

Management’s
Discussion and Analysis -
Financial

This Management’s Discussion & Analysis (MD&A) is provided to enable readers to assess our results of operations and financial condition for the fiscal year ended December 31, 2013, compared to the preceding year. This MD&A section should be read in conjunction with our audited consolidated financial statements included in this annual report. Unless otherwise specified, all amounts are presented on a consolidated basis and are based on our audited consolidated financial statements prepared in accordance with International Financial Reporting Standards, as adopted by Korea. We disposed of a controlling equity interest in Loen Entertainment, Inc. (Loen), during the year ended December 31, 2013. We presented the results of operations of Loen as a discontinued operation in our consolidated financial statements for the year ended December 31, 2013. The comparative information in the consolidated financial statements for the year ended December 31, 2012 has been restated to present Loen as a discontinued operation. All amounts are in Korean Won (KRW). All references to “we,” “us” or “our” shall mean SK Telecom Co., Ltd. and, unless the context otherwise requires, its consolidated subsidiaries. References to “SK Telecom” shall mean SK Telecom Co., Ltd., but shall not include its consolidated subsidiaries.

This MD&A section contains “forward-looking statements,” as defined in the U.S Securities Exchange Act of 1934, as amended, that are based on our current expectations, assumptions, estimates and projections about us and our industry. The forward-looking statements are subject to various risks and uncertainties. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. Risks and uncertainties associated with our business are more fully described in our latest annual report on Form 20-F and other filings with the U.S. Securities and Exchange Commission. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

1. 2013 OVERVIEW

2013 is highlighted by maintaining our leadership position in the wireless business by strengthening our leading position in the long-term evolution (LTE) wireless services market through the differentiated quality of our LTE network as demonstrated by our ability to be the first telecommunications service operator globally to commercialize LTE-Advanced (LTE-A) services, utilizing our carrier aggregation technology. At the same time, we further enhanced our competitiveness in our platform businesses such as T Store (an open marketplace for mobile applications), T-Map Navigation (a telematics service) and 11th Street (an open marketplace for online shopping and m-commerce) and further established the foundation for our new businesses such as solutions, media, semiconductors and healthcare.

Wireless and Fixed-line Businesses

We maintained our leadership position in the wireless business in 2013. At the end of 2013, we had 27.4 million subscribers (including subscribers of mobile virtual network operators (MVNOs) that lease our networks), of which 13.5 million subscribed to our LTE service and 18.3 million used smartphones. Our share of the Korean wireless market based on the number of subscribers (including subscribers of MVNOs) was approximately 50.0% as of December 31, 2013, compared to 50.3% as of December 31, 2012.

In 2013, the Korean telecommunication industry experienced continued strong growth in wireless Internet services with the introduction of LTE-A services and the continued nationwide expansion of services based on LTE technology as well as the continued increase in number of smartphone users. We enhanced our leadership by becoming the first telecommunications service operator globally to commercialize LTE-A services, providing reliable and fast LTE service, securing a competitive device line-up and providing differentiated services. In 2013, we also began offering wideband LTE service, which enables us to deliver an enhanced customer experience to our new and existing LTE customers.

In addition, we continue to generate synergies with SK Broadband to maximize customer convenience and benefits by developing new services and products, such as bundled services combining mobile phone, fixed-line phone, broadband Internet, VoIP and IPTV services in various combinations. Since the commercial launch of its mobileTV service in 2012, SK Broadband has gained over one million paying subscribers as of March 2014, which we believe was partly attributable to synergies created by leveraging SK Telecom’s competitive advantage in the wireless services business and SK Broadband’s competitiveness in the IPTV service business.

Platform Businesses

Our key platform businesses, including T Store, T-Map Navigation and 11th Street, operated by SK Planet, all showed strong growth in 2012. SK Planet was established in October 2011 by spinning off SK Telecom’s platform business division to develop a management system and corporate culture more suitable for the platform business. We have grown our platform business by sharing our telecommunication infrastructure with other service providers and application developers. We will continue to identify and foster new platform businesses to create new growth engines for us in the future.

In order to further enhance its competitiveness in the platform business, which is expected to grow based on mobile platforms that can support large amounts of data, SK Planet merged with SK Marketing & Company, which has offline marketing capabilities, in February 2013.

As part of our growth strategy, we have selectively sought attractive opportunities abroad. We are actively seeking various opportunities to grow platform businesses globally by developing new business models. The launch of an open online commerce market in March 2013 by our joint venture in Turkey and the establishment of an e-commerce joint venture in July 2013 in Indonesia are good examples of growing opportunities globally.

2. EXECUTIVE SUMMARY

We earn revenues principally from our mobile service sales consisting of the following:

- Sign-up fees, which are initial subscription fees for our mobile services; and
- Voice service fees, consisting of monthly fees and call charges, and data service fees, consisting of usage charges for wireless data services.

We also derive revenue from interconnection fees paid to us by other fixed-line and wireless telecommunications providers for use of our network by their customers and subscribers.

In addition, we derive revenue from businesses operated by our consolidated subsidiaries, including broadband Internet and fixed-line telephone services offered by SK Broadband, various platform businesses conducted by SK Planet and handset sales made by PS&Marketing.

The following selected consolidated financial information has been derived from, and should be read in conjunction with, the audited consolidated financial statements included in this annual report.

Selected Financial Information (Consolidated basis)		(Unit: In billions of KRW)	
	2013	2012 (Restated)	Change
Statement of Income Data			
Operating revenue	16,602.1	16,141.4	2.9%
EBITDA ⁽¹⁾	4,830.9	4,297.5	12.4%
Operating expense	14,590.9	14,411.4	1.2%
Operating income from continuing operations	2,011.1	1,730.0	16.2%
Profit for the year	1,609.5	1,115.7	44.3%
Statement of Financial Position Data			
Total assets	26,576.5	25,595.6	3.8%
Cash & marketable securities ⁽²⁾	1,816.2	1,494.7	21.5%
Total liabilities	12,410.0	12,740.8	-2.6%
Interest-bearing financial debt ⁽³⁾	6,332.0	6,683.6	-5.3%
Total equity	14,166.6	12,854.8	10.2%
Financial Ratios			
EBITDA margin	29.1%	26.6%	2.5%
Operating margin	12.1%	10.7%	1.4%
Net margin	9.7%	6.9%	2.8%
Debt-to-equity ratio ⁽⁴⁾	44.7%	52.0%	-7.3%

(1) EBITDA = Operating income from continuing operations+ Depreciation and amortization + R&D-related depreciation within R&D expense

(2) Cash & marketable securities = Cash & cash equivalents + Short-term investment securities + Short-term financial instruments

(3) Interest-bearing financial debt = Short-term borrowings + Current portion of long-term debt (excluding current portion of long-term payables related to payment of frequency license fee) + Debentures (excluding current portion) + Long-term borrowings (excluding current portion)

(4) Debt-to-equity ratio = Interest-bearing financial debt/Total equity

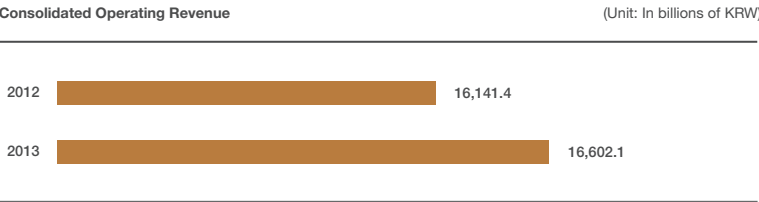
Our operating revenue increased by 2.9% to KRW 16.60 trillion in 2013 from KRW 16.14 trillion in 2012, primarily as a result of strong growth in the number of subscribers to our LTE service, as well as improved revenues from our consolidated subsidiaries, including SK Planet and SK Broadband.

Our operating expense in 2013 increased by 1.2% to KRW 14.59 trillion from 14.41 trillion in 2012, primarily due to increases in labor cost and depreciation and amortization, which were partially offset by a decrease in commissions paid. As the increase in our operating revenue exceeded the increase in our operating expense in 2013, our operating income from continuing operations increased by 16.2% to KRW 2.01 trillion in 2013 from KRW 1.73 trillion in 2012 and our operating margin increased by 1.4%p to 12.1% in 2013 and EBITDA margin increased by 2.5%p to 29.1% in 2013. Our profit for the year increased by 44.3% to KRW 1.61 trillion in 2013 from KRW 1.12 trillion in 2012.

