

EXELON GENERATION CO LLC  
Form 8-K  
September 17, 2009

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

**September 16, 2009**

**Date of Report (Date of earliest event reported)**

**Name of Registrant; State of Incorporation;**

**Address of Principal Executive Offices; and**

**Commission File  
Number  
1-16169**

**EXELON CORPORATION  
(a Pennsylvania corporation)**

**Telephone Number**

**IRS Employer  
Identification Number  
23-2990190**

**10 South Dearborn Street**

**P.O. Box 805379**

**Chicago, Illinois 60680-5379**

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**(312) 394-7398**

**333-85496**

**EXELON GENERATION COMPANY, LLC  
(a Pennsylvania limited liability company)**

**23-3064219**

**300 Exelon Way**

**Kennett Square, Pennsylvania 19348-2473**

**(610) 765-5959**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- .. Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- .. Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- .. Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- .. Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

**Section 8 Other Events**

**Item 8.01 Other Events.**

**Offers to Purchase Notes Due in 2011**

On September 16, 2009, Exelon Corporation (Exelon) announced the commencement of a cash tender offer for any and all of its outstanding \$500,000,000 6.75% Senior Notes due May 1, 2011. Simultaneously, Exelon Generation Company, LLC (Generation) announced the commencement of a cash tender offer for any and all of its outstanding \$699,975,000 6.95% Notes due June 15, 2011.

A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

**Sale of Senior Notes**

On September 16, 2009, Generation announced that it has agreed to sell \$600 million of Senior Notes maturing on October 1, 2019, with a coupon of 5.20% and \$900 million of Senior Notes maturing on October 1, 2039, with a coupon of 6.25%. The sale of the Senior Notes is expected to close on September 23, 2009.

A copy of the press release is attached as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

Generation intends to use the net proceeds from the sale of its Senior Notes to (1) finance Generation's purchase of its 6.95% Senior Notes due June 15, 2011 tendered pursuant to Generation's cash offer to purchase those notes and (2) for other general corporate purposes, including a distribution of approximately \$550 million to Exelon to fund a portion of Exelon's purchase of its 6.75% Senior Notes due May 1, 2011 tendered pursuant to Exelon's cash offer to purchase those notes. The sale of the Senior Notes and the retirement of Exelon and Generation Senior Notes due 2011 are intended to capitalize on favorable financing conditions and mitigate refinancing risk in 2011. As a result of the Exelon and Generation tender offers, Exelon expects to record approximately \$75 million after-tax, or \$0.11 per diluted share, of non-recurring debt redemption costs in the third quarter of 2009, of which Generation will record a portion of the total charge. The aforementioned costs will be excluded from 2009 adjusted (non-GAAP) operating earnings.

**Section 9 Financial Statements and Exhibits**

**Item 9.01. Financial Statements and Exhibits.**

(d) *Exhibits.*

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release issued by Exelon and Generation on September 16, 2009
99.2	Press Release issued by Generation on September 16, 2009 * * * * *

This combined Form 8-K is being furnished separately by Exelon and Generation (Registrants). Information contained herein relating to any individual Registrant has been furnished by such Registrant on its own behalf. Neither Registrant makes any representation as to information relating to the other Registrant.

This Current Report includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, that are subject to risks and uncertainties. The factors that could cause actual results to differ materially from these forward-looking statements include those discussed herein as well as those discussed in (1) Exelon's 2008 Annual Report on Form 10-K in (a) ITEM 1A. Risk Factors, (b) ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations and (c) ITEM 8. Financial Statements and Supplementary Data: Note 18; (2) Exelon's Second Quarter 2009 Quarterly Report on Form 10-Q in (a) Part II, Other Information, ITEM 1A. Risk Factors and (b) Part I, Financial Information, ITEM 1. Financial Statements: Note 14; and (3) other factors discussed in filings with the Securities and Exchange Commission by the Registrants. Readers are cautioned not to place undue reliance on these forward-looking statements, which apply only as of the date of this Current Report. The Registrants do not undertake any obligation to publicly release any revision to its forward-looking statements to reflect events or circumstances after the date of this Current Report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**EXELON CORPORATION**

**EXELON GENERATION COMPANY, LLC**

/s/ Matthew F. Hilzinger  
Matthew F. Hilzinger  
Senior Vice President and Chief Financial Officer  
Exelon Corporation

September 16, 2009

**EXHIBIT INDEX**

<b>Exhibit No.</b>	<b>Description</b>
99.1	Press Release issued by Exelon and Generation on September 16, 2009
99.2	Press Release issued by Generation on September 16, 2009

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

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For the nine-month periods ended September 30, 2014 and 2013

**33. Categories of Financial Instruments**

(1) Financial assets by categories as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	September 30, 2014				Total
	Trading financial assets	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	
Cash and cash equivalents			1,332,619		1,332,619
Financial instruments			303,332		303,332
Short-term investment securities		93,878			93,878
Long-term investment securities		1,023,804			1,023,804
Accounts receivable trade			2,747,672		2,747,672
Loans and receivables(*2)			1,222,025		1,222,025
Derivative financial assets	8,257			29,879	38,136
	8,257	1,117,682	5,605,648	29,879	6,761,466

*(In millions of won)*

	December 31, 2013				Total
	Financial assets at fair value through profit or loss	Available- for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	
Cash and cash equivalents			1,398,639		1,398,639
Financial instruments			319,616		319,616
Short-term investment securities		106,068			106,068
Long-term investment securities(*1)	20,532	947,995			968,527
Accounts receivable trade			2,270,470		2,270,470
Loans and receivables(*2)			1,044,529		1,044,529
Derivative financial assets (*3)	10			41,712	41,722
	20,542	1,054,063	5,033,254	41,712	6,149,571

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





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**33. Categories of Financial Instruments, Continued**

(1) Financial assets by categories as of September 30, 2014 and December 31, 2013 are as follows, Continued

(\*2) Details of loans and receivables as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	September 30, 2014	December 31, 2013
Short-term loans	79,119	79,395
Accounts receivable other	780,236	643,603
Accrued income	15,223	11,941
Other current assets	3,888	2,548
Long-term loans	55,597	57,442
Long-term accounts receivable - other	3,566	
Guarantee deposits	284,396	249,600
	1,222,025	1,044,529

(\*3) Derivative financial assets classified as financial assets at fair value through profit or loss as of December 31, 2013 is the fair value of conversion right of convertible bonds held by SK Communications Co., Ltd., a subsidiary of the Parent Company.

