

SK TELECOM CO LTD  
Form 6-K  
January 06, 2012

**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 JANUARY 2012**  
**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

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(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-

QUARTERLY BUSINESS REPORT

(From January 1, 2011 to September 30, 2011)

THIS IS A SUMMARY OF THE QUARTERLY 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 CONSOLIDATED BASIS IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED FOR USE IN KOREA, OR K-IFRS, 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.

**I. COMPANY OVERVIEW****1. Company Overview**

Starting in the first quarter of 2011, SK Telecom Co., Ltd. (the Company) prepares and reports its financial statements under the International Financial Reporting Standards as adopted for use in Korea (K-IFRS). The transition date of the Company and its consolidated companies to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company's quarterly business report for the nine months ended September 30, 2011 includes the following consolidated subsidiaries:

| <b>Name</b>                             | <b>Date of Establishment</b> | <b>Principal Business</b>                                      | <b>Total Asset as of Dec. 31, 2010 (millions of Won)</b> | <b>Material Subsidiary</b> |
|---|------------------------------|--|--|----------------------------|
| SK Telink Co., Ltd.                     | Apr. 9, 1998                 | Telecommunication and satellite broadcasting services          | 386,573  | Material                   |
| SK Communications Co., Ltd.             | Sep. 19, 1996                | Internet portal and other Internet information services        | 311,322  | Material                   |
| PAXNet Co., Ltd.                        | May 18, 1999                 | Database and online information services                       | 35,863   |                            |
| Loen Entertainment, Inc.                | Jul. 7, 1982                 | Music and audio publication                                    | 131,789  | Material                   |
| Stonebridge Cinema Fund                 | Sep. 30, 2005                | Investment partnership   | 16,380   |                            |
| Ntrev Soft Co., Ltd.                    | Dec. 1, 2003                 | Development and supply of online and mobile games and software | 34,485   |                            |
| SK i-media Co., Ltd.                    | Aug. 7, 2006                 | Development and supply of online and mobile games and software | 5,169  |                            |
| Commerce Planet Co., Ltd.               | Jul. 1, 1997                 | Information technology and computer services                   | 42,142   |                            |
| SK Broadband Co., Ltd.                  | Sep. 26, 1997                | Multimedia and IP TV services                                  | 3,083,938  | Material                   |
| Broadband D&M Co., Ltd.                 | Feb. 5, 1998                 | Management of telecommunication facilities                     | 10,844   | Material                   |
| Broadband Media Co., Ltd.               | Aug. 25, 2005                | Telemarketing services   | 126,278  | Material                   |
| Broadband CS Co., Ltd.                  | Oct. 1, 1998                 | Call center operation  | 7,526  |                            |
| K-net Culture and Contents Venture Fund | Nov. 24, 2008                | Investment partnership   | 48,170   |                            |
| 2nd Benex Focus Investment Fund         | Dec. 12, 2008                | Investment partnership   | 23,171   |                            |
| Open Innovation Fund                    | Dec. 22, 2008                | Investment partnership   | 44,713   |                            |
| PS&Marketing Corporation                | Apr. 3, 2009                 | Resale of telecommunication services                           | 246,574  | Material                   |
| Service Ace Co., Ltd.                   | Jul. 1, 2010                 | Call center operation and telemarketing services               | 36,742   |                            |
| Service Top Co., Ltd.                   | Jul 1, 2010                  | Call center operation and telemarketing services               | 29,706   |                            |
| Network O&S Co., Ltd.                   | Jul. 1, 2010                 | Wireless telecommunication services                            | 32,955   |                            |
| SK Telecom China Holdings Co., Ltd.     | Jul. 12, 2007                | Investment   | 37,562   |                            |

| Name                               | Date of Establishment | Principal Business                   | Total Asset as of Dec. 31, 2010 (millions of Won) | Material Subsidiary |
|------------------------------------|-----------------------|--------------------------------------|---|---------------------|
| Sky Property Mgmt., Ltd.           | Jun. 20, 2007         | Real estate rental                   | 567,480   | Material            |
| Shenzhen E-eye High Tech Co., Ltd. | Apr. 1, 2000          | Telematics services                  | 13,759  |                     |
| SKT Vietnam PTE., Ltd.             | Apr. 5, 2000          | Wireless telecommunication services  | 49,115  | Material            |
| SKT Americas, Inc.                 | Dec. 29, 1995         | Management consulting and investment | 51,909  |                     |
| YTK Investment Ltd.                | Jul. 1, 2010          | Investment                           | 39,645  |                     |
| SK Telecom Global Investment B.V   | Jul. 3, 2008          | Investment                           | 42,290  |                     |
| Atlas Investment                   | Jun. 24, 2011         | Investment                           | 0   |                     |
| Service-in Co., Ltd.               | Apr. 4, 2011          | Internet service operation           | 0   |                     |
| B&CP Co., Ltd.                     | Dec. 7, 2009          | Software development                 | 0   |                     |
| Technology Innovation Partners, LP | Jun. 24, 2011         | Investment                           | 0   |                     |
| SK China Real Estate Co., Limited  | Mar. 19, 2009         | Real estate investment               | 295   |                     |
| SK Telecom China Fund I L.P.       | Sep. 14, 2011         | Investment                           | 0   |                     |

A. Corporate Legal Business Name: SK Telecom Co., Ltd.

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. Major Businesses

(1) Wireless Business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld device, affordable pricing, network coverage and an extensive contents library. With the commencement of services employing LTE technology, the Company expects to be able to provide its wireless subscribers with access to high-quality video contents and services, interactive multimedia games and other new services. The Company is also actively fostering the growth of 11<sup>th</sup> Street, T Store and commerce markets that it believes have a strong growth potential in open platform environments. The Company is also exploring new business opportunities with strong growth potential, such as message services, SNS services, N Screen-based Personal Media and other services. In the business-to-business services, the Company is planning to strengthen strategic alliances to develop and commercialize industry-specific custom solutions in healthcare, education and other industries.

**(2) Fixed-line Business**

Our broadband and fixed-line services are largely carried out by SK Broadband, which is a material consolidated subsidiary of SK Telecom. SK Broadband is engaged in providing telecommunications, broadcasting and new media services and various other services that are permitted to be carried out by SK Broadband under relevant regulations, as well as business activities that are directly or indirectly related to providing those services. With the adoption of K-IFRS in 2011, our broadband and fixed-line services segment also includes the following services provided by certain other subsidiaries of SK Telecom subject to consolidation under K-IFRS: multimedia services and IP TV services (Broadband Media Co., Ltd.); telemarketing services (Broadband CS Co., Ltd.); and telecommunications-related construction and lease services (Broadband D&M Co., Ltd.).

**(3) Other Businesses**

SK Communications, a material consolidated subsidiary of SK Telecom, provides integrated portal services through NATE, social networking services through Cyworld and instant messaging services through NATE-ON. Key sources of revenue for SK Communications is display advertising, search engine-based advertising, and contents and other services. Display advertising consists of image, video and Flash-based multimedia advertising carried on NATE, Cyworld and NATE-ON and aims to give greater exposure to the advertiser's brand name to the public. The increased effectiveness of on-line media as an advertising outlet has resulted in greatly expanded advertiser base, and the increasing variety in the format of advertising have all contributed to the growth of display advertising. Search engine-based advertising refers to the type of advertising that embeds advertisements within search results produced by searches of certain keywords on the NATE portal site. Search engine-based advertising has a certain appeal to small and medium-sized advertisers. Contents and other services include sales of on-line items to be used on Cyworld, contents sales and providing certain types of services. Revenues from contents and other services are generated through sales of on-line digital items through fixed-line Cyworld services and revenues generated by usage of mobile Cyworld services, which are shared with mobile phone service operators, as well as revenues from NATE-ON instant messaging, custom decorations for mobile phones, cartoon strips, fortunetelling, games and other contents services. In addition, SK Communications receives revenue from its services agreement with SK Telecom in connection with operation of WAP wireless NATE services. SK I-Media, Co., Ltd., a subsidiary of SK Communications, is engaged in software development and distribution, Internet contents services, and providing Internet systems solutions.

See II. Business Overview for more information.

**E. Credit Ratings****(1) Corporate Bonds**

| <b>Credit rating date</b> | <b>Subject of rating</b> | <b>Credit rating</b> | <b>Credit rating entity</b>            | <b>Rating classification</b> |
|---------------------------|--------------------------|----------------------|--|------------------------------|
| February 20, 2008         | Corporate bond           | AAA                  | (Credit rating range)<br>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, 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, 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, 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, Inc.       | Current rating               |

| <b>Credit rating entity</b> |                          |                      |                                  |                              |
|-----------------------------|--------------------------|----------------------|----------------------------------|------------------------------|
| <b>Credit rating date</b>   | <b>Subject of rating</b> | <b>Credit rating</b> | <b>(Credit rating range)</b>     | <b>Rating classification</b> |
| 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, Inc. | Current rating               |
| June 24, 2009               | Corporate bond           | AAA                  | Korea Information Services, 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               |
| May 27, 2011                | Corporate bond           | AAA                  | Korea Ratings                    | Regular rating               |
| June 13, 2011               | Corporate bond           | AAA                  | NICE Investors Service Co, Ltd.  | Regular rating               |
| June 23, 2011               | Corporate bond           | AAA                  | Korea Investors Service, Inc.    | 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 entity</b> |                          |                      |                                  |                              |
|-----------------------------|--------------------------|----------------------|----------------------------------|------------------------------|
| <b>Credit rating date</b>   | <b>Subject of rating</b> | <b>Credit rating</b> | <b>(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, 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, Inc. | Regular rating               |
| June 24, 2009               | CP                       | A1                   | Korea Information Services, 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, 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, Ltd.  | Current rating               |

| Credit rating entity |                   |               |                                 |                       |
|----------------------|-------------------|---------------|---------------------------------|-----------------------|
| Credit rating date   | Subject of rating | Credit rating | (Credit rating range)           | Rating classification |
| 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, Ltd. | Regular rating        |
| May 27, 2011         | CP                | A1            | Korea Ratings                   | Current rating        |
| June 13, 2011        | CP                | A1            | NICE Investors Service Co, Ltd. | Current rating        |
| June 23, 2011        | CP                | A1            | Korea Investors Service, Inc.   | Current 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

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

## 2. Company History

**March 2008: Purchased shares of SK Broadband Co., Ltd. (formerly Hanaro Telecom)**

**May 2009: Participated in the public share offering of SK Broadband Co., Ltd.**

**September 2009: Acquired leased line and related other business of SK Networks Co., Ltd.**

**February 2010: Purchased shares of Hana Card Co., Ltd.**

**October 2011: SK Planet Co., Ltd. was spun off from the Company.**

### 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



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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. At the Extraordinary General Meeting of Shareholders held on August 31, 2011, Jun Ho Kim was elected as an inside director and Jin Woo So resigned from the Board to transfer to an affiliate of the Company.

C. Change in Company Name

On September 22, 2008, SK Broadband, one of our material consolidated subsidiaries, changed its name to SK Broadband Co., Ltd. from Hanaro Telecom Co., Ltd. to facilitate the sharing of SK Group's corporate culture and brand. Similarly, on September 22, 2008, Broadband Media Co., Ltd., another of our material consolidated subsidiaries, changed its name to Broadband Media Co., Ltd. from Hanaro Media Co., Ltd.

D. Mergers, Acquisitions and Restructuring

[SK Telink Co., Ltd.]

(1) Merger

On July 22, 2010, the board of directors approved the merger of TU Media Corp. into SK Telink Co., Ltd. effective as of November 1, 2010. In connection with this merger, SK Telink issued 256,763 shares of its common stock.

[SK Communications Co., Ltd.]

(1) Merger

On June 25, 2007, the board of directors resolved to cause SK Communications Co., Ltd. to merge into Empas Corp., effective as of November 1, 2007. We believe this merger helped to strengthen our competitiveness in the portal services market. In the merger, one share of the former SK Communications was converted into 3.5732182 shares of Empas.

(2) Spin off

On August 6, 2008, the board of directors resolved to spin off its video education business to create Etoos Co., Ltd., effective as of November 1, 2008. The spin off was intended to help the Company to better focus on its core businesses and to give each of our business divisions greater autonomy in making operational decisions based on technical expertise specific to the respective business division.