Our total assets increased by 3.8% to KRW 26.58 trillion as of December 31, 2013, compared to KRW 25.60 trillion as of December 31, 2012, primarily due to an increase in investments in associates resulting from an increase in the carrying amount of our 20.6% stake in SK Hynix. Total liabilities decreased by 2.6% to KRW 12.41 trillion as of December 31, 2013 from KRW 12.74 trillion as of December 31, 2012, primarily due to our repayments of long-term and short-term borrowings, a decrease in long-term unearned revenue and a decrease in long-term provisions reflecting the decrease in our provision for handset subsidies as we gradually ceased providing handset subsidies to subscribers. Total equity increased by 10.2% to KRW 14.17 trillion as of December 31, 2013 from KRW 12.85 trillion as of December 31, 2012, primarily due to an increase in retained earnings. Our debt-to-equity ratio as of December 31, 2013 was 44.7%, compared to 52.0% as of December 31, 2012.

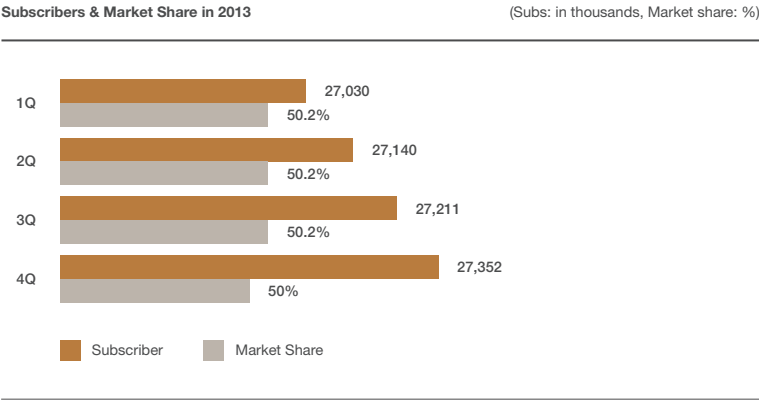
3. REVENUE

Our operating revenue in 2013 amounted to KRW 16.60 trillion, an increase of KRW 460.6 billion, or 2.9%, from KRW 16.14 trillion in 2012. This increase was primarily attributable to strong growth in the number of new subscribers to our LTE service, as well as improved revenues from our consolidated subsidiaries, including SK Planet and SK Broadband.



Subscribers & Market Share

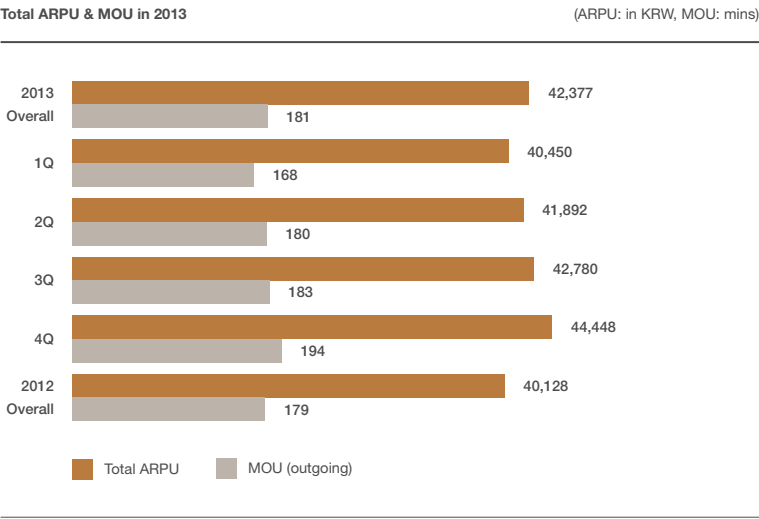
The total number of wireless subscribers in Korea was approximately 54.7 million as of December 31, 2013 with a wireless telecommunications service penetration rate of 106.9%. Despite the saturated wireless market in Korea, SK Telecom continued to add new subscribers throughout the year, and ended the year 2013 with approximately 27.4 million subscribers (including subscribers of MVNOs that lease SK Telecom’s networks). SK Telecom’s Korean wireless market share based on the number of subscribers (including subscribers of MVNOs) slightly decreased by 0.3%p to 50.0% as of December 31, 2013 from 50.3% as of December 31, 2012. The number of SK Telecom’s LTE subscribers increased to 13.5 million as of December 31, 2013 from 7.5 million as of December 31, 2012.



ARPU and MOU

SK Telecom’s total average monthly revenue per subscriber (ARPU) increased by 5.6% to KRW 42,377 in 2013 from KRW 40,128 in 2012. This increase was primarily due to increases in LTE subscribers who subscribe to data plans with higher monthly basic charges than our other wireless services and data service usage attributable to increases in the number of smartphone users.

SK Telecom’s average monthly outgoing voice minutes per subscriber (MOU) increased by 1.1% to 181 minutes in 2013 from 179 minutes in 2012, which we believe was caused by our introduction of unlimited voice plans in March 2013.



Subsidiaries

The consolidated revenue of SK Broadband consists of (i) revenue from broadband Internet service, (ii) revenue from corporate data services, (iii) revenue from fixed-line telephone service, (iv) revenue from IP TV services and (v) other revenues. The consolidated revenue of SK Broadband increased by 2.1% to KRW 2.54 trillion in 2013 from KRW 2.49 trillion in 2012, primarily as a result of an increase in revenue from IP TV services attributable to an increased number of IP TV subscribers and increased purchases of premium product offerings. As of December 31, 2013, SK Broadband had approximately 4.6 million broadband Internet access subscribers, 4.6 million fixed-line telephone subscribers (including subscribers to VoIP services) and 2.1 million IP TV subscribers, with a market share in Korea of 24.4%, 16.9% and 24.4%, respectively, based on the number of subscribers.

PS&Marketing’s revenue, which is mostly derived from sales of handsets, decreased by 26.2% to KRW 1.10 trillion in 2013 from KRW 1.48 trillion in 2012, primarily due to a decrease in handset sales to new subscribers, which was mainly attributable to an easing of marketing competition for new subscribers in the industry in 2013 following disciplinary measures imposed by the Government.

SK Planet’s revenue, which is mostly derived from its principal platform businesses, T Store, T-Map Navigation and 11th Street, increased by 33.2% to KRW 1.38 trillion in 2013 from KRW 1.03 trillion in 2012, primarily due to an increase in commerce service revenue generated by 11th Street.

4. PROFITABILITY

Statement of Income Data (Consolidated)		(Unit: In billions of KRW)		
	2013	% of Revenue	2012 (Restated)	% of Revenue
Continuing operations				
Operating revenue	16,602.1	100.0%	16,141.4	100.0%
Operating expense	14,590.9	87.9%	14,411.4	89.3%
Labor cost ⁽¹⁾	1,561.4	9.4%	1,267.9	7.9%
Commissions paid ⁽²⁾	5,498.7	33.1%	5,949.5	36.9%
Depreciation and amortization ⁽³⁾	2,661.6	16.0%	2,421.1	15.0%
Network interconnection	1,043.7	6.3%	1,057.2	6.5%
Leased line	448.8	2.7%	468.8	2.9%
Advertising	394.1	2.4%	384.4	2.4%
Rent	443.6	2.7%	422.4	2.6%
Cost of products that have been resold	1,300.4	7.8%	1,292.3	8.0%
Other operating expenses	1,238.6	7.5%	1,147.8	7.1%
Operating income from continuing operations	2,011.1	12.1%	1,730.0	10.7%
Finance income	113.4	0.7%	444.6	2.8%
Finance costs	(571.2)	(3.4%)	(638.3)	(4.0%)
Gain (losses) related to investments in subsidiaries and associates, net	706.5	4.3%	(24.6)	(0.2%)
Profit before income tax	1,827.1	11.0%	1,519.4	9.4%
Income tax expense from continuing operations	400.8	2.4%	288.2	1.8%
Profit from continuing operations	1,426.3	8.6%	1,231.2	7.6%
Discontinued operations				
Profit (loss) from discontinued operations, net of income taxes	183.2	1.1%	(115.5)	(0.7%)
Profit for the year	1,609.5	9.7%	1,115.7	6.9%
EBITDA ⁽⁴⁾	4,830.9	29.1%	4,297.5	26.6%