(2) Financial liabilities by categories as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	September 30, 2014			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedging item	Total
Accounts payable trade		317,020		317,020
Derivative financial liabilities			205,889	205,889
Borrowings		952,935		952,935
Debentures(*1)	111,283	6,044,893		6,156,176
Accounts payable other and other payables(*3)		3,192,898		3,192,898
	111,283	10,507,746	205,889	10,824,918

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(In millions of won)

	December 31, 2013			
	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		214,716		214,716
Derivative financial liabilities			124,339	124,339
Borrowings		386,192		386,192
Debentures(*2)	96,147	5,830,324		5,926,471
Accounts payable other and other payables(*3)		3,949,794		3,949,794
	96,147	10,381,026	124,339	10,601,512

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**33. Categories of Financial Instruments, Continued**

(2) Financial liabilities by categories as of September 30, 2014 and December 31, 2013 are as follows, Continued

(\*1) Bonds classified as financial liabilities at fair value through profit or loss as of September 30, 2014 are structured bonds and they were designated as financial liabilities at fair value through profit or loss in order to settle the difference of the measurement bases of accounting profit or loss between the related derivatives and bonds.

(\*2) The entire amount of debentures as of December 31, 2013 was designated as financial liabilities at fair value through profit or loss as the fair value of the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured.

(\*3) Details of accounts payable and other payables as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Accounts payable other	1,252,770	1,864,024
Withholdings	1,848	1,549
Accrued expenses	1,032,220	988,193
Current portion of long-term payables other	196,145	226,151
Long-term payables other	681,324	838,585
Finance lease liabilities	707	3,867
Other non-current liabilities	27,884	27,425
	<b>3,192,898</b>	<b>3,949,794</b>

**34. Financial Risk Management**

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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

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**34. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

Monetary foreign currency assets and liabilities as of September 30, 2014 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	187,929	197,455	2,126,770	2,234,382
EUR	16,080	21,471	25	33
JPY	45,886	441	21,916	210
SGD	84	69	64,960	53,558
AUD			298,412	273,366
CHF			298,851	330,132
Others	58,905	10,365	1,545	383
		229,801		2,892,064

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 September 30, 2014, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

<i>(In millions of won)</i>	If increased by 10%	If decreased by 10%
USD	8,935	(8,935)
EUR	2,108	(2,108)
JPY	23	(23)
Others	1,005	(1,005)
	12,071	(12,071)

## (ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of September 30, 2014, available-for-sale equity instruments measured at fair value amount to 905,045 million.

## (iii) Interest rate risk

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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.

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**34. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

## (iii) Interest rate risk, Continued

The Group's interest rate risk arises from floating-rate borrowings and debentures. As of September 30, 2014, floating-rate borrowings and debentures amount to \$69,600 million and \$631,421 million respectively, the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate debentures. (Refer to Note 22) If interest rate only increases (decreases) by 1%, income before income taxes for the nine-month period ended September 30, 2014 would have been changed \$522 million due to the interest expense from floating-rate borrowings.

## 2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Cash and cash equivalents	1,332,468	1,398,548
Financial instruments	303,332	319,616
Available-for-sale financial assets	21,711	35,174
Accounts receivable trade	2,747,672	2,270,470
Loans and receivables	1,222,025	1,044,529
Derivative financial assets	29,879	41,712
Financial assets at fair value through profit or loss	8,257	20,532
	<b>5,665,344</b>	<b>5,130,581</b>

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

For the nine-month period ended September 30, 2014, the Group has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Group believes that the possibility of default is remote. Also, the Group's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of September 30, 2014.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 6 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 30.





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For the nine-month periods ended September 30, 2014 and 2013

**34. Financial Risk Management, Continued**

## (1) Financial risk management, Continued

## 3) Liquidity risk

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

Contractual maturities of financial liabilities as of September 30, 2014 are as follows:

*(In millions of won)*

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Accounts payable - trade	317,020	317,020	317,020		
Borrowings(*1)	952,935	972,384	815,442	119,027	37,915
Debentures(*1)	6,156,176	7,385,909	1,177,644	3,954,209	2,254,056
Accounts payable - other and others(*2)	3,192,898	3,290,588	2,439,964	597,455	253,169
	10,619,029	11,965,901	4,750,070	4,670,691	2,545,140

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

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

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

As of September 30, 2014, periods which cash flows from cash flow hedge derivatives is expected to be incurred are as follows:

*(In millions of won)*

	Carrying amount	Contractual cash flows	Less than 1 year	1 to 5 years	More than 5 years
Assets	29,879	23,464	7,120	28,825	(12,481)
Liabilities	(205,889)	(218,960)	(42,608)	(163,855)	(12,497)
	(176,010)	(195,496)	(35,488)	(135,030)	(24,978)



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**34. 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 31 December 2013.

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 September 30, 2014 and December 31, 2013 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Liabilities	12,940,900	12,409,958
Equity	14,744,075	14,166,557
Debt-equity ratio	87.77%	87.60%

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**34. Financial Risk Management, Continued**

(3) Fair value

- 1) Fair value and carrying amount of financial assets and liabilities including fair value hierarchy as of September 30, 2014 are as follows:

*(In millions of won)*

	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Trading financial assets	8,257		8,257		8,257
Derivative financial assets	29,879		29,879		29,879
Available-for-sale financial assets	905,045	717,064	46,859	141,122	905,045
	943,181	717,064	84,995	141,122	943,181
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents(*1)	1,332,619				
Available-for-sale financial assets(*1,2)	212,637				
Accounts receivable trade and others(*1)	3,969,697				
Financial instruments(*1)	303,332				
	5,818,285				
<b>Financial liabilities measured at fair value</b>					
Debentures	111,283		111,283		111,283
Derivative financial liabilities	205,889		205,889		205,889
	317,172		317,172		317,172
<b>Financial liabilities not measured at fair value</b>					
Accounts payable trade(*1)	317,020				
Borrowings	952,935		956,191		956,191
Debentures	6,044,893		6,402,582		6,402,582
Accounts payable - other and others(*1)	3,192,898				
	10,507,746		7,358,773		7,358,773

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For the nine-month periods ended September 30, 2014 and 2013

**34. 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, 2013 are as follows:

*(In millions of won)*

	Carrying amount	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>					
Financial assets at fair value through profit or loss	20,542		20,532	10	20,542
Derivative financial assets	41,712		41,712		41,712
Available-for-sale financial assets	839,647	638,445	46,414	154,788	839,647
	901,901	638,445	108,658	154,798	901,901
<b>Financial assets not measured at fair value</b>					
Cash and cash equivalents(*1)	1,398,639				
Available-for-sale financial assets(*1,2)	214,416				
Accounts receivable trade and others(*1)	3,314,999				
Financial instruments(*1)	319,616				
	5,247,670				
<b>Financial liabilities measured at fair value</b>					
Financial liabilities at fair value through profit or loss	96,147	96,147			96,147
Derivative financial liabilities	124,339		124,339		124,339
	220,486	96,147	124,339		220,486
<b>Financial liabilities not measured at fair value</b>					
Accounts payable trade(*1)	214,716				
Borrowings	386,192		399,247		399,247
Debentures	5,830,324		5,946,586		5,946,586
Accounts payable - other and others(*1)	3,949,794				
	10,381,026		6,345,833		6,345,833

(\*1) The fair value categorization excludes fair values of financial assets and liabilities of which fair values have not been measured as carrying amounts approximate fair values.

