,917,876	509,579	650,661	259,176
Current liabilities	4,840,698	1,103,873	242,002	
Non-current liabilities	3,449,505	4,297,289	39,154	
Revenue	18,797,998	1,472,830	89,161	30,875
Profit from continuing operations	4,323,595	10,119	19,722	21,655
Other comprehensive income (loss)	40,215	(547)	(11,872)	15,651
Total comprehensive income	4,363,810	9,572	7,850	37,306

Table of Contents**12. Investments in Associates and Joint Ventures, Continued**

- (3) The financial information of the significant investees as of and for the years ended December 31, 2015 and 2014 is as follows, Continued:

(In millions of won)

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

- (*) Pre-merger revenue and net profit of KEB HanaCard Co., Ltd., amounting to ₩853,506 million and ₩3,521 million, respectively, were not included.

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

(In millions of won)

	As of and for the year ended December 31, 2015			
	Dogus Planet, Inc.	PT. Melon Indonesia	PT XL Planet Digital	Celcom Planet
Current assets	₩ 46,248	12,805	9,500	21,416
Cash and cash equivalents	8,091	4,027	5,034	19,371
Non-current assets	18,088	2,657	46,013	5,519
Current liabilities	34,022	6,416	8,583	20,257
Account payable, other payables and provision	4,317	3,396	3,648	5,889
Non-current liabilities	78	140	714	
Account payable, other payables and provisions				
Revenue	38,944	17,094	5,536	1,647
Depreciation and amortization	(5,318)	(132)	(2,746)	(1,332)
Interest income	465	288	525	345
Interest expense				
Income tax expense (income)			(7,025)	
Profit (loss) from continuing operations	(32,713)	1,853	(21,381)	(25,881)
Total comprehensive income (loss)	(32,713)	1,853	(21,381)	(25,881)

Table of Contents**12. Investments in Associates and Joint Ventures, Continued**

- (4) The condensed financial information of joint ventures as of and for the years ended December 31, 2015 and 2014 are as follows, Continued:

(In millions of won)

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

Table of Contents**12. Investments in Associates and Joint Ventures, Continued**

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

(In millions of won)

	Net assets	Ownership interests (%)	December 31, 2015		Carrying amount
			Net assets attributable to the ownership interests	Cost-book value differentials	
Associates:					
SK hynix Inc.(*1,2)	₩ 21,386,863	20.1	4,425,794	1,198,699	5,624,493
KEB HanaCard Co., Ltd.	1,336,493	15.0	200,474	53,703	254,177
SKY Property Mgmt. Ltd.(*1)	537,847	33.0	177,490	73,676	251,166
Korea IT Fund	411,246	63.3	260,456		260,456

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

(*2) The ownership interest is based on the number of shares owned by the Parent Company for the total listed shares of the investee company. The Group applied the equity method using the effective ownership interest of 20.69% which is based on the number of shares owned by the Parent Company for the total issued shares outstanding not including the shares held by the investee as treasury shares.

(In millions of won)

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

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

Table of Contents**12. Investments in Associates and Joint Ventures, Continued**

- (6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	Beginning balance	Acquisition and disposition	Share of profits (losses)	2015 Other comprehensive income (loss)	Impairment loss	Other increase (decrease)	Ending balance
Investments in associates							
SK China Company Ltd.	35,817		4,361	3,636			43,814
Korea IT Fund(*)	240,676		11,971	9,912		(2,103)	260,456
KEB HanaCard Co., Ltd.	425,140	(174,475)	3,275	237			254,177
Candle Media Co., Ltd.	19,486		550	70		38	20,144
NanoEnTek, Inc.	36,527	10,000	(1,649)	130			45,008
SK Industrial Development China Co., Ltd.	79,394		3,380	3,550			86,324
Packet One Network	53,670		(8,714)	(3,030)		(41,926)	
SK Technology Innovation Company	44,052		(2,907)	4,746			45,891
HappyNarae Co., Ltd.	15,551		1,589	(45)			17,095
SK hynix Inc.(*)	4,849,159		842,086	(22,922)		(43,830)	5,624,493
SK MENA Investment B.V.	14,015		3	911			14,929
SKY Property Mgmt. Ltd.	248,534		6,408	(3,776)			251,166
Xinan Tianlong Science and Technology Co., Ltd.	25,874		(107)				25,767
Daehan Kanggun BcN Co., Ltd. and others(*)	158,725	12,320	(15,726)	1,689	(1,305)	5,355	161,058
Sub-total	6,246,620	(152,155)	844,520	(4,892)	(1,305)	(82,466)	6,850,322
Investments in joint ventures							
Dogus Planet, Inc.	11,441	16,419	(16,357)	3,615			15,118
PT. Melon Indonesia Television Media	3,564		908	(133)			4,339
Korea Ltd.	6,944	(6,712)	(232)				
Celcom Planet	16,605		(13,199)				3,406

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

PT XL Planet Digital	12,914	20,884	(10,690)				23,108
Sub-total	51,468	30,591	(39,570)	3,482			45,971
Total	₩ 6,298,088	(121,564)	804,950	(1,410)	(1,305)	(82,466)	6,896,293

(*) Dividends paid by the associate are deducted from the carrying amount during the year ended December 31, 2015.

Table of Contents**12. Investments in Associates and Joint Ventures, Continued**

(6) Details of changes in investments in associates and joint ventures accounted for using the equity method for the year ended December 31, 2015 and 2014 are as follows, Continued:

(In millions of won)

	Beginning balance	Acquisition and disposition	Share of profits (losses)	2014 Other income (loss)	Impairment loss	Other increase (decrease)	Ending balance
Investments in associates							
SK China Company Ltd.	₩ 37,434		(365)	(1,252)			35,817
Korea IT Fund	231,402		3,243	6,031			240,676
Etoos Co., Ltd.	12,029		346			(12,375)	
KEB HanaCard Co., Ltd.	378,616		(739)	(2,031)		49,294	425,140
Candle Media Co., Ltd.	21,241		(1,701)	(54)			19,486
NanoEnTek, Inc.	9,312	7,778	284	(27)		19,180	36,527
SK Industrial Development China Co., Ltd.	77,517		(791)	2,668			79,394
Packet One Network	60,706		(11,845)	4,809			53,670
SK Technology Innovation Company	53,874		(9,822)				44,052
HappyNarae Co., Ltd.	13,935		1,688	(72)			15,551
SK hynix Inc.	3,943,232		916,486	(10,559)			4,849,159
SK MENA Investment B.V.	13,477		(4)	542			14,015
SKY Property Mgmt. Ltd.	238,278		3,438	6,818			248,534
Xinan Tianlong Science and Technology Co., Ltd.	26,562		(688)				25,874
Daehan Kanggun BcN Co., Ltd. and others	164,976	14,172	(18,126)	1,324	(2,363)	(1,258)	158,725
Sub-total	5,282,591	21,950	881,404	8,197	(2,363)	54,841	6,246,620
Investments in joint ventures							
Dogus Planet, Inc.	10,105	19,677	(18,573)	232			11,441
PT. Melon Indonesia	3,230		256	78			3,564
Television Media Korea Ltd.	8,659		(1,715)				6,944

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

Celcom Planet		17,433	(656)			(172)	16,605
PT XL Planet Digital	20,712		(7,798)				12,914
Sub-total	42,706	37,110	(28,486)	310		(172)	51,468
Total	₩ 5,325,297	59,060	852,918	8,507	(2,363)	54,669	6,298,088

Table of Contents**12. Investments in Associates and Joint Ventures, Continued**

- (7) As the Group discontinued the application of the equity method due to the carrying amount of the Group's share being reduced to zero, the unrecognized accumulated equity losses as of December 31, 2015 are as follows:

<i>(In millions of won)</i>	Unrealized loss		Unrealized change in equity	
	Year ended	Accumulated	Year ended	Accumulated
	December 31, 2015		December 31, 2015	
Wave City Development Co., Ltd.	₩ 2,894	4,538		
SK Wyverns Co., Ltd. and others	1,193	6,510		365
	₩ 4,087	11,048		365

13. Property and Equipment

- (1) Property and equipment as of December 31, 2015 and 2014 are as follows:

(In millions of won)

