



# We create a future for our customer's happiness

SK NETWORKS BROCHURE 2014



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## SK Networks is :

### A global trading company

- Exported US\$ 1.8 billion worth of goods in 2013
- Operating 63 offices and subsidiaries all around the globe.
- Secured 194 million tons of coal by investing in 8 mining projects.

### An ICT device distributor

- Sold 8.5 million handsets in 2013 through 7 hub logistics facilities across Korea.

### A petroleum supplier

- Sold 43 million barrels of petroleum in 2013.
- Supplied an average of 0.9 barrels to everyone in Korea.

### An auto service provider

- Provided 1.5 million Happy Auto Membership customers with auto maintenance, rental, and sales services.
- Offers membership services to one out of twelve cars in Korea.

### A fashion leader

- Over KRW 500 billion of annual clothing sales.
- One of the top ten garment sellers in Korea.

### Leading hospitality industry

- Operated Sheraton Grande Walkerhill Hotel, the major five-star hotel in Seoul, over half a century
- Unyieldingly maintaining W Seoul-Walkerhill as the best luxury hotel and ranked first in the hotel category of the Korea Pride Index for three consecutive years.

Value



Happiness



Pride



Professional



Customer-focused



# Closer and Closer!

SK Networks is bringing the world together under a common theme.

No matter what country you live in or what language you speak, you can find a happier lifestyle when you join together with us.

today  tomorrow

## SK networks

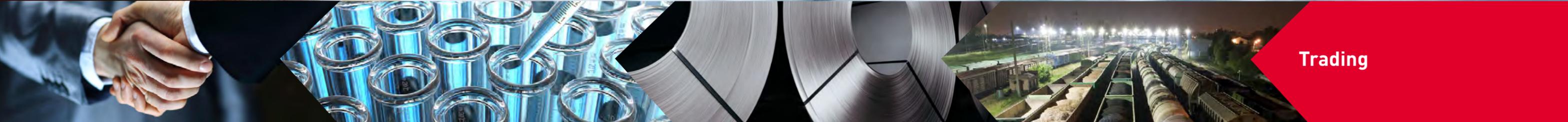
today



tomorrow

# We are sailing out into the vast ocean on a bigger boat

**Chemicals** \_ Trading a wide range of chemical products, including solvents, fertilizers, and raw materials for chemical fiber **Steel** \_ Trading steel products in North America, Europe, the Middle East, Asia and Australia. **Resources** \_ Developing and distributing natural resources, mainly coal, around the world.



Trading

today



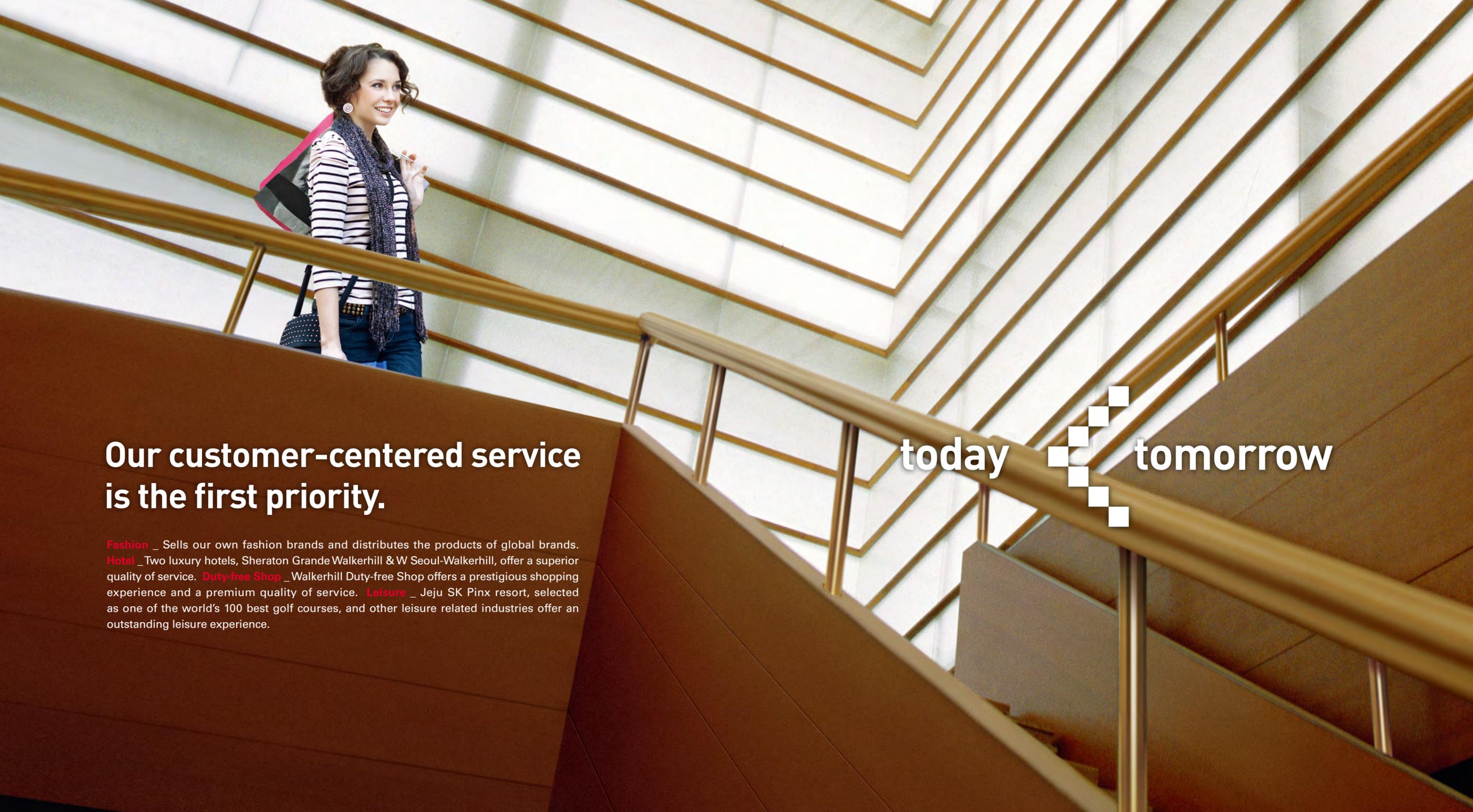
tomorrow

Our formula for value creation is simple-  
the best quality products and  
services.

**Information & Communication Technology Marketing** \_ Provides mobile devices and internet content, and corporate network services. **Energy** \_ Distributes auto fuel and other sources of energy **Auto** \_ Offers car rental, repair and maintenance services, as well as providing both online and offline emergency road services.