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- (\*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 is measured based on the quoted market price at the end of the reporting date. Disclosed market price of the financial assets held by the Group is the bid price.

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For the nine-month periods ended September 30, 2014 and 2013

**34. Financial Risk Management, Continued**

(3) Fair value, Continued

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

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

Interest rates used by the Group for the fair value measurement as of September 30, 2014 are as follows:

	<b>Interest rate</b>
Derivative instruments	2.06 ~ 2.60%
Borrowings and debentures	2.72 ~ 2.95%

There have been no transfers from Level 2 to Level 1 for the nine-month period ended September 30, 2014 and changes of financial assets classified as Level 3 for the nine-month period ended September 30, 2014 are as follows:

(In millions of won)

	<b>Balance at January 1</b>	<b>Acquisition</b>	<b>Other comprehensive income</b>	<b>Disposal</b>	<b>Balance at September 30</b>
Financial assets at fair value through profit or loss	10			(10)	
Available-for-sale financial assets	154,788	31,066	(3,989)	(40,743)	141,122

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**34. Financial Risk Management, Continued**

(4) Enforceable master netting agreement or similar agreement

Carrying amount of financial instruments recognized of which offset agreements are applicable as of September 30, 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	Cash collaterals received	Net amount
<b>Financial assets:</b>						
Derivatives(*)	28,177		28,177	(28,177)		
Accounts receivable trade and others	140,783	(132,705)	8,078			8,078
	168,960	(132,705)	36,255	(28,177)		8,078
<b>Financial liabilities:</b>						
Derivatives(*)	58,698		58,698	(28,177)		30,521
Accounts payable others	132,705	(132,705)				
	191,403	(132,705)	58,698	(28,177)		30,521

Carrying amount of financial instruments recognized of which offset agreements are applicable as of December 31, 2013 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	Cash collaterals received	Net amount
<b>Financial assets:</b>						
Derivatives(*)	28,870		28,870	(28,870)		
Accounts receivable trade and others	138,897	(127,055)	11,842			11,842
	167,767	(127,055)	40,712	(28,870)		11,842
<b>Financial liabilities:</b>						
Derivatives(*)	43,536		43,536	(28,870)		14,666
Accounts payable others	127,055	(127,055)				
	170,591	(127,055)	43,536	(28,870)		14,666



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

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**35. Transactions with Related Parties**

- (1) List of related parties

<b>Relationship</b>	<b>Interest rate</b>
Ultimate Controlling Entity	SK Holding Co., Ltd.
Subsidiaries	SK Planet Co., Ltd. and 37 others (Refer to Note 1)
Joint venture	Dogus Planet, Inc. and three others
Associates	SK hynix Inc. and 64 others
Affiliates	The Ultimate Controlling Entity's investor using the equity method and 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 three and nine-month periods ended September 30, 2014 and 2013 are as follows:

*(In millions of won)*

	<b>2014</b>		<b>2013</b>	
	<b>Three-month period ended Sep. 30, 2014</b>	<b>Nine-month period ended Sep. 30, 2014</b>	<b>Three-month period ended Sep. 30, 2013</b>	<b>Nine-month period ended Sep. 30, 2013</b>
Salaries	379	2,212	329	1,923
Provision for retirement benefits	114	794	97	915
	493	3,006	426	2,838

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

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

(3) Transactions with related parties for the three and nine-month periods ended September 30, 2014 and 2013 are as follows:

*(In millions of won)*

Scope	Company	Operating revenue and others		Operating expense and others	
		Three-month period ended Sep. 30, 2014	Nine-month period ended Sep. 30, 2014	Three-month period ended Sep. 30, 2014	Nine-month period ended Sep. 30, 2014
Ultimate Controlling Entity	SK Holding Co., Ltd.(*)	93	348	29,201	217,895
Associates	F&U Credit information Co., Ltd.	695	1,688	11,557	33,538
	HappyNarae Co., Ltd.	54	182	1,711	4,328
	SK hynix Inc.	3,342	8,264		879
	SK USA, Inc.			562	1,522
	SK Wyverns Baseball Club Co., Ltd.	163	390	3,160	12,201
	HanaSK Card Co., Ltd.	11,627	33,063	1,295	3,592
	Others	1,102	4,535	4,787	12,430
		16,983	48,122	23,072	68,490
Other	SK Engineering & Construction Co., Ltd.	713	2,382	12,930	36,474
	SK C&C Co., Ltd.	4,350	12,946	91,657	245,797
	SK Networks Co., Ltd.	2,158	14,512	261,844	1,190,460
	SK Networks Service Co., Ltd.	2,518	7,941	36,984	78,495
	SK Telesys Co., Ltd	159	361	13,558	59,671
	SK Energy Co., Ltd.	4,025	15,872	279	722
	SK Gas Co., Ltd.	3,392	7,344		
	Others	6,544	17,078	8,864	23,583
		23,859	78,436	426,116	1,635,202
<b>Total</b>		<b>40,935</b>	<b>126,906</b>	<b>478,389</b>	<b>1,921,587</b>

(\*) Operating expense and others include 191,416 million of dividends paid by the Parent Company.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

- (3) Transactions with related parties for the three and nine-month periods ended September 30, 2014 and 2013 are as follows, Continued:

*(In millions of won)*

Scope	Company	Acquisition of property and equipment		Cash Advances	
		Three-month period ended Sep. 30, 2014	Nine-month period ended Sep. 30, 2014	Three-month period ended Sep. 30, 2014	Nine-month period ended Sep. 30, 2014
Ultimate Controlling Entity	SK Holding Co., Ltd.				
Associates	F&U Credit information Co., Ltd.				
	HappyNarae Co., Ltd.	1,927	5,978		
	SK hynix Inc.				
	SK USA, Inc.				
	SK Wyverns Baseball Club Co., Ltd.				
	HanaSK Card Co., Ltd.				
	Others				45
		1,927	5,978		45
Other	SK Engineering & Construction Co., Ltd.	124,853	224,980		
	SK C&C Co., Ltd.	26,136	77,546		
	SK Networks Co., Ltd.		3,251		
	SK Networks Service Co., Ltd.	515	1,231		
	SK Telesys Co., Ltd.	58,064	136,901		
	SK Energy Co., Ltd.				
	SK Gas Co., Ltd.				
	Others	544	5,694		
		210,112	449,603		
Total		212,039	455,581		45

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

- (3) Transactions with related parties for the three and nine-month periods ended September 30, 2014 and 2013 are as follows,  
Continued:

(In millions of won)

Scope	Company	Operating revenue and others		Operating expense and others		Acquisition of property and equipment	
		Three-month period ended Sep. 30, 2013	Nine-month period ended Sep. 30, 2013	Three-month period ended Sep. 30, 2013	Nine-month period ended Sep. 30, 2013	Three-month period ended Sep. 30, 2013	Nine-month period ended Sep. 30, 2013
Ultimate Controlling Entity	SK Holding Co., Ltd.(*)	77	1,398	28,918	217,452		
Associates	F&U Credit information Co., Ltd.	583	1,444	12,016	33,581		
	HappyNarae Co., Ltd.	81	205	1,295	3,551	2,258	4,588
	SK hynix Inc.	1,645	4,098	1,103	1,160		
	SK USA, Inc.				520		
	SK Wyverns Baseball Club Co., Ltd.	131	364	2,203	11,832		
	HanaSK Card Co., Ltd.	11,997	32,154	12,668	14,339		
	Others	4,170	10,550	6,270	25,288		
		18,607	48,815	35,555	90,271	2,258	4,588
Other	SK Engineering & Construction Co., Ltd.	1,073	5,006	4,072	17,705	120,840	217,456
	SK C&C Co., Ltd.	4,140	10,926	89,691	247,509	55,694	121,929
	SK Networks Co., Ltd.	13,050	38,562	286,668	1,003,571	1,088	2,546
	SK Networks Service Co., Ltd.	74	6,031	32,521	77,641	714	850
	SK Telesys Co., Ltd.	674	1,162	26,281	66,280	64,679	115,735
	SK Energy Co., Ltd.	11,722	21,040	837	1,649		
	SK Gas Co., Ltd.	790	2,048				
	Others	10,197	24,167	23,824	25,288	4,958	5,635
		41,720	108,942	463,894	1,439,643	247,973	464,151
Total		60,404	159,155	528,367	1,747,366	250,231	468,739

(\*) Operating expense and others include 191,416 million of dividends paid by the Parent Company.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

(4) Account balances as of September 30, 2014 and 2013 are as follows:

(In millions of won)

Scope	Company	Loans	September 30, 2014	
			Accounts receivable Accounts receivable-trade, and others	Accounts payable Accounts payable trade, and others
Ultimate Controlling Entity	SK Holding Co., Ltd.		670	204
Associates	HappyNarae Co., Ltd.		14	1,151
	F&U Credit information Co., Ltd.		185	907
	SK hynix Inc.		830	2
	SK Wyverns Baseball Club Co., Ltd.	1,425	126	19
	Wave City Development Co., Ltd.	1,200	38,412	
	Daehan Kanggun BcN Co., Ltd.	22,148		
	Television Media Korea Inc.		465	705
	Others		2,116	1,296
		24,773	42,148	4,080
Other	SK Engineering & Construction Co., Ltd.		855	6,790
	SK C&C Co., Ltd.		1,155	56,781
	SK Networks Co., Ltd.		2,616	210,766
	SK Networks Service Co., Ltd.		22	2,750
	SK Telesys Co., Ltd.		251	5,905
	SK Innovation Co., Ltd.		1,261	299
	SK Energy Co., Ltd.		2,941	48
	SK Gas Co., Ltd.		1,487	47
	Others		1,055	6,235
			11,643	289,621
Total		24,773	54,461	293,905

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**35. Transactions with Related Parties, Continued**

(4) Account balances as of September 30, 2014 and 2013 are as follows, Continued:

*(In millions of won)*

Scope	Company	Loans	December. 31, 2013		
			Accounts receivable Accounts receivable-trade, and others	Accounts payable Accounts payable trade, and others	
Ultimate Controlling Entity	SK Holding Co., Ltd.		334		
Associates	HappyNarae Co., Ltd.		27	16,317	
	F&U Credit information Co., Ltd.		258		
	SK hynix Inc.		392		
	SK Wyverns Baseball Club Co., Ltd.	1,425			
	Wave City Development Co., Ltd.	1,200	38,412		
	Daehan Kanggun BcN Co., Ltd.	22,102			
	SK USA, Inc.			436	
	Others		3,733	5,500	
			24,727	42,822	22,253
	Other	SK Engineering & Construction Co., Ltd.		988	92,058
SK Telesys Co., Ltd.			412	70,467	
SK C&C Co., Ltd.			182		
SK Networks. Co., Ltd.			5,930	118,759	
SK Energy Co., Ltd.			5,457	7,438	
SK Gas Co., Ltd.			1,469		
Others			4,707	12,759	
				19,145	301,481
<b>Total</b>		<b>24,727</b>	<b>62,301</b>	<b>323,734</b>	

(5) There are no collateral or guarantee provided by related parties to the Group nor the Group to related parties.

(6) M&amp;Service Co., Ltd., a subsidiary of the Parent Company, entered into performance agreement with SK Energy Co., Ltd. and provides a blank note to SK Energy Co., Ltd., with regard to this transaction.

(7) There were additional acquisition of investments in associates and joint ventures. (Refer to Note 12)



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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**36. Discontinued Operation****(1) Discontinued operation**

During the year ended December 31, 2013, SK Planet Co., Ltd., a subsidiary of the Parent Company, sold 52.6% of its ownership interests (13,294,369 shares) in Loen Entertainment, Inc., to Star Invest Holdings Limited. Consideration for the sale amounted to 265,887 million. Loen Entertainment was a subsidiary of SK Planet Co., Ltd. and is engaged in the release of music discs as its primary business. The Group's ownership interests after the disposition is 15.0% and Loen Entertainment, Inc. was excluded from the Group's consolidated financial statements as of the date of the sale.

