

SK TELECOM CO LTD  
Form 6-K  
April 29, 2011

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

**Form 6-K  
REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16 UNDER  
THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE MONTH OF APRIL 2011  
COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**  
*(Translation of registrant's name into English)*  
11, Euljiro2-ga, Jung-gu  
Seoul 100-999, Korea  
*(Address of principal executive offices)*

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F

Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

*Note:* Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

*Note:* Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes  No

If Yes is marked, indicate below the file number assigned to the Registrant in connection with Rule 12g3-2(b): 82-  
ANNUAL BUSINESS REPORT

(From January 1, 2010 to December 31, 2010)

THIS IS A SUMMARY OF THE ANNUAL BUSINESS REPORT ORIGINALLY PREPARED IN KOREAN AND IS IN SUCH FORM AS REQUIRED BY THE KOREAN FINANCIAL SERVICES COMMISSION. IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS. UNLESS EXPRESSLY STATED OTHERWISE, ALL INFORMATION CONTAINED HEREIN IS PRESENTED ON A NON-CONSOLIDATED BASIS IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN KOREA, OR KOREAN GAAP, WHICH DIFFER IN CERTAIN RESPECTS FROM GENERALLY

ACCEPTED ACCOUNTING PRINCIPLES IN CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED STATES. WE HAVE MADE NO ATTEMPT TO IDENTIFY OR QUANTIFY THE IMPACT OF THESE DIFFERENCES.

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## **I. COMPANY OVERVIEW**

### **1. Company Overview**

A. Corporate Legal Business Name: SK Telecom Co., Ltd. (The Company )

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

(1) Address: 11 Euljiro 2-ga, Jung-gu, Seoul, Korea

(2) Phone: +82-2-6100-2114

(3) Website: <http://www.sktelecom.com>

D. Corporate Purpose of the Company

#### **Business Objectives**

1. Information and communication business

2. Handset sales and lease business

3. New media business

4. Advertisement business

5. Communication sales business

6. Real estate business(development, maintenance, leasing, etc.) and chattel leasing business

7. Research and technology development related to Clause 1 through 4

8. Overseas business and trading business related to Clause 1 through 4

9. Manufacturing and distribution business related to Clause 1 through 4

10. Tourism

11. Electronic financial business

12. Motion picture business (Production, Importation, Distribution, Screening)

13. Lifetime education and lifetime educational facilities management

14. Electric related construction business

15. Information and communication related work business

16. Ubiquitous city construction and service business

17. Any business or undertaking incidental or conducive to the attainment of the objects above

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## E. Credit Ratings

## (1) Corporate Bonds

| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(Credit rating range)</b> | <b>Rating classification</b> |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| February 20, 2008         | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| February 21, 2008         | Corporate bond           | AAA                  | Korea Investors Service, Inc.                         | Current rating               |
| February 21, 2008         | Corporate bond           | AAA                  | Korea Information Services,<br>Inc.                   | Current rating               |
| June 3, 2008              | Corporate bond           | AAA                  | Korea Ratings   | Regular rating               |
| June 17, 2008             | Corporate bond           | AAA                  | Korea Investors Service, Inc.                         | Regular rating               |
| June 30, 2008             | Corporate bond           | AAA                  | Korea Information Services,<br>Inc.                   | Regular rating               |
| October 20, 2008          | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| October 20, 2008          | Corporate bond           | AAA                  | Korea Investors Service, Inc.                         | Current rating               |
| October 20, 2008          | Corporate bond           | AAA                  | Korea Information Services,<br>Inc.                   | Current rating               |
| January 13, 2009          | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| January 13, 2009          | Corporate bond           | AAA                  | Korea Investors Service, Inc.                         | Current rating               |
| January 13, 2009          | Corporate bond           | AAA                  | Korea Information Services,<br>Inc.                   | Current rating               |
| February 23, 2009         | Corporate bond           | AAA                  | Korea Ratings   | Current rating               |
| February 23, 2009         | Corporate bond           | AAA                  | Korea Investors Service, Inc.                         | Current rating               |
| February 23, 2009         | Corporate bond           | AAA                  | Korea Information Services,<br>Inc.                   | Current rating               |
| June 24, 2009             | Corporate bond           | AAA                  | Korea Information Services,<br>Inc.                   | Regular rating               |
| June 26, 2009             | Corporate bond           | AAA                  | Korea Ratings   | Regular rating               |
| June 30, 2009             | Corporate bond           | AAA                  | Korea Investors Service, Inc.                         | Regular rating               |
| June 22, 2010             | Corporate bond           | AAA                  | Korea Ratings   | Regular rating               |
| June 29, 2010             | Corporate bond           | AAA                  | Korea Investors Service, Inc.                         | Regular rating               |
| June 29, 2010             | Corporate bond           | AAA                  | NICE Investors Service Co, Ltd.                       | Regular rating               |

\* Rating definition: AAA The certainty of principal and interest payment is at the highest level with extremely low investment risk, and is stable in that there is no influence of any environmental change under reasonable expectation conditions.

## (2) Commercial Paper ( CP )

| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(Credit rating range)</b> | <b>Rating classification</b> |
|---------------------------|--------------------------|----------------------|---|------------------------------|
| June 3, 2008              | CP                       | A1                   | Korea Ratings   | Current rating               |
| June 16, 2008             | CP                       | A1                   | Korea Information Services,<br>Inc.                   | Current rating               |
| June 17, 2008             | CP                       | A1                   | Korea Investors Service, Inc.                         | Current rating               |
| October 20, 2008          | CP                       | A1                   | Korea Ratings   | Regular rating               |
| October 20, 2008          | CP                       | A1                   | Korea Investors Service, Inc.                         | Regular rating               |
| October 20, 2008          | CP                       | A1                   | Korea Information Services,<br>Inc.                   | Regular rating               |
| June 24, 2009             | CP                       | A1                   | Korea Information Services,<br>Inc.                   | Current rating               |
| June 26, 2009             | CP                       | A1                   | Korea Ratings   | Current rating               |
| June 30, 2009             | CP                       | A1                   | Korea Investors Service, Inc.                         | Current rating               |
| December 15, 2009         | CP                       | A1                   | Korea Ratings   | Regular rating               |
| December 30, 2009         | CP                       | A1                   | Korea Investors Service, Inc.                         | Regular rating               |
| December 30, 2009         | CP                       | A1                   | Korea Information Services,<br>Inc.                   | Regular rating               |
| June 22, 2010             | CP                       | A1                   | Korea Ratings   | Current rating               |
| June 29, 2010             | CP                       | A1                   | Korea Investors Service, Inc.                         | Current rating               |
| June 29, 2010             | CP                       | A1                   | NICE Investors Service Co,<br>Ltd.                    | Current rating               |
| December 16, 2010         | CP                       | A1                   | Korea Ratings   | Regular rating               |
| December 27, 2010         | CP                       | A1                   | Korea Investors Service, Inc.                         | Regular rating               |
| December 29, 2010         | CP                       | A1                   | NICE Investors Service Co,<br>Ltd.                    | Regular rating               |

\* Rating definition: A1 Timely repayment capability is at the highest level with extremely low investment risk, and is stable in that there is no influence of any environmental change under reasonable expectation conditions.

## (3) International Credit Ratings

| <b>Date of credit rating</b> | <b>Subject of rating</b>      | <b>Credit rating<br/>of securities</b> | <b>Credit rating company<br/>(Credit rating range)</b> | <b>Rating type</b> |
|------------------------------|-------------------------------|--|--|--------------------|
| April 7, 2009                | Offshore Convertible<br>Bonds | A                                      | Fitch (England)  | Current rating     |
| April 7, 2009                | Offshore Convertible<br>Bonds | A2                                     | Moody s (U.S.A.)                                       | Current rating     |
| April 7, 2009                | Offshore Convertible<br>Bonds | A                                      | S&P (U.S.A.)   | Current rating     |

**2. Company History**

## A. Location of Headquarters

- 22 Dohwa-dong, Mapo-gu, Seoul (July 11, 1988)

- 16-49 Hangang-ro 3-ga, Yongsan-gu, Seoul (November 19, 1991)

- 267 Namdaemun-ro 5-ga, Jung-gu, Seoul (June 14, 1995)
- 99 Seorin-dong, Jongro-gu, Seoul (December 20, 1999)
- 11 Euljiro 2-ga, Jung-gu, Seoul (December 13, 2004)

**B. Significant Changes in Management**

At the 27th General Shareholders Meeting held on March 11, 2011, (1) Sung Min Ha and Jin Woo So were elected as inside directors, (2) Rak Yong Uhm, Jay Young Chung and Jae Ho Cho were re-elected as independent directors, and (3) Jay Young Chung and Jae Ho Cho were re-elected as members of the audit committee. Man Won Jung and Ki Haeng Cho resigned from the Board on March 11, 2011.

**C. Other Important Matters related to Management Activities**

**(1) Sale of IHQ, Inc. shares.**

In accordance with the resolution of the Board of Directors on April 26, 2010, the Company entered into an agreement pursuant to which the Company sold 10,930,844 shares (Estimated total sale price: Won 18,582,435,000) of IHQ, Inc.'s common stock at Won 1,700 per share outside of the Korea Exchange. After such sale of IHQ, Inc. shares, the Company's equity stake in IHQ, Inc. decreased from 37.10% to 9.99%.

**(2) Interim Dividends**

In accordance with the resolution of the Board of Directors on July 22, 2010, the Company decided to distribute interim dividends.

- Amount of interim dividends: Cash dividends of Won 1,000 per share (Total amount of interim dividend: Won 72,344,999,000)
- Market dividend rate: 0.61%
- Record date: June 30, 2010
- Dividend payment date: Within 20 days from the date of the resolution of the Board of Directors.

**(3) Acquisition of Treasury Stock**

In accordance with the resolution of the Board of Directors on July 22, 2010, the Company decided to buy back 1,250,000 shares of the Company's common stock for the purpose of enhancing shareholder value. The Company acquired 1,250,000 shares of its common stock on the KRX KOSPI Market from July 26, 2010 through October 20, 2010. Please refer to the result of treasury stock acquisition disclosed on October 21, 2010 through the Korean Financial Supervisory Service.

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## (4) SK C&amp;C stock sale

On October 8, 2010, the Company sold 2,450,000 shares of SK C&C Co., Ltd. ( SK C&C ) out of 4,500,000 shares of SK C&C previously held, through an over-the-counter market transaction, at a price of Won 83,000 per share (total sales price of Won 203,350 million). After the sale, the Company's ownership interest in SK C&C decreased to 4.1% from 9%.

## (5) Additional sale of SK C&amp;C stock

On February 11, 2011, the Company sold entire 2,050,000 shares (ownership interest 4.1%) of SK C&C Co., Ltd. ( SK C&C ) held by the Company, at a price of Won 97,900 per share (total sales price of Won 200,695 million).

**3. Total Number of Shares**

## A. Total number of shares

(As of December 31, 2010)

(Unit: shares)

| Classification                                     | Share type    |  | Total       | Remarks |
|--|---------------|--|-------------|---------|
|  | Common shares |  |             |         |
| <b>I. Total number of authorized shares</b>        | 220,000,000   |  | 220,000,000 |         |
| <b>II. Total number of shares issued to date</b>   | 89,278,946    |  | 89,278,946  |         |
| <b>III. Total number of shares retired to date</b> | 8,533,235     |  | 8,533,235   |         |
| a. reduction of capital                            |               |  |             |         |
| b. retirement with profit                          | 8,533,235     |  | 8,533,235   |         |
| c. redemption of redeemable shares                 |               |  |             |         |
| d. others  |               |  |             |         |
| <b>IV. Total number of shares (II-III)</b>         | 80,745,711    |  | 80,745,711  |         |
| <b>V. Number of treasury shares</b>                | 9,650,712     |  | 9,650,712   |         |
| <b>VI. Number of shares outstanding (IV-V)</b>     | 71,094,999    |  | 71,094,999  |         |

On July 22, 2010, the Company publicly disclosed its decision to acquire shares of treasury stock. The Company acquired 1,250,000 shares of its common stock on the KRX KOSPI Market from July 26, 2010 through October 20, 2010. Please refer to the result of treasury stock acquisition disclosed on October 21, 2010 through the Korean Financial Supervisory Service.

## B. Treasury Stock

## (1) Acquisitions and Dispositions of Treasury Stocks

(As of December 31, 2010)

(Unit: Shares)

| Acquisition methods  | Type of shares   | At the beginning of period | Acquired (+) | Changes Disposed (-) | Retired (-) | At the end of period |
|--|--|----------------------------|--------------|----------------------|-------------|----------------------|
| Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea ( FSCMA ) | Direct acquisition from market                                 | Common shares              | 4,436,028    | 1,250,000            |             | 5,686,028            |
|  |  | Preferred shares           |              |                      |             |                      |
|  | Tender offer   | Common shares              |              |                      |             |                      |
|  |  | Preferred shares           |              |                      |             |                      |
|  | Direct Appraisal acquisition rights of dissenting shareholders | Common shares              |              |                      |             |                      |
|  |  | Preferred shares           |              |                      |             |                      |
|  | Sub-total  | Common shares              | 4,436,028    | 1,250,000            |             | 5,686,028            |
|  |  | Preferred shares           |              |                      |             |                      |
|  | Acquisition through trust and other agreements                 | Common shares              | 3,886,710    |                      | 3,886,710   |                      |
|  |  | Preferred shares           |              | 3,886,710            |             | 3,886,710            |
| Sub-total  | Common shares  | 3,886,710                  | 3,886,710    | 3,886,710            | 3,886,710   |                      |
|  | Preferred shares   |                            |              |                      |             |                      |
| Other acquisition  | Common shares  | 77,974                     |              |                      |             |                      |
|  | Preferred shares   |                            |              |                      |             |                      |
|  |  | 8,400,712                  | 5,136,710    | 3,886,710            |             | 9,650,712            |
| <b>Total</b>   |  |                            |              |                      |             |                      |



Common  
shares  
Preferred  
shares

\* Among 5,764,002 shares directly acquired by the Company, 2,090,996 shares were deposited with the Korea Securities Depository as of December 31, 2010 for issuance upon conversion of the overseas convertible bonds. In addition, due to the termination of trust agreements for acquisition of treasury stock, the Company directly holds shares of treasury stock that it acquired through trust agreements. For more information, please refer to the reports on termination of trust agreements previously disclosed between October 26, 2010 and November 3, 2010 through the Korean Financial Supervisory Service.

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**4. Status of Voting Rights**

(As of December 31, 2010)

(Unit: shares)

| Classification  | Number of shares | Remarks         |
|---|------------------|-----------------|
| <b>Total shares (A)</b>   | 80,745,711       |                 |
|   |                  | Common share    |
|   |                  | Preferred share |
| <b>Number of shares without voting rights (B)</b>   | 9,650,712        | Treasury shares |
|   |                  | Common share    |
|   |                  | Preferred share |
| <b>Shares with restricted voting rights under the Korean law (C)</b>                      |                  |                 |
| <b>Shares with reestablished voting rights (D)</b>  |                  |                 |
| <b>The number of shares with exercisable voting rights (E)</b><br><b>= A - B - C + D)</b> | 71,094,999       |                 |
|   |                  | Common share    |
|   |                  | Preferred share |

**5. Dividends and Others**

## A. Dividends

- (1) Distribution of cash dividends was approved during the 25th General Meeting of Shareholders held on March 13, 2009.
  - Distribution of cash dividends per share of Won 8,400 (exclusive of an interim dividend of Won 1,000) was approved.
- (2) Distribution of interim dividends of Won 1,000 was approved during the 305th Board of Directors Meeting on July 23, 2009.
- (3) Distribution of cash dividends was approved during the 26th General Meeting of Shareholders held on March 12, 2010.
  - Distribution of cash dividends per share of Won 8,400 (exclusive of an interim dividend of Won 1,000) was approved.
- (4) Distribution of interim dividends of Won 1,000 was approved during the 318th Board of Directors Meeting on July 22, 2010.
- (5) Distribution of cash dividends was approved during the 27th General Meeting of Shareholders held on March 11, 2011.
  - Distribution of cash dividends per share of Won 8,400 (exclusive of an interim dividend of Won 1,000) was approved.

## B. Dividends for the Last 3 Fiscal Years

(Unit: in millions of Won, except per share value)

| <b>Classification</b>                               | <b>As of and for<br/>the year<br/>ended<br/>December 31,<br/>2010</b> | <b>As of and for<br/>the year<br/>ended<br/>December 31,<br/>2009</b> | <b>As of and for<br/>the<br/>year ended<br/>December 31,<br/>2008</b> |
|---|---|---|---|
| Par value per share<br>(Won)                        | 500   | 500   | 500   |
| Net income  | 1,410,968   | 1,288,340   | 1,277,658   |
| Net income per share<br>(Won)                       | 19,612  | 17,808  | 17,559  |
| Total cash dividend                                 | 669,534   | 680,043   | 681,996   |
| Total stock dividends                               |   |   |   |
| Percentage of cash dividend to available income (%) | 47.5  | 52.8  | 53.4  |
| Cash dividend yield ratio<br>(%)                    |   |   |   |
| Common share  | 5.4   | 5.6   | 4.5   |
| Preferred share                                     |   |   |   |
| Stock dividend yield<br>ratio (%)                   |   |   |   |
| Common share  |   |   |   |
| Preferred share                                     |   |   |   |
| Cash dividend per share<br>(Won)                    |   |   |   |
| Common share  | 9,400   | 9,400   | 9,400   |
| Preferred share                                     |   |   |   |
| Stock dividend per share<br>(share)                 |   |   |   |
| Common share  |   |   |   |
| Preferred share                                     |   |   |   |

\* Total cash dividend of Won 681,996 million for the year ended December 31, 2008 includes the total interim dividend amount of Won 72,793 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount of Won 1,000.

\* Total cash dividend of Won 680,043 million for the year ended December 31, 2009 includes the total interim dividend amount of Won 72,345 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount of Won 1,000.

\* Total cash dividend of Won 669,534 million for the year ended December 31, 2010 includes the total interim dividend amount of Won 72,345 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount of Won 1,000.

## II. BUSINESS

### 1. Business Overview

#### A. Industry Characteristics

As of December 31, 2010, the number of domestic mobile phone subscribers reached 50.77 million and, with more than 100% penetration rate, the Korean mobile communication market can be considered to have reached its maturation stage. However, the penetration rate is expected to increase further due to increased use of mobile phones by corporate users resulting from the rapid growth of smart phone markets, as well as the increasing popularity of high-tech mobile devices based on wireless data services such as tablet PC.

The Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology evidenced by the world's first commercialization of CDMA2000 1x, CDMA 1x EV-DO, and the development of highly advanced handsets, including various smart phones, that enable the provision of convergence services for multimedia contents, mobile commerce, telematics, satellite Digital Multimedia Broadcasting ( DMB ), digital home services, connected workforce services and other related services. In addition, through HSPA+ network commercialized in October 2010 and the LTE network expected to be introduced from the next year, the industry productivity enhancement ( IPE ) business directly resulting in the enhancement of productivity, such as the corporate connected workforce business, is expected to grow rapidly.

#### B. Growth Potential

(Unit: 1,000 persons)

| Classification        |                   | As of             | 2009          | As of December 31, |               | 2006          |
|-----------------------|-------------------|-------------------|---------------|--------------------|---------------|---------------|
|                       |                   | December 31, 2010 |               | 2008               | 2007          |               |
| Number of subscribers | SK Telecom        | 25,705            | 24,270        | 23,032             | 21,968        | 20,271        |
|                       | Others (KT, LGU+) | 25,062            | 23,675        | 22,575             | 21,529        | 19,926        |
|                       | <b>Total</b>      | <b>50,767</b>     | <b>47,944</b> | <b>45,607</b>      | <b>43,497</b> | <b>40,197</b> |

(Source: Korea Communications Commission website)

#### C. Domestic and Overseas Market Conditions

The Korean mobile communication market includes the entire population of Korea with mobile communication service needs, and almost every Korean is considered a potential user. Although demand

has primarily been in the domestic market, as the business territory expands to overseas market, the size of overseas sales is expected to grow in the near future. In addition, sales revenue related to data services is expected to increase due to the increasing popularity of smart phones and wireless Internet. Business-to-business segment that creates added values by adding additional solutions and applications is also growing. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

Historical market share of the Company:

(As of December 31, 2010)

(Unit: %)

| Classification                | As of                | As of December 31, |      |      |
|-------------------------------|----------------------|--------------------|------|------|
|                               | December 31,<br>2010 | 2009               | 2008 | 2007 |
| Mobile communication services | 50.6                 | 50.6               | 50.5 | 50.5 |

Comparative market share:

(As of December 31, 2010)

(Unit: %)

| Classification | SK      |      |       |
|----------------|---------|------|-------|
|                | Telecom | KT   | LG U+ |
| Market share   | 50.6    | 31.6 | 17.8  |

(Source: Korea Communications Commission website)

#### D. Business Overview and Competitive Strengths

The Company's revenue in 2010 amounted to Won 12,460.0 billion, an increase of Won 359.0 billion compared to 2009. This increase in revenue was meaningful since it was achieved despite a number of negative factors, including the charging of voice calls on a per-second basis from March 2010, the reduction of sign-up fees by 28% from December 2009 and the expansion of various discount plans. Operating income for 2010 amounted to Won 2,035.0 billion, which was lower than 2009, due among others to the increase in marketing and depreciation expenses. In 2010, however, the Company achieved meaningful business performance such as securing 3.91 million smart phone subscribers as of December 31, 2010. Net income in 2010 amounted to Won 1,411.0 billion, which increased from 2009.

The Company will comply with the guideline set by the Korea Communications Commission that limits marketing expenses of mobile communication business operators to stabilize the competition in the mobile service markets, while maintaining its competitive advantage based on fundamental strengths deriving from handsets, price plans, networks and contents. In 2010, the Company consistently strived to facilitate wireless Internet communication and enhance customers' benefits through the expansion of smart phone offerings, provision of unlimited data service and introduction of data-only frequency assignment, one-

person multi-device price plans and T-Store, which is an open marketplace for mobile applications. The vitalization of the Company's T-Store, which has grown rapidly in the number of subscribers, contents and downloads, has enhanced the Company's competitiveness in the wireless data market.

As of December 31, 2010, the Company reached a subscriber number of approximately 25,710,000 and a 50.6% market share of the wireless market in Korea in terms of the number of subscribers. The Company plans to establish its leadership among users of smart phones by introducing various mobile platforms and streamlining the subscription process and pricing structures to enable subscribers to easily access their mobile content from multiple devices. The Company also plans to maintain its leadership in wireless Internet market by providing innovative user interface for content access and through investment in data networks, network sharing and support of the content production. In 2010, the Company established platforms for future growth in business-to-business markets, such as industry productivity enhancement (IPE) business, in domestic and foreign markets. The Company currently provides more than 600 Korean companies with mobile office services, while the Company has achieved tangible results in certain industries including education, finance and medical services where the Company has focused its efforts. In 2011 the Company aims to become a global business-to-business service provider by providing its services to new industries, such as security, construction, heavy industries, farming and fishing. The Company will also continue its efforts to become a global leader in information and communication technology. It plans to actively respond to secular changes such as the growing popularity of smart phones and wireless Internet, as well as gaining competitive strengths in the IPE business. In particular, the Company intends to pursue opportunities to grow the wireless broadband and IPE businesses in Korea and abroad.

## 2. Major Products & Services

### A. Updates on Major Products and Services

(Unit: in millions of Won, %)

| <b>Business fields</b>                       | <b>Sales type</b> | <b>Item</b>             | <b>Specific Usage</b> | <b>Major trademarks</b>     | <b>Sales amount<br/>(ratio)</b> |
|--|-------------------|-------------------------|-----------------------|-----------------------------|---------------------------------|
| <b>Information<br/>and<br/>communication</b> | Services          | Mobile<br>communication | Mobile Phone          | NATE, T store and<br>others | 11,981,528(96.2%)               |
|  |                   | Others                  |                       | Others                      | 478,462(3.8%)                   |

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### B. Price Fluctuation Trend of Major Products and Services

Previously, based on the Company's Basic Plan for monthly subscription, the basic service fee was Won 13,000 per month and the usage fee was Won 20 per 10 seconds and based on the Company's Standard Plan, basic service fee was Won 12,000 per month and the usage fee was Won 18 per 10 seconds. As of December 31, 2010, based on the Company's Basic Plan for monthly subscription, the basic service fee was Won 13,000 per month and the usage fee was Won 2 per 1 second and based on the Company's Standard Plan, basic service fee was Won 12,000 per month and the usage fee was Won 1.8 per 1 second.

### 3. Investment Status

#### A. Investment in Progress

(Unit: in 100 millions of Won)

| <b>Business field</b> | <b>Classification</b>    | <b>Investment period</b> | <b>Subject of investment</b> | <b>Investment effect</b>                                       | <b>Total investments</b> | <b>Amount already invested</b> | <b>Future investment</b> |
|-----------------------|--------------------------|--------------------------|------------------------------|--|--------------------------|--------------------------------|--------------------------|
| Network/Common        | Upgrade/New installation | 2010                     | Network, systems and others  | Capacity increase and quality improvement; systems improvement | To be determined         | 18,453                         | To be determined         |
| <b>Total</b>          |                          |                          |                              |  | To be determined         | 18,453                         | To be determined         |

#### B. Future Investment Plan

(Unit: in 100 millions of Won)

| <b>Business field</b> | <b>Asset type</b>           | <b>Expected investment amount</b> |             | <b>Expected investment for each year</b> |                  |                  | <b>Investment effect</b>  |
|-----------------------|-----------------------------|-----------------------------------|-------------|--|------------------|------------------|---|
|                       |                             | <b>Amount</b>                     | <b>2011</b> | <b>2012</b>                              | <b>2013</b>      |                  |   |
| Network/Common        | Network, systems and others | 20,000                            | 20,000      | To be determined                         | To be determined | To be determined | Upgrades to the existing services and provision of new services |
| <b>Total</b>          |                             | 20,000                            | 20,000      | To be determined                         | To be determined | To be determined | Upgrades to the existing services and provision of new services |

**4. Revenues**

(Unit: in millions of Won)

| <b>Business field<br/>Information and<br/>communication</b> | <b>Sales<br/>type</b> | <b>Item</b> | <b>2010</b> | <b>2009</b> | <b>2008</b> |
|---|-----------------------|-------------|-------------|-------------|-------------|
|   | Mobile                |             |             |             |             |
|   | Services              | Export      |             |             |             |
|   |                       | Domestic    | 11,981,528  | 11,820,202  | 11,492,832  |
|   |                       | Subtotal    | 11,981,528  | 11,820,202  | 11,492,832  |
|   | Others                | Export      | 599         | 2,339       | 5,855       |
|   |                       | Domestic    | 477,863     | 278,643     | 175,975     |
|   |                       | Subtotal    | 478,462     | 280,982     | 181,830     |
|   | Total                 | Export      | 599         | 2,339       | 5,855       |
|   |                       | Domestic    | 12,459,391  | 12,098,845  | 11,668,807  |
|   |                       | Total       | 12,459,990  | 12,101,184  | 11,674,662  |

**5. Derivative Transactions**

In order to hedge risks related to fluctuations in currency exchange rates and interest rates, the Company enters into currency swap contracts and interest rate swap contracts. The gain or loss generated from the derivatives contracts is recognized as the gains/losses for the current period or other comprehensive income/loss, in accordance with Korean GAAP. Fair value of the Company's derivatives is calculated using the Company's valuation models. In accordance with the derivatives contracts, the Company's estimated gain/loss on the date of expiration is zero.

**A. Currency Swap**

(1) Purpose of Contracts: Hedging of risks related to fluctuations in currency exchange rates and interest rates

**(2) Contract Terms**

- Currency swap contract applying cash flow risk hedge accounting

The Company has entered into a currency swap contract with three banks including Citibank in order to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds (face amounts totaling US \$300,000,000) issued on April 1, 2004. As of December 31, 2010, in connection with the unsettled foreign currency swap contract to which the cash flow risk hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to Won 3,321,342,000 (excluding tax effect totaling Won 1,477,824,000 and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling Won 3,048,654,000) was accounted for as accumulated other comprehensive loss.



In addition, the Company has entered into a currency and interest rate swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated floating rate long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of December 31, 2010, in connection with this unsettled currency and interest rate swap contract, an accumulated loss on valuation of derivatives amounting to Won 5,797,522,000 (excluding tax effect totaling Won 1,193,341,000 and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling Won 19,090 million) was accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a currency and interest rate swap contract with two banks including HSBC in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (56-2) with face amounts totaling JPY 12,500,000,000 issued on November 13, 2007. As of December 31, 2010, in connection with this unsettled currency and interest rate swap contracts, an accumulated gain on valuation of derivatives amounting to Won 5,804,000 (excluding tax effect totaling Won 1,525,007,000 and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling Won 70,580,613,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency and interest rate swap contract with Mizuho Corporate Bank in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (59-2) with face amounts totaling JPY 3,000,000,000 issued on January 22, 2009. As of December 31, 2010, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 2,076,230,000 (excluding tax effect totaling Won 585,603,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 4,218,822,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency and interest rate swap contract with The Bank of Tokyo-Mitsubishi in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (60-2) with face amounts totaling JPY 5,000,000,000 issued on March 5, 2009. As of December 31, 2010, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 465,690,000 (excluding tax effect totaling Won 131,348,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 8,758,083,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency swap contract with six banks including Morgan Stanley to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds (with face amounts totaling US\$400,000,000) issued on July 20, 2007, and has applied cash flow risk hedge

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accounting to this foreign currency swap contract starting from May 12, 2010. Accordingly, as of December 31, 2010, in connection with this unsettled foreign currency swap contract, an accumulated loss on valuation of currency swap of Won 54,178,521,000 that has accrued since May 12, 2010 (excluding tax effect totaling Won 15,281,121,000 and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling Won 1,930,203,000) was accounted for as accumulated other comprehensive loss. Meanwhile, a loss on valuation of currency swap of Won 129,806,021,000 incurred prior to the date of applying cash flow risk hedge accounting was charged to current operations.

#### B. Interest Rate Swap

(1) Purpose of Contracts: Hedging of risks related to fluctuations in interest rates

(2) Contract Terms

- Interest rate swap contract to which the cash flow risk hedge accounting is applied:

The Company has entered into an interest rate swap contract with three banks including Nonghyup Bank in order to hedge the interest rate risk of long-term borrowings (totaling Won 500 billion) during the period between July 28, 2008 and August 12, 2011. As of December 31, 2010, in connection with unsettled interest rate swap contract to which the cash flow risk hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to Won 5,719,556,000 (excluding tax effect totaling Won 1,826,032,000) was accounted for as accumulated other comprehensive loss.

- Interest rate swap contract to which the hedge accounting is not applied

The Company has entered into an interest rate swap contract with two banks including DBS in order to hedge the interest rate risk of floating rate foreign currency bonds with face amounts totaling US\$220,000,000 issued on April 29, 2009. In connection with this unsettled interest rate swap contract, losses on valuation of interest rate swap of Won 1,670,606,000 and Won 3,371,949,000 for the year ended December 31, 2010 and December 31, 2009, respectively, were charged to current operations.

#### 6. Major Contracts

| Category            | Vendor       | Start Date      | Completion Date   | Contract Title  | Contract Amount (Won 100M) |
|---------------------|--------------|-----------------|-------------------|---|----------------------------|
|                     | SK E&C       | January 1, 2010 | December 31, 2010 | 2010 Base Transceiver Station ( BTS ) Facility Construction (Seoul Metropolitan Area) | 855                        |
| <b>Construction</b> | SK E&C       | January 1, 2010 | December 31, 2010 | 2010 RF Relay Facility Construction (Seoul Metropolitan Area)                         | 546                        |
|                     | SK Broadband | January 1, 2010 | December 31, 2010 | 2010 Network, B2B building Facility Construction (SORO)                               | 241                        |
| <b>Service</b>      | SK C&C       | January 1, 2010 | December 31, 2010 | 2010 IT SM Contract   | 2,010                      |

| Category                  | Vendor                 | Start Date      | Completion Date    | Contract Title                               | Contract Amount (Won 100M) |
|---------------------------|------------------------|-----------------|--------------------|--|----------------------------|
|                           | SK Marketing & Company | January 1, 2010 | December 31, 2010  | 2010 Membership Collaboration Program        | 717                        |
|                           | Network O&S            | July 1, 2010    | December 31, 2010  | 2010 BTS Maintenance                         | 604                        |
| <b>Product/ Equipment</b> | SK Telesys             | March 12, 2010  | December 24, 2010  | Relay Facility Investment                    | 315                        |
|                           | SK Telesys             | March 12, 2010  | December 24, 2010  | 2010 1st RF Relay Facility Investment        | 297                        |
|                           | Samsung Electronics    | May 31, 2010    | September 20, 2010 | 2010 2nd Main Equipment W 5/6FA UHPA Samsung | 222                        |
|                           |                        | Subtotal        |                    |  | 5,807                      |

\* Top three contracts in each category (excluding value-added tax).

## 7. R&D Investments

(Unit: in millions of Won)

| Category  | For the year ended December 31, 2010 | For the year ended December 31, 2009 | For the year ended December 31, 2008 | Remarks |
|---|--------------------------------------|--------------------------------------|--------------------------------------|---------|
| Raw material  | 41                                   | 55                                   | 89                                   |         |
| Labor   | 42,514                               | 47,183                               | 38,063                               |         |
| Depreciation  | 142,994                              | 134,201                              | 138,512                              |         |
| Commissioned service  | 96,920                               | 69,750                               | 85,837                               |         |
| Others  | 64,146                               | 39,593                               | 34,540                               |         |
| <b>Total R&amp;D costs</b>  | <b>346,615</b>                       | <b>290,782</b>                       | <b>297,040</b>                       |         |
| Accounting Sales and administrative expenses  | 344,891                              | 288,997                              | 293,443                              |         |
| Development expenses (Intangible assets)  | 1,724                                | 1,785                                | 3,597                                |         |
| <b>R&amp;D cost / sales amount ratio (Total R&amp;D costs / Current sales amount×100)</b> | <b>2.78%</b>                         | <b>2.40%</b>                         | <b>2.54%</b>                         |         |

## 8. Other information relating to investment decisions

### A. Trademark Policies

The Company manages its corporate brand and other product brands such as T in a comprehensive way to protect and increase their value.

The Company's Brand Management Council in charge of overseeing its systematic corporate branding operates full time to execute decisions involving major brands and operates Brandnet, an intranet system to manage corporate brands which provides solutions including licensing of the brands and downloading of the Company logos.

**B. Business-related Intellectual Properties**

The Company owns intellectual property rights to the design of alphabet T. The rights are based on domestic trademark laws and the Company has proprietary and exclusive use of the trademark for 10 years and the rights are renewable. The designed alphabet T is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

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**III. FINANCIAL INFORMATION****1. Summary Financial Information (Non-consolidated)**

(Unit: in millions of Won)

| Classification / Fiscal Year                 | As of and for the year ended December 31, |              |              |              |              |
|--|---|--------------|--------------|--------------|--------------|
|  | 2010                                      | 2009         | 2008         | 2007         | 2006         |
| <b>Current assets</b>                        | 5,482,863                                 | 4,983,052    | 3,990,503    | 4,094,059    | 4,189,325    |
| <b>Quick assets</b>                          | 5,473,844                                 | 4,960,396    | 3,976,576    | 4,075,378    | 4,172,887    |
| <b>Inventory</b>                             | 9,019                                     | 22,656       | 13,927       | 18,681       | 16,438       |
| <b>Non-current assets</b>                    | 13,477,050                                | 14,314,581   | 14,626,992   | 14,038,451   | 11,624,728   |
| <b>Investments</b>                           | 4,941,204                                 | 5,107,653    | 5,668,127    | 5,940,045    | 3,547,942    |
| <b>Property and Equipment</b>                | 5,027,567                                 | 5,196,521    | 4,698,214    | 4,594,413    | 4,418,112    |
| <b>Intangible assets</b>                     | 2,513,724                                 | 2,665,936    | 2,941,592    | 3,174,942    | 3,405,158    |
| <b>Other non-current assets</b>              | 994,555                                   | 1,344,471    | 1,319,059    | 329,051      | 253,516      |
| <b>Total assets</b>                          | 18,959,912                                | 19,297,633   | 18,617,495   | 18,132,510   | 15,814,053   |
| <b>Current liabilities</b>                   | 4,259,963                                 | 3,294,633    | 3,412,490    | 2,484,548    | 2,985,620    |
| <b>Non-current liabilities</b>               | 3,245,533                                 | 4,761,550    | 4,475,998    | 4,221,016    | 3,522,006    |
| <b>Total liabilities</b>                     | 7,505,495                                 | 8,056,183    | 7,888,488    | 6,705,564    | 6,507,626    |
| <b>Capital</b>                               | 44,639                                    | 44,639       | 44,639       | 44,639       | 44,639       |
| <b>Capital surplus</b>                       | 3,031,780                                 | 3,032,009    | 2,957,095    | 2,954,829    | 2,962,699    |
| <b>Capital adjustment</b>                    | (-)2,954,371                              | (-)2,708,407 | (-)2,147,530 | (-)2,072,486 | (-)2,019,568 |
| <b>Other Cumulative Profit and Loss</b>      | 642,153                                   | 913,919      | 373,784      | 1,594,099    | 473,904      |
| <b>Retained earnings</b>                     | 10,690,215                                | 9,959,290    | 9,501,018    | 8,905,865    | 7,844,753    |
| <b>Total stockholders equity</b>             | 11,454,417                                | 11,241,450   | 10,729,007   | 11,426,946   | 9,306,427    |
| <b>Sales</b>                                 | 12,459,990                                | 12,101,184   | 11,674,662   | 11,285,900   | 10,650,952   |
| <b>Operating Income (or Loss)</b>            | 2,034,992                                 | 2,179,337    | 2,059,896    | 2,171,543    | 2,584,370    |
| <b>Current Period's Net Income (or Loss)</b> | 1,410,968                                 | 1,288,339    | 1,277,658    | 1,642,451    | 1,446,598    |

(Unit: Won)

| Classification / Fiscal Year      | For the year ended December 31, |        |        |        |        |
|-----------------------------------|---------------------------------|--------|--------|--------|--------|
|                                   | 2010                            | 2009   | 2008   | 2007   | 2006   |
| <b>Earnings per share</b>         | 19,612                          | 17,808 | 17,559 | 22,607 | 19,734 |
| <b>Diluted earnings per share</b> | 19,312                          | 17,599 | 17,395 | 22,289 | 19,458 |

**2. Summary Financial Information (Consolidated)**

(Unit: in millions of Won)

| Classification / Fiscal Year                                 | As of and for the year ended December 31, |              |              |              |              |
|--|---|--------------|--------------|--------------|--------------|
|  | 2010                                      | 2009         | 2008         | 2007         | 2006         |
| <b>Current assets</b>  | 6,972,989                                 | 6,370,631    | 5,422,447    | 4,813,072    | 4,663,962    |
| <b>Quick assets</b>  | 6,823,345                                 | 6,250,741    | 5,387,473    | 4,766,020    | 4,644,184    |
| <b>Inventory</b>   | 149,643                                   | 119,890      | 34,974       | 47,052       | 19,778       |
| <b>Non-current assets</b>                                    | 15,678,716                                | 16,835,625   | 17,051,224   | 14,235,863   | 11,576,006   |
| <b>Investments</b>   | 2,906,464                                 | 3,059,902    | 4,025,429    | 5,446,711    | 3,236,783    |
| <b>Property and Equipment</b>                                | 7,864,594                                 | 8,165,879    | 7,437,689    | 4,969,353    | 4,507,335    |
| <b>Intangible assets</b>                                     | 3,740,643                                 | 3,992,325    | 3,978,145    | 3,433,962    | 3,518,411    |
| <b>Other non-current assets</b>                              | 1,167,014                                 | 1,617,519    | 1,609,961    | 385,836      | 313,477      |
| <b>Total assets</b>  | 22,651,704                                | 23,206,256   | 22,473,671   | 19,048,935   | 16,239,968   |
| <b>Current liabilities</b>                                   | 5,915,301                                 | 4,894,937    | 4,628,821    | 3,016,874    | 3,208,416    |
| <b>Non-current liabilities</b>                               | 4,257,754                                 | 5,966,695    | 6,020,410    | 4,344,428    | 3,548,464    |
| <b>Total liabilities</b>                                     | 10,173,055                                | 10,861,631   | 10,649,231   | 7,361,302    | 6,756,880    |
| <b>Capital</b>   | 44,639                                    | 44,639       | 44,639       | 44,639       | 44,639       |
| <b>Capital surplus</b>                                       | 3,031,780                                 | 3,031,947    | 2,958,854    | 2,956,106    | 2,950,327    |
| <b>Capital adjustment</b>                                    | (-)2,993,850                              | (-)2,746,886 | (-)2,159,389 | (-)2,072,723 | (-)2,019,567 |
| <b>Other Cumulative Profit/Loss</b>                          | 639,631                                   | 915,306      | 356,192      | 1,591,258    | 490,010      |
| <b>Retained earnings</b>                                     | 10,603,399                                | 9,909,752    | 9,448,185    | 8,914,970    | 7,847,434    |
| <b>Minority interest</b>                                     | 1,153,049                                 | 1,189,866    | 1,175,959    | 253,383      | 170,245      |
| <b>Total stockholders equity</b>                             | 12,478,649                                | 12,344,625   | 11,824,440   | 11,687,633   | 9,483,088    |
| <b>Sales</b>   | 15,435,373                                | 14,512,347   | 13,951,013   | 11,821,508   | 10,979,575   |
| <b>Operating Profit (or Loss)</b>                            | 1,942,303                                 | 1,881,234    | 1,760,307    | 2,110,175    | 2,623,378    |
| <b>Profit (or Loss) from continuing operation before tax</b> | 1,673,688                                 | 1,405,751    | 1,277,514    | 2,284,530    | 2,026,575    |
| <b>Current Period's Net Profit</b>                           | 1,297,176                                 | 1,055,606    | 972,338      | 1,562,265    | 1,449,552    |
| <b>Net income attributable to majority interests</b>         | 1,379,613                                 | 1,247,182    | 1,215,719    | 1,648,876    | 1,451,491    |
| <b>Number of Consolidated Companies</b>                      | 33  | 29           | 35           | 26           | 18           |

\* See the attached Korean GAAP Consolidated Financial Statements.