Information & Communication  
Technology Marketing /  
Energy & Car



## Our customer-centered service is the first priority.

**Fashion** \_ Sells our own fashion brands and distributes the products of global brands.  
**Hotel** \_ Two luxury hotels, Sheraton Grande Walkerhill & W Seoul-Walkerhill, offer a superior quality of service.  
**Duty-free Shop** \_ Walkerhill Duty-free Shop offers a prestigious shopping experience and a premium quality of service.  
**Leisure** \_ Jeju SK Pinx resort, selected as one of the world's 100 best golf courses, and other leisure related industries offer an outstanding leisure experience.

today



tomorrow



Lifestyle



### Dear Shareholders And Customers,

2013 was characterized by an on-going slow-down in the global economy. This led to an unfavorable business environment at home and abroad. SK Networks focused on strengthening its competitive edge by restructuring its business lines, reducing costs, and increasing profitability. We also improved our financial structure by selling under-performing assets, which resulted in considerable financial losses. On the upside, however, we earned positive reviews from the market by improving our company structure. Thanks to these various efforts, our operating profits reached KRW 241 billion in 2013.

The difficult business environment is expected to continue into 2014. SK Networks will, however, continue to seek steady growth. In 2014, we will focus on implementing the following:

**Firstly**, we will further stabilize our main business lines.

Based on our existing market leadership, we will continue to create new business models in the ICT Marketing and energy marketing sectors. In the trading sector, we will concentrate on coal resource development and trading, and strengthen our steel and chemicals trading through comprehensive risk management.

**Secondly**, we will promote new drivers of company growth.

Our auto business sector will focus on car rental, repair and maintenance. We will diversify our fashion brands with the aim of becoming a global fashion leader. We will also make our hotel and leisure sectors into drivers for growth through efficient investment and restructuring.

**Thirdly**, we will nurture high-caliber talent and build a fully transparent management culture.

We will continue with our efforts to promote open communications and a bottom-up corporate culture, so that every company member can share their ideas and opinions to help the company through potential business crises and make it better in every possible way.

In 2013, we improved our business structure, and laid the foundations for a renewal of our company's success. In 2014, we will strive to increase value for both shareholders and customers. We will also continue to strengthen business ethics across the company by enforcing fair trade and promoting win-win relationships across all of our activities.

We would like to thank SK Networks' shareholders, customers, suppliers, and partners, as well as our neighbors in the communities, for their continued support.

Thank you

**Moon Duk-kyu**  
President & CEO

## Board of Directors

### Corporate Transparency

SK Networks aims to increase its value and maximize shareholder benefit by implementing accurate and progressive decision-making by the Board of Directors. We have therefore established a Secretariat to assist the Board in its operations, and have increased the proportion of outside directors. We also appointed outside directors to head each committee within the Board, to ensure the independent and transparent operation of those committees.

Our greatest asset is the faith that shareholders and customers have in our company.

#### Corporate Governance

We have already established an advanced corporate governance structure through the Board of Directors. We also set up sub-committees within the Board to ensure a system of robust checks and balance for top management.

#### Independent Audit

Our Audit Committee is an important part of the system of checks and balance between the Board and top management. It is resolutely independent, as it consists of outside directors only.

#### Transparent Accounting

Our accounting system abides strictly by national and international regulations. We have also introduced a system that certifies the accounting by our top management, so that financial institutions and shareholders are certain of its reliability.

#### Ethical Management

We practice ethical management based on a Code of Conduct. We always aim to maximize the common interests of stakeholders and our communities by fulfilling our responsibilities.

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### Inside Director



**Moon Duk-Kyu**  
President and CEO

**Moon Jong-Hoon**  
Inside Director /  
President, Office of SUPEX Council

**Park Sung-Ha**  
Inside Director /  
Vice President, Portfolio Management  
Team of SK Holdings

### Outside Director



**Yoon Nam-Geun**  
Outside Director /  
Professor at Korea University Law  
School

**Song Hah-Zoong**  
Outside Director /  
Professor at College of Politics and  
Economics in Public Administration  
Kyunghee University

**Kim Sung-Min**  
Outside Director /  
Professor at Graduate School of Finance  
in Korea Advanced Institute of Science  
and Technology

**Hur Yong-Suk**  
Outside Director /  
President of Samil Research Institute

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# BUSINESS OVERVIEW



# Trading

## Evolving into a Leading Global Trading Company

SK Networks specializes in the global trading with a focus on industrial commodities such as chemicals, steel and coal. Operating out of the vast network of global outposts around the world, our professionals lead the world market in the respective business fields. In addition to reinforcing our market presence, we satisfy the constantly changes needs of our customers by investing in the industrial value chain.

Going forward, we will continue to reinforce our business model by innovating trading systems, investing in potential assets and maximizing synergies between our trading and investments. Our ultimate goal is to become a leading global trading company.

Export volume in 2013

**1.8**

Billion US Dollars

Annual coal production

**1.9**

Million Tons / Year

Export volume in 2013 :  
US\$ 1.8 billion /  
Annual production volume  
1.9 million tons of coal



18

19

**7.0**



Sales in 2013 (in trillions of KRW)



## Chemicals



SK Networks chemical business focus on local and global trading of chemical products.

Our product lines include aromatics such as styrene monomer, benzene, xylene, and toluene; chemical fiber materials such as monoethylene glycol and purified terephthalic acid; methanol and solvents; fertilizers such as urea; and polyurethane materials and polyethylene terephthalate (PET).

We have completed the chemical business platform that combines our trading and manufacturing operations in China. In order to strengthen our competitive position in the Chinese market, starting from 2003, we have established sales offices, invested in Polystyrene (PS), PET and recycle PET manufacturing plants throughout China. Furthermore, to enhance our business portfolios, we have capitalized matured businesses, and made new investments into more promising sectors.

While strengthening our position in Chinese market, we will seek new business opportunities and enhance our competitive edge by expanding into other markets such as Europe, America and Southeast Asia, and also introduce high-value products.

## Steel



SK Networks trades steel products, produced at home and abroad, to global markets. Our main suppliers are Korean steel manufacturers such as Posco, Union Steel, Dongbu Steel, and Hyundai Steel, and Chinese manufacturers such as Taiyuan Steel and Baoshan Steel, Anshan Steel, and Shagang Steel and other steel mills around the world.

Our product lines include hot-rolled coil, plate, cold-rolled coil / galvalume, long steel, and special steel such as Stainless steel (STS). We supply products mainly to markets in the Middle East, Europe, America, Australia, and Asia such as China, Japan, Taiwan, India and Southeast Asian countries. While exporting domestic products to overseas markets, we are also focusing on overseas sourcing to enhance our trading competitiveness.

## Natural Resources



Since we began our resource development business in 2005, we have invested in 16 mining projects regarding coal, iron ore, copper and other non-ferrous metals. Currently we have seven operating mines; five coal mines, one iron ore mine and one copper mine.

In 2013 we restructured our business portfolio to focus on coal business. We now concentrate on the coal trading in domestic markets and developing coal mines in Australia. We will ensure stable profitability and growth by strengthening our trading capabilities and carefully managing our investment assets in mining projects.

# Information & Communication Technology Marketing

## SK Networks offers customers a happy digital life

Our ICT device distribution business consists of the wholesale division and SK Networks Service (SKNS), our subsidiary company. We sell over 8.5 million handsets a year via Korea's largest distribution channel for mobile devices. SKNS operates the network, distributes network system equipment, and offers mobile games. It also undertakes after-sales services.

We will develop and strengthen our distribution system and platform, and expand our presence in the global market. We will focus on customer convenience, in particular through our mobile and on/off line platforms.