	Acquisition cost	December 31, 2015		Carrying amount
		Accumulated depreciation	Accumulated impairment loss	
Land	₩ 812,947			812,947
Buildings	1,563,069	(651,940)		911,129
Structures	763,122	(418,901)		344,221
Machinery	28,624,842	(21,281,400)	(1,433)	7,342,009
Other	1,511,304	(1,036,780)	(1,086)	473,438
Construction in progress	487,512			487,512
	₩ 33,762,796	(23,389,021)	(2,519)	10,371,256

(In millions of won)

	Acquisition cost	December 31, 2014		Carrying amount
		Accumulated depreciation	Accumulated impairment loss	
Land	₩ 766,780			766,780
Buildings	1,537,042	(603,175)		933,867

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

Structures	737,494	(384,705)		352,789
Machinery	27,088,067	(19,775,784)	(1,468)	7,310,815
Other	1,461,201	(960,450)	(1,701)	499,050
Construction in progress	704,400			704,400
	₩ 32,294,984	(21,724,114)	(3,169)	10,567,701

Table of Contents**13. Property and Equipment, Continued**

(2) Changes in property and equipment for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015								
	Beginning	Acquisition	Disposal	Transfer	Depreciation	Impairment	Business combinations	Change of consolidation scope	Ending balance
Land	₩ 766,780	6,629	(2,031)	41,569					812,947
Buildings	933,867	6,042	(6,839)	27,500	(49,441)				911,129
Structures	352,789	9,776	(57)	16,104	(34,391)				344,221
Machinery	7,310,815	645,986	(22,518)	1,538,235	(2,133,193)	(524)	3,208		7,342,009
Other	499,050	786,531	(16,721)	(652,022)	(143,288)	(4)	(108)		473,438
Construction in progress	704,400	1,063,169	(1,522)	(1,271,762)		(6,773)			487,512
	₩ 10,567,701	2,518,133	(49,688)	(300,376)	(2,360,313)	(7,301)	3,208	(108)	10,371,256

(In millions of won)

	2014								
	Beginning	Acquisition	Disposal	Transfer	Depreciation	Impairment	Classified for sale	Change of consolidation scope	Ending balance
Land	₩ 732,206	8,306	(12)	24,178				2,102	766,780
Buildings	956,691	5,862	(451)	16,885	(48,745)			3,625	933,867
Structures	364,951	8,909	(39)	11,919	(32,951)				352,789
Machinery	6,847,059	572,764	(28,101)	1,979,590	(2,065,368)	(2,879)	(6)	7,756	7,310,815
Other	533,181	1,124,067	(6,188)	(1,022,999)	(135,213)	(49)	(245)	6,496	499,050
Construction in progress	762,519	1,101,691	(11,277)	(1,147,666)		(691)	(176)		704,400
	₩ 10,196,607	2,821,599	(46,068)	(138,093)	(2,282,277)	(3,619)	(427)	19,979	10,567,701

Table of Contents**14. Investment Property**

(1) Investment property as of December 31, 2015 and 2014 are as follows:

(In millions of won)

	December 31, 2015		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 10,634		10,634
Buildings	7,531	(3,094)	4,437
	₩ 18,165	(3,094)	15,071

(In millions of won)

	December 31, 2014		
	Acquisition cost	Accumulated depreciation	Carrying amount
Land	₩ 10,418		10,418
Buildings	7,379	(2,800)	4,579
	₩ 17,797	(2,800)	14,997

(2) Changes in investment property for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015			
	Beginning balance	Transfer	Depreciation	Ending balance
Land	₩ 10,418	216		10,634
Buildings	4,579	98	(240)	4,437
	₩ 14,997	314	(240)	15,071

(In millions of won)

	2014			
	Beginning balance	Transfer	Depreciation	Ending balance
Land	₩ 10,822	(404)		10,418
Buildings	4,989	(172)	(238)	4,579
	₩ 15,811	(576)	(238)	14,997

(3) Fair value of investment property as of December 31, 2015 and 2014 are as follows:

(In millions of won)

	December 31, 2015		December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Land	₩ 10,634	6,009	10,418	6,056
Buildings	4,437	4,261	4,579	4,288
	₩ 15,071	10,270	14,997	10,344

The fair value of investment property was appraised on the basis of market price by an independent appraisal company.

Table of Contents**14. Investment Property, Continued**

(4) Income (expense) from investment property for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Rent revenue	₩ 850	896
Operating expense	(240)	(239)

15. Goodwill

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

(In millions of won)

	December 31, 2015	December 31, 2014
Goodwill related to acquisition of Shinsegi Telecom, Inc.	₩ 1,306,236	1,306,236
Goodwill related to acquisition of SK Broadband Co., Ltd.	358,443	358,443
Other goodwill	243,911	252,916
	₩ 1,908,590	1,917,595

Goodwill is allocated to the following CGUs for the purpose of impairment testing.

Shinsegi Telecom, Inc.(*1): cellular services

SK Broadband Co., Ltd.(*2): fixed-line telecommunication services

Other: other

(*1) Shinsegi Telecom, Inc.

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 4.9% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 0.62% was applied for the cash flows expected to be incurred after five years and is not expected to exceed the Group's long-term wireless telecommunication business growth rate. Management of the Group does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to reasonably possible changes from the major assumptions used to estimate the recoverable amount.

(*2) Goodwill related to acquisition of SK Broadband Co., Ltd.

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 5.3% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 1.0%, the Group's long-term fixed-line telecommunication business growth rate, was applied for the cash flows expected to be incurred after five years. Management of the Group does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to reasonably possible changes from the major assumptions used to estimate the recoverable amount.

Table of Contents**15. Goodwill, Continued**

(2) Details of changes in goodwill for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 1,917,595	1,733,261
Increase due to business acquisition	1,758	193,202
Impairment loss	(19,245)	(8,868)
Other	8,482	
	₩ 1,908,590	1,917,595

Accumulated impairment losses as of December 31, 2015 and 2014 are ₩36,119 million and ₩18,849 million, respectively.

16. Intangible Assets

(1) Intangible assets as of December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Carrying amount
Frequency use rights	₩ 3,033,879	(1,930,362)		1,103,517
Land use rights	74,217	(47,641)		26,576
Industrial rights	159,926	(43,384)		116,542
Development costs	140,226	(132,754)		7,472
Facility usage rights	149,841	(101,822)		48,019
Customer relations	16,528	(9,353)		7,175
Memberships(*1)	126,622		(35,115)	91,507
Other(*2)	3,101,622	(2,197,646)		903,976
	₩ 6,802,861	(4,462,962)	(35,115)	2,304,784

(In millions of won)

	2014			
	Acquisition cost	Accumulated depreciation	Accumulated impairment	Carrying amount
Frequency use rights	₩ 3,033,879	(1,649,835)		1,384,044
Land use rights	64,136	(38,783)		25,353
Industrial rights	144,497	(36,737)		107,760

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

Development costs	162,493	(144,215)	(9,947)	8,331
Facility usage rights	146,112	(93,476)		52,636
Customer relations	17,147	(10,743)		6,404
Memberships(*1)	128,274		(34,155)	94,119
Other(*2)	3,029,590	(2,223,627)	(616)	805,347
	₩ 6,726,128	(4,197,416)	(44,718)	2,483,994

Table of Contents**16. Intangible Assets, Continued**

(1) Intangible assets as of December 31, 2015 and 2014 are as follows, Continued:

(*1) Memberships are classified as intangible assets with indefinite useful life and are not amortized.

(*2) Other intangible assets primarily consist of computer software and usage rights to a research facility which the Group built and donated to a university, and the Group is given rights-to-use for a definite number of years in turn.

(2) Details of changes in intangible assets for the years ended December 31, 2015 and 2014 are as follows:

(In millions
of won)

	2015							Change of	
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	(*)	Business consolidation scope	Ending balance
Frequency use rights	₩ 1,384,044				(280,527)				1,103,517
Land use rights	25,353	11,956	(1,314)		(9,419)				26,576
Industrial rights	107,760	5,878	(22)	8,935	(6,009)				116,542
Development costs	8,331	3,737		23	(4,563)	(56)			7,472
Facility usage rights	52,636	2,721	(23)	1,177	(8,492)				48,019
Customer relations	6,404				(4,689)		8,486	(3,026)	7,175
Memberships	94,119	1,137	(1,802)	68		(2,015)			91,507
Other	805,347	103,137	(1,772)	323,933	(319,234)	(7,228)		(207)	903,976
	₩ 2,483,994	128,566	(4,933)	334,136	(632,933)	(9,299)	8,486	(3,233)	2,304,784

(*) The Group recognized the difference between recoverable amount and the carrying amount of memberships, computer software and development costs, amounting to ₩9,299 million as impairment loss during for the year ended December 31, 2015.