**IV. AUDITOR S OPINION****1. Auditor**

|                                   |   |                                   |
|-----------------------------------|---|-----------------------------------|
| <b>2010</b><br>Deloitte Anjin LLC | <b>Year ended December 31,<br/>2009</b><br>Deloitte Anjin LLC | <b>2008</b><br>Deloitte Anjin LLC |
|-----------------------------------|---|-----------------------------------|

**2. Audit Opinion**

| Term                         | Auditor s<br>opinion | Issues<br>noted |
|------------------------------|----------------------|-----------------|
| Year ended December 31, 2010 | Unqualified          |                 |
| Year ended December 31, 2009 | Unqualified          |                 |
| Year ended December 31, 2008 | Unqualified          |                 |

**3. Remuneration for Independent Auditors for the Past Three Fiscal Years****A. Audit Contracts**

(Unit: in thousands of Won)

| Term                                    | Auditors              | Contents  | Fee       | Total<br>hours |
|---|-----------------------|---|-----------|----------------|
| <b>Year ended<br/>December 31, 2010</b> | Deloitte Anjin<br>LLC | Semi-annual review<br><br>Quarterly review<br>Non-consolidated financial statements audit<br>Consolidated financial statements audit<br>IFRS-based financial statements review<br>English financial statements review and<br>other audit task | 1,563,770 | 16,810         |
| <b>Year ended<br/>December 31, 2009</b> | Deloitte Anjin<br>LLC | Semi-annual review<br><br>Quarterly review<br>Non-consolidated financial statements audit<br>Consolidated financial statements audit<br>English financial statements review and<br>other audit task   | 1,308,356 | 13,982         |
| <b>Year ended<br/>December 31, 2008</b> | Deloitte Anjin<br>LLC | Semi-annual review<br><br>Quarterly review<br>Non-consolidated financial statements audit<br>Consolidated financial statements audit<br>English financial statements review and<br>other audit task   | 1,310,097 | 13,346         |

## B. Non-Audit Services Contract with External Auditors

(Unit: in thousands of Won)

| <b>Term</b>                         | <b>Contract date</b> | <b>Service provided</b>                               | <b>Service duration</b> | <b>Fee</b> |
|-------------------------------------|----------------------|---|-------------------------|------------|
| <b>Year ended December 31, 2010</b> | July 20, 2010        | Management consulting                                 | 4 days                  | 5,000      |
|                                     | July 28, 2010        | Tax consulting  | 15 days                 | 18,000     |
|                                     | July 28, 2010        | Tax consulting  | 5 days                  | 6,600      |
|                                     | July 28, 2010        | Tax consulting  | 30 days                 | 40,000     |
|                                     | July 28, 2010        | Tax consulting  | 20 days                 | 23,100     |
|                                     | December 23, 2010    | Tax consulting  | 3 days                  | 7,700      |
|                                     | December 23, 2010    | Tax consulting  | 20 days                 | 24,600     |
|                                     | December 29, 2010    | Tax consulting  | 15 days                 | 17,000     |
| <b>Year ended December 31, 2009</b> | May 13, 2009         | Tax consulting  | 30 days                 | 40,000     |
|                                     | May 22, 2009         | Tax consulting  | 10 days                 | 10,000     |
|                                     | May 22, 2009         | Tax adjustment for fiscal year 2008                   | 20 days                 | 34,000     |
|                                     | May 22, 2009         | Review of deferred corporate income tax for 1Q and 2Q | 10 days                 | 14,000     |
|                                     | September 14, 2009   | Review of quarterly tax adjustments                   | 5 days                  | 7,000      |
|                                     | September 14, 2009   | Tax consulting  | 20 days                 | 20,000     |
|                                     | December 28, 2009    | Review of quarterly tax adjustments                   | 5 days                  | 7,000      |
|                                     | December 28, 2009    | Tax consulting  | 10 days                 | 12,000     |
| <b>Year ended December 31, 2008</b> | November 20, 2007    | Set up services for agency tax manual                 | 60 days                 | 48,000     |
|                                     | March 3, 2008        | Tax adjustment for fiscal year 2007                   | 10 days                 | 33,000     |
|                                     | May 15, 2008         | Tax consulting  | 5 days                  | 7,500      |
|                                     | June 24, 2008        | Foreign tax consulting re indirect taxes              | 4 days                  | 6,000      |
|                                     | August 13, 2008      | Tax consulting  | 10 days                 | 9,400      |
|                                     | November 1, 2008     | Tax consulting  | 4 days                  | 5,000      |
|                                     | November 19, 2008    | Tax consulting  | 10 days                 | 10,800     |
|                                     | November 19, 2008    | Review of deferred corporate income tax for 1Q and 2Q | 10 days                 | 18,000     |
|                                     | December 24, 2008    | Review of deferred corporate income tax for 3Q        | 3 days                  | 6,000      |
|                                     |                      | Tax consulting  | 3 days                  | 3,600      |



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December 24,  
2008

December 24, Tax consulting  
2008

3 days 3,000

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## V. MANAGEMENT DISCUSSION AND ANALYSIS

### 1. BUSINESS RESULTS (NON-CONSOLIDATED)

| (Unit: in billions of Won)                             | 2010   | 2009   | Change<br>from<br>2010 to<br>2009 | 2009   | 2008   | Change<br>from<br>2008 to<br>2009 |
|--|--------|--------|-----------------------------------|--------|--------|-----------------------------------|
| <b>Sales</b>   | 12,460 | 12,101 | 3%                                | 12,101 | 11,675 | 4%                                |
| <b>Operating expense</b>                               | 10,425 | 9,922  | 5%                                | 9,922  | 9,615  | 3%                                |
| <b>Operating income</b>                                | 2,035  | 2,179  | -7%                               | 2,179  | 2,060  | 6%                                |
| <b>Operating Margin</b>                                | 16.3%  | 18.0%  | -1.7%p                            | 18.0%  | 17.6%  | 0.4%p                             |
| <b>Other gain</b>                                      | 561    | 786    | -29%                              | 786    | 1,015  | -23%                              |
| <b>Other loss</b>                                      | 779    | 1,308  | -40%                              | 1,308  | 1,569  | -17%                              |
| <b>Income from continuing<br/>operation before tax</b> | 1,817  | 1,657  | 10%                               | 1,657  | 1,506  | 10%                               |
| <b>Net income</b>                                      | 1,411  | 1,288  | 10%                               | 1,288  | 1,278  | 1%                                |
| <b>Net income margin</b>                               | 11.3%  | 10.6%  | 0.7%p                             | 10.6%  | 10.9%  | -0.3%p                            |
| <b>EBIDTA</b>  | 4,221  | 4,209  | 0%                                | 4,209  | 4,003  | 5%                                |
| <b>EBIDTA margin</b>                                   | 33.9%  | 34.8%  | -0.9%p                            | 34.8%  | 34.3%  | 0.5%p                             |

### 2. ANALYSIS OF OPERATING DATA

|  | 2010   | 2009   | Change<br>from<br>2010 to<br>2009 | 2009   | 2008   | Change<br>from<br>2008 to<br>2009 |
|--|--------|--------|-----------------------------------|--------|--------|-----------------------------------|
| <b>Subscribers (in thousands)</b>            | 25,705 | 24,270 | 6%                                | 24,270 | 23,032 | 5%                                |
| <b>Net subscriber additions</b>              | 1,435  | 1,238  | 16%                               | 1,238  | 1,064  | 16%                               |
| <b>Activations</b>                           | 9,651  | 8,822  | 9%                                | 8,822  | 8,493  | 4%                                |
| <b>Deactivations</b>                         | 8,216  | 7,584  | 8%                                | 7,584  | 7,429  | 2%                                |
| <b>Monthly churn rate</b>                    | 2.7%   | 2.6%   | 0.1%p                             | 2.6%   | 2.7%   | -0.1%p                            |
| <b>Average subscribers (in thousands)</b>    | 25,097 | 23,745 | 6%                                | 23,745 | 22,617 | 5%                                |
| <b>Average revenue per user (ARPU) (Won)</b> | 41,374 | 42,469 | -3%                               | 42,469 | 43,016 | -1%                               |
| <b>Sign-up fees</b>                          | 1,083  | 1,417  | -24%                              | 1,417  | 1,474  | -4%                               |
| <b>Monthly fees &amp; call charges</b>       | 24,063 | 26,038 | -8%                               | 26,038 | 26,802 | -3%                               |
| <b>Value-added &amp; other service fees</b>  | 2,145  | 1,382  | 55%                               | 1,382  | 1,269  | 9%                                |
| <b>Wireless Internet</b>                     | 9,996  | 9,334  | 7%                                | 9,334  | 8,982  | 4%                                |
| <b>Interconnection</b>                       | 4,086  | 4,298  | -5%                               | 4,298  | 4,490  | -4%                               |
| <b>Minutes of usage (MOU) (Minutes)</b>      |        |        |                                   |        |        |                                   |
| <b>Outgoing</b>                              | 199    | 197    | 1%                                | 197    | 200    | -1%                               |
| <b>Incoming</b>                              | 102    | 103    | -2%                               | 103    | 108    | -5%                               |

As of December 31, 2010, the Company reached a subscriber number of approximately 25.7 million and the Company's revenue in 2010 amounted to Won 12.46 trillion, despite rapid changes in the management environment, including a merger of a competitor. The Company's marketing expenses in 2010 (calculated in accordance with the Korea Communications Commission's guideline) amounted to Won 2.97 trillion, or 24.2% of the Company's revenue, which decreased 0.5%p from 2009. Operating income for 2010 amounted to Won 2.04 trillion, which was lower than 2009, due among others to the increase in depreciation expenses and a one-time increase in commissions paid in connection with the change of purchasing entity of handset installment receivables. Net income in 2010 amounted to Won 1.41 trillion. The Company spent Won 1.85 trillion for capital expenditures in 2010, which were used to expand Wi-Fi facilities and expand and upgrade the Company's WCDMA network, among others.

As of December 31, 2010, the Company held a 50.6% market share of the wireless market in Korea in terms of the number of subscribers. The Company plans to establish its leadership among users of smart phones by introducing various mobile platforms and streamlining the subscription process and pricing structures to enable subscribers to easily access their mobile content from multiple devices. The Company also plans to maintain its leadership in wireless Internet market by providing innovative user interface for content access and through investment in data networks, network sharing and support of the content production.

In 2010, the Company established platforms for future growth in business-to-business markets, such as industry productivity enhancement (IPE) business, in domestic and foreign markets. The Company currently provides more than 600 Korean companies with mobile office services, while the Company has achieved tangible results in certain industries including education, finance and medical services where the Company has focused its efforts. In 2011 the Company aims to become a global business-to-business service provider by providing its services to new industries, such as security, construction, heavy industries, farming and fishing.

### 3. ANALYSIS OF OPERATING REVENUE

| (Unit: in billions of Won)                      | 2010   | 2009   | Change<br>from<br>2010 to<br>2009 | 2009   | 2008   | Change<br>from<br>2008 to<br>2009 |
|---|--------|--------|-----------------------------------|--------|--------|-----------------------------------|
| <b>Sign-up fees</b>                             | 326    | 404    | -19%                              | 404    | 400    | 1%                                |
| <b>Monthly fees</b>                             | 4,502  | 4,161  | 8%                                | 4,161  | 3,591  | 16%                               |
| <b>Call charges</b>                             | 2,745  | 3,259  | -16%                              | 3,259  | 3,683  | -12%                              |
| <b>Value-added &amp; other<br/>service fees</b> | 646    | 394    | 64%                               | 394    | 344    | 14%                               |
| <b>Wireless Internet</b>                        | 3,010  | 2,660  | 13%                               | 2,660  | 2,438  | 9%                                |
| <b>% of Cellular service</b>                    | 26.8%  | 24.5%  | 2.4%p                             | 24.5%  | 23.4%  | 1.1%p                             |
| <b>Total Cellular service</b>                   | 11,229 | 10,877 | 3%                                | 10,877 | 10,456 | 4%                                |
| <b>Interconnection revenue</b>                  | 1,231  | 1,225  | 0%                                | 1,225  | 1,218  | 1%                                |

| (Unit: in billions of Won)     | 2010   | 2009   | Change<br>from<br>2010 to<br>2009 | 2009   | 2008   | Change<br>from<br>2008 to<br>2009 |
|--------------------------------|--------|--------|-----------------------------------|--------|--------|-----------------------------------|
| <b>Land to Mobile</b>          | 455    | 451    | 1%                                | 451    | 473    | -5%                               |
| <b>Mobile to Mobile</b>        | 776    | 774    | 0%                                | 774    | 745    | 4%                                |
| <b>Total operating revenue</b> | 12,460 | 12,101 | 3%                                | 12,101 | 11,675 | 4%                                |

Sign-up fees decreased in 2010 mainly due to the reduction of the Company's sign-up fee from November 2009. Monthly fees increased mainly due to increases in the average number of subscribers and in the number of premium flat rate plan subscribers in 2010. Call charges decreased in 2010 from the previous year mainly due to the introduction of per second billing and increased subscription to call plans with higher monthly basic charges and lower call charges, while call charges decreased in 2009 from the previous year due primarily to increased subscription to call plans with higher monthly basic charges and lower call charges. Revenues from value-added and other services increased in each of 2010 and 2009 from the previous year mainly due to increases in revenues from roaming services and leased line business, as well as an increase in revenue from line resales in 2010. Wireless Internet revenue increased in 2010 from the previous year due primarily to increased subscription to fixed-price data plans and an increase in content fees, while it increased in 2009 from the previous year due primarily to increased subscription to fixed-price data plans. Interconnection revenue increased in 2010 from the previous year due primarily to an increase in interconnection traffic volume resulting from the increase in the average subscriber base despite decreases in interconnection rates.

#### 4. ANALYSIS OF OPERATING EXPENSES

| (Unit: in billions of Won)      | 2010   | 2009  | Change<br>from<br>2010 to<br>2009 | 2009  | 2008  | Change<br>from<br>2008 to<br>2009 |
|---------------------------------|--------|-------|-----------------------------------|-------|-------|-----------------------------------|
| <b>Labor cost</b>               | 559    | 520   | 8%                                | 520   | 477   | 9%                                |
| <b>Commissions paid</b>         | 4,961  | 4,595 | 8%                                | 4,595 | 4,419 | 4%                                |
| <b>Marketing commissions</b>    | 3,065  | 2,985 | 3%                                | 2,985 | 2,763 | 8%                                |
| <b>Initial commissions</b>      | 1,942  | 1,834 | 6%                                | 1,834 | 1,677 | 9%                                |
| <b>Monthly commissions</b>      | 470    | 430   | 9%                                | 430   | 388   | 11%                               |
| <b>Retention commissions</b>    | 652    | 721   | -10%                              | 721   | 698   | 3%                                |
| <b>Other commissions</b>        | 1,896  | 1,610 | 18%                               | 1,610 | 1,656 | -3%                               |
| <b>Advertising</b>              | 259    | 265   | -3%                               | 265   | 301   | -12%                              |
| <b>Depreciation</b>             | 2,186  | 2,030 | 8%                                | 2,030 | 1,943 | 4%                                |
| <b>Network interconnection</b>  | 1,030  | 1,068 | -4%                               | 1,068 | 1,039 | 3%                                |
| <b>Mobile to Mobile</b>         | 825    | 850   | -3%                               | 850   | 821   | 3%                                |
| <b>Land to Mobile</b>           | 205    | 219   | -6%                               | 219   | 218   | 0%                                |
| <b>Leased line</b>              | 189    | 333   | -43%                              | 333   | 391   | -15%                              |
| <b>Others</b>                   | 1,241  | 1,111 | 12%                               | 1,111 | 1,044 | 6%                                |
| <b>Total operating expenses</b> | 10,425 | 9,922 | 5%                                | 9,922 | 9,615 | 3%                                |

Labor costs increased in 2010 from the previous year due among others to a one-off effect of changing the Company's accounting policy related to annual bonus payments. Labor costs increased in 2009 from the previous year due among others to a change of bonus payment dates. Marketing commissions increased each of 2010 and 2009 from the previous year due primarily to an increase in initial commissions as a result of competitive market conditions and an increase in new subscribers. Other commissions increased in

2010 from the previous year due among others to a one-time increase in commissions paid in connection with the change of purchasing entity of handset installment receivables, and decreased in 2009 from the previous year due among others to a decrease in expenses related to long-term accounts receivable for handsets sold on installment payment plans.

Advertising costs decreased in 2010 from the previous year due to the Company's efforts to reduce expenses and decreased in 2009 from the previous year due to the reduction of media advertisements. Depreciation expenses increased in each of 2010 and 2009 from the previous year due principally to the acquisition of SK Networks leased-line business in the fourth quarter of 2009. Interconnection expenses decreased in 2010 from the previous year due primarily to decreases in interconnection rates and increased in 2009 from the previous year due among others to an increase in mobile-to-mobile interconnection traffic volume. Other operating expenses increased in 2010 from the previous year due among others to an increase in repair expenses related to the acquisition of SK Networks leased-line business and an increase in frequency usage expenses resulting from the new assignment of WCDMA frequency in 2010.

#### 5. ANALYSIS OF NON-OPERATING INCOME / EXPENSES

| (Unit: in billions of Won)                                    | 2010 | 2009  | Change<br>from<br>2010 to<br>2009 | 2009  | 2008  | Change<br>from<br>2008 to<br>2009 |
|---|------|-------|-----------------------------------|-------|-------|-----------------------------------|
| <b>Non-operating income</b>                                   | 561  | 786   | -29%                              | 786   | 1,015 | -23%                              |
| <b>Interest income</b>  | 210  | 157   | 34%                               | 157   | 107   | 47%                               |
| <b>Gains on valuation of equity<br/>method investments</b>    | 74   | 64    | 16%                               | 64    | 42    | 53%                               |
| <b>Others</b>   | 277  | 566   | -51%                              | 566   | 866   | -35%                              |
| <b>Non-operating expenses</b>                                 | 779  | 1,308 | -40%                              | 1,308 | 1,569 | -17%                              |
| <b>Interest expenses</b>                                      | 276  | 305   | -9%                               | 305   | 256   | 19%                               |
| <b>Gains on valuation of equity<br/>method investments</b>    | 181  | 295   | -39%                              | 295   | 259   | 14%                               |
| <b>Research &amp; development<br/>and other contributions</b> | 203  | 126   | 61%                               | 126   | 172   | -26%                              |
| <b>Others</b>   | 119  | 582   | -80%                              | 582   | 883   | -34%                              |

Interest income increased in each of 2010 and 2009 from the previous year due primarily to the interest income from accounts receivable for handsets sold on installment payment plans. Interest expenses decreased in 2010 from the previous year mainly due to a decrease in average balance of borrowings, as well as a decrease in the cost of borrowings. Interest expenses increased in 2009 from the previous year due primarily to an increase in average balance of the borrowings. Net gains on valuation of equity method investments increased in 2010 from the previous year mainly due to the improvement of results at the Company's equity method investees, while net gains on valuation of equity method investments decreased in 2009 from the previous year due among others to the reflection of real value of the Company's Vietnam business. Other non-operating income and expenses decreased in 2010 from the previous primarily due to the stabilization of the foreign exchange rates.

#### 6. ANALYSIS OF FINANCIAL CONDITION (NON-CONSOLIDATED)

| (Unit: in billions of Won) | As of<br>December<br>31,<br>2010 | As of<br>December<br>31,<br>2009 | Change<br>from<br>2010 to<br>2009 | As of<br>December<br>31, 2009 | As of<br>December<br>31,<br>2008 | Change<br>from<br>2008 to<br>2009 |
|----------------------------|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|----------------------------------|-----------------------------------|
| <b>Current assets</b>      | 5,483                            | 4,983                            | 10%                               | 4,983                         | 3,991                            | 24.9%                             |
| <b>Quick assets</b>        | 5,474                            | 4,960                            | 10%                               | 4,960                         | 3,977                            | 24.7%                             |

|                                 |     |     |      |     |     |       |
|---------------------------------|-----|-----|------|-----|-----|-------|
| <b>Cash and cash equivalent</b> | 357 | 421 | -15% | 421 | 434 | -3.1% |
|---------------------------------|-----|-----|------|-----|-----|-------|

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|  | As of<br>December<br>31,<br>2010 | As of<br>December<br>31,<br>2009 | Change<br>from<br>2009 to<br>2010 | As of<br>December<br>31, 2009 | As of<br>December<br>31,<br>2008 | Change<br>from<br>2008 to<br>2009 |
|--|----------------------------------|----------------------------------|-----------------------------------|-------------------------------|----------------------------------|-----------------------------------|
| (Unit: in billions of Won)                       |                                  |                                  |                                   |                               |                                  |                                   |
| <b>Short-term financial instruments</b>          | 300                              | 178                              | 69%                               | 178                           | 98                               | 80.9%                             |
| <b>Short-term investment securities</b>          | 394                              | 370                              | 6%                                | 370                           | 370                              | 0.1%                              |
| <b>Accounts receivable</b>                       | 1,604                            | 1,700                            | -6%                               | 1,700                         | 1,635                            | 4.0%                              |
| <b>Allowance for doubtful accounts</b>           | -151                             | -143                             | 6%                                | -143                          | -58                              | 144.3%                            |
| <b>Inventory</b>                                 | 9                                | 23                               | -61%                              | 23                            | 14                               | 62.7%                             |
| <b>Non-current assets</b>                        | 13,477                           | 14,315                           | -6%                               | 14,315                        | 14,627                           | -2.1%                             |
| <b>Investments</b>                               | 4,941                            | 5,108                            | -3%                               | 5,108                         | 5,668                            | -9.9%                             |
| <b>Property and Equipment</b>                    | 5,028                            | 5,197                            | -3%                               | 5,197                         | 4,698                            | 10.6%                             |
| <b>Intangible assets</b>                         | 2,514                            | 2,666                            | -6%                               | 2,666                         | 2,942                            | -9.4%                             |
| <b>Other non-current assets</b>                  | 995                              | 1,344                            | -26%                              | 1,344                         | 1,319                            | 1.9%                              |
| <b>Total assets</b>                              | 18,960                           | 19,298                           | -2%                               | 19,298                        | 18,617                           | 3.7%                              |
| <b>Current liabilities</b>                       | 4,260                            | 3,295                            | 29%                               | 3,295                         | 3,412                            | -3.5%                             |
| <b>Short-term borrowings</b>                     |                                  |                                  |                                   |                               | 155                              | -100.0%                           |
| <b>Accounts payable</b>                          | 1,281                            | 1,136                            | 13%                               | 1,136                         | 1,040                            | 9.3%                              |
| <b>Current portion of long-term debt</b>         | 1,212                            | 515                              | 135%                              | 515                           | 698                              | -26.2%                            |
| <b>Non-current liabilities</b>                   | 3,246                            | 4,762                            | -32%                              | 4,762                         | 4,476                            | 6.4%                              |
| <b>Bonds payable</b>                             | 2,950                            | 3,491                            | -15%                              | 3,491                         | 2,943                            | 18.6%                             |
| <b>Long-term borrowings</b>                      | 114                              | 817                              | -86%                              | 817                           | 826                              | -1.1%                             |
| <b>Total liabilities</b>                         | 7,505                            | 8,056                            | -7%                               | 8,056                         | 7,888                            | 2.1%                              |
| <b>Capital</b>                                   | 45                               | 45                               | 0%                                | 45                            | 45                               | 0.0%                              |
| <b>Capital surplus</b>                           | 3,032                            | 3,032                            | 0%                                | 3,032                         | 2,957                            | 2.5%                              |
| <b>Capital adjustment</b>                        | -2,954                           | -2,708                           | 9%                                | -2,708                        | -2,148                           | 26.1%                             |
| <b>Other Cumulative Profit and Loss</b>          | 642                              | 914                              | -30%                              | 914                           | 374                              | 144.5%                            |
| <b>Retained earnings</b>                         | 10,690                           | 9,959                            | 7%                                | 9,959                         | 9,501                            | 4.8%                              |
| <b>Total stockholders equity</b>                 | 11,454                           | 11,241                           | 2%                                | 11,241                        | 10,729                           | 4.8%                              |
| <b>Total liabilities and stockholders equity</b> | 18,960                           | 19,298                           | -2%                               | 19,298                        | 18,617                           | 3.7%                              |

The Company's current assets increased in 2010 from the end of the previous year due primarily to an increase in the handset installment receivables. Investment assets decreased in 2010 from the end of the previous year due among others to the disposition of long-term investment assets such as shares of Sprint Nextel, SK C&C, and iHQ. The Company's cash and short-term financial instruments increased in 2009 from the end of the previous year due

primarily to the sale in 2009 of shares of SK C&C and China Unicom. Investment assets decreased in 2009 from the end of the previous year due among others to the sale of shares of China Unicom. Current portion of long-term debt increased in 2010 mainly due to the reclassification of global bond issued in 2004 from long-term debt to current portion of long-term debt. Debt-to-equity ratio declined in 2010 from the end of the previous year primarily due to the repayment of borrowings in the fourth quarter of 2010. Debt-to-equity ratio declined in 2009 from the end of the previous year due to the repayment

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of borrowings and an increase in capital. Stockholders' equity increased in each of 2010 and 2009 from the end of the previous year due to an increase in retained earnings.

**7. ANALYSIS OF LIQUIDITY AND SOLVENCY**

The Company's debt-to-equity ratio (calculated based on the interest-bearing financial debt) was 41.4%, 40.3% and 34.9% as of the end of 2008, 2009 and 2010, respectively. Interest coverage ratio (operating income / net financial expenses) was 13.8, 14.8 and 30.8 for 2008, 2009 and 2010, respectively and interest coverage ratio (operating income / interest expenses) was 8.1, 7.1 and 7.4 for 2008, 2009 and 2010, respectively. The Company had sufficient liquidity to repay short-term borrowings.

**8. FINANCING**

The Company did not incur any new borrowing in 2010. For information on the Company's bond issuance in 2010, please refer to the Company's audited financial statements for 2010. As of December 31, 2010, the Company's aggregate debt amounted to Won 3,993.2 billion, comprising long-term and short-term borrowing, bonds and current portion of long-term debt.

**VI. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS AND AFFILIATED COMPANIES**

**1. Board of Directors**

**A. Overview of Board of Directors Composition**

The Company's Board of Directors is comprised of eight members: five independent directors and three inside directors. Within the Board, there are five Committees: Independent Director Nomination Committee, Audit Committee, Compensation Committee, CapEx Review Committee, and Corporate Citizenship Committee.

**Inside directors**

Name Jae Won Choi, Sung Min Ha, Jin Woo So

**Independent directors**

Dal Sup Shim, Rak Yong Uhm, Hyun Chin Lim, Jay Young Chung, Jae Ho Cho

**B. (1) Significant Activities of the Board of Directors**

| <b>Meeting</b>                                      | <b>Date</b>      | <b>Agenda</b>  | <b>Approval</b>  |
|---|------------------|--|--|
| <b>312<sup>nd</sup> (the first meeting of 2010)</b> | January 27, 2010 | - Financial Statements as of and for the year ended December 31, 2009.<br>- Annual Business Report as of and for the year ended December 31, 2009<br>- Donation for Happynanum<br>- Report for Internal Accounting Management System<br>- Report for Subsequent Events following 4Q 2009 | Approved as proposed<br>Approved as proposed<br>Approved as proposed |

| <b>Meeting</b>  | <b>Date</b>        | <b>Agenda</b>  | <b>Approval</b>  |
|---|--------------------|--|--|
| <b>313<sup>rd</sup> (the second meeting of 2010)</b>  | February 11, 2010  | - Convocation of the 26 <sup>th</sup> Annual General Meeting of Shareholders<br>- Result of Internal Accounting Management System Evaluation   | Approved as proposed   |
| <b>314<sup>th</sup> (the third meeting of 2010)</b>   | March 12, 2010     | - Appointment of Committee Members<br>- Fund Management Transaction with Affiliated Financial Company (SK Securities)<br>- Establishment of SPC and Limited Partnership Agreement between SPC and Offshore Private Equity Fund   | Approved as proposed<br>Approved as proposed<br>Approved as proposed   |
| <b>315<sup>th</sup> (the fourth meeting of 2010)</b>  | April 26, 2010     | - Establishment of SKT Customer Contact Channel Subsidiary<br>- Establishment of SKT Cell Site Maintenance Subsidiary<br>- Business Plan for Joint Venture with Disney<br>- Acquisition of Additional WCDMA Frequency<br>- Extension of KIF (Korea IT Fund) Maturity<br>- Partial Disposition of Shares of IHQ, Inc.<br>- Report for Subsequent Events following 1Q 2010 | Approved as proposed<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed |
| <b>316<sup>th</sup> (the fifth meeting of 2010)</b>   | May 26, 2010       | - Investment in Packet One Networks<br>- Investment in Harbinger Global Wireless (HGW)   | Approved as proposed<br>Approved as proposed   |
| <b>317<sup>th</sup> (the sixth meeting of 2010)</b>   | June 24, 2010      | - Fund Management Transaction with Affiliated Financial Company (SK Securities)<br>- Additional investment in network equipment in 2010  | Approved as proposed<br>Approved as proposed   |
| <b>318<sup>th</sup> (the seventh meeting of 2010)</b> | July 22, 2010      | - Proposal for Interim Dividend<br>- Proposal for acquisition of treasury stock<br>- Financial performance during 1H 2010<br>- Report for Subsequent Events following 2Q 2010<br>- Performance review of compliance program for 1H 2010 and planning for 2H 2010   | Approved as proposed<br>Approved as proposed<br>Approved as proposed   |
| <b>319<sup>th</sup> (the eighth meeting of 2010)</b>  | September 15, 2010 | - Fund Management Transaction with Affiliated Financial Company (SK Securities)<br>- Restructuring of Receivables related to Handset Installment Payment Plans   | Approved as proposed   |



| <b>Meeting</b>   | <b>Date</b>          | <b>Agenda</b>   | <b>Approval</b>  |
|--|----------------------|---|--|
| <b>320<sup>th</sup><br/>(the ninth<br/>meeting of<br/>2010)</b>  | November<br>19, 2010 | Cell Site Maintenance<br>Customer Contact Channel<br>Donation remittance for Happynanum<br>Report for Subsequent Events following 3Q 2010   | Approved as proposed<br>Approved as proposed<br>Approved as proposed                         |
| <b>321<sup>th</sup><br/>(the tenth<br/>meeting of<br/>2010)</b>  | December<br>17, 2010 | 2011 business plan<br>Fund Management Transaction with Affiliated Financial<br>Company (SK Securities)<br>SK Broadband fixed line resale<br>Performance review of compliance program for 2010 and<br>planning for 2011                                    | Approved as proposed<br>Approved as proposed<br>Approved as proposed                         |
| <b>322<sup>th</sup><br/>(the first<br/>meeting of<br/>2011)</b>  | January<br>21, 2011  | Financial Statements as of and for the year ended<br>December 31, 2010.<br>Annual Business Report as of and for the year ended<br>December 31, 2010<br>Report for Internal Accounting Management System<br>Report for Subsequent Events following 4Q 2010 | Approved as proposed<br>Approved as amended  |
| <b>323<sup>th</sup><br/>(the second<br/>meeting of<br/>2011)</b> | February<br>10, 2011 | Convocation of the 2 <sup>nd</sup> Annual General Meeting of<br>Shareholders<br>Cooperation and share swap with KB Financial Group<br>Result of Internal Accounting Management System<br>Evaluation   | Approved as proposed<br>Approved as proposed   |
| <b>324<sup>th</sup><br/>(the third<br/>meeting of<br/>2011)</b>  | March<br>11, 2011    | Election of the Company's CEO<br>Amendment of committee regulation<br>Election of committee member<br>Fund Management Transaction with Affiliated Financial<br>Company (SK Securities)  | Approved as proposed<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed |

\* The line items that do not show approval are for reporting purpose only.

(2) Independent Directors Activities at the Board of Directors Meetings

| <b>Meetings</b>                       | <b>Dates</b>      | <b>Independent<br/>Directors Attended</b> | <b>Description</b>         |
|---------------------------------------|-------------------|---|----------------------------|
| <b>The first meeting of<br/>2010</b>  | January 27, 2010  | 5 / 5                                     |                            |
| <b>The second meeting of<br/>2010</b> | February 11, 2010 | 5 / 5                                     |                            |
| <b>The third meeting of<br/>2010</b>  | March 12, 2010    | 5 / 5                                     |                            |
| <b>The fourth meeting of<br/>2010</b> | April 26, 2010    | 5 / 5                                     |                            |
| <b>The fifth meeting of<br/>2010</b>  | May 26, 2010      | 4 / 5                                     | Jay Young Chung<br>absence |

**The sixth meeting of  
2010**

June 24, 2010

5 / 5

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| <b>Meetings</b>                    | <b>Dates</b>       | <b>Independent Directors Attended</b> | <b>Description</b>    |
|------------------------------------|--------------------|---------------------------------------|-----------------------|
| <b>The seventh meeting of 2010</b> | July 22, 2010      | 5 / 5                                 |                       |
| <b>The eighth meeting of 2010</b>  | September 15, 2010 | 5 / 5                                 |                       |
| <b>The ninth meeting of 2010</b>   | November 19, 2010  | 5 / 5                                 |                       |
| <b>The tenth meeting of 2010</b>   | December 17, 2010  | 5 / 5                                 |                       |
| <b>The first meeting of 2011</b>   | January 21, 2011   | 5 / 5                                 |                       |
| <b>The second meeting of 2011</b>  | February 10, 2011  | 4 / 5                                 | Hyun Chin Lim absence |
| <b>The third meeting of 2011</b>   | March 11, 2011     | 5 / 5                                 |                       |

## C. Committees within Board of Directors

## (1) Committee Structure

## a) Independent Director Nomination Committee

(As of March 31, 2011)

| <b>Number of Persons</b> | <b>Inside Directors</b> | <b>Independent Directors</b> | <b>Task</b>                         |
|--------------------------|-------------------------|------------------------------|-------------------------------------|
| 4                        | Sung Min Ha, Jin Woo So | Rak Yong Uhm, Jae Ho Cho     | Nomination of independent directors |

\* The Independent Director Nomination Committee is a committee established under the provisions of the Articles of Incorporation and Korean Commercial Code.

## b) Audit Committee

(As of March 31, 2011)

| <b>Number of Persons</b> | <b>Inside Directors</b> | <b>Independent Directors</b>                             | <b>Task</b>   |
|--------------------------|-------------------------|--|---|
| 4                        |                         | Dal Sup Shim, Hyun Chin Lim, Jay Young Chung, Jae Ho Cho | Review financial statements and supervise independent audit process, etc. |

\* The Audit Committee is a committee established under the provisions of the Articles of Incorporation and Korean Commercial Code.

c) Compensation Review Committee

(As of March 31, 2011)

| Number of<br>Persons | Inside Directors | Members  |  | Task                                       |
|----------------------|------------------|--|--|--|
|                      |                  | Independent Directors  |  |  |
| 5                    |                  | Dal Sup Shim, Rak Yong Uhm, Hyun Chin Lim, Jay Young Chung, Jae Ho Cho |  | Review CEO remuneration system and amount. |

\* The Compensation Review Committee is a committee established by the resolution of the Board of Directors.

d) Capex Review Committee

(As of March 31, 2011)

| Number of<br>Persons | Non-director<br>Executive Officer | Members                                     |  | Task   |
|----------------------|-----------------------------------|---|--|--|
|                      |                                   | Independent Directors                       |  |  |
| 4                    | Jun Ho Kim                        | Dal Sup Shim, Rak Yong Uhm, Jay Young Chung |  | Review major investment plans and changes thereto. |

\* The Capex Review Committee is a committee established by the resolution of the Board of Directors.

e) Corporate Citizenship Committee

(As of March 31, 2011)

| Number of<br>Persons | Non-director<br>Executive Officer | Members                                      |  | Task  |
|----------------------|-----------------------------------|--|--|---|
|                      |                                   | Independent Directors                        |  |   |
| 4                    | Jun Ho Kim                        | Rak Yong Uhm, Hyun Chin Lim, Jay Young Chung |  | Review guidelines on Corporate Social Responsibility ( CSR ) programs, etc. |

\* The Corporate Citizenship Committee is a committee established by the resolution of the Board of Directors.