(3) Acquisition

1. Acquisition of publishing business division

On April 10, 2009, SK Communications sold its publishing business division to Etoos for Won 4,785 million in accordance with the resolution of our board of directors of March 5, 2009.

2. Acquisition of the KUKU division

On July 1, 2009, SK Communications purchased the KUKU division from SK I-Media Co., Ltd., a subsidiary of ours, for a purchase price of Won 1,157 million, in accordance with the June 25, 2009 resolution of our board of directors.

3. Acquisition of the Spicus division

Pursuant to the July 23, 2009 resolution of our board of directors, SK Communications sold the Spicus division, the Company's telephone English education division, to Spicus Inc., a subsidiary of Altos Ventures on August 1, 2009 for a purchase price of Won 1,493 million.

(4) Disposition of shares

SK Communications sold all of its shares in Etoos to Cheong Sol pursuant to a resolution of our board of directors of October 19, 2009 and, as consideration, received Won 50,000 million principal amount of convertible bonds.

E. Other Important Matters related to Management Activities

[SK Telecom]

(1) Interim dividend

On July 28, 2011, the board of directors resolved to declare interim dividends as follows:

- 1) Payment of interim dividends: cash dividend of Won 1,000 per share (Total dividend amount: Won 71,094,999,000)
- 2) Market dividend rate: 0.63%
- 3) Record date: June 30, 2011
- 4) Date of dividend payment : Within 20 days following the resolution of the board of directors

(2) Share buy-back

In accordance with the resolution of the Company's board of directors on July 19, 2011, the Company repurchased 1,400,000 shares of treasury stock to stabilize share price and enhance shareholder value. For more details, please see public disclosures made on July 20, 2011 and October 5, 2011 regarding the repurchase.

(3) Leak of personal information

In July 2011, a leak of personal information of subscribers of Nate and Cyworld websites operated by SK Communications Co., Ltd., the Company's consolidated subsidiary, occurred. Two lawsuits (total claim of Won 9 million) demanding compensation for damages from the leak were filed and five payment orders (total payment amount of Won 7 million) were issued by the courts against SK Communications in connection with the leak.

(4) Spin-off

In accordance with the resolution of the Company's board of directors on July 19, 2011 and the resolution of the shareholders' meeting on August 31, 2011, the Company spun off its platform business and established SK Planet Co., Ltd. effective as of October 1, 2011. The registration of the spin-off was completed on October 5, 2011. Set forth below are important details of the spin-off.

| Description         | Detail                                   |
|---------------------|--|
| Method of Spin-off  | Simple vertical spin-off                 |
| Resulting Companies | SK Telecom Co., Ltd. (Surviving Company) |
|                     | SK Planet Co., Ltd. (Spin-off Company)   |
| Effective Date      | October 1, 2011                          |

Set forth below is summary of financial position before and after the spin-off. (in millions of Won)

| Description | Before spin-off<br>(As of September 30,<br>2011) | After spin-off (As of October 1, 2011) |
|-------------|--|--|
|-------------|--|--|

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|                           | SK Telecom Co., Ltd. | SK Telecom Co., Ltd. | SK Planet Co., Ltd. |
|---------------------------|----------------------|----------------------|---------------------|
| Total Assets              | 19,400,114           | 19,084,651           | 1,545,537           |
| Total Liabilities         | 7,673,828            | 7,358,365            | 315,463             |
| Total Shareholders Equity | 11,726,286           | 11,726,286           | 1,230,074           |

Schedule of spin-off

| Category  | Date                                |
|---|-------------------------------------|
| Board resolution on spin-off  | July 19, 2011                       |
| Record Date for Determination of Shareholders for the Shareholders Meeting for Spin-off | August 4, 2011                      |
| Shareholders Meeting for Approval of Spin-off Plan                                      | August 31, 2011                     |
| Date of Spin-off  | October 1, 2011                     |
| Shareholders Meeting for Report of Spin-off or Inaugural Meeting of Shareholders        | October 4, 2011                     |
| Registration of Spin-off  | October 5, 2011                     |
| Notice of closure of shareholders register  | July 20, 2011                       |
| Period of closure of shareholders register  | August 5, 2011~ August 8, 2011      |
| Others  |                                     |
| Public notice of shareholders meeting   | August 10, 2011 and August 12, 2011 |
| Dispatch of notice of shareholders meeting  | August 12, 2011                     |

Changes in shareholding, including majority shareholder

Not applicable because the spin-off is a simple vertical spin-off.

Appraisal rights of shareholders

Not applicable because the spin-off is a simple vertical spin-off.

Protection of creditors

In accordance with Article 530-1 Paragraph 1, both SK Telecom and SK Planet will be jointly and severally liable for the payment of all obligations of SK Telecom incurred prior to the spin-off.

Allocation of new shares

In accordance with Articles 530-2 through 530-12, the spin-off is a simple vertical spin-off and all shares of SK Planet were allocated to SK Telecom.

(5) Acquisition of Shares of Hynix Semiconductor

In accordance with the resolution of the Company's board of directors on November 14, 2011, the Company decided to purchase 146,100,000 shares of Hynix Semiconductor Inc. (estimated aggregate purchase price of Won 3,426,675 million) on February 14, 2012 in order to acquire the control of Hynix Semiconductor. All shares (including existing shares and newly-issues shares) will be purchased with cash, and the Company will have a 21.05% equity interest in Hynix Semiconductor after the purchase.

[SK Broadband]

SK Broadband, a material consolidated subsidiary of ours, acquired subscriberships of regional cable and other service providers on several different occasions. Such acquisitions were intended to secure a stable subscriber base for our broadband Internet service and, at the same time, increase the service coverage area. Because such acquisitions were conducted on a relatively small scale and involved purchase of subscriberships, we did not believe such acquisitions rose to the level of purchasing an entire business line from another company or likely to have a material impact on our business, and therefore we believed that such acquisitions did not require resolution of our shareholders.

### 3. Total Number of Shares

#### A. Total number of shares

(As of September 30, 2011)

(Unit: shares)

| Classification                                     | Share type    |             | Remarks |
|--|---------------|-------------|---------|
|  | Common shares | Total       |         |
| <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>                | 11,050,712    | 11,050,712  |         |
| <b>VI. Number of shares outstanding (IV-V)</b>     | 69,694,999    | 69,694,999  |         |

On July 20, 2011, the Company publicly disclosed its plan to repurchase treasury stock. The Company repurchased 1.4 million shares of treasury stock from July 25, 2011 to September 30, 2011 through the Korea Exchange. For more information on the repurchase of treasury stock, please see public disclosures made on July 20, 2011 and October 5, 2011.

## B. Treasury Stock

## (1) Acquisitions and Dispositions of Treasury Stocks

(As of September 30, 2011)

(Unit: Shares)

| Acquisition methods  | Type of shares                                 | At the beginning of period                 | Changes          |              |             | At the end of period |           |
|--|--|--|------------------|--------------|-------------|----------------------|-----------|
|  |  |  | Acquired (+)     | Disposed (-) | Retired (-) |                      |           |
| Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea ( FSCMA ) | Direct acquisition from market                 | Common shares                              | 5,686,028        | 1,400,000    |             | 7,086,028            |           |
|  | Tender offer                                   | Preferred shares                           |                  |              |             |                      |           |
|  |  | Common shares                              |                  |              |             |                      |           |
|  |  | Preferred shares                           |                  |              |             |                      |           |
|  | Direct acquisition                             | Appraisal rights of dissenting shareholder | Common shares    |              |             |                      |           |
|  |  | Preferred shares                           |                  |              |             |                      |           |
|  | Sub-total                                      | Common shares                              | 5,686,028        | 1,400,000    |             | 7,086,028            |           |
|  |  | Preferred shares                           |                  |              |             |                      |           |
|  | Acquisition through trust and other agreements | Held by trustee                            | Common shares    | 3,886,710    |             |                      | 3,886,710 |
|  |  | Held in actual stock                       | Preferred shares |              |             |                      |           |
| Common shares  |  |  |                  |              |             |                      |           |
| Sub-total  |  | Common shares                              | 3,886,710        |              |             | 3,886,710            |           |
| Other acquisition  | Common shares                                  |  | 77,974           |              |             | 77,974               |           |
|  | Preferred shares                               |  |                  |              |             |                      |           |
| Total  | Common shares                                  | 9,650,712                                  | 1,400,000        |              | 11,050,712  |                      |           |
|  | Preferred shares                               |  |                  |              |             |                      |           |

\* Among 11,050,712 shares directly acquired by the Company, 2,192,102 shares were deposited with the Korea Securities Depository as of September 30, 2011 for issuance upon conversion of the overseas convertible bonds.

## 4. Status of Voting Rights

(As of September 30, 2011)

(Unit: shares)

| Classification   | Number of shares | Remarks         |
|--|------------------|-----------------|
| <b>Total shares (A)</b>  | 80,745,711       |                 |
| <b>Number of shares without voting rights (B)</b>                              | 11,050,712       | Treasury shares |
| <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 = A - B - C + D)</b> | 69,694,999       |                 |





## 5. Dividends and Others

### A. Dividends

- (1) Distribution of interim dividends of Won 1,000 was approved during the 305th Board of Directors Meeting on July 23, 2009.
- (2) 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.

- (3) Distribution of interim dividends of Won 1,000 was approved during the 318th Board of Directors Meeting on July 22, 2010.
- (4) 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.

- (5) Distribution of interim dividends of Won 1,000 was approved during the 330th Board of Directors Meeting on July 28, 2011.

### B. Dividends for the Last 3 Fiscal Years

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

| Classification                                      | As of and for the<br>nine months<br>ended<br>September 30,<br>2011 | As of and for the<br>year ended<br>December 31,<br>2010 | As of and for the<br>year ended<br>December 31,<br>2009 |
|---|--|---|---|
| Par value per share (Won)                           | 500  | 500   | 500   |
| Net income  | 1,423,741  | 1,410,968   | 1,288,340   |
| Net income per share (Won)                          | 20,083   | 19,612  | 17,808  |
| Total cash dividend                                 | 71,095   | 669,534   | 680,043   |
| <b>Total stock dividends</b>                        |  |   |   |
| Percentage of cash dividend to available income (%) |  | 47.5  | 52.8  |
| Cash dividend yield ratio (%)                       | 0.6  | 5.4   | 5.6   |
| Stock dividend yield ratio (%)                      |  |   |   |
| Cash dividend per share (Won)                       | 1,000  | 9,400   | 9,400   |
| Stock dividend per share (share)                    |  |   |   |

Prepared based on non-consolidated financial statements. Net income per share means basic net income per share.



- \* 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.
  
- \* Total amount of interim dividend for the nine months ended September 30, 2011 was Won 71,095 million, and the interim cash dividend amount per share was Won 1,000.

**II. BUSINESS**

Each company in consolidated entity is separate as a legal entity providing independent services and products. The business is majorly distinguished as a wireless telecommunication business consisting of mobile phone, wireless data, information telecommunication, a fixed line telecommunication business consisting of PSTN, high speed Internet, data and network lease service etc. and other telecommunication business composing of Internet portal service, game etc.

**1. Business Overview****[Wireless Business]****A. Industry Characteristics**

As of September 30, 2011, the number of domestic mobile phone subscribers reached 52.12 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 and the development of highly advanced handsets including various smart phones which 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 introduced in July 2011, the B2B business directly resulting in the enhancement of productivity, such as the corporate connected workforce business, is expected to grow rapidly.

**B. Growth Potential**

| Classification        |                   | (Unit: 1,000 persons)    |               |               |                         |               |
|-----------------------|-------------------|--------------------------|---------------|---------------|-------------------------|---------------|
|                       |                   | As of September 30, 2011 | 2010          | 2009          | As of December 31, 2008 | 2007          |
| Number of subscribers | SK Telecom        | 26,421                   | 25,705        | 24,270        | 23,032                  | 21,968        |
|                       | Others (KT, LGU+) | 25,697                   | 25,062        | 23,675        | 22,575                  | 21,529        |
|                       | <b>Total</b>      | <b>52,118</b>            | <b>50,767</b> | <b>47,944</b> | <b>45,607</b>           | <b>43,497</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:

| Classification                       | As of              | (Unit: %)               |      |      |
|--------------------------------------|--------------------|-------------------------|------|------|
|                                      | September 30, 2011 | As of December 31, 2010 | 2009 | 2008 |
| <b>Mobile communication services</b> | 50.7               | 50.6                    | 50.6 | 50.5 |

Comparative market share:

| Classification      | SK Telecom | KT   | (Unit: %) |
|---------------------|------------|------|-----------|
|                     |            |      | LG U+     |
| <b>Market share</b> | 50.7       | 31.5 | 17.9      |

(Source: Korea Communications Commission website)

#### D. Business Overview and Competitive Strengths

The Company's wireless business, seeking to become the Global Convergence Leader, achieved robust operating results in the third quarter of 2011 due to solid growth in new subscribers, an increase in demand for smart phones, vigorous activity in wireless Internet area and the Company's fundamental strengths. The Company maintained its leadership in wireless Internet market by commencing the LTE service for the first in Korea, while preparing for new growth in global platform business.