Table of Contents**16. Intangible Assets, Continued**

- (2) Details of changes in intangible assets for the years ended December 31, 2015 and 2014 are as follows, Continued:

(In millions of won)

	2014							Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Change of consolidation scope	
Frequency use rights	₩ 1,664,571				(280,527)			1,384,044
Land use rights	16,590	15,560	(573)		(8,483)		2,259	25,353
Industrial rights	58,763	5,048	(180)		(4,584)		48,713	107,760
Development costs	10,127	1,253	(25)	63	(4,048)	(398)	1,359	8,331
Facility usage rights	58,828	1,890	(30)	382	(8,434)			52,636
Customer relations	6,333	779		(39)	(3,063)		2,394	6,404
Memberships (*)	128,452	5,629	(5,810)	(264)		(34,155)	267	94,119
Other	807,118	102,322	(9,919)	171,858	(300,216)	(449)	34,633	805,347
	₩ 2,750,782	132,481	(16,537)	172,000	(609,355)	(35,002)	89,625	2,483,994

- (*) The Group recognized the difference between recoverable amount and the carrying amount of memberships, amounting to ₩34,155 million as impairment loss for the year ended December 31, 2014.

- (3) Research and development expenditures recognized as expense for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
Research and development costs expensed as incurred	₩ 315,790	390,943

- (4) The carrying amount and residual useful lives of frequency usage rights as of the year ended December 31, 2015 are as follows, all of which are depreciated on a straight-line basis:

(In millions of won)

	Amount	Description	Commencement of depreciation	Completion of depreciation
W-CDMA license	₩ 102,839	Frequency use rights relating to W-CDMA service	Dec. 2003	Dec. 2016
W-CDMA license	16,311	Frequency use rights relating to W-CDMA service	Oct. 2010	Dec. 2016
800MHz license	222,992	Frequency use rights relating to CDMA and LTE service	Jul. 2011	Jun. 2021
1.8GHz license	753,720	Frequency use rights relating to LTE service	Sep. 2013	Dec. 2021
WiBro license	7,655	WiBro service	Mar. 2012	Mar. 2019
	₩ 1,103,517			

Table of Contents**17. Borrowings and Debentures**

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

(In millions of won)

	Lender	Annual interest rate (%)	December 31, 2015	December 31, 2014
Commercial Paper	KTB Investment and Securities Co., Ltd., etc.	1.76~1.84	₩ 220,000	206,000
Short-term borrowings	Kookmin Bank, etc.	2.47	40,000	160,600
			₩ 260,000	366,600

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

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

Lender	Annual interest rate (%)	Maturity	December 31, 2015	December 31, 2014
Shinhan Bank	2.39	Jun. 15, 2015	₩	1,712
Kookmin Bank	1.98	Jun. 15, 2016	1,625	4,874
Kookmin Bank	1.98	Mar. 15, 2017	2,498	4,496
Kookmin Bank	1.98	Mar. 15, 2018	6,450	8,600
Shinhan Bank(*1)	6M bank debenture rate+1.58	Apr. 30, 2016	10,000	10,000
Korea Finance Corporation	3.32	Jul. 30 ,2019	39,000	39,000
Korea Finance Corporation	2.94	Jul. 30 ,2019	10,000	10,000
Export Kreditnamnden(*2)	1.7	Apr. 29, 2022	87,685	94,903
			(USD 74,817)	(USD 86,338)
Sub-total			157,258	173,585
Less present value discount on long-term borrowings			(2,124)	(2,623)
			155,134	170,962
Less current portion of long-term borrowings			(33,581)	(21,242)
Long-term borrowings			₩ 121,553	149,720

(*1) As of December 31, 2015, the 6M bank debenture rate of Shinhan Bank is 1.69%.

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

basis from 2014 to 2022.

(*3) Convenient translation was provided for the borrowings repayable in other currencies.

Table of Contents**17. Borrowings and Debentures, Continued**

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

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

	Purpose	Maturity	Annual interest rate (%)	December 31, 2015	December 31, 2014
Unsecured private bonds	Refinancing fund	2016	5.00	200,000	200,000
Unsecured private bonds	Other fund	2015	5.00		200,000
Unsecured private bonds		2018	5.00	200,000	200,000
Unsecured private bonds		2016	5.54	40,000	40,000
Unsecured private bonds		2016	5.92	230,000	230,000
Unsecured private bonds	Operating fund	2016	3.95	110,000	110,000
Unsecured private bonds		2021	4.22	190,000	190,000
Unsecured private bonds	Operating and refinancing fund	2019	3.24	170,000	170,000
Unsecured private bonds		2022	3.30	140,000	140,000
Unsecured private bonds		2032	3.45	90,000	90,000
Unsecured private bonds	Operating fund	2023	3.03	230,000	230,000
Unsecured private bonds		2033	3.22	130,000	130,000
Unsecured private bonds		2019	3.30	50,000	50,000
Unsecured private bonds		2024	3.64	150,000	150,000
Unsecured private bonds(*5,6)		2029	4.73		55,188
Unsecured private bonds(*5)		2029	4.72	54,695	55,177
Unsecured private bonds	Refinancing fund	2019	2.53	160,000	160,000
Unsecured private bonds		2021	2.66	150,000	150,000
Unsecured private bonds		2024	2.82	190,000	190,000
	Operating and refinancing fund	2022	2.40	100,000	

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

Unsecured private bonds					
Unsecured private bonds		2025	2.49	150,000	
Unsecured private bonds		2030	2.61	50,000	
Unsecured private bonds	Operating fund	2018	1.89	90,000	
Unsecured private bonds		2025	2.66	70,000	
Unsecured private bonds		2030	2.82	90,000	
Unsecured private bonds(*5)		2030	3.40	50,485	
Unsecured private bonds	Operating and	2018	2.07	80,000	
Unsecured private bonds	refinancing fund	2025	2.55	100,000	
Unsecured private bonds		2035	2.75	70,000	
Unsecured private bonds(*5)		2030	3.10	50,524	
Unsecured private bonds(*1)	Operating fund	2015	4.62	10,000	
Unsecured private bonds(*2)		2015	4.09	110,000	
Unsecured private bonds(*2)		2015	4.14	110,000	
Unsecured private bonds(*2)		2017	4.28	100,000	100,000
Unsecured private bonds(*2)		2015	3.14	130,000	
Unsecured private bonds(*2)		2017	3.27	120,000	120,000
Unsecured private bonds(*2)		2016	3.05	80,000	80,000
Unsecured private bonds(*2)		2019	3.49	210,000	210,000
Unsecured private bonds(*2)		2019	2.76	130,000	130,000
Unsecured private bonds(*2)		2018	2.23	50,000	
Unsecured private bonds(*2)		2020	2.49	160,000	
Unsecured private bonds(*2)		2020	2.43	140,000	
Unsecured private bonds(*2)		2020	2.18	130,000	
Unsecured private bonds(*3)		2015	3.12	10,000	
		2016	3.24	10,000	10,000

Unsecured private bonds(*3)				
Unsecured private bonds(*3)	2017	3.48	20,000	20,000
Foreign global bonds	2027	6.63	468,800	439,680
			(USD 400,000)	(USD 400,000)
Swiss unsecured private bonds	2017	1.75	355,617	333,429
			(CHF 300,000)	(CHF 300,000)

Table of Contents**17. Borrowings and Debentures, Continued***(In millions of won, thousands of U.S. dollars and thousands of other currencies)*

	Purpose	Maturity	Annual interest rate (%)	December 31, 2015	December 31, 2014
Foreign global bonds	Operating fund	2018	2.13	820,400	769,440
				(USD 700,000)	(USD 700,000)
Australia unsecured private bonds		2017	4.75	255,930	269,727
				(AUD 300,000)	(AUD 300,000)
Floating rate notes(*4)		2020	3M Libor + 0.88	351,600	329,760
				(USD 300,000)	(USD 300,000)
Foreign global bonds(*2)		2018	2.88	351,600	329,760
				(USD 300,000)	(USD 300,000)
Sub-total				7,139,651	6,252,161
Less discounts on bonds				(30,998)	(33,531)
				7,108,653	6,218,630
Less current portion of bonds				(669,506)	(569,472)
				₩ 6,439,147	5,649,158

(*1) Unsecured private bonds were issued by SK Telink Co., Ltd., a subsidiary of the Parent Company.