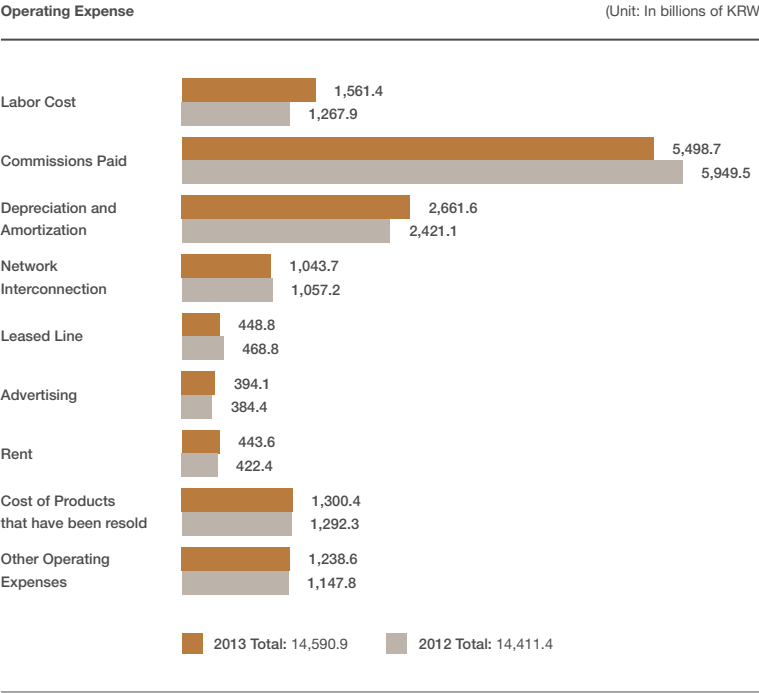
(1) Labor cost = Salaries + Provisions for defined benefit liabilities
(2) Includes marketing commissions and other commissions
(3) Excludes R&D-related depreciation
(4) EBITDA = Operating income + Depreciation and amortization + R&D-related depreciation within R&D expense

Our operating income from continuing operations increased by 16.2% to KRW 2.01 trillion in 2013 from KRW 1.73 trillion in 2012 and our operating margin increased to 12.1% in 2013 from 10.7% in 2012, as our operating revenue increased at a rate higher than that of our operating expenses. The increase in our operating expenses was attributable to, among others, a 23.1% increase in labor cost and a 9.9% increase in depreciation and amortization, which were partially offset by a 7.6% decrease in commissions paid. Our EBITDA increased by 12.4% to KRW 4.83 trillion in 2013 from KRW 4.30 trillion in 2012.

Our finance income decreased by 74.5% to KRW 113.4 billion in 2013 from KRW 444.6 billion in 2012, primarily due to a decrease in gain on disposal of long-term investment securities, which was mainly attributable to the sale in October 2012 of half of the POSCO shares we owned, as well as a decrease in interest income resulting mainly from a general decrease in interest rates. Our finance costs decreased by 10.5% to KRW 571.2 billion in 2013 from KRW 638.3 billion in 2012, primarily due to a decrease in other finance costs resulting from a decrease in impairment losses for our available-for-sale financial assets, and a decrease in interest expense resulting from decreases in our interest-bearing financial debt and interest rates, which was partially offset by an increase in loss relating to financial liability at fair value through profit or loss as a result of valuation loss on our exchangeable bonds due to rising stock prices and loss on redemption of debentures upon the exercise of exchange claims. With an effective tax rate of 21.9%, our profit for the year was KRW 1.61 trillion in 2013, compared to KRW 1.12 trillion in 2012.

Operating Expense

Our operating expense for 2013 amounted to KRW 14.59 trillion, representing a 1.2% increase from KRW 14.41 trillion in 2012. The increase in operating expense was primarily due to (i) an increase in labor cost driven by an increase in the number of our employees and (ii) an increase in depreciation and amortization, which was attributable mainly to depreciation of our newly built-out LTE wireless network and amortization of a frequency license we started using in 2013, which were partially offset by a decrease in commissions paid driven by decreases in commissions paid



relating to marketing expenses to acquire new subscribers. Commissions paid accounted for 33.1% of our total revenue at KRW 5.50 trillion in 2013, which represented a 7.6% decrease from the previous year. This decrease in commissions paid was primarily due to a decrease in marketing expenses to acquire new LTE subscribers and a decrease in PS&Marketing’s sales commissions due to a decrease in LTE smartphone sales. Our labor cost increased by 23.1% to KRW 1.56 trillion in 2013 from KRW 1.27 trillion in 2012, primarily due to an increase in the number of our employees resulting primarily from the merger of SK Marketing & Company into SK Planet in February 2013 and our new business initiatives. Our network interconnection expenses amounted to KRW 1.04 trillion in 2013, representing a 1.3% decrease from KRW 1.06 trillion in 2012. This decrease was primarily attributable to decreases in interconnection traffic volume and fee rates. Our advertising expenses increased by 2.5% to KRW 394.1 billion in 2013 from KRW 384.4 billion in 2012 primarily due to an increase in media advertisement expenses incurred by our consolidated subsidiaries. Our cost of products that have been resold increased by 0.6% to KRW 1.30 trillion in 2013 from KRW 1.29 trillion in 2012. Our depreciation and amortization, excluding research and development-related depreciation, increased by 9.9% to KRW 2.66 trillion in 2013 from KRW 2.42 trillion in 2012, due principally to depreciation of our newly built-out LTE wireless network and amortization of a frequency license we started using in 2013.

Income Tax

Our income tax expense from continuing operations increased by 39.1% to KRW 400.8 billion in 2013 from KRW 288.2 billion in 2012. Our effective tax rate also increased by 2.9%p to 21.9% in 2013 from 19.0% in 2011. The increase in our income tax expense from continuing operations and effective tax rate are primarily attributable to a decrease in tax credits related to our capital expenditures in 2013, as well as a decrease in discretionary exemptions extended by the tax authority in 2013.

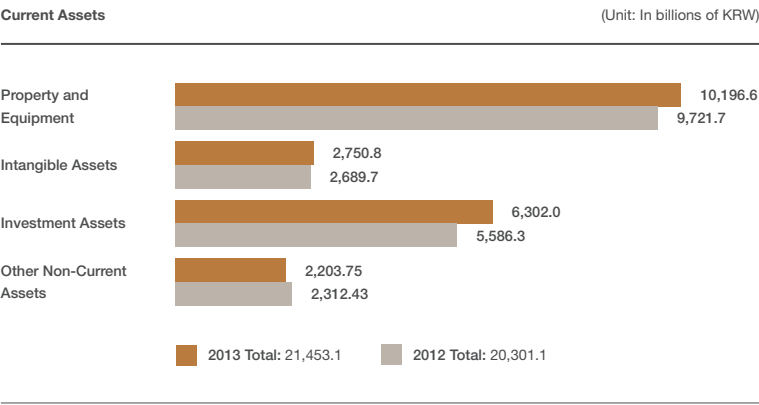
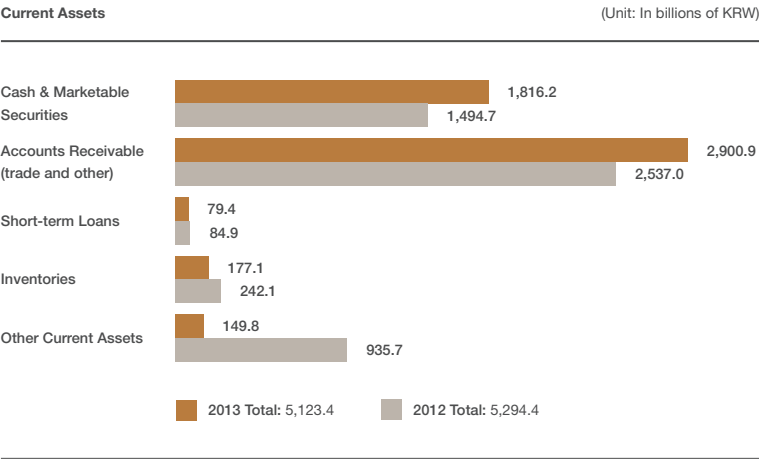
5. FINANCIAL STRUCTURE

Current Assets

We had current assets of KRW 5.12 trillion as of December 31, 2013, a 3.3% decrease from KRW 5.29 trillion as of December 31, 2012. Our cash and marketable securities (including short-term financial instruments) increased by 21.5% to KRW 1.82 trillion as of December 31, 2013, from KRW 1.49 trillion as of December 31, 2012, primarily due to an increase in cash and cash equivalents resulting from the merger of SK Marketing & Company into SK Planet as well as proceeds from our disposal of an equity interest in Loen. As of December 31, 2013, our total accounts receivable (trade and other) amounted to KRW 2.90 trillion, a 14.3% increase from KRW 2.54 trillion as of December 31, 2012, primarily due to the merger of SK Marketing & Company into SK Planet.