**6.6**



Sales in 2013 (in trillions of KRW)





## Wholesale



**Wholesale** With 1,100 exclusive outlets nationwide - the largest distribution channel and logistics base in Korea - we provide customers with ICT devices from handset makers at home and abroad. Our partnership with SK Telecom, Korea's number one mobile service provider, also helps us to enhance our position in the market. We target win-win partnerships with individual outlet operators, and support them through a vast array of marketing, consulting and financial programs.



**Logistics** We have distributed ICT devices for 20 years through our advanced logistics system. Other items we distribute include printers, computer servers, audio systems and equipment, and auto parts. We also offer services such as tripartite logistics, warehouse storage, and forwarding. We are aiming to establish a combined logistics system for each item, so that customers can benefit from a simplified distribution process.



**Global Sourcing** SK Networks distributes ICT devices made by mobile phone companies around the world, and is the exclusive distributor in Korea for some of those products. In addition, we lease handsets to corporate clients, and distribute prepaid cards. We will continue to seek high-tech products to introduce to the domestic market.

## Korea's number one petroleum product distributor Top-notch auto repair and maintenance service provider

SK Network's Energy & Car Business Division provides petroleum products and services through distribution channels such as gas stations, LPG stations, auto maintenance centers, and car rental centers.

Our high-quality gasoline is distributed to 3,100 gas stations nationwide. For greater customer convenience, high-class car washing and repair and maintenance centers are located in our gas stations. There are also convenience stores and even fast food restaurants in some of them.

We offer repair, maintenance and emergency road services under the brand "Speedmate". We also sell new cars through our subsidiary "Speed Motors". Our "Happy Auto Membership" provides customers with fuel discounts, free car washing and free changes of engine oil. Membership was 1.5 million at the end of 2013.

Based on accumulated capabilities and experiences our Energy & Car Business Division will develop new businesses such as electronic vehicles, and new distribution models. We will continue to seek new challenging opportunities and business innovation in order to further satisfy customers' demands.

# 11.3



Sales in 2013 (in trillions of KRW)

Gas Station

# No.1

Car Maintenance

# 730

Korea's leading petroleum product distributor / 730 auto maintenance centers nationwide

# Energy & Car





## Energy Marketing

SK Networks provides gasoline, kerosene, diesel and LPG through some 3,100 gas stations and 67 LPG stations across the country. We also supply asphalt, and fuel for ships.



**Gas Stations** SK Networks works closely with its affiliated gas stations to increase customer satisfaction. We offer the gas stations standardized customer satisfaction manuals, and regularly evaluate their customer service. Open and real-time communication with gas station operators is enabled and promoted through a B2B site ([www.SK-e-market.com](http://www.SK-e-market.com)). Operators can order petroleum products in real time, and request marketing tools via the site. In partnership with the operators, we offer customers the "Enclean Bonus Card", which offers various benefits when they purchase our products.

For greater customer convenience, high-class car washing under the brand "Bubble i" and repair and maintenance centers are located in our gas stations. There are also convenience stores and even fast food restaurants such as McDonalds in some of them. Our share of the domestic petroleum products market is about 20%.



**LPG Stations** We supply high-quality products to 67 affiliated LPG stations nationwide. Various marketing and customer management programs are offered to the stations to help them secure and maintain a strong customer base. In order to increase the competitiveness of LPG stations, we are striving to link a variety of car-life content to the stations, and offer more value to customers.



## Sales of Asphalts and Fuel for Ships

As well as general asphalts, we also provide highly durable asphalts for the domestic market. In addition, we supply lubricant and bunker C oil to national flag carriers and foreign vessels inbound to Korea.



## Speedmate

After beginning with auto maintenance services, our Speedmate brand has extended its business into emergency road services, new car and auto parts sales, and car rental. It also offers customers information about efficient auto usage through offline, online and mobile channels. Our "Happy Auto" membership was 1.5 million at the end of 2013.



**Car Rental** The car rental market in Korea is continuing to expand, and so SK Networks has responded by increasing its business through synergy with our maintenance services and ERS. In 2013 we operated some 24,000 cars for short- and long-term car rental. To improve the satisfaction of our long-term corporate clients, we undertake regular check-ups and repairs of their business vehicles, and operate a Call Center exclusively for them. We continue to introduce a wide range of good value long-term car rental packages for individual customers. In 2013 we began an electric vehicle rental service in Jeju, to meet demand for more eco-friendly car rental services.



**Auto Maintenance** With the best mechanics and high-tech facilities, we lead the auto repair and maintenance market in Korea. In 2013 we had 730 maintenance centers in operation nationwide, solidifying our position as the number one brand. We focus on nurturing the best engineers and developing cutting-edge maintenance techniques in cooperation with the wider auto business and academia.



## Emergency Road Service (ERS)

Since first being launched in 1996, our advanced ERS has developed comprehensive location-based services, and cutting-edge emergency management systems. Given the huge expansion of the mobile environment, we installed a smart phone-based ERS system in 2011. A total of 430 ERS networks were in operation nationwide in 2013.

# Lifestyle

We will help our customers' success and happiness through top-level products and services.

SK Networks' fashion business is one of the most exciting and promising projects that we have undertaken. We have successfully launched our own brands, and brought well known overseas brands to the domestic market. Our fashion business has also moved into the global market, including China, and has seen positive results already.

We also operate the Sheraton Grande Walkerhill hotel, the W Seoul-Walkerhill hotel and the Walkerhill Duty-free shop in Korea. Walkerhill will continue to contribute to the development of Korean hotel industry, and offer more creative service to customers.

O'2nd

# 18

O'2nd SK Networks' own brand of ladies wear, is available in 18 countries.

WALKERHILL

# No.1

W Seoul-Walkerhill ranked first in the hotel category of the Korea Pride Index for three consecutive years.

# 14%

CAGR

The Walkerhill Duty-free Shop has registered double-digit growth for three consecutive years (CAGR of 14%)



# 540



Fashion Sales in 2013  
(in billions of KRW)

# 450



Hotel Sales in 2013  
(in billions of KRW)

## Fashion



Our fashion business in Korea includes our own brands such as Obzee, O'2nd, rouge & lounge and 2second floor, and well-known overseas brands such as Tommy Hilfiger and DKNY. We have also successfully launched the O'2nd brand in China, the UK and USA, and plan to expand the global presence of our other brands.



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**Obzee** Obzee is a leading designer brand in Korea, and expresses luxurious feminine fashion in a chic and stylish way. In 2013 we launched this brand in major department stores in Shanghai, and operate 5 shops in Hangzhou, China.

**O'2nd** O'2nd is a unique ladies wear brand, based on the concept of a "Pop Boutique". Its art, culture, and fashion-harmonized style appeals to trendsetters. Since its first launch in China in 2009, O'2nd now has 70 shops across China, and, beginning with a launch at Barney's in New York in 2011, it has been released in 18 countries around the world, including China, the USA, Canada, the UK, Japan, Taiwan and Hong Kong.

**rouge & lounge** Launched in 2013, rouge & lounge is a contemporary accessory brand that features unique design, reasonable prices and top quality. We operate 26 stores in Korea. The brand will launch in China in May 2014, and then expand further internationally, including in the USA.