(*2) Unsecured private bonds were issued by SK Broadband Co., Ltd., a subsidiary of the Parent Company.

(*3) Unsecured private bonds were issued by PS&Marketing Corporation, a subsidiary of the Parent Company.

(*4) As of December 31, 2015, 3M Libor rate is 0.61%.

(*5) The Group settled the difference of the measurement bases of accounting profit or loss between the bonds and related derivatives by designating the structured bonds as financial liabilities at fair value through profit or loss. The difference between the carrying amount of the designated financial liabilities at fair value through profit or loss and the amount required to pay at maturity is ₩5,704 million as of December 31, 2015.

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

(*7) Convenient translation was provided for the bonds repayable in other currencies.

Table of Contents**18. Long-term Payables - Other**

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

(In millions of won)

	December 31, 2015		December 31, 2014	
Payables related to acquisition of W-CDMA licenses	₩	550,964		657,001
Other(*)		30,733		27,566
	₩	581,697		684,567

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

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

(In millions of won)

	Period of repayment	Coupon rate	Annual effective interest rate(*)	December 31, 2015	December 31, 2014
800MHz	2013~2015	3.51%	5.69%		69,416
2.3GHz	2014~2016	3.00%	5.80%	2,882	5,766
1.8GHz	2012~2021	2.43~3.00%	4.84~5.25%	707,006	824,841
				709,888	900,023
Present value discount on long-term payables - other				(38,739)	(53,633)
				671,149	846,390
Current portion of long-term payables other				(120,185)	(189,389)
Carrying amount at December 31				₩ 550,964	657,001

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

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

(In millions of won)

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

Table of Contents**19. Provisions**

(1) Changes in provisions for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	For the year ended December 31, 2015						As of December 31, 2015		
	Beginning balance	Increase	Utilization	Reversal	Other	Change of consolidation scope	Ending balance	Current	Non-current
Provision for handset subsidy (*1)	₩ 26,799	1,641	(5,004)	(17,766)			5,670	2,232	3,438
Provision for restoration	59,727	4,983	(1,135)	(5,433)	1,812		59,954	34,336	25,618
Emission allowance (*2)		1,477					1,477	1,477	
Other provisions	562	3,795	(510)	(472)		(271)	3,104	2,943	161
	₩ 87,088	11,896	(6,649)	(23,671)	1,812	(217)	70,205	40,988	29,217

(In millions of won)

	For the year ended December 31, 2014						As of December 31, 2014		
	Beginning balance	Increase	Utilization	Reversal	Other	Ending balance	Current	Non-current	
Provision for handset subsidy (*1)	₩ 53,923	41,802	(68,926)			26,799	14,844	11,955	
Provision for restoration	40,507	20,098	(702)	(34)	(142)	59,727	35,865	23,862	
Other provisions	451	155	(225)		181	562	366	196	
	₩ 94,881	62,055	(69,853)	(34)	39	87,088	51,075	36,013	

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

(*2) The Group recognizes estimated future payment for the number of emission certificates required to settle the Group's obligation exceeding the actual number of certificates on hand as emission allowances according to the Act on Allocation and Trading of Greenhouse Gas Emission Permits.

Table of Contents**20. Leases****(1) Finance Leases**

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

(In millions of won)

	December 31, 2015	December 31, 2014
Finance Lease Liabilities		
Current portion of long-term finance lease liabilities	₩ 26	3,804
Long-term finance lease liabilities		26
	₩ 26	3,830

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

(In millions of won)

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

Table of Contents**20. Leases, Continued**

(2) Operating Leases

The Group entered into operating leases and sublease agreements in relation to rented office space and the expected future lease payments and lease revenues as of December 31, 2015 and 2014 (included in other non-operating income in the accompanying consolidated statements of income) are as follows:

(In millions of won)

	2015		2014	
	Lease payments	Lease revenues	Lease payments	Lease revenues
Less than 1 year	₩ 32,416	1,876	29,233	3,496
1~5 years	75,568	1,026	76,306	1,390
More than 5 years	33,602	577	49,582	1,043
	₩ 141,586	3,479	155,121	5,929

(3) Sale and Leaseback Transaction

During the year ended December 31, 2012, the Group disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is considered as an operating lease. The Group recognized ₩14,539 million and ₩14,075 million of lease payments in relation to the operating lease agreement for the years ended December 31, 2015 and 2014, respectively, and ₩2,393 million and ₩2,469 million of lease revenues in relation to the sublease agreement for the years ended December 31, 2015 and 2014, respectively. Expected future lease payments and lease revenues are included in Note 20-(2).

Table of Contents**21. Defined Benefit Liabilities**

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

(In millions of won)

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	₩ 525,269	437,844
Fair value of plan assets	(426,413)	(346,257)
	₩ 98,856	91,587

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

	December 31, 2015	December 31, 2014
Discount rate for defined benefit obligations	1.90%~2.93%	2.23% ~ 3.70%
Expected rate of salary increase	2.51%~7.04%	2.51% ~ 7.39%

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

(3) Changes in defined benefit obligations for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	For the year ended December 31	
	2015	2014
Beginning balance	₩ 437,844	312,494
Current service cost	106,764	109,625
Interest cost	12,292	12,630
Remeasurement		
- Demographic assumption	732	2,859
- Financial assumption	5,900	28,287
- Adjustment based on experience	15,100	9,932
Benefit paid	(58,513)	(46,531)
Others(*)	5,150	8,548
Ending balance	₩ 525,269	437,844

- (*) Others for the year ended December 31, 2015 include liabilities of ₩3,470 million succeeded due to transfer of employees from associates and transfer to construction in progress, etc. Others for the year ended December 31, 2014 include the effect of changes in the consolidation scope of ₩2,939 million, liabilities of ₩4,433 million succeeded due to transfer of employees from associates, and transfer to construction in progress, etc.

Table of Contents**21. Defined Benefit Liabilities, Continued**

(4) Changes in plan assets for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Beginning balance	₩ 346,257	238,293
Interest income	9,035	9,538
Actuarial gain	3,146	50
Contributions by employer directly to plan assets	115,640	117,558
Benefits paid	(47,809)	(20,711)
Others(*)	144	1,529
Ending balance	₩ 426,413	346,257

(*) Others for the year ended December 31, 2014 include the effect of changes in the consolidation scope of ₩1,221 million.

The Group expects to make a contribution of ₩82,220 million to the defined benefit plans during the next financial year.

(5) Expenses recognized in profit and loss (included in labor cost in the accompanying consolidated statements of income) and capitalized into construction-in-progress for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Current service cost	₩ 106,764	109,625
Net interest cost	3,257	3,092
	₩ 110,021	112,717

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

(6) Details of plan assets as of December 31, 2015 and 2014 are as follows:

(In millions of won)

	December 31, 2015	December 31, 2014
Equity instruments	₩ 1,086	1,746

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

Debt instruments	81,867	70,778
Short-term financial instruments, etc.	343,460	273,733
	₩ 426,413	346,257

Actual return on plan assets for the years ended December 31, 2015 and 2014 amounted to ₩12,181 million and ₩9,588 million, respectively.

Table of Contents**21. Defined Benefit Liabilities, Continued**

- (7) As of December 31, 2015, effects on defined benefit obligations if each of significant actuarial assumptions changes within expectable and reasonable range are as follows:

(In millions of won)

	Increase	Decrease
Discount rate (if changed by 0.5%)	₩ (20,669)	22,690
Expected salary increase rate (if changed by 0.5%)	22,604	(20,851)

The sensitivity analysis does not consider dispersion of all cashflows that are expected from the plan and provides approximate values of sensitivity for the assumptions used.