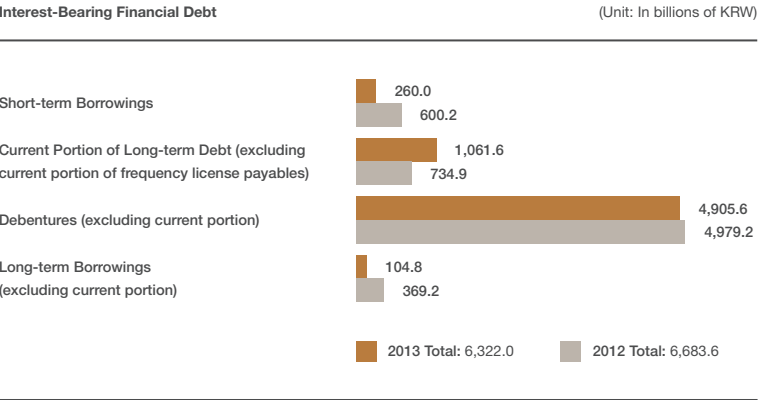
Non-current Assets

We had non-current assets of KRW 21.45 trillion as of December 31, 2013, a 5.7% increase from KRW 20.30 trillion as of December 31, 2012. Our investment assets, consisting of long-term financial instruments, long-term investment securities and investments in associates, increased by 12.8% to KRW 6.30 trillion as of December 31, 2013 from KRW 5.59 trillion as of December 31, 2012. This increase was mainly attributable to an increase in the carrying amount of our 20.6% stake in SK Hynix. Our property and equipment increased by 5.0% to KRW 10.20 trillion as of December 31, 2013, from KRW 9.71 trillion as of December 31, 2012, primarily due to an increase in investments in our LTE network.



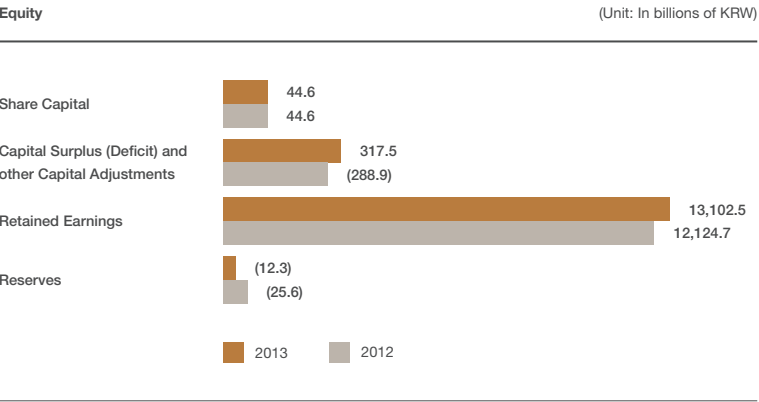
Liabilities

We had KRW 12.41 trillion of total liabilities as of December 31, 2013, a 2.6% decrease from KRW 12.74 trillion as of December 31, 2012, mainly due to our repayments of long-term and short-term borrowings, a decrease in long-term unearned revenue and a decrease in long-term provisions reflecting the decrease in our provision for handset subsidies as we gradually ceased providing handset subsidies to subscribers. Our total interest-bearing financial debt, which does not include long-term payables related to frequency license fees, decreased by 5.3% to KRW 6.33 trillion as of December 31, 2013 from KRW 6.68 trillion as of December 31, 2012. Our debt-to-equity ratio as of December 31, 2013 was 44.7%, compared to 52.0% as of December 31, 2012.



Equity

Our total equity as of December 31, 2013 amounted to KRW 14.17 trillion, representing an increase of 10.2% from KRW 12.85 trillion as of December 31, 2012. This increase was primarily attributable to an increase in retained earnings to KRW 13.10 trillion as of December 31, 2013 from KRW 12.12 trillion as of December 31, 2012.



6. CAPITAL EXPENDITURE (Non-Consolidated Basis)

SK Telecom spent approximately KRW 2.32 trillion for capital expenditures in 2013, representing a 19.0% decrease from KRW 2.86 trillion in 2012. Such decrease was primarily attributable to a decrease in our network-related investments. Our network-related investments in 2013 were used to enhance our LTE network and improve its quality.

Management’s
Discussion and Analysis -
Social and Environmental

Basis of Preparation

This Statement of Social & Environmental Performance is prepared to present our management's discussion and analysis of key non-financial performance including human rights, labor, environment, and anti-corruption. SK Telecom is committed to the UN Global Compact which is a voluntary policy initiative implemented by UN organizations and businesses as well as the GC LEAD for the development and promotion of exemplary cases as part of the UN Global Compact Blueprint. As a member of the UN Global Compact, we submit COP (Communication on Progress) which highlights the business performance in line with the Ten Principles every year and this Statement of Social & Environmental Performance meets the COP requirements of GC Advanced Level. In addition, this statement complies with international reporting principles as follow:

01 _ GRI (Global Reporting Initiatives) Sustainability Reporting Guidelines G4

The GRI provides information for the aspects and indicators of reporting from economic, social and environmental perspectives so stakeholders can recognize the organization's performance. It defines the subject according to the correlation of each aspect from the impact on stakeholders and economic, social and environmental perspectives. Please refer to P.XX for materiality assessment in accordance with the GRI requirements.

02 _ Accountability AA1000

The AA1000 series identifies and prioritizes the sustainability issues in relation to the organization and defines its framework and principles. The information on this statement is verified by third parties according to the AA1000AS (Assurance Standard). Please refer to P. XX for the result of the third party verification.

03 _ International Integrated Reporting Framework (<IR> Framework)

The <IR> Framework of International Integrated Reporting Council(IIRC) requires a concise report on how an organization's strategies, governance, performance and future outlook leads to its short, medium, and long-term value creation in the economic, social, and environmental context. Please refer to P.XX for the capital model as part of the commitment to defining the integrated reporting principles and P.XX for the assessment of importance to define key subjects according to the impact on value creation.

Scope of Data

The scope of this Statement of Social & Environmental Performance is limited to the data of SK Telecom without including its subsidiaries and supply chain unless specified otherwise. This coincides with the scope of unclassified sales of SK Telecom which is a holding company according to K-IFRS. The environmental data regarding energy, greenhouse gas, wasted materials, and water is estimated based on 26 domestic businesses *(including data centers and networks). As 95% of SK Telecom's sales come from South Korea, the data coverage meets the 95% requirement against the sales.

*26 businesses: T-Tower, Namsan, Guro, Jangan, Seoul National University, FMI, Yongin, Boramae, Seongsu, Suyu, Incheon, Bundang, Dunsan (Old), Busa, Dunsan (New), Cheongju, Wonju, Taepyeong, Bonri, Shincheon, Buam, Data Center, Anrak, Wusan, Songjeong, Jeonju, Jeju

Social Data

Employment (Unit: Person)			
	2011	2012	2013
Total	3,877	4,081	4,203
Employment Type			
Permanent	3,775	3,961	4,081
Temporary	102	120	122
Gender			
Male	3,317	3,501	3,616
Female	560	580	587
Age			
20s	-	-	328
30s	-	-	1,340
40s	-	-	2,372
50s or older	-	-	163
Special Employment & Minority			
Employees with disabilities	35	37	49
Veterans	184	158	146

Overseas Employment (Unit: Person)			
	2011	2012	2013
Total Number of Employees	246	155	103
Number of Employees Hired from Local	176	83	72
Total Number of Managers	38	28	28
Number of Managers Hired from Local	19	6	5

Recruitment (Unit: Person)			
	2011	2012	2013
Total New Employees	482	425	418
Gender			
Male	343	343	317
Female	139	99	101
Age			
20s	302	191	189
30s	142	165	161
40s	34	66	64
50s or older	4	3	4

Retirement (Unit: Person)			
	2011	2012	2013
Total Retirement	378	242	238
Gender			
Male	242	166	141
Female	136	76	97
Age			
20s	225	112	116
30s	103	67	57
40s	32	51	52
50s or older	18	12	13
Involuntary Retirement			
Involuntary Retirement (Dismissal)	-	3	6

Maternity & Parental Leave (Unit: Person, %)		
	2012	2013
Employees on Maternity Leave	152 (Male 122)	161 (Male 124)
Rate of Return	98.7	99.4
Employees on Parental Leave	35 (Male 2)	25 (Male 2)
Rate of Return	100	100
Rate of Retirement within 12 Months	5.7	4

Performance Evaluation & Training (Unit: %, Hours, KRW 10,000)			
	2011	2012	2013
Rate of Employees Subject to Performance Evaluation	98%	95%	96%
Training Hours per Employee	74	100	83.7
Training Cost per Employee	325	293	338

Labor Practice (Unit: %, Person)