**Tommy Hilfiger** With its "Classic American Cool", this premium global brand offers a variety of casual fashion, ranging from classics to the very latest styles.

**DKNY** DKNY expresses the energy and spirit of New York. It releases modern urban clothing and accessories every season.

**Donna Karan Collection** Donna Karan Collection is a modern system of dressing created to appeal to women's senses on every level, founded on an intuitive understanding of a woman's need and desires.

**Club Monaco** Club Monaco is a New York-based modern urban brand. It features vintage, affordable and luxury style.

**Calvin Klein Platinum** This brand offers a minimal and refined silhouette with the concept of a sexy, urban young sensibility. Each item is made from high-quality materials, and displays a tasteful and restrained beauty.

**2second floor** 2second floor is a ladies wear brand launched in Korea for the spring season of 2014. It offers designs with a contemporary sensibility and modern femininity, and its high quality and originality have gained attention in the market. There are 21 stores in Korea, and we also plan to launch the brand into the global market, including in China.

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## Hotel

**Sheraton Grande Walkerhill** Located at the foot of Mount Acha, overlooking the Han River in Seoul, the Sheraton Grande Walkerhill, part of the global Starwood hotel group, has offered the very best in quality hotel services over half a century. It has 583 guestrooms, 10 restaurants and bars, a duty-free shop, outdoor leisure sports facilities and a 14-hall convention center including a banqueting hall with a capacity of 1,000. Guests can enjoy seasonal theme festivals such as the Riverpark outdoor swimming pool, a camping zone and a trail filled with flowers along Acha Mountain. The hotel operates 9 restaurants at Incheon International airport, as well as the airport transit hotel. There are also branch restaurants: VIZAVI, WIZWIT, and Faro Grand in central Seoul.

**W Seoul-Walkerhill** The W Seoul Walkerhill is also part of the Starwood hotel group, and boasts unique interior designs and the best in service. It offers 252 guestrooms and facilities such as restaurants with both Western and Eastern interior design, the AWAY® spa and two meeting rooms - the "Great Room" and the "Studio" - with an urban setting and distinctive interiors. The W Seoul Walkerhill provides guests with an unforgettable experience and memories to cherish for a lifetime.

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## Duty Free

**Walkerhill Duty-free Shop** Under the slogan of "Prestigious Purveyor of Style and Value", the Walkerhill Duty-free shop is a unique cultural shopping place providing exclusive shopping experiences with premium quality of services. With fascinating environment of Acha Mountain and Han River, the Walkerhill Duty-free shop delivers wide range of products in total 3 floors: the first and the largest high-end watch & jewelry boutiques on the lower floor, world-renowned luxury fashion brands on the first floor, and a variety of fashion brands & luxury cosmetic brands on the second floor. After shopping, Customers can relax with an extraordinary panoramic river view at the lounge. Walkerhill Duty-free shop also has an online shopping mall ([www.skdutyfree.com](http://www.skdutyfree.com)) and offers exclusive programs and various attractive events.

Starting with the renovation of high-end watch & jewelry boutiques from January, 2015, Walkerhill Duty-free shop plans to position itself as a 'landmark of Cultural shopping' for Korean and overseas visitors through the grand opening of entire floors on the second half of 2015. Combining distinctive merchandising strategy, customized marketing programs for our core target, and desirable culture & entertainments from casino and luxurious hotels, Walkerhill Duty-free shop creates a new paradigm in travel retail industry by reinforcing the brand identity as the 'Culture-tainment Shopping Destination'.

The Walkerhill Duty-free shop will further strengthen our competitiveness through the recruitment of the top 20 brands and Walkerhill Duty-free shop exclusive brands to enhance customer values and to increase the revenue.

# Subsidiaries



**SK Networks Service (SKNS)** SKNS is becoming a major player in the telecoms service market. Its business scope includes after-sales service of SK Telecom subscribers' handsets. The company also offers a mobile platform service that embraces mobile game publishing. In addition, SKNS operates and maintains the wireless network of SK Telecom and SK Broadband. Based on its technological expertise and know-how, the company is involved in the repair and maintenance of the national defense network.



**Speed Motors** Speed Motors was launched in October 2011 as GM Korea's official distributor in Choongcheong and Jeonla provinces in Korea. The company sold 28,000 cars in 2013 through 55 dealer shops. Speed Motors will continue to build its competitive edge, backed by SK Networks' auto maintenance, ERS and car rental services.



**SK Pinx** SK Pinx operates top-class leisure facilities in Jeju, including a golf club, Podo Hotel and Biotopia House. The golf club has been selected as one of the world's top 100 golf courses by Golf Digest of the US and Golf World of England in 2005. The company will continue to build prestigious housing facilities and offer opportunities for the best in leisure and recreation.

# China Business

## Business in China

SK Networks first entered the Chinese market in 1991, and now every business unit of SK Networks has operations there. In 2009, we established a China office to integrate our Chinese operations into one business. The China office now runs steel and chemicals-based trading, car rental, real estate development and fashion businesses.

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In response to China's age of mass consumption, we will continue to seek new growth by pursuing complete localization in China.

**5** Business Divisions

**50** Regions

**110** Business Sites



< 41



**63**

Sales in 2013 (in billions of KRW)



42



**Car Rental** We acquired Kumho Rent-a-car (China) in 2011, and have made great progress since then. We are committed to offering the Chinese market the best in car rental services.



**Real Estate Development** We have built apartment buildings in Dandong, and a terminal complex in Shenyang. We have also joined in real estate development projects in the new town of Dandong. Our aim is to become a leading real estate developer in the three Northeastern provinces of China.



**Logistics** We operate a bonded warehouse in Dandong of China. We will continue to be an important base for multinational manufacturing and trading.



**Chemicals / Steel** We focus on trading industrial materials such as chemicals and steel. We have also begun materials processing, to meet domestic and overseas demand.



**Fashion** With the successful launch of the O'2nd brand, we are aiming to diversify our brand portfolio and become a fashion leader in China.

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Management Support Divisional Group is a strategic management unit to enhance SK Networks' global competitiveness.

In 2013, Management Support Divisional Group focused on investment risk and increasing the company's financial stability. In 2014, the Group will further strengthen its checks and balance functions, and promote new growth.

Its main role is to set short- and long-term management goals, and to devise feasible and effective strategic plans.

It establishes the optimal business structure, and helps business units to find new drivers for growth. To this end, its resource management processes are continuously optimized and upgraded. The Group also offers accurate and timely business information to front-line units, and undertakes financing and risk management.