As of September 30, 2011, the Company had approximately 26.42 million wireless subscribers throughout Korea and a 50.7% 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.

The Company has begun the popularization of smart phones and its smart phone subscribers reached 10 million as of the end of October 2011. The Company's LTE subscribers are increasing as planned, as sales are vitalized by an expanded lineup of premium LTE handsets. The Company is also providing unrivaled network coverage as it has expanded network coverage to inside buildings and underground. The Company plans to expand its LTE coverage to 28 cities from January 2012, and expects such expansion will lead to an increase in sales throughout the nation and accelerate the growth of LTE and table PC users.

SK Planet, which was officially established on October 1, 2011, has started its work with the vision of Global Platform Innovator and with core values of Human, Unique and Global. T store has reached 10 million subscribers after two years of rapid growth, which resulted from various policies to support application developers and build ecosystem. T store will further cooperate with business partners as the subscriber base grows. T store also plans to expand to China, Taiwan and Japan.

11<sup>th</sup> Street has recently increased its market share in Korea to approximately 30% and has recorded operating profit from June 2011. In addition, 11<sup>th</sup> Street is the leader with 42% market share in the mobile commerce market, which is showing rapid growth. 11<sup>th</sup> Street will strengthen its competitiveness by launching Open Shopping Gateway in 2011 that combines open market, general shopping mall and professional shopping mall.

The Company also expects the growth of business to business ( B2B ) sector. The Company is generating tangible results in B2B sector by developing new business models for different industries, such as health care and education, as well as developing B2B solutions and increasing its influence in B2B lease-line business.

**[Fixed Line Business]**

A. Industry Characteristics

The Korean telecommunications industry is currently characterized by the introduction of smartphones, tablet computers and other devices with enhanced mobility and the advent of cloud computing, mobile offices and other information and communications technology. In addition, mergers among fixed-line operators and wireless operators have accelerated the convergence within the telecommunications sector, creating a market structure in which groups with both fixed-line and wireless capabilities compete for greater market share to secure a more solid footing in the market. Spurred on by the introduction of various bundled products , growth in the subscriber base for IP TV services and a paradigm shift in the voice telephone market towards Internet-based telephone services, the broadband and fixed-line telecommunications market is playing a key role in the accelerated consolidation of the service providers as well as heightened competition in a growing market. The increased usage of smartphones and tablet PCs, as well as the commercialization of the fourth generation LTE network, has greatly increased the demand for wireless data transmissions, thereby putting into greater relief the importance of fixed-line networks.

We believe the transition to digital TV services will accelerate in 2012 when analog open air TV broadcast will terminate. We expect stronger competition in new services such as smart TVs and various convergence products, such as smartphones and N Screen services employing tablet computers.

Satellite DMB service has characteristics of both broadcasting and telecommunication services. It is characterized as satellite broadcasting because it broadcasts the same programming to multiple users through the satellite network, while it has characteristics of telecommunication because it provides two-way communication service through handsets. Satellite DMB service can be compared to broadcasting media, such as terrestrial radio and television, cable television and satellite broadcasting, as well as telecommunication media, such as the Internet and wireless telephone, and convergence media, such as wireless portal and terrestrial DMB service.

## B. Growth Potential

(Unit: 1,000 persons)

| Classification         |                     | As of                 | As of December 31, |        |
|------------------------|---------------------|-----------------------|--------------------|--------|
|                        |                     | September 30,<br>2011 | 2010               | 2009   |
| Fixed Line Subscribers | High Speed Internet | 17,754                | 17,224             | 16,348 |
|                        | Fixed Line          | 18,775                | 19,273             | 20,089 |
|                        | IPTV                | 3,332                 | 2,740              | 1,742  |

(Source: Korea Communications Commission website)

## C. Domestic and Overseas Market Conditions

The broadband and fixed-line telecommunications market comprises all residents in Korea who have a need for broadband Internet, telephone, IP TV or other fixed-line services, regardless of their sex, age and income levels, and extends to all geographical areas in Korea. Most foreign countries deem fixed-line telecommunications services as part of their national infrastructure, and therefore at this moment reliance on domestic service providers is near 100%. The broadband Internet market and telephone services market are near saturation, but there is a steady increase in number of subscribers. In addition, there has been a strong growth in the market for IP TV, smart office services and other integrated convergence products that are becoming the new media platform in the market, resulting in faster growth in the business-to-business market.

The expected migration of analog cable television subscribers to digital TV services in 2012 when analog open air TV broadcast will terminate, as well as the expansion of markets resulting from the entrance of new global players, such as Apple and Google, into the television industry, are expected to present new opportunities. On the other hand, risk factors include an increase in competition as a competitor is expanding its subscriber base by offering services bundled with satellite TV service.

Historical market share of the Company:

| Classification                       | As of                 | (Unit: %)<br>As of December 31, |      |
|--------------------------------------|-----------------------|---------------------------------|------|
|                                      | September 30,<br>2011 | 2010                            | 2009 |
| High Speed Internet (include Resale) | 23.4                  | 23.2                            | 23.5 |
| Fixed Line (include VOIP)            | 14.5                  | 13.7                            | 11.5 |
| IPTV                                 | 24.1                  | 26.8                            | 23.1 |

(Source: Korea Communications Commission website)

## D. Business Overview and Competitive Strengths

SK Broadband, which in 1999 became the first company in the world to commence commercial ADSL services, has strengthened its co-marketing efforts with SK Telecom. The co-marketing efforts and the enhanced competitiveness of the bundled products have resulted in expanded subscriber base across all of our businesses, including broadband Internet, telephone and IP TV. In particular, we have positioned ourselves to focus on corporate customer services as one of the key strategic areas for mid- to long-term growth, and our efforts to exploit new information and communications technology based businesses have led to revenue growth and strengthening of our competitiveness in the emerging business-to-business market.

SK Telink, a material consolidated subsidiary of ours, provides international telecommunications service. SK Telink has been able to establish itself as a market leader as a result of its affordable pricing, proactive marketing and the quality of its services. It launched a mobile phone-based international calling service under the brand name 00700 in 1998, creating a new niche market within the long-distance telephony market that was otherwise dominated by existing service providers. In 2003, SK Telink was designated a common carrier for international calling services, which allowed us to expand our international calling services to fixed-line international calling services. In addition, in 2010, we were again ranked first in the four major independent customer satisfaction surveys, including the Korea Nation Customer Satisfaction Index, after having been ranked first in 2009. The revenue from our international calling services in 2010 was Won 323.4 billion, which represents a 7% growth from 2009.

On December 30, 2004, we obtained from the government a license to provide the satellite DMB service, which is a new multimedia broadcasting service and a convergence service comprising broadcasting and telecommunication. We commenced commercial broadcasting in May 2005 and had 1.64 million subscribers as of September 30, 2011, which has decreased recently due to the subscribers' migration to mobile Internet video services. The growth of satellite DMB service has generally slowed.

#### **[Other Business]**

##### **A. Industry Characteristics**

In the past 10 years, the number of Internet subscribers in Korea increased by approximately 18 million from approximately 19.0 million in 2000 to approximately 37.0 million in 2010, representing a 7.1% compounded annual growth rate. The number of Internet subscribers saw an annual growth rate of at least 5.0% in the first half of the decade; however, starting in 2006, the annual growth rate dropped to around 1% as the market became more mature and stable. (Source: Korea Internet & Security Agency).

Internet portal service, which has grown based on search and community services, is expanding into various different services. The primary revenue source for the Internet portal service is Internet advertisement, which has experienced a rapid growth and has become a major advertisement media comparable to traditional media such as the television or newspapers. In addition, a rapid increase in mobile Internet users has led to the development of various mobile web services and applications. Mobile advertisement market is growing rapidly together with the growing popularity of mobile Internet and is expected to become an important revenue source for Internet portal services.

##### **B. Growth Potential**

Although the number of Internet subscribers and penetration rate of Internet services in general have remained stagnant, Internet advertising has seen continued growth despite such constraints in growth potential of the Internet services market. We believe the growth of the Internet display advertising market owes in large part to its cost effectiveness compared to traditional off-line advertising, the increase in Internet advertising budgets among corporate advertisers, development of new Internet advertising products and increases in Internet advertising fees. In addition, search-based Internet advertising has continued its growth as a result of increase in pay-per-click pricing due to heightened demand by a growing number of advertisers and the increase in the overall number of clicks. A rapid growth of mobile Internet markets, spurred by the popularity of smart phones, is also expected to contribute to the growth of the Internet portal industry. The emergence of new mobile Internet services suitable for mobile devices, such as location-based services, music player and mobile games, is also expected to benefit the Internet portal industry.



## C. Domestic and Overseas Market Conditions

### (1) Market Characteristics

The number of Internet users in Korea reached approximately 37 million, 77.8% of total population. The Internet has become an essential part of everyday life as a source of information, a leisure activity and a means of communication. (Source: Korea Internet & Security Agency). Internet portal services are expected to gain importance as gateways to various other websites and providers of diverse contents, and advertisement and contents revenue is anticipated to increase accordingly. In addition, an increase in users' demand for portal service and contents arising from the popularity of smart phones and mobile Internet is expected to increase related revenue.

### (2) Competition

Internet portal service providers provide more or less identical types of services, including search, social networking sites, email service, news and other contents. However, for each type of service, a small number of service providers with specialized expertise are enjoying relatively large market shares. However, the portal services market has a relatively light entry barrier and there is increased competition from new entrants. In addition, the ease of access to services provided by competitive foreign providers is also adding to a strongly competitive market environment.

### (3) Market Share

Our CyWorld service is the largest social networking website in Korea, with 25.91 million cumulative subscribers, 19.48 million net subscribers and a page view of 3.7 billion as of September 2011. Our Nate-On service had the largest market share of 73.3% in the instant messenger market in Korea with 12.6 million net users as of September 2011. Our Nate search portal service ranked third among search engines in Korea with a market share of 4.7% as of September 2011. (Source: Korean Click, company data).

## D. Business Overview and Competitive Strengths

SK Communications' consolidated subsidiaries under K-IFRS include SK I-Media, Co., Ltd. and Service-in Co., Ltd. SK Communications sold all shares of SK I-Media on October 20, 2011, and SK I-Media's results were reflected in profit or loss from discontinued operations of SK Communications. In the nine months ended September 30, 2011, SK Communications recorded operating revenue of Won 196.8 billion, operating profit of Won 9.4 billion and net income of Won 6.2 billion, on a consolidated basis. In the nine months ended September 30, 2011, SK Communications recorded operating revenue of Won 196.8 billion, operating profit of Won 9.4 billion and net loss of Won 2.3 billion, on a non-consolidated basis.

2011 is a year in which SK Communications will aim to take big strides in its growth as it builds on the results of 2010 and strive to become the leading Internet service provider in Korea. Key strategic goals for SK Communications in 2011 are to strengthen its social networking site, Cyworld, and to become the service provider with the largest market share in the smart device contents market. We will aim to further strengthen our competitiveness by taking such initiatives as integrating the wide range of services provided through NATE and NATE-ON to our social networking services, and adding a social networking search service in our NATE search engine. Furthermore, we will pursue expansion into foreign markets by further exploiting the advantages of our social networking services that are unique to Cyworld, as well as improving its user interface to make it accessible to users all around the world, with an aim to establishing regional hubs for our social networking services.