Weighted average durations of defined benefit obligations as of December 31, 2015 and 2014 are 9.35 years and 9.10 years, respectively.

22. Derivative Instruments

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

(In thousands of foreign currencies)

Borrowing date	Hedged item	Hedged risk	Contract type	Financial institution	Duration of contract
Jul. 20, 2007	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	Foreign currency risk	Currency swap	Morgan Stanley and five other banks	Jul. 20, 2007 ~ Jul. 20, 2027
Jun. 12, 2012	Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	Foreign currency risk	Currency swap	Citibank and four other banks	Jun. 12, 2012 ~ Jun. 12, 2017
Nov. 1, 2012	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	Foreign currency risk	Currency swap	Barclays and eight other banks	Nov. 1, 2012 ~ May. 1, 2018
Jan. 17, 2013	Fixed-to-fixed cross currency swap (Australia dollar denominated bonds face value of AUD 300,000)	Foreign currency risk	Currency swap	BNP Paribas and three other banks	Jan. 17, 2013 ~ Nov. 17, 2017
Mar. 7, 2013	Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD	Foreign currency risk and the interest rate risk	Currency interest rate swap	DBS bank	Mar. 7, 2013 ~ Mar. 7, 2020

	300,000)				
Oct. 29, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000)	Foreign currency risk	Currency swap	Korea Development Bank and four other banks	Oct. 29, 2013 ~ Oct. 26, 2018
Dec. 16, 2013	Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 74,817)	Foreign currency risk	Currency swap	Deutsche bank	Dec. 16, 2013 ~ Apr. 29, 2022

Table of Contents**22. Derivative Instruments, Continued**

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

(In millions of won and thousands of foreign currencies)

Hedged item	Accumulated gain (loss) on valuation of derivatives	Cash flow hedge Tax effect	Fair value		Held for trading purpose	Total
			Accumulated foreign currency translation (gain) loss	Others (*)		
Non-current assets:						
Structured bond (face value of KRW 150,000)	₩				6,277	6,277
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 400,000)	(46,616)	(14,883)	11,180	129,806		79,487
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 700,000)	(18,705)	(5,971)	56,738			32,062
Floating-to-fixed cross currency interest rate swap (U.S. dollar denominated bonds face value of USD 300,000)	(5,748)	(1,835)	26,439			18,856
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of USD 300,000)	(6,394)		32,870			26,476
Fixed-to-fixed long-term borrowings (U.S. dollar denominated bonds face value of USD 74,817)	(4,072)	(1,300)	8,613			3,241
Total assets					₩	166,399
Non-current liabilities:						
Fixed-to-fixed cross currency swap (Swiss Franc denominated bonds face value of CHF 300,000)	₩ (3,678)	(1,174)	(7,851)			(12,703)
Fixed-to-fixed cross currency swap (U.S. dollar denominated bonds face value of AUD 300,000)	2,013	642	(79,248)			(76,593)
Total liabilities					₩	(89,296)

- (*) Cash flow hedge accounting has been applied to the relevant contracts from May 12, 2010. Others represent gain on valuation of currency swap incurred prior to the application of hedge accounting and was recognized through profit or loss prior to the year ended December 31, 2013.

Table of Contents**23. Share Capital and Capital Surplus and Other Capital Adjustments**

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

(In millions of won, except for share data)

	December 31, 2015	December 31, 2014
Authorized shares	220,000,000	220,000,000
Issued shares(*1)	80,745,711	80,745,711
Share capital		
Common stock	₩ 44,639	44,639
Capital surplus and other capital adjustments:		
Paid-in surplus	2,915,887	2,915,887
Treasury stock(Note 24)	(2,260,626)	(2,139,683)
Loss on disposal of treasury stock		(18,087)
Hybrid bonds(Note 25)	398,518	398,518
Others	(864,269)	(878,637)
	₩ 189,510	277,998

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

There were no changes in share capital for the years ended December 31, 2015 and 2014. Changes in number of shares outstanding for the years ended December 31, 2015 and 2014 as follows:

<i>(In shares)</i>	2015			2014		
	Issued shares	Treasury stock	Outstanding shares	Issued shares	Treasury stock	Outstanding shares
Beginning issued shares	80,745,711	9,809,375	70,936,336	80,745,711	9,809,375	70,936,336
Disposal of treasury stock		(1,692,824)	1,692,824			
Acquisition of treasury stock		2,020,000	(2,020,000)			
Ending issued shares	80,745,711	10,136,551	70,609,160	80,745,711	9,809,375	70,936,336

Table of Contents**24. Treasury Stock**

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

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

(In millions of won, shares)

	December 31, 2015	December 31, 2014
Number of shares	10,136,551	9,809,375
Amount	₩ 2,260,626	2,139,683

On June 9, 2015, the Parent Company granted 1,692,824 shares of its treasury stock (acquisition cost: ₩369,249 million) in order to acquire shares of SK Broadband Co., Ltd. In addition, from September 30, 2015 to December 11, 2015, the Parent Company newly acquired 2,020,000 shares of its treasury stock amounting to ₩490,192 million in order to stabilize stock price.

25. Hybrid Bond

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

(In millions of won)

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

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

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

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

Table of Contents**26. Retained Earnings**

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

(In millions of won)

	December 31, 2015	December 31, 2014
Appropriated:		
Legal reserve	₩ 22,320	22,320
Reserve for research & manpower development	87,301	151,533
Reserve for business expansion	9,671,138	9,476,138
Reserve for technology development	2,616,300	2,416,300
	12,397,059	12,066,291
Unappropriated	2,610,568	2,122,300
	₩ 15,007,627	14,188,591

(2) Legal reserve

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

(3) Reserve for research & manpower development

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

27. Reserves

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

(In millions of won)

	December 31, 2015	December 31, 2014
Unrealized fair value of available-for-sale financial assets	₩ 232,316	235,385

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

Other comprehensive income of investments in associates	(169,520)	(163,808)
Unrealized fair value of derivatives	(83,200)	(77,531)
Foreign currency translation differences for foreign operations	29,707	1,465
	₩ 9,303	(4,489)

Table of Contents**27. Reserves, Continued**

(2) Changes in reserves for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

			2015		
	Unrealized fair value of available-for- sale financial assets	Other comprehensive income of investments in associates	Unrealized fair value of derivatives	Foreign currency translation differences for foreign operations	Total
Balance at January 1, 2015	₩ 235,385	(163,808)	(77,531)	1,465	(4,489)
Changes	(5,530)	(5,649)	(5,221)	28,242	11,842
Tax effect	2,461	(63)	(448)		1,950
Balance at December 31, 2015	₩ 232,316	(169,520)	(83,200)	29,707	9,303

(In millions of won)

			2014		
	Unrealized fair value of available-for- sale financial assets	Other comprehensive income of investments in associates	Unrealized fair value of derivatives	Foreign currency translation differences for foreign operations	Total
Balance at January 1, 2014	₩ 208,529	(172,117)	(35,429)	(13,253)	(12,270)
Changes	30,945	8,381	(54,290)	14,718	(246)
Tax effect	(4,089)	(72)	12,188		8,027
Balance at December 31, 2014	₩ 235,385	(163,808)	(77,531)	1,465	(4,489)

(3) Details of changes in unrealized fair value of available-for-sale financial assets for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015		
	Before taxes	Income tax effect	After taxes
Balance at January 1, 2015	₩ 306,608	(71,223)	235,385
Amount recognized as other comprehensive income during the year	(3,902)	2,067	(1,835)
Amount reclassified through profit or loss	(1,628)	394	(1,234)
Balance at December 31, 2015	₩ 301,078	(68,762)	232,316

(In millions of won)

	Before taxes	2014 Income tax effect	After taxes
Balance at January 1, 2014	₩ 275,663	(67,134)	208,529
Amount recognized as other comprehensive income during the year	40,785	(6,470)	34,315
Amount reclassified through profit or loss	(9,840)	2,381	(7,459)
Balance at December 31, 2014	₩ 306,608	(71,223)	235,385

Table of Contents**27. Reserves, Continued**

- (4) Details of changes in unrealized fair value of derivatives for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015		
	Before taxes	Income tax effect	After taxes
Balance at January 1, 2015	₩ (102,501)	24,970	(77,531)
Amount recognized as other comprehensive income during the year	(4,714)	(570)	(5,284)
Amount reclassified through profit or loss	(507)	122	(385)
Balance at December 31, 2015	₩ (107,722)	24,522	(83,200)