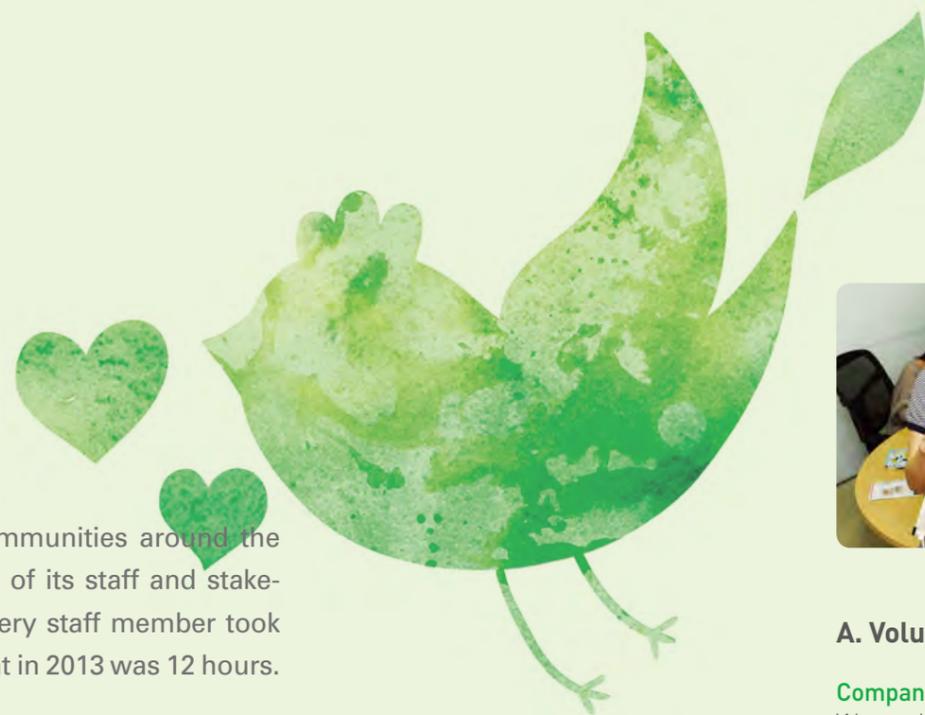
In addition, the Group is involved in securing and nurturing high-caliber personnel, and promotes a culture of open communication.

## Management Support Divisional Group



# Social Responsibilities

SK Networks works together with its neighbors and local communities around the world to make dreams come true through volunteer activities of its staff and stakeholder. SK Networks had 62 volunteer groups in 2013, and every staff member took part in at least one group. The average volunteering commitment in 2013 was 12 hours.



## A. Volunteer Activities

### Companions for visually impaired children

We provide visually impaired children with companions and outdoor recreational programs to help and encourage them.

### Infant caregivers at temporary care center

We share our love with orphaned infants until they are adopted by warmhearted families.

### Supporting in making Braille books

We support good quality books to be converted into Braille to help the visually impaired people.

### Clean-up in the community

We periodically undertake a thorough clean-up in our community to help to preserve the environment and our cultural assets.

### Delivery of lunchboxes

In partnership with community welfare centers, we deliver lunchboxes to underserved elderly people in need.

### The season of sharing happiness

We actively participate in the SK Group's volunteer activities. These include fundraising, the Habitat Housing campaign, a charity bazaar, kim-chang(making Kimchi) and help for under-nourished children.



## B. Pro Bono Activities

### Vehicle check-up and repair

Our Speedmate engineers help people in special needs by inspecting and repairing the electric wheelchairs and scooters. We also sponsor a competition that encourages the repair of assistance devices for the physically challenged people.

### Help in recipe development

Head chefs at the Sheraton Grand Walkerhill Hotel pass on their know-hows of various sauce foods from Korean, Chinese, Japanese and western cuisine to many social enterprises.

## C. Global Activities

Our global offices undertake community activities at nursing homes, schools for physically challenged students, and for underserved students. In the case of natural disasters, we all help in recovery work.



## Dream Package Project

This project, as one of our global volunteer activities, donates school supplies to children in need around the world. Participants include our Korean and overseas staff, as well as other volunteer citizens and social enterprises.



# Fair Trade

To foster a strong and fair corporate culture, SK Networks has had in place since 2002 an employee Compliance Program (CP). A CP Director, appointed by the Board of Directors, and a CP unit take charge of CP, and regularly report compliance operations to the Board.



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## 01 / Fair trade education program

We offer each business unit education on fair trade to promote the right fair trade mindset. In 2013, some 500 employees from 20 business units participated in this program.

## 02 / Improving the CP unit

We have established a Communication Consultative Group which consists of the CP Director and the heads of those business units most closely related to fair trade activities. Together with the CP unit, the Group regularly inspects staff and management compliance with all our fair trade requirements.

## 03 / In-house transactions

To ensure complete transparency in large scaled in-house transactions, the company's Audit Committee assumed responsibility for inspecting in-house transactions in 2012. In 2013, the Committee reviewed a total of 8 items. These items were then reported to management, along with suggestions for appropriate solutions.

# 2013 FINANCIAL HIGHLIGHTS

In response to the slow-down in the global economy and an unfavorable business environment at home and abroad in 2013, SK Networks focused on restructuring its business lines, reducing costs, and increasing profitability. Thanks to these efforts, the company's sales revenue totaled KRW 25.9 trillion, while operating income was KRW 241 billion in 2013.

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## Consolidated Financial Statement

61th Year: As of December 31, 2013  
60th Year: As of December 31, 2012  
(Unit : KRW)

SK networks and subsidiaries

Description	End of 61th year (current)	End of 60th year (prior)
<b>Assets</b>		
<b>I . Current assets</b>	<b>4,464,934,693,825</b>	<b>5,098,454,746,503</b>
Cash and cash equivalents	1,306,526,351,273	1,211,942,547,193
Short-term financial instruments	27,575,572,825	50,856,451,261
Held-to-maturity investments	44,999,992	44,999,992
Trade and other receivables	1,491,886,234,005	1,897,130,303,195
Financial derivatives	3,489,885,398	28,513,393,822
Other financial assets	201,752,839,774	361,214,654,071
Other current assets	98,551,269,859	99,394,929,977
Inventory	979,452,190,793	1,432,551,313,992
Non-current assets as held for sale	355,655,349,906	16,806,153,000
<b>II . Non-current assets</b>	<b>4,414,440,170,000</b>	<b>5,528,618,531,982</b>
Long-term financial instruments	47,500,000	22,248,269,121
Available-for-sale financial assets	143,509,064,752	208,059,860,991
Held-to-maturity financial assets	1,005,000,061	1,050,000,053
Investments in joint ventures and associates	416,577,720,650	1,208,576,449,469
Financial derivatives	-	-
Other financial assets	262,941,252,610	211,404,346,010
Tangible assets	3,333,689,868,563	3,578,846,335,347
Intangible assets	120,991,367,566	161,558,012,376
Investments in real estate	32,340,065,072	63,194,936,547
Deferred income tax assets	51,768,184,533	3,894,462,096
Other non-current assets	51,570,146,193	69,785,859,972
<b>Total assets</b>	<b>8,879,374,863,825</b>	<b>10,627,073,278,485</b>

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61th Year: As of December 31, 2013  
60th Year: As of December 31, 2012  
(Unit : KRW)