(2) Activities of the Committees of the Board of Directors (As of March 31, 2011)

| Committee Name                            | Date of Activity  | Agenda  | Approval             | Independent Directors                 |                                     |
|---|-------------------|---|----------------------|---------------------------------------|-------------------------------------|
|   |                   |   |                      | Rak Yong Uhm<br>(Attendance:<br>100%) | Jae Ho Cho<br>(Attendance:<br>100%) |
|   |                   |   |                      | Vote                                  |                                     |
| Independent Director Nomination Committee | February 11, 2010 | 26th General Meeting of Shareholders: Proposal to nominate an Independent Director Dal Sup Shim                               | Approved as Proposed | For                                   | For                                 |
|   | April 26, 2010    | Election of Chairman of Committee Man Won Jung  | Approved as Proposed | For                                   | For                                 |
|   | February 10, 2011 | 27th General Meeting of Shareholders: Proposal to nominate an Independent Director, Rak Yong Uhm, Jay Young Chung, Jae Ho Cho | Approved as Proposed | For                                   | For                                 |

| Committee Name  | Date of Activity  | Agenda  | Approval | Independent Directors                 |                                       |   |
|-----------------|-------------------|---|----------|---------------------------------------|---------------------------------------|---|
|                 |                   |   |          | Dal Sup Shim<br>(Attendance:<br>100%) | Rak Yong Uhm<br>(Attendance:<br>100%) | Jay Yung Chung<br>(Attendance:<br>100%) |
|                 |                   |   |          | Vote                                  |                                       |   |
| CapEx Committee | February 10, 2010 | Business plan and pending agenda for major investment |          |                                       |                                       |   |
|                 | March 11, 2010    | Business plan and pending agenda for major investment |          |                                       |                                       |   |



|                   |   |                      |     |     |     |
|-------------------|---|----------------------|-----|-----|-----|
| April 26, 2010    | Election of Chairman of Committee<br>Rak Yong Uhm     | Approved as proposed | For | For | For |
| August 24, 2010   | Business plan and pending agenda for major investment |                      |     |     |     |
| December 16, 2010 | Investment plan for 2011                              |                      |     |     |     |
| February 10, 2011 | Business plan and pending agenda for major investment |                      |     |     |     |

\* Agendas filled in with hyphens are for reporting purpose only

| Committee Name                | Date of Activity  | Agenda                                    | Approval             | Independent Directors              |                                    |                                     |                                      |                                  |
|-------------------------------|-------------------|---|----------------------|------------------------------------|------------------------------------|-------------------------------------|--------------------------------------|----------------------------------|
|                               |                   |   |                      | Dal Sup Shim<br>(Attendance: 100%) | Rak Yong Uhm<br>(Attendance: 100%) | Hyun Chin Lim<br>(Attendance: 100%) | Jay Yung Chung<br>(Attendance: 100%) | Jae Ho Cho<br>(Attendance: 100%) |
| Compensation Review Committee | April 26, 2010    | Election of Chairman of Committee         | Approved as proposed | For                                | For                                | For                                 | For                                  | For                              |
|                               | July 21, 2010     | Hyun Chin Lim<br>Committee administration |                      |                                    |                                    |                                     |                                      |                                  |
|                               | October 13, 2010  | Committee administration                  |                      |                                    |                                    |                                     |                                      |                                  |
|                               | November 18, 2010 | Committee administration                  |                      |                                    |                                    |                                     |                                      |                                  |

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| Committee Name                  | Date of Activity  | Agenda   | Approval        | Independent Directors              |  |                                      |     |
|---------------------------------|-------------------|--|-----------------|------------------------------------|--|--------------------------------------|-----|
|                                 |                   |  |                 | Rak Yong Uhm<br>(Attendance: 100%) | Hyun Chin Lim<br>(Attendance: 67%)<br>Vote | Jay Yung Chung<br>(Attendance: 100%) |     |
| Corporate Citizenship Committee | March 12, 2010    | Environment Friendly Business Plan                   |                 |                                    |  |                                      |     |
|                                 |                   | Result of Social Contribution Expenditures           |                 |                                    |  |                                      |     |
|                                 |                   | Result and Plan for Win-Win Business Strategy        |                 |                                    |  |                                      |     |
|                                 | April 23, 2010    | Election of Chairman of Committee                    | Jay Young Chung | Approved as proposed               | For  | Absence                              | For |
|                                 |                   | Status of Customer Protection                        |                 |                                    |  |                                      |     |
|                                 |                   | 2010 Ethical Management Plan                         |                 |                                    |  |                                      |     |
|                                 | July 21, 2010     | Preparation of Greenhouse Gas Inventory              |                 |                                    |  |                                      |     |
|                                 |                   | Operating System for Sustainability Index            |                 |                                    |  |                                      |     |
|                                 | November 18, 2010 | Operating plan for CSR performance management system |                 |                                    |  |                                      |     |

\* Agendas filled in with hyphens are for reporting purpose only  
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**D. Directors Independence**

On February 10, 2011, in the notice of the annual General Meeting of Shareholders, background information on Sung Min Ha, Jin Woo So, candidates for inside directors, and Rak Yong Uhm, Jay Young Chung and Jae Ho Cho candidates for independent directors, was publicly disclosed. There was no other nomination by shareholders. For the election of independent directors, the Company has established the Independent Director Nomination Committee, which is currently in operation. In the meeting of the Independent Director Nomination Committee held on February 10, 2011, the Committee nominated the independent director candidates.

- The Independent Director Nomination Committee. (As of March 31, 2011)

| <b>Name</b>  | <b>Independent Director</b> | <b>Task</b>                           |
|--------------|-----------------------------|---------------------------------------|
| Sung Min Ha  | No                          | o Nomination of independent directors |
| Jin Woo So   | No                          |                                       |
| Rak Yong Uhm | Yes                         |                                       |
| Jae Ho Cho   | Yes                         |                                       |

**2. Audit System**

The Company's Audit Committee consists of four independent directors, Dal Sup Shim, Hyun Chin Lim, Jae Ho Cho and Jay Yung Chung.

Major activities of the Audit Committee are as follows.

| <b>Meeting</b>             | <b>Date</b>       | <b>Agenda</b>  | <b>Approval</b>      | <b>Remarks</b> |
|----------------------------|-------------------|--|----------------------|----------------|
| The first meeting of 2010  | January 26, 2010  | <ul style="list-style-type: none"> <li>o 2<sup>nd</sup> half 2009 Management Audit Results</li> <li>o Evaluation of Internal Accounting Controls based on the Opinion of the Members of the Audit Committee</li> <li>o Reports on Internal Accounting Management System</li> </ul>   | Approved as proposed |                |
| The second meeting of 2010 | February 10, 2010 | <ul style="list-style-type: none"> <li>o Reports on 2009 Korean GAAP Audit</li> <li>o Report on Review of 2009 Internal Accounting Management System</li> <li>o Evaluation of Internal Accounting Management System Operation</li> <li>o Auditor's Report for Fiscal Year 2009</li> </ul>  | Approved as proposed |                |
| The third meeting of 2010  | March 11, 2010    | <ul style="list-style-type: none"> <li>o 2Q 2010 Transactions with SK C&amp;C Co., Ltd.</li> <li>o Construction of Mobile Phone Facilities for 2010</li> <li>o Construction of Network Facilities</li> <li>o Purchase of Mobile Phone Relay Devices for 2010</li> <li>o Resale of Fixed-line Telephone Services of SK Broadband</li> <li>o Plan for Fund Management Transaction with Affiliated Company (SK Securities)</li> </ul> | Approved as proposed |                |

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o 2010 Management Audit Plan

|                               |                |   |                         |
|-------------------------------|----------------|---|-------------------------|
| The fourth meeting of<br>2010 | April 26, 2010 | o Election of the Chairman of Audit<br>Committee  | Approved as<br>proposed |
|                               |                | o Approval of Entire Auditor Services for<br>2010 | Approved as<br>proposed |
|                               |                | o Audit Plan for 2010                             |                         |
|                               |                | o Auditor Fees for 2010                           | Approved as<br>proposed |

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| <b>Meeting</b>              | <b>Date</b>        | <b>Agenda</b>  | <b>Approval</b>   | <b>Remarks</b> |
|-----------------------------|--------------------|--|---|----------------|
| The fifth meeting of 2010   | May 26, 2010       | <ul style="list-style-type: none"> <li>o Purchase of Mobile Phone Relay Devices for 2010</li> <li>o Construction of Mobile Phone Facilities for 2010</li> <li>o Construction of Transmission Network Facilities for 2010</li> <li>o Outsourcing Mobile NATE business</li> </ul>  | <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> |                |
| The sixth meeting of 2010   | June 23, 2010      | <ul style="list-style-type: none"> <li>o 3Q 2010 Transactions with SK C&amp;C Co., Ltd</li> <li>o Consulting Service regarding Customer Contact Channel</li> <li>o Base Station Maintenance Service</li> <li>o Fund Management Transaction with Affiliated Company (SK Securities)</li> <li>o Reports on 2009 US GAAP Audit</li> </ul> | <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> |                |
| The seventh meeting of 2010 | July 21, 2010      | <ul style="list-style-type: none"> <li>o 1st half 2010 Financial Results</li> <li>o Report on Review on the 1st half of 2010 Korean GAAP</li> </ul>  |   |                |
| The eighth meeting of 2010  | August 24, 2010    | <ul style="list-style-type: none"> <li>o Purchase of Mobile Phone Relay Devices for 2010</li> <li>o Construction of Mobile Phone Facilities for 2010</li> <li>o Construction of Transmission Network Facilities for 2010</li> <li>o Participation in the Capital Increase of SK China Company Limited</li> </ul>                       | <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> |                |
| The ninth meeting of 2010   | September 14, 2010 | <ul style="list-style-type: none"> <li>o 4Q 2010 Transactions with SK C&amp;C Co., Ltd</li> <li>o Fund Management Transaction with Affiliated Company (SK Securities)</li> <li>o 1st half 2010 Management Audit Results</li> </ul>   | <p>Approved as proposed</p>   |                |
| The tenth meeting of 2010   | October 13, 2010   | <ul style="list-style-type: none"> <li>o Agency Agreement relating to Outdoor Advertisements</li> <li>o Outsourcing of Leased Line Business</li> <li>o Outsourcing of Handset Repair Services</li> </ul>   | <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p>                             |                |

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|                              |                   |   |   |
|------------------------------|-------------------|---|---|
| The eleventh meeting of 2010 | November 19, 2010 | <ul style="list-style-type: none"> <li>o Result of follow-up measures and status report for ethics consultation and whistle-blower program</li> <li>o Rental transaction for electronic telecommunication facilities</li> <li>o 2011 integrated loyalty marketing plan and agency agreement</li> <li>o Construction of Network Facilities</li> <li>o Withdrawal of investment for Beijing U-City project</li> <li>o Disposition of Mongolia Skytel shares</li> </ul>                    | <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> |
| The twelfth meeting of 2010  | December 16, 2010 | <ul style="list-style-type: none"> <li>o B2B Contract with SK Telink</li> <li>o Service contract with T map</li> <li>o Service contract with SK Telecom (China) Holding Co., Ltd</li> <li>o Service contract with SK Telecom Americas, Inc.</li> <li>o 2011 1Q Transactions with SK C&amp;C Co., Ltd.</li> <li>o Asset Management Transaction with Affiliated Company (SK Securities)</li> </ul>  | <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> |
| The first meeting of 2011    | January 20, 2011  | <ul style="list-style-type: none"> <li>o 2nd half 2010 Management Audit Results and Management Audit Plan for 2011</li> <li>o Evaluation of Internal Accounting Controls based on the Opinion of the Members of the Audit Committee</li> <li>o Rental contract for satellite line facilities</li> <li>o Reports on Internal Accounting Management System</li> <li>o Comparison of before and after operating customer contact channel and BTS maintenance subsidiary company</li> </ul> | <p>Approved as proposed</p> <p>Approved as proposed</p>   |
| The second meeting of 2011   | February 9, 2011  | <ul style="list-style-type: none"> <li>o Reports on 2010 Korean GAAP Audit</li> <li>o Report on Review of 2010 Internal Accounting Management System</li> <li>o Evaluation of Internal Accounting Management System Operation</li> <li>o Auditor s Report for Fiscal Year 2010</li> </ul>   | <p>Approved as proposed</p> <p>Approved as proposed</p>   |

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|                            |                   |  |                      |
|----------------------------|-------------------|--|----------------------|
|                            |                   | o Purchase of Mobile Phone Relay Devices for 2011  | Approved as proposed |
|                            |                   | o Construction of Network Facilities for 2011  | Re                   |
|                            |                   | o Construction of Mobile Phone Facilities for 2011   | Approved as proposed |
| The third meeting of 2011  | February 10, 2011 | o Construction of Mobile Phone Facilities for 2011   | Approved as proposed |
| The fourth meeting of 2011 | March 11, 2011    | o 2011 2Q Transactions with SK C&C Co., Ltd.<br>o Asset Management Transaction with Affiliated Company (SK Securities) | Approved as proposed |

\* The line items that do not show approval are for reporting purpose only.

**3. Shareholders Exercises of Voting Rights**

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A. Voting System and Exercise of Minority Shareholders Rights

Pursuant to the Articles of Incorporation as shown below, the cumulative voting system was first introduced in the General Meeting of Shareholders in 2003.

| Articles of Incorporation  | Description  |
|--|--|
| Article 32 (3) (Election of Directors)   | Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors.   |
| Article 4 of the 12 <sup>th</sup> Supplement to the Articles of Incorporation (Interim Regulation) | Article 32 (3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general shareholders meeting of 2003. |

Also, neither written or electronic voting system nor minority shareholder rights is applicable.

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**4. Affiliated Companies**

A. Capital Investments between Affiliated Companies

(As of December 31, 2010)

\* Based on common shares

| Investing company                 | Invested companies |              |              |              |              |              |             |              |              |               |              |
|-----------------------------------|--------------------|--------------|--------------|--------------|--------------|--------------|-------------|--------------|--------------|---------------|--------------|
|                                   | SK Corporation     | SK Energy    | SK Telecom   | SK Networks  | SK Chemicals | SKC          | SK C&C      | SK E&C       | SK Shipping  | SK E&S        | SK Gas       |
| SK Corporation                    |                    | 33.4%        | 23.2%        | 39.1%        |              | 42.5%        |             | 40.0%        | 83.1%        | 67.5%         |              |
| SK Energy                         |                    |              |              |              |              |              |             |              |              |               |              |
| SK Telecom                        |                    |              |              |              |              |              | 4.1%        |              |              |               |              |
| SK Networks                       |                    |              |              |              |              |              |             |              |              |               |              |
| SK Chemicals                      |                    |              |              |              |              |              |             | 18.0%        |              |               | 45.5%        |
| SKC                               |                    |              |              |              |              |              |             |              |              |               |              |
| SK C&C                            | 31.8%              |              |              |              |              |              |             |              |              | 32.5%         |              |
| SK E&C                            |                    |              |              |              |              |              |             |              |              |               |              |
| SK E&S                            |                    |              |              |              |              |              |             |              |              |               |              |
| SK Gas                            |                    |              |              |              |              |              |             |              |              |               |              |
| SK Marketing & Company            |                    |              |              |              |              |              |             |              |              |               |              |
| SK D&D                            |                    |              |              |              |              |              |             |              |              |               |              |
| SK Communications                 |                    |              |              |              |              |              |             |              |              |               |              |
| SK Broadband                      |                    |              |              |              |              |              |             |              |              |               |              |
| SK Lubricant                      |                    |              |              |              |              |              |             |              |              |               |              |
| SK Securities                     |                    |              |              |              |              |              |             |              |              |               |              |
| SK Petrochemical                  |                    |              |              |              |              |              |             |              |              |               |              |
| Entec                             |                    |              |              |              |              |              |             |              |              |               |              |
| <b>Total affiliated companies</b> | <b>31.8%</b>       | <b>33.4%</b> | <b>23.2%</b> | <b>39.1%</b> | <b>0.0%</b>  | <b>42.5%</b> | <b>4.1%</b> | <b>58.0%</b> | <b>83.1%</b> | <b>100.0%</b> | <b>45.5%</b> |

| Investing company      | Invested companies |                      |           |                   |          |                  |                  |              |          |
|------------------------|--------------------|----------------------|-----------|-------------------|----------|------------------|------------------|--------------|----------|
|                        | SK Securities      | SK & K-Power Company | SK DOPCON | SK Natrucknetwork | SK Encar | SK Mobile Energy | SK Petrochemical | SK Lubricant | SK Zicos |
| SK Corporation         |                    | 100.0%               |           |                   |          |                  |                  |              |          |
| SK Energy              |                    |                      | 50.0%     | 38.3%             | 67.3%    | 87.5%            | 100.0%           | 100.0%       | 100.0%   |
| SK Telecom             |                    |                      | 50.0%     |                   |          |                  |                  |              |          |
| SK Networks            | 22.7%              |                      |           | 4.6%              |          |                  |                  |              |          |
| SK Chemicals           |                    |                      |           |                   |          |                  |                  |              |          |
| SKC                    | 7.7%               |                      |           |                   |          |                  |                  |              |          |
| SK C&C                 |                    |                      |           |                   |          |                  |                  |              |          |
| SK E&C                 |                    |                      |           |                   |          |                  |                  |              |          |
| SK E&S                 |                    |                      |           |                   |          |                  |                  |              |          |
| SK Gas                 |                    |                      |           |                   |          |                  |                  |              |          |
| SK Marketing & Company |                    |                      |           |                   |          |                  |                  |              |          |

|                                   |       |        |        |       |       |       |        |        |        |        |
|-----------------------------------|-------|--------|--------|-------|-------|-------|--------|--------|--------|--------|
| <b>SK D&amp;D</b>                 |       |        |        |       |       |       |        |        |        |        |
| <b>SK</b>                         |       |        |        |       |       |       |        |        |        |        |
| <b>Communications</b>             |       |        |        |       |       |       |        |        |        |        |
| <b>SK Broadband</b>               |       |        |        |       |       |       |        |        |        |        |
| <b>SK Lubricant</b>               |       |        |        |       |       |       |        |        |        | 100.0% |
| <b>SK Securities</b>              |       |        |        |       |       |       |        |        |        |        |
| <b>SK Petrochemical</b>           |       |        |        |       |       |       |        |        |        |        |
| <b>Entec</b>                      |       |        |        |       |       |       |        |        |        |        |
| <b>Total affiliated companies</b> | 30.4% | 100.0% | 100.0% | 42.9% | 67.3% | 87.5% | 100.0% | 100.0% | 100.0% | 100.0% |

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**Invested companies**

|                                   | <b>Invested companies</b> |                |              |                  |                  |                  |                  | <b>SK</b>      |                |
|-----------------------------------|---------------------------|----------------|--------------|------------------|------------------|------------------|------------------|----------------|----------------|
|                                   | <b>Jeju</b>               | <b>M &amp;</b> | <b>Green</b> | <b>SK</b>        | <b>Broadband</b> | <b>Broadband</b> | <b>Broadband</b> | <b>Communi</b> | <b>SK</b>      |
| <b>Investing company</b>          | <b>United</b>             | <b>Service</b> | <b>IS</b>    | <b>Broadband</b> | <b>Media</b>     | <b>D&amp;M</b>   | <b>CS</b>        | <b>cations</b> | <b>I-Media</b> |
| <b>SK Corporation</b>             |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK Energy</b>                  | 100.0%                    |                | 84.3%        |                  |                  |                  |                  |                |                |
| <b>SK Telecom</b>                 |                           |                |              | 50.6%            |                  |                  |                  | 64.7%          |                |
| <b>SK Networks</b>                |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK Chemicals</b>               |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SKC</b>                        |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK C&amp;C</b>                 |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK E&amp;C</b>                 |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK E&amp;S</b>                 |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK Gas</b>                     |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK Marketing &amp; Company</b> |                           | 100.0%         |              |                  |                  |                  |                  |                |                |
| <b>SK D&amp;D</b>                 |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK Communications</b>          |                           |                |              |                  |                  |                  |                  |                | 100.0%         |
| <b>SK Broadband</b>               |                           |                |              |                  | 100.0%           | 100.0%           | 100.0%           |                |                |
| <b>SK Lubricant</b>               |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK Securities</b>              |                           |                |              |                  |                  |                  |                  |                |                |
| <b>SK Petrochemical</b>           |                           |                |              |                  |                  |                  |                  |                |                |
| <b>Entec</b>                      |                           |                |              |                  |                  |                  |                  |                |                |
| <b>Total affiliated companies</b> | 100.0%                    | 100.0%         | 84.3%        | 50.6%            | 100.0%           | 100.0%           | 100.0%           | 64.7%          | 100.0%         |

**Invested companies**

|                                   | <b>Invested companies</b> |               |                 |                  |                |                     |                | <b>SK</b>      |                |                |
|-----------------------------------|---------------------------|---------------|-----------------|------------------|----------------|---------------------|----------------|----------------|----------------|----------------|
|                                   | <b>NTREEV</b>             | <b>SK</b>     | <b>Commerce</b> | <b>PS &amp;</b>  | <b>F&amp;U</b> | <b>Loen</b>         | <b>Network</b> | <b>Service</b> | <b>Service</b> | <b>SK</b>      |
| <b>Investing company</b>          | <b>Soft</b>               | <b>Telink</b> | <b>Planet</b>   | <b>Marketing</b> | <b>Inf</b>     | <b>Entertainmen</b> | <b>O&amp;S</b> | <b>Ace</b>     | <b>Top</b>     | <b>Wyverns</b> |
| <b>SK Corporation</b>             |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK Energy</b>                  |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK Telecom</b>                 | 63.7%                     | 83.5%         | 100.0%          | 100.0%           | 50.0%          | 63.5%               | 100.0%         | 100.0%         | 100.0%         | 100.0%         |
| <b>SK Networks</b>                |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK Chemicals</b>               |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SKC</b>                        |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK C&amp;C</b>                 |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK E&amp;C</b>                 |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK E&amp;S</b>                 |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK Gas</b>                     |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK Marketing &amp; Company</b> |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK D&amp;D</b>                 |                           |               |                 |                  |                |                     |                |                |                |                |
| <b>SK Communications</b>          |                           |               |                 |                  |                |                     |                |                |                |                |

|                                   |       |       |        |        |       |       |        |        |        |        |
|-----------------------------------|-------|-------|--------|--------|-------|-------|--------|--------|--------|--------|
| <b>SK Broadband</b>               |       |       |        |        |       |       |        |        |        |        |
| <b>SK Lubricant</b>               |       |       |        |        |       |       |        |        |        |        |
| <b>SK Securities</b>              |       |       |        |        | 40.0% |       |        |        |        |        |
| <b>SK Petrochemical</b>           |       |       |        |        |       |       |        |        |        |        |
| <b>Entec</b>                      |       |       |        |        |       |       |        |        |        |        |
| <b>Total affiliated companies</b> | 63.7% | 83.5% | 100.0% | 100.0% | 90.0% | 63.5% | 100.0% | 100.0% | 100.0% | 100.0% |

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| Investing company          | Invested companies |        |                  |               |         |        |         |              |            |       |       |
|----------------------------|--------------------|--------|------------------|---------------|---------|--------|---------|--------------|------------|-------|-------|
|                            | Television         |        |                  |               |         |        |         | SKC          |            |       |       |
|                            | Media              |        | I                | SKN           | MRO     | WS     | SKC Air | Solmics Co., | SK Telesys | SKW   |       |
| SK Corporation             | Korea              | Paxnet | Platform Service | KoreaCommerce | SK Pinx | Gas    |         |              |            |       |       |
| SK Energy                  | 51.0%              | 59.7%  |                  |               |         |        |         |              |            |       |       |
| SK Telecom                 |                    |        | 100.0%           | 85.0%         | 51.0%   | 100.0% | 100.0%  |              |            |       |       |
| SK Networks                |                    |        |                  |               |         |        |         |              |            |       |       |
| SK Chemicals               |                    |        |                  |               |         |        |         |              |            |       |       |
| SKC                        |                    |        |                  |               |         |        | 80.0%   | 48.7%        | 77.1%      | 60.0% |       |
| SK C&C                     |                    |        |                  |               |         |        |         |              |            |       |       |
| SK E&C                     |                    |        |                  |               |         |        |         |              |            |       |       |
| SK E&S                     |                    |        |                  |               |         |        |         |              |            |       |       |
| SK Gas                     |                    |        |                  |               |         |        |         |              |            |       |       |
| SK Marketing & Company     |                    |        |                  |               |         |        |         |              |            |       |       |
| SK D&D                     |                    |        |                  |               |         |        |         |              |            |       |       |
| SK Communications          |                    |        |                  |               |         |        |         |              |            |       |       |
| SK Broadband               |                    |        |                  |               |         |        |         |              |            |       |       |
| SK Lubricant               |                    |        |                  |               |         |        |         |              |            |       |       |
| SK Securities              |                    |        |                  |               |         |        |         |              |            |       |       |
| SK Petrochemical           |                    |        |                  |               |         |        |         |              |            |       |       |
| Entec                      |                    |        |                  |               |         |        |         |              |            |       |       |
| Total affiliated companies | 51.0%              | 59.7%  | 100.0%           | 85.0%         | 51.0%   | 100.0% | 100.0%  | 80.0%        | 48.7%      | 77.1% | 60.0% |

| Investing company      | Invested companies |        |        |           |                    |                    |        |                |               |            |                    |
|------------------------|--------------------|--------|--------|-----------|--------------------|--------------------|--------|----------------|---------------|------------|--------------------|
|                        | Sumray             |        |        |           |                    |                    |        | Namwon Sarang  |               |            | Pana Blu Co., Ltd. |
|                        | Corpo              |        |        | SK Forest | Daejeon Pure Water | Gwangju Pure Water | SK D&D | Electric Power | MKS Guarantee | Green Biro |                    |
| SK Corporation         |                    |        |        |           |                    |                    |        |                |               |            |                    |
| SK Energy              |                    |        |        |           |                    |                    |        |                |               |            |                    |
| SK Telecom             |                    |        |        |           |                    |                    |        |                |               |            |                    |
| SK Networks            |                    |        |        |           |                    |                    |        |                |               |            |                    |
| SK Chemicals           |                    |        |        |           |                    |                    |        |                |               |            |                    |
| SKC                    | 83.5%              | 100.0% |        |           |                    |                    |        |                |               |            |                    |
| SK C&C                 |                    |        |        |           |                    |                    |        |                |               |            |                    |
| SK E&C                 |                    |        | 100.0% | 100.0%    | 32.0%              | 42.0%              | 45.0%  |                |               |            |                    |
| SK E&S                 |                    |        |        |           |                    |                    |        |                |               |            |                    |
| SK Gas                 |                    |        |        |           |                    |                    |        |                |               | 69.0%      | 80.4%              |
| SK Marketing & Company |                    |        |        |           |                    |                    |        |                |               |            |                    |

|                                   |       |        |        |        |       |       |       |        |        |       |       |
|-----------------------------------|-------|--------|--------|--------|-------|-------|-------|--------|--------|-------|-------|
| <b>SK D&amp;D</b>                 |       |        |        |        |       |       |       | 100.0% | 100.0% |       |       |
| <b>SK</b>                         |       |        |        |        |       |       |       |        |        |       |       |
| <b>Communications</b>             |       |        |        |        |       |       |       |        |        |       |       |
| <b>SK Broadband</b>               |       |        |        |        |       |       |       |        |        |       |       |
| <b>SK Lubricant</b>               |       |        |        |        |       |       |       |        |        |       |       |
| <b>SK Securities</b>              |       |        |        |        |       |       |       |        |        |       |       |
| <b>SK Petrochemical</b>           |       |        |        |        |       |       |       |        |        |       |       |
| <b>Entec</b>                      |       |        |        |        |       |       |       |        |        |       |       |
| <b>Total affiliated companies</b> | 83.5% | 100.0% | 100.0% | 100.0% | 32.0% | 42.0% | 45.0% | 100.0% | 100.0% | 69.0% | 80.4% |

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| Investing company          | Invested companies |            |              |              |        |        | PyongTaek |               |                |               |
|----------------------------|--------------------|------------|--------------|--------------|--------|--------|-----------|---------------|----------------|---------------|
|                            | Daehan City        | Busan City | Jeonnam City | Gangwon City | JBES   | CCES   | YN Energy | Chungnam City | Energy Service | Nuri Solution |
| SK Corporation             |                    |            |              |              |        |        |           |               |                |               |
| SK Energy                  |                    |            |              |              |        |        |           |               |                |               |
| SK Telecom                 |                    |            |              |              |        |        |           |               |                |               |
| SK Networks                |                    |            |              |              |        |        |           |               |                |               |
| SK Chemicals               |                    |            |              |              |        |        |           |               |                |               |
| SKC                        |                    |            |              |              |        |        |           |               |                |               |
| SK C&C                     |                    |            |              |              |        |        |           |               |                | 46.3%         |
| SK E&C                     |                    |            |              |              |        |        |           |               |                |               |
| SK E&S                     | 51.3%              | 40.0%      | 100.0%       | 100.0%       | 100.0% | 100.0% | 100.0%    | 100.0%        | 100.0%         |               |
| SK Gas                     |                    |            |              |              |        |        |           |               |                |               |
| SK Marketing & Company     |                    |            |              |              |        |        |           |               |                |               |
| SK D&D                     |                    |            |              |              |        |        |           |               |                |               |
| SK Communications          |                    |            |              |              |        |        |           |               |                |               |
| SK Broadband               |                    |            |              |              |        |        |           |               |                |               |
| SK Lubricant               |                    |            |              |              |        |        |           |               |                |               |
| SK Securities              |                    |            |              |              |        |        |           |               |                |               |
| SK Petrochemical           |                    |            |              |              |        |        |           |               |                |               |
| Entec                      |                    |            |              |              |        |        |           |               |                |               |
| Total affiliated companies | 51.3%              | 40.0%      | 100.0%       | 100.0%       | 100.0% | 100.0% | 100.0%    | 100.0%        | 100.0%         | 46.3%         |

| Investing company      | Invested companies |         |             |         |            |       |                    |                     |                            |                  |
|------------------------|--------------------|---------|-------------|---------|------------|-------|--------------------|---------------------|----------------------------|------------------|
|                        | Independe          | Infosec | SK Sci-tech | UB Care | SK Seentec | Entec | Yeosu Expo Environ | Korea Sleep Network | U base Manufactu ring Asia | Ever Health Care |
| SK Corporation         |                    |         |             |         |            |       |                    |                     |                            |                  |
| SK Energy              |                    |         |             |         |            |       |                    |                     |                            |                  |
| SK Telecom             |                    |         |             |         |            |       |                    |                     |                            |                  |
| SK Networks            |                    |         |             |         |            |       |                    |                     |                            |                  |
| SK Chemicals           |                    |         | 50.0%       | 44.0%   | 100.0%     | 25.0% |                    | 43.0%               |                            |                  |
| SKC                    |                    |         |             |         |            |       |                    |                     |                            |                  |
| SK C&C                 | 100.0%             | 100.0%  |             |         |            |       |                    |                     |                            |                  |
| SK E&C                 |                    |         |             |         |            | 25.0% |                    |                     |                            |                  |
| SK E&S                 |                    |         |             |         |            |       |                    |                     |                            |                  |
| SK Gas                 |                    |         |             |         |            |       |                    |                     |                            |                  |
| SK Marketing & Company |                    |         |             |         |            |       |                    |                     |                            |                  |
| SK D&D                 |                    |         |             |         |            |       |                    |                     |                            |                  |



|                                   |        |        |       |       |        |       |       |       |        |        |
|-----------------------------------|--------|--------|-------|-------|--------|-------|-------|-------|--------|--------|
| <b>SK</b>                         |        |        |       |       |        |       |       |       |        |        |
| <b>Communications</b>             |        |        |       |       |        |       |       |       |        |        |
| <b>SK Broadband</b>               |        |        |       |       |        |       |       |       |        |        |
| <b>SK Lubricant</b>               |        |        |       |       |        |       |       |       | 100.0% |        |
| <b>SK Securities</b>              |        |        |       |       |        |       |       |       |        |        |
| <b>SK Petrochemical</b>           |        |        |       |       |        |       |       | 10.7% |        |        |
| <b>Entec</b>                      |        |        |       |       |        | 58.7% |       |       |        |        |
| <b>UB Care</b>                    |        |        |       |       |        |       |       |       |        | 100.0% |
| <b>Total affiliated companies</b> | 100.0% | 100.0% | 50.0% | 44.0% | 100.0% | 50.0% | 58.7% | 53.7% | 100.0% | 100.0% |

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**VII. SHAREHOLDERS INFORMATION****1. Shareholdings of the Largest Shareholder and Related Persons**

## A. Shareholdings of the Largest Shareholder and Related Persons

(As of December 31, 2010)

(Unit: Shares, %)

| Name                  | Relationship                  | Type of share | Number of shares owned and ownership ratio |                 |                  |                 |
|-----------------------|-------------------------------|---------------|--|-----------------|------------------|-----------------|
|                       |                               |               | Beginning of Period                        |                 | End of Period    |                 |
|                       |                               |               | Number of shares                           | Ownership ratio | Number of shares | Ownership ratio |
| <b>SK Corporation</b> | Largest Shareholder           | Common share  | 18,748,452                                 | 23.22           | 18,748,452       | 23.22           |
| <b>Tae Won Chey</b>   | Officer of affiliated company | Common share  | 100  | 0.00            | 100              | 0.00            |
| <b>Shin Won Chey</b>  | Officer of affiliated company | Common share  | 500  | 0.00            | 500              | 0.00            |
| <b>Shin Bae Kim</b>   | Officer of affiliated company | Common share  | 1,270                                      | 0.00            | 1,270            | 0.00            |
| <b>Man Won Jung</b>   | Officer of affiliated company | Common share  | 4,000                                      | 0.00            | 5,600            | 0.01            |
| <b>Sung Min Ha</b>    | Officer of affiliated company | Common share  | 738  | 0.00            | 738              | 0.00            |
| <b>Dal Sup Shim</b>   | Officer of affiliated company | Common share  | -  | -               | 500              | 0.00            |
| <b>Bang Hyung Lee</b> | Officer of affiliated company | Common share  | 200  | 0.00            | 200              | 0.00            |
| <b>Total</b>          |                               | Common share  | 18,755,260                                 | 23.23           | 18,757,360       | 23.23           |

## B. Overview of the Largest Shareholder

SK Corporation is a holding company and as of December 31, 2010, has eight subsidiaries: SK Energy Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd., K-Power Co., Ltd., SK Shipping Co., Ltd. and SKC Co., Ltd. SK Corporation also operates a life science business division within its holding company to nurture the division for future growth.

Details of SK Corporation's subsidiaries are as follows:

| Affiliates                   | Share Holdings | Book Value | Industry                          | Description     |
|------------------------------|----------------|------------|-----------------------------------|-----------------|
| <b>SK Energy Co., Ltd.</b>   | 33.4%          | 4,187,385  | Energy                            | Publicly Listed |
| <b>SK Telecom Co., Ltd.</b>  | 23.2%          | 2,839,269  | Telecommunication Trading, Energy | Publicly Listed |
| <b>SK Networks Co., Ltd.</b> | 39.1%          | 1,198,126  | Sale                              | Publicly Listed |
| <b>K-Power Co., Ltd.</b>     | 100.0%         | 659,959    | Power Generation                  | Privately Held  |

**SK E&C Co., Ltd.**

40.0%

457,453

Construction

Privately Held

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| Affiliates            | Share Holdings | Book Value | Industry                         | Description     |
|-----------------------|----------------|------------|----------------------------------|-----------------|
| SK E&S Co., Ltd.      | 67.5%          | 419,155    | Gas Company                      | Privately Held  |
| SK Shipping Co., Ltd. | 83.1%          | 485,350    | Holdings<br>Ocean Freight        | Privately Held  |
| SKC Co., Ltd.         | 42.5%          | 301,774    | Synthetic Resin<br>Manufacturing | Publicly Listed |

\* The above share holdings are based on common stock holdings as of December 31, 2010.

SK Corporation is a publicly listed company and is required to submit a report of its significant business activities in accordance with Article 161 of the Financial Investment Services and Capital Markets Act. Also as a holding company, SK Corporation is required to report key management activities of its subsidiaries in accordance with Article 8 of KOSPI Market Disclosure Regulation. The rule is applicable to subsidiaries whose book value of the holding company's shareholding exceeds 10% of its total assets based on the financial statements as of December 31, 2010. SK Energy Co., Ltd., SK Telecom Co., Ltd. and SK Networks Co., Ltd. are three such subsidiaries.

\* SK Energy Co., Ltd.'s company name has been changed to SK Innovation Co., Ltd. as of January 1, 2011.

## 2. Changes in shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(Unit: Shares, %)

| Largest Shareholder | Date of the change in the largest shareholder/<br>Date of change in shareholding | Shares Held   | Holding Ratio | Remarks  |
|---------------------|--|---------------|---------------|--|
|                     | SK Corporation   | March 7, 2008 | 18,751,260    | 23.09  |
| March 13, 2009      |  | 18,751,360    | 23.22         | At the 25 <sup>th</sup> General Meeting of Shareholders, elected the CEO, Man Won Jung (who owned 100 shares of the Company stock) |
| December 30, 2009   |  | 18,755,260    | 23.23         | Man Won Jung, the CEO, purchased 3,900 shares.   |
| May 26, 2010        |  | 18,756,760    | 23.23         | Man Won Jung, the CEO, purchased 1,500 shares  |
| July 20, 2010       |  | 18,756,860    | 23.23         | Man Won Jung, the CEO, purchased 100 shares  |
| September 17, 2010  |  | 18,757,360    | 23.23         | Dal Sup Shim, an Independent Director, purchased 500 shares  |

\* Shares held are the sum of shares held by SK Corporation and its related parties.

**3. Distribution of Shares**

## A. Shareholders with ownership of 5% or more and others

(As of December 31, 2010)

(Unit: shares, %)

| Rank | Name (title)   | Common share     |                 | Preferred share  |                 | Sub-total        |                 |
|------|--|------------------|-----------------|------------------|-----------------|------------------|-----------------|
|      |  | Number of shares | Ownership ratio | Number of shares | Ownership ratio | Number of shares | Ownership ratio |
| 1    | Citibank ADR   | 24,321,893       | 30.12           |                  |                 | 24,321,893       | 30.12           |
| 2    | SK Corporation   | 18,748,452       | 23.22           |                  |                 | 18,748,452       | 23.22           |
| 3    | SK Telecom   | 9,650,712        | 11.95           |                  |                 | 9,650,712        | 11.95           |
|      | Shareholdings under the Employee Stock Ownership Program | 333,777          | 0.41            |                  |                 | 333,777          | 0.41            |

On July 22, 2010, the Company publicly disclosed its decision to acquire shares of treasury stock. The Company acquired 1,250,000 shares of its common stock on KRX from July 26, 2010 through October 20, 2010. Please refer to the result of treasury stock acquisition disclosed on October 21, 2010 through the Korean Financial Supervisory Service. As the relevant law requires an immediate transfer of the shares directly purchased by the employees to the account of the individual purchasers, the Company transfers and holds the employees' stocks in separate individual accounts within the program once the number of shares for each individual member is determined.