(In millions of won)

	2014		
	Before taxes	Income tax effect	After taxes
Balance at January 1, 2014	₩ (48,211)	12,782	(35,429)
Amount recognized as other comprehensive income during the year	(46,535)	10,311	(36,224)
Amount reclassified through profit or loss	(7,755)	1,877	(5,878)
Balance at December 31, 2014	₩ (102,501)	24,970	(77,531)

28. Other Operating Expenses

Details of other operating expenses for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Other Operating Expenses:		
Communication expenses	₩ 43,979	58,622
Utilities	270,621	247,919
Taxes and dues	36,118	33,500
Repair	312,517	260,533
Research and development	315,790	390,943
Training	37,278	42,781
Bad debt for accounts receivables - trade	60,450	45,754
Travel	27,860	28,912
Supplies and other	176,248	209,933
	₩ 1,280,861	1,318,897

Table of Contents**29. Other Non-operating Income and Expenses**

Details of other non-operating income and expenses for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Other Non-operating Income:		
Gain on disposal of property and equipment and intangible assets	₩ 7,140	8,792
Others	23,770	47,487
	₩ 30,910	56,279
Other Non-operating Expenses:		
Impairment loss on property and equipment, and intangible assets	₩ 35,845	47,489
Loss on disposal of property and equipment and intangible assets	21,392	32,950
Donations	72,454	67,823
Bad debt for accounts receivable other	15,323	17,943
Others	98,477	107,353
	₩ 243,491	273,558

30. Finance Income and Costs

(1) Details of finance income and costs for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Finance Income:		
Interest income	₩ 45,884	60,006
Dividends	16,102	13,048
Gain on foreign currency transactions	18,923	16,301
Gain on foreign currency translations	5,090	6,277
Gain on disposal of long-term investment securities	10,786	13,994
Gain on valuation of derivative	1,927	8,713
Gain on settlement of derivatives		7,998
Gain relating to financial liability at fair value through profit or loss	5,188	
	₩ 103,900	126,337

Table of Contents**30. Finance Income and Costs, Continued**

- (1) Details of finance income and costs for the years ended December 31, 2015 and 2014 are as follows, Continued:

(In millions of won)

	2015	2014
Finance Costs:		
Interest expense	₩ 297,662	323,910
Loss on foreign currency transactions	17,931	18,053
Loss on foreign currency translations	4,750	5,079
Loss on disposal of long-term investment securities	2,599	2,694
Loss on valuation of derivatives		10
Loss on settlement of derivatives	4,845	672
Loss relating to financial asset at fair value through profit or loss		1,352
Loss relating to financial liability at fair value through profit or loss	526	10,370
Other finance costs	21,787	24,533
	₩ 350,100	386,673

- (2) Details of interest income included in finance income for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Interest income on cash equivalents and deposits	₩ 20,009	33,417
Interest income on installment receivables and others	25,875	26,589
	₩ 45,884	60,006

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

(In millions of won)

	2015	2014
Interest expense on bank overdrafts and borrowings	₩ 19,577	26,360
Interest expense on debentures	238,450	247,972
Interest on finance lease liabilities	58	504

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

Others	39,577	49,074
	₩ 297,662	323,910

Table of Contents**30. Finance Income and Costs, Continued**

- (4) Finance income and costs by categories of financial instruments for the years ended December 31, 2015 and 2014 are as follows. Bad debt expenses (reversal of allowance for doubtful accounts) for accounts receivable trade, loans and receivables are excluded and are explained in Note 7.

- (i) Finance income and costs

(In millions of won)

	2015		2014	
	Finance income	Finance costs	Finance income	Finance costs
Financial Assets:				
Financial assets at fair value through profit or loss	₩ 1,927	4,188	8,713	1,361
Available-for-sale financial assets	31,220	24,386	32,227	27,227
Loans and receivables	64,749	15,861	57,685	18,182
Derivative financial instruments designated as hedged item		657	7,998	672
Sub-total	97,896	45,092	106,623	47,442
Financial Liabilities:				
Financial liabilities at fair value through profit or loss	5,188	526		10,370
Financial liabilities measured at amortized cost	816	304,482	19,714	328,861
Sub-total	6,004	305,008	19,714	339,231
Total	₩ 103,900	350,100	126,337	386,673

- (ii) Other comprehensive income(loss)

(In millions of won)

	2015	2014
Financial Assets:		
Available-for-sale financial assets	₩ (3,661)	26,856
Derivative financial instruments designated as hedged item	(3,248)	(20,301)
Sub-total	(6,909)	6,555
Financial Liabilities:		
Derivative financial instruments designated as hedged item	1,977	(21,801)

Sub-total	1,977	(21,801)
Total	₩ (4,932)	(15,246)

Table of Contents**30. Finance Income and Costs, Continued**

- (5) Details of impairment losses for financial assets for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Available-for-sale financial assets	₩ 21,787	24,533
Bad debt for accounts receivable - trade	60,450	45,754
Bad debt for accounts receivable - other	15,323	17,943
	₩ 97,560	88,230

31. Income Tax Expense for Continuing Operations

- (1) Income tax expenses for continuing operations for the years ended December 31, 2015 and 2014 consist of the following:

(In millions of won)

	2015	2014
Current tax expense		
Current tax payable	₩ 417,022	181,273
Adjustments recognized in the period for current tax of prior periods	(4,124)	(19,938)
	412,898	161,335
Deferred tax expense		
Changes in net deferred tax assets	102,305	276,049
Tax directly charged to equity	4,669	16,929
Changes in scope of consolidation	(575)	
Others (exchange rate differences, etc.)	183	195
	106,582	293,173
Income tax for continuing operation	₩ 519,480	454,508

Table of Contents**31. Income Tax Expense for Continuing Operations, Continued**

- (2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2015 and 2014 is attributable to the following:

(In millions of won)

	2015	2014
Income taxes at statutory income tax rates	₩ 492,096	544,964
Non-taxable income	(85,589)	(32,277)
Non-deductible expenses	44,770	61,580
Tax credit and tax reduction	(25,756)	(33,581)
Changes in unrealizable deferred taxes	83,623	(43,820)
Others (income tax refund and tax rate differences, etc.)	10,336	(42,358)
Income tax for continuing operation	₩ 519,480	454,508

Tax rates applied for the above taxable income for the years ended December 31, 2015 and 2014 are corporate income tax rates applied for taxable income in Republic of Korea, of which SK Telecom Co., Ltd., the Parent Company, is located.

- (3) Deferred taxes directly charged to (credited from) equity for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Net change in fair value of available-for-sale financial assets	₩ 2,461	(4,089)
Share of other comprehensive income of associates	(63)	(72)
Gain or loss on valuation of derivatives	(448)	12,188
Remeasurement of defined benefit liabilities	2,719	8,902
	₩ 4,669	16,929

Table of Contents**31. Income Tax Expense for Continuing Operations, Continued**

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

		2015				
		Changes	Deferred tax	Directly added	Other	Ending
	Beginning	in	expense	to		
	consolidation	scope of	(income)	(deducted		
		consolidation		from)		
				equity		
Deferred tax assets (liabilities) related to temporary differences						
Allowance for doubtful accounts	₩ 53,578		6,379			59,957
Accrued interest income	(2,450)		(117)			(2,567)
Available-for-sale financial assets	(4,824)		32,728	2,461		30,365
Investments in subsidiaries and associates	(211,043)		(144,167)	(63)		(355,273)
Property and equipment (depreciation)	(372,332)		44,760			(327,572)
Provisions	7,587		(5,102)			2,485
Retirement benefit obligation	27,361		(1,753)	2,719		28,327
Gain or loss on valuation of derivatives	24,969			(448)		24,521
Gain or loss on foreign currency translation	19,324		193			19,517
Tax free reserve for research and manpower development	(7,162)					(7,162)
Goodwill relevant to leased line	4,433		(720)			3,713
Unearned revenue (activation fees)	25,977		(23,912)			2,065
Others	(15,682)	(575)	(7,708)		183	(23,782)
	(450,264)	(575)	(99,419)	4,669	183	(545,406)
Deferred tax assets related to unused tax loss carryforwards and unused tax credit carryforwards						
Tax loss carryforwards	31,712		(7,163)			24,549
	₩ (418,552)	(575)	(106,582)	4,669	183	(520,857)