**(2) Results of discontinued operation**

Results of discontinued operation included in the consolidated statements of income for the nine-month period ended September 30, 2013 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>
<b>Results of discontinued operation:</b>	
Revenue	167,033
Expense	(140,204)
<b>Operating income generated by discontinued operation</b>	<b>26,829</b>
Non-operating income	3,189
Gain on disposal relating to discontinued operations	214,885
Income tax expense	(61,125)
<b>Gain generated by discontinued operation</b>	<b>183,778</b>
Attributable to :	
Owners of the Parent Company	176,400
Non-controlling interests	7,378

**(3) Cash flows used in discontinued operation**

Cash flows used in discontinued operation for the nine-month period ended September 30, 2013 are as follows:

<i>(In millions of won)</i>	<b>September 30, 2013</b>
<b>Cash flow from discontinued operation:</b>	
Net cash provided by operating activities	40,885
Net cash provided by investing activities	180,023

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Net cash used in financing activities

(4,780)

216,128

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**37. Commitments and Legal Claims and Litigations**

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for leases on buildings in the amount of 14,230 million as of September 30, 2014.

SK Broadband Co., Ltd., a subsidiary of the Parent Company, has guaranteed for employees' borrowings relating to employee stock ownership and provided short-term financial instruments amounting to 2,071 million as collateral as of September 30, 2014.

In addition, Neosnetworks Co., Ltd., a subsidiary of the Parent Company, has pledged its properties as collateral for facility funds borrowings in the amount of 1,200 million as of September 30, 2014.

(2) Legal claims and litigations

The claim amount of the litigation against SK Communications Co., Ltd., a subsidiary of the Parent Company, is approximately 7,121 million and the result is not reasonably possible to observe as of September 30, 2014.

(3) Guarantee provided

PS&Marketing Corporation, a subsidiary of the Parent Company, obtained 3,000 million of payment guarantees related to handset purchased from the Apple Computer Korea Ltd.

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**38. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the nine-month periods ended September 30, 2014 and 2013 are as follows:

*(In millions of won)*

	<b>For the nine-month period ended</b>	
	<b>Sep. 30,</b>	<b>Sep. 30, 2013</b>
	<b>2014</b>	
Interest income	(45,283)	(49,503)
Dividend	(13,048)	(10,199)
Gain on foreign currency translation	(3,222)	(1,835)
Gain on disposal of long-term investments assets	(8,835)	(3,337)
Gain on valuation of derivatives	(8,257)	
Gain on settlement of derivatives	(119)	(2,274)
Gain on relating to investments in subsidiaries, associates and joint ventures, net	(566,846)	(800,642)
Gain on disposal of property, equipment and intangible assets	(6,792)	(5,849)
Gain on relating to financial assets at fair value through profit or loss		(2,387)
Other income	(51)	(3,219)
Interest expenses	243,400	251,593
Loss on foreign currency translation	1,566	2,908
Loss on disposal of long-term investments securities	2,607	4,864
Loss on impairment of long-term investments securities		16,556
Loss on valuation of derivatives	1,404	198
Loss on settlement of derivatives	335	
Income tax expense	310,392	371,615
Provision for retirement benefits	94,490	68,159
Depreciation and amortization	2,141,686	2,101,706
Bad debt for accounts receivable - trade	33,837	43,974
Loss on disposal of property and equipment and intangible assets	13,638	221,961
Loss on impairment of property, equipment and intangible assets	3,166	11,461
Loss on relating to financial assets at fair value through profit or loss	1,352	
Loss on relating to financial liabilities at fair value through profit or loss	11,287	120,833
Bad debt for accounts receivable - other	11,992	20,667
Loss on disposal of investments assets	12	1
Loss on impairment of investments assets	127	
Other expenses	6,784	6,382
	<b>2,225,622</b>	<b>2,363,633</b>



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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**38. Statements of Cash Flows, Continued**

- (2) Changes in assets and liabilities from operating activities for the nine-month periods ended September 30, 2014 and 2013 are as follows:

*(In millions of won)*

	<b>For the nine-month period ended</b>	
	<b>Sep. 30,</b>	<b>Sep. 30, 2013</b>
	<b>2014</b>	
Accounts receivable trade	(441,375)	(274,514)
Accounts receivable other	(142,659)	(22,828)
Accrued income	29	1,206
Advance payments	(27,976)	(37,449)
Prepaid expenses	(28,228)	(2,071)
V.A.T. refund receivable	8,552	(165)
Inventories	32,415	(2,237)
Long-term accounts receivables other	55	
Guarantee deposits	(14,068)	1,947
Accounts payable trade	22,355	(33,270)
Accounts payable other	(364,164)	(562,502)
Advanced receipts	16,665	1,301
Withholdings	141,308	44,845
Deposits	(2,427)	(708)
Accrued expenses	22,288	86,937
V.A.T. payable	6,196	12,264
Unearned revenue	(98,362)	(109,222)
Provisions	(14,399)	(192,190)
Long-term provisions	20,335	(66,080)
Plan assets	5,448	3,069
Retirement benefit payment	(38,302)	(28,555)
Others	4,546	(30,472)
	<b>(891,768)</b>	<b>(1,210,694)</b>

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SK TELECOM CO., LTD. and Subsidiaries

Notes to the Condensed Consolidated Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**38. Statements of Cash Flows, Continued**

- (3) Significant non-cash transactions for the nine-month periods ended September 30, 2014 and 2013 are as follows:

<i>(In millions of won)</i>	<b>For the nine-month period ended</b>	
	<b>Sep. 30, 2014</b>	<b>Sep. 30, 2013</b>
Transfer of construction in progress to property, equipment and intangible assets	1,445,192	1,290,314
Transfer of other tangible assets to construction in progress	668,877	659,801
Transfer of inventories to property and equipment	14,585	73,534
Accounts payable - other related to acquisition of tangible assets and others	323,503	22,223
Accounts receivable - other related to disposal of tangible assets and others	2,218	
Acquisition of new frequency use rights by returning the existing 1.8GHz frequency use rights		614,600

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**SK TELECOM CO., LTD.**

Condensed Separate Interim Financial Statements

(Unaudited)

**September 30, 2014 and 2013**

(With Independent Auditors' Review Report Thereon)

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Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), which comprise the condensed separate statement of financial position as of September 30, 2014, the related condensed separate statements of income, comprehensive income for the three and nine-month periods ended September 30, 2014 and 2013, the changes in equity and cash flows for the nine-month periods ended September 30, 2014 and 2013, and notes to the interim financial statements.