## B. Shareholder Distribution

(As of December 31, 2010)

| Classification              | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Remarks |
|-----------------------------|------------------------|-----------|------------------|-----------|---------|
| Total minority shareholders | 28,518                 | 99.97%    | 22,610,527       | 28.00%    |         |
| Total                       | 28,525                 | 100.00%   | 80,745,711       | 100.00%   |         |

**4. Share Price and Trading Volume in the Last Six Months**

## A. Domestic Securities Market

(Unit: Won, shares)

| Types                             | December<br>2010 | November<br>2010 | October<br>2010 | September<br>2010 | August<br>2010 | July<br>2010 |
|-----------------------------------|------------------|------------------|-----------------|-------------------|----------------|--------------|
| <b>Common Highest</b>             | 180,500          | 175,000          | 177,500         | 171,500           | 169,000        | 167,000      |
| <b>stock Lowest</b>               | 171,500          | 168,500          | 170,500         | 163,500           | 161,500        | 158,500      |
| <b>Monthly transaction volume</b> | 2,953,877        | 2,746,540        | 2,569,829       | 2,555,336         | 2,985,441      | 3,629,584    |

## B. Domestic Securities Market

## New York Stock Exchange

(Unit: US\$, ADR)

| Types                             | December<br>2010 | November<br>2010 | October<br>2010 | September<br>2010 | August<br>2010 | July<br>2010 |
|-----------------------------------|------------------|------------------|-----------------|-------------------|----------------|--------------|
| <b>Depository Highest</b>         | 19.13            | 19.07            | 18.96           | 17.48             | 16.85          | 16.38        |
| <b>Receipt Lowest</b>             | 18.47            | 17.83            | 17.74           | 16.62             | 15.82          | 14.84        |
| <b>Monthly transaction volume</b> | 18,537,032       | 18,813,668       | 24,100,490      | 32,818,880        | 24,784,714     | 25,226,750   |

**VIII. EMPLOYEES**

(As of December 31, 2010)

(Unit: persons, in millions of Won)

| Classification | Number of employees |                    |        | Total | Average service year | Aggregate wage for the year ended | Average wage per person | Remarks |
|----------------|---------------------|--------------------|--------|-------|----------------------|-----------------------------------|-------------------------|---------|
|                | Regular employees   | Contract employees | Others |       |                      | December 31, 2010                 |                         |         |
| <b>Male</b>    | 3,758               | 51                 |        | 3,809 | 11.8                 | 259,641                           | 66                      |         |
| <b>Female</b>  | 607                 | 5                  |        | 612   | 10.1                 | 33,324                            | 52                      |         |
| <b>Total</b>   | 4,365               | 56                 |        | 4,421 | 11.6                 | 292,965                           | 64                      |         |

**IX. TRANSACTIONS WITH PARTIES WITH INTERESTS****1. Loans to the Largest Shareholder and Related Persons**

(As of December 31, 2010)

(Unit: in millions of Won)

| Name<br>Corporate<br>name) | Relationship       | Account<br>category                  | Change details |          |          | Accrued<br>interest | Remarks |
|----------------------------|--------------------|--------------------------------------|----------------|----------|----------|---------------------|---------|
|                            |                    |                                      | Beginning      | Increase | Decrease |                     |         |
| SK<br>Wyverns              | Affiliated company | Long-term and<br>short-term<br>loans | 2,982          |          | 575      | 2,407               |         |

**2. Transfer of Assets to/from the Largest Shareholder and Other Transactions****A. Investment and Disposition of Investment**

(As of December 31, 2010)

(Unit: shares)

| Name (Corporate<br>name)           | Relationship | Investment<br>category | Change details |          |          |         | Remarks  |
|------------------------------------|--------------|------------------------|----------------|----------|----------|---------|--|
|                                    |              |                        | Beginning      | Increase | Decrease | Ending  |  |
| SK China<br>Company<br>Limited(HK) | Investee     | Stock                  | 94,960         | 648,000  | 22,960   | 720,000 | - Purchaser: SK Corporation<br><br>- Date of transaction: July<br>30, 2010<br>- Number of shares disposed:<br>22,960<br>- Price of disposition per<br>share: \$57.96 |

\* 720,000 shares as of December 31, 2010 include shares purchased from persons other than the largest shareholder after disposition of 22,960 shares to SK Corporation.

**B. Transfer of Assets**

(Units: in thousands of Won)

| Name<br>Corporate<br>Name)                  | Relation-<br>ship  | Transferred<br>Objects | Purpose of<br>Transfer         | Date of<br>Transfer | Details   |   | Remarks |
|---|--------------------|------------------------|--------------------------------|---------------------|---|---|---------|
|   |                    |                        |                                |                     | Amount<br>Transferred<br>From<br>Largest<br>Shareholder | Amount<br>Transferred<br>to<br>Largest<br>Shareholder |         |
| Encar<br>Network<br>Co., Ltd.               | Affiliated Company | Automobiles            | Sale of automobiles not in use | 2010-02-25          |   |   |         |
| K Telesys<br>PS &<br>Marketing<br>Co., Ltd. | Affiliated Company | 2G devices not in use  | Sale of devices not in use     | 2010-03-31          |   |   | 235,909 |
|   | Affiliated Company | Network asset          | Sale of asset not in use       | 2010-03-31          |   |   | 381,453 |
|   |                    |                        |                                |                     |   |   | 82,701  |





(Units: in thousands of Won)

| Name<br>(Corporate<br>Name)                                   | Relation-<br>ship  | Transferred<br>Objects        | Purpose of<br>Transfer         | Date of<br>Transfer | Details   |  | Remarks |
|---|--------------------|-------------------------------|--------------------------------|---------------------|---|--|---------|
|   |                    |                               |                                |                     | Amount<br>Transferred<br>From<br>Largest<br>Shareholder | Amount<br>Transferred<br>to Largest<br>Shareholder |         |
| SK<br>Broadband<br>Encar<br>Network<br>Co., Ltd.              | Affiliated Company | Used asset                    | Sale of asset not in use       | 2010-04-23          |   | 18,204   |         |
| SK Telesys<br>SK<br>Networks<br>Encar<br>Network<br>Co., Ltd. | Affiliated Company | Automobiles                   | Sale of automobiles not in use | 2010-05-19          |   | 101,091  |         |
| SK<br>Networks  | Affiliated Company | 2G devices not in use         | Sale of devices not in use     | 2010-06-30          |   | 53,708   |         |
| SK<br>Networks  | Affiliated Company | Handset devices not<br>in use | Sale of asset not in use       | 2010-06-23          |   | 144,000  |         |
| SK<br>Networks  | Affiliated Company | Automobiles                   | Sale of automobiles not in use | 2010-07-20          |   | 9,091  |         |
| SK<br>Networks  | Affiliated Company | Used asset                    | Sale of asset not in use       | 2010-07-21          |   | 9,255  |         |
| SK<br>Networks  | Affiliated Company | Used asset                    | Sale of asset not in use       | 2010-07-21          |   | 14,317   |         |
| SK<br>Networks  | Affiliated Company | Used asset                    | Sale of asset not in use       | 2010-07-31          |   | 2,647  |         |
| SK<br>Networks  | Affiliated Company | Network asset                 | Sale of asset not in use       | 2010-08-23          |   | 8,396  |         |
| SK<br>Networks  | Affiliated Company | Network asset                 | Sale of asset not in use       | 2010-08-26          |   | 9,004  |         |
| SK<br>Networks  | Affiliated Company | Network asset                 | Sale of asset not in use       | 2010-08-27          |   | 536  |         |
| SK<br>Networks<br>Encar<br>Network<br>Co., Ltd.               | Affiliated Company | Automobiles                   | Sale of automobiles not in use | 2010-09-14          |   | 15,455   |         |
| SK<br>Networks  | Affiliated Company | Handset devices not<br>in use | Sale of asset not in use       | 2010-12-31          |   | 214,817  |         |
|   |                    | Total                         |                                |                     |   | 1,300,582  |         |

**3. Transactions with Parties with Interests (excluding the Largest Shareholder and Related Persons)**

## A. Provisional Payment and Loans (including loans on marketable securities)

Agents

(Unit: in millions of Won)

**Change details**

| Name<br>(Corporate<br>name) | Relationship | Account<br>category            | Beginning | Increase | Decrease | Ending | Accrued<br>interest | Remarks |
|-----------------------------|--------------|--------------------------------|-----------|----------|----------|--------|---------------------|---------|
| Midus and others            | Agency       | Long-term and short-term loans | 73,490    | 228,979  | 224,485  | 77,985 |                     |         |



(Unit: in millions of Won)

| Name<br>(Corporate<br>name)  | Relationship | Account<br>category | Change details |                   | Accrued<br>interest | Remarks |
|------------------------------|--------------|---------------------|----------------|-------------------|---------------------|---------|
|                              |              |                     | Beginning      | Increase Decrease |                     |         |
| Daehan Kanggun BcN Co., Ltd. | Investee     | Long-term loans     |                | 30,224            | 30,224              |         |

**X. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS****1. Developments in the Items mentioned in prior Reports on Important Business Matters****A. Status and Progress of Major Management Events**

| Date of<br>Disclosure | Title   | Report   | Reports status  |
|-----------------------|---|--|---|
| October 26, 2001      | Resolution on trust agreement for the acquisition of treasury shares and others | 1. Signatories: Shinhan Bank, Hana Bank, Chohung Bank, Korea Exchange Bank<br>2. Contract amount: Won 1,300 billion<br>3. Purpose: to increase shareholder value | 1. On December 24, 2003, cash surplus amount from the existing trust agreement was partially reduced (Won 318 billion).<br>2. On September 24, 2004, the Board of Directors extended the term of the specified monetary trust agreement for 3 years.<br>3. On October 16, 2007, the Board of Directors extended the term of the specified monetary trust agreement for 3 years.<br>4. On October 26 and October 29, 2010, all trust agreements for the acquisition of treasury shares terminated (aggregate amount: Won 982 billion). |

**B. Summary Minutes of the General Meeting of Shareholders**

| Date   | Agenda  | Resolution  |
|--|---|---|
| 23 <sup>rd</sup> Fiscal Year Meeting of Shareholders (March 9, 2007) | 1. Approval of the financial statements for the year ended December 31, 2006<br>2. Remuneration limit for Directors<br>3. Election of Directors<br>- Election of inside directors<br>- Election of independent directors as Audit Committee members | Approved (Cash dividend, Won 7,000 per share)<br>Approved (Won 12 billion)<br><br>Approved (Jung Nam Cho, Sung Min Ha)<br>Approved (Dal Sup Shim) |

| <b>Date</b>   | <b>Agenda</b>   | <b>Resolution</b>   |
|---|---|---|
| 24 <sup>th</sup> Fiscal Year Meeting of Shareholders (March 14, 2008) | <ol style="list-style-type: none"> <li>1. Approval of the Financial Statements for the year ended December 31, 2007</li> <li>2. Amendment to Articles of Incorporation</li> <li>3. Approval of Remuneration Limit for Directors</li> <li>4. Election of Directors                             <ul style="list-style-type: none"> <li>- Election of inside directors</li> <li>- Election of independent directors</li> <li>- Election of independent directors as Audit Committee member</li> </ul> </li> </ol>                    | <p>Approved (Cash dividend, Won 8,400 per share)</p> <p>Approved Approved (Won 12 billion)</p> <p>Approved (Shin Bae Kim, Young Ho Park)</p> <p>Approved (Rak Yong Uhm, Jay Young Chung)</p> <p>Approved (Jae Ho Cho)</p> |
| 25 <sup>h</sup> Fiscal Year Meeting of Shareholders (March 13, 2009)  | <ol style="list-style-type: none"> <li>1. Approval of the financial statements for the year ended December 31, 2008</li> <li>2. Approval of Remuneration Limit for Directors</li> <li>3. Amendment to Company Regulation on Executive Compensation</li> <li>4. Election of Directors                             <ul style="list-style-type: none"> <li>- Election of inside directors</li> <li>- Election of independent directors</li> <li>- Election of independent directors as Audit Committee member</li> </ul> </li> </ol> | <p>Approved (Cash dividend, Won 8,400 per share)</p> <p>Approved (Won 12 billion)</p> <p>Approved</p> <p>Approved (Jae Won Chey, Man Won Jung)</p> <p>Approved (Hyun Chin Lim)</p> <p>Approved (Hyun Chin Lim)</p>        |
| 26 <sup>th</sup> Fiscal Year Meeting of Shareholders (March 12, 2010) | <ol style="list-style-type: none"> <li>1. Approval of the financial statements for the year ended December 31, 2009</li> <li>2. Amendment to Articles of Incorporation</li> <li>3. Approval of Remuneration Limit for Directors</li> <li>4. Election of Directors                             <ul style="list-style-type: none"> <li>- Election of inside directors</li> <li>- Election of independent directors</li> <li>- Election of independent directors as Audit Committee member</li> </ul> </li> </ol>                    | <p>Approved (Cash dividend, Won 8,400 per share)</p> <p>Approved</p> <p>Approved (Won 12 billion)</p> <p>Approved (Ki Haeng Cho)</p> <p>Approved (Dal Sup Shim)</p> <p>Approved (Dal Sup Shim, Jay Young Chung)</p>       |
| 27 <sup>th</sup> Fiscal Year Meeting of Shareholders (March 11, 2011) | <ol style="list-style-type: none"> <li>1. Approval of the financial statements for the year ended December 31, 2010</li> <li>2. Approval of Remuneration Limit for Directors</li> <li>3. Amendment to Company Regulation on Executive</li> </ol>  | <p>Approved (Cash dividend, Won 8,400 per share)</p> <p>Approved</p> <p>Approved (Won 12 billion)</p> <p>Approved (Sung Min Ha, Jin Woo)</p>  |

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|                                     |                                |
|-------------------------------------|--------------------------------|
| Compensation                        | So)                            |
| 4. Election of Directors            | Approved (Rak Young Uhm, Jay   |
| - Election of inside directors      | Young Chung, Jae Ho Cho)       |
| - Election of independent directors | Approved (Jay Young Chung, Jae |
| - Election of independent directors | Ho Cho)                        |
| as Audit Committee member           |                                |

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## **2. Contingent Liabilities**

### **A. Material Legal Proceedings**

#### **(1) Claim for Copyright License Fees regarding Coloring Services**

On May 7, 2010, Korea Music Copyright Association ( KOMCA ) filed a lawsuit with the court demanding that the Company pay KOMCA license fees for the Company s Coloring services. The court rendered a judgment on February 18, 2011 against the Company ordering the Company to pay Won 570 million to KOMCA. The Company appealed the judgment to the appellate court on February 28, 2011. The Company plans to vigorously defend itself in the appellate court by emphasizing the character of service fees for Coloring services and the abuse of copyright by monopolistic or oligopolistic businesses. While the Company does not expect immediate impact on its business and financial condition from the litigation because the judgment amount is Won 570 million and the final outcome of the litigation has not been decided, the Company may be required to pay on-going license fees in the future if it loses in the final judgment.

\* Actual impact on the Company s business and financial condition from the litigation may be different from the Company s expectation stated above.

### **B. Other Matters**

The Company has no other blank bills, mortgage bills, assumption of debt agreement or other contingent liabilities.

## **3. Status of sanctions, etc.**

### **A. Status of sanctions**

The Company was sanctioned with a fine of Won 50 million on December 30, 2008 for a violation of Telecommunications Law involving its mismanagement of privacy policy. The Company continues to improve related system security and is implementing system enhancements, such as introduction of scanning devices, to avoid unnecessary keeping of applications at the distributor level.

Due to the Company s ineffective measures taken with respect to phone numbers that are used for sending illegal unsolicited bulk messages, the Korea Communications Commission, on April 23, 2009, ordered the Company to improve its work procedures. The Company completed the upgrade of the related computer system to prevent illegal messages on October 10, 2009.

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On September 2, 2009, the Korea Communications Commission ordered the Company to improve its work procedures in a case relating to the obstruction of subscribers' utilization of wireless internet services. The Company completed the improvement of the procedures in consultation with the Korea Communications Commission by December 8, 2009.

On October 13, 2009, the Korea Communications Commission imposed on the Company a fine of Won 140 million and a newspaper notice order in a case relating to the subscription for mobile telephone services using national identification numbers of the deceased and the Company's failure to verify the required documents. The Company implemented the improved work procedures to strengthen identification process at the time of subscription for mobile telephone services in January 2010.

On December 2, 2010, the Korea Communications Commission imposed on the Company a fine of Won 6.2 billion and issued a correction order in a case relating to the obstruction of subscribers' utilization of wireless internet services. The Company paid the fine and completed the improvement of the procedures in consultation with the Korea Communications Commission by March 9, 2011.

In addition, on January 21, 2009, the Company was sanctioned for unfair business practices with a fine of Won 1,268 million by the Fair Trade Commission of Korea along with a correctional order of its policy of restricting certain rate plan subscribers from using third party portal contents. The Company has paid the fine and has taken efforts to educate applicable divisions of the issue and to improve the level of the voluntary compliance program to comply with fair trade laws to prevent a repeat of the same violation.

Also on February 3, 2009, the Company received a correctional order and a fine of Won 500 million from the Fair Trade Commission of Korea involving an unfair trade interference practice including refusal of applications for subscription for certain PDA phones distributed by third party manufacturers. The Company filed a suit at the Seoul High Court, which found in favor of the Company and cancelled the Fair Trade Commission's correctional order and fine. On August 19, 2010, the Supreme Court of Korea rejected the appeal by the Fair Trade Commission of Korea and finally confirmed the Seoul High Court's decision. Accordingly, the Fair Trade Commission's correctional order was cancelled and the Company was refunded the fine and interest in the amount of Won 538 million.

On April 8, 2010, the Company received a correctional order from the Fair Trade Commission of Korea for a violation of the Act on Fair Labeling and Advertising relating to 11<sup>th</sup> Street (the Company's online shopping mall). In response thereto, the Company has been taking efforts to prevent a repetitive violation including thorough pre-review of the advertisement and marketing activities of 11<sup>th</sup> Street and appropriate education for relevant employees.

B. Other important matters that occurred after December 31, 2010

(1) Additional sale of SK C&C stock

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On February 11, 2011, the Company sold entire 2,050,000 shares (ownership interest 4.1%) of SK C&C Co., Ltd. ( SK C&C ) held by the Company, at a price of Won 97,900 per share (total sales price of Won 200,695 million).

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***SK TELECOM CO., LTD.***

*NON-CONSOLIDATED FINANCIAL STATEMENTS*

*FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009*

*AND INDEPENDENT AUDITORS REPORT*

Audit Tax Consulting Financial Advisory

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### **Independent Auditors Report**

English Translation of a Report Originally Issued in Korean  
To the Stockholders and Board of Directors of  
SK Telecom Co., Ltd.

We have audited the accompanying non-consolidated statements of financial position of SK Telecom Co., Ltd. (the Company) as of December 31, 2010 and 2009, and the related non-consolidated statements of income, appropriations of retained earnings, changes in stockholders' equity and cash flows for the years then ended, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Company as of December 31, 2010 and 2009, and the results of its operations, changes in its retained earnings and its stockholders' equity, and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

Our audits also comprehended the translation of the Korean won amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2(a). Such U.S. dollar amounts are presented solely for the convenience of readers of the financial statements.

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Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in stockholders' equity and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to audit such financial statements may differ from those generally accepted and applied in other countries.

Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting procedures and auditing standards and their application in practice.

/s/ Deloitte Anjin LLC

February 25, 2011

Notice to Readers

This report is effective as of February 25, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modification to the auditors' report.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2010 AND 2009**

|  | Korean won       |                  | Translation into U.S. dollars<br>(Note 2) |                  |
|--|------------------|------------------|---|------------------|
|  | 2010             | 2009             | 2010                                      | 2009             |
|  | (In millions)    |                  | (In thousands)                            |                  |
| <b>ASSETS</b>  |                  |                  |   |                  |
| <b>CURRENT ASSETS:</b>   |                  |                  |   |                  |
| Cash and cash equivalents (Notes 2 and 11)   | ₩ 357,470        | ₩ 420,576        | \$ 316,177                                | \$ 371,994       |
| Short-term financial instruments (Note 18)   | 299,500          | 178,057          | 264,904                                   | 157,489          |
| Short-term investment securities (Notes 2 and 3)   | 393,811          | 370,182          | 348,320                                   | 327,421          |
| Accounts receivable – trade, net of allowance for doubtful accounts of ₩151,208 million as of December 31, 2010 and ₩142,702 million as of December 31, 2009 (Notes 2, 11 and 21)  | 1,453,061        | 1,557,514        | 1,285,212                                 | 1,377,600        |
| Short-term loans, net of allowance for doubtful accounts of ₩1,077 million as of December 31, 2010 and ₩933 million as of December 31, 2009 (Notes 2, 5 and 21)  | 81,126           | 66,888           | 71,755                                    | 59,162           |
| Accounts receivable – other, net of allowance for doubtful accounts of ₩34,792 million and present value of ₩1,252 million as of December 31, 2010 and ₩26,059 million and ₩8,478 as of December 31, 2009 (Notes 2, 11 and 21) | 2,499,969        | 2,032,757        | 2,211,188                                 | 1,797,945        |
| Inventories (Note 2)   | 9,019            | 22,656           | 7,977                                     | 20,039           |
| Prepaid expenses   | 139,129          | 112,762          | 123,058                                   | 99,736           |
| Current deferred income tax assets, net (Notes 2 and 15)   | 182,516          | 194,825          | 161,433                                   | 172,320          |
| Accrued income and other   | 67,262           | 26,835           | 59,492                                    | 23,734           |
| <b>Total Current Assets</b>  | <b>5,482,863</b> | <b>4,983,052</b> | <b>4,849,516</b>                          | <b>4,407,440</b> |
| <b>NON-CURRENT ASSETS:</b>   |                  |                  |   |                  |
| Property and equipment, net (Notes 2, 6 and 20)  | 5,027,567        | 5,196,521        | 4,446,813                                 | 4,596,251        |
| Intangible assets, net (Notes 2 and 7)   | 2,513,723        | 2,665,936        | 2,223,353                                 | 2,357,983        |

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|  |              |              |               |               |
|--|--------------|--------------|---------------|---------------|
| Long-term financial instruments (Note 18)  | 69           | 6,519        | 61            | 5,766         |
| Long-term investment securities (Notes 2 and 3)  | 1,517,029    | 2,420,262    | 1,341,791     | 2,140,688     |
| Equity securities accounted for using the equity method (Notes 2 and 4)  | 3,424,106    | 2,680,872    | 3,028,574     | 2,371,194     |
| Long-term loans, net of allowance for doubtful accounts of ₩23,730 million as of December 31, 2010 and ₩24,250 million as of December 31, 2009 (Notes 2, 5 and 21) | 69,667       | 64,216       | 61,619        | 56,798        |
| Long-term accounts receivable other, net of present value  | 527,084      | 761,647      | 466,198       | 673,666       |
| Guarantee deposits (Notes 11 and 21)   | 164,983      | 172,021      | 145,925       | 152,150       |
| Long-term currency swap (Notes 2 and 23)   | 139,577      | 223,173      | 123,454       | 197,393       |
| Long-term deposits and other   | 93,244       | 123,414      | 82,474        | 109,159       |
| <br>   |              |              |               |               |
| Total Non-current Assets   | 13,477,049   | 14,314,581   | 11,920,262    | 12,661,048    |
| <br>   |              |              |               |               |
| TOTAL ASSETS   | ₩ 18,959,912 | ₩ 19,297,633 | \$ 16,769,779 | \$ 17,068,488 |

(Continued)

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**  
**DECEMBER 31, 2010 AND 2009**

|   | Korean won       |                  | Translation into U.S. dollars |                  |
|---|------------------|------------------|-------------------------------|------------------|
|   | 2010             | 2009             | 2010                          | 2009             |
|   | (In millions)    |                  | (Note 2)<br>(In thousands)    |                  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>   |                  |                  |                               |                  |
| <b>CURRENT LIABILITIES:</b>   |                  |                  |                               |                  |
| Accounts payable (Notes 11 and 21)  | ₩ 1,281,423      | ₩ 1,136,475      | \$ 1,133,401                  | \$ 1,005,196     |
| Income tax payable  | 243,263          | 381,940          | 215,163                       | 337,821          |
| Accrued expenses (Notes 2 and 22)   | 1,112,300        | 934,372          | 983,814                       | 826,439          |
| Withholdings  | 348,093          | 250,656          | 307,883                       | 221,702          |
| Current portion of long-term debt, net (Notes 2 and 8)  | 1,208,555        | 513,277          | 1,068,950                     | 453,986          |
| Current portion of subscription deposits  | 5,611            | 6,804            | 4,963                         | 6,018            |
| Currency swap (Notes 2 and 23)  | 7,848            | 35,145           | 6,941                         | 31,085           |
| Interest swap (Notes 2 and 23)  | 7,546            | 1,173            | 6,674                         | 1,038            |
| Advanced receipts and other   | 45,324           | 34,791           | 40,089                        | 30,772           |
| <b>Total Current Liabilities</b>  | <b>4,259,963</b> | <b>3,294,633</b> | <b>3,767,878</b>              | <b>2,914,057</b> |
| <b>NON-CURRENT LIABILITIES:</b>   |                  |                  |                               |                  |
| Bonds payable, net (Notes 2 and 8)  | 2,839,751        | 3,349,216        | 2,511,720                     | 2,962,335        |
| Long-term borrowings (Notes 2 and 9)  | 113,890          | 816,760          | 100,734                       | 722,413          |
| Subscription deposits (Note 10)   | 5,219            | 5,480            | 4,616                         | 4,847            |
| Long-term payables other, net of present value discount of ₩2,457 million as of December 31, 2010 and ₩5,837 million as of December 31, 2009 (Note 2) | 50,643           | 164,163          | 44,793                        | 145,200          |
| Accrued severance indemnities, net (Note 2)   | 25,048           | 25,155           | 22,155                        | 22,249           |
| Non-current deferred income tax liabilities, net (Notes 2 and 15)   | 10,802           | 210,859          | 9,554                         | 186,502          |
| Long-term currency swap (Notes 2 and 23)  | 9,718            | 18,281           | 8,595                         | 16,169           |
| Long-term interest swap (Notes 2 and 23)  | 5,043            | 16,215           | 4,460                         | 14,342           |
| Guarantee deposits received and other (Note 21)   | 185,418          | 155,421          | 164,001                       | 137,468          |

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|   |              |              |               |               |
|---|--------------|--------------|---------------|---------------|
| Total Non-current Liabilities   | 3,245,532    | 4,761,550    | 2,870,628     | 4,211,525     |
| <br>  |              |              |               |               |
| Total Liabilities   | 7,505,495    | 8,056,183    | 6,638,506     | 7,125,582     |
| <br>  |              |              |               |               |
| STOCKHOLDERS EQUITY:  |              |              |               |               |
| Capital stock (Notes 1 and 12)  | 44,639       | 44,639       | 39,483        | 39,483        |
| Capital surplus (Notes 2, 8 and 12)   | 3,031,780    | 3,032,009    | 2,681,567     | 2,681,769     |
| Capital adjustments:  |              |              |               |               |
| Treasury stock (Notes 1 and 14)   | (2,202,439)  | (1,992,083)  | (1,948,027)   | (1,761,970)   |
| Loss on disposal of treasury stock<br>(Note 14)   | (716)        | (716)        | (633)         | (633)         |
| Equity method in capital adjustments<br>(Notes 2 and 4)                                     | (88,233)     | (52,626)     | (78,041)      | (46,547)      |
| Other capital adjustments (Note 27)   | (662,983)    | (662,983)    | (586,399)     | (586,399)     |
| Accumulated other comprehensive<br>income (loss) (Note 16):                                 |              |              |               |               |
| Unrealized gains on valuation of<br>long-term investment securities, net<br>(Notes 2 and 3) | 801,282      | 1,003,145    | 708,723       | 887,268       |
| Equity in other comprehensive loss of<br>affiliates, net (Notes 2 and 4)                    | (92,659)     | (84,809)     | (81,956)      | (75,012)      |
| Gain (Loss) on valuation of currency<br>swap, net (Notes 2 and 23)                          | (60,749)     | 6,516        | (53,732)      | 5,763         |
| Loss on valuation of interest swap, net<br>(Notes 2 and 23)                                 | (5,720)      | (10,932)     | (5,059)       | (9,669)       |
| Retained earnings:  |              |              |               |               |
| Appropriated (Note 13)  | 9,350,386    | 8,890,053    | 8,270,285     | 7,863,128     |
| Unappropriated  | 1,339,829    | 1,069,237    | 1,185,062     | 945,725       |
| <br>  |              |              |               |               |
| Total Stockholders Equity   | 11,454,417   | 11,241,450   | 10,131,273    | 9,942,906     |
| <br>  |              |              |               |               |
| TOTAL LIABILITIES AND<br>STOCKHOLDERS EQUITY  | ₩ 18,959,912 | ₩ 19,297,633 | \$ 16,769,779 | \$ 17,068,488 |

See accompanying notes to non-consolidated financial statements.

**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|  | Korean won                                 |                 | Translation into U.S. dollars<br>(Note 2)   |                 |
|--|--|-----------------|---|-----------------|
|  | 2010                                       | 2009            | 2010  | 2009            |
|  | (In millions except for per share<br>data) |                 | (In thousands except for per<br>share data) |                 |
| <b>OPERATING REVENUE</b><br>(Notes 2 and 21)                           | ₩ 12,459,990                               | ₩ 12,101,184    | \$ 11,020,688                               | \$ 10,703,329   |
| <b>OPERATING EXPENSES</b><br>(Note 21):                                |  |                 |   |                 |
| Labor cost   | (497,079)                                  | (460,906)       | (439,659)                                   | (407,665)       |
| Commissions paid   | (4,960,782)                                | (4,594,727)     | (4,387,743)                                 | (4,063,972)     |
| Depreciation and amortization<br>(Notes 2, 6 and 7)                    | (2,042,681)                                | (1,895,880)     | (1,806,723)                                 | (1,676,880)     |
| Network interconnection  | (1,030,380)                                | (1,068,243)     | (911,357)                                   | (944,846)       |
| Leased line  | (189,060)                                  | (332,824)       | (167,221)                                   | (294,378)       |
| Advertising  | (258,737)                                  | (265,498)       | (228,849)                                   | (234,829)       |
| Research and development   | (264,417)                                  | (233,469)       | (233,873)                                   | (206,500)       |
| Rent   | (295,226)                                  | (277,018)       | (261,123)                                   | (245,019)       |
| Frequency usage  | (176,890)                                  | (157,400)       | (156,457)                                   | (139,218)       |
| Repair   | (181,263)                                  | (160,571)       | (160,325)                                   | (142,023)       |
| Cost of goods sold   | (108,870)                                  | (35,979)        | (96,294)                                    | (31,823)        |
| Other  | (419,613)                                  | (439,332)       | (371,142)                                   | (388,583)       |
| <br>Sub-total  | <br>(10,424,998)                           | <br>(9,921,847) | <br>(9,220,766)                             | <br>(8,775,736) |
| <br><b>OPERATING INCOME</b>  | <br>2,034,992                              | <br>2,179,337   | <br>1,799,922                               | <br>1,927,593   |
| <b>OTHER INCOME:</b>   |  |                 |   |                 |
| Interest income (Note 3)   | 210,248                                    | 157,104         | 185,961                                     | 138,956         |
| Foreign exchange and<br>translation gains (Note 2)                     | 22,885                                     | 99,080          | 20,241                                      | 87,635          |
| Equity in earnings of affiliates<br>(Note 4)                           | 74,318                                     | 63,804          | 65,733                                      | 56,434          |
| Gain on valuation of short-term<br>investment securities (Note 3)      |  | 14,086          |   | 12,459          |
| Gain on disposal of property<br>and equipment and intangible<br>assets | 7,774                                      | 24,547          | 6,876                                       | 21,711          |
| Gain on valuation of derivative<br>(Note 18)                           | 7,951                                      | 109,306         | 7,033                                       | 96,680          |



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|           |         |         |         |         |
|-----------|---------|---------|---------|---------|
| Other     | 237,905 | 318,517 | 210,424 | 281,724 |
| Sub-total | 561,081 | 786,444 | 496,268 | 695,599 |

(Continued)

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|   | Korean won                                 |                 | Translation into U.S. dollars<br>(Note 2)   |                  |
|---|--|-----------------|---|------------------|
|   | 2010                                       | 2009            | 2010  | 2009             |
|   | (In millions except for<br>per share data) |                 | (In thousands except for<br>per share data) |                  |
| <b>OTHER EXPENSES:</b>  |  |                 |   |                  |
| Interest and discounts  | (₩275,790)                                 | (₩304,569)      | (\$243,932)                                 | (\$269,387)      |
| Donations   | (122,987)                                  | (70,765)        | (108,780)                                   | (62,591)         |
| Foreign exchange and translation losses (Note 2)                                  | (11,393)                                   | (176,076)       | (10,077)                                    | (155,737)        |
| Equity in losses of affiliates (Note 4)   | (181,077)                                  | (295,332)       | (160,160)                                   | (261,217)        |
| Loss on disposal of account receivable other (Note 20)                            |  | (28,711)        |   | (25,394)         |
| Loss on disposal of property, equipment and intangible assets                     | (55,982)                                   | (83,034)        | (49,515)                                    | (73,442)         |
| Loss on valuation of derivative (Note 17)   | (19,198)                                   | (119,696)       | (16,980)                                    | (105,869)        |
| External research and development cost  | (80,474)                                   | (55,528)        | (71,178)                                    | (49,114)         |
| Other   | (32,318)                                   | (174,726)       | (28,585)                                    | (154,543)        |
| <br>Sub-total   | <br>(779,219)                              | <br>(1,308,437) | <br>(689,207)                               | <br>(1,157,294)  |
| <br>INCOME BEFORE INCOME TAX  | <br>1,816,854                              | <br>1,657,344   | <br>1,606,983                               | <br>1,465,898    |
| <br>PROVISION FOR INCOME TAX<br>(Notes 2 and 15)                                  | <br>(405,886)                              | <br>(369,004)   | <br>(359,001)                               | <br>(326,379)    |
| <br>NET INCOME  | <br>₩ 1,410,968                            | <br>₩ 1,288,340 | <br>\$ 1,247,982                            | <br>\$ 1,139,519 |
| <br>NET INCOME PER SHARE (In<br>Korean won and U.S. dollars) (Note<br>17)         | <br>₩ 19,612                               | <br>₩ 17,808    | <br>\$ 17.35                                | <br>\$ 15.75     |
| <br>DILUTED NET INCOME PER<br>SHARE (In Korean won and U.S.<br>dollars) (Note 17) | <br>₩ 19,312                               | <br>₩ 17,599    | <br>\$ 17.08                                | <br>\$ 15.57     |

See accompanying notes to non-consolidated financial statements.



**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF**  
**APPROPRIATIONS OF RETAINED EARNINGS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|  | Korean won    |             | Translation into U.S. dollars<br>(Note 2) |             |
|--|---------------|-------------|---|-------------|
|  | 2010          | 2009        | 2010                                      | 2009        |
|  | (In millions) |             | (In thousands)                            |             |
| <b>RETAINED EARNINGS BEFORE APPROPRIATIONS:</b>                                  |               |             |   |             |
| Beginning of year  | ₩ 1,206       | ₩ 1,762     | \$ 1,068                                  | \$ 1,558    |
| Interim dividends (Note 19)  | (72,345)      | (72,345)    | (63,988)                                  | (63,988)    |
| Retirement of treasury stock   |               | (92,477)    |   | (81,795)    |
| Changes in retained earning from equity method accounting                        |               | (56,043)    |   | (49,569)    |
| Net income   | 1,410,968     | 1,288,340   | 1,247,982                                 | 1,139,519   |
| End of year  | 1,339,829     | 1,069,237   | 1,185,062                                 | 945,725     |
| <b>TRANSFER FROM VOLUNTARY RESERVES:</b>   |               |             |   |             |
| Reserve for research and manpower development (Note 13)                          | 123,334       | 376,667     | 109,087                                   | 333,157     |
| <b>APPROPRIATIONS:</b>   |               |             |   |             |
| Reserve for research and manpower development (Note 13)                          |               | (363,000)   |   | (321,068)   |
| Reserve for business expansion (Note 13)   | (490,000)     | (474,000)   | (433,398)                                 | (419,246)   |
| Reserve for technology development (Note 13)                                     | (374,000)     |             | (330,798)                                 |             |
| Cash dividends (Note 19)   | (597,198)     | (607,698)   | (528,213)                                 | (537,500)   |
|  | (1,461,198)   | (1,444,698) | (1,292,409)                               | (1,277,814) |
| <b>UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO SUBSEQUENT YEAR</b> |               |             |   |             |
|  | ₩ 1,965       | ₩ 1,206     | \$ 1,740                                  | \$ 1,068    |

See accompanying notes to non-consolidated financial statements.