## 2. Major Products & Services

### A. Updates on Major Products and Services

(Unit: in thousands of Won, %)

| Business fields   | Sales type  | Item   | Major trademarks                         | Sales amount (ratio) |
|-------------------|---|--|--|----------------------|
| <b>Mobile</b>     | SK Telecom Co., Ltd., Commerce Planet Co., Ltd., PS&Marketing Corporation, Service Ace Co., Ltd., Service Top Co. Ltd., Network O&S Co., Ltd. | Mobile Phone,  | NATE, T Store and others                 | 10,008,934,957(83%)  |
|                   |   | Wireless Data, Information Telecommunication               |  |                      |
| <b>Fixed Line</b> | SK Broadband Co., Ltd., Broadband D&M Co., Ltd., Broadband Media Co., Ltd., Broadband CS Co., Ltd., SK Telink Co., Ltd.                       | Phone, High Speed Internet, Data and Network lease service | Btv, 00700 international call and others | 1,639,491,756(14%)   |
| <b>Other</b>      | SK Communications Co., Ltd., PAXNet Co., Ltd., Loen Entertainment, Inc., SKT Americas, Inc., SK Telecom China Holdings Co., Ltd.              | Internet Portal Service, Game                              | NATE, Cyworld and others                 | 366,188,342(3%)      |
|                   |   |  | Others                                   | 12,014,615,055(100%) |

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

#### [Mobile Business]

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 September 30, 2011, based on the Company's Standard Plan, basic service fee was Won 11,000 per month and the usage fee was Won 1.8 per 1 second.

#### [Fixed Line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. For the nine months ended September 30, 2011, broadband Internet services comprised 47.2% of SK Broadband's revenue, telephony service 24.3%, corporate data services 19.9% and other telecommunications services 8.6%.

#### [Other Business]

SK Communications' display advertisements are priced at Won 15 to 70 million per day. Search advertisements are priced variably depending on the search keyword using cost per click and cost per time methods. Cyworld revenues are generated through sale of cyber items at a price of Won 300 to 700 per item per week.

**3. Investment Status**

[Mobile Business]

## A. Investment in Progress

(Unit: in 100 millions of Won)

| Business field | Classification           | Investment period | Subject of investment       | Investment effect  | Total investments | Amount already invested | Future investment |
|----------------|--------------------------|-------------------|-----------------------------|--|-------------------|-------------------------|-------------------|
| Network/Common | Upgrade/New installation | 2011              | Network, systems and others | Capacity increase and quality improvement; systems improvement | To be determined  | 14,112                  | To be determined  |
| <b>Total</b>   |                          |                   |                             |  | To be determined  | 14,112                  | To be determined  |

## B. Future Investment Plan

(Unit: in 100 millions of Won)

| Business field | Expected investment amount  |        | Expected investment for each year |                  |                  | Investment effect   |
|----------------|-----------------------------|--------|-----------------------------------|------------------|------------------|---|
|                | Asset type                  | Amount | 2011                              | 2012             | 2013             |   |
| Network/Common | Network, systems and others | 23,000 | 23,000                            | To be determined | To be determined | Upgrades to the existing services and provision of new services |
| <b>Total</b>   |                             | 23,000 | 23,000                            | To be determined | To be determined | Upgrades to the existing services and provision of new services |

[Fixed Line Business]

## A. Investment in Progress

(Unit: in 100 millions of Won)

| Business field      | Classification           | Investment period | Subject of investment                    | Investment effect                         | Total investments | Amount already invested | Future investment |
|---------------------|--------------------------|-------------------|--|---|-------------------|-------------------------|-------------------|
| High-speed Internet | Upgrade/New installation | 2011              | Backbone and subscriber network / others | Expand subscriber networks and facilities | To be determined  | 390                     | To be determined  |
| Telephone           |                          |                   |  |   |                   | 38                      |                   |
| Television          |                          |                   |  |   |                   | 305                     |                   |
| Corporate Data      |                          |                   |  |   |                   | 741                     |                   |
| Others              |                          |                   |  |   |                   | 422                     |                   |
| <b>Total</b>        |                          |                   |  |   | To be determined  | 1,896                   | To be determined  |



## 4. Revenues

|                |            |          | (Unit: in millions of Won)                   |                                      |
|----------------|------------|----------|--|--------------------------------------|
| Business field | Sales type | Item     | For the nine months ended September 30, 2011 | For the year ended December 31, 2010 |
| Mobile         | Services   | Export   |  | 599                                  |
|                |            | Domestic | 10,008,935                                   | 12,919,663                           |
|                |            | Subtotal | 10,008,935                                   | 12,920,262                           |
| Fixed Line     | Services   | Export   | 22,168                                       | 30,883                               |
|                |            | Domestic | 1,617,324                                    | 2,196,424                            |
|                |            | Subtotal | 1,639,492                                    | 2,227,307                            |
| Other          | Services   | Export   | 3,342  | 12,000                               |
|                |            | Domestic | 362,846                                      | 439,726                              |
|                |            | Subtotal | 366,188                                      | 451,726                              |
| Total          |            | Export   | 25,510                                       | 43,482                               |
|                |            | Domestic | 11,989,105                                   | 15,555,813                           |
|                |            | Total    | 12,014,615                                   | 15,599,295                           |

|  |                |               |               |                | (Unit: in thousands of Won) |                     |
|--|----------------|---------------|---------------|----------------|-----------------------------|---------------------|
| For the nine months ended September 30, 2011 | Wireless       | Fixed         | Other         | Sub total      | Internal transaction        | After consolidation |
| <b>Total revenue</b>                         | 10,641,117,305 | 2,114,212,408 | 471,330,333   | 13,226,660,046 | -1,212,044,991              | 12,014,615,055      |
| <b>Internal revenue</b>                      | 632,182,348    | 474,720,652   | 105,141,991   | 1,212,044,991  | -1,212,044,991              |                     |
| <b>External revenue</b>                      | 10,008,934,957 | 1,639,491,756 | 366,188,342   | 12,014,615,055 |                             | 12,014,615,055      |
| <b>Operating income (loss)</b>               | 1,735,590,676  | 37,472,808    | 32,449,698    | 1,805,513,182  |                             | 1,805,513,182       |
| <b>Net profit (loss)</b>                     | 1,391,796,379  | -21,893,536   | 16,688,445    | 1,386,591,288  |                             | 1,386,591,288       |
| <b>Total asset</b>                           | 19,861,710,009 | 3,506,937,546 | 1,990,601,264 | 25,359,248,819 | -2,216,336,891              | 23,142,911,928      |
| <b>Total liabilities</b>                     | 7,916,651,941  | 2,202,253,582 | 691,612,217   | 10,810,517,740 | -241,462,532                | 10,569,055,208      |

## 5. Derivative Transactions

### SK Telecom Co., Ltd.

#### 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 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 September 30, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 15,937,159,000 (excluding tax effect totaling Won 1,242,176,000 and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling Won 23,150 million) was accounted for as accumulated other comprehensive gain.

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 September 30, 2011, in connection with this unsettled currency and interest rate swap contracts, an accumulated gain on valuation of derivatives amounting to Won 88,068,527,000 (excluding tax effect totaling Won 1,176,963,000 and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling Won 88,005,708,000) 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 September 30, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 2,946,099,000 (excluding tax effect totaling Won 655,890,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 35,219,000) 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 September 30, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated loss on valuation of derivatives amounting to Won 810,955,000 (excluding tax effect totaling Won 214,438,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 1,785,675,000) was accounted for as accumulated other comprehensive loss.

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 accounting to this foreign currency swap contract starting from May 12, 2010. Accordingly, as of September 30, 2011, in connection with this unsettled foreign currency swap contract, an accumulated loss on valuation of currency swap of Won 89,263,407,000 that has accrued since May 12, 2010 (excluding tax effect totaling Won 22,727,274,000 and foreign exchange translation loss arising from unguaranteed U.S. dollar denominated bonds totaling Won 14,042,383,000) 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 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, gains on valuation of interest rate swap of Won 3,388,829,000 and Won 2,087,789,000 for the nine month periods ended September 30, 2011 and September 30, 2010, respectively, were charged to current operations.

SK Broadband Co., Ltd.

SK Broadband has entered into a currency swap contract with six financial institutions including the Korea Development Bank to hedge the foreign currency risk of U.S. dollar denominated bonds (with face amounts totaling US\$500,000,000) issued on February 1, 2005, and has applied cash flow risk hedge accounting to this foreign currency swap contract as follows.

| (Won in thousands) |                                   |                                 |              |                 |   |                  |                        |                         |                                      |                                    |                       |
|--------------------|-----------------------------------|---------------------------------|--------------|-----------------|---|------------------|------------------------|-------------------------|--------------------------------------|------------------------------------|-----------------------|
| Title              | Counterparties                    | Contract Date / Expiration Date | Purpose      | Nominal Amount  | Settlement Method   | Early Redemption | Short-term Derivatives | Currency Swap Liability | Accumulated Other Comprehensive Gain | Loss on Valuation of Currency Swap | Agreed Exchange Rates |
| Currency swap      | Korea Development Bank and others | Feb. 1, 2005 / Feb. 1, 2012     | Risk hedging | US\$500 million | Receive US\$ required to repay bonds and pay KRW in accordance with agreed exchange rates | Permitted        | 28,797,129             | 5,779,041               | 20,556,501                           | 1,026.5-1,035.0                    |                       |

SK Communications Co., Ltd.

SK Communications recognizes the conversion rights of the convertible bonds received in connection with the sale of Spicus Co., Ltd. and Etoos Education Co., Ltd. at their fair value. Derivative instruments are first recognized at the fair value as of the contract date and are revaluated as of the date of reporting.

**6. Major Contracts**

[SK Telecom]

| Category | Vendor                    | Start Date      | Completion Date   | Contract Title                                | Contract Amount<br>(Won in<br>100 million) |
|----------|---------------------------|-----------------|-------------------|---|--|
| Service  | Network O&S               | January 1, 2011 | December 31, 2011 | Maintenance of transmission stations for 2011 | 1,189                                      |
| Service  | Service Ace               | January 1, 2011 | December 31, 2011 | Customer service for 2011                     | 1,129                                      |
| Service  | Service Top               | January 1, 2011 | December 31, 2011 | Customer service for 2011                     | 1,067                                      |
| Service  | SK Telink                 | January 1, 2011 | December 31, 2011 | Satellite DMB affiliation business            | 819  |
| Service  | SK Marketing<br>& Company | January 1, 2011 | December 31, 2011 | Operation of membership program for 2011      | 701  |
| Service  | Freegent &<br>Future      | January 1, 2011 | December 31, 2011 | Operation of T seller program for 2011        | 216  |
| Service  | SK Network<br>Service     | January 1, 2011 | December 31, 2011 | Customer service for handsets in 2011         | 162  |
| Service  | Service Ace               | January 1, 2011 | December 31, 2011 | Customer service education for 2011           | 114  |
| Service  | F&U Credit<br>Information | January 1, 2011 | December 31, 2011 | Billing service for 2011                      | 101  |
| Subtotal |                           |                 |                   |   | 5,489                                      |



## [SK Broadband]

SK Broadband enters into contracts to use telecommunications facilities, including the use of line conduits and interconnection among telecommunication service providers.