### **Management's responsibility**

Management is responsible for the preparation and fair presentation of these condensed separate interim financial statements in accordance with Korean International Financial Reporting Standards (K-IFRS) No.1034 Interim Financial Reporting, and for such internal controls as management determines necessary to enable the preparation of condensed separate interim financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to issue a report on these condensed separate interim financial statements based on our reviews.

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

### **Conclusion**

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

### **Other matters**

The separate statement of financial position of the Company as of December 31, 2013, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by us and our report thereon, dated February 21, 2014, expressed an unqualified opinion. The accompanying condensed separate statement of financial position of the Company as of December 31, 2013, presented for comparative purposes, is not different from that audited by us in all material respects.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

November 7, 2014

This report is effective as of November 7, 2014, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position

As of September 30, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	September 30, 2014	December 31, 2013
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	27,28	397,800	448,459
Short-term financial instruments	4,27,28	155,000	166,000
Short-term investment securities	6,27,28	87,290	102,042
Accounts receivable - trade, net	5,27,28,29	1,649,169	1,513,138
Short-term loans, net	5,27,28,29	72,299	72,198
Accounts receivable - other, net	5,27,28,29	450,106	388,475
Prepaid expenses		83,417	82,837
Inventories, net		16,454	24,596
Assets held for sale	7	2,611	3,667
Advanced payments and other	5,27,28	27,189	16,370
<b>Total Current Assets</b>		<b>2,941,335</b>	<b>2,817,782</b>
<b>Non-Current Assets:</b>			
Long-term financial instruments	4,27,28	10,091	7,569
Long-term investment securities	6,27,28	671,863	729,703
Investments in subsidiaries and associates	8	8,214,361	8,010,121
Property and equipment, net	9,29	7,442,848	7,459,986
Goodwill	10	1,306,236	1,306,236
Intangible assets, net	11	1,981,992	2,239,167
Long-term loans, net	5,27,28,29	38,232	39,925
Long-term prepaid expenses		27,027	23,007
Guarantee deposits	4,5,27,28,29	157,382	152,057
Long-term derivative financial assets	16,27,28	38,136	41,712
Other non-current assets		82	154
<b>Total Non-Current Assets</b>		<b>19,888,250</b>	<b>20,009,637</b>
<b>Total Assets</b>		<b>22,829,585</b>	<b>22,827,419</b>

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Financial Position, Continued

As of September 30, 2014 and December 31, 2013

<i>(In millions of won)</i>	Note	September 30, 2014	December 31, 2013
<b>Liabilities and Equity</b>			
<b>Current Liabilities:</b>			
Short-term borrowings	12,27,28	600,000	260,000
Current portion of debentures and long-term borrowings, net	12,27,28	726,817	622,703
Current portion of long-term payables other	13,27,28	188,410	206,800
Accounts payable other	27,28,29	973,126	1,556,201
Withholdings	27,28	662,858	574,166
Accrued expenses	27,28	685,029	653,742
Income tax payable		47,292	104,564
Unearned revenue		120,288	178,569
Derivative financial liabilities	16,27,28	23,290	21,170
Provisions	14	59,973	66,559
Advanced receipts and other		48,850	43,599
<b>Total Current Liabilities</b>		<b>4,135,933</b>	<b>4,288,073</b>
<b>Non-Current Liabilities:</b>			
Debentures, excluding current portion, net	12,27,28	4,092,263	4,014,777
Long-term borrowings, excluding current portion	12,27,28	82,357	85,125
Long-term payables other	13,27,28	653,476	828,721
Long-term unearned revenue		33,646	50,894
Defined benefit liabilities	15	48,825	22,886
Long-term derivative financial liabilities	16,27,28	171,142	100,210
Long-term provisions	14	32,804	19,537
Deferred tax liabilities	25	118,316	44,601
Other non-current liabilities	27,28	60,161	57,187
<b>Total Non-Current Liabilities</b>		<b>5,292,990</b>	<b>5,223,938</b>
<b>Total Liabilities</b>		<b>9,428,923</b>	<b>9,512,011</b>
<b>Equity</b>			
Share capital	1,17	44,639	44,639
Capital surplus and other capital adjustments	17,18,19	433,894	433,894
Retained earnings	20	12,793,126	12,665,699
Reserves	21	129,003	171,176
<b>Total Equity</b>		<b>13,400,662</b>	<b>13,315,408</b>
<b>Total Liabilities and Equity</b>		<b>22,829,585</b>	<b>22,827,419</b>

See accompanying notes to the condensed separate interim financial statements.



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SK TELECOM CO., LTD.

Condensed Separate Statements of Income

For the three and nine-month periods ended September 30, 2014 and 2013

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

	Note	September 30, 2014		September 30, 2013	
		Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
<b>Operating revenue:</b>	29				
Revenue		3,303,648	9,831,961	3,222,924	9,544,077
<b>Operating expense:</b>	29				
Labor cost		135,845	449,061	126,092	457,358
Commissions paid		1,339,449	4,233,780	1,303,741	3,974,437
Depreciation and amortization		521,035	1,548,242	502,021	1,484,739
Network interconnection		226,553	661,316	197,747	558,682
Leased lines		94,126	283,478	102,682	313,387
Advertising		59,424	155,970	58,228	168,306
Rent		94,828	280,071	94,478	269,433
Cost of products that have been resold		122,203	357,776	104,617	277,691
Other operating expenses	22	204,458	577,581	196,128	550,505
<b>Sub-total</b>		<b>2,797,921</b>	<b>8,547,275</b>	<b>2,685,734</b>	<b>8,054,538</b>
<b>Operating income</b>		<b>505,727</b>	<b>1,284,686</b>	<b>537,190</b>	<b>1,489,539</b>
Finance income	24	17,718	57,516	17,021	59,099
Finance costs	24	(74,504)	(225,982)	(87,653)	(339,242)
Other non-operating income	23	6,027	34,619	9,884	30,227
Other non-operating expenses	23	(80,547)	(136,038)	(260,210)	(317,511)
Gain on disposal of investments in subsidiaries and associates	8				71,200
<b>Profit before income tax</b>		<b>374,421</b>	<b>1,014,801</b>	<b>216,232</b>	<b>993,312</b>
Income tax expense	25	81,147	204,619	90,085	251,556
<b>Profit for the period</b>		<b>293,274</b>	<b>810,182</b>	<b>126,147</b>	<b>741,756</b>
<b>Earnings per share (in won)</b>					
Basic earnings per share	26	4,134	11,303	1,729	10,516
Diluted earnings per share	26	4,134	11,303	1,729	10,516