**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

| <b>(In millions of Korean won)</b>  | Common<br>stock | Capital<br>surplus | Capital<br>adjustments | Accumulated<br>other<br>comprehensive<br>income | Retained<br>earnings | Total<br>stockholders'<br>equity |
|---|-----------------|--------------------|------------------------|---|----------------------|----------------------------------|
| Balance, January 1, 2009  | ₩ 44,639        | ₩ 2,957,095        | (₩ 2,147,530)          | ₩ 373,785                                       | ₩ 9,501,018          | ₩ 10,729,007                     |
| Cash dividends  |                 |                    |                        |   | (609,203)            | (609,203)                        |
| Interim dividends (Note 19)   |                 |                    |                        |   | (72,345)             | (72,345)                         |
| Net income  |                 |                    |                        |   | 1,288,340            | 1,288,340                        |
| Conversion right (Note 8)   |                 | 73,622             |                        |   |                      | 73,622                           |
| Treasury stock (Note 14)  |                 | (722)              | 62,821                 |   | (92,476)             | (30,377)                         |
| Unrealized loss on valuation<br>of long-term investment<br>securities, net (Notes 3, 15<br>and 16)  |                 |                    |                        | 589,875   |                      | 589,875                          |
| Equity in other<br>comprehensive income<br>changes of affiliates, net<br>(Notes 4, 15 and 16)   |                 | 2,014              | 48,397                 | (79,985)  | (56,044)             | (85,618)                         |
| Difference between the<br>acquisition cost and net book<br>value incurred from the<br>business acquisition between<br>companies under common<br>control (Notes 15 and 16) |                 |                    | (672,096)              |   |                      | (672,096)                        |
| Gain on valuation of currency<br>swap, net (Notes 15, 16 and<br>23)   |                 |                    |                        | 15,048  |                      | 15,048                           |
| Gain on valuation of interest<br>swap, net (Notes 15, 16 and<br>23)   |                 |                    |                        | 15,197  |                      | 15,197                           |
| Balance, December 31, 2009  | ₩ 44,639        | ₩ 3,032,009        | (₩ 2,708,408)          | ₩ 913,920                                       | ₩ 9,959,290          | ₩ 11,241,450                     |
| Balance, January 1, 2010  | ₩ 44,639        | ₩ 3,032,009        | (₩ 2,708,408)          | ₩ 913,920                                       | ₩ 9,959,290          | ₩ 11,241,450                     |
| Cash dividends  |                 |                    |                        |   | (607,698)            | (607,698)                        |
| Interim dividends (Note 19)   |                 |                    |                        |   | (72,345)             | (72,345)                         |
| Net income  |                 |                    |                        |   | 1,410,968            | 1,410,968                        |
| Treasury stock (Note 14)  |                 |                    | (210,356)              |   |                      | (210,356)                        |
| Unrealized loss on valuation<br>of long-term investment<br>securities, net (Notes 3, 15<br>and 16)  |                 |                    |                        | (201,863)                                       |                      | (201,863)                        |
|   |                 | (229)              | (35,607)               | (7,850)   |                      | (43,686)                         |

|  |  |  |          |  |          |
|--|--|--|----------|--|----------|
| Equity in other comprehensive income changes of affiliates, net (Notes 4, 15 and 16) |  |  |          |  |          |
| Gain on valuation of currency swap, net (Notes 15, 16 and 23)                        |  |  | (67,265) |  | (67,265) |
| Gain on valuation of interest swap, net (Notes 15, 16 and 23)                        |  |  | 5,212    |  | 5,212    |

Balance, December 31, 2010   ~~₩~~44,639   ~~₩~~3,031,780   (~~₩~~2,954,371)   ~~₩~~ 642,154   ~~₩~~10,690,215   ~~₩~~11,454,417

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

| (In thousands of U.S. dollars)  | Common<br>stock | Capital<br>surplus | Capital<br>adjustments | Accumulated<br>other<br>comprehensive<br>income | Retained<br>earnings | Total<br>stockholders'<br>equity |
|---|-----------------|--------------------|------------------------|---|----------------------|----------------------------------|
| Balance, January 1, 2009  | \$ 39,483       | \$ 2,615,509       | (\$1,899,460)          | \$ 330,608                                      | \$ 8,403,518         | \$ 9,489,658                     |
| Cash dividends  |                 |                    |                        |   | (538,832)            | (538,832)                        |
| Interim dividends (Note 19)   |                 |                    |                        |   | (63,988)             | (63,988)                         |
| Net income  |                 |                    |                        |   | 1,139,519            | 1,139,519                        |
| Conversion right (Note 8)   |                 | 65,118             |                        |   |                      | 65,118                           |
| Treasury stock (Note 14)  |                 | (639)              | 55,565                 |   | (81,794)             | (26,868)                         |
| Unrealized loss on valuation of<br>long-term investment securities,<br>net (Notes 3, 15 and 16)   |                 |                    |                        | 521,736   |                      | 521,736                          |
| Equity in other comprehensive<br>income changes of affiliates, net<br>(Notes 4, 15 and 16)  |                 | 1,781              | 42,806                 | (70,746)  | (49,570)             | (75,729)                         |
| Difference between the<br>acquisition cost and net book<br>value incurred from the business<br>acquisition between companies<br>under common control (Notes 15<br>and 16) |                 |                    | (594,460)              |   |                      | (594,460)                        |
| Gain on valuation of currency<br>swap, net (Notes 15, 16 and 23)  |                 |                    |                        | 13,310  |                      | 13,310                           |
| Gain on valuation of interest<br>swap, net (Notes 15, 16 and 23)  |                 |                    |                        | 13,442  |                      | 13,442                           |
| <br>Balance, December 31, 2009  | <br>\$ 39,483   | <br>\$ 2,681,769   | <br>(\$2,395,549)      | <br>\$ 808,350                                  | <br>\$ 8,808,853     | <br>\$ 9,942,906                 |
| <br>Balance, January 1, 2010  | <br>\$ 39,483   | <br>\$ 2,681,769   | <br>(\$2,395,549)      | <br>\$ 808,350                                  | <br>\$ 8,808,853     | <br>\$ 9,942,906                 |
| Cash dividends  |                 |                    |                        |   | (537,500)            | (537,500)                        |
| Interim dividends (Note 19)   |                 |                    |                        |   | (63,988)             | (63,988)                         |
| Net income  |                 |                    |                        |   | 1,247,982            | 1,247,982                        |
| Treasury stock (Note 14)  |                 |                    | (186,057)              |   |                      | (186,057)                        |
| Unrealized loss on valuation of<br>long-term investment securities,<br>net (Notes 3, 15 and 16)   |                 |                    |                        | (178,545)                                       |                      | (178,545)                        |
| Equity in other comprehensive<br>income changes of affiliates, net<br>(Notes 4, 15 and 16)  |                 | (202)              | (31,494)               | (6,944)   |                      | (38,640)                         |
| Gain on valuation of currency<br>swap, net (Notes 15, 16 and 23)  |                 |                    |                        | (59,495)  |                      | (59,495)                         |
|   |                 |                    |                        | 4,610   |                      | 4,610                            |



Gain on valuation of interest  
swap, net (Notes 15, 16 and 23)

|                            |           |              |               |            |              |               |
|----------------------------|-----------|--------------|---------------|------------|--------------|---------------|
| Balance, December 31, 2010 | \$ 39,483 | \$ 2,681,567 | (\$2,613,100) | \$ 567,976 | \$ 9,455,347 | \$ 10,131,273 |
|----------------------------|-----------|--------------|---------------|------------|--------------|---------------|

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|   | Korean won    |             | Translation into U.S. dollars<br>(Note 2) |              |
|---|---------------|-------------|---|--------------|
|   | 2010          | 2009        | 2010                                      | 2009         |
|   | (In millions) |             | (In thousands)                            |              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                          |               |             |   |              |
| Net income  | ₩ 1,410,968   | ₩ 1,288,340 | \$ 1,247,982                              | \$ 1,139,519 |
| Expenses not involving cash payments:                                 |               |             |   |              |
| Provision for severance indemnities                                   | 35,382        | 34,481      | 31,295                                    | 30,498       |
| Depreciation and amortization   | 2,185,674     | 2,030,081   | 1,933,198                                 | 1,795,578    |
| Allowance for doubtful accounts                                       | 64,600        | 116,072     | 57,138                                    | 102,664      |
| Foreign translation loss  | 382           | 972         | 338                                       | 860          |
| Equity in losses of affiliates  | 181,077       | 295,332     | 160,160                                   | 261,217      |
| Loss on disposal of accounts receivable<br>other                      |               | 28,711      |   | 25,394       |
| Loss on disposal of property, equipment<br>and intangible assets      | 55,982        | 83,034      | 49,515                                    | 73,442       |
| Loss on valuation of derivative                                       | 19,198        | 119,696     | 16,980                                    | 105,869      |
| Amortization of discounts on bonds and<br>other                       | 49,457        | 193,850     | 43,744                                    | 171,459      |
| Sub-total   | 2,591,752     | 2,902,229   | 2,292,368                                 | 2,566,981    |
| Income not involving cash receipts:                                   |               |             |   |              |
| Foreign translation gain  | (15,711)      | (72,954)    | (13,896)                                  | (64,527)     |
| Equity in earnings of affiliates                                      | (74,318)      | (63,804)    | (65,733)                                  | (56,434)     |
| Gain on valuation of short-term<br>investment securities              |               | (14,086)    |   | (12,459)     |
| Gain on disposal of property, equipment<br>and intangible assets      | (7,774)       | (24,547)    | (6,876)                                   | (21,711)     |
| Gain on valuation of derivative                                       | (7,951)       | (109,306)   | (7,033)                                   | (96,680)     |
| Other   | (192,521)     | (170,069)   | (170,282)                                 | (150,423)    |
| Sub-total   | (298,275)     | (454,766)   | (263,820)                                 | (402,234)    |
| Changes in assets and liabilities related<br>to operating activities: |               |             |   |              |
| Accounts receivable trade   | 50,638        | (76,425)    | 44,789                                    | (67,597)     |

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|   |           |           |           |           |
|---|-----------|-----------|-----------|-----------|
| Accounts receivable other                                   | (469,686) | (816,259) | (415,431) | (721,970) |
| Inventories   | 9,143     | (10,088)  | 8,087     | (8,923)   |
| Prepaid expenses  | 16,809    | 42,771    | 14,867    | 37,830    |
| Accrued income and other                                    | (79,659)  | 17,998    | (70,457)  | 15,919    |
| Long-term accounts receivable other                         | 234,563   | (254,795) | 207,468   | (225,363) |
| Accounts payable  | 194,679   | 91,623    | 172,191   | 81,039    |
| Income tax payable  | (157,156) | 68,881    | (139,002) | 60,924    |
| Accrued expenses  | 168,355   | 274,601   | 148,908   | 242,881   |
| Withholdings  | 116,286   | (44,019)  | 102,853   | (38,933)  |
| Current portion of subscription deposits                    | (1,193)   | (277)     | (1,055)   | (245)     |
| Advanced receipts and other                                 | 10,532    | 10,010    | 9,315     | 8,854     |
| Deferred income taxes                                       | (91,280)  | (228,392) | (80,736)  | (202,010) |
| Severance indemnities payments                              | (17,867)  | (26,122)  | (15,803)  | (23,105)  |
| Deposits for group severance indemnities and other deposits | (18,192)  | (8,049)   | (16,091)  | (7,119)   |
| Dividends received from affiliate                           | 12,533    | 6,817     | 11,085    | 6,030     |
| <br>  |           |           |           |           |
| Sub-total   | (21,495)  | (951,725) | (19,012)  | (841,788) |
| <br>  |           |           |           |           |
| Net Cash Provided by Operating Activities                   | 3,682,950 | 2,784,078 | 3,257,518 | 2,462,478 |

(Continued)

**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

|  | Korean won    |               | Translation into U.S. dollars<br>(Note 2) |               |
|--|---------------|---------------|---|---------------|
|  | 2010          | 2009          | 2010                                      | 2009          |
|  | (In millions) |               | (In thousands)                            |               |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                   |               |               |   |               |
| Cash inflows from investing activities:  |               |               |   |               |
| Proceeds from disposal of property and equipment                               | ₩ 17,586      | ₩ 60,393      | \$ 15,555                                 | \$ 53,417     |
| Proceeds from disposal of intangible assets                                    | 5,139         | 4,897         | 4,545                                     | 4,331         |
| Disposal of short-term investment securities, net                              | 168,316       | 13,704        | 148,873                                   | 12,121        |
| Collection of short-term loans   | 210,035       | 333,225       | 185,773                                   | 294,733       |
| Proceeds from sales of long-term investment securities                         | 697,431       | 1,966,854     | 616,868                                   | 1,739,655     |
| Proceeds from sales of equity securities accounted for using the equity method | 75,256        | 6,444         | 66,563                                    | 5,700         |
| Collection of long-term loans  | 14,752        | 41,123        | 13,048                                    | 36,373        |
| Decrease in guarantee deposits   | 89,605        | 25,653        | 79,254                                    | 22,690        |
| Cash inflows from transaction of currency swap                                 | 1,254         | 86,094        | 1,109                                     | 76,148        |
| Decrease in other non-current assets   | 21,989        | 11,135        | 19,449                                    | 9,849         |
| <br>Sub-total  | <br>1,301,363 | <br>2,549,522 | <br>1,151,037                             | <br>2,255,017 |
| <br>Cash outflows for investing activities:                                    |               |               |   |               |
| Acquisition of short-term financial instruments                                | (114,943)     | (79,651)      | (101,665)                                 | (70,450)      |
| Extension of short-term loans  | (213,874)     | (251,196)     | (189,169)                                 | (222,179)     |
| Acquisition of property and equipment  | (1,865,299)   | (1,683,087)   | (1,649,831)                               | (1,488,667)   |
| Increase in intangible assets  | (55,470)      | (51,807)      | (49,062)                                  | (45,823)      |
| Acquisition of long-term financial instruments                                 | (50)          | (6,500)       | (44)                                      | (5,749)       |
| Acquisition of long-term investment securities                                 | (58,762)      | (489,338)     | (51,974)                                  | (432,813)     |
| Acquisition of equity securities accounted for using the equity method         | (991,130)     | (451,702)     | (876,641)                                 | (399,524)     |
| Extension of long-term loans   | (30,224)      | (15,379)      | (26,733)                                  | (13,603)      |
| Increase in guarantee deposits and other                                       | (117,544)     | (125,908)     | (103,966)                                 | (111,364)     |
|  |               | (177,848)     |   | (157,304)     |

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|   |             |             |             |             |
|---|-------------|-------------|-------------|-------------|
| Cash outflows from transaction of<br>currency swap    |             |             |             |             |
| Cash outflows from business<br>acquisition            |             | (894,784)   |             | (791,424)   |
| Sub-total   | (3,447,296) | (4,227,200) | (3,049,085) | (3,738,900) |
| Net Cash Used in Investing Activities                 | (2,145,933) | (1,677,678) | (1,898,048) | (1,483,883) |
| <b>CASH FLOWS FROM FINANCING<br/>ACTIVITIES:</b>      |             |             |             |             |
| Cash inflows from financing activities:               |             |             |             |             |
| Increase in guarantee deposits received<br>and other  | 53,657      | 16,572      | 47,459      | 14,658      |
| Issuance of bonds                                     |             | 1,114,937   |             | 986,146     |
| Sub-total   | 53,657      | 1,131,509   | 47,459      | 1,000,804   |
| Cash outflows for financing activities:               |             |             |             |             |
| Repayment of short-term borrowings                    |             | (746,849)   |             | (660,578)   |
| Repayment of bonds                                    | (365,140)   | (60,216)    | (322,961)   | (53,260)    |
| Repayment of long-term borrowings                     | (200,000)   |             | (176,897)   |             |
| Repayment of current portion of<br>long-term debts    | (150,000)   | (715,672)   | (132,673)   | (633,002)   |
| Decrease in other non-current<br>liabilities          | (12,719)    | (13,938)    | (11,251)    | (12,327)    |
| Payment of dividends                                  | (680,044)   | (681,548)   | (601,489)   | (602,820)   |
| Decrease in guarantee deposits<br>received and other  | (261)       |             | (231)       |             |
| Acquisition of treasury stock                         | (210,356)   | (28,939)    | (186,057)   | (25,596)    |
| Cash outflows from transaction of<br>currency swap    | (35,260)    | (4,348)     | (31,187)    | (3,846)     |
| Sub-total   | (1,653,780) | (2,251,510) | (1,462,746) | (1,991,429) |
| Net Cash Used in Financing Activities                 | (1,600,123) | (1,120,001) | (1,415,287) | (990,625)   |
| NET DECREASE IN CASH AND<br>CASH EQUIVALENTS          | (63,106)    | (13,601)    | (55,817)    | (12,030)    |
| CASH AND CASH EQUIVALENTS<br>AT BEGINNING OF THE YEAR | 420,576     | 434,177     | 371,994     | 384,024     |

|   |           |           |            |            |
|---|-----------|-----------|------------|------------|
| CASH AND CASH EQUIVALENTS<br>AT END OF THE YEAR | ₩ 357,470 | ₩ 420,576 | \$ 316,177 | \$ 371,994 |
|---|-----------|-----------|------------|------------|

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009**

**1. GENERAL**

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of Korea to engage in providing nationwide cellular telephone communication services in the Republic of Korea. The Company mainly provides wireless telecommunications in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange and the New York and London Stock Exchanges, respectively. As of December 31, 2010, the Company's total issued shares are held by the following:

|   | Number of<br>shares | Percentage of<br>total shares issued<br>(%) |
|---|---------------------|---|
| SK Group  | 18,748,452          | 23.22                                       |
| POSCO Corp.   | 2,341,569           | 2.90  |
| Institutional investors and other minority shareholders | 50,004,978          | 61.93                                       |
| Treasury stock  | 9,650,712           | 11.95                                       |
|   | 80,745,711          | 100.00                                      |

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying non-consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the Republic of Korea. The accompanying financial statements were approved by the Company's board of directors on January 20, 2011. Significant accounting policies followed in preparing the accompanying financial statements are summarized as follows:

**a. Basis of Presentation**

The Company maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea (Korean GAAP). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in stockholders' equity or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of ₩1,130.60 to US\$1.00, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the period ended December 31, 2010. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

b. Cash Equivalents

Cash equivalents are highly liquid investments and short term financial instruments, which are readily convertible to cash without significant transaction cost, do not have significant risk of changes in interest rates, and with original maturities of three months or less.

c. Allowance for Doubtful Accounts

Allowance for doubtful accounts is provided based on the estimated collectibility of individual accounts and historical bad debt experience.

d. Inventories

Inventories, which consist mainly of replacement units for wireless telecommunication facilities, supplies for sales promotion and merchandise for e-commerce business, are stated at the lower of cost or market value, with cost determined using the moving average method. The Company maintains a perpetual inventory system, which is adjusted to physical inventory counts performed at year end. When the market value of inventories is less than the acquisition cost, the carrying amount is reduced to the market value and any difference is charged to current operations as operating expenses. There are no such losses recognized for the years ended December 31, 2010 and 2009.

e. Securities (Excluding Equity Securities Accounted for Using the Equity Method)

Debt and equity securities are initially recorded at their acquisition costs (fair value of consideration paid) including incidental cost incurred in connection with acquisition of the related securities and classified into trading and available-for-sale and in the case of debt securities into held-to-maturity securities as well depending on the acquisition purpose and nature.

Trading securities are stated at fair value with gains or losses on valuation reflected in current operations.

Securities classified as available-for-sale are reported at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in accumulated other comprehensive income (loss) and the unrealized gains or losses are reflected in net income when the securities are sold or if there is an objective evidence of impairment such as bankruptcy of investees. Equity securities are stated at acquisition cost if fair value cannot be reliably measured.

Held-to-maturity securities are presented at acquisition cost after premiums or discounts are amortized or accreted, respectively. The Company recognizes write-downs resulting from declines in the fair value below its book value on the balance sheet date if there is objective evidence of impairment. The related write-downs are recorded in current operations as a loss on impairment of investment securities.

Trading securities are presented in the current asset section of the financial position, and available-for-sale and held-to-maturity securities are presented in the current asset section of the statements of financial position if their maturities are within one year; otherwise, such securities are recorded in the non-current section of the statements of financial position.

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f. Equity Securities Accounted for Using the Equity Method

Investment securities of affiliated companies, in which the Company has the ability to exercise significant influence, are carried using the equity method of accounting, whereby the Company's initial investment is recorded at cost and the carrying value is subsequently increased or decreased to reflect the Company's portion of stockholders' equity of the investee. Differences between the purchase cost and net asset fair value of the investee are amortized over 5 to 20 years using the straight-line method. When applying the equity method of accounting, unrealized inter-company gains and losses are eliminated (See Note 4). In addition, the Company provides for additional losses for those investments accounted for using the equity method that are reduced to zero to the extent that the Company has other investment assets related to the equity method investees.

When the Company's share of equity interest in the equity method investees increases as a result of capital transactions of the investees with (or without) consideration, the increase in the Company's proportionate shares in the investees are treated as goodwill or negative goodwill and when the Company's share of equity interest in the equity method investees decreases as a result of capital transactions of the investees with (or without) consideration, the decrease in the Company's proportionate shares in the investees are accounted for as gain or loss on disposal. However, if equity method investees are subsidiaries, such differences in the Company's proportionate shares in the investees are accounted for as increase (decrease) in capital surplus (or capital adjustments).

In translating the foreign currency statements of the Company's foreign-based investees, the Company applies (a) the current rate of exchange at the end of the reporting period to the items in investee's statements of financial position (except historical rates applied for stockholders' equity), and (b) the average rate for the current period for items in the statements of income. After translating the items in the statements of financial position and income as noted above, the Company's portion of the amount after deducting the translated total liabilities from translated total assets and equity is recorded as accumulated other comprehensive income (loss) in the Company's stockholders' equity.

g. Valuation of Long-term Accounts Receivable - Other

Long-term accounts receivable are stated at the present value of the expected future cash flows. Imputed interest amounts are recorded in present value discount accounts which are deducted directly from the related nominal receivable balances. Such imputed interest is included in operations using the effective interest rate method over the collection period.

h. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Major renewals and betterments, which prolong the useful life or enhance the value of assets, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the declining balance method (except for buildings and structures acquired on or after January 1, 1995 which are depreciated using the straight-line method) over the estimated useful lives (4 to 30 years) of the related assets.

Interest expense and other financing charges for borrowings related to the manufacture or construction of property and equipment are charged to current operations as incurred.

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i. Intangible Assets

Intangible assets are recorded at cost, less amortization computed using the straight-line method over 5 to 20 years. The amortization for the years ended December 31, 2010 and 2009 are ₩532,857 million and ₩482,813 million, respectively.

j. Impairment Losses

When the recoverable amount of assets (that are not recorded at fair value) including investment assets (except for trading and available for sale investments in listed companies), property and equipment, and intangible assets is significantly less than the carrying value due to obsolescence, physical damage, decline in market value or other causes, the carrying value is reduced to the recoverable amount and any difference is charged to current operation as an impairment loss. The Company recorded such impairment loss of ₩ 9,352 million and nil for the years ended December 31, 2010 and 2009, respectively.

k. Convertible Bonds

The proceeds from issuance of convertible bonds are allocated between the conversion rights and the debt issued; and the portion allocable to the conversion rights is accounted for as capital surplus with a corresponding conversion right adjustment deducted from the related bonds. Such conversion right adjustment is amortized to interest expense using the effective interest rate method over the redemption period of the convertible bonds. The portion allocable to the conversion rights is measured by deducting the present value of the debt at the time of issuance from the gross proceeds from issuance of convertible bonds, with the present value of the debt being computed by discounting the expected future cash flows (including call premium, if any) using the effective interest rate applied to ordinary or straight debt of the Company at the issue date.

l. Discounts on Bonds

Discounts on bonds are amortized to interest expense using the effective interest rate method over the redemption period of the bonds.

m. Valuation of Long-term Payables

Long-term payables resulting from long-term installment transactions are stated at the present value of the expected future cash flows. Imputed interest amounts are recorded in present value discount accounts which are deducted directly from the related nominal payable balances. Such imputed interest is included in operations using the effective interest rate method over the redemption period.

n. Provisions, Contingent Liabilities and Contingent Assets

The Company recognizes a provision when i) it has a present obligation as a result of a past event, ii) it is probable that a disbursement of economic resources will be required to settle the obligation, and iii) a reliable estimate can be made of the amount of the obligation (See Note 22). When a possible range of loss in connection with a probable loss contingency as of the balance sheet date is estimable with reasonable certainty, and some amount within that range appears at the time to be a better estimate than any other amount within the range, the Company accrues such amount. When no amount within the

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range appears to be a better estimate than any other amount, the minimum in that range is recorded.

The Company does not recognize the following contingent obligations as liabilities:

Possible obligations related to past events, for which the existence of a liability can only be confirmed upon occurrence of uncertain future event or events outside the control of the Company.

Present obligations arising out of past events or transactions, for which i) a disbursement of economic resources to fulfill such obligations is not probable or ii) a disbursement of economic resources is probable, but the related amount cannot be reasonably estimated.

In addition, the Company does not recognize potential assets related to past events or transactions, for which the existence of an asset or future benefit can only be confirmed upon occurrence of uncertain future event or events outside the control of the Company.

o. Accrued Severance Indemnities

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive severance indemnities upon termination of their employment based on length of service and rate of pay. Accruals for severance indemnities are recorded to approximate the amount required to be paid if all employees were to terminate at the end of the reporting period.

The Company has deposits with insurance companies to fund the portion of the employees' severance indemnities which is in excess of the tax deductible amount allowed under the Corporate Income Tax Law, in order to take advantage of the additional tax deductibility for such funding. Such deposits with outside insurance companies, where the beneficiaries are the Company's employees, totaling ~~₩84,668 million and ₩66,476 million~~ as of December 31, 2010 and 2009, respectively, are deducted from accrued severance indemnities.

Actual payment of severance indemnities amounted to ~~₩17,867 million and ₩26,122 million~~ for the years ended December 31, 2010 and 2009, respectively.

p. Research and Development Costs

The Company charges substantially all research and development costs to expense as incurred. The Company incurred internal research and development costs of ~~₩264,417 million and ₩233,469 million~~ for the years ended December 31, 2010 and 2009, respectively. In addition, external research and development costs were ~~₩80,474 million and ₩55,528 million~~ for the years ended December 31, 2010 and 2009, respectively.

q. Accounting for Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded in Korean won based on the prevailing rate of exchange at the dates of transactions. Monetary assets and liabilities denominated in foreign currency are translated into Korean won at the Base Rates announced by Seoul Money Brokerage Services, Ltd. at the end of the reporting period, which are ~~₩1,138.90 and ₩1,167.60~~ to US\$1.00 at December 31, 2010 and 2009, respectively. The resulting gains or losses arising from the translation or settlement of such assets and liabilities are included in current operations.

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r. Derivative Instruments

The Company records rights and obligations arising from derivative instruments as assets and liabilities, which are stated at fair value. The gains and losses that result from the change in the fair value of derivative instruments are reported in current earnings. However, for derivative instruments designated as hedging the exposure of variable cash flows, the effective portions of the gains or losses on the hedging instruments are recorded as accumulated other comprehensive income (loss) and credited/charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses are credited/charged immediately to operations.

s. Revenue Recognition

The Company recognizes revenue when they are realized or realizable and earned. Revenues are realized or realizable and earned when the Company has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, sales price is fixed or determinable and collectability is reasonably assured.

The Company's revenue is principally derived from telecommunication service including data services and wireless device sales. Telecommunication service consists of fixed monthly charges, usage-related charges and non-refundable activation fees. Fixed monthly charges are recognized in the period earned. Usage-related charges are recognized at the time services are rendered. Non-refundable activation fees are recognized when the activation service was performed.

Meanwhile, the Company recognizes sales revenues on a gross basis when the Company is the primary obligator in the transactions with customers and if the Company merely acts an agent for the buyer or seller from whom it earns a commission, then sales revenues are recognized on a net basis.

t. Income Tax

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets and liabilities. Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred income tax assets and liabilities are classified into current and non-current based on the classification of related assets or liabilities for financial reporting purposes (See Note 15).

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u. Handset Subsidies

Effective April 1, 2008, the Telecommunication Business Act was revised to allow wireless carriers to provide handset subsidies to customers without any restrictions. As a result, the Company provides lump-sum handset subsidies to customers who agree to use the Company's service for the predetermined service period and the subsidies are charged to commission paid as the related payments are made. In case where the customers agree to use the Company's service for the predetermined service period and purchase handsets on installment basis, the subsidies are paid every month over the installment period and the Company provides provision for handset subsidies estimated to be paid based on the historical experience (See Note 22).

v. Use of Estimates

The Company's management makes reasonable estimates and assumptions in preparing the financial statements in conformity with accounting principles generally accepted in the Republic of Korea. These estimates and assumptions can change according to additional experiences, changes in circumstances, new information and other and could differ from actual results.

w. Reclassification in the prior year's financial statements

For the purpose of improving the quality of reporting, certain reclassifications have been made in the prior year's financial statements to conform to the classifications used in the current year. The reclassification of prior year's financial statements has no impact on equity or net income.

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**3. INVESTMENT SECURITIES****a. Short-term Investment Securities**

Short-term investment securities as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|  | December 31, 2010   |            | Carrying<br>amount | December 31,<br>2009                 |
|--|---------------------|------------|--------------------|--------------------------------------|
|  | Acquisition<br>cost | Fair value |                    | Fair value and<br>carrying<br>amount |
| Trading securities (Note)                          | ₩ 200,000           | ₩ 200,000  | ₩ 200,000          | ₩ 370,126                            |
| Current portion of long-term investment securities | 71,868              | 193,811    | 193,811            | 56                                   |
| Total  | ₩ 271,868           | ₩ 393,811  | ₩ 393,811          | ₩ 370,182                            |

(Note) The Company's trading securities are all beneficiary certificates as of December 31, 2010, and the distribution arising from beneficiary certificates was as accounted for accrued income.

**b. Long-term Investment Securities**

Long-term investment securities as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                                      | December 31,<br>2010 | December 31,<br>2009 |
|--------------------------------------|----------------------|----------------------|
| Available-for-sale equity securities | ₩ 1,710,439          | ₩ 2,026,921          |
| Available-for-sale debt securities   | 401                  | 393,397              |
| Total                                | 1,710,840            | 2,420,318            |
| Less: current portion                | (193,811)            | (56)                 |
| Long-term portion                    | ₩ 1,517,029          | ₩ 2,420,262          |

**b-(1). Available-for-sale Equity Securities**

Available-for-sale equity securities as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|  | December 31, 2010 |                |                  |                  | Carrying amount    |                   |
|--|-------------------|----------------|------------------|------------------|--------------------|-------------------|
|  | Number of shares  | Percentage (%) | Acquisition cost | Fair value       | December 31, 2010  | December 31, 2009 |
| <b>(Investments in listed companies)</b>     |                   |                |                  |                  |                    |                   |
| SK C&C Co., Ltd.                             | 2,050,000         | 4.1            | ₩ 68,559         | ₩ 178,760        | (Note a) ₩ 178,760 | ₩ 201,600         |
| Digital Chosunilbo Co., Ltd.                 | 2,890,630         | 7.8            | 5,781            | 8,527            | 8,527              | 6,995             |
| KRTnet Corporation                           | 234,150           | 4.4            | 1,171            | 1,520            | 1,520              | 1,573             |
| POSCO Corp.                                  | 2,481,310         | 2.8            | 332,662          | 1,209,639        | 1,209,639          | 1,533,450         |
| nTels Co., Ltd.                              | 205,200           | 6.2            | 34               | 871              | 871                | 1,161             |
| IHQ, Inc.                                    | 3,790,770         | 9.4            | 3,830            | 6,823            | (Note b) 6,823     |                   |
| Sprint Nextel                                |                   |                |                  |                  | (Note c)           | 74,215            |
| Sub-total                                    |                   |                | 412,037          | 1,406,140        | 1,406,140          | 1,818,994         |
| <b>(Investments in non-listed companies)</b> |                   |                |                  |                  |                    |                   |
| The Korea Economic Daily                     | 2,585,069         | 13.8           | 13,964           | (Note d)         | 13,964             | 13,964            |
| Skytel Co., Ltd.                             | 1,130,834         | 17.0           | 1,251            | 14,811           | (Note e) 14,811    |                   |
| Others                                       |                   |                | 121,160          | (Notes c, d & f) | 4,902              | 5,601             |
| Sub-total                                    |                   |                | 136,375          |                  | 33,677             | 19,565            |
| <b>(Investments in funds)</b>                |                   |                |                  |                  |                    |                   |
| Global Opportunities Breakaway Fund          |                   |                | 244,183          | 256,882          | (Note g) 256,882   | 175,140           |
| Others                                       |                   |                | 13,740           | (Note d)         | 13,740             | 13,222            |
| Sub-total                                    |                   |                | 257,923          |                  | 270,622            | 188,362           |
| Total  |                   |                | 806,335          |                  | 1,710,439          | 2,026,921         |
| Less: current portion                        |                   |                | (70,050)         |                  | (193,811)          |                   |
| Long-term portion                            |                   |                | ₩ 736,285        |                  | ₩ 1,516,628        | ₩ 2,026,921       |

(Note a) During the year ended December 31, 2009, the common stocks of SK C&C were listed on the Korea Exchange stock market through an initial public offering ( IPO ), Upon SK C&C s IPO, the Company sold

10,500,000 shares for ₩307,558 million (gain on disposal ₩65,109 million). The Company additionally disposed 2,450,000 shares for ₩202,333 million (gain on disposal ₩145,762 million) during the year ended December 31, 2010. The Company recorded the residual investment of 2,050,000 shares at its market value of ₩87,200 per share as of December 31, 2010. Meanwhile, the Company classified this security as short-term investment securities as the Company intends to dispose the security within one year. As of December 31, 2010, the Company accounted for accumulated gain on valuation of investments in the amount of ₩99,620 million (net of tax effect ₩31,805 million) as unrealized gain on valuation of investments and treated as other comprehensive income.

(Note b) The Company disposed 11,170,014 shares during the year ended December 31, 2010. As a result, the Company reclassified the remaining shares from equity securities accounted for using the equity method to available-for-sale equity securities.

(Note c) The investment in common stock of Sprint Nextel and others were sold during the year ended December 31, 2010 and the difference between the disposal price and acquisition cost was recorded as loss on disposal of long term investment securities.

(Note d) As a reasonable estimate of fair value could not be made, the investment is stated at acquisition cost.

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(Note e) For the year ended December 31, 2010, the Company entered into a transfer agreement regarding Skytel Co., Ltd.'s common stock. In accordance with the agreement, the Company sold 820,943 shares for the year ended December 31, 2010 and plans to dispose of its remaining shares in FY 2011. As a result, the Company reclassified the remaining shares from equity securities accounted for using the equity method to short-term investment securities and recorded the shares at their estimated selling price of ₩14,810 million as of December 31, 2010.

(Note f) During the year ended 31, 2009, the Company recorded ₩6,245 million of impairment loss on investments in Mobinex Inc., Idea Culture Ltd., Alereon, Inc. as the Company deemed that the carrying amounts may not be recoverable in the future.

(Note g) For the year ended December 31, 2009, the Company entered into a limited partnership agreement with overseas private fund. In accordance with the partnership agreement, the Company has contributed all of its total capital commitment of US \$200 million. In addition, the difference between the fair value and the acquisition cost of ₩9,905 million (net of tax effect of ₩2,794 million) is recorded as unrealized gain on valuation of investment securities in other comprehensive income.

**b-(2). Available-for-sale Debt Securities**

Available-for-sale debt securities as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|   |                      | Acquisition<br>cost | Carrying amount<br>December<br>31,<br>2010 | December<br>31, 2009 |
|---|----------------------|---------------------|--|----------------------|
| Public bonds  | Maturity<br>(Note a) | ₩ 401               | ₩ 401                                      | ₩ 457                |
| Closed beneficiary certificates                               |                      |                     |  | 8                    |
| Bond-type beneficiary certificates                            |                      |                     |  | 300,134              |
| Subordinated bonds (Note b)                                   |                      |                     |  | 90,980               |
| Convertible bonds of Magic Tech Network Co.,<br>Ltd. (Note c) | March<br>2011        | 1,818               |  | 1,818                |
| Total   |                      | 2,219               | 401  | 393,397              |
| Less current portion  |                      | (1,818)             |  | (56)                 |
| Long-term available-for-sale debt securities                  |                      | ₩ 401               | ₩ 401                                      | ₩ 393,341            |

The interest income incurred from available-for-sale debt securities for the year ended December 31, 2010 and 2009 amounted to ₩20,930 million and ₩289 million, respectively.

(Note a) The maturities of public bonds as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                                      | Maturity | December 31,<br>2010 | December 31,<br>2009 |
|--------------------------------------|----------|----------------------|----------------------|
| Within one year                      |          | ₩                    | ₩ 56                 |
| After one year but within five years |          | 401                  | 401                  |

₩ 401 ₩ 457

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(Note b) The Company purchased subordinated bonds issued by a special purpose company as part of the asset-backed securitization of accounts receivable-other resulting from its mobile phone financing plan. For the year ended December 31, 2010, all of the bonds were collected.

(Note c) As of December 31, 2010, Magic Tech Network Co., Ltd is in a liquidation process. As the Company determined that there will likely be no consideration for the liquidation paid to the Company, it recognized the carrying amount of ₩1,818 million as an impairment loss on investment securities during the current period.