## [SK Communications]

| Counterparty              | Purpose   | Contract Period                    | Contract Amount  |
|---------------------------|---|------------------------------------|--|
| SK Telecom Co., Ltd.      | Operation of wireless NATE service                              | From Jan. 1, 2011 to Dec. 31, 2011 | Flexible depending on the number of employees involved and other factors   |
| Overture Korea            | Agency agreement for search advertisement                       |                                    | Amount determined based on the number of clicks  |
| SK Construction Co., Ltd. | Construction of Pangyo Office Building                          | 23 months                          | Won 61.9 billion   |
| SK Telecom Co., Ltd.      | Operation of shopping business at nate.com website              | From Jul. 1, 2011 to Dec. 31, 2013 | Minimum guarantee of Won 18.4 billion for the period from Jul. 1, 2011 to Dec. 31, 2011; Amounts for 2012 and 2013 are to be determined. |
| Daum Communications       | Business and service cooperation regarding search advertisement |                                    | Revenues are allocated in accordance with certain set percentages.   |

**7. R&D Investments**

(Unit: in million Won)

| Category  | For the nine months ended | For the year ended | Remarks |
|---|---------------------------|--------------------|---------|
|   | September 30, 2011        | December 31, 2010  |         |
| <b>Raw material</b>                                     | 30                        | 41                 |         |
| <b>Labor</b>  | 35,049                    | 49,441             |         |
| <b>Depreciation</b>                                     | 108,765                   | 143,131            |         |
| <b>Commissioned service</b>                             | 31,636                    | 98,545             |         |
| <b>Others</b>   | 31,482                    | 64,755             |         |
| <b>Total R&amp;D costs</b>                              | 206,962                   | 355,913            |         |
| <b>Accounting</b>                                       |                           |                    |         |
| <b>Sales and administrative expenses</b>                | 204,705                   | 352,186            |         |
| <b>Development expenses (Intangible assets)</b>         | 2,257                     | 3,727              |         |
| <b>R&amp;D cost / sales amount ratio</b>                |                           |                    |         |
| <b>(Total R&amp;D costs / Current sales amount×100)</b> | 1.72%                     | 2.28%              |         |

**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.

**III. FINANCIAL INFORMATION****1. Summary Financial Information (Consolidated)****A. Summary Financial Information (Consolidated)**

(Unit: in million Won)

| Classification/Fiscal Year              | As of<br>September 30, 2011 | As of<br>December 31, 2010 |
|---|-----------------------------|----------------------------|
| <b>Current Assets</b>                   | <b>6,788,585</b>            | <b>6,653,992</b>           |
| Cash and Cash Equivalent                | 1,728,505                   | 659,405                    |
| Accounts Receivable                     | 1,940,186                   | 1,949,397                  |
| Notes Receivable                        | 1,343,877                   | 2,531,847                  |
| Others                                  | 1,776,017                   | 1,513,343                  |
| <b>Non-Current Assets</b>               | <b>16,354,327</b>           | <b>16,478,397</b>          |
| Long Term Investment                    | 1,560,133                   | 1,680,582                  |
| Affiliate Investment                    | 1,246,510                   | 1,204,692                  |
| Fixed Assets                            | 8,208,949                   | 8,153,413                  |
| Intangible Assets                       | 1,998,051                   | 1,884,956                  |
| Good Will                               | 1,755,040                   | 1,736,649                  |
| Others                                  | 1,585,644                   | 1,818,106                  |
| <b>Total Assets</b>                     | <b>23,142,912</b>           | <b>23,132,389</b>          |
| <b>Current Liabilities</b>              | <b>6,665,282</b>            | <b>6,202,170</b>           |
| <b>Non-Current Liabilities</b>          | <b>3,903,773</b>            | <b>4,522,219</b>           |
| <b>Total Liabilities</b>                | <b>10,569,055</b>           | <b>10,724,390</b>          |
| <b>Controlling Shareholders' Equity</b> | <b>11,490,346</b>           | <b>11,329,991</b>          |
| Capital                                 | 44,639                      | 44,639                     |
| Other Paid-In Capital                   | -281,097                    | -78,953                    |
| Retained Earnings                       | 11,442,251                  | 10,721,249                 |
| Other Capital                           | 284,553                     | 643,055                    |
| Minority Interests                      | 1,083,511                   | 1,078,008                  |
| <b>Total Stockholders' Equity</b>       | <b>12,573,857</b>           | <b>12,407,999</b>          |
| Number of Subsidiaries                  | 32                          | 32                         |

| Classification/Fiscal Year                                   | For the nine months<br>ended<br>September 30, 2011 | For the nine months<br>ended<br>September 30, 2010 |
|--|--|--|
| <b>Revenue</b>   | <b>12,014,615</b>                                  | <b>11,575,995</b>                                  |
| Operating Profit (or Loss)                                   | 1,805,513  | 1,767,378  |
| Profit (or Loss) From Continuing Operation Before Income Tax | 1,920,530  | 1,691,737  |
| Consolidated Total Net Profit                                | 1,386,591  | 1,264,368  |
| Net Profit (or Loss) Attributable to Majority Interests      | 1,396,494  | 1,322,265  |
| Net Profit (or Loss) Attributable to Minority Interests      | (9,903)  | (57,896)   |
| Earnings Per Share (Won)                                     | 19,698   | 18,310   |
| Diluted Earnings Per Share (Won)                             | 19,160   | 17,847   |

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

| Classification/Fiscal Year        | As of<br>September 30, 2011 | As of<br>December 31, 2010 |
|-----------------------------------|-----------------------------|----------------------------|
| <b>Current Assets</b>             | <b>5,050,442</b>            | <b>5,316,977</b>           |
| Cash and Cash Equivalent          | 1,396,318                   | 357,470                    |
| Accounts Receivable               | 1,334,787                   | 1,453,061                  |
| Notes Receivable                  | 1,293,249                   | 2,499,969                  |
| Others                            | 1,026,088                   | 1,006,477                  |
| <b>Non Current Assets</b>         | <b>14,349,672</b>           | <b>14,410,150</b>          |
| Long Term Investment              | 1,382,761                   | 1,517,029                  |
| Affiliate Investment              | 3,640,521                   | 3,584,395                  |
| Fixed Assets                      | 5,673,497                   | 5,469,747                  |
| Intangible Assets                 | 1,611,118                   | 1,424,969                  |
| Good Will                         | 1,308,422                   | 1,308,422                  |
| Others                            | 733,352                     | 1,105,588                  |
| <b>Total Assets</b>               | <b>19,400,114</b>           | <b>19,727,126</b>          |
| <b>Current Liabilities</b>        | <b>4,656,945</b>            | <b>4,561,014</b>           |
| <b>Non Current Liabilities</b>    | <b>3,016,883</b>            | <b>3,585,155</b>           |
| <b>Total Liabilities</b>          | <b>7,673,828</b>            | <b>8,146,169</b>           |
| <b>Capital</b>                    | <b>44,639</b>               | <b>44,639</b>              |
| Other Paid-In Capital             | -233,036                    | -24,643                    |
| Retained Earnings                 | 11,574,002                  | 10,824,356                 |
| Other Capital                     | 340,680                     | 736,606                    |
| <b>Total Shareholders' Equity</b> | <b>11,726,286</b>           | <b>11,580,958</b>          |

| Classification/Fiscal Year                                   | For the nine months<br>ended<br>September 30, 2011 | For the nine months<br>ended<br>September 30, 2010 |
|--|--|--|
| <b>Revenue</b>   | <b>9,538,101</b>                                   | <b>9,339,313</b>                                   |
| Operating Profit (or Loss)                                   | 1,737,812  | 1,804,292  |
| Profit (or Loss) From Continuing Operation Before Income Tax | 1,936,692  | 1,818,157  |
| Net Profit (or Loss)   | 1,423,741  | 1,388,904  |
| Earnings Per Share (Won)                                     | 20,083   | 19,232   |
| Diluted Earnings Per Share (Won)                             | 19,533   | 18,744   |

**3. K-IFRS preparation, impact to financial statements, changes in accounting principle implemented****Transition to K-IFRS**

The Company prepares its financial statements in accordance with K-IFRS starting from the fiscal year 2011 which commenced on January 1, 2011. The Company's financial statements in previous periods were prepared in accordance with Korean GAAP. The Company's financial statements for the fiscal year 2010 presented for comparison were prepared in accordance with K-IFRS with January 1, 2010 as the transition date and pursuant to K-IFRS 1101 First-time Adoption of Korean International Financial Reporting Standards. For more information, please refer to note 3 to the independent auditor's review report attached hereto.



**IV. AUDITOR S OPINION****1. Auditor (Consolidated)**

| Term   | Year ended December 31, |                    |
|--|-------------------------|--------------------|
|  | 2010                    | 2009               |
| Nine months ended September 30, 2011<br>Deloitte Anjin LLC | Deloitte Anjin LLC      | Deloitte Anjin LLC |

**2. Audit Opinion (Consolidated)**

| Term                                 | Auditor s opinion | Issues noted |
|--------------------------------------|-------------------|--------------|
| Nine months ended September 30, 2011 |                   |              |
| Year ended December 31, 2010         | Unqualified       |              |
| Year ended December 31, 2009         | Unqualified       |              |

**3. Auditor (Non-Consolidated)**

| Term   | Year ended December 31, |                    |
|--|-------------------------|--------------------|
|  | 2010                    | 2009               |
| Nine months ended September 30, 2011<br>Deloitte Anjin LLC | Deloitte Anjin LLC      | Deloitte Anjin LLC |

**4. Audit Opinion (Non-Consolidated)**

| Term                                 | Auditor s opinion | Issues noted |
|--------------------------------------|-------------------|--------------|
| Nine months ended September 30, 2011 |                   |              |
| Year ended December 31, 2010         | Unqualified       |              |
| Year ended December 31, 2009         | Unqualified       |              |

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

| Term                                    | Auditors              | Contents  | (Unit: in thousands of Won) |             |
|---|-----------------------|---|-----------------------------|-------------|
|   |                       |   | Fee                         | Total hours |
| <b>Year ended<br/>December 31, 2011</b> | Deloitte Anjin<br>LLC | Semi-annual review  |                             |             |
|   |                       | Quarterly review  |                             |             |
|   |                       | Non-consolidated financial statements audit   | 1,364,000                   | 14,033      |
|   |                       | Consolidated financial statements audit<br>English financial statements review and other audit task   |                             |             |
| <b>Year ended<br/>December 31, 2010</b> | Deloitte Anjin<br>LLC | Semi-annual review  |                             |             |
|   |                       | Quarterly review  |                             |             |
|   |                       | Non-consolidated financial statements audit   | 1,563,770                   | 16,810      |
|   |                       | Consolidated financial statements audit<br>IFRS-based financial statements review<br>English financial statements review and other audit task |                             |             |
| <b>Year ended<br/>December 31, 2009</b> | Deloitte Anjin<br>LLC | Semi-annual review  |                             |             |
|   |                       | Quarterly review  |                             |             |
|   |                       | Non-consolidated financial statements audit   | 1,308,356                   | 13,982      |
|   |                       | Consolidated financial statements audit<br>English financial statements review and other audit task   |                             |             |

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

(Unit: in thousands of Won)

| Term                     | Contract date      | Service provided                                      | Service duration | Fee    |
|--------------------------|--------------------|---|------------------|--------|
| <b>Year ended</b>        | April 28, 2011     | Tax consulting  | 30 days          | 45,000 |
| <b>December 31, 2011</b> | April 28, 2011     | Tax consulting  | 30 days          | 45,000 |
|                          | 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  |
| <b>Year ended</b>        | July 28, 2010      | Tax consulting  | 30 days          | 40,000 |
| <b>December 31, 2010</b> | 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 |
|                          | 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 |
| <b>Year ended</b>        | May 22, 2009       | Review of deferred corporate income tax for 1Q and 2Q | 10 days          | 14,000 |
| <b>December 31, 2009</b> | 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 |

## V. 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.

#### The number of

persons  
8

**Inside directors**  
Jae Won Choi, Sung Min Ha,

Jun Ho Kim

**Independent directors**

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

Two new inside directors, Sung Min Ha and Jin Woo So, three independent directors, Rak Yong Uhm, Jay Young Chung and Jae Ho Cho, and two members of the audit committee, Jay Young Chung and Jae Ho Cho, were elected at the 27th Annual General Meeting of Shareholders held on March 11, 2011. At the Extraordinary General Meeting of Shareholders held on August 31, 2011, Jun Ho Kim was elected as an inside director and Jin Woo So resigned from the Board to transfer to an affiliate of the Company.