Description	End of 61th year (current)	End of 60th year (prior)
<b>Liabilities</b>		
<b>I . Current liabilities</b>	<b>4,864,578,311,605</b>	<b>5,660,559,935,702</b>
Trade and other payables	2,821,860,963,958	3,254,836,713,813
Borrowings and bonds payable	1,470,960,341,708	1,813,874,654,507
Financial derivatives liabilities	47,047,844,551	88,474,836,819
Other financial liabilities	266,635,970,481	301,465,370,222
accrued taxes	10,474,924,468	42,780,548,091
Allowances	364,353,689	-
Other current liabilities	148,957,181,221	159,127,812,250
Liability directly related to non-current assets as held for sale	98,276,731,529	-
<b>II . Non-current liabilities</b>	<b>1,449,711,790,379</b>	<b>1,900,138,675,161</b>
Borrowings and bonds payable	1,300,188,490,222	1,453,775,990,793
Financial derivatives liabilities	11,834,633,243	8,803,867,282
Other financial liabilities	81,351,389,054	184,472,287,578
Deferred income tax liabilities	20,182,563,750	230,442,251,222
Defined benefit obligations	15,536,571,134	19,873,839,406
Allowances	18,354,798,793	616,210,278
Other non-current liabilities	2,263,344,183	2,154,228,602
<b>Total liabilities</b>	<b>6,314,290,101,984</b>	<b>7,560,698,610,863</b>
<b>Shareholders' equity</b>		
<b>I . Controlling interest</b>	<b>2,569,128,769,526</b>	<b>3,063,871,684,049</b>
Capital stock	648,653,775,000	648,653,775,000
Consolidated capital surplus	874,412,331,872	877,343,245,809
Consolidated retained earnings	1,032,379,971,430	1,660,932,416,900
Consolidated other reserves	13,682,691,224	[123,057,753,660]
<b>II . Non-controlling interest</b>	<b>[4,044,007,685]</b>	<b>2,502,983,573</b>
<b>Total shareholders' equity</b>	<b>2,565,084,761,841</b>	<b>3,066,374,667,622</b>
<b>Total liabilities and shareholders' equity</b>	<b>8,879,374,863,825</b>	<b>10,627,073,278,485</b>

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## Consolidated Statements of Comprehensive Income

61th Year: From January 1 to December 31, 2013  
60th Year: From January 1 to December 31, 2012  
(Unit: KRW)

SK networks and subsidiaries

Description	End of 61th year (current)	End of 60th year (prior)
<b>I. Sales</b>	<b>25,975,361,370,229</b>	<b>27,935,503,372,187</b>
<b>II. Sales costs</b>	<b>24,065,827,304,970</b>	<b>25,923,492,760,930</b>
<b>III. Gross profit</b>	<b>1,909,534,065,259</b>	<b>2,012,010,611,257</b>
<b>IV. Selling and general administrative expenses</b>	<b>1,668,710,530,485</b>	<b>1,760,450,648,367</b>
<b>V. Operating income</b>	<b>240,823,534,774</b>	<b>251,559,962,890</b>
<b>VI. Other revenue</b>	<b>132,234,136,701</b>	<b>161,247,098,280</b>
<b>VII. Other expenses</b>	<b>992,161,968,391</b>	<b>194,824,050,606</b>
<b>VIII. Financial revenue</b>	<b>375,530,084,450</b>	<b>438,787,346,980</b>
<b>IX. Finance costs</b>	<b>473,293,267,523</b>	<b>561,232,180,229</b>
<b>X. Gains on valuations using equity method (losses)</b>	<b>(81,533,282,430)</b>	<b>(25,927,173,775)</b>
<b>XI. Income before income tax expenses (loss)</b>	<b>(798,400,762,419)</b>	<b>69,611,003,540</b>
<b>XII. Income tax expense (profit)</b>	<b>206,585,533,290</b>	<b>57,666,695,994</b>
<b>XIII. Net income (loss) at quarter of the year</b>		
Total parent company equity holders	(567,977,722,088)	48,104,151,736
Non-controlling interest	(23,837,507,041)	(36,159,844,190)
Total	(591,815,229,129)	11,944,307,546
<b>XIV. Other comprehensive profit (loss)</b>	<b>130,650,572,722</b>	<b>(177,419,858,037)</b>
1. Items that can be reclassified to profit (loss)	135,851,698,278	(172,568,344,951)
Capital change using equity method	(4,911,242,502)	(35,212,454,666)
Negative capital change using equity method	138,441,944,116	(89,389,499,147)
Gains and losses on valuations of available-for-sale financial assets	13,407,069,613	(10,203,124,487)
Gains and losses on overseas operations	(11,947,282,342)	(39,641,922,330)
Gains and losses on valuation of derivatives	861,209,393	1,878,655,679
2. Items that will not be reclassified to profit (loss)	(5,201,125,556)	(4,851,513,086)
Remeasurements of net defined benefit liability	(5,201,125,556)	(4,851,513,086)
<b>XV. Reverted total inclusive gains (losses)</b>		
Controlling interest	(437,062,936,752)	(127,606,627,649)
Non-controlling interest	(24,101,719,655)	(37,868,922,842)
Total	(461,164,656,407)	(165,475,550,491)
<b>XVI. Gains (losses) per share</b>		
Basic and diluted earnings (losses) per share	(2,289)	194

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## Consolidated Statements of Cash Flow

61th Year: From January 1 to December 31, 2013  
60th Year: From January 1 to December 31, 2012  
(Unit: KRW)

SK networks and subsidiaries

Description	End of 61th year (current)	End of 60th year (prior)
<b>I. Cash flow from operating activities</b>	<b>437,880,674,277</b>	<b>56,703,660,963</b>
Net income	(591,815,229,129)	11,944,307,546
Adjustments for non-cash items	916,525,135,666	369,414,797,785
Adjustments for working capital	274,823,019,250	(183,034,258,107)
Adjustments for working capital	28,939,037,103	36,369,435,786
Interest paid	(104,940,628,983)	(135,688,442,204)
Dividends received	107,175,636	7,629,976,970
Corporate taxes	(85,757,835,266)	(49,932,156,813)
<b>II. Cash outflow from Investment Activities</b>	<b>153,580,710,789</b>	<b>80,964,349,191</b>
Increase (Decrease) in short-term financial instruments	23,306,142,200	(10,685,531,311)
Increase (Decrease) in long-term financial instruments	21,200,000,000	-
Increase (Decrease) in financial derivatives	-	21,294,063,364
Increase (Decrease) in financial derivatives liabilities	(57,188,440,653)	(12,641,530,861)
Increase (Decrease) in short-term loans	18,669,604,339	(16,645,786,452)
Increase (Decrease) in long-term loans	(4,932,872,872)	(9,815,696,667)
Increase (Decrease) in long-term loans	44,999,992	67,499,984
Sales of available-for-sale financial assets	66,415,417,358	17,561,630,221
Acquisition of available-for-sale financial assets	(16,721,964,679)	(57,048,125,574)
Disposal of non-current assets as held for sale	16,806,153,000	-
Disposal of investments in associates and subsidiaries	228,675,589,066	93,891,605,267
Purchase of investments in associates and subsidiaries	(48,752,601,243)	(26,693,753,013)
Sales of tangible assets	37,060,092,077	116,375,076,681
Acquisitions of tangible assets	(150,160,870,562)	(140,583,335,029)
Sales of investments in real estate	1,029,838,603	-
Acquisition of investments in real estate	-	(359,410,108)
Sales of intangible assets	4,092,921,400	12,757,778,723
Acquisition of intangible assets	(12,764,707,835)	(26,698,408,446)
Net increase (decrease) in deposits paid	18,862,169,554	288,252,986
Cash outflow from acquiring control	-	32,507,253,994
Cash inflow from losing control	-	39,018,860,486
Other	7,939,241,044	48,373,904,946
<b>III. Cash flow from Financing Activities</b>	<b>(476,231,909,591)</b>	<b>(182,478,803,896)</b>
Increase (decrease) in short-term borrowings	(502,951,658,287)	86,182,708,695
Repayment of current portion of long-term borrowings	(43,698,845,337)	(121,810,358,834)
Repayment of current portion of long-term bonds	(250,000,000,000)	(146,000,000,000)
Long-term borrowings	58,872,127,683	35,936,663,020
Borrowings of bonds	298,794,500,000	-
Settlement of currency swap	-	460,106,000
Dividend payments	(37,248,033,650)	(37,248,031,900)
Sales of treasury stock	-	109,123
<b>IV. Increase in cash and cash equivalents (losses) (I+II+III)</b>	<b>115,229,475,475</b>	<b>(45,213,653,631)</b>
<b>V. Underlying cash and cash equivalents</b>	<b>1,211,942,547,193</b>	<b>1,257,156,200,824</b>
<b>VI. Difference in cash and cash equivalents by changes in foreign exchange rates</b>	<b>(232,130,718)</b>	<b>(402,859,889)</b>
<b>VII. Cash and cash equivalents estimated sales price</b>	<b>(20,413,540,677)</b>	
<b>VIII. Term-end cash and cash equivalents</b>	<b>1,306,526,351,273</b>	<b>1,211,942,547,193</b>