	2011	2012	2013
Labor Union			
Rate of Labor Union Membership	80.5	81.2	84.2
Rate of Employees Eligible for Labor Union Membership	2,657	2,612	2,513
Labor Union Members	2,140	2,120	2,118
Rate of Occupational Accidents			
Rate of Occupational Accidents	-	0.02	0.02
Number of Occupational Accidents	-	1	1

Product & Service (Unit: %, Case)

	2011	2012	2013
Churn Rate			
Churn Rate	2.7%	2.6%	2.3%
Security Indicator			
Rate of Mobile Payment Fraud	-	-	0.12%
Rate of Roaming Charge VoC	-	-	0.28%
Customer Information Security			
Customer Information Leakage	None	None	None
Electromagnetic Field			
Number of Measuring Electromagnetic Fields at Base Station	3,782	18,387	17,082

Total Discount Offers for Vulnerable Population (Unit: KRW Million)

	2011	2012	2013
Disabled			
Disabled	148,811	145,057	138,443
Low Income Families			
Low Income Families	64,825	62,503	62,891
National Merit Holders			
National Merit Holders	9,589	9,960	10,105
Others			
Others	232	199	178
Total	223,457	217,719	211,617

Mutual Growth with Partners

	2011	2012	2013
Mutual Growth Partnership			
Mutual Growth Partnership	349 organizations	263 organizations	201 organizations
Total Mutual Growth Fund Loan (KRW Billion)			
Total Mutual Growth Fund Loan (KRW Billion)	124	161	183
Technology Protection (Technology Escrow)			
Technology Protection (Technology Escrow)	30 cases	48 cases	191 cases
Rate of Cash Payment			
Rate of Cash Payment	100%	100%	100%
Rate of Electronic Tender			
Rate of Electronic Tender	37.3%	23.4%	32.5%

Sustainability of Supply Chain (Unit: Organization)

	2013	Remarks
Evaluation of Newly Registered Partners		
Total Registered Partners (Annual)	346	N/W Equipment, Construction, R&D, Operation, Maintenance, Marketing
Performance Evaluations Conducted on Human Rights, Environment, Ethics, and Social Issues	346	100%
Evaluation on Registered Partners		
Total Registered Partners	1,851	
Partners Audited in Writing	974	
Partners Audited on Site	162	incl. visiting and meeting with those in mutual growth agreement
Partners Audited by 3rd Party	864	
Partners Warned for Correction	2	Decision making through Purchase Review Committee
Banned Temporarily	1	
Banned Permanently	1	

Employee Volunteer Activities (Unit: Hours)

	2011	2012	2013
Total Hours of Volunteer Activities			
Total Hours of Volunteer Activities	28,249	24,524	16,190
Hours of Volunteer Activities per Employee			
Hours of Volunteer Activities per Employee	6.4	6.3	4.2
Rate of Volunteer Groups			
Rate of Volunteer Groups	-	23%	49%

Management Discussions and Analysis on Social Statement

Section 1. Employees & Labor Practice

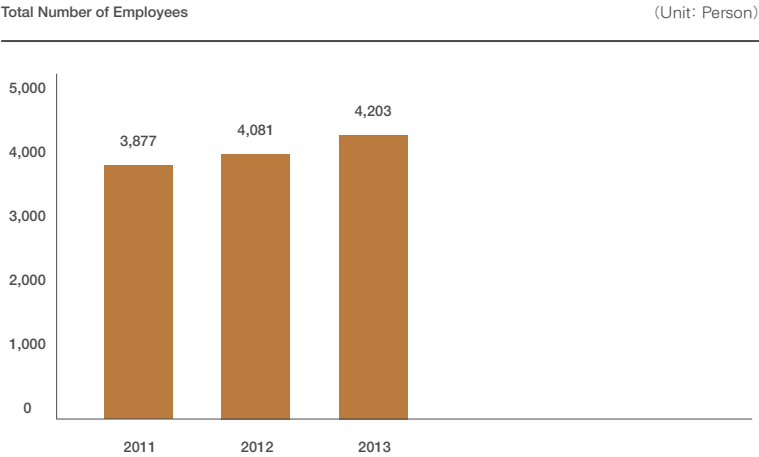
1.1 Total Employment

Methods & Basis of Estimation:

The employees included in the total employment figure are those who are under employment contract with SK Telecom and divided into Permanent and Temporary categories. They do not include the employees and officers of its affiliated companies.

Status:

As of 2013, the total number of employees is 4,203 which is a 2.9% increase from the previous year. It is rising due to the company's continuous growth. Female employees make up 13.9%, slightly less than the previous year's 14.2%, while maintaining a similar ratio. In terms of age, employees in their 30-40s make up 64.5% and an additional 12 handicapped persons have been hired as minorities compared with the previous year.



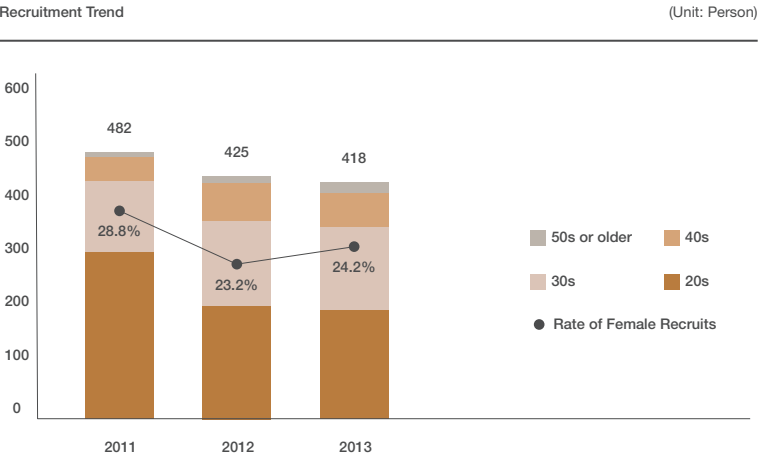
1.2 Recruitment & Retirement

Methods & Basis of Estimation:

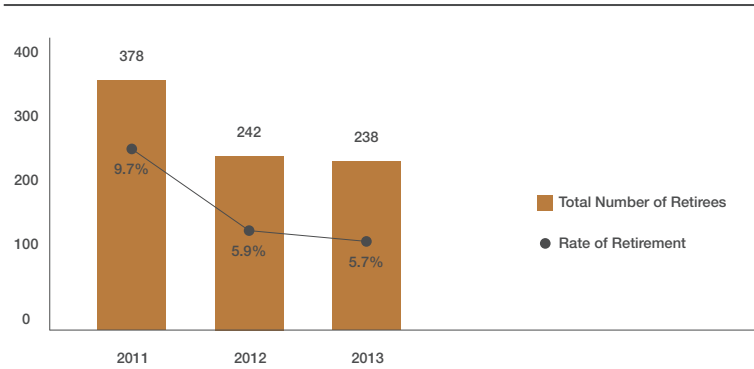
The new employee figures are calculated according to their age and gender. They are defined as those who are subject to employment contract, either Permanent or Temporary. They do not include the employees and officers of its affiliated companies. Calculating retirees has been changed from the one specified in the 2012 SKT Integrated Sustainability Report and the previous data has been updated for 2013. In the previous report, it only includes those who joined other companies or started their own business but now it applies to any employees who retire voluntarily and those whose employment contract has expired.

Status:

The total number of new employees is 418 which is slightly less than those in the previous year. Of these, female employees make up 24.2%. The aim is to employ at least 25-30% women and we plan to increase it to 30% by 2015. In terms of age, those in their 20-30s make up 83.7% while 64 new employees are in their 40s and four of them are in their 50s or older.



Rate of Retirement (Unit: Person)



The rate of retirement in 2013 is 5.7%, a 0.2% and 4% decrease from 2012 and 2011 respectively. As ICT business heavily relies on employees' knowledge and expertise, the board of directors recognizes the importance of securing competent human resources and keeping the retirement rate as low as possible.