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Comprehensive Income

For the three and nine-month periods ended September 30, 2014 and 2013

*(In millions of won)*

		September 30, 2014		September 30, 2013	
	Note	Three-month period ended	Nine-month period ended	Three-month period ended	Nine-month period ended
<b>Profit for the period</b>		<b>293,274</b>	<b>810,182</b>	<b>126,147</b>	<b>741,756</b>
<b>Other comprehensive income (loss)</b>					
<b>Items that will not be reclassified to profit or loss:</b>					
Remeasurement of defined benefit obligations	15	2,052	(7,533)	2,105	(3,212)
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Net change in unrealized fair value of available-for-sale financial assets	21	42,556	(8,875)	27,039	(21,202)
Net change in unrealized fair value of derivatives	16,21	(16,605)	(33,298)	71,640	7,548
<b>Total other comprehensive income (loss), net of taxes</b>		<b>28,003</b>	<b>(49,706)</b>	<b>100,784</b>	<b>(16,866)</b>
<b>Total comprehensive income</b>		<b>321,277</b>	<b>760,476</b>	<b>226,931</b>	<b>724,890</b>

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



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SK TELECOM CO., LTD.

Condensed Separate Statements of Changes in Equity

For the nine-month periods ended September 30, 2014 and 2013

*(In millions of won)*

	<b>Capital surplus and other capital adjustments</b>								
	Share capital	Paid-in surplus	Treasury stock	Loss on disposal of treasury stock	Hybrid bond	Other	Retained earnings	Reserves	Total equity
<b>Balance, January 1, 2013</b>	44,639	2,915,887	(2,410,451)	(18,855)		(722,741)	12,413,981	154,588	12,377,048
Cash dividends							(655,946)		(655,946)
Issuance of hybrid bond					398,518				398,518
Interest on hybrid bond							(5,291)		(5,291)
Treasury stock			192,072	(1,544)					190,528
Total comprehensive income									
Profit for the period							741,756		741,756
Other comprehensive loss							(3,212)	(13,654)	(16,866)
<b>Balance, September 30, 2013</b>	44,639	2,915,887	(2,218,379)	(20,399)	398,518	(722,741)	12,491,288	140,934	13,029,747
<b>Balance, January 1, 2014</b>	44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	12,665,699	171,176	13,315,408
Cash dividends							(666,802)		(666,802)
Interest on hybrid bond							(8,420)		(8,420)
Total comprehensive income									
Profit for the period							810,182		810,182
Other comprehensive loss							(7,533)	(42,173)	(49,706)
<b>Balance, September 30, 2014</b>	44,639	2,915,887	(2,139,683)	(18,087)	398,518	(722,741)	12,793,126	129,003	13,400,662

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

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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows

For the nine-month periods ended September 30, 2014 and 2013

<i>(In millions of won)</i>	Note	September 30, 2014	September 30, 2013
<b>Cash flows from operating activities:</b>			
Cash generated from operating activities			
Profit for the period		810,182	741,756
Adjustments for income and expenses	31	2,070,774	2,309,683
Changes in assets and liabilities related to operating activities	31	(540,916)	(965,127)
Sub-total		2,340,040	2,086,312
Interest received		14,874	16,186
Dividends received		13,048	20,641
Interest paid		(161,915)	(178,418)
Income tax paid		(172,307)	(95,482)
<b>Net cash provided by operating activities</b>		<b>2,033,740</b>	<b>1,849,239</b>
<b>Cash flows from investing activities:</b>			
Cash inflows from investing activities:			
Decrease in short-term financial instruments, net		11,000	
Decrease in short-term investment securities, net		15,198	
Collection of short-term loans		127,176	216,944
Proceeds from disposal of long-term investment securities		47,926	14,432
Proceeds from disposal of investments in subsidiaries and associates			137
Proceeds from disposal of property and equipment		23,538	1,890
Proceeds from disposal of intangible assets		412	965
Proceeds from disposal of assets held for sale		1,055	190,393
Collection of long-term loans		2,942	10,567
Decrease in other non-current assets, net		72	169
Sub-total		229,319	435,497
Cash outflows for investing activities:			
Increase in short-term investment securities, net			(30,415)
Increase in short-term financial instruments, net			(29,700)
Increase in short-term loans		(128,377)	(208,395)
Increase in long-term financial instruments		(2,522)	(7,500)
Acquisition of long-term investment securities		(14,207)	(6,157)
Acquisition of investments in subsidiaries and associates		(185,060)	(206,766)
Acquisition of property and equipment		(1,600,472)	(1,318,050)
Acquisition of intangible assets		(40,329)	(146,899)
Increase in long-term loans		(45)	
Sub-total		(1,971,012)	(1,953,882)
<b>Net cash used in investing activities</b>		<b>(1,741,693)</b>	<b>(1,518,385)</b>

See accompanying notes to the condensed separate interim financial statements.



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SK TELECOM CO., LTD.

Condensed Separate Statements of Cash Flows, Continued

For the nine-month periods ended September 30, 2014 and 2013

<i>(In millions of won)</i>	September 30, 2014	September 30, 2013
<b>Cash flows from financing activities:</b>		
Cash inflows from financing activities:		
Proceeds from short-term borrowings	340,000	40,000
Proceeds from long-term borrowings	3,552	
Issuance of hybrid bond		398,518
Issuance of debenture	299,354	1,014,858
Cash inflows from settlement of derivatives	119	2,274
Sub-total	643,025	1,455,650
Cash outflows for financing activities:		
Repayment of short-term borrowings		(370,000)
Repayment of long-term borrowings	(6,407)	(350,000)
Repayment of long-term account payables-other	(207,668)	(161,575)
Repayment of debentures	(96,151)	
Payment of cash dividends	(666,802)	(655,946)
Payment of interest on hybrid bond	(8,420)	
Cash outflows from settlement of derivatives	(335)	
Sub-total	(985,783)	(1,537,521)
<b>Net cash used in financing activities</b>	<b>(342,758)</b>	<b>(81,871)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(50,711)</b>	<b>248,983</b>
Cash and cash equivalents at beginning of the period	448,459	256,577
Effects of exchange rate changes on cash and cash equivalents	52	(47)
<b>Cash and cash equivalents at end of the period</b>	<b>397,800</b>	<b>505,513</b>

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

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**1. Reporting Entity**

SK Telecom Co., Ltd. ( the Company ) was incorporated on March 29, 1984 under the laws of the Republic of Korea ( Korea ) to engage in providing cellular telephone communication services in Korea. The Company mainly provides wireless telecommunications in Korea. The Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of September 30, 2014, the Company s total issued shares are held by the following:

	Number of shares	Percentage of total shares issued (%)
SK Holdings Co., Ltd.	20,363,452	25.22
National Pension Service, other institutional investors and other minority stockholders	50,572,884	62.63
Treasury stock	9,809,375	12.15
Total number of shares	80,745,711	100.00

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

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

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, Interim Financial Reporting as part of the period covered by the Company s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as at and for the year ended December 31, 2013. These condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

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

**(2) Use of estimates and judgments****1) Assumptions and estimation uncertainties**

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

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In preparing these condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended December 31, 2013.