**b-(3). Changes in Unrealized Gains (Losses) on Investments in Common Stock**

The changes in unrealized gains (losses) on investments in common stock for the year ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|   | For the year ended December 31, 2010 |                        |                   |
|---|--------------------------------------|------------------------|-------------------|
|   | Beginning<br>balance                 | Increase<br>(decrease) | Ending<br>balance |
| Available-for-sales securities:                       |                                      |                        |                   |
| Unrealized gain on valuation of Investment securities | ₩ 1,301,359                          | ₩ (270,264)            | ₩ 1,031,095       |
| Unrealized loss on valuation of Investment securities | (12,520)                             | 12,520                 |                   |
| Sub-total   | 1,288,839                            | (257,744)              | 1,031,095         |
| Less tax effect                                       | (285,694)                            | 55,881                 | (229,813)         |
| Total   | ₩ 1,003,145                          | ₩ (201,863)            | ₩ 801,282         |
|   |                                      |                        |                   |
|   | For the year ended December 31, 2009 |                        |                   |
|   | Beginning<br>balance                 | Increase<br>(decrease) | Ending<br>balance |
| Available-for-sales securities:                       |                                      |                        |                   |
| Unrealized gain on valuation of Investment securities | ₩ 941,096                            | ₩ 360,263              | ₩ 1,301,359       |
| Unrealized loss on valuation of Investment securities | (401,945)                            | 389,425                | (12,520)          |
| Sub-total   | 539,151                              | 749,688                | 1,288,839         |
| Less tax effect                                       | (125,881)                            | (159,813)              | (285,694)         |
| Total   | ₩ 413,270                            | ₩ 589,875              | ₩ 1,003,145       |

**4. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD**

Equity securities accounted for using the equity method of accounting as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                                     | December 31, 2010 |                |                  | Carrying Amount |             |             |
|-------------------------------------|-------------------|----------------|------------------|-----------------|-------------|-------------|
|                                     | Ownership         |                |                  |                 | December    | December    |
|                                     | Number of Shares  | percentage (%) | Acquisition cost | Net asset value | 31, 2010    | 31, 2009    |
| SK Broadband Co., Ltd.              | 149,638,354       | 50.6           | ₩ 1,450,804      | ₩ 669,821       | ₩ 1,162,600 | ₩ 1,242,247 |
| SK Communications Co., Ltd.         | 28,029,945        | 64.7           | 175,441          | 144,852         | 155,189     | 148,831     |
|                                     |                   |                |                  | (Note           |             |             |
| SK Telink Co., Ltd.                 | 1,082,272         | 83.5           | 8,555            | 129,915         | a)          | 129,915     |
| SK Marketing & Company Co., Ltd.    | 5,000,000         | 50             | 190,000          | 119,104         |             | 119,104     |
|                                     |                   |                |                  | (Note           |             |             |
| HanaSK Card Co., Ltd.               | 57,647,058        | 49             | 402,476          | 308,651         | b)          | 376,446     |
|                                     |                   |                |                  | (Note           |             |             |
| PS&Marketing Corporation            | 46,000,000        | 100            | 230,000          | 177,705         | c)          | 177,705     |
| SK Wyverns Baseball Club Co., Ltd.  | 199,997           | 100            | 1,000            |                 |             | 133,934     |
| Paxnet Co., Ltd.                    | 5,590,452         | 59.7           | 26,563           | 14,603          |             | 27,477      |
| F&U Credit Information Co., Ltd.    | 300,000           | 50             | 2,410            | 4,068           |             | 4,487       |
|                                     |                   |                |                  | (Note           |             |             |
| TU Media Corp.                      |                   |                |                  | a)              |             | 11,710      |
|                                     |                   |                |                  | (Note           |             |             |
| IHQ, Inc.                           |                   |                |                  | d)              |             | 20,178      |
| Ntreev Soft Co., Ltd.               | 2,064,970         | 63.7           | 33,196           | 8,072           |             | 8,072       |
| Commerce Planet Co., Ltd.           | 29,396            | 100            | 8,251            | 532             |             | 532         |
| Loen Entertainment, Inc.            | 16,054,812        | 63.5           | 57,874           | 51,524          |             | 51,524      |
|                                     |                   |                |                  | (Note           |             |             |
| Harex Info Tech, Inc.               |                   |                |                  | d)              |             | 62          |
| SK Mobile                           |                   | 20             | 4,930            | 655             |             | 655         |
| SKT Vietnam PTE Ltd.                | 180,476,700       | 73.3           | 191,273          | 23,381          |             | 23,381      |
|                                     |                   |                |                  | (Note           |             |             |
| Skytel Co., Ltd.                    |                   |                |                  | e)              |             | 14,958      |
|                                     |                   |                |                  | (Note           |             |             |
| SK China Company Ltd.               | 720,000           | 22.5           | 49,529           | 47,397          | c)          | 46,573      |
| SK Telecom China Co., Ltd.          |                   | 100            | 7,340            | 9,218           |             | 9,218       |
| TR Entertainment                    |                   | 42.2           | 10,953           | 2,202           |             | 5,832       |
| ULand Company Ltd.                  | 14,100,100        | 70.1           | 17,511           | 2,869           |             | 2,869       |
|                                     |                   |                |                  | (Note           |             |             |
| SKT Americas, Inc.                  | 109               | 100            | 63,494           | 48,922          | c)          | 48,922      |
|                                     |                   |                |                  | (Note           |             |             |
| SK Telecom China Holding Co., Ltd.  |                   | 100            | 34,251           | 27,844          | c)          | 27,844      |
| SK USA, Inc.                        | 49                | 49             | 3,184            | 5,972           |             | 5,972       |
|                                     |                   |                |                  | (Note           |             |             |
| Helio, Inc.                         | 79,437            | 14.3           | 134              | 12              | f)          | 12          |
| Korea IT Fund                       | 190               | 63.3           | 190,000          | 226,633         |             | 226,633     |
|                                     |                   |                |                  | (Note           |             |             |
| 1st Music Investment Fund of SK-PVC | 1,385             | 69.3           | 1,000            | 678             | f)          | 678         |
| 2nd Music Investment Fund of SK-PVC | 1,585             | 79.3           | 699              | 661             |             | 661         |

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|  |            |      |         |             |         |  |         |
|--|------------|------|---------|-------------|---------|--|---------|
| SK-KTB Music Investment Fund                 |            |      |         | (Note<br>f) |         |  | 13,538  |
| Stonebridge Cinema Fund                      | 120        | 45.6 | 12,000  | 7,564       | 7,564   |  | 8,255   |
| Michigan Global Cinema Fund                  | 40         | 36.4 | 4,000   | 3,526       | 3,526   |  | 3,651   |
| 3rd Fund of Isu Entertainment                | 25         | 31.3 | 2,500   | 1,687       | 1,687   |  | 1,635   |
| SK Telecom Advanced Tech & Service<br>Center |            | 100  | 6,989   | 9,667       | 9,667   |  | 9,536   |
| Cyworld China Holdings                       | 10,500,000 | 53.8 | 10,272  |             |         |  |         |
|  |            |      |         | (Note<br>g) |         |  |         |
| Magic Tech Network Co., Ltd.                 | 4,500      | 30   | 8,494   |             |         |  | 5,267   |
| SK Telecom Global Investment B.V.            | 18,000     | 100  | 39,319  | 40,153      | 40,153  |  | 41,013  |
| SKY Property Mgmt. Ltd.                      | 22,980     | 60   | 283,368 | 267,977     | 267,977 |  | 264,850 |
| Wave City Development Co. Ltd.               | 382,000    | 19.1 | 1,967   | 1,392       | 1,392   |  | 1,532   |

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|   | December 31, 2010 |      |                  |                 | Carrying Amount   |                   |         |
|---|-------------------|------|------------------|-----------------|-------------------|-------------------|---------|
|   | Ownership         |      | Acquisition cost | Net asset value | December 31, 2010 | December 31, 2009 |         |
| Number of Shares                            | percentage (%)    |      |                  |                 |                   |                   |         |
| Prmaxsoftware Tech. Co., Ltd.               |                   | 97.2 | 11,665           | 100             | (Note f)          | 100               | 2,432   |
| BMC Digital Cultural Contents Fund          | 50                | 19.9 | ₩ 5,000          | ₩ 4,637         | ₩                 | ₩ 4,637           | ₩ 4,912 |
| 2nd Benex Focus investment Fund             | 200               | 66.7 | 20,000           | 18,408          |                   | 18,408            | 19,782  |
| K-net Culture & Contents Venture Fund       | 295               | 59   | 29,500           | 28,411          | (Note c)          | 28,411            | 11,157  |
| Open Innovation Fund                        | 450               | 98.9 | 45,000           | 44,219          | (Note c)          | 44,219            | 19,938  |
| UniSK                                       | 49                | 49   | 3,475            | 4,714           |                   | 4,714             | 4,247   |
| SK Beijing Industrial Development Co., Ltd. |                   |      |                  |                 |                   |                   | 18,009  |
| Cyworld Japan                               |                   |      |                  |                 |                   |                   | 66      |
| Daehan Kanggun BcN Co., Ltd.                | 1,461,486         | 29   | 7,307            | 7,264           |                   | 7,264             | 7,272   |
| SK Telecom Europe Limited                   | 690,000           | 100  | 1,286            | 1,286           | (Note f)          | 1,286             | 1,286   |
| SK Fans Co., Limited                        | 312,245           | 51   | 13,775           | 4,017           | (Note h)          | 12,738            |         |
| SK Telecom Smart City Management Co., Ltd.  | 1,532,143         | 100  | 1,709            | 931             | (Note h)          | 931               |         |
| Service Ace Co., Ltd.                       | 4,385,400         | 100  | 21,927           | 21,949          | (Note h)          | 21,949            |         |
| Service Top Co., Ltd.                       | 2,856,200         | 100  | 14,281           | 14,650          | (Note h)          | 14,650            |         |
| Network O&S Co., Ltd.                       | 3,000,000         | 100  | 15,000           | 17,023          | (Note h)          | 17,023            |         |
| YTK Investment Ltd.                         |                   | 100  | 41,686           | 36,886          | (Note h)          | 36,886            |         |
| Benex Sector Limited Partnership IV         | 2,500             | 49.7 | 25,000           | 24,837          | (Note h)          | 24,837            |         |
| KIF Stonebridge Fund                        | 700               | 20.8 | 700              | 670             | (Note h)          | 670               |         |
| SK Technology Innovation Company            |                   | 49   | 28,146           | 25,052          | (Note h)          | 25,052            |         |
| PT. Melon Indonesia                         | 4,900,000         | 49   | 6,493            | 6,210           | (Note h)          | 6,210             |         |
| Packet One Network                          | 979,474           | 27.2 | 121,119          | 48,171          | (Note i)          | 116,527           |         |
| Lightsquared Inc.                           | 3,387,916         | 3.3  | 72,096           | 42,517          | (Note j)          | 72,096            |         |
| Television Media Korea Ltd.                 | 18,564,000        | 51   | 18,568           | 18,328          | (Note h)          | 18,328            |         |
| JYP Entertainment                           | 483,830           | 17.8 | 2,903            | 342             |                   | 2,903             |         |

(Note  
k)

₩4,036,413

₩3,424,106 ₩2,680,872

(Note a) During the year ended December 31, 2010, SK Telink Co., Ltd. merged with TU Media Corp. As a result, the ownership percentage of SK Telink Co., Ltd. was decreased from 90.8% to 83.5%.

(Note b) The Company acquired 57,647,058 shares of HanaSK Card Co., Ltd. during the year ended December 31, 2010. As a result, the Company holds 49.0% ownership in HanaSK Card Co., Ltd.

(Note c) During the year ended December 31, 2010, the Company made an additional investment of ₩80,000 million, ₩44,859 million, ₩33,036 million, ₩4,656 million, ₩17,700 million and ₩25,000 million in PS&Marketing Corporation, SK China Company Ltd., SKT Americas, Inc., SK Telecom China Holdings Co., Ltd., K-net Culture & Contents Venture Fund and Open Innovation Fund, respectively.

- (Note d) During the year ended December 31, 2010, the ownership percentage of IHQ Inc. decreased due to the Company's disposal of 11,170,014 IHQ Inc.'s shares. Also, the Company's ownership percentage of Harex Info Tech, Inc. decreased, as the Company did not participate in Harex Info. Tech, Inc.'s issuance of new stock. As a result, the Company reclassified its remaining shares of IHQ Inc. and Harex Info Tech, Inc. from the equity securities accounted for using the equity method to available-for-sale equity securities.
- (Note e) During the year ended December 31, 2010, the Company disposed 820,943 shares of Skytel Co., Ltd. As a result, the Company reclassified the remaining shares from equity securities accounted for using the equity method to short-term investment securities.
- (Note f) As allowed under Korean GAAP, investments in equity securities of SK Telecom Europe Limited is stated at their acquisition cost instead of amount valued using the equity method of accounting, as changes in the Company's portion of stockholders' equity of such investees were not expected to be material.
- (Note g) As of December 31, 2010, Magic Tech Network Co., Ltd is in a liquidation process. As the Company determined that there will likely be no consideration for the liquidation paid to the Company, it recognized the entire amount of carrying amount as an impairment loss on investment securities during the current period.
- (Note h) During the year ended December 31, 2010, the Company incorporated SK Fans Co., Limited, SK Telecom Smart City management Co., Ltd., Service Ace Co., Ltd., Service Top Co., Ltd., Network O&S Co., Ltd., YTK Investment Ltd., Benex Sector Limited Partnership IV, KIF Stonebridge Fund, SK Technology Innovation Company, PT. Melon Indonesia and Television Media Korea Ltd.
- (Note i) During the year ended December 31, 2010, the Company acquired 979,474 shares of convertible preferred stock of Packet One Network. As a result, the Company holds 27.2% ownership in Packet One Network.
- (Note j) During the year ended December 31, 2010, the Company acquired 3,387,916 shares of common stock of Lightsquared Inc. As a result, the Company holds 3.3% ownership and has an ability to exercise significant influence on Light squared Inc.
- (Note k) During the year ended December 31, 2010, the Company acquired 483,830 shares of common stock of JYP Entertainment resulting from the full liquidation of 1st Music Investment Fund of SK-PVC. As a result, the Company holds 17.8% ownership in JYP Entertainment.
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Details of the changes in investments in affiliates accounted for using the equity method for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

For the year ended December 31, 2010

|  |                                | Beginning<br>balance | Acquisition | Equity in<br>earnings<br>(losses) | Equity in<br>other<br>comprehensive<br>income | Capital<br>Surplus | Equity<br>method in<br>capital<br>adjustments | Dividend<br>received | Other<br>increase<br>(decrease) | Ending<br>balance |
|--|--------------------------------|----------------------|-------------|-----------------------------------|---|--------------------|---|----------------------|---------------------------------|-------------------|
| SK Broadband<br>Co., Ltd.                | (Note<br>a)                    | ₩ 1,242,247          | ₩           | ₩ (72,306)                        | ₩ (7,477)                                     | ₩                  | ₩ 136   | ₩                    | ₩                               | ₩ 1,162,600       |
| SK<br>Communications<br>Co., Ltd.        | (Note<br>a)                    | 148,831              |             | 5,287                             | 590   | (61)               | 542   |                      |                                 | 155,189           |
|  | (Notes<br>a,<br>b<br>and<br>c) |                      |             |                                   |   |                    |   |                      |                                 |                   |
| SK Telink Co.,<br>Ltd.                   | (Note<br>c)                    | 133,029              |             | 31,991                            | (97)  | (167)              | (30,737)                                      | (7,363)              | 3,259                           | 129,915           |
| SK Marketing &<br>Company Co.,<br>Ltd.   | (Note<br>a)                    | 112,531              |             | 6,620                             | (47)  |                    |   |                      |                                 | 119,104           |
| HanaSK Card<br>Co., Ltd.                 | (Note<br>a)                    |                      | 402,476     | (25,902)                          | (128)   |                    |   |                      |                                 | 376,446           |
| PS&Marketing<br>Corporation              | (Note<br>a)                    | 133,934              | 80,000      | (35,067)                          |   |                    | (1,162)                                       |                      |                                 | 177,705           |
| SK Wyverns<br>Baseball Club<br>Co., Ltd. | (Note<br>a)                    |                      |             | 188                               |   |                    |   |                      | (188)                           |                   |
|  | (Notes<br>a<br>and<br>c)       |                      |             |                                   |   |                    |   |                      |                                 |                   |
| Paxnet Co., Ltd.                         | (Note<br>c)                    | 30,611               |             | (2,055)                           |   |                    |   | (1,079)              |                                 | 27,477            |
| F&U Credit<br>information Co.,<br>Ltd.   | (Note<br>a)                    | 4,481                |             | 6                                 |   |                    |   |                      |                                 | 4,487             |
|  | (Note<br>b)                    |                      |             |                                   |   |                    |   |                      |                                 |                   |
| TU Media Corp.                           | (Note<br>b)                    | 11,710               |             | (1,024)                           |   |                    | (7,427)                                       |                      | (3,259)                         |                   |
|  | (Note<br>d)                    |                      |             |                                   |   |                    |   |                      |                                 |                   |
| IHQ, Inc.                                | (Note<br>d)                    | 20,178               |             | (2,867)                           | (16)  |                    |   |                      | (17,295)                        |                   |
| Ntreev Soft Co.,<br>Ltd.                 | (Note<br>a)                    | 7,708                |             | 418                               | (54)  |                    |   |                      |                                 | 8,072             |
| Commerce Planet<br>Co., Ltd.             | (Note<br>a)                    | 139                  |             | 393                               |   |                    |   |                      |                                 | 532               |
|  | (Notes<br>a<br>and<br>c)       |                      |             |                                   |   |                    |   |                      |                                 |                   |
| Loen<br>Entertainment,<br>Inc.           | (Note<br>c)                    | 40,234               |             | 11,707                            | 209   |                    |   | (626)                |                                 | 51,524            |

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|   |                    |         |        |          |         |    |         |          |         |
|---|--------------------|---------|--------|----------|---------|----|---------|----------|---------|
| Harex Info Tech, Inc.                     | (Note d)           | 62      |        |          |         |    |         | (62)     |         |
| SK Mobile                                 | (Note a)           | 2,111   |        | (1,982)  | 526     |    |         |          | 655     |
| SKT Vietnam PTE Ltd.                      | (Note a)           | 26,264  |        | (2,092)  | (791)   |    |         |          | 23,381  |
| Skytel Co., Ltd.                          | (Note d)           | 14,958  |        | 2,832    | 1,337   |    | (444)   | (18,683) |         |
| SK China Company Ltd.                     | (Notes a and d)    | 3,919   | 44,859 | 934      | (2,192) |    |         | (947)    | 46,573  |
| SK Telecom China Co., Ltd.                | (Note a)           | 9,443   |        | (302)    | 77      |    |         |          | 9,218   |
| TR Entertainment                          | (Note a)           | 7,560   |        | (1,746)  | 18      |    |         |          | 5,832   |
| ULand Company Ltd.                        | (Note a)           | 3,819   |        | (973)    | 23      |    |         |          | 2,869   |
| SKT Americas, Inc.                        | (Note a)           | 26,131  | 33,036 | (10,561) | 316     |    |         |          | 48,922  |
| SK Telecom China Holding Co., Ltd.        | (Note a)           | 23,396  | 4,656  | (453)    | 245     |    |         |          | 27,844  |
| SK USA, Inc.                              | (Note a)           | 5,498   |        | 618      | (144)   |    |         |          | 5,972   |
| Helio, Inc.                               | (Notes a and c)    | 12      |        |          |         |    |         |          | 12      |
| Korea IT Fund                             | (Note c)           | 220,957 |        | 7,680    | 954     |    | (2,958) |          | 226,633 |
| 1st Music Investment Fund                 | (Note of SK-PVC e) | 4,695   |        |          |         |    |         | (4,017)  | 678     |
| 2nd Music Investment Fund                 | (Note of SK-PVC e) | 8,036   |        | (548)    |         |    |         | (6,827)  | 661     |
| SK-KTB Music Investment Fund              | (Notes a and e)    | 13,538  |        | 682      | 925     | 44 | (63)    | (15,126) |         |
| Stonebridge Cinema Fund                   | (Note a)           | 8,255   |        | (691)    |         |    |         |          | 7,564   |
| Michigan Global Cinema Fund               | (Note a)           | 3,651   |        | (125)    |         |    |         |          | 3,526   |
| 3rd Fund of Isu Entertainment             | (Note a)           | 1,635   |        | 52       |         |    |         |          | 1,687   |
| SK Telecom Advanced Tech & Service Center | (Note a)           | 9,536   |        | 50       | 81      |    |         |          | 9,667   |
| Cyworld China Holdings                    |                    |         |        | (11)     | 11      |    |         |          |         |

|   |             |         |         |         |         |
|---|-------------|---------|---------|---------|---------|
| Magic Tech<br>Network Co.,<br>Ltd.      | 5,267       | (4,858) | (409)   |         |         |
| SK Telecom<br>Global<br>Investment B.V. | (Note<br>a) | 41,013  | 150     | (1,010) | 40,153  |
| SKY Property<br>Mgmt. Ltd.              | (Note<br>a) | 264,850 | 1,637   | 1,490   | 267,977 |
| Wave City<br>Development Co.<br>Ltd.    | (Note<br>a) | 1,532   | (140)   |         | 1,392   |
| Prmaxsoftware<br>Tech. Co., Ltd.        |             | 2,432   | (2,332) |         | 100     |

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For the year ended December 31, 2010

|  |             | Beginning<br>balance | Acquisition | Equity                            |   |                    |                                     |                      | Ending<br>balance |
|--|-------------|----------------------|-------------|-----------------------------------|---|--------------------|-------------------------------------|----------------------|-------------------|
|  |             |                      |             | Equity in<br>earnings<br>(losses) | Equity in<br>other<br>comprehensive<br>income | Capital<br>Surplus | method in<br>capital<br>adjustments | Dividend<br>received |                   |
| MC Digital Cultural<br>Contents Fund                 | (Note<br>a) | 4,912                |             | (275)                             |   |                    |                                     |                      | 4,637             |
| and Benex Focus<br>Investment Fund                   | (Note<br>a) | 19,782               |             | (1,374)                           |   |                    |                                     |                      | 18,408            |
| -net Culture &<br>Contents Venture<br>Fund           | (Note<br>a) | ₩ 11,157             | ₩ 17,700    | ₩ (446)                           | ₩   | ₩                  | ₩                                   | ₩                    | ₩ 28,411          |
| Open Innovation<br>Fund                              | (Note<br>a) | 19,938               | 25,000      | (718)                             |   |                    | (1)                                 |                      | 44,219            |
| niSK   | (Note<br>a) | 4,247                |             | 427                               | 40  |                    |                                     |                      | 4,714             |
| SK Beijing Industrial<br>Development Co.,<br>Limited | (Note<br>d) | 18,009               |             |                                   |   |                    |                                     | (18,009)             |                   |
| kyworld Japan  | (Note<br>e) | 66                   |             |                                   |   |                    |                                     | (66)                 |                   |
| Seohan Kanggun<br>eN Co., Ltd.                       | (Note<br>a) | 7,272                |             | (8)                               |   |                    |                                     |                      | 7,264             |
| SK Telecom Europe<br>Limited                         | (Note<br>a) | 1,286                |             |                                   |   |                    |                                     |                      | 1,286             |
| SK Fans Co., Limited                                 | (Note<br>a) |                      | 13,775      | (1,074)                           | 37  |                    |                                     |                      | 12,738            |
| SK Telecom Smart<br>City Management<br>Co., Ltd.     | (Note<br>a) |                      | 1,709       | (118)                             | (660)   |                    |                                     |                      | 93                |
| Service Ace Co., Ltd.                                | (Note<br>a) |                      | 21,927      | 22                                |   |                    |                                     |                      | 21,949            |
| Service Top Co., Ltd.                                | (Note<br>a) |                      | 14,281      | 369                               |   |                    |                                     |                      | 14,650            |
| Network O&S Co.,<br>Ltd.                             | (Note<br>a) |                      | 15,000      | 2,239                             |   |                    | (216)                               |                      | 17,023            |
| TK Investment, Ltd.                                  | (Note<br>a) |                      | 41,686      | (2,821)                           | (1,979)                                       |                    |                                     |                      | 36,886            |
| Benex Sector Limited<br>Partnership IV               | (Note<br>a) |                      | 25,000      | (380)                             | 217   |                    |                                     |                      | 24,837            |
| IF Stonebridge Fund                                  | (Note<br>a) |                      | 700         | (30)                              |   |                    |                                     |                      | 670               |
| SK Technology<br>Innovation Company                  | (Note<br>a) |                      | 28,146      | (2,836)                           | (258)   |                    |                                     |                      | 25,052            |
| T. Melon Indonesia                                   | (Note<br>a) |                      | 6,492       | 14                                | (296)   |                    |                                     |                      | 6,210             |

|                    |          |             |           |             |           |         |            |            |            |             |
|--------------------|----------|-------------|-----------|-------------|-----------|---------|------------|------------|------------|-------------|
| Packet One Network | (Note a) | 121,120     | (4,720)   | 127         |           |         |            |            |            | 116,527     |
| lightsquared Inc.  |          | 72,096      |           |             |           |         |            |            |            | 72,096      |
| Television Media   | (Note a) | 18,568      | (240)     |             |           |         |            |            |            | 18,328      |
| orea Ltd.          |          |             |           |             |           |         |            |            |            |             |
| YP Entertainment   | (Note a) | 2,903       |           |             |           |         |            |            |            | 2,903       |
| <hr/>              |          |             |           |             |           |         |            |            |            |             |
| total              |          | ₩ 2,680,872 | ₩ 991,130 | ₩ (106,759) | ₩ (8,335) | ₩ (228) | ₩ (38,821) | ₩ (12,533) | ₩ (81,220) | ₩ 3,424,100 |

(Note a) Investment is recorded using the equity method of accounting based on unaudited and unreviewed financial statements as of and for the year ended December 31, 2010. In order to verify the reliability of such unaudited and unreviewed financial statements, the Company has performed the following procedures and found no significant errors:

i) obtained the signature from the chief executive officer of the equity method investee asserting that the unaudited and unreviewed financial statements are accurate

ii) checked whether the major transactions identified by the Company, including public disclosures, were appropriately reflected in the unaudited and unreviewed financial statements

iii) performed an analytical review on the unaudited and unreviewed financial statements

(Note b) During the year ended December 31, 2010, SK Telink Co., Ltd. merged with TU Media Corp., and as a result, investment in TU Media Corp. was transferred to the investment in SK Telink Co., Ltd. as of December 31, 2010.

- (Note c) The Company received dividends from SK Telink Co., Ltd., Paxnet Co., Ltd., Loen Entertainment, Inc., Skytel Co., Ltd., Korea IT Fund and SK-KTB Music Investment Fund and the corresponding amounts are deducted from the carrying amount of equity securities accounted for using the equity method.
- (Note d) Other decrease in IHQ, Inc., Harex info Tech, Inc., Skytel Co., Ltd., SK China Company Ltd. and SK Beijing Industrial Development is due to partial disposal of investments during the year ended December 31, 2010.
- (Note e) Other decrease in 1st Music Investment Fund of SK-PVC, 2nd Music Investment Fund of SK-PVC and Cyworld Japan is due to liquidation during the year ended December 31, 2010.

For the year ended December 31, 2009

|  | Beginning balance | Acquisition | Equity in earnings (losses) | Equity in other comprehensive income | Capital surplus | Equity method in retained earnings | Equity method in capital adjustments | Dividend received | Other increase (decrease) | Ending balance |
|--|-------------------|-------------|-----------------------------|--------------------------------------|-----------------|------------------------------------|--------------------------------------|-------------------|---------------------------|----------------|
| (Note a) SK Broadband Co., Ltd. Communications           | ₩ 1,146,736       | ₩ 241,176   | ₩ (117,528)                 | ₩ 5,841                              | ₩               | ₩ (56,043)                         | ₩ 22,065                             | ₩                 | ₩                         | ₩ 1,247,247    |
| (Note a)   | 147,392           |             | (482)                       | (19,027)                             | 2,049           |                                    | 18,899                               |                   |                           |                |
| (Notes a and b) SK Co., Ltd. Marketing & Sales Co., Ltd. | 112,358           |             | 26,835                      | 162                                  |                 |                                    |                                      | (6,325)           |                           |                |
| (Note a) SK Marketing Co., Ltd.                          | 101,345           |             | 16,067                      | (4,881)                              |                 |                                    |                                      |                   |                           |                |
| (Note a) SK Sports Baseballs Ltd.                        |                   | 150,000     | (16,066)                    |                                      |                 |                                    |                                      |                   |                           |                |
| (Note a)   |                   |             | 28                          |                                      |                 |                                    |                                      |                   | (28)                      |                |
| (Notes a and b) SK Co., Ltd. Credit Information          | 30,086            |             | 1,017                       | (281)                                |                 |                                    | 281                                  | (492)             |                           |                |
| (Note a)   | 4,244             |             | 237                         |                                      |                 |                                    |                                      |                   |                           |                |
| (Note a) SK Corp.  | 14,847            |             | (3,137)                     | 36                                   | (36)            |                                    |                                      |                   |                           |                |
| (Notes a and c) SK Co., Ltd.                             | 7,289             |             |                             |                                      |                 |                                    |                                      |                   | (7,289)                   |                |
| (Note a)   | 26,957            |             | (7,641)                     | (5,108)                              |                 |                                    | 5,970                                |                   |                           |                |
| (Note a) SK Soft Co., Ltd.                               | 9,575             |             | (1,963)                     | 47                                   |                 |                                    | 49                                   |                   |                           |                |

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|                                 |         |       |          |          |          |
|---------------------------------|---------|-------|----------|----------|----------|
| Planet Co., (Note a)            | 1,535   |       | (1,396)  |          |          |
| entertainment, Inc. (Note a)    | 35,895  |       | 1,717    | 2,944    | (322)    |
| o Tech, Inc. (Note a)           | 598     |       | (536)    |          |          |
| e (Note a)                      | 2,111   |       |          |          |          |
| nam PTE Ltd. (Note a)           | 112,160 |       | (71,649) | (14,247) |          |
| , Ltd. (Note a)                 | 12,381  |       | 5,192    | (2,615)  |          |
| Company Ltd. (Note a)           | 3,657   |       | 669      | (408)    |          |
| om China Co., (Note a)          | 7,157   |       | (91)     | 2,378    |          |
| ainment (Note a)                | 9,626   |       | (1,894)  | (172)    |          |
| ompany Ltd. (Notes a and d)     | 5,401   |       | (1,268)  | (314)    |          |
| obile USA, Inc. (Notes a and e) | 62,096  |       | (11,529) | 11       | (50,578) |
| ericas, Inc. (Note a)           | 36,126  |       | (20,589) | (2,396)  | 12,990   |
| om China Co., Ltd. (Note a)     | 30,780  | 6,302 | (11,738) | (1,948)  |          |
| Inc. (Notes a and d)            | 5,041   |       | 865      | (408)    |          |
| e. (Note a)                     | 116     |       |          | (26)     | 26 (104) |
| Fund (Note a)                   | 210,725 |       | 8,821    | 1,411    |          |
| Investment K-PVC (Note a)       | 5,688   |       | (1,146)  | 153      |          |
| c Investment K-PVC (Note a)     | 8,441   |       | (405)    |          |          |

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For the year ended December 31, 2009

|                |    | Beginning<br>balance | Acquisition | Equity in<br>earnings<br>(losses) | Equity in<br>other<br>comprehensive<br>income | Capital<br>surplus | Equity<br>method in<br>retained<br>earnings | Equity<br>method<br>in<br>capital<br>adjustments | Dividend<br>received | Other<br>increase<br>(decrease) | Ending<br>balance |
|----------------|----|----------------------|-------------|-----------------------------------|---|--------------------|---|--|----------------------|---------------------------------|-------------------|
| KTB            |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| ic             |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| vestment (Note | a) | 13,954               |             | (341)                             | (76)  |                    |   | 1  |                      |                                 | 13,               |
| d              |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| ebriidge       |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| ema Fund       |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| merly          |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| M Cinema (Note | a) | 8,435                |             | (179)                             |   |                    |   |  |                      |                                 | 8,                |
| d)             |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| nigan          |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| bal (Note      | a) | 3,577                |             | 74                                |   |                    |   |  |                      |                                 | 3,                |
| ema Fund       |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| Fund of        |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| (Note          | a) | 1,568                |             | 67                                |   |                    |   |  |                      |                                 | 1,                |
| ertainment     |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| Telecom        |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| anced          |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| n & (Note      | a) | 10,053               |             | 246                               | (763)   |                    |   |  |                      |                                 | 9,                |
| ice Center     |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| orld           |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| na (Note       | a) | 2,117                |             | (1,062)                           | (127)   |                    |   | (928)  |                      |                                 |                   |
| lings          |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| ic Tech (Note  | a) | 7,725                |             | (2,403)                           | (55)  |                    |   |  |                      |                                 | 5,                |
| ork            |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| Telecom        |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| bal            |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| vestment (Note | a) | 31,866               | 13,274      | 40                                | (4,167)                                       |                    |   |  |                      |                                 | 41,               |
| Property (Note | a) | 287,405              |             | 827                               | (23,384)                                      |                    |   |  |                      |                                 | 264,              |
| nt. Ltd.       |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| re City        |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| elopment (Note | a) | 1,908                |             | (376)                             |   |                    |   |  |                      |                                 | 1,                |
| Ltd.           |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| axsoftware     |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| . Co., (Note   | a) | 7,127                | 4,538       | (9,526)                           | 293   |                    |   |  |                      |                                 | 2,                |
| ex Digital     |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| ural (Note     | a) | 5,068                |             | (156)                             |   |                    |   |  |                      |                                 | 4,                |
| ents Fund      |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |
| ex Focus (Note | a) | 20,089               |             | (307)                             |   |                    |   |  |                      |                                 | 19,               |
| ited           |    |                      |             |                                   |   |                    |   |  |                      |                                 |                   |



|                |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
|----------------|--------|-------------|-----------|-------------|------------|---------|------------|----------|-----------|------------|----------|---|---|---|---|---|---|---|---|-----|----------|----|
| Partnership II |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Net Culture    |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Contents (Note |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Structure Fund | a)     | 5,856       | 5,900     | (599)       |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   | 11, |          |    |
| on             |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Investment     | (Note  |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| and            | a)     | 20,044      |           | (106)       |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   | 19, |          |    |
|                | (Note  |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| SK             | a)     | 3,475       |           | 1,101       | (329)      |         |            |          |           |            |          |   |   |   |   |   |   |   |   | 4,  |          |    |
| Beijing        |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Industrial     |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Development    | (Note  |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Ltd.           | a)     |             | 23,709    | (5,448)     | (252)      |         |            |          |           |            |          |   |   |   |   |   |   |   |   | 18, |          |    |
|                | (Note  |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| World Japan    | a)     | 3,141       |           | (3,063)     | (12)       |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
|                | (Note  |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| World Inc.     | a)     | 2,672       |           | (2,672)     |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
|                | (Notes |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| nan            | a      |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| ggun BcN and   |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Ltd.           | f) ₩   | ₩           | 6,803     | ₩           | (35)       | ₩       | ₩          | ₩        | ₩         | ₩          | ₩        | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | ₩ | 504 | ₩        | 7, |
|                | (Notes |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
|                | a      |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| Holdings and   |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| merica         | e)     | 12,990      |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     | (12,990) |    |
| Telecom        |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| ope            | (Note  |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
| ited           | a)     | 1,286       |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     | 1,       |    |
|                |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
|                |        |             |           |             |            |         |            |          |           |            |          |   |   |   |   |   |   |   |   |     |          |    |
|                |        | ₩ 2,600,719 | ₩ 451,702 | ₩ (231,528) | ₩ (67,720) | ₩ 2,013 | ₩ (56,043) | ₩ 46,041 | ₩ (6,817) | ₩ (57,495) | ₩ 2,680, |   |   |   |   |   |   |   |   |     |          |    |

(Note a) Investments are recorded using the equity method of accounting based on unaudited and unreviewed financial statements as of and for the year ended December 31, 2009. In order to verify the reliability of such unaudited and unreviewed financial statements, the Company performed the following procedures and found no significant errors:

- i) Obtained the signature from the chief executive officer of the equity method investee asserting that the unaudited and unreviewed financial statements are accurate
- ii) Checked whether the major transactions identified by the Company, including public disclosures, were appropriately reflected in the unaudited and unreviewed financial statements
- iii) Performed an analytical review on the unaudited and unreviewed financial statements

(Note b) The Company received dividends from SK Telink Co., Ltd. and Paxnet Co., Ltd. which are deducted from the carrying amount of equity securities accounted for using the equity method.

(Note c) Other decrease in investments in Aircross Co., Ltd. represents the collection of the Company's investment resulting from the full liquidation of Aircross Co., Ltd.

(Note d) Other decrease in investments in Virgin Mobile Inc. generated from the equity interest exchange of Sprint Nextel.

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(Note e) For the year ended December 31, 2009, SKT Americas, Inc. merged with SKT Holding America, and as such, the book value of the investment in SKT Holding America was transferred to the investment in SKT Americas, Inc. as of December 31, 2009.

(Note f) Other increase in investments in Daehan Kanggun BcN Co., Ltd. generated from the business acquisition of SK Networks Co., Ltd.

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Details of changes in the differences between the acquisition cost and net asset value of equity method investees at the acquisition date for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                                     | For the year ended December 31, 2010 |                      |                   |                  |
|-------------------------------------|--------------------------------------|----------------------|-------------------|------------------|
|                                     | Beginning balance                    | Increase/ (Decrease) | Amortization      | Ending balance   |
| SK Broadband Co., Ltd.              | ₩ 534,955                            | ₩                    | ₩ (42,176)        | ₩ 492,779        |
| SK Communications Co., Ltd.         | 11,230                               |                      | (893)             | 10,337           |
| HanaSK Card Co., Ltd.               |                                      | 70,690               | (2,895)           | 67,795           |
| Paxnet Co., Ltd.                    | 13,946                               |                      | (1,073)           | 12,873           |
| F&U Credit information Co., Ltd.    | 461                                  |                      | (42)              | 419              |
| IHQ, Inc.                           | 8,260                                | (6,883)              | (1,377)           |                  |
| Loen Entertainment, Inc.            | 407                                  |                      | (407)             |                  |
| TR Entertainment                    | 5,243                                |                      | (1,613)           | 3,630            |
| Magic Tech Network Co., Ltd.        | 4,326                                |                      | (4,326)           |                  |
| Daehan Kanggun BcN Co., Ltd.        |                                      | 9                    | (9)               |                  |
| SK Fans Co., Limited                |                                      | 9,180                | (459)             | 8,721            |
| Benex Sector Limited Partnership IV |                                      | 116                  | (116)             |                  |
| Packet One Network                  |                                      | 67,952               | 404               | 68,356           |
| Lightsquared Inc.                   |                                      | 29,579               |                   | 29,579           |
| Television Media Korea Ltd.         |                                      | 240                  | (240)             |                  |
| JYP Entertainment                   |                                      | 2,561                |                   | 2,561            |
| <b>Total</b>                        | <b>₩ 578,828</b>                     | <b>₩ 173,444</b>     | <b>₩ (55,222)</b> | <b>₩ 697,050</b> |

  

|                                  | For the year ended December 31, 2009 |                      |                   |                  |
|----------------------------------|--------------------------------------|----------------------|-------------------|------------------|
|                                  | Beginning balance                    | Increase/ (decrease) | Amortization      | Ending balance   |
| SK Broadband Co., Ltd.           | ₩ 534,050                            | ₩ 26,425             | ₩ (25,521)        | ₩ 534,954        |
| SK Communications Co., Ltd.      | 12,122                               |                      | (892)             | 11,230           |
| Paxnet Co., Ltd.                 | 15,019                               |                      | (1,073)           | 13,946           |
| F&U Credit Information Co., Ltd. | 503                                  |                      | (42)              | 461              |
| IHQ, Inc.                        | 13,767                               |                      | (5,507)           | 8,260            |
| Ntreev Soft Co., Ltd.            | 595                                  |                      | (595)             |                  |
| Loen Entertainment, Inc.         | 1,223                                |                      | (816)             | 407              |
| Harex Info Tech, Inc.            | 350                                  |                      | (350)             |                  |
| Skytel Co., Ltd.                 | (1,377)                              | (10)                 | 1,387             |                  |
| SK China Company Ltd.            | 72                                   | 35                   | (107)             |                  |
| TR Entertainment                 | 6,856                                |                      | (1,613)           | 5,243            |
| Magic Tech Network               | 5,563                                |                      | (1,236)           | 4,327            |
| Virgin mobile USA, Inc.          |                                      | 19,884               | (19,884)          |                  |
| Prmaxsoftware Tech. Co., Ltd.    |                                      | 672                  | (672)             |                  |
| Daehan Kanggun BcN Co., Ltd.     |                                      | 35                   | (35)              |                  |
| <b>Total</b>                     | <b>₩ 588,743</b>                     | <b>₩ 47,041</b>      | <b>₩ (56,956)</b> | <b>₩ 578,828</b> |



Details of changes in unrealized intercompany gains incurred from sales of assets for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                             | For the year ended December 31, 2010 |          |          |                |
|-----------------------------|--------------------------------------|----------|----------|----------------|
|                             | Beginning balance                    | Increase | Decrease | Ending balance |
| SK Communications Co., Ltd. | ₩ 128                                | ₩        | ₩ (128)  | ₩              |
| SK China Company Ltd.       | 1,086                                |          | (263)    | 823            |
| Total                       | ₩ 1,214                              | ₩        | ₩ (391)  | ₩ 823          |

| Subsidiary                  | For the year ended December 31, 2009 |          |          |                |
|-----------------------------|--------------------------------------|----------|----------|----------------|
|                             | Beginning balance                    | Increase | Decrease | Ending balance |
| SK Communications Co., Ltd. | ₩ 269                                | ₩        | ₩ (141)  | ₩ 128          |
| SK China Company Ltd.       | 1,086                                |          |          | 1,086          |
| Total                       | ₩ 1,355                              | ₩        | ₩ (141)  | ₩ 1,214        |

Details of market price of the equity securities accounted for using the equity method as of December 31, 2010 are as follows (In millions of Korean won, except for market price per share):

|                             | Market price per share<br>(In Korean won) | Number of shares owned by<br>the Company | Market price |
|-----------------------------|---|--|--------------|
| SK Broadband Co., Ltd.      | ₩ 5,410                                   | 149,638,354                              | ₩809,543     |
| SK Communications Co., Ltd. | 17,150                                    | 28,029,945                               | 480,714      |
| Loen Entertainment, Inc.    | 8,550                                     | 16,054,812                               | 137,269      |