1.3 Performance Evaluation & Training

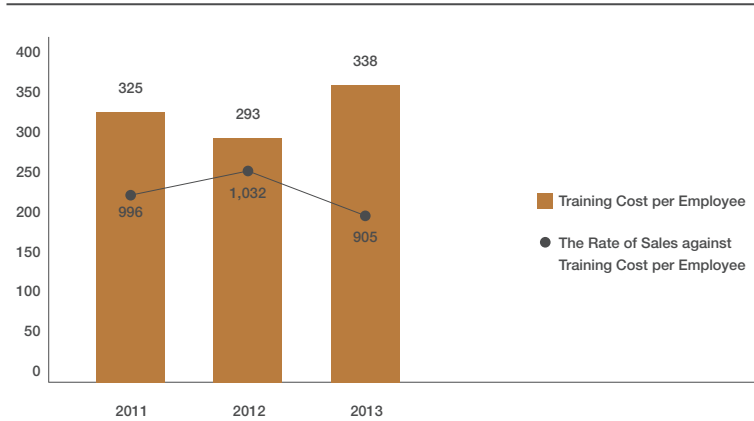
Methods & Basis of Estimation:

This figure estimates the employees who are subject to performance evaluation based on the predefined system. The total training hours of the entire company is divided by the number of employees to calculate the annual training hours per employee. These three indicators are estimated based on those employees under employment contract, either Permanent or Temporary, and they do not include the employees and officers of its affiliated companies or subsidiaries.

Status:

The rate of performance evaluation has been maintained at over 95% since 2011 while the average training cost per employee in 2013 is KRW 3.38 million, a 15% increase from the previous year. The rate of sales against the training cost per employee in 2013 is 905 (times), which is slightly less than the previous year.

Training Cost per Employee (Unit: In Millions of KRW)



1.4 Labor Union

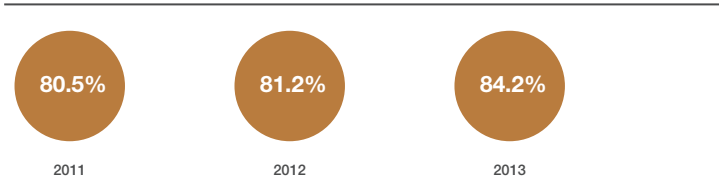
Methods & Basis of Estimation

This figure indicates the ratio of labor union members out of those who are eligible for membership.

Status:

The rate of labor union members in 2013 is 84.2%, a 3.0% increase from the previous year.

Rate of Labor Union Membership



Section 2. Products & Services, Customer Protection

2.1 Personal Information & Privacy Protection

Methods & Basis of Estimation:

This figure indicates the number of cases where a customer's personal information is stolen or leaked by hackers who hacked into the system that stores their information. The rate of mobile payment fraud indicates the number of cases of fraud against the total number of payments made in a year. The rate of roaming charge VOC indicates the number of customer complaints made on the roaming charges.

Status:

There is no case where customer's personal information is stolen or leaked in 2013, the same as in the previous year. The customer complaint indicators such as the rates of mobile payment fraud and roaming charge VOC accounts for 0.12% and 0.26% respectively.

Section 3. Supplier Assurance

3.1 Mutual Growth with Partners

Methods & Basis of Estimation:

SK Telecom participates in the assessment of Win-Win Index conducted by the National Commission for Corporate Partnership and submits the performance statement under the mutual growth agreement.

Status:

In 2013, the mutual growth agreement was entered with 201 companies in total excluding government organizations, industry-academy cooperation, overseas businesses, individual businesses, conglomerates (including related persons), and distributors according to the type of transaction. All the terms and conditions of the agreement have been performed including financial and training support.

3.2 Sustainability of Supply Chain

Methods & Basis of Estimation:

Any company that intends to do business with SK Telecom can join Open2U (open2u.sktelecom.com), an electronic purchase portal system. They are required to agree to

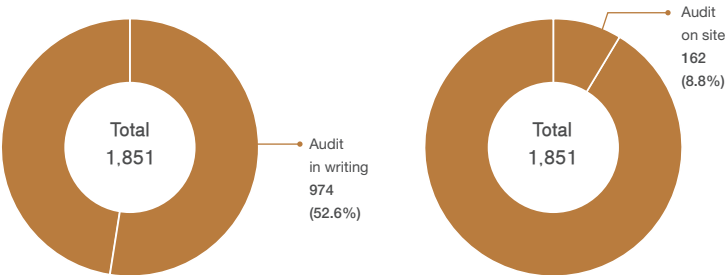
43,612persons
(accumulated over three years)

the Terms of Fair & Transparent Transaction and CSR (to be renewed on an annual basis) when they do that. Their compliance with human rights, environmental, and social policies are assessed when they are registered as suppliers.

Status:

In 2013, 974 partners out of 1,851 registered partners which accounts for 52.6% were subject to assessment in writing and 162 of them which accounts for 8.8% were visited for an on-site assessment. Two of the companies were suspended temporarily or permanently according to the resolution of the Purchase Review Committed due to their noncompliance.

Rate of Supply Chains Audited for Sustainability (Unit: Company)



Section 4. Corporate Philanthropy

4.1 Employee Volunteer Activities

Methods & Basis of Estimation:

This figure indicates the hours of volunteer activities carried out by the employees of SK Telecom.

Status:

In 2013, we focused on the ICT aspects of volunteer activities and talent donation rather than conventional social work. As a result, the hours were reduced but we were able to provide social services in a more specialized way based on ICT technologies. The rate of participation in these areas increased from 23% in 2012 to 49% in 2013 and our social responsibility campaign focused on building a platform for sharing social values using ICT rather than monetary donation or social service. Please refer to p.xx for more details regarding this topic.

4.2 Beneficiaries

Methods & Basis of Estimation:

The following is the list of beneficiaries that we are volunteering to help. The donation from our subsidiaries and affiliates are excluded from the list.

Organizations	Program Descriptions
Korea Association of Senior Welfare Centers	Guide senior citizens on how to use a mobile phone.
Rainbow Youth Center	Provide education programs for North Korean refugees.
Korean Blind Union	Service audio book application for the blind "Happy Library".
Korea Guide Star	Build a non-profit information system.
Korea Federation of Organizations of the Disabled	Organize IT challenges for handicapped youth.
Korea Association of School Social Workers	SKT On-site Smart Class
Korea Motor Skill Development Center	Wyverns Happy SQ Class
The Autism Korea	Camp for children with autism
Leftovers Love Sharing Community	1318 Happy Zone English Up Challenge
Korea Basketball Association	Wheelchair Basketball Championship
Copion	IT Training Program in Indonesia
Healthy Family Support Center in Yeongdeungpo	Guide immigrants on how to use a smartphone.
Community Chest of Korea	Monetary donation for low-income families
Joongang Social Welfare Center Seoul	Local Volunteer Work for Kimchi-Making
Daedong Social Welfare Center Taejeon	Local Volunteer Work for Kimchi-Making
Jeil Social Welfare Center Taegu	Local Volunteer Work for Kimchi-Making
Gwangsangu Volunteer Center Gwangju	Local Volunteer Work for Kimchi-Making
Red Cross Busan	Local Volunteer Work for Kimchi-Making
Senior Citizen Health Center Busan	Local Volunteer Work for Kimchi-Making
Korea Foundation for Advanced Studies	Provide support for education and scholarship programs.
SK Happiness Sharing Foundation	SK Sunny, Happy School, Social Responsibility Program
SK Smile Microcredit Bank	Smile Microcredit Project
Global Action Hub	Provide support for building the Global Action Hub website.
UN Global Compact	Pay for the annual membership fees of UNGC LEAD and sponsor global CSR conference.
The Federation of Korean Industries	Build nurseries for the Federation of Korean Industries.
Korean Council of Food Support	SK Happiness Sharing Kimchi-Making Campaign

Environmental Data

Greenhouse Gas Emission		(Unit: tCO ₂ e)		
	2011	2012	2013	
Total Emission	608,056	673,742	707,963	
Direct Emission	9,561	7,803	7,375	
Stationary Combustion	6,789	5,598	5,236	
Mobile Combustion	2,772	2,205	2,139	
Indirect Emission	598,495	665,939	700,588	
Electricity	593,424	665,862	700,484	
Steam	71	78	104	
Intensity (tCO ₂ e/KRW Billion)	48.45	54.63	55.05	

Energy Consumption				
	Unit	2011	2012	2013
Total	TJ	11,721	13,847	14,589
Direct Consumption	TJ	167	134	163
Natural Gas	Nm ³	2,315,362	1,805,327	1,610,880
Diesel	Liter	236,827	410,006	116,984
Kerosene	Liter	558,379	509,226	509,323
Indirect Consumption	TJ	11,554	13,713	14,426
Electricity	MWh	1,283,482	1,428,119	1,502,377
Steam	GJ	2,728	2,608	3,318
Total Electricity Saved	MWh	45,880	48,362	46,487
Building Management	MWh	6,023	5,776	3,901
Natural Air-conditioning System	MWh	39,857	39,857	39,857
New Renewable Energy Generation Facilities	MWh	2,719	2,729	2,729
Intensity	TJ/KRW Billion	0.93	1.12	1.13