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## Consolidated Statements of Changes in Equity

61th Year: From January 1 to December 31, 2013  
60th Year: From January 1 to December 31, 2012  
(Unit: KRW)

SK networks and subsidiaries

Description	Capital stock
<b>2012.01.01 Equity at the beginning of period</b>	<b>648,653,775,000</b>
Change in coverage of consolidation	
Retained earnings after appropriations	
Net income	
Capital change in equity method	
Negative capital change in equity method	
Gains (losses) on valuations of available-for-sale financial assets	
Gains (losses) on foreign operations translation	
Gains (losses) on valuations of derivatives	
Remeasurements of defined benefit liability	
<b>Total comprehensive income</b>	<b>Other comprehensive income (loss)</b>
Year-by dividend	
Gains on sales of treasury stock	
Decrease in capital surplus from business combination	
Change in retained earnings using equity method	
Capital increases by subsidiaries	
M&As among subsidiaries	
Other	
<b>2012.12.31 Equity at the end of period</b>	<b>648,653,775,000</b>
<b>2013.01.01 Equity at the beginning of period</b>	<b>648,653,775,000</b>
Change in coverage of consolidation	
Retained earnings after appropriations	
Net income (loss)	
Capital change in equity method	
Negative capital change in equity method	
Gains (losses) on valuations of available-for-sale financial assets	
Gains (losses) on foreign operations translation	
Gains (losses) on valuations of derivatives	
Remeasurements of defined benefit liability	
<b>Total comprehensive income</b>	<b>Other comprehensive income (loss)</b>
Year-by dividend	
Gains on sales of treasury stock	
Decrease in capital surplus from business combination	
Change in retained earnings using equity method	
Capital increases by subsidiaries	
M&As among subsidiaries	
Other	
<b>2013.12.31 Equity at the end of period</b>	<b>648,653,775,000</b>

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SK networks and subsidiaries

Consolidated capital surplus	Consolidated retained earnings	Consolidated other reserves	Controlling interest	Non-controlling interest	Total shareholders' equity
<b>879,842,413,305</b>	<b>1,654,883,225,222</b>	<b>47,846,097,567</b>	<b>3,231,225,511,094</b>	<b>42,169,165,705</b>	<b>3,273,394,676,799</b>
				(2,926,646,425)	(2,926,646,425)
	48,104,151,736		48,104,151,736	(36,159,844,190)	11,944,307,546
		(35,212,454,666)	(35,212,454,666)		(35,212,454,666)
		(89,389,499,147)	(89,389,499,147)		(89,389,499,147)
		(10,203,124,487)	(10,203,124,487)		(10,203,124,487)
		(37,977,428,606)	(37,977,428,606)	(1,664,493,724)	(39,641,922,330)
		1,878,655,679	1,878,655,679		1,878,655,679
	(4,806,928,158)		(4,806,928,158)	(44,584,928)	(4,851,513,086)
	(37,248,031,900)		(37,248,031,900)		(37,248,031,900)
109,123			109,123		109,123
(646,118,462)			(646,118,462)		(646,118,462)
(1,853,158,157)			(1,853,158,157)		(1,853,158,157)
<b>648,653,775,000</b>	<b>877,343,245,809</b>	<b>1,660,932,416,900</b>	<b>(123,057,753,660)</b>	<b>3,063,871,684,049</b>	<b>3,066,374,667,622</b>
<b>648,653,775,000</b>	<b>877,343,245,809</b>	<b>1,660,932,416,900</b>	<b>(123,057,753,660)</b>	<b>3,063,871,684,049</b>	<b>2,502,983,573</b>
					1,711,051,646
		(567,977,722,088)		(567,977,722,088)	(23,837,507,041)
			(4,911,242,502)	(4,911,242,502)	
			138,441,944,116	138,441,944,116	
			13,407,069,613	13,407,069,613	
			(11,875,757,296)	(11,875,757,296)	(71,525,046)
			861,209,393	861,209,393	
		(5,008,437,988)		(5,008,437,988)	(192,687,568)
		(37,248,033,650)		(37,248,033,650)	
	(2,688,554,315)			(2,688,554,315)	
	(242,359,622)	(18,318,251,744)	817,221,560	(17,743,389,806)	15,843,676,751
<b>648,653,775,000</b>	<b>874,412,331,872</b>	<b>1,032,379,971,430</b>	<b>13,682,691,224</b>	<b>2,569,128,769,526</b>	<b>2,565,084,761,841</b>

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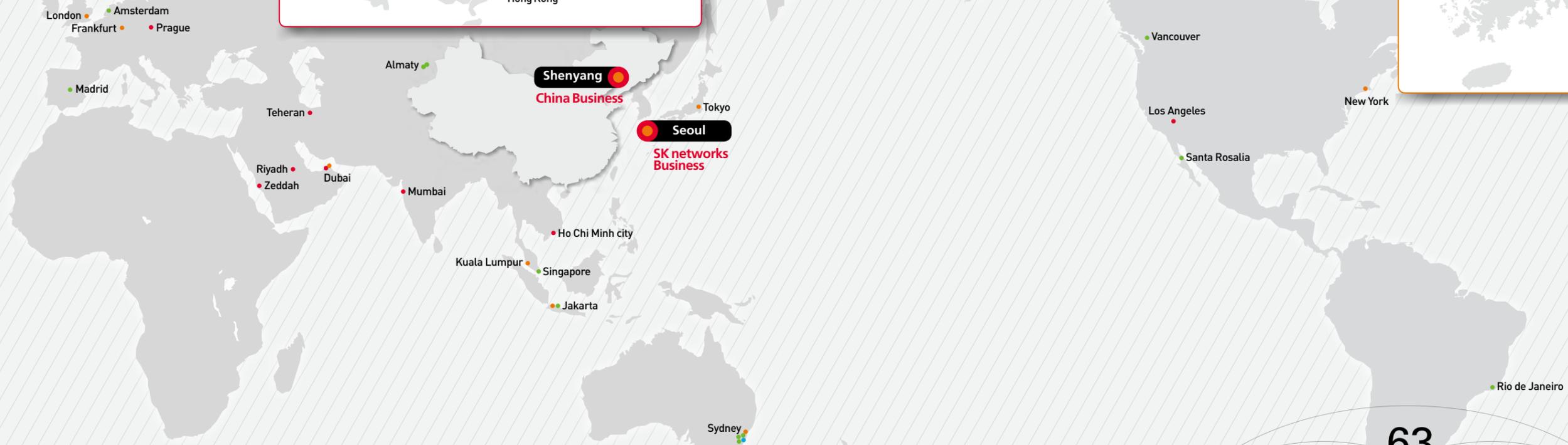
## Subsidiaries