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

| Meeting   | Date              | Agenda  | Approval   |
|---|-------------------|---|--|
| 322 <sup>th</sup><br>(the first meeting of 2011)  | January 21, 2011  | <ul style="list-style-type: none"> <li>- Financial Statements as of and for the year ended December 31, 2010.</li> <li>- Annual Business Report as of and for the year ended December 31, 2010</li> <li>- Report for Internal Accounting Management System</li> <li>- Report for Subsequent Events following 4Q 2010</li> </ul> | <ul style="list-style-type: none"> <li>Approved as proposed</li> <li>Approved as amended</li> </ul>  |
| 323 <sup>th</sup><br>(the second meeting of 2011) | February 10, 2011 | <ul style="list-style-type: none"> <li>- Convocation of the 27<sup>th</sup> Annual General Meeting of Shareholders</li> <li>- Cooperation and share swap with KB Financial Group</li> <li>- Result of Internal Accounting Management System Evaluation</li> </ul>   | <ul style="list-style-type: none"> <li>Approved as proposed</li> <li>Approved as proposed</li> </ul>   |
| 324 <sup>th</sup><br>(the third meeting of 2011)  | March 11, 2011    | <ul style="list-style-type: none"> <li>- Election of the Company's CEO</li> <li>- Amendment of committee regulation</li> <li>- Election of committee member</li> <li>- Fund Management Transaction with Affiliated Financial Company (SK Securities)</li> </ul>   | <ul style="list-style-type: none"> <li>Approved as proposed</li> <li>Approved as proposed</li> <li>Approved as proposed</li> <li>Approved as proposed</li> </ul> |



| Meeting   | Date            | Agenda  | Approval   |
|---|-----------------|---|--|
| <b>325<sup>th</sup></b><br><b>(the fourth meeting of 2011)</b>  | March 30, 2011  | - Establishment of new entity with respect to a proposed business and acquisition of assets relating thereto  | Approved as proposed   |
| <b>326<sup>th</sup></b><br><b>(the fifth meeting of 2011)</b>   | April 28, 2011  | - Additional investment in network equipment in 2011<br>- Report for Subsequent Events following 1Q 2011  | Approved as proposed   |
| <b>327<sup>th</sup></b><br><b>(the sixth meeting of 2011)</b>   | May 31, 2011    | - NATE shopping affiliation agreement for shopping gateway business   | Approved as proposed   |
| <b>328<sup>th</sup></b><br><b>(the seventh meeting of 2011)</b> | June 23, 2011   | - Asset Management Transaction with Affiliated Company (SK Securities)  | Approved as proposed   |
| <b>329<sup>th</sup></b><br><b>(the eighth meeting of 2011)</b>  | July 19, 2011   | - Approval of the spin-off plan<br>- Convocation of the Extraordinary General Meeting of Shareholders<br>- Setting of record date for the shareholders meeting<br>- Purchase of treasury shares | Approved as proposed<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed |
| <b>330<sup>th</sup></b><br><b>(the ninth meeting of 2011)</b>   | July 28, 2011   | - Proposal for interim dividend<br>- Financial results for the first half 2011<br>- Report for Anti-trust Compliance Program<br>- Report for Subsequent Events following 2Q 2011                | Approved as proposed   |
| <b>331<sup>st</sup></b><br><b>(the tenth meeting of 2011)</b>   | August 16, 2011 | - Proposal for additional acquisition of LTE frequencies  | Approved as proposed   |

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| Meeting                           | Date               | Agenda   | Approval   |
|-----------------------------------|--------------------|--|--|
| <b>332nd</b>                      |                    | - Appointment of members of the Independent Director Nomination Committee  | Approved as proposed   |
| <b>(the 11th meeting of 2011)</b> | September 22, 2011 | - Asset Management Transaction with Affiliated Company (SK Securities)<br>- Transaction of goods, services and assets with SK Planet<br>- Participation in capital increase of SK Industrial Development China<br>- Participation in capital increase of SK Technology Innovation Center | Approved as proposed<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed |
| <b>333rd</b>                      |                    |  |  |
| <b>(the 12th meeting of 2011)</b> | October 4, 2011    | - Notice of a meeting of board of directors in lieu of the shareholders meeting to report the result of the spin-off   | Approved as proposed   |
| <b>334th</b>                      |                    |  |  |
| <b>(the 13th meeting of 2011)</b> | October 25, 2011   | - Payment of the purchase price of the LTE frequencies<br>- Proposal for the issuance of bonds<br>- Report for Subsequent Events following 2Q 2011   | Approved as proposed<br>Approved as proposed   |
| <b>335th</b>                      |                    |  |  |
| <b>(the 14th meeting of 2011)</b> | November 10, 2011  | - Participation in the bidding for the shares of Hynix Semiconductor**<br>- Proposal for a bank loan   | Approved as proposed<br>Approved as proposed   |
| <b>336th</b>                      |                    |  |  |
| <b>(the 15th meeting of 2011)</b> | November 14, 2011  | - Purchase of existing shares of Hynix Semiconductor and participation in the capital increase of Hynix Semiconductor  | Approved as proposed   |

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

\*\* Dal Sup Shim abstained and Jay Young Chung voted against the participation in the bidding for the shares of Hynix Semiconductor.

C. Committees within Board of Directors

(1) Committee Structure

a) Compensation Review Committee

(As of November 14, 2011)

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

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

b) Capex Review Committee

(As of November 14, 2011)

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

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

c) Corporate Citizenship Committee

(As of November 14, 2011)

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

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

d) Independent Director Nomination Committee

(As of November 14, 2011)

| Number of<br>Persons | Inside Directors        | Members |                          | Task                                |
|----------------------|-------------------------|---------|--------------------------|-------------------------------------|
|                      |                         |         | Independent Directors    |                                     |
| 4                    | Sung Min Ha, Jun Ho Kim |         | Rak Yong Uhm, Jae Ho Cho | Nomination of independent directors |

\*

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

### e) Audit Committee

(As of November 14, 2011)

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

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

## 2. Audit System

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

Major activities of the Audit Committee are as follows.

| Meeting                     | Date              | Agenda   | Approval                                     | Remarks |
|-----------------------------|-------------------|--|--|---------|
| The first meeting of 2011   | January 20, 2011  | 2 <sup>nd</sup> half 2010 Management Audit Results and Management Audit Plan for 2011  | Approved as proposed                         |         |
|                             |                   | Evaluation of Internal Accounting Controls based on the Opinion of the Members of the Audit Committee<br>Rental contract for satellite line facilities<br>Reports on Internal Accounting Management System<br>Comparison of before and after operating customer contact channel and BTS maintenance subsidiary company | Approved as proposed                         |         |
| The second meeting of 2011  | February 9, 2011  | Reports on 2010 Korean GAAP Audit<br>Report on Review of 2010 Internal Accounting Management System  | Approved as proposed                         |         |
|                             |                   | Evaluation of Internal Accounting Management System Operation  | Approved as proposed                         |         |
|                             |                   | Auditor's Report for Fiscal Year 2010<br>Purchase of Mobile Phone Relay Devices for 2011   | Approved as proposed                         |         |
|                             |                   | Construction of Network Facilities for 2011<br>Construction of Mobile Phone Facilities for 2011  | Re-proposed<br>Approved as proposed          |         |
| The third meeting of 2011   | February 10, 2011 | Construction of Mobile Phone Facilities for 2011   | Approved as proposed                         |         |
| The fourth meeting of 2011  | March 11, 2011    | 2011 2Q Transactions with SK C&C Co., Ltd.<br>Asset Management Transaction with Affiliated Company (SK Securities)   | Approved as proposed                         |         |
| The fifth meeting of 2011   | April 28, 2011    | Election of chairman   | Approved as proposed                         |         |
|                             |                   | Mobile phone facilities construction for Fiscal Year 2011  | Approved as proposed                         |         |
|                             |                   | Network facilities construction for Fiscal Year 2011   | Approved as proposed                         |         |
|                             |                   | Audit plan for the Fiscal Year 2011<br>Remuneration of outside auditor for the Fiscal Year 2011<br>Outside auditor service plan for the Fiscal Year 2011   | Approved as proposed<br>Approved as proposed |         |
| The sixth meeting of 2011   | June 23, 2011     | 2011 3Q Transactions with SK C&C Co., Ltd.<br>Asset Management Transaction with Affiliated Company (SK Securities)<br>Reports on 2011 US GAAP Audit  | Approved as proposed                         |         |
| The seventh meeting of 2011 | July 27, 2011     | Construction of Mobile Phone Facilities for 2011   | Approved as proposed                         |         |
|                             |                   | Construction of Network Facilities for 2011  | Approved as proposed                         |         |
|                             |                   | Financial Results for the First Half 2011<br>Reports on IFRS Review of the First Half of 2011  | Approved as proposed                         |         |
|                             |                   | Report on Audit Report to the Extraordinary General Meeting of Shareholders  |  |         |
| The eighth meeting of 2011  | August 24, 2011   | Report on Accounting Review of Spin-off Balance Sheet<br>Audit Report to the First Extraordinary General Meeting of Shareholders<br>Management Audit Results for the First Half of 2011  | Approved as proposed                         |         |

| Meeting                   | Date               | Agenda  | Approval   | Remarks |
|---------------------------|--------------------|---|--|---------|
| The ninth meeting of 2011 | September 21, 2011 | 2011 4Q Transactions with SK C&C Co., Ltd.<br>Asset Management Transaction with Affiliated Company (SK Securities)  | Approved as proposed   |         |
| The tenth meeting of 2011 | October 24, 2011   | Advertisement Agency Agreement for Outdoor Advertisement<br>Consolidated Loyalty Marketing Agency Agreement for 2012<br>Delegation of Fixed-line Services<br>Rental Contract for Telecommunication Facilities | 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.

### 3. Shareholders Exercises of Voting Rights

#### 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.

4. Affiliated Companies

A. Capital Investments between Affiliated Companies

(As of September 30, 2011)

| Investing company                 | Invested companies |               |              |              |              |              |              |               |               |               |
|-----------------------------------|--------------------|---------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
|                                   | SK Corporation     | SK Innovation | SK Telecom   | SK Networks  | SKC          | SK E&C       | SK Shipping  | SK E&S        | SK Bio farm   | SK Securities |
| SK Corporation                    |                    | 33.4%         | 23.2%        | 39.1%        | 42.5%        | 40.0%        | 83.1%        | 94.1%         | 100.0%        |               |
| SK Innovation                     |                    |               |              |              |              |              |              |               |               |               |
| SK Telecom                        |                    |               |              |              |              |              |              |               |               |               |
| SK Networks                       |                    |               |              |              |              |              |              |               |               | 22.7%         |
| SK Chemicals                      |                    |               |              |              |              | 25.4%        |              |               |               |               |
| SKC                               |                    |               |              |              |              |              |              |               |               |               |
| SK C&C                            | 31.8%              |               |              |              |              |              |              | 5.9%          |               |               |
| SK E&C                            |                    |               |              |              |              |              |              |               |               |               |
| SK E&S                            |                    |               |              |              |              |              |              |               |               |               |
| SK Gas                            |                    |               |              |              |              |              |              |               |               |               |
| SK Shipping                       |                    |               |              |              |              |              |              |               |               |               |
| SK Energy                         |                    |               |              |              |              |              |              |               |               |               |
| SK Global Chemical                |                    |               |              |              |              |              |              |               |               |               |
| SK Marketing & Company            |                    |               |              |              |              |              |              |               |               |               |
| SK D&D                            |                    |               |              |              |              |              |              |               |               |               |
| SK Communications                 |                    |               |              |              |              |              |              |               |               |               |
| SK Broadband                      |                    |               |              |              |              |              |              |               |               |               |
| SK Lubricant                      |                    |               |              |              |              |              |              |               |               |               |
| SK Securities                     |                    |               |              |              |              |              |              |               |               |               |
| SK Petrochemical                  |                    |               |              |              |              |              |              |               |               |               |
| TSK Water                         |                    |               |              |              |              |              |              |               |               |               |
| UBcare                            |                    |               |              |              |              |              |              |               |               |               |
| <b>Total affiliated companies</b> | <b>31.8%</b>       | <b>33.4%</b>  | <b>23.2%</b> | <b>39.1%</b> | <b>42.5%</b> | <b>65.4%</b> | <b>83.1%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>22.7%</b>  |

| Investing company      | Invested companies |                    |              |       |                  |                |               |         |                 |
|------------------------|--------------------|--------------------|--------------|-------|------------------|----------------|---------------|---------|-----------------|
|                        | SK Energy          | SK Global Chemical | SK Lubricant | DOPCO | SK Mobile Energy | Jeju United FC | Encar network | Natruck | Natruck Friends |
| SK Corporation         |                    |                    |              |       |                  |                |               |         |                 |
| SK Innovation          | 100.0%             | 100.0%             | 100.0%       | 41.0% | 100.0%           | 100.0%         |               |         |                 |
| SK Telecom             |                    |                    |              |       |                  |                |               |         |                 |
| SK Networks            |                    |                    |              |       |                  |                |               |         |                 |
| SK Chemicals           |                    |                    |              |       |                  |                |               |         |                 |
| SKC                    |                    |                    |              |       |                  |                |               |         |                 |
| SK C&C                 |                    |                    |              |       |                  |                |               |         |                 |
| SK E&C                 |                    |                    |              |       |                  |                |               |         |                 |
| SK E&S                 |                    |                    |              |       |                  |                |               |         |                 |
| SK Gas                 |                    |                    |              |       |                  |                |               |         |                 |
| SK Shipping            |                    |                    |              |       |                  |                |               |         |                 |
| SK Energy              |                    |                    |              |       |                  |                | 87.5%         | 92.4%   | 50.0%           |
| SK Global Chemical     |                    |                    |              |       |                  |                |               |         |                 |
| SK Marketing & Company |                    |                    |              |       |                  |                |               |         |                 |
| SK D&D                 |                    |                    |              |       |                  |                |               |         |                 |
| SK Communications      |                    |                    |              |       |                  |                |               |         |                 |
| SK Broadband           |                    |                    |              |       |                  |                |               |         |                 |
| SK Lubricant           |                    |                    |              |       |                  |                |               |         |                 |
| SK Securities          |                    |                    |              |       |                  |                |               |         |                 |