Waste & Recycling				
	Unit	2011	2012	2013
Total Waste (A)	Ton	1,811	1,726	1,646
Domestic Waste	Ton	773	695	556
Large Sized Waste	Ton	116	126	85
Recyclable Waste (B)	Ton	535	515	583
Food Waste	Ton	354	355	373
Designated Waste	Ton	33	36	29
Recycling Rate (B/A)	%	30%	30%	36%
Intensity	Ton/KRW Billion	0.144	0.140	0.126

Water				
	Unit	2011	2012	2013
Annual Water Consumption	m ³	676,043	649,351	683,387
Waterworks Usage	m ³	590,113	583,681	623,429
Underground Water Usage	m ³	85,930	65,670	59,908
Intensity	m ³ / KRW Billion	53.86	52.65	53.14

Resources				
	Unit	2011	2012	2013
Electronic Bill				
Total Electronic Bill Subscribers	1000 Persons	12,550	16,051	17,860
Rate of Subscription	%	-	90% or higher	93.4%
Device Retrieval Rate				
Device Retrieval Rate	%	8.8	7.4	8.0
Device Sold	1000 Unit	12,775	11,928	9,838
Device Retrieved	1000 Unit	1,127	885	785

Biodiversity				
	Unit	2011	2012	2013
Base Stations within Protected Areas	Unit	44	56	91
Relay Stations within Protected Areas	Unit	348	553	184
Rate of Eco-friendly Installation	%	-	40	48
New Eco-friendly Radio Stations	Unit	58,345	53,498	58,419

Environmental Investment & Cost

	Unit	2011	2012	2013
Environmental Investment & Cost				
Total (excl. Green Purchase)	KRW	923,234,000	624,655,114	378,125,807
Waste Disposal Service	KRW	92,378,000	110,756,861	94,311,290
Education & Training	KRW	25,000,000	9,625,000	35,000,000
Miscellaneous	KRW	68,000,000	77,271,000	0
Recycling Service	KRW	4,513,000	24,134,230	28,929,653
External Nature Conservation Cost	KRW	93,825,000	108,449,622	18,390,000
Campaigning & Publication	KRW	167,000,000	88,880,622	53,600,000
Charges & Taxes	KRW	472,518,000	205,537,779	147,894,864
Energy Saving & Climate Changing Cost	KRW	123,000,000	265,000,000	197,000,000
Green Purchase				
Green Purchase Cost	KRW	399,115,000	984,159,800	6,083,561,000
Environmental Volunteer Activities				
Volunteers	Persons	1,400	1,506	1,226
Hours of Volunteer Activities	Hours	-	1,831	1,748

Management Discussions and Analysis on Environmental Statement

Section 1. Energy·Climate Change

1.1 Greenhouse Gas Emission

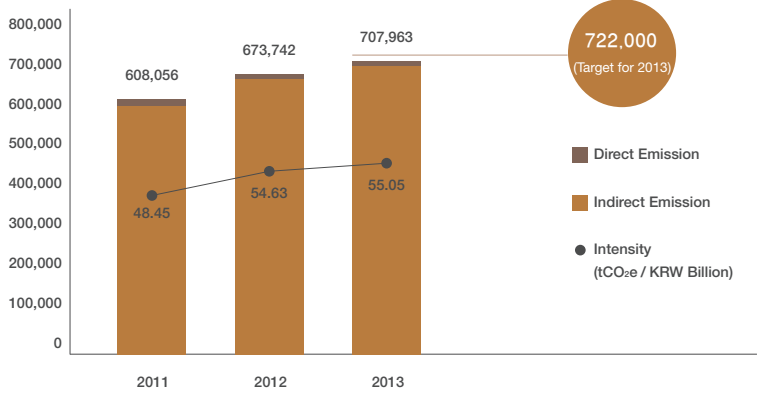
Methods & Basis of Estimation:

The greenhouse gas emissions are estimated based on the 26 company buildings of SK Telecom including data centers. It also includes the emissions from network facilities (e.g. stations, equipment). However, it does not include the emissions from the subsidiaries and supply chains. In 2010, SK Telecom created a greenhouse gas inventory system for more accurate estimation and managing of greenhouse gas emissions at a corporate-wide level. The intensity of greenhouse gas is calculated by dividing the total emissions of greenhouse gas by SK Telecom's individual base sales (equals the data coverage).

Status:

In 2013, the total greenhouse gas emissions of SK Telecom was 708,000 tons keeping it under the target of 722,000 tons set at the end of 2012. Its trend has been rising and it increased by 5.1% in 2013. One of the major causes that led to the increase is the expansion of base and relay stations due to the increasing demand for LTE service. The expansion of network facilities for LTE service is inevitable due to growing needs. However, we plan to minimize the rate of increase by replacing outdated inefficient facilities and using natural air-conditioning and energy consumption management systems. It is our goal to keep the increase rate at 5% (743,000 tCO₂e) in 2014. For Indirect Greenhouse Gas Emissions (Scope 3), we plan to expand the scope of control by conducting research for the reduction of greenhouse gas emissions and promoting participation in the emission trading scheme. Please refer to p.xx for more details.

Greenhouse Gas Emissions (Unit: tCO₂e)



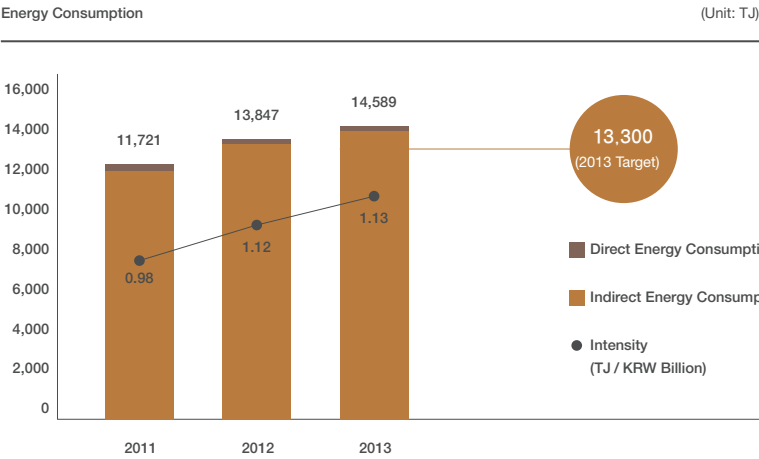
1.2 Energy Consumption

Methods & Basis of Estimation:

The energy consumption is estimated based on the 26 company buildings of SK Telecom including data centers. It also includes the consumption of network facilities (e.g. stations, equipment). However, it does not include the consumption of subsidiaries and supply chains. The data is collected through the bills provided by energy suppliers. The intensity of energy consumption is calculated by dividing the total energy consumption by SK Telecom's individual base sales (equals the data coverage). The amount of energy saved by using natural air-conditioning systems and new renewable energy sources is calculated using the actual data measured from 2011 to 2012.

Status:

Due to an increasing use of LTE network, the total energy consumption in 2013 was 14,589 TJ, a 5.4% increase from the previous year. As a result, we failed to keep it under the target of 13,300 TJ. Because the indirect energy consumption through electricity takes up 98.9% of the total energy consumption, we are replacing outdated inefficient equipment with more efficient equipment to maximize energy efficiency. In 2013, we built 316Mwh relay stations that require less power and removed 14 type systems including 1X exchangers while integrating 147 indoor facilities. In addition, we have introduced natural air-conditioning systems and new renewable energy source as part of our efforts in improving energy efficiency. The main cause of the increase in energy consumption is the increasing demand for LTE network service and additional construction of base and relay stations. It is our goal to keep the increase rate at 5% (15,318 TJ) in 2014. Please refer to p.xx for more details.



Section 2. Water & Waste

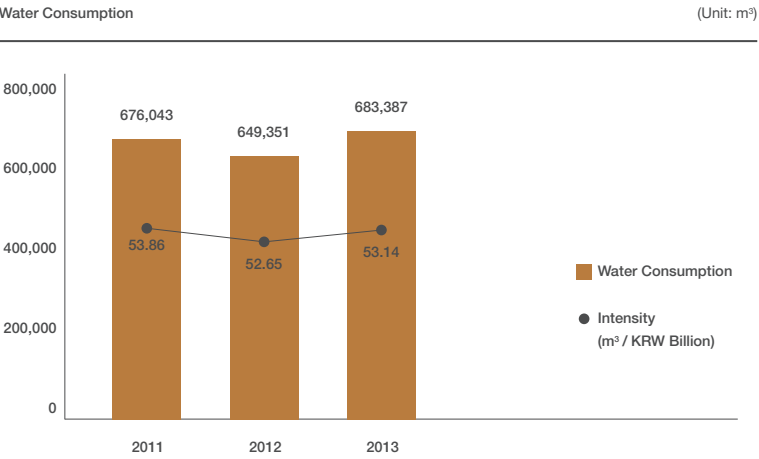
2.1 Water Consumption

Methods & Basis of Estimation:

The water consumption is estimated based on the 26 company buildings of SK Telecom and does not include the consumption by subsidiaries and supply chains. The intensity of water consumption is calculated by dividing the total water consumption by SK Telecom's individual base sales (equals the data coverage).