Table of Contents**31. Income Tax Expense for Continuing Operations, Continued**

- (4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2015 and 2014 are as follows, Continued:

(In millions of won)

	Beginning	Deferred tax expense (income)	2014 Directly added to (deducted from) equity	Other	Ending
Deferred tax assets (liabilities) related to temporary differences					
Allowance for doubtful accounts	₩ 56,427	(2,700)		(149)	53,578
Accrued interest income	(2,831)	381			(2,450)
Available-for-sale financial assets	(589)	(146)	(4,089)		(4,824)
Investments in subsidiaries and associates	(44,844)	(165,663)	(72)	(464)	(211,043)
Property and equipment (depreciation)	(333,633)	(38,690)		(9)	(372,332)
Provisions	14,303	(6,699)		(17)	7,587
Retirement benefit obligation	16,089	2,390	8,902	(20)	27,361
Gain or loss on valuation of derivatives	12,779	2	12,188		24,969
Gain or loss on foreign currency translation	19,572	(248)			19,324
Tax free reserve for research and manpower development	(40,011)	32,849			(7,162)
Goodwill relevant to leased line	31,025	(26,592)			4,433
Unearned revenue (activation fees)	53,412	(27,435)			25,977
Others	44,738	(61,274)		854	(15,682)
	(173,563)	(293,825)	16,929	195	(450,264)
Deferred tax assets related to unused tax loss carryforwards and unused tax credit carryforwards					
Tax loss carryforwards	31,060	652			31,712
	₩ (142,503)	(293,173)	16,929	195	(418,552)

Table of Contents**31. Income Tax Expense for Continuing Operations, Continued**

- (5) Details of temporary differences, unused tax loss carryforwards and unused tax credits carryforwards which are not recognized as deferred tax assets (liabilities), as the Group does not believe it is probable that the deferred tax assets will be realizable in the future, in the consolidated statements of financial position as of December 31, 2015 and 2014 are as follows:

(In millions of won)

	December 31, 2015	December 31, 2014
Allowance for doubtful accounts	₩ 182,266	155,634
Investments in subsidiaries and associates	281,719	422,033
Other temporary differences	285,845	314,188
Unused tax loss carryforwards	1,034,070	729,570
Unused tax credit carryforwards	2,271	2,438
	₩ 1,786,171	1,623,863

- (6) The expirations of unused tax loss carryforwards and unused tax credit carryforwards which are not recognized as deferred tax assets as of December 31, 2015 are as follows:

(In millions of won)

	Unused tax loss carryforwards	Unused tax credit carryforwards
Less than 1 year	₩ 4,894	1,041
1 ~ 2 years		155
2 ~ 3 years		870
More than 3 years	1,029,176	205
	₩ 1,034,070	2,271

Table of Contents**32. Earnings per Share**

(1) Basic earnings per share

- 1) Basic earnings per share for the years ended December 31, 2015 and 2014 are calculated as follows:

(In millions of won, shares)

	2015	2014
Basic earnings per share attributable to owners of the Parent Company:		
Profit attributable to owners of the Parent Company	₩ 1,518,604	1,801,178
Interest on hybrid bond	(16,840)	(16,840)
Profit attributable to owners of the Parent Company on common shares	1,501,764	1,784,338
Weighted average number of common shares outstanding	71,551,966	70,936,336
Basic earnings per share (In won)	₩ 20,988	25,154

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

(In shares)

	2015	2014
Outstanding common shares	80,745,711	80,745,711
Weighted number of treasury stocks	(9,193,745)	(9,809,375)
Weighted average number of common shares outstanding	71,551,966	70,936,336

(2) Diluted earnings per share

For the year ended December 31, 2015 and 2014, there were no potentially dilutive shares. Therefore, diluted earnings per share for the years ended December 31, 2015 and 2014 are the same as basic earnings per share.

Table of Contents**33. Dividends**

(1) Details of dividends declared

Details of dividend declared for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won, except for face value and share data)

Year	Dividend type	Number of shares outstanding	Face value (In won)	Dividend ratio	Dividends
2015	Cash dividends (interim)	72,629,160	500	200%	72,629
	Cash dividends (year-end)	70,609,160	500	1800%	635,482
					708,111
2014	Cash dividends (interim)	70,936,336	500	200%	70,937
	Cash dividends (year-end)	70,936,336	500	1680%	595,865
					666,802

(2) Dividends payout ratio

Dividends payout ratios for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

Year	Dividends calculated	Profit	Dividends payout ratio
2015	₩ 708,111	1,518,604	46.63%
2014	₩ 666,802	1,801,178	37.02%

(3) Dividends yield ratio

Dividends yield ratios for the years ended December 31, 2015 and 2014 are as follows:

(In won)

Year	Dividend type	Dividend per share	Closing price at settlement	Dividend yield ratio
2015	Cash dividends	10,000	215,500	4.64%
2014	Cash dividends	9,400	268,000	3.51%

Table of Contents**34. Categories of Financial Instruments**

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

(In millions of won)

	December 31, 2015				
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
Cash and cash equivalents	₩		768,922		768,922
Financial instruments			701,713		701,713
Short-term investment securities		92,262			92,262
Long-term investment securities		1,207,226			1,207,226
Accounts receivable trade			2,390,110		2,390,110
Loans and other receivables(*)			1,102,403		1,102,403
Derivative financial assets	6,277			160,122	166,399
	₩ 6,277	1,299,488	4,963,148	160,122	6,429,035

(In millions of won)

	December 31, 2014				
	Financial assets at fair value through profit or loss	Available-for- sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total
Cash and cash equivalents	₩		834,429		834,429
Financial instruments			313,699		313,699
Short-term investment securities		280,161			280,161
Long-term investment securities	7,817	948,463			956,280
Accounts receivable trade			2,460,686		2,460,686
Loans and other receivables(*)			1,123,507		1,123,507
Derivative financial assets	8,713			61,322	70,035
	₩ 16,530	1,228,624	4,732,321	61,322	6,038,797

Table of Contents**34. Categories of Financial Instruments, continued**

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

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

(In millions of won)

	December 31, 2015	December 31, 2014
Short-term loans	₩ 53,895	74,512
Accounts receivable other	673,739	690,527
Accrued income	10,753	10,134
Other current assets	1,861	3,866
Long-term loans	62,454	55,728
Long-term accounts receivable-other	2,420	3,596
Guarantee deposits	297,281	285,144
	₩ 1,102,403	1,123,507

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

(In millions of won)

	December 31, 2015			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	Total
Accounts payable trade	₩	279,782		279,782
Derivative financial liabilities			89,296	89,296
Borrowings		415,134		415,134
Debentures(*1)	155,704	6,952,949		7,108,653
Accounts payable - other and others (*2)		2,970,801		2,970,801
	₩ 155,704	10,618,666	89,296	10,863,666

(In millions of won)

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

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

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

Table of Contents**34. Categories of Financial Instruments, Continued**

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

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

(In millions of won)

	December 31, 2015	December 31, 2014
Accounts payable other	₩ 1,323,434	1,381,850
Withholdings	1,178	1,760
Accrued expenses	920,739	952,418
Current portion of long-term payables - other	120,211	193,193
Long-term payables other	581,697	684,567
Finance lease liabilities		26
Other non-current liabilities	23,542	27,801
	₩ 2,970,801	3,241,615

35. Financial Risk Management

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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

Table of Contents**35. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(i) Currency risk, Continued

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

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

	Assets		Liabilities	
	Foreign currencies	Won translation	Foreign currencies	Won translation
USD	162,322	₩ 189,763	1,836,860	₩ 2,152,800
EUR	23,421	30,005	257	328
JPY	24,462	238	695	7
AUD			299,023	255,097
CHF			299,403	354,909
Others	4,995	1,148	291	121
		₩ 221,154		₩ 2,763,262

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 22)

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

(In millions of won)

	If increased by 10%	If decreased by 10%
USD	₩ 9,600	(9,600)
EUR	2,934	(2,934)
JPY	23	(23)
Others	100	(100)
	₩ 12,657	(12,657)

(ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of December 31, 2015, available-for-sale equity instruments measured at fair value amount to ₩1,076,291 million.