SK Petrochemical  
TSK Water  
UBcare

|                                   |        |        |        |       |        |        |       |       |       |
|-----------------------------------|--------|--------|--------|-------|--------|--------|-------|-------|-------|
| <b>Total affiliated companies</b> | 100.0% | 100.0% | 100.0% | 41.0% | 100.0% | 100.0% | 87.5% | 92.4% | 50.0% |
|-----------------------------------|--------|--------|--------|-------|--------|--------|-------|-------|-------|



| Investing company                 | Invested companies  |              |                         |               |                                 |                                 |                |              |                    |                   |
|-----------------------------------|---------------------|--------------|-------------------------|---------------|---------------------------------|---------------------------------|----------------|--------------|--------------------|-------------------|
|                                   | SK<br>Petrochemical | Green IS     | Arochemi<br>Co.<br>Ltd. | Zicos         | U base<br>Manufacturing<br>Asia | SK<br>Marketing<br>&<br>Company | M &<br>Service | SK<br>Telink | Commerce<br>Planet | PS &<br>Marketing |
| SK Corporation                    |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Innovation                     |                     |              |                         |               |                                 | 50.0%                           |                |              |                    |                   |
| SK Telecom                        |                     |              |                         |               |                                 | 50.0%                           |                | 83.5%        | 100.0%             | 100.0%            |
| SK Networks                       |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Chemicals                      |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SKC                               |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK C&C                            |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK E&C                            |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK E&S                            |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Gas                            |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Shipping                       |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Energy                         |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Global Chemical                | 100.0%              | 78.9%        | 50.0%                   |               |                                 |                                 |                |              |                    |                   |
| SK Marketing &<br>Company         |                     |              |                         |               |                                 |                                 | 100.0%         |              |                    |                   |
| SK D&D                            |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Communications                 |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Broadband                      |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Lubricant                      |                     |              |                         | 100.0%        | 100.0%                          |                                 |                |              |                    |                   |
| SK Securities                     |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| SK Petrochemical                  |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| TSK Water                         |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| UBcare                            |                     |              |                         |               |                                 |                                 |                |              |                    |                   |
| <b>Total affiliated companies</b> | <b>100.0%</b>       | <b>78.9%</b> | <b>50.0%</b>            | <b>100.0%</b> | <b>100.0%</b>                   | <b>100.0%</b>                   | <b>100.0%</b>  | <b>83.5%</b> | <b>100.0%</b>      | <b>100.0%</b>     |

| Investing company         | Invested companies |                   |                       |                |             |             |               |                              |        |                 |
|---------------------------|--------------------|-------------------|-----------------------|----------------|-------------|-------------|---------------|------------------------------|--------|-----------------|
|                           | NTREEV<br>Soft     | F&U<br>Credit Inf | Loen<br>Entertainment | Network<br>O&S | Service Ace | Service Top | SK<br>Wyverns | Television<br>Media<br>Korea | Paxnet | SK<br>Broadband |
| SK Corporation            |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Innovation             |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Telecom                | 63.7%              | 50.0%             | 63.5%                 | 100.0%         | 100.0%      | 100.0%      | 100.0%        | 51.0%                        | 59.7%  | 50.6%           |
| SK Networks               |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Chemicals              |                    |                   |                       |                |             |             |               |                              |        |                 |
| SKC                       |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK C&C                    |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK E&C                    |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK E&S                    |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Gas                    |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Shipping               |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Energy                 |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Global Chemical        |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Marketing &<br>Company |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK D&D                    |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Communications         |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Broadband              |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Lubricant              |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Securities             |                    |                   |                       |                |             |             |               |                              |        |                 |
| SK Petrochemical          |                    |                   |                       |                |             |             |               |                              |        |                 |
| TSK Water                 |                    |                   |                       |                |             |             |               |                              |        |                 |
| UBcare                    |                    |                   |                       |                |             |             |               |                              |        |                 |

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|                                   |       |       |       |        |        |        |        |       |       |       |
|-----------------------------------|-------|-------|-------|--------|--------|--------|--------|-------|-------|-------|
| <b>Total affiliated companies</b> | 63.7% | 50.0% | 63.5% | 100.0% | 100.0% | 100.0% | 100.0% | 51.0% | 59.7% | 50.6% |
|-----------------------------------|-------|-------|-------|--------|--------|--------|--------|-------|-------|-------|

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| Investing company                 | Invested companies |                 |               |               |               |               |               |              |              |               |
|-----------------------------------|--------------------|-----------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|---------------|
|                                   | SK Communications  | Broadband Media | Broadband D&M | Broadband CS  | SK I-Media    | Service In    | SKN Internet  | SKN Service  | MRO Korea    | WS Commerce   |
| SK Corporation                    |                    |                 |               |               |               |               |               |              |              |               |
| SK Innovation                     |                    |                 |               |               |               |               |               |              |              |               |
| SK Telecom                        | 64.7%              |                 |               |               |               |               |               |              |              |               |
| SK Networks                       |                    |                 |               |               |               |               | 100.0%        | 85.0%        | 51.0%        | 100.0%        |
| SK Chemicals                      |                    |                 |               |               |               |               |               |              |              |               |
| SKC                               |                    |                 |               |               |               |               |               |              |              |               |
| SK C&C                            |                    |                 |               |               |               |               |               |              |              |               |
| SK E&C                            |                    |                 |               |               |               |               |               |              |              |               |
| SK E&S                            |                    |                 |               |               |               |               |               |              |              |               |
| SK Gas                            |                    |                 |               |               |               |               |               |              |              |               |
| SK Shipping                       |                    |                 |               |               |               |               |               |              |              |               |
| SK Energy                         |                    |                 |               |               |               |               |               |              |              |               |
| SK Global Chemical                |                    |                 |               |               |               |               |               |              |              |               |
| SK Marketing & Company            |                    |                 |               |               |               |               |               |              |              |               |
| SK D&D                            |                    |                 |               |               |               |               |               |              |              |               |
| SK Communications                 |                    |                 |               |               | 100.0%        | 100.0%        |               |              |              |               |
| SK Broadband                      |                    | 100.0%          | 100.0%        | 100.0%        |               |               |               |              |              |               |
| SK Lubricant                      |                    |                 |               |               |               |               |               |              |              |               |
| SK Securities                     |                    |                 |               |               |               |               |               |              |              |               |
| SK Petrochemical                  |                    |                 |               |               |               |               |               |              |              |               |
| TSK Water                         |                    |                 |               |               |               |               |               |              |              |               |
| UBcare                            |                    |                 |               |               |               |               |               |              |              |               |
| <b>Total affiliated companies</b> | <b>64.7%</b>       | <b>100.0%</b>   | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>85.0%</b> | <b>51.0%</b> | <b>100.0%</b> |

| Investing company                 | Invested companies |              |               |              |                       |              |              |                    |               |              |                 |
|-----------------------------------|--------------------|--------------|---------------|--------------|-----------------------|--------------|--------------|--------------------|---------------|--------------|-----------------|
|                                   | SK Pinx            | LC&C         | Speed Motor   | SKC Air Gas  | SKC Solmics Co., Ltd. | SK Telesys   | SKW          | Sumray Corporation | Incyto        | SKC lighting | Daehan City Gas |
| SK Corporation                    |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Innovation                     |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Telecom                        |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Networks                       | 100.0%             | 66.7%        | 100.0%        |              |                       |              |              |                    |               |              |                 |
| SK Chemicals                      |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SKC                               |                    |              |               | 80.0%        | 48.7%                 | 47.5%        | 65.0%        | 100.0%             | 100.0%        | 65.0%        |                 |
| SK C&C                            |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK E&C                            |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK E&S                            |                    |              |               |              |                       |              |              |                    |               |              | 51.3%           |
| SK Gas                            |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Shipping                       |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Energy                         |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Global Chemical                |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Marketing & Company            |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK D&D                            |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Communications                 |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Broadband                      |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Lubricant                      |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Securities                     |                    |              |               |              |                       |              |              |                    |               |              |                 |
| SK Petrochemical                  |                    |              |               |              |                       |              |              |                    |               |              |                 |
| TSK Water                         |                    |              |               |              |                       |              |              |                    |               |              |                 |
| UBcare                            |                    |              |               |              |                       |              |              |                    |               |              |                 |
| <b>Total affiliated companies</b> | <b>100.0%</b>      | <b>66.7%</b> | <b>100.0%</b> | <b>80.0%</b> | <b>48.7%</b>          | <b>47.5%</b> | <b>65.0%</b> | <b>100.0%</b>      | <b>100.0%</b> | <b>65.0%</b> | <b>51.3%</b>    |



| Investing company                 | Invested companies |                        |                        |               |               |               |                         |                                |                    |               |
|-----------------------------------|--------------------|------------------------|------------------------|---------------|---------------|---------------|-------------------------|--------------------------------|--------------------|---------------|
|                                   | Busan<br>City Gas  | Jeonnam<br>City<br>Gas | Gangwon<br>City<br>Gas | JBES          | CCES          | YN<br>Energy  | Chungnam<br>City<br>Gas | PyongTaek<br>Energy<br>Service | Gimcheon<br>Energy | PMP           |
| SK Corporation                    |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Innovation                     |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Telecom                        |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Networks                       |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Chemicals                      |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SKC                               |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK C&C                            |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK E&C                            |                    |                        |                        |               |               |               |                         |                                |                    | 50.0%         |
| SK E&S                            | 40.0%              | 100.0%                 | 100.0%                 | 100.0%        | 100.0%        | 100.0%        | 100.0%                  | 100.0%                         | 50.0%              | 50.0%         |
| SK Gas                            |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Shipping                       |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Energy                         |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Global Chemical                |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Marketing &<br>Company         |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK D&D                            |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Communications                 |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Broadband                      |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Lubricant                      |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Securities                     |                    |                        |                        |               |               |               |                         |                                |                    |               |
| SK Petrochemical                  |                    |                        |                        |               |               |               |                         |                                |                    |               |
| TSK Water                         |                    |                        |                        |               |               |               |                         |                                |                    |               |
| UBcare                            |                    |                        |                        |               |               |               |                         |                                |                    |               |
| <b>Total affiliated companies</b> | <b>40.0%</b>       | <b>100.0%</b>          | <b>100.0%</b>          | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>           | <b>100.0%</b>                  | <b>50.0%</b>       | <b>100.0%</b> |

| Investing company         | Invested companies |                       |                       |           |              |        |                |         |            |                           |
|---------------------------|--------------------|-----------------------|-----------------------|-----------|--------------|--------|----------------|---------|------------|---------------------------|
|                           | SK Forest          | Daejeon<br>Pure Water | Gwangju<br>Pure Water | SK<br>D&D | Real<br>Vest | SK Gas | SK<br>Sci-tech | UB Care | SK Seentec | Korea<br>Sleep<br>Network |
| SK Corporation            |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Innovation             |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Telecom                |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Networks               |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Chemicals              |                    |                       |                       |           |              | 45.5%  | 50.0%          | 44.0%   | 100.0%     | 100.0%                    |
| SKC                       |                    |                       |                       |           |              |        |                |         |            |                           |
| SK C&C                    |                    |                       |                       |           |              |        |                |         |            |                           |
| SK E&C                    | 100.0%             | 32.0%                 | 42.0%                 | 45.0%     | 100.0%       |        |                |         |            |                           |
| SK E&S                    |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Gas                    |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Marketing &<br>Company |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Shipping               |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Energy                 |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Global Chemical        |                    |                       |                       |           |              |        |                |         |            |                           |
| SK D&D                    |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Communications         |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Broadband              |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Lubricant              |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Securities             |                    |                       |                       |           |              |        |                |         |            |                           |
| SK Petrochemical          |                    |                       |                       |           |              |        |                |         |            |                           |
| TSK Water                 |                    |                       |                       |           |              |        |                |         |            |                           |
| UBcare                    |                    |                       |                       |           |              |        |                |         |            |                           |