Status:

The water consumption in 2013 was 683,387m3, a 5.2% increase from the previous year. The main causes of the increase are the change in the number of consumers and increasing demand for cooling water due to extended operation of coolers in network facilities. We adjusted the amount of water draining at the cooling tower in the Seongsu Office while making changes to the water supply for the cooling tower in the Wonju Office.



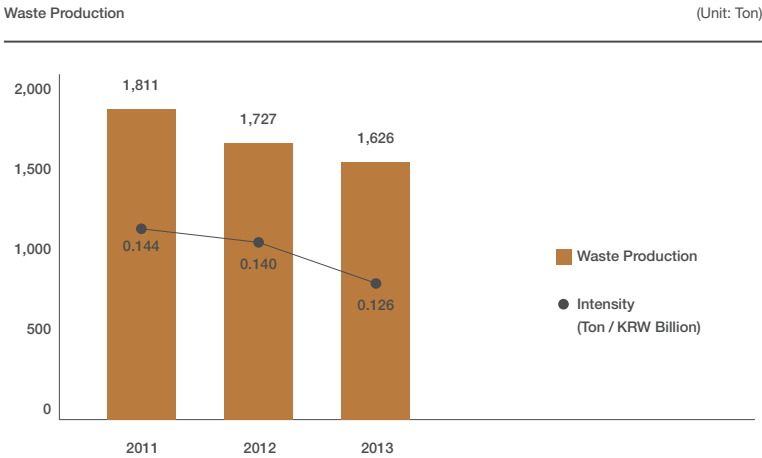
2.2 Waste & Recycling

Methods & Basis of Estimation:

The amount of the waste is estimated based on the 26 company buildings of SK Telecom and does not include the amount of waste produced by subsidiaries and supply chains. The intensity of waste production is calculated by dividing the total waste production by SK Telecom's individual base sales (equals the data coverage). As of 2013, waste production is classified into Domestic, Food, Large Size, Recyclable, and Designated, and all the data from 2011 has been updated accordingly.

Status:

The amount of waste produced in 2013 was 1,626 tons, a 5.8% decrease from the previous year.



Section 3. Materials

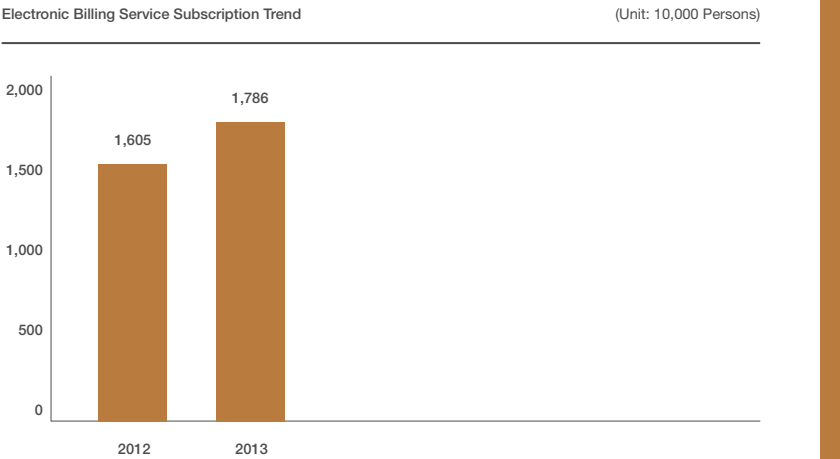
3.1 Electronic Bills

Methods & Basis of Estimation:

The total electronic bill subscriber refers to the number of customers who receive their bills via smart phone, email or MMS. The rate of new subscription indicates the customers who subscribe for electronic billing service.

Status:

Since the MMS billing service was introduced in 2007 followed by the smart billing service in 2010, the number of people who subscribe for electronic billing service has increased at a steady pace. At the end of 2013, the total number of subscribers was approximately 17.86 million, an 11.3% increase from the previous year. The electronic billing service has the benefits of improving the security of personal information and saving on resources such as paper. The subscription rate in 2013 is over 90% as in the previous year.



3.2 Device Retrieval Rate

Methods & Basis of Estimation:

The device retrieval rate is calculated by dividing the number of devices retrieved in a year by the total number of devices sold.

Status:

The device retrieval rate in 2013 was 8.0%, a 0.6% increase from the previous year.



Section 4. Overall Environmental Investment

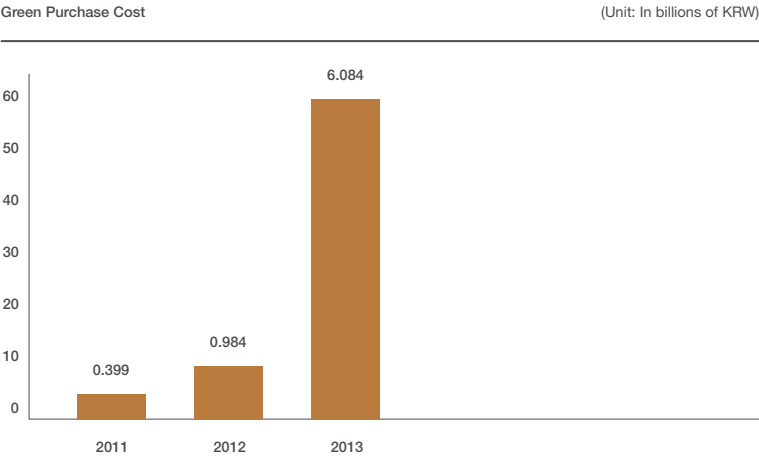
4.1 Environmental Investment & Cost

Methods & Basis of Estimation:

The environmental investment and cost is estimated based on SK Telecom's individual criteria. Due to the change in the criteria, all the data regarding the green purchase cost from 2011 has been updated retroactively. The green purchase cost includes energy efficiency grade, high efficiency energy certification, recycle product quality certification, environment mark certification, environmental declaration of product, carbon reduction label, and low carbon product certification.

Status:

The amount of green purchase (products certified for eco-friendly practices) in 2013 was KRW 6.08 billion which is 6.2 times the estimate in 2012. The total environmental cost and investment including green purchase was KRW 6.46 billion which is 3.6 times the amount in the previous year. The total environmental cost excluding the green purchase was reduced as collecting waste mobile phones was transferred to SK Networks as of 2013 (Miscellaneous).



Other Disclosures

At SK Telecom, we are committed to ethical business conduct and full compliance with applicable regulations including those specified by the Fair Trade Commission and Korea Communications Commission while making sure our business practice reflects the demand of the government and stakeholders. Despite these efforts, we have been subject to the following instructions and fines and taken the necessary measures for correction accordingly since 2013.

List of Restrictions & Measures		
Date	Restrictions	Corrective Measures
Jan 11, 2013	Subject to corrective action and a fine of KRW 100 million due to violation of Article 23 of Fair Trade Act	Paid the fine.
Mar 14, 2013	Subject to corrective action and a fine of KRW 3.14 billion due to the "infringement of users' rights with the subsidy for device" issued by Korea Communications Commission	Paid the fine and reported the corrective measures in April 2013.
Jul 18, 2013	Subject to corrective action and a fine of KRW 36.46 billion due to the "infringement of users' rights by discriminating the subsidy for device" issued by Korea Communications Commission	Paid the fine and reported the corrective measures in August 2013.
Aug 21, 2013	Subject to corrective action due to the "violation of the Terms of Use" issued by Korea Communications Commission	Completed the corrective measures in consultation with the commission in November 2013.
Sep 16, 2013	Subject to corrective action due to the "violation of the electrical communication service wholesale under the Electrical Communication Business Act" issued by Korea Communications Commission	Reported the corrective measures in October 2013.
Nov 15, 2013	Subject to corrective action and a fine of KRW 676 million due to the "violation of the mobile phone service unsubscription under the Electrical Communication Business Act" issued by Korea Communications Commission	Paid the fine and reported the corrective measures in December 2013.
Dec 27, 2013	Subject to corrective action and a fine of KRW 56 billion due to the "infringement of users' rights with the subsidy for device" issued by Korea Communications Commission	Paid the fine and reported the corrective measures in January 2014.