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The condensed financial information of the investees as of and for the year ended December 31, 2010 is as follows (In millions of Korean won):

|   | Total<br>assets | Total<br>liabilities | Revenue    | Net<br>income (loss) |
|---|-----------------|----------------------|------------|----------------------|
| SK Broadband Co., Ltd.                        | ₩3,083,941      | ₩1,759,148           | ₩2,111,832 | ₩(60,550)            |
| SK Communications Co., Ltd.                   | 318,110         | 94,060               | 242,321    | 7,557                |
| SK Telink Co., Ltd.                           | 392,890         | 237,228              | 341,889    | 37,373               |
| SK Marketing & Company Co., Ltd.              | 661,464         | 423,256              | 418,759    | 19,580               |
| HanaSK Card Co., Ltd.                         | 3,314,140       | 2,684,239            | 496,789    | (60,453)             |
| PS&Marketing Corporation                      | 357,808         | 180,102              | 732,360    | (34,979)             |
| SK Wyverns Baseball Club Co., Ltd.            | 5,072           | 6,638                | 30,685     | (324)                |
| Paxnet Co., Ltd.                              | 35,181          | 10,735               | 30,769     | (1,697)              |
| F&U Credit Information Co., Ltd.              | 12,800          | 4,664                | 46,154     | 251                  |
| Ntreev Soft Co., Ltd.                         | 33,551          | 20,878               | 34,885     | 798                  |
| Commerce Planet Co., Ltd.                     | 43,559          | 43,027               | 63,426     | 172                  |
| Loen Entertainment, Inc.                      | 131,922         | 50,754               | 138,991    | 19,781               |
| SK Mobile                                     | 3,658           | 382                  |            | (7,054)              |
| SKT Vietnam PTE Ltd.                          | 49,097          | 17,207               | 169        | (2,600)              |
| SK China Company Ltd.                         | 212,370         | 1,784                | 15,876     | 4,155                |
| SK Telecom China Co., Ltd.                    | 9,469           | 251                  | 1          | (301)                |
| TR Entertainment                              | 8,096           | 2,879                | 11,026     | (317)                |
| ULand Company Ltd.                            | 7,191           | 3,102                | 2,938      | (1,387)              |
| SKT Americas, Inc.                            | 51,389          | 2,467                | 19,638     | (9,736)              |
| SK Telecom China Holding Co., Ltd.            | 32,218          | 4,374                | 26,225     | (1,843)              |
| SK USA, Inc.                                  | 14,346          | 2,158                | 9,303      | 1,262                |
| Korea IT Fund                                 | 357,842         |                      |            | 14,097               |
| Stonebridge Cinema Fund                       | 16,769          | 191                  | 432        | (1,351)              |
| Michigan Global Cinema Fund                   | 9,785           | 90                   | 20         | (165)                |
| 3rd Fund of Isu Entertainment                 | 5,399           |                      | 170        | 166                  |
| SK Telecom Advanced Tech & Service<br>Center  | 9,761           | 94                   |            | 50                   |
| SK Telecom Global Investment B.V.             | 40,269          | 117                  | 360        | 150                  |
| SKY Property Mgmt. Ltd.                       | 548,288         | 101,660              | 39,298     | 2,961                |
| Wave City Development Co. Ltd.                | 126,442         | 119,153              | 693        | (729)                |
| BMC Digital Cultural Contents Fund            | 23,281          | 4                    | 336        | (285)                |
| 2nd Benex Focus investment Fund               | 27,613          | 2                    | 313        | (2,062)              |
| K-net Culture & Contents Venture Fund         | 48,170          | 15                   | 532        | (755)                |
| Open Innovation Fund                          | 44,713          | 2                    | 523        | (728)                |
| UniSK   | 14,769          | 5,149                | 10,261     | 871                  |
| Daehan Kanggun BcN Co., Ltd.                  | 165,754         | 140,707              |            | 4                    |
| SK Fans Co., Limited                          | 16,588          | 8,712                | 6,975      | (1,205)              |
| SK Telecom Smart City Management Co.,<br>Ltd. | 1,008           | 77                   |            | (119)                |
| Service Ace Co., Ltd.                         | 36,505          | 14,556               | 54,182     | 22                   |
| Service Top Co., Ltd.                         | 29,598          | 14,949               | 54,315     | 369                  |
| Network O&S Co., Ltd.                         | 32,090          | 15,067               | 60,495     | 2,239                |
| YTK Investment Ltd.                           | 36,887          |                      |            | (2,820)              |
| Benex Sector Limited Partnership IV           | 49,974          | 3                    | 770        | (644)                |

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|                                  |         |         |        |          |
|----------------------------------|---------|---------|--------|----------|
| KIF Stonebridge Fund             | 3,383   | 157     | 12     | (144)    |
| SK Technology Innovation Company | 52,949  | 1,822   |        | (5,787)  |
| PT. Melon Indonesia              | 13,759  | 1,085   |        | 27       |
| Packet One Network               | 279,435 | 151,549 | 75,391 | (13,604) |
| Television Media Korea Ltd.      | 36,188  | 251     |        | (291)    |
| JYP Entertainment                | 11,587  | 9,667   | 20,494 | 383      |

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**5. LOANS TO EMPLOYEES**

Short-term and long-term loans to employees as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|   | December 31, 2010 |           |          | December 31, 2009 |
|---|-------------------|-----------|----------|-------------------|
|   | Short-term        | Long-term | Total    |                   |
| Loans to employees stock ownership association (Note) | ₩ 10,657          | ₩ 32,829  | ₩ 43,486 | ₩ 58,197          |
| Loans to employees for housing and other              | 5                 |           | 5        | 46                |
| Total   | ₩ 10,662          | ₩ 32,829  | ₩ 43,491 | ₩ 58,243          |

(Note) The Company loaned the above amount to the Employee s Stock Purchase Association to help fund employees acquisition of the Company s treasury stocks. The loan will be repaid over a period of five years, beginning on the second anniversary of each loan date and will expire on December 25, 2014

**6. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                               | Useful lives (years) | December 31, 2010 | December 31, 2009 |
|-------------------------------|----------------------|-------------------|-------------------|
| Land                          |                      | ₩ 412,209         | ₩ 416,732         |
| Buildings and structures      | 30,15                | 1,591,430         | 1,577,119         |
| Machinery                     | 6                    | 14,354,988        | 14,236,456        |
| Vehicles                      | 4                    | 51,617            | 54,189            |
| Other                         | 4                    | 1,234,382         | 1,004,183         |
| Construction in progress      |                      | 376,896           | 336,835           |
|                               |                      | 18,021,522        | 17,625,514        |
| Less accumulated depreciation |                      | (12,993,955)      | (12,428,993)      |
| Property and equipment, net   |                      | ₩ 5,027,567       | ₩ 5,196,521       |

The standard value of land declared by the government as of December 31, 2010 and 2009 is ₩562,212 million and ₩567,641 million, respectively.

Details of change in property and equipment for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                          | For the year ended December 31, 2010 |                    |                   |                    |                      |   | Ending balance     |
|--------------------------|--------------------------------------|--------------------|-------------------|--------------------|----------------------|---|--------------------|
|                          | Beginning balance                    | Acquisition        | Disposal          | Transfer           | Depreciation         |   |                    |
| Land                     | ₩ 416,732                            | ₩ 1,622            | ₩ (7,000)         | ₩ 857              | ₩                    | ₩ | ₩ 412,210          |
| Buildings and structures | 1,011,126                            | 10,180             | (1,381)           | 6,794              | (70,035)             |   | 956,685            |
| Machinery                | 3,101,102                            | 90,025             | (5,421)           | 1,085,230          | (1,473,453)          |   | 2,797,484          |
| Vehicles                 | 34,250                               | 175                | (113)             |                    | (3,976)              |   | 30,335             |
| Other                    | 296,476                              | 962,862            | (4,195)           | (695,832)          | (105,353)            |   | 453,957            |
| Construction in progress | 336,835                              | 800,435            | (46,581)          | (713,792)          |                      |   | 376,896            |
| <b>Total</b>             | <b>₩ 5,196,521</b>                   | <b>₩ 1,865,299</b> | <b>₩ (64,691)</b> | <b>₩ (316,743)</b> | <b>₩ (1,652,817)</b> |   | <b>₩ 5,027,567</b> |

|                          | For the year ended December 31, 2009 |                    |                             |                    |                    |                      | Ending balance     |
|--------------------------|--------------------------------------|--------------------|-----------------------------|--------------------|--------------------|----------------------|--------------------|
|                          | Beginning balance                    | Acquisition        | Business acquisition (Note) | Disposal           | Transfer           | Depreciation         |                    |
| Land                     | ₩ 447,088                            | ₩ 8,589            | ₩ 3,408                     | ₩ (42,883)         | ₩ 530              | ₩                    | ₩ 416,732          |
| Buildings and structures | 1,012,226                            | 7,098              | 66,404                      | (18,323)           | 1,409              | (57,688)             | 1,011,126          |
| Machinery                | 2,594,086                            | 85,703             | 534,922                     | (5,372)            | 1,273,350          | (1,381,587)          | 3,101,102          |
| Vehicles                 | 2,035                                | 793                |                             | (669)              | 34,339             | (2,248)              | 34,250             |
| Other                    | 361,205                              | 950,971            | 206                         | (26,593)           | (883,568)          | (105,745)            | 296,476            |
| Construction in progress | 281,574                              | 629,933            | 7,031                       | (20,740)           | (560,963)          |                      | 336,835            |
| <b>Total</b>             | <b>₩ 4,698,214</b>                   | <b>₩ 1,683,087</b> | <b>₩ 611,971</b>            | <b>₩ (114,580)</b> | <b>₩ (134,903)</b> | <b>₩ (1,547,268)</b> | <b>₩ 5,196,521</b> |

(Note) The Company acquired the leased line business from SK Networks Co., Ltd.

**7. INTANGIBLE ASSETS**

Intangible assets as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                            | December 31, 2010 |                          |                  | December 31, 2009 |                          |                  |
|----------------------------|-------------------|--------------------------|------------------|-------------------|--------------------------|------------------|
|                            | Acquisition cost  | Accumulated amortization | Carrying amounts | Acquisition cost  | Accumulated amortization | Carrying amounts |
| Goodwill                   | ₩ 2,339,631       | ₩ (1,160,691)            | ₩ 1,178,940      | ₩ 2,340,495       | ₩ (1,032,073)            | ₩ 1,308,422      |
| Frequency use rights       | 1,487,552         | (778,509)                | 709,043          | 1,385,120         | (657,880)                | 727,240          |
| Software development costs | 152,514           | (147,616)                | 4,898            | 192,040           | (179,512)                | 12,528           |
| Computer software          | 1,616,802         | (1,050,143)              | 566,659          | 1,370,128         | (807,854)                | 562,274          |
| Other                      | 155,889           | (101,706)                | 54,183           | 148,947           | (93,475)                 | 55,472           |
|                            | ₩ 5,752,388       | ₩ (3,238,665)            | ₩ 2,513,723      | ₩ 5,436,730       | ₩ (2,770,794)            | ₩ 2,665,936      |

Details of changes in intangible assets for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                            | For the year ended December 31, 2010 |          |           |           |              |                |
|----------------------------|--------------------------------------|----------|-----------|-----------|--------------|----------------|
|                            | Beginning balance                    | Increase | Decrease  | Transfer  | Amortization | Ending balance |
| Goodwill                   | ₩ 1,308,422                          | ₩        | ₩         | ₩         | ₩ (129,482)  | ₩ 1,178,940    |
| Frequency use rights       | 722,240                              |          |           | 102,432   | (120,628)    | 709,043        |
| Software development costs | 12,528                               |          |           | (3,078)   | (4,552)      | 4,898          |
| Computer software          | 562,274                              | 45,698   | (4,458)   | 229,434   | (266,290)    | 566,659        |
| Other                      | 55,472                               | 9,772    | (1,784)   | 2,628     | (11,905)     | 54,183         |
| Total                      | ₩ 2,665,936                          | ₩ 55,470 | ₩ (6,242) | ₩ 331,416 | ₩ (532,857)  | ₩ 2,513,723    |

|                            | For the year ended December 31, 2009 |          |                             |           |           |              |                |
|----------------------------|--------------------------------------|----------|-----------------------------|-----------|-----------|--------------|----------------|
|                            | Beginning balance                    | Increase | Business acquisition (Note) | Decrease  | Transfer  | Amortization | Ending balance |
| Goodwill                   | ₩ 1,439,366                          | ₩        | ₩                           | ₩ (1,130) | ₩         | ₩ (129,814)  | ₩ 1,308,422    |
| Frequency use rights       | 843,771                              |          |                             |           |           | (116,531)    | 727,240        |
| Software development costs | 13,489                               |          |                             |           | 3,682     | (4,643)      | 12,528         |
| Computer software          | 588,254                              | 40,689   | 6,138                       | (4,952)   | 153,345   | (221,200)    | 562,274        |
| Other                      | 56,712                               | 11,118   |                             | (3,115)   | 1,382     | (10,625)     | 55,472         |
| Total                      | ₩ 2,941,592                          | ₩ 51,807 | ₩ 6,138                     | ₩ (9,197) | ₩ 158,409 | ₩ (482,813)  | ₩ 2,665,936    |

(Note) The Company acquired the leased line business from SK Networks Co., Ltd.

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The book value As of December 31, 2010 and residual useful lives of major intangible assets are as follows (In millions of Korean won):

|                | Amount      | Description  | Residual useful lives |
|----------------|-------------|--|-----------------------|
| Goodwill       | ₩ 1,177,574 | Goodwill related to acquisition of Shinsegi Telecomm, Inc. | 9 years and 3 months  |
| IMT license    | 581,355     | Frequency use rights relating to W-CDMA Service            | (Note a)              |
| W-CDMA license | 98,335      | Frequency use rights relating to W-CDMA Service            | (Note b)              |
| WiBro license  | 25,450      | WiBro Service  | (Note c)              |
| DMB license    | 3,903       | DMB Service  | 5 years and 6 months  |

(Note a) With its application for a license to provide IMT 2000 service, the Company has a commitment to pay ₩1,300,000 million to the Korea Communications Commission ( KCC former Ministry of Information Communication). Of which, ₩650,000 million was paid in March 2001 by SK IMT Co., Ltd. (a former subsidiary of the Company), which was merged into the Company on May 1, 2003, and the remainder is required to be paid over 10 years with an annual interest rate equal to the 3-year-maturity government bond rate minus 0.75% (3.37% as of December 31, 2010). The future payment obligations is ₩170,000 million in 2011. On December 4, 2001, SK IMT Co., Ltd. received the IMT 2000 license from KCC, and recorded the total license cost (measured at present value) as an intangible asset. As a result of the merger with SK IMT Co., Ltd., the Company acquired such IMT license of ₩1,259,253 million and assumed the related long-term payable with principal amount of ₩650,000 million on May 1, 2003 (the date of merger). Amortization of the IMT license commenced when the Company started its commercial IMT 2000 service in December 2003, using the straight-line method over the estimated useful life of the IMT license which expires in December 2016. As of December 31, 2010, the present value discount related to the current portion of payments to be made to KCC totaled ₩1,052 million.

(Note b) On May 2010, the Company acquired additional W-CDMA license from KCC and recorded the total license cost (measured at present value) as an intangible asset. Amortization of the W-CDMA license commenced when the Company started to use the additional W-CDMA frequency in October 7, 2010, on a straight-line method basis over the estimated useful life of the W-CDMA license which expires in December 2016. In addition, the Company has a commitment to pay ₩53,100 million to the KCC with an annual interest rate equal to the government's previous year public funds financing account rate minus 1% (3.58% as of December 31, 2010). The future payment obligations are ₩17,700 million annually from 2012 to 2014. As of December 31, 2010, the present value discount related to the long-term portion of payments to be made to KCC total ₩2,457million.

(Note c) The Company purchased the WiBro license from KCC on March 30, 2005. The license period is seven years from the purchase date. Amortization of the WiBro license commenced when the Company started its commercial WiBro services on June 30, 2006 using the straight line basis over the remaining useful life.

**8. BONDS PAYABLE**

Bonds payable as of December 31, 2010 and 2009 are as follows (In millions of Korean won, thousands of U.S. dollars and thousands of Japanese Yen):

|  | Maturity<br>year | Annual interest<br>rate (%)                | December<br>31,<br>2010 | December<br>31,<br>2009 |
|--|------------------|--|-------------------------|-------------------------|
| Domestic general bonds                     | 2010             | 4.0  | ₩                       | ₩ 140,000               |
|  | 2010             | 6.77                                       |                         | 50,000                  |
|  | 2011             | 3.0  | 200,000                 | 200,000                 |
|  | 2013             | 4.0  | 200,000                 | 200,000                 |
|  | 2013             | 6.92                                       | 250,000                 | 250,000                 |
|  | 2014             | 5.0  | 200,000                 | 200,000                 |
|  | 2015             | 5.0  | 200,000                 | 200,000                 |
|  | 2016             | 5.0  | 200,000                 | 200,000                 |
|  | 2016             | 5.54                                       | 40,000                  | 40,000                  |
|  | 2016             | 5.92                                       | 230,000                 | 230,000                 |
|  | 2018             | 5.0  | 200,000                 | 200,000                 |
| Dollar denominated<br>bonds (US \$300,000) | 2011             | 4.25                                       | 341,670                 | 350,280                 |
| Dollar denominated<br>bonds (US \$400,000) | 2027             | 6.63                                       | 455,560                 | 467,040                 |
|  |                  |  | December<br>31,<br>2010 | December<br>31,<br>2009 |
| Yen denominated bonds<br>(JPY 12,500,000)  | 2012             | 3-month Euro Yen LIBOR rate +0.55 (note a) | 174,635                 | 157,852                 |
| Yen denominated bonds<br>(JPY 5,000,000)   | 2012             | 3-month Euro Yen TIBOR rate +2.5 (Note b)  | 69,854                  | 63,141                  |
| Yen denominated bonds<br>(JPY 3,000,000)   | 2012             | 3-month Euro Yen LIBOR rate +2.5 (Note a)  | 41,912                  | 37,885                  |
| Convertible bonds (US<br>\$332,528)        | 2014             | 1.75                                       | 437,673                 | 437,673                 |
| Floating rate notes (US<br>\$150,000,000)  | 2010             | 3-month LIBOR rate +3.05 (Note c)          |                         | 175,140                 |
| Floating rate notes (US<br>\$220,000,000)  | 2012             | 3-month LIBOR rate +3.15 (Note c)          | 250,558                 | 256,872                 |
| Total                                      |                  |  | 3,491,862               | 3,855,883               |
| Less discounts on<br>bonds                 |                  |  | (48,015)                | (61,227)                |
| Less conversion right<br>adjustments       |                  |  | (64,489)                | (81,235)                |
| Net  |                  |  | 3,379,358<br>(539,607)  | 3,713,421<br>(364,205)  |

Less portion due within  
one year

Long-term portion

₩ 2,839,751    ₩ 3,349,216

(Note a)    The 3-months Euro Yen LIBOR rate as of December 31, 2010 is 0.19%.

(Note b)    The 3-months Euro Yen TIBOR rate as of December 31, 2010 is 0.34%.

(Note c)    The 3-months LIBOR rate as of December 31, 2010 is 0.30%.

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All of the above bonds will be paid in full at maturity.

On April 7, 2009, the Company issued convertible bonds with a maturity of five years in the principal amount of US\$332,528,000 for US\$326,397,463 with an initial conversion price of ₩230,010 per share of the Company's common stock, which was greater than market value at the date of issuance. The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The conversion right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares to be converted As of December 31, 2010 is 2,090,996 shares.

Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock, if this 49% ownership limitation is violated due to the exercise of conversion rights. In this case, the Company will pay a bond holder as cash settlement determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five or twenty business days. The Company intends to sell treasury shares held in trust by the Company that corresponds to the number of shares of common stock that would have been delivered in the absence of the 49% foreign shareholding restrictions. Unless either previously redeemed or converted, the notes are redeemable at 100% of the principal amount at maturity. Conversion price has changed from ₩230,010 to ₩220,000 and the number of common shares that can be converted has changed from 1,999,997 shares to 2,090,996 shares due to the payment of periodic dividends in accordance with a resolution of Board of Directors at January 27, 2010 and payment of interim dividends in accordance with a resolution of the Board of Directors at July 22, 2010. During the year ended December 31, 2010, no conversion has been made.

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**9. LONG-TERM BORROWINGS**

Long-term borrowings as of December 31, 2010 and 2009 are as follows (In millions of Korean won and thousands of U.S. dollars):

|                                       | Lender          | Final maturity year | Annual interest rate (%) (note) | December 31, 2010 | December 31, 2009 |
|---------------------------------------|-----------------|---------------------|---------------------------------|-------------------|-------------------|
| Long-term floating rate discount bill | Shinhan Bank    | June 29, 2011       | 91 days CD yield + 0.25%        | ₩                 | ₩ 200,000         |
| Long-term floating rate borrowings    | KDB             | July 28, 2011       | 91 days CD yield + 1.02%        | ₩ 100,000         | ₩ 100,000         |
|                                       | Citibank        | July 29, 2011       | 91 days CD yield + 1.20%        | ₩ 100,000         | ₩ 100,000         |
|                                       | Nonghyup        | July 30, 2011       | 91 days CD yield + 1.30%        | ₩ 100,000         | ₩ 100,000         |
|                                       | Hana Bank       | July 31, 2011       | 91 days CD yield + 1.50%        | ₩ 150,000         | ₩ 150,000         |
|                                       | Nonghyup        | August 12, 2011     | 91 days CD yield + 1.50%        | ₩ 50,000          | ₩ 50,000          |
|                                       | Credit Agricole | October 10, 2013    | 6M LIBOR + 0.29%                | US\$ 30,000       | US\$ 30,000       |
|                                       | Bank of China   | October 10, 2013    | 6M LIBOR + 0.29%                | US\$ 20,000       | US\$ 20,000       |
|                                       | DBS Bank        | October 10, 2013    | 6M LIBOR + 0.29%                | US\$ 25,000       | US\$ 25,000       |
|                                       | SMBC            | October 10, 2013    | 6M LIBOR + 0.29%                | US\$ 25,000       | US\$ 25,000       |
| Total                                 |                 |                     |                                 | US\$ 100,000      | US\$ 100,000      |
|                                       |                 |                     |                                 | ₩ 500,000         | ₩ 700,000         |
| Equivalent in Korean won              |                 |                     |                                 | ₩ 613,890         | ₩ 816,760         |
| Less current portion                  |                 |                     |                                 | (500,000)         |                   |
| Long-term borrowings                  |                 |                     |                                 | ₩ 113,890         | ₩ 816,760         |

(Note) At December 31, 2010, the 91 days CD yield and the 6M LIBOR rate are 2.80% and 0.46%, respectively.

**10. SUBSCRIPTION DEPOSITS**

The Company receives subscription deposits from customers of cellular services at the subscription date. The Company has no obligation to pay interest on subscription deposits but is required to return them to subscribers upon termination of the subscription contract.

Long-term subscription deposits held as of December 31, 2010 and 2009 are as follows (In millions of Korean won except deposit per subscriber amounts):

| Service type | Deposit per subscriber (in Korean won) | December 31, 2010 | December 31, 2009 |
|--------------|--|-------------------|-------------------|
| Cellular     | ₩ 200,000                              | ₩ 5,219           | ₩ 5,480           |

**11. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable and long-term borrowings denominated in foreign currencies described in Notes 8 and 9, respectively) as of December 31, 2010 and 2009 are as follows (In millions of Korean won, thousands of U.S. dollars, thousands of HK dollars, thousands of Japanese yen, thousands of Great Britain pounds, thousands of Singapore dollars, thousands of Swiss Franc, thousands of Euros and thousands of Chinese yuan):

|                           | December 31, 2010   |   | December 31, 2009   |  |
|---------------------------|---|---|---|--|
|                           | Foreign currencies  | Korean won equivalent                       | Foreign currencies  | Korean won equivalent                                  |
| Cash and cash equivalents | US\$ 3,594<br>EUR 7   | ₩ 4,093<br>11                               | US\$ 3,663<br>EUR 8   | ₩ 4,277<br>13  |
| Accounts receivable trade | US\$ 4,050<br>EUR 203<br>JPY 918<br>GBP 3<br>AU\$ 2<br>CA\$ 1             | 4,613<br>307<br>13<br>5<br>2<br>1           | US\$ 5,236<br>EUR 187   | 6,114<br>313   |
| Accounts receivable other | US\$ 14,271   | 16,253                                      | US\$ 182<br>CNY 1,131   | 212<br>194   |
| Guarantee deposits        | US\$ 147<br>JPY 16,854  | 167<br>235                                  | US\$ 8<br>JPY 17,397  | 9<br>220   |
|                           |   | ₩ 25,700                                    |   | ₩ 11,352   |
| Accounts payable          | US\$ 22,323<br>JPY 945<br>HK\$ 29<br>GBP 86<br>SG\$ 1<br>EUR 429<br>CNY 2 | ₩ 25,417<br>13<br>4<br>152<br>1<br>650<br>1 | US\$ 9,118<br>JPY 99,742<br>HK\$ 19<br>GBP 78<br>SG\$ \$1<br>EUR 810<br>CHF 19<br>CNY 2 | ₩ 10,647<br>1,259<br>3<br>146<br>1<br>1,356<br>22<br>1 |
|                           |   | ₩ 26,238                                    |   | ₩ 13,435   |

**12. CAPITAL STOCK**

The Company's capital stock consists entirely of common stock with a par value of ₩500. The number of authorized and issued shares as of December 31, 2010 and 2009 are as follows:

|   | December 31,<br>2010 | December 31,<br>2009 |
|---|----------------------|----------------------|
| Authorized shares                         | 220,000,000          | 220,000,000          |
| Issued shares (Note a)                    | 80,745,711           | 80,745,711           |
| Outstanding shares, net of treasury stock | 71,094,999           | 72,344,999           |

Significant changes in capital stock and capital surplus for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won except for share data):

|                      | Number of<br>shares<br><br>issued (Note) | Capital<br>stock | Additional paid<br>in<br>capital |
|----------------------|--|------------------|----------------------------------|
| At December 31, 2009 | 80,745,711                               | ₩ 44,639         | ₩ 2,915,887                      |
| At December 31, 2010 | 80,745,711                               | ₩ 44,639         | ₩ 2,915,887                      |

(Note) During the years ended December 31, 2003, 2006 and 2009, the Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, and reduced retained earnings before appropriations in accordance with the Korean Commercial Law. As a result, the total par value of outstanding capital stock does not agree to the capital balance of capital stock. In addition, there are no changes in capital stock for the years ended December 31, 2010 and 2009.

**13. RETAINED EARNINGS**

Details of appropriated retained earnings as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|   | December 31,<br>2010 | December 31,<br>2009 |
|---|----------------------|----------------------|
| Legal reserve                                 | ₩ 22,320             | ₩ 22,320             |
| Reserve for research and manpower development | 658,928              | 672,595              |
| Reserve for business expansion                | 7,519,138            | 7,045,138            |
| Reserve for technology development            | 1,150,000            | 1,150,000            |
| Total   | ₩ 9,350,386          | ₩ 8,890,053          |

**a. Legal Reserve**

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

**b. Reserve for Business Expansion and Technology Development**

Reserve for research and manpower development were appropriated in order to recognize certain tax



deductible benefits through the early recognition of future expenditure for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

c. Reserve for Business Expansion and Technology Development

The reserves for business expansion and technology development are voluntary and were approved by the Board of Directors and stockholders.

**14. TREASURY STOCK**

The Company acquired 8,707,696 shares of treasury stock in the market or through the trust funds for ₩2,055,620 million through 2008 in order to provide stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co., Ltd., increase shareholder values, and stabilize the market price of its stock. On January 9, 2009, in accordance with a resolution of Board of Directors on October 23, 2008, the Company acquired 448,000 shares of treasury stock for ₩92,476 million from December 2, 2008 through January 7, 2009, and retired the shares with the Company's retained earnings for ₩92,476 million. As a result of these transactions, retained earnings decreased by ₩92,476 million. On December 15, 2009, the Company acquired 4 shares of treasury stock for ₩7 million by acquisition request of odd lot stock, resulting from the merger with Shinsegi Telecom, Inc. In addition, from July 26, 2010 through October 20, 2010, the Company acquired 1,250,000 shares of treasury stock for ₩210,356 million in accordance with a resolution of the board of directors on July 22, 2010. As a result, treasury stocks as of December 31, 2010 and 2009 are 9,650,712 shares and 8,400,712 shares with acquisition costs of ₩2,202,439 million and ₩1,992,083 million, respectively.

**15. INCOME TAX**

a. Details of income tax expense

Income tax expense for the years ended December 31, 2010 and 2009 consists of the following (In millions of Korean won):

|                    | For the year ended December |           |
|--------------------|-----------------------------|-----------|
|                    | 31,                         |           |
|                    | 2010                        | 2009      |
| Current            | ₩ 497,166                   | ₩ 597,396 |
| Deferred (Note a)  | (91,280)                    | (228,392) |
| Income tax expense | ₩ 405,886                   | ₩ 369,004 |

(Note a) Changes in net deferred tax liabilities for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|   | For the year ended December 31, |             |
|---|---------------------------------|-------------|
|   | 2010                            | 2009        |
| Ending balance of net deferred tax liabilities(assets)  | ₩ (171,714)                     | ₩ 16,033    |
| Beginning balance of net deferred tax liabilities   | (16,033)                        | (257,939)   |
| Adjustment to the beginning net deferred tax liabilities based on tax return filed                            | 18,479                          | 5,320       |
| Tax effect of temporary differences charged or credited directly to related components of stockholders equity | 77,988                          | 8,194       |
|   | ₩ (91,280)                      | ₩ (228,392) |

b. The following is a reconciliation between income tax expense and income before income tax expense for the years ended December 31, 2010 and 2009 is as follows (In millions of Korean won) :

|  | For the year ended December 31, |             |
|--|---------------------------------|-------------|
|  | 2010                            | 2009        |
| Income before income tax                                 | ₩ 1,816,854                     | ₩ 1,657,344 |
| Income tax expense at statutory income tax rate (Note a) | 439,652                         | 401,053     |
| Differences (Note b)                                     | (33,766)                        | (32,049)    |
| Income tax expense                                       | ₩ 405,886                       | ₩ 369,004   |
| Effective tax rates                                      | 22.34%                          | 22.26%      |

(Note a) The statutory income tax rate for the taxable income up to ₩200 million and above ₩200 million for the year ended December 31, 2010 is 11.0% and 24.2%, respectively. Statutory income tax rate for the taxable income up to ₩200 million and above ₩200 million for the year ended December 31, 2009 was 12.1% and 24.2%, respectively.

(Note b) The difference items between income tax computed using the statutory corporate income tax rates and the recorded income tax for the years ended December 31, 2010 and 2009 is as follows (In millions of Korean won):

|   | For the year ended December 31, |          |
|---|---------------------------------|----------|
|   | 2010                            | 2009     |
| Permanent difference  | ₩ 28,725                        | ₩ 23,487 |
| Changes in deferred income tax assets (liabilities) recognized related to equity method investment securities | (24,748)                        | 16,629   |

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|   |                   |                   |
|---|-------------------|-------------------|
| Tax credit for investment and other                   | (36,709)          | (96,266)          |
| Special surtax for agriculture and fishery industries | 6,708             | 16,521            |
| Additional income tax (tax refund) for prior periods  | (7,542)           | 11,142            |
| Effect of statutory corporate income tax rates change | (200)             | (3,562)           |
|   | <b>₩ (33,766)</b> | <b>₩ (32,049)</b> |

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## c. Change in cumulative temporary differences and deferred tax assets (liabilities)

Changes in cumulative temporary differences for the years ended December 31, 2010 and 2009 and deferred tax assets (liabilities) as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

| Description   | January 1,<br>2010 | Increase<br>(Note a) | Decrease<br>(Note a) | December<br>31,<br>2010 |
|---|--------------------|----------------------|----------------------|-------------------------|
| <b>Current:</b>   |                    |                      |                      |                         |
| Allowance for doubtful accounts   | ₩ 142,991          | ₩ 135,391            | ₩ 142,135            | ₩ 136,247               |
| Accrued interest income   | (2,623)            | (2,328)              | (2,619)              | (2,332)                 |
| Bad debt  | 126,575            | 1,060                | 9,748                | 117,887                 |
| Accrued expenses  | 137,603            | 38,822               | 40,822               | 135,603                 |
| Current portion of investment securities  |                    | (175,645)            |                      | (175,645)               |
| Loss on valuation of interest rate swap<br>(other comprehensive income)                                 |                    | 14,016               | 6,470                | 7,546                   |
| Other   | 517,385            | 783,569              | 637,507              | 663,447                 |
| <b>Total</b>  | <b>921,931</b>     | <b>794,885</b>       | <b>834,063</b>       | <b>882,753</b>          |
| Temporary differences unlikely to be realized   | (128,555)          |                      |                      | (128,555)               |
| <b>Total current cumulative temporary<br/>differences-net</b>   | <b>₩ 793,376</b>   | <b>₩ 794,885</b>     | <b>₩ 834,063</b>     | <b>₩ 754,198</b>        |
| <b>Current deferred tax assets-net (Note b)</b>   | <b>₩ 194,825</b>   |                      |                      | <b>₩ 182,516</b>        |
| <b>Non-current:</b>   |                    |                      |                      |                         |
| Property and equipment  | ₩ (10,705)         | ₩ 67,778             | ₩ (34,346)           | ₩ 91,419                |
| Loss on impairment of long-term investment<br>securities  | 162,094            | (27,382)             | 5,980                | 128,732                 |
| Reserves for research and manpower<br>development   | (546,333)          | 63,000               | (123,333)            | (360,000)               |
| Equity in (earnings) losses of affiliates   | 401,081            | 167,063              | 32,049               | 536,095                 |
| Equity in other comprehensive income of<br>affiliates   | 58,699             | 106,204              |                      | 164,903                 |
| Unrealized loss on valuation of long-term<br>investment securities, net (other<br>comprehensive income) | (1,288,960)        | (66,423)             | (499,934)            | (855,449)               |
| Accrued severance indemnities   | 64,278             | 22,358               | 9,835                | 76,801                  |
| Deposits for severance indemnities  | (64,278)           | (22,358)             | (9,835)              | (76,801)                |
| Loss on valuation of currency swap  | (145,504)          | 28,057               |                      | (117,447)               |
| Loss on valuation of currency swap (other<br>comprehensive income)                                      | (964)              | 86,238               |                      | 85,274                  |
| Loss on valuation of interest rate swap (other<br>comprehensive income)                                 | 14,016             |                      | 14,016               |                         |
| Considerations for conversion right   | (86,968)           | 5,733                | (16,746)             | (64,489)                |
| Loss (Gain) on foreign currency translation   | 50,808             | 690                  | 16,851               | 34,647                  |



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|   |             |           |             |            |
|---|-------------|-----------|-------------|------------|
| Goodwill relevant to lease line                         | 819,989     | (110)     | 197,427     | 622,452    |
| Other   | 208,774     | (40,554)  | 11,851      | 156,369    |
| <br>  |             |           |             |            |
| Total   | (363,973)   | 390,294   | (396,185)   | 422,506    |
| Temporary differences unlikely to be realized           | (607,286)   |           | (107,796)   | (499,490)  |
| <br>  |             |           |             |            |
| Total non-current cumulative temporary differences-net  | ₩ (971,259) | ₩ 390,295 | ₩ (503,981) | ₩ (76,984) |
| <br>  |             |           |             |            |
| Total non-current deferred tax liabilities-net (Note b) | ₩ (210,859) |           |             | ₩ (10,802) |

(Note a) These changes include adjustment to reflect the change in accumulated temporary differences based on the prior year tax return.