(iii) Interest rate risk

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

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

Table of Contents**35. Financial Risk Management, Continued**

(1) Financial risk management, Continued

1) Market risk, Continued

(iii) Interest rate risk, Continued

The interest rate risk arises from the Group's floating-rate borrowings and bonds agreements. As of December 31, 2015, the floating-rate borrowings and bonds are ₩20,573 million and ₩351,600 million, respectively, and the Group has entered into interest rate swap agreements, as described in Note 22, for all floating-rate bonds to hedge the interest rate risk of floating-rate bonds. On the other hand, if the interest rate increases (decreases) 1% with all other variables held constant, income before income taxes for the year ended December 31, 2015, fluctuates as much as ₩206 million due to the interest expense on floating-rate borrowings that have not entered into an interest rate swap agreement.

2) Credit risk

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

(In millions of won)

	2015	2014
Cash and cash equivalents	₩ 768,794	833,129
Financial instruments	701,713	313,699
Available-for-sale financial assets	3,430	15,498
Accounts receivable trade	2,390,110	2,460,686
Loans and receivables	1,102,403	1,123,507
Derivative financial assets	166,399	70,035
Financial assets at fair value through profit or loss		7,817
	₩ 5,132,849	4,824,371

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

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

In addition, the aging of trade and other receivables that are over-due at the end of the reporting period but not impaired is stated in Note 7 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 30.

Table of Contents**35. Financial Risk Management, Continued**

(1) Financial risk management, Continued

3) Liquidity risk

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

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

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Accounts payable - trade	₩ 279,782	279,782	279,782		
Borrowings(*1)	415,134	428,012	298,118	109,200	20,694
Debentures(*1)	7,108,653	8,514,028	897,895	4,516,896	3,099,237
Accounts payable - other and others(*2)	2,970,801	3,030,356	2,330,565	578,643	121,148
	₩ 10,774,370	12,252,178	3,806,360	5,204,739	3,241,079

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

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

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

As of December 31, 2015, periods which cash flows from cash flow hedge derivatives are expected to be incurred are as follows:

(In millions of won)

	Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Assets	₩ 160,122	171,808	1,894	138,980	30,934
Liabilities	(89,296)	(92,498)	(4,882)	(87,616)	
	₩ 70,826	79,310	(2,988)	51,364	30,934

Table of Contents**35. Financial Risk Management, Continued****(2) Capital management**

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

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

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

<i>(In millions of won)</i>	December 31, 2015	December 31, 2014
Liabilities	₩ 13,207,291	12,692,963
Equity	15,374,096	15,248,270
Debt-equity ratio	85.91%	83.24%

Table of Contents**35. Financial Risk Management, Continued**

(3) Fair value

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

(In millions of won)

	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that can be measured at fair value					
Financial assets at fair value through profit or loss	₩ 6,277		6,277		6,277
Derivative financial assets	160,122		160,122		160,122
Available-for-sale financial assets	1,076,291	897,958	47,262	131,071	1,076,291
	₩ 1,242,690	897,958	213,661	131,071	1,242,690
Financial assets that cannot be measured at fair value					
Cash and cash equivalents(*1)	₩ 768,922				
Available-for-sale financial assets(*1,2)	223,197				
Accounts receivable trade and others(*1)	3,492,513				
Financial instruments(*1)	701,713				
	₩ 5,186,345				
Financial liabilities that can be measured at fair value					
Financial liabilities at fair value through profit or loss	₩ 155,704		155,704		155,704
Derivative financial liabilities	89,296		89,296		89,296
	₩ 245,000		245,000		245,000
Financial liabilities that cannot be measured at fair value					
Accounts payable trade(*1)	₩ 279,782				
Borrowings	415,134		416,702		416,702
Debentures	6,952,949		7,411,909		7,411,909
Accounts payable - other and others(*1)	2,970,801				
	₩ 10,618,666		7,828,611		7,828,611

Table of Contents**35. Financial Risk Management, Continued**

(3) Fair value, Continued

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

(In millions of won)

	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets that can be measured at fair value					
Financial assets at fair value through profit or loss	₩ 16,530		8,713	7,817	16,530
Derivative financial assets	61,322		61,322		61,322
Available-for-sale financial assets	846,614	657,286	47,002	142,326	846,614
	₩ 924,466	657,286	117,037	150,143	924,466
Financial assets that cannot be measured at fair value					
Cash and cash equivalents(*1)	₩ 834,429				
Available-for-sale financial assets(*1,2)	382,010				
Accounts receivable trade and others(*1)	3,584,193				
Financial instruments(*1)	313,699				
	₩ 5,114,331				
Financial liabilities that can be measured at fair value					
Financial liabilities at fair value through profit or loss	₩ 110,365		110,365		110,365
Derivative financial liabilities	130,889		130,889		130,889
	₩ 241,254		241,254		241,254
Financial liabilities that cannot be measured at fair value					
Accounts payable trade(*1)	₩ 275,495				
Borrowings	537,562		549,083		549,083
Debentures	6,108,265		6,514,832		6,514,832
Accounts payable - other and others(*1)	3,241,615				
	₩ 10,162,937		7,063,915		7,063,915

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

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

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

Table of Contents**35. Financial Risk Management, Continued****(3) Fair value, Continued**

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

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

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

	Interest rate
Derivative instruments	1.92 ~ 2.37%
Borrowings and debentures	2.12 ~ 3.34%

3) There have been no transfers from Level 2 to Level 1 in 2015 and changes of financial assets classified as Level 3 for the year ended December 31, 2015 are as follows:

	Balance at Jan. 1	Acquisition	Loss for the period	Other comprehensive loss	Disposal	Others	Balance at Dec. 31
Available-for-sale financial assets	142,326	3,103	(449)	(2,379)	(30,359)	18,829	131,071

Table of Contents**35. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement

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

(In millions of won)

		Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented on the statements of financial position	Relevant amount not offset on the statements of financial position Financial instruments received	Cash collaterals received	Net amount
Financial assets:							
Derivatives(*)	₩	55,673		55,673	(55,673)		
Accounts receivable trade and others		129,527	(113,003)	16,524			16,524
	₩	185,200	(113,003)	72,197	(55,673)		16,524
Financial liabilities:							
Derivatives(*)	₩	89,734		89,734	(55,673)		34,061
Accounts payable other and others		113,003	(113,003)				
	₩	202,737	(113,003)	89,734	(55,673)		34,061

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

(In millions of won)

		Gross financial instruments recognized	Gross offset financial instruments recognized	Net financial instruments presented on the statements of financial position	Relevant amount not offset on the statements of financial position Financial instruments received	Cash collaterals received	Net amount
Financial assets:							
Derivatives(*)	₩	48,057		48,057	(45,892)		2,165
Accounts receivable trade and others		128,794	(117,568)	11,226			11,226
	₩	176,851	(117,568)	59,283	(45,892)		13,391

Financial liabilities:

Derivatives(*)	₩	45,892		45,892	(45,892)
Accounts payable	others	117,568	(117,568)		
	₩	163,460	(117,568)	45,892	(45,892)

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

Table of Contents**36. Transactions with Related Parties**

(1) List of related parties

Relationship	Interest rate
Ultimate Controlling Entity	SK Holdings Co., Ltd.
Joint venture	Dogus Planet, Inc. and 3 others
Associates	SK hynix Inc. and 52 others
Affiliates	The Ultimate Controlling Entity's subsidiaries and associates, etc.

(2) Compensation for the key management

The Parent Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

	2015	2014
Salaries	₩ 1,971	2,600
Provision for retirement benefits	626	907
	₩ 2,597	3,507

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

Table of Contents**36. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the years ended December 31, 2015 and 2014 are as follows:

(In millions of won)

Scope	Company	Operating revenue and others	Operating expense and others	2015 Acquisition of property and equipment	Loans collection
Ultimate Controlling Entity	SK Holdings Co., Ltd. (formerly, SK C&C Co., Ltd.)(*1)	₩ 20,260	324,078	236,414	
	SK Holdings Co., Ltd. (formerly, SK Holdings Co., Ltd.)(*2,3)	1,299			