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**2. Basis of Presentation, Continued**

(2) Use of estimates and judgments, Continued

2) Fair value measurement

The Company establishes fair value measurement policies and procedures as its accounting policies and disclosures require fair value measurements for the majority of financial and non-financial assets and liabilities. Such policies and procedures are executed by the valuation division, which is responsible for the review of significant fair value measurements including fair value classified as level 3 in the fair value hierarchy and the results of which are directly reported to the finance executive.

The valuation division regularly reviews unobservable significant inputs and valuation adjustments. If third party information such as prices available from an exchange, dealer, broker, industry group, pricing service or regulatory agency is used for fair value measurements, the valuation division reviews whether the valuation based on third party information includes classification by levels within the fair value hierarchy and meets the requirements for the relevant standards.

The Company uses the best observable inputs in market when measuring fair values of assets or liabilities. Fair values are classified within the fair value hierarchy based on inputs used in valuation method, as follows:

- ü Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
  
- ü Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
  
- ü Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

If various inputs used to measure fair value of assets or liabilities are transferred between levels of the fair value hierarchy, the Company classifies the assets and liabilities at the lowest level of inputs among the fair value hierarchy which is significant to the entire measured value and recognizes transfers between levels at the end of the reporting period of which such transfers occurred.

Information about assumptions used for fair value measurements are included in Note 28.

(3) Common control transactions

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

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**3. Significant Accounting Policies**

Except as described below, the accounting policies applied by the Company in these condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2013. The following changes in accounting policy are also expected to be reflected in the Company's separate financial statements as at and for the year ending December 31, 2014.

(1) Changes in accounting policies

1) Offsetting financial assets and financial liabilities

The Company has applied the amendments to K-IFRS No.1032, Financial instruments: Presentation since January 1, 2014. This standard requires financial assets and financial liabilities being offset and the presentation of financial assets and financial liabilities on a net basis when, and only when, the Company currently has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The right of set-off that cannot be contingent on a future event, and must be legally enforceable in all of the following circumstances: (i) the normal course of business; (ii) an event of default; and (iii) an event of insolvency or bankruptcy of the entity or any of the counterparties.

To meet the net settlement criterion, all settlements need to remove or reduce credit risk or liquidity risk as minor level. In case of single payment or payment period which can handle bonds and payables, settlement result needs to be paid as same as practical settle net.

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



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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**4. Restricted Deposits**

Deposits which are restricted in use as of September 30, 2014 and December 31, 2013 are summarized as follows:

*(In millions of won)*

	September 30, 2014	December 31, 2013
Short-term financial instruments(*)	78,000	76,000
Long-term financial instruments(*)	7,569	7,569
Guarantee deposits	280	40
	85,849	83,609

(\*) Financial instruments include charitable trust fund established by the Company. Profits from this charitable fund are donated to charitable institutions. As of September 30, 2014 the funds cannot be withdrawn.

**5. Trade and Other Receivables**

(1) Details of trade and other receivables as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	September 30, 2014		
	Gross amount	Allowances for impairment	Carrying amount
<b>Current assets:</b>			
Accounts receivable trade	1,762,922	(113,753)	1,649,169
Short-term loans	73,030	(731)	72,299
Accounts receivable - other	508,866	(58,760)	450,106
Accrued income	7,065		7,065
	2,351,883	(173,244)	2,178,639
<b>Non-current assets:</b>			
Long-term loans	59,903	(21,671)	38,232
Guarantee deposits	157,382		157,382
	217,285	(21,671)	195,614
	2,569,168	(194,915)	2,374,253

*(In millions of won)*

**December 31, 2013**

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	Gross amount	Allowances for impairment	Carrying amount
<b>Current assets:</b>			
Accounts receivable - trade	1,614,466	(101,328)	1,513,138
Short-term loans	72,928	(730)	72,198
Accounts receivable - other	439,209	(50,734)	388,475
Accrued income	5,682		5,682
	2,132,285	(152,792)	1,979,493
<b>Non-current assets:</b>			
Long-term loans	61,613	(21,688)	39,925
Guarantee deposits	152,057		152,057
	213,670	(21,688)	191,982
	2,345,955	(174,480)	2,171,475

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**5. Trade and Other Receivables, Continued**

- (2) The movement in allowance for doubtful accounts of trade and other receivables during the nine-month periods ended September 30, 2014 and 2013 were as follows:

*(In millions of won)*

	September 30, 2014	September 30, 2013
Balance at January 1	174,480	153,337
Increase of bad debt allowances	31,609	42,638
Write-offs	(25,655)	(28,236)
Collection of receivables previously written-off	14,481	14,975
<b>Balance at September 30</b>	<b>194,915</b>	<b>182,714</b>

- (3) Details of overdue but not impaired, and impaired trade and other receivable as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	September 30, 2014		December 31, 2013	
	Accounts receivable- trade	Other receivables	Accounts receivable- trade	Other receivables
Neither overdue nor impaired	1,304,814	700,472	1,169,946	622,679
Overdue but not impaired	42,632		32,705	
Impaired	415,476	105,774	411,815	108,810
	1,762,922	806,246	1,614,466	731,489
Allowances for doubtful accounts	(113,753)	(81,162)	(101,328)	(73,152)
	1,649,169	725,084	1,513,138	658,337

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

- (4) The aging of overdue but not impaired accounts receivable as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	September 30, 2014	December 31, 2013
Less than 1 month	16,839	9,549

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1 ~ 3 months	6,799	6,975
3 ~ 6 months	5,284	2,565
More than 6 months	13,710	13,616
	42,632	32,705

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SK TELECOM CO., LTD.

Notes to the Condensed Separate Interim Financial Statements

For the nine-month periods ended September 30, 2014 and 2013

**6. Investment Securities**

(1) Details of short-term investment securities as of September 30, 2014 and December 31, 2013 are as follows:

*(In millions of won)*

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
Beneficiary certificates(*)	86,859	101,414
Current portion of long-term investment securities	431	628
	<b>87,290</b>	<b>102,042</b>