<p><b>SK Networks Service</b></p> <p>Mobile phone A/S and networks repairs and maintenance</p>	<p>12th Floor, MIES Building,135, Seosomun-ro, Jung-gu, Seoul, South Korea 82-70-7805-2004</p>
<p><b>Speed Motors</b></p> <p>Car Sales (Official GM dealer for Chungcheong and Honam regions)</p>	<p>3th Floor,Donga Life Insurance Bldg,800, Gyeryong-ro, Jung-gu, Daejeon, South Korea 82-42-520-4030</p>
<p><b>SK pinx</b></p> <p>Integrated real estate corporation</p>	<p>863, Sallongnam-ro, Seogwipo-si, Jeju-do, Korea 82-64-792-5200</p>

## Affiliates

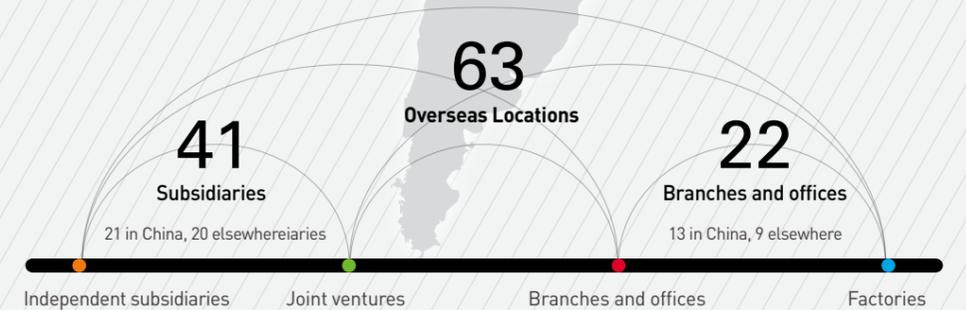
	<p><b>SK Corporation</b></p>	<p>www.sk.co.kr</p>
<p><b>Energy and Chemicals</b></p>	<p><b>SK innovation</b> <b>SK energy</b> <b>SK global chemical</b> <b>SK lubricants</b> <b>SK chemicals</b> <b>SKC</b> <b>SK E&amp;S</b> <b>SK gas</b></p>	<p>www.skinnovation.com www.skenergy.com www.skglobalchemical.com www.sklicubricants.com www.skchemicals.com www.skcc.co.kr www.skens.com www.skgas.co.kr</p>
<p><b>Information, Telecommunication &amp; Semiconductor</b></p>	<p><b>SK telecom</b> <b>SK C&amp;C</b> <b>SK broadband</b> <b>SK telink</b> <b>SK communications</b> <b>SK telesys</b> <b>SK planet</b> <b>SK hynix</b></p>	<p>www.sktelecom.com www.skcc.co.kr www.skbroadband.com www.sktelink.com http://corp.nate.com www.sktelesys.com www.skplanet.co.kr www.skhynix.co.kr</p>
<p><b>Trading and Services</b></p>	<p><b>SK E&amp;C</b> <b>SK shipping</b> <b>SK securities</b></p>	<p>www.skec.co.kr www.skshipping.com www.priden.com</p>

# Global Network



- Independent subsidiaries
- Joint ventures
- Branches and offices
- Factories

The above maps are designed to help investors and customers, with a special focus on the locations of our subsidiaries and offices.



# Corporate History

## 1950s-60s

April 1953 : Founded as Sunkyong Textiles (President & CEO: Chey Jong-Kun)  
May 1967 : Launched "Georgette," the first polyester product manufactured in Korea

## 1970s

November 1973 : Chairman Chey Jong-Hyun took office  
January 1976 : Acquired Sunil Textiles and changed company name to Sunkyong  
November 1976 : Designated as general trading company and received "USD 100 Million Export Tower" award  
June 1977 : IPO and listing on the Korea stock exchange

## 1980s

December 1980 : Acquired Korea National Oil Corporation

## 1990s

May 1990 : Launched SMART school uniform business  
July 1995 : Number of SK gas stations exceeded 3,000  
September 1996 : Number of mobile communications outlets exceeded 1,000  
January 1998 : Company name changed to SK Global  
February 1999 : Acquired Speedmate auto sales and service business  
December 1999 : Acquired SK Distribution

## 2000s

July 2000 : Acquired SK Energy Sales  
August 2003 : Began selling "Tommy Hilfiger" premium casual brand  
October 2003 : Company name changed to SK networks  
September 2005 : Established holding company in China  
February 2006 : Launched a DKNY brand.  
November 2006 : Acquired Shantou PS  
April 2007 : Established SK network Service  
November 2007 : Acquired Obzee  
December 2008 : Annual exports exceeded USD 10 billion  
January 2009 : Acquired a car rental business from SK Energy.  
January 2009 : Launched an O'2nd fashion business in China.  
December 2009 : Acquired Walkerhill  
September 2010 : Acquired Jeju Pinx Resort, launched SK pinx  
September 2010 : invested in MMK of Brazil, the largest-ever equity stake by a Korean non-petroleum resources developer  
October 2010 : Opened Shenyang SK Bus Terminal, becoming the first foreign player to enter the Chinese public facilities business  
December 2010 : Acquired SK Energy's coal business  
February 2011 : Opened SK networks Dandong Happiness Academy  
March 2011 : Received KRW 200 billion Tower Award for payment of national tax.  
March 2011 : Acquired Kumho Rent-a-Car (China)  
November 2011 : Became GM dealer for Chungcheong and Honam regions  
December 2011 : Achieved KRW 500 billion in sales revenue of fashion business.  
December 2011 : Cumulative sales of mobile phones exceeded 100 million.  
January 2012 : Introduced Global Business Specialist program  
December 2012 : Annual mobile phone retail sales reached KRW 1 trillion  
February 2013 : Moon Duk-Kyu took office as president and CEO of SK Networks.  
February 2013 : Released a rouge & lounge fashion brand in Korea.  
January 2014 : Launched a 2econd floor ladies wear brand in Korea.  
February 2014 : Launched an O'2nd fashion business in Taiwan.

We create  
a future for  
our customer's  
happiness

SK NETWORKS BROCHURE 2014