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(Note b) The tax rate used in measuring deferred tax assets and liabilities as of January 1, 2010 is 24.2% and 22%. In addition, as of December 31, 2010, based on the announcement of the statutory income tax rate changed, the tax rates used in measuring deferred tax assets and liabilities for the cumulative temporary differences which are expected to be realized during, 2011 and after 2012 are 24.2% and 22%, respectively.

| Description   | January 1,<br>2009 | Increase<br>(Note a) | Decrease<br>(Note a) | December 31,<br>2009 |
|---|--------------------|----------------------|----------------------|----------------------|
| Current:  |                    |                      |                      |                      |
| Allowance for doubtful accounts   | ₩ 42,197           | ₩ 143,657            | ₩ 42,863             | ₩ 142,991            |
| Accrued interest income   | (5,490)            | (2,623)              | (5,490)              | (2,623)              |
| Bad debt  | 77,405             | 5,261                | (43,909)             | 126,575              |
| Accrued expenses  | 86,731             | 78,044               | 27,172               | 137,603              |
| Other   | 17,285             | 502,267              | 2,167                | 517,385              |
| Total   | 218,128            | 726,606              | 22,803               | 921,931              |
| Temporary differences unlikely to be realized   | (128,555)          |                      |                      | (128,555)            |
| Total current cumulative temporary differences-net  | ₩ 89,573           | ₩ 726,606            | ₩ 22,803             | ₩ 793,376            |
| Current deferred tax assets-net (Note b)  | ₩ 21,677           |                      |                      | ₩ 194,825            |
| Non-current:  |                    |                      |                      |                      |
| Bad debt  | ₩ 48,257           | ₩                    | ₩ 48,257             | ₩                    |
| Property and equipment  | (97,992)           | 23,644               | (63,643)             | (10,705)             |
| Loss on impairment of long-term investment securities   | 357,092            | 6,245                | 201,243              | 162,094              |
| Loss on impairment of other long-term assets  | 8,122              |                      | 8,122                |                      |
| Reserves for research and manpower development  | (350,000)          | (363,000)            | (166,667)            | (546,333)            |
| Equity in (earnings) losses of affiliates   | (42,707)           | 454,188              | 10,400               | 401,081              |
| Equity in other comprehensive income of affiliates  | 38,945             |                      | (19,754)             | 58,699               |
| Unrealized loss on valuation of long-term investment securities, net (other comprehensive income) | (539,150)          | (750,854)            | (1,044)              | (1,288,960)          |
| Accrued severance indemnities   | 59,101             | 17,794               | 12,617               | 64,278               |
| Deposits for severance indemnities  | (58,427)           | (18,468)             | (12,617)             | (64,278)             |
| Loss on valuation of currency swap  | (51,556)           | 96,411               | 190,359              | (145,504)            |
| Loss on valuation of currency swap (other comprehensive income)                                   | 18,328             | 70,082               | 89,374               | (964)                |
| Loss on valuation of interest rate swap (other comprehensive income)                              | 33,499             |                      | 19,483               | 14,016               |

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|   |               |           |           |             |
|---|---------------|-----------|-----------|-------------|
| Gain on conversion of convertible bond                  | (373,140)     |           | (373,140) |             |
| Considerations for conversion right                     | (5,732)       | (93,067)  | (11,831)  | (86,968)    |
| Long-term accrued interest                              | 17,256        |           | 17,256    |             |
| Loss (Gain) on foreign currency translation             | (295,250)     | 423,677   | 77,619    | 50,808      |
| Goodwill relevant to lease line                         |               | 870,713   | 50,724    | 819,989     |
| Other   | 483,575       | 159,894   | 434,695   | 208,774     |
| <br>  |               |           |           |             |
| Total   | (749,779)     | 897,259   | 511,453   | (363,973)   |
| Temporary differences unlikely to be realized           | (496,155)     |           | 111,131   | (607,286)   |
| <br>  |               |           |           |             |
| Total non-current cumulative temporary differences-net  | ₩ (1,245,934) | ₩ 897,259 | ₩ 622,584 | ₩ (971,259) |
| <br>  |               |           |           |             |
| Total non-current deferred tax liabilities-net (Note b) | ₩ (279,616)   |           |           | ₩ (210,859) |

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d. Deferred tax assets and liabilities before offsetting as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|   | For the year ended December 31, |             |           |           |             |            |
|---|---------------------------------|-------------|-----------|-----------|-------------|------------|
|   | 2010                            |             |           | 2009      |             |            |
|   | Current                         | Non-current | Sub-total | Current   | Non-current | Sub-total  |
| Deferred tax assets                       | ₩ 186,614                       | ₩ 336,164   | ₩ 522,778 | ₩ 201,321 | ₩ 269,951   | ₩ 471,272  |
| Deferred tax liabilities                  | (4,098)                         | (346,966)   | (351,064) | (6,495)   | (480,810)   | (487,305)  |
| Deferred tax assets<br>(liabilities), net | ₩ 182,516                       | ₩ (10,802)  | ₩ 171,714 | ₩ 194,826 | ₩ (210,859) | ₩ (16,033) |

e. Deferred tax assets (liabilities) added to (deducted from) capital surplus, capital adjustments or accumulated other comprehensive income (loss) as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

|  | For the year ended December 31, |           |
|--|---------------------------------|-----------|
|  | 2010                            | 2009      |
| Gains on disposal of treasury stock                                  | ₩ ( )                           | ₩ (1,438) |
| Consideration for conversion right                                   |                                 | (19,445)  |
| Other capital adjustments  | 50                              | 189,310   |
| Equity method in capital adjustments                                 | 4,867                           | (3,028)   |
| Equity method in Capital surplus                                     | (79)                            |           |
| Unrealized loss on valuation of long-term investment securities, net | 55,881                          | (159,814) |
| Equity in other comprehensive income of affiliates, net              | (446)                           | 11,139    |
| Loss on valuation of currency swap, net                              | 18,972                          | (4,244)   |
| Loss on valuation of interest rate swap, net                         | (1,257)                         | (4,286)   |
| Total  | ₩ 77,988                        | ₩ 8,194   |

**16. COMPREHENSIVE INCOME**

Details of comprehensive income for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|   | For the year ended December 31, |            |                           |             |
|---|---------------------------------|------------|---------------------------|-------------|
|   | 2010                            |            | 2009                      |             |
|   | Profit and<br>loss effect       | Tax effect | Profit and<br>loss effect | Tax effect  |
| Net income  | ₩ 1,410,968                     |            | ₩ 1,288,340               |             |
| Other comprehensive income (loss):                                      |                                 |            |                           |             |
| Unrealized gain on valuation of long-term<br>investment securities, net | (201,863)                       | ₩ 55,881   | 589,875                   | ₩ (159,814) |
| Equity in other comprehensive income of<br>affiliates, net              | (7,850)                         | (446)      | (79,985)                  | 11,139      |
| Loss on valuation of currency swap, net                                 | (67,266)                        | 18,972     | 15,048                    | (4,244)     |
| Gain (loss) on valuation of interest rate swap,<br>net                  | 5,213                           | (1,257)    | 15,197                    | (4,286)     |
| Sub-total   | (271,766)                       | ₩ 73,150   | 540,135                   | ₩ (157,205) |
| Comprehensive income  | ₩ 1,139,202                     |            | ₩ 1,828,475               |             |

**17. NET INCOME AND ORDINARY INCOME PER SHARE**

The Company's net income and ordinary income per share amounts for the years ended December 31, 2010 and 2009 is computed as follows (In millions of Korean won, except for per share income per share):

Net income per share

|  | For the year ended December 31, |             |
|--|---------------------------------|-------------|
|  | 2010                            | 2009        |
| Net income   | ₩ 1,410,968                     | ₩ 1,288,340 |
| Weighted average number of common shares outstanding | 71,942,387                      | 72,346,763  |
| Net income per share                                 | ₩ 19,612                        | ₩ 17,808    |

The weighted average number of common shares outstanding for the years ended December 31, 2010 and 2009 is calculated as follows:

|                                       | For the year ended December 31, 2010 |                               |                                 |
|---------------------------------------|--------------------------------------|-------------------------------|---------------------------------|
|                                       | Number of<br>shares                  | Weighted<br>number of<br>days | Weighted<br>number of<br>shares |
| Number of shares at January 1, 2010   | 80,745,711                           | 365/365                       | 80,745,711                      |
| Treasury stocks at January 1, 2010    | (8,400,712)                          | 366/366                       | (8,400,712)                     |
| Acquisition of treasury stock         | (1,250,000)                          | 118 (Note)                    | (402,612)                       |
| Number of shares at December 31, 2010 | 71,094,999                           |                               | 71,942,387                      |

  

|                                       | For the year ended December 31, 2009 |                               |                                 |
|---------------------------------------|--------------------------------------|-------------------------------|---------------------------------|
|                                       | Number of<br>shares                  | Weighted<br>number of<br>days | Weighted<br>number of<br>shares |
| Number of shares at January 1, 2009   | 81,193,711                           | 365/365                       | 81,193,711                      |
| Treasury stocks at January 1, 2009    | (8,707,696)                          | 366/366                       | (8,707,696)                     |
| Acquisition of treasury stock         | (141,016)                            | 360 (Note)                    | (139,252)                       |
| Number of shares at December 31, 2009 | 72,344,999                           |                               | 72,346,763                      |

(Note) The Company acquired treasury stocks on various dates during the years ended December 31, 2010 and 2009, and the weighted number of shares is calculated considering each transaction date

Diluted net income per share amounts for the years ended December 31, 2010 and 2009 is computed as follows (In millions of Korean won, except for share data):

Diluted net income and ordinary income per share

|   | For the year ended December 31, |             |
|---|---------------------------------|-------------|
|   | 2010                            | 2008        |
| Adjusted net income   | ₩ 1,429,720                     | ₩ 1,308,824 |
| Adjusted weighted average number of common shares outstanding | 74,033,383                      | 74,367,734  |
| Diluted net income per share                                  | ₩ 19,312                        | ₩ 17,599    |

Adjusted net income and ordinary income per share and the adjusted weighted average number of common shares outstanding for the years ended December 31, 2010 and 2009 are calculated as follows (In millions of Korean won, except for share data):

|   | For the year ended December 31, |                 |
|---|---------------------------------|-----------------|
|   | 2010                            | 2009            |
| Net income  | ₩ 1,410,968                     | ₩ 1,288,340     |
| Effect of convertible bonds (Note)                                | 18,752                          | 20,484          |
| <br>Adjusted net income and ordinary income                       | <br>₩ 1,429,720                 | <br>₩ 1,308,824 |
|   | For the year ended December 31, |                 |
|   | 2010                            | 2009            |
| Weighted average number of common shares outstanding              | 71,942,387                      | 72,346,763      |
| Effect of convertible bonds (Note)                                | 2,090,996                       | 2,020,971       |
| <br>Adjusted weighted average number of common shares outstanding | <br>74,033,383                  | <br>74,367,734  |

(Note) The effect of convertible bonds is an increase in net income related to interest expenses that would not be incurred, and increase in the weighted average number of common shares outstanding related to common shares that would be issued, assuming that the conversion of convertible bonds were made at the beginning of the period.

#### **18. RESTRICTED CASH AND CASH EQUIVALENTS**

As of December 31, 2010, the Company has guarantee deposits restricted for checking accounts totaling ₩19 million and deposits restricted for a charitable trust for small businesses in cooperation with SK Group amounting to ₩50,000 million of which is due on June 2, 2011 and for the public amounting to ₩6,500 million of which is due on May 4, 2011. In addition, the company has guarantee deposits restricted for registration of electrical work business according to Electrical work Business Act amounting to ₩50 million of which is due at the end of the electrical work business.

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**19. DIVIDEND DISCLOSURE**

Details of dividends, which were declared for the years ended December 31, 2010 and 2009, are as follows (In millions of Korean won except for per share data):

|      | Dividend type             | Number of<br>shares<br>outstanding | Face<br>value<br>per share | Dividend<br>ratio | Dividends |
|------|---------------------------|------------------------------------|----------------------------|-------------------|-----------|
| 2010 | Cash dividends (interim)  | 72,344,999                         | ₩ 500                      | 200%              | ₩ 72,345  |
|      | Cash dividends (year-end) | 71,094,999                         | ₩ 500                      | 1,680%            | 597,198   |
|      | Total                     |                                    |                            |                   | ₩ 669,543 |
| 2009 | Cash dividends (interim)  | 72,345,003                         | ₩ 500                      | 200%              | ₩ 72,345  |
|      | Cash dividends (year-end) | 72,344,999                         | ₩ 500                      | 1,680%            | 607,698   |
|      | Total                     |                                    |                            |                   | ₩ 680,043 |

Dividends payout ratios (including interim dividend) for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                        | For the year ended December 31, |           |
|------------------------|---------------------------------|-----------|
|                        | 2010                            | 2009      |
| Dividends              | ₩ 669,543                       | ₩ 680,043 |
| Net income             | 1,410,968                       | 1,288,340 |
| Dividends payout ratio | 47.45%                          | 52.78%    |

Dividends yield ratios (including interim dividend) for the years ended December 31, 2010 and 2009 are as follows (In Korean won):

|                             | For the year ended December<br>31, |         |
|-----------------------------|------------------------------------|---------|
|                             | 2010                               | 2009    |
| Dividend per share          | ₩ 9,400                            | ₩ 9,400 |
| Stock price at the year-end | 173,500                            | 169,500 |
| Dividends yield ratio       | 5.42%                              | 5.55%   |

**20. INSURANCE**

As of December 31, 2010, certain Company's assets are insured with local insurance companies as follows (In millions of Korean won and thousands of U.S. dollars):

| Insured | Risk | Carrying value | Coverage |
|---------|------|----------------|----------|
|---------|------|----------------|----------|



|                        |                                  |             |             |
|------------------------|----------------------------------|-------------|-------------|
| Property and equipment | Fire and comprehensive liability | ₩ 3,754,805 | ₩ 8,878,066 |
|------------------------|----------------------------------|-------------|-------------|

In addition, the Company carries directors and officers liability coverage insurance totaling ₩30,000 million.

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**21. RELATED PARTY TRANSACTIONS**

As of December 31, 2010 and 2009, the parent company and subsidiaries of the Company are as follows:

**a. Holding company and subsidiaries**

| Type                    | Company                                     | Ownership percentage (%) | Types of business                                       |
|-------------------------|---|--------------------------|---|
| Ultimate parent company | SK C&C Co., Ltd.                            | 31.8 (Note a)            | Information technology and software production          |
| Parent company          | SK Holdings Co., Ltd.                       | 23.2 (Note b)            | Holding company   |
| Subsidiary              | SK Broadband Co., Ltd.                      | 50.6                     | Internet website services and telecommunication service |
|                         | SK Communications Co., Ltd.                 | 64.7                     | Internet website services                               |
|                         | SK Telink Co., Ltd.                         | 83.5                     | Telecommunication service                               |
|                         | PS&Marketing Corporation                    | 100.0                    | Retail  |
|                         | PAXNet Co., Ltd.                            | 59.7                     | Internet website services                               |
|                         | F&U Credit Information Co., Ltd.            | 50.0                     | Credit and collection services                          |
|                         | Ntreev Soft Co., Ltd.                       | 63.7                     | Game software production                                |
|                         | Commerce Planet Co., Ltd.                   | 100.0                    | Cosmetic wholesale                                      |
|                         | Loen Entertainment, Inc.                    | 63.5                     | Release of music disc                                   |
|                         | SKT Vietnam PTE Ltd.                        | 73.3                     | Telecommunication service                               |
|                         | SKT Americas, Inc.                          | 100.0                    | Telecommunication service                               |
|                         | SK Telecom China Holdings Co., Ltd.         | 100.0                    | Equity investment (Holding company)                     |
|                         | Stonebridge Cinema Fund                     | 45.6                     | Investment association                                  |
|                         | SK Telecom Global Investment B.V.           | 100.0                    | Equity investment                                       |
|                         | SKY Property Mgmt. Ltd.                     | 60.0                     | Equity investment                                       |
|                         | Benex Digital Cultural Contents Fund        | 19.9                     | Investment association                                  |
|                         | 2 <sup>nd</sup> Benex Focus Investment Fund | 66.7                     | Investment association                                  |
|                         | K-net Culture & Contents Venture Fund       | 59.0                     | Investment association                                  |
|                         | Open Innovation Fund                        | 98.9                     | Investment association                                  |
|                         | SK I-Media Co., Ltd.                        | 100.0 (Note c)           | Game software production                                |
|                         | Broadband media Co., Ltd.                   | 100.0 (Note c)           | Multimedia TV portal service                            |
|                         | Broadband CS Co., Ltd.                      | 100.0 (Note c)           | Customer Q&A and Service                                |
|                         | BMC Movie Investment Fund                   | 46.6 (Note c)            | Investment association                                  |
|                         | Shenzhen E-eye High Tech Co., Ltd.          | 65.5 (Note c)            | GPS manufacturing and selling                           |
|                         | Service Ace Co., Ltd.                       | 100.0                    | Customer center management service                      |
|                         | Service Top Co., Ltd.                       | 100.0                    | Customer center management service                      |
|                         | Network O&S Co., Ltd.                       | 100.0                    | Base station maintenance service                        |
|                         | YTK Investment, Ltd.                        | 100.0                    | Investment  |
|                         | PRE.GM, Inc.                                | 56.7 (Note c)            | Movie & Video contents production                       |
|                         | TheContentsCom, Inc.                        | 100.0 (Note c)           | Software production and distribution                    |
|                         | Benex Sector 4 <sup>th</sup> Fund           | 49.7                     | Investment association                                  |
|                         | SK Technology Innovation Company            | 49.0                     | Research & Development                                  |
|                         | Technology Venture Fund, LP                 | 100.0 (Note c)           | Research & Development                                  |

(Note a) The ownership percentage represents ultimate parent Company's ownership over the parent company

(Note b) The ownership percentage represents parent company's ownership over the Company.

(Note c)

The ownership percentage represents subsidiaries' ownership over their subsidiaries, in which the Company has no direct investment.

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**b. Transactions and balances with related parties**

Significant related party transactions for the years ended December 31, 2010 and 2009, and account balances as of December 31, 2010 and 2009 are as follows (In millions of Korean won):

**b-(1) Transactions**

|                                    | For the year ended December 31,     |                                     |                                     |                                     |                                     |                                     |
|------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|                                    | 2010                                |                                     |                                     | 2009                                |                                     |                                     |
|                                    | Purchases of property and equipment | Commissions paid and other expenses | Commissions earned and other income | Purchases of property and equipment | Commissions paid and other expenses | Commissions earned and other income |
| Ultimate parent company:           |                                     |                                     |                                     |                                     |                                     |                                     |
| SK C&C Co., Ltd.                   | ₩ 228,793                           | ₩ 271,187                           | ₩ 10,057                            | ₩ 173,855                           | ₩ 286,102                           | ₩ 6,609                             |
| Parent Company:                    |                                     |                                     |                                     |                                     |                                     |                                     |
| SK Holdings Co., Ltd.              | 118                                 | 24,724                              | 1,408                               | 85                                  | 24,462                              | 813                                 |
| Subsidiaries:                      |                                     |                                     |                                     |                                     |                                     |                                     |
| SK Broadband Co., Ltd.             | 66,339                              | 169,861                             | 72,302                              | 3,301                               | 63,782                              | 56,501                              |
| SK Communications Co., Ltd.        | 229                                 | 24,053                              | 10,011                              | 1,011                               | 25,362                              | 8,879                               |
| SK Telink Co., Ltd.                |                                     | 32,559                              | 46,554                              | 204                                 | 13,194                              | 36,890                              |
| PS&Marketing Corporation           | 10                                  | 312,092                             | 2,886                               |                                     | 200,232                             | 1,053                               |
| F&U Credit Information Co., Ltd.   |                                     | 44,125                              | 2,132                               |                                     | 48,526                              | 1,540                               |
| TU Media Corp.                     |                                     | 79,312                              | 20,651                              | 719                                 | 92,761                              | 34,347                              |
| Commerce Planet Co., Ltd.          | 8,241                               | 119,373                             | 10,396                              | 700                                 | 43,603                              | 9,067                               |
| Loen Entertainment, Inc            |                                     | 35,838                              | 3,931                               |                                     | 35,079                              | 6,092                               |
| Ntreev Soft Co., Ltd.              | 94                                  | 4,469                               | 6,099                               | 1,900                               | 6,700                               | 1,982                               |
| SKT Americas, Inc.                 |                                     | 19,219                              |                                     |                                     | 18,259                              |                                     |
| SK Telecom China Holdings          |                                     | 24,328                              |                                     |                                     | 26,660                              |                                     |
| Service Ace Co., Ltd.              |                                     | 54,228                              | 4,079                               |                                     |                                     |                                     |
| Service Top Co., Ltd.              |                                     | 54,102                              | 3,280                               |                                     |                                     |                                     |
| Network O&S Co., Ltd.              |                                     | 60,495                              | 1,135                               |                                     |                                     |                                     |
| Others                             | 214                                 | 3,916                               | 769                                 |                                     | 22,194                              | 1,820                               |
| Equity Method Investees:           |                                     |                                     |                                     |                                     |                                     |                                     |
| SK Marketing & Company Co., Ltd.   | 11,802                              | 165,702                             | 7,168                               | 6,130                               | 133,459                             | 4,280                               |
| HanaSK Card, Co.,Ltd.              |                                     | 95,044                              | 3,562                               |                                     |                                     |                                     |
| SK Wyverns Baseball Club Co., Ltd. |                                     | 18,000                              | 67                                  |                                     | 21,414                              | 316                                 |

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|  |           |             |           |             |             |           |
|--|-----------|-------------|-----------|-------------|-------------|-----------|
| Wave City<br>Development Co. Ltd.          |           |             |           |             |             | 34,920    |
| Others                                     | 189       | 8,870       | 5         | 73          | 10,765      | 2         |
| Others:                                    |           |             |           |             |             |           |
| SK Engineering &<br>Construction Co., Ltd. | 290,391   | 18,943      | 6,079     | 308,334     | 30,871      | 2,230     |
| SK Networks Co., Ltd.                      | 8,949     | 448,102     | 18,834    | 1,498,748   | 730,373     | 23,804    |
| SK Networks Service<br>Co., Ltd.           | 254       | 24,491      | 308       |             | 23,479      | 281       |
| SK Telesys Co., Ltd.                       | 307,931   | 10,345      | 12,072    | 223,310     | 12,660      | 1,504     |
| M&Service Co., Ltd.                        | 921       | 10,095      | 287       | 1,458       | 7,958       | 742       |
| MRO Korea Co., Ltd.                        | 6,233     | 4,094       | 55        | 3,243       | 2,852       | 19        |
| Others                                     | 8,496     | 10,637      | 11,775    | 18,290      | 32,579      | 10,574    |
| Total                                      | ₩ 939,204 | ₩ 2,148,204 | ₩ 255,902 | ₩ 2,241,361 | ₩ 1,913,326 | ₩ 244,265 |

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**b-(2) Account balances**

For the year ended December 31, 2010

|   | Accounts<br>receivable | Short-term<br>loans | Long-term<br>loans | Guarantee<br>deposits | Accounts<br>payable | Guarantee<br>deposits<br>received |
|---|------------------------|---------------------|--------------------|-----------------------|---------------------|-----------------------------------|
| Ultimate parent company:<br>SK C&C Co., Ltd.                    | ₩ 843                  | ₩                   | ₩                  | ₩                     | ₩ 163,154           | ₩ 197                             |
| Parent Company:<br>SK Holdings Co., Ltd.                        | 525                    |                     |                    |                       |                     |                                   |
| Subsidiaries:   |                        |                     |                    |                       |                     |                                   |
| SK Broadband Co., Ltd.  | 3,373                  |                     |                    | 1,151                 | 63,917              | 39,462                            |
| SK Communications Co., Ltd.                                     | 2,239                  |                     |                    |                       | 8,706               | 5,524                             |
| SK Telink Co., Ltd.   | 4,573                  |                     |                    |                       | 9,086               | 3,439                             |
| PS&Marketing Corporation<br>F&U Credit Information Co.,<br>Ltd. | 1,085<br>47            |                     |                    |                       | 27,133<br>7,002     | 5,913                             |
| Commerce Planet Co., Ltd.                                       | 10,927                 |                     |                    |                       | 19,359              |                                   |
| Loen Entertainment, Inc.  | 665                    |                     |                    |                       | 4,058               |                                   |
| Ntreev Soft Co., Ltd.   | 6,622                  |                     |                    |                       | 75                  |                                   |
| SKT Vietnam PTE Ltd.  | 4,205                  |                     |                    |                       |                     |                                   |
| SKT Americas, Inc.  |                        |                     |                    |                       | 7,830               |                                   |
| SK Telecom China Holdings<br>Service Ace Co., Ltd.              | 164                    |                     |                    |                       | 6,984<br>10,078     | 3,890                             |
| Service Top Co., Ltd.   | 542                    |                     |                    |                       | 9,672               | 3,367                             |
| Network O&S Co., Ltd.   | 184                    |                     |                    |                       | 10,627              | 170                               |
| Others  | 224                    |                     |                    |                       | 910                 | 150                               |
| Equity Method Investees:  |                        |                     |                    |                       |                     |                                   |
| SK Marketing & Company<br>Co., Ltd.                             | 3,382                  |                     |                    |                       | 32,304              |                                   |
| HanaSK Card, Co., Ltd.  | 8,478                  |                     |                    |                       | 19,948              |                                   |
| Wave City Development Co.<br>Ltd.                               | 38,412                 |                     |                    |                       |                     |                                   |
| Daehan Kanggun BcN Co.,<br>Ltd                                  |                        |                     |                    | 30,224                |                     |                                   |
| Others  | 8                      | 575                 |                    | 1,831                 | 1,826               |                                   |
| Others:   |                        |                     |                    |                       |                     |                                   |
| SK Engineering &<br>Construction Co., Ltd.                      | 1,171                  |                     |                    |                       | 16,148              | 82                                |
| SK Networks Co., Ltd.   | 2,911                  |                     |                    | 5,513                 | 32,734              | 489                               |
| SK Telesys Co., Ltd.  | 14,197                 |                     |                    |                       | 30,037              |                                   |
| M&Service Co., Ltd.   | 1,591                  |                     |                    |                       | 3,998               |                                   |
| MRO Korea Co., Ltd.   | 5                      |                     |                    |                       | 1,408               |                                   |
| Others  | 1,985                  |                     |                    | 95                    | 6,256               | 70                                |

|       |           |       |          |         |           |          |
|-------|-----------|-------|----------|---------|-----------|----------|
| Total | ₩ 108,358 | ₩ 575 | ₩ 32,055 | ₩ 6,759 | ₩ 493,250 | ₩ 62,753 |
|-------|-----------|-------|----------|---------|-----------|----------|

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For the year ended December 31, 2009

|   | Accounts<br>receivable | Short-term<br>loans | Long-term<br>loans | Guarantee<br>deposits | Accounts<br>payable | Guarantee<br>deposits<br>received |
|---|------------------------|---------------------|--------------------|-----------------------|---------------------|-----------------------------------|
| Ultimate parent company:<br>SK C&C Co., Ltd.                    | ₩ 758                  | ₩                   | ₩                  | ₩                     | ₩ 89,318            | ₩                                 |
| Parent Company:<br>SK Holdings Co., Ltd.                        | 248                    |                     |                    |                       | 1                   |                                   |
| Subsidiaries:   |                        |                     |                    |                       |                     |                                   |
| SK Broadband Co., Ltd.  | 2,356                  |                     |                    | 1,216                 | 374                 | 5,114                             |
| SK Communications Co., Ltd.                                     | 1,785                  |                     |                    |                       | 12,738              | 5,524                             |
| SK Telink Co., Ltd.   | 797                    |                     |                    |                       | 700                 | 1,022                             |
| PS&Marketing Corporation<br>F&U Credit Information Co.,<br>Ltd. | 159                    |                     |                    |                       | 32,400              | 5,084                             |
| TU Media Corp.  | 8                      |                     |                    |                       | 3,617               |                                   |
| Commerce Planet Co., Ltd.                                       | 4,051                  |                     |                    |                       | 114                 | 2,709                             |
| Loen Entertainment, Inc.  | 8,331                  |                     |                    |                       | 10,258              |                                   |
| IHQ, Inc.   | 272                    |                     |                    |                       | 652                 |                                   |
| Ntreev Soft Co., Ltd.   | 51                     |                     |                    |                       |                     |                                   |
| SKT Vietnam PTE Ltd.  | 3,988                  |                     |                    |                       | 3,210               |                                   |
| SKT Americas, Inc.  | 3,835                  |                     |                    |                       | 5,567               |                                   |
| SK Telecom China Holdings<br>Others                             | 7                      |                     |                    |                       | 8,500               | 150                               |
| Equity Method Investees:  |                        |                     |                    |                       |                     |                                   |
| SK Marketing & Company<br>Co., Ltd.                             | 2,403                  |                     |                    |                       | 25,921              | 249                               |
| SK Wyverns Baseball Club<br>Co., Ltd.                           | 59                     | 575                 | 2,407              |                       |                     |                                   |
| Wave City Development Co.<br>Ltd.                               | 38,412                 |                     |                    |                       |                     |                                   |
| Others  |                        |                     |                    |                       | 2,288               |                                   |
| Others:   |                        |                     |                    |                       |                     |                                   |
| SK Engineering &<br>Construction Co., Ltd.                      | 182                    |                     |                    |                       | 991                 | 83                                |
| SK Networks Co., Ltd.   | 890                    |                     |                    | 112                   | 109,900             | 1,256                             |
| SK Telesys Co., Ltd.  | 236                    |                     |                    |                       | 15,422              |                                   |
| M&Service Co., Ltd.   | 772                    |                     |                    |                       | 2,993               |                                   |
| MRO Korea Co., Ltd.   |                        |                     |                    |                       | 691                 |                                   |
| Others  | 1,649                  |                     |                    | 5,496                 | 5,053               | 23                                |
| Total   | ₩ 71,249               | ₩ 575               | ₩ 2,407            | ₩ 6,824               | ₩ 330,727           | ₩ 21,214                          |





**c. Compensation for the key management**

The Company considers registered directors who have substantial roles and responsibility for planning, operating, and controlling of the business as key management, and the considerations given to the key management for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

| Payee  | Payroll | For the year ended December 31,  |         | Payroll | 2009<br>Severance<br>indemnities | Total   |
|--|---------|----------------------------------|---------|---------|----------------------------------|---------|
|  |         | 2010<br>Severance<br>indemnities | Total   |         |                                  |         |
| 8 Registered directors<br>(including outside<br>directors) | ₩ 2,994 | ₩ 702                            | ₩ 3,696 | ₩ 6,422 | ₩ 276                            | ₩ 6,698 |

**22. PROVISION****a. Provision for Point Program**

The Company, for its marketing purposes, grants Rainbow Points and Point Box Points (the Points) to its subscribers based on their usage of the Company's services. Points provision is provided based on the historical usage experience and the Company's marketing policy. Such provision is recorded as accrued expenses or other non-current liabilities in accordance with the expected points usage duration since the period end date.

Details of change in the provisions for such points for the years ended December 31, 2009 and 2010 are as follows (in millions of Korean won):

|                               | For the year ended December<br>31, |          |
|-------------------------------|------------------------------------|----------|
|                               | 2010                               | 2009     |
| Beginning balance             | ₩ 18,856                           | ₩ 24,889 |
| Increase (provision)          | 7,259                              | 11,400   |
| Decrease (usage and reversal) | (9,056)                            | (17,433) |
| Ending balance                | ₩ 17,059                           | ₩ 18,856 |

Points expire after 5 years. The expected year when the unused points as of December 31, 2010 are expected to be used and the respective estimated monetary amount to be paid in a given year are as follows (In millions of Korean won):

| Expected Year<br>of Usage (note a) | Estimated Amount to be Paid |               |
|------------------------------------|-----------------------------|---------------|
|                                    | In Nominal Value (note a)   | Current Value |
| 2011                               | ₩ 8,251                     | ₩ 7,898       |
| 2012                               | 4,779                       | 4,379         |
| 2013                               | 2,865                       | 2,513         |
| 2014                               | 1,717                       | 1,442         |
| 2015                               | 1,030                       | 827           |
| Ending balance                     | ₩ 18,642                    | ₩ 17,059      |

(note a) The above expected year of usage and the current value of the estimated amount to be paid are estimated based on historical usage experience.

**b. Provision for handset subsidy**

The Company provides provision for handset subsidies to be provided to the subscribers who purchase handsets on installment basis. Such provision was recorded as accrued expenses or other non-current liabilities in accordance with the expected points when the subsidies are paid. Details of change in the provisions for handset subsidies for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|                            | For the year ended December 31, |           |
|----------------------------|---------------------------------|-----------|
|                            | 2010                            | 2009      |
| Beginning balance          | ₩ 609,733                       | ₩ 339,696 |
| Increase (provision)       | 941,586                         | 695,330   |
| Decrease (subsidy payment) | (819,277)                       | (425,293) |
| Ending balance             | ₩ 732,042                       | ₩ 609,733 |

The estimated monetary amount to be paid in a given year is as follows (In millions of Korean won):

| Expected payment<br>for the year ended December 31, | Estimated amount to be paid<br>in nominal value | Present value |
|---|---|---------------|
| 2011  | ₩ 663,740                                       | ₩ 652,564     |
| 2012  | 82,901  | 79,478        |
| Ending balance                                      | ₩ 746,641                                       | ₩ 732,042     |

**23. DERIVATIVE INSTRUMENTS**

**a. Currency swap contract under cash flow hedge accounting**

The Company has entered into a fixed-to-fixed cross currency swap contract with Citibank, BNP Paribas and Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling US\$300,000,000 at annual fixed interest rate of 4.25% issued on April 1, 2004. As of December 31, 2010, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩3,321 million (net of tax effect totaling ₩1,478 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling ₩3,049 million) is accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of December, 2010, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩5,797 million (net of tax effect totaling ₩1,193 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling ₩19,090 million) is accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with HSBC and SMBC Bank to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds with face amounts totaling JPY12,500,000,000 issued on November 13, 2007. As of December 31, 2010, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩6 million (net of tax effect totaling ₩1,525 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling ₩70,580 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Mizuho Corporate Bank to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds with face amounts totaling JPY3,000,000,000 issued on January 22, 2009. As of December 31, 2010, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩2,076 million (net of tax effect totaling ₩586 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling ₩4,219 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Bank of Tokyo-Misuboshi Bank to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds with face amounts totaling JPY5,000,000,000 issued on March 5, 2009. As of December 31, 2010, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩466 million (net of tax effect totaling ₩131 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling ₩8,758 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into fixed-to-fixed cross currency swap contract with Morgan Stanley Bank and five other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling US\$400,000,000 issued on July 20, 2007 and entered into cash flow hedge accounting since May 12, 2010. In connection with unsettled foreign currency swap contract to which hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩54,179 million (net of tax effect totaling ₩15,281 million and foreign exchange translation gain arising from U.S. dollar denominated bonds totaling ₩1,930 million) is accounted for as accumulated other comprehensive income. And the related accumulated loss on valuation of currency swap incurred before applying the hedge accounting of ₩129,806 million is charged to current operations.

b. Interest rate swap contract under cash flow hedge accounting

The Company has entered into a floating-to-fixed interest rate swap contract with Nonghyup Bank and two other banks to hedge the interest rate risk of long-term floating rate borrowings with face amounts totaling ₩500,000 million borrowed from July 28, 2008 to August 12, 2011. As of December 31, 2010, in connection with unsettled interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩5,720 million (net of tax effect totaling ₩1,826 million) is accounted for as accumulated other comprehensive loss.

c. Interest rate swap contract which no hedge accounting is applied

The Company has entered into a floating-to-fixed interest rate swap contract with DBS and Calyon Bank the interest rate risk of floating rate U.S. dollar denominated bonds with face amounts totaling

US\$220,000,000 issued on April 29, 2009. In connection with unsettled interest rate swap contract to which the hedge accounting is not applied, loss on valuation of interest rate swap of ₩1,671 million and ₩3,371 million for the year ended December 31, 2010 and 2009, respectively, are charged to current operations.

As of December 31, 2010, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments are as follows (In thousands of U.S. dollars, Japanese yen, Ringgit Malaysia and millions of Korean won):

| Type  | Hedged item                                  | Amount        | Duration of contract            | Fair value                    |                | Total    |
|---|--|---------------|---------------------------------|-------------------------------|----------------|----------|
|   |  |               |                                 | Designated as cash flow hedge | Not designated |          |
| <b>Non-current assets:</b>                          |  |               |                                 |                               |                |          |
| Floating-to-fixed cross currency interest rate swap | U.S. dollar denominated long-term borrowings | US\$100,000   | Oct 10, 2006 ~ Oct 10, 2013     | ₩ 12,100                      | ₩              | ₩ 12,100 |
| Fix-to-fixed cross currency swap                    | U.S. dollar denominated Bonds                | US\$400,000   | Jul. 20, 2007 ~ Jul. 20, 2027   | (71,390)                      | 129,806        | 58,416   |
| Floating-to-fixed cross currency interest rate swap | Japanese yen denominated bonds               | JPY12,500,000 | Nov. 13, 2007 ~ Nov. 13, 2012   | 69,061                        |                | 69,061   |
| <b>Total assets</b>                                 |  |               |                                 | ₩ 9,771                       | ₩129,806       | ₩139,577 |
| <b>Current liabilities:</b>                         |  |               |                                 |                               |                |          |
| Fix-to-fixed cross currency swap                    | U.S. dollar denominated Bonds                | US\$300,000   | Mar. 23, 2004 ~ April. 1, 2011  | ₩ 7,848                       | ₩              | ₩ 7,848  |
| Floating-to-fixed interest rate swap                | Long-term borrowings                         | ₩500,000      | July 28, 2008 ~ August 12, 2011 | 7,546                         |                | 7,546    |
| <b>Non-current liabilities:</b>                     |  |               |                                 |                               |                |          |
| Floating-to-fixed cross currency interest rate swap | Japanese yen denominated bonds               | JPY3,000,000  | Jan. 22, 2009 ~ Jan. 22, 2012   | 1,557                         |                | 1,557    |
| Floating-to-fixed cross currency interest rate swap | Japanese yen denominated bonds               | JPY5,000,000  | Mar. 5, 2009 ~ Mar. 5, 2012     | 8,161                         |                | 8,161    |
| Floating-to-fixed interest rate swap                | Long-term borrowings                         | US\$220,000   | April 29, 2009 ~ April 29,      |                               | 5,043          | 5,043    |

2012

|                          |          |         |          |
|--------------------------|----------|---------|----------|
| <b>Total liabilities</b> | ₩ 25,112 | ₩ 5,043 | ₩ 30,155 |
|--------------------------|----------|---------|----------|

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**24. SUBSEQUENT EVENT**

On February 11, 2011, the Company disposed its common stock investment in SK C&C Co, Ltd of 2,050,000 shares (ownership 4.1%) for ₩200,695 million for ₩97,900 per common share.

**25. STATEMENTS OF CASH FLOWS**

The statements of cash flows are prepared using the indirect method.

Significant non-cash transactions for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

|  | For the year ended December 31, |           |
|--|---------------------------------|-----------|
|  | 2010                            | 2009      |
| Write-off of accounts receivable   | ₩ 60,699                        | ₩ 39,862  |
| Transfer from long-term loans to short-term loans                                  | 19,065                          | 50,081    |
| Transfer from long-term deposits and others to prepaid expenses                    | 43,175                          | 57,260    |
| Transfer from Construction in Progress to other assets                             | 1,467,041                       | 1,459,839 |
| Transfer from long-term guarantee deposits received and others to accrued expenses |                                 | 33,017    |
| Transfer from bond payable to Current portion of long-term debt                    | 541,670                         | 382,396   |
| Transfer from long-term borrowings to Current portion of long-term debt            | 700,000                         |           |
| Transfer from long-term payables to Current portion of long-term debt              | 170,000                         | 150,000   |

**26. OPERATING RESULTS FOR THE FOURTH QUARTER**

The Company's key operating results for the three months ended December 31, 2010 and 2009 (unaudited) are as follows (In millions of Korean won, except for income per share):

|                                      | 4 <sup>th</sup> Quarter of |             |
|--------------------------------------|----------------------------|-------------|
|                                      | 2010                       | 2009        |
|                                      | (unaudited)                | (unaudited) |
| Operating revenue                    | ₩ 3,172,425                | ₩ 3,100,103 |
| Income before income tax             | 434,894                    | 263,356     |
| Net income                           | 361,359                    | 244,235     |
| Net income per share (In Korean won) | 5,080                      | 3,376       |

**27. K-IFRS ADOPTION PLAN AND STATUS**

In accordance with IFRS adoption roadmap released by the Financial Supervisory Commission in March 2007, the Company is required to prepare financial statements under the Korean International Financial Standards ( K-IFRS ) beginning January 1, 2011. In April 2008, the Company set up a task force for the adoption and hired outside consulting firm to evaluate the impact that K-IFRS may have on the Company's financial statements, as well as to train the Company's employees. The Company performed the following for its preparation of K-IFRS adoption:

(1) Analysis of impact on IFRS adoption and plan: The Company performed preliminary analysis on the impact that K-IFRS may have on the Company's accounting policy, financial reporting and financial system.

(2) Designing and establishing: The Company performed analysis on the impact that K-IFRS may have on the Company's accounting policy, financial reporting and financial system, and alternatives. The Company also trained its relevant employees. In addition, the Company made changes to its operating procedures and systems to process reliable financial data in accordance with K-IFRS.

As of December 31, 2010, the Company has completed the above procedures and is currently preparing financial statements in accordance with K-IFRS as of and after conversion date of January 1, 2011.

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**Independent Accountant's Review Report on Internal Accounting Control System ( IACS )**

English Translation of a Report Originally Issued in Korean

To the Representative Director of

SK Telecom Co., Ltd.

We have reviewed the accompanying Report on the Management's Assessment of IACS (the Management's Report) of SK Telecom Co., Ltd. (the Company) As of December 31, 2010. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that based on the assessment of the IACS As of December 31, 2010, the Company's IACS has been appropriately designed and is operating effectively As of December 31, 2010, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association. We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

The Company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS As of December 31, 2010, and we did not review its IACS subsequent to December 31, 2010. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

/s/ Deloitte Anjin LLC

February 25, 2011

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**Report on the Assessment of Internal Accounting Control System ( IACS )**

To the Board of Directors and Audit Committee of  
SK Telecom Co., Ltd.

I, as the Internal Accounting Control Officer ( IACO ) of SK Telecom Co., Ltd. ( the Company ), assessed the status of the design and operation of the Company s IACS for the year ended December 31, 2010.

The Company s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements reporting. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company s IACS has been appropriately designed and is operating effectively as of December 31, 2010, in all material respects, in accordance with the IACS Framework.

February 25, 2011

/s/ Hyun Jong Song

Name: Hyun Jong Song

Title: Internal Accounting Control Officer

/s/ Sung Min Ha

Name: Sung Min Ha

Title: Chief Executive Officer

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**Forward-Looking Statement Disclaimer**

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

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**SIGNATURES**

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

**SK Telecom Co., Ltd.**

*(Registrant)*

By: /s/ Ki Wook Lee

*(Signature)*

Name: Ki Wook Lee

Title: Senior Vice President

Date: April 29, 2011