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|                                   |        |       |       |       |        |       |       |       |        |        |
|-----------------------------------|--------|-------|-------|-------|--------|-------|-------|-------|--------|--------|
| <b>Total affiliated companies</b> | 100.0% | 32.0% | 42.0% | 45.0% | 100.0% | 45.5% | 50.0% | 44.0% | 100.0% | 100.0% |
|-----------------------------------|--------|-------|-------|-------|--------|-------|-------|-------|--------|--------|

| Investing company                 | Invested companies                 |                  |               |                          |               |               |                     |               |
|-----------------------------------|------------------------------------|------------------|---------------|--------------------------|---------------|---------------|---------------------|---------------|
|                                   | Namwon<br>Sarang Electric<br>Power | MKS<br>Guarantee | Green Biro    | Pana Blu<br>Co.,<br>Ltd. | Independence  | Infosec       | Ever Health<br>Care | SKSM          |
| SK Corporation                    |                                    |                  |               |                          |               |               |                     |               |
| SK Innovation                     |                                    |                  |               |                          |               |               |                     |               |
| SK Telecom                        |                                    |                  |               |                          |               |               |                     |               |
| SK Networks                       |                                    |                  |               |                          |               |               |                     |               |
| SK Chemicals                      |                                    |                  |               |                          |               |               |                     |               |
| SKC                               |                                    |                  |               |                          |               |               |                     |               |
| SK C&C                            |                                    |                  |               |                          | 100.0%        | 100.0%        |                     |               |
| SK E&C                            |                                    |                  |               |                          |               |               |                     |               |
| SK E&S                            |                                    |                  |               |                          |               |               |                     |               |
| SK Gas                            |                                    |                  | 100.0%        | 80.4%                    |               |               |                     |               |
| SK Marketing & Company            |                                    |                  |               |                          |               |               |                     |               |
| SK Shipping                       |                                    |                  |               |                          |               |               |                     | 100.0%        |
| SK Energy                         |                                    |                  |               |                          |               |               |                     |               |
| SK Global Chemical                |                                    |                  |               |                          |               |               |                     |               |
| SK D&D                            | 100.0%                             | 100.0%           |               |                          |               |               |                     |               |
| SK Communications                 |                                    |                  |               |                          |               |               |                     |               |
| SK Broadband                      |                                    |                  |               |                          |               |               |                     |               |
| SK Lubricant                      |                                    |                  |               |                          |               |               |                     |               |
| SK Securities                     |                                    |                  |               |                          |               |               |                     |               |
| SK Petrochemical                  |                                    |                  |               |                          |               |               |                     |               |
| TSK Water                         |                                    |                  |               |                          |               |               |                     |               |
| UBcare                            |                                    |                  |               |                          |               |               | 100.0%              |               |
| <b>Total affiliated companies</b> | <b>100.0%</b>                      | <b>100.0%</b>    | <b>100.0%</b> | <b>80.4%</b>             | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b>       | <b>100.0%</b> |

## VII. SHAREHOLDERS INFORMATION

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

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

(As of September 30, 2011)

| Name                  | Relationship                  | Type of share | (Unit: Shares, %)                          |                 |  |                 |
|-----------------------|-------------------------------|---------------|--|-----------------|--|-----------------|
|                       |                               |               | Number of shares owned and ownership ratio |                 | Number of shares owned and ownership ratio |                 |
|                       |                               |               | Beginning of Period                        | End of Period   | 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            | 2,000                                      | 0.00            |
| <b>Shin Bae Kim</b>   | Officer of affiliated company | Common share  | 1,270                                      | 0.00            | 0  | 0.00            |
| <b>Man Won Jung</b>   | Officer of affiliated company | Common share  | 5,600                                      | 0.01            | 0  | 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            | 0  | 0.00            |
| <b>Bang Hyung Lee</b> | Officer of affiliated company | Common share  | 200  | 0.00            | 200  | 0.00            |

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|              |              |            |       |            |       |
|--------------|--------------|------------|-------|------------|-------|
| <b>Total</b> | Common share | 18,757,360 | 23.23 | 18,751,490 | 23.22 |
|--------------|--------------|------------|-------|------------|-------|



B. Overview of the Largest Shareholder

SK Corporation is a holding company and as of September 30, 2011, has eight subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK Shipping Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd. and SK Biofarm Co., Ltd. SK Biofarm Co., Ltd. spun off from SK Corporation on April 1, 2011.

Details of SK Corporation's subsidiaries are as follows:

| Affiliates              | Share Holdings | Book Value<br>(million<br>Won) | Industry                                     | Description     |
|-------------------------|----------------|--------------------------------|--|-----------------|
| SK Innovation Co., Ltd. | 33.4%          | 3,944,657                      | Energy and Petrochemical                     | Publicly Listed |
| SK Telecom Co., Ltd.    | 23.2%          | 2,847,985                      | Telecommunication                            | Publicly Listed |
| SK Networks Co., Ltd.   | 39.1%          | 1,165,759                      | Trading, Energy Sale                         | Publicly Listed |
| SKC Co., Ltd.           | 42.5%          | 254,632                        | Synthetic Resin Manufacturing                | Publicly Listed |
| SK E&C Co., Ltd.        | 40.0%          | 405,130                        | Construction                                 | Privately Held  |
| SK Shipping Co., Ltd.   | 83.1%          | 607,643                        | Ocean Freight                                | Privately Held  |
| SK E&S Co., Ltd.        | 94.1%          | 1,026,307                      | Gas Company Holdings and Power<br>Generation | Privately Held  |
| SK Biofarm Co., Ltd.    | 100.00%        | 228,743                        | Biotechnology                                | Privately Held  |

\* The above share holdings are based on common stock holdings as of September 30, 2011.

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 Innovation Co., Ltd., SK Telecom Co., Ltd. and SK Networks Co., Ltd. are three such subsidiaries.

SK E&S Co., Ltd. acquired K-Power Co., Ltd. SK E&S that is engaged in distribution of gas and energy business plans to create synergy by merging with K-Power that is engaged in power generation and plans to seek new growth opportunities in overseas gas business and power generation.

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         | Purchased 1,085,325 shares from SK Networks on March 7, 2008<br>At the 25 <sup>th</sup> General Meeting of Shareholders, elected the CEO, Man Won Jung (who owned 100 shares of the Company stock) |
|                     | March 13, 2009   | 18,751,360  | 23.22         |  |
|                     | 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  |
|                     |  |             |               |  |

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|                    |            |       |   |
|--------------------|------------|-------|---|
| 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<br>Man Won Jung, SK Telecom's CEO, resigned |
| March 11, 2011     | 18,750,490 | 23.22 | Shin Bae Kim, SK C&C's CEO, resigned  |
| April. 5, 2011     | 18,749,990 | 23.22 | Dal Sup Shim, an Independent Director, disposed 500 shares  |
| July 8, 2011       | 18,749,990 | 23.22 | Shin Won Chey, SK C&C's Chairman, purchased 500 shares  |
| August 5, 2011     | 18,750,490 | 23.22 | Shin Won Chey, SK C&C's Chairman, purchased 500 shares  |
| August 23, 2011    | 18,750,990 | 23.22 | Shin Won Chey, SK C&C's Chairman, 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 June 30, 2011)

| 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 * |                | 310,031          | 0.40            |                  |                 | 310,031          | 0.40            |

\* As of September 30, 2011

## B. Shareholder Distribution

(As of June 30, 2011)

| Classification                     | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Remarks |
|------------------------------------|------------------------|-----------|------------------|-----------|---------|
| <b>Total minority shareholders</b> | 27,620                 | 99.97%    | 23,615,862       | 29.24%    |         |
| <b>Total</b>                       | 27,626                 | 100%      | 80,745,711       | 100%      |         |

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

## A. Domestic Securities Market

| Types                             |                | September 2011 | August 2011 | July 2011 | June 2011 | May 2011  | April 2011 |
|-----------------------------------|----------------|----------------|-------------|-----------|-----------|-----------|------------|
| <b>Common stock</b>               | <b>Highest</b> | 159,500        | 155,000     | 161,500   | 161,000   | 169,000   | 167,500    |
|                                   | <b>Lowest</b>  | 145,500        | 131,000     | 140,500   | 126,500   | 158,000   | 156,500    |
| <b>Monthly transaction volume</b> |                | 5,296,111      | 7,629,297   | 7,487,737 | 3,296,999 | 3,967,936 | 2,644,056  |

## B. Foreign Securities Market

New York Stock Exchange

| Types                             |                | September 2011 | August 2011 | July 2011  | June 2011  | May 2011   | April 2011 |
|-----------------------------------|----------------|----------------|-------------|------------|------------|------------|------------|
| <b>Depository Receipt</b>         | <b>Highest</b> | 16.01          | 16.36       | 18.83      | 18.76      | 20.29      | 19.10      |
|                                   | <b>Lowest</b>  | 13.35          | 13.67       | 15.21      | 17.45      | 16.76      | 17.20      |
| <b>Monthly transaction volume</b> |                | 31,273,856     | 45,328,712  | 58,978,296 | 36,333,232 | 46,330,984 | 20,685,006 |

**VIII. EMPLOYEES**

(As of September 30, 2011)

| Classification | Number of employees  |                       |        |       | Average<br>service<br>year | (Unit: persons, in millions of Won)  |                               | Remarks |
|----------------|----------------------|-----------------------|--------|-------|----------------------------|--|-------------------------------|---------|
|                | Regular<br>employees | Contract<br>employees | Others | Total |                            | Aggregate<br>wage for the<br>nine months<br>ended<br>September 30,<br>2011 | Average<br>wage per<br>person |         |
| <b>Male</b>    | 3,838                | 49                    |        | 3,887 | 12.2                       | 207,408  | 51                            |         |
| <b>Female</b>  | 628                  | 78                    |        | 706   | 9.6                        | 28,411   | 35                            |         |
| <b>Total</b>   | 4,466                | 127                   |        | 4,593 | 11.8                       | 235,819  | 48                            |         |

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

(As of September 30, 2011)

(Unit: in millions of Won)

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

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

## A. Investment and Disposition of Investment

None.

## B. Transfer of Assets

(Units: in millions of Won)

| Name (Corporate Name)   | Relationship       | Transferred Objects       | Purpose of Transfer       | Details          |                          | Amount Transferred to Largest Shareholder | Amount Transferred to Largest Shareholder | Remarks |
|-------------------------|--------------------|---------------------------|---------------------------|------------------|--------------------------|---|---|---------|
|                         |                    |                           |                           | Date of Transfer | From Largest Shareholder |   |   |         |
| Encar Network Co., Ltd. | Affiliated Company | Used car sale             | Sale of assets not in use | April 29, 2011   |                          |   | 158                                       |         |
| SK Networks Co., Ltd    | Affiliated Company | Sale of assets not in use | Sale of assets not in use | July 29, 2011    |                          |   | 267                                       |         |
| SK Telesys Co.,Ltd.     | Affiliated Company | OA equipment sale         | Sale of assets not in use | July 29, 2011    |                          |   | 206                                       |         |
| Total                   |                    |                           |                           |                  |                          |   | 631                                       |         |

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

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

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Account category               | Beginning | Change details |          | Ending  | Accrued interest | Remarks |
|-----------------------|--------------|--------------------------------|-----------|----------------|----------|---------|------------------|---------|
|                       |              |                                |           | Increase       | Decrease |         |                  |         |
| Midus and others      | Agency       | Long-term and short-term loans | 77,985    | 223,539        | 183,019  | 118,505 |                  |         |

| Name (Corporate name)        | Relationship | Account category | Beginning | Change details |          | (Unit: in millions of Won) |                  | Remarks |
|------------------------------|--------------|------------------|-----------|----------------|----------|----------------------------|------------------|---------|
|                              |              |                  |           | Increase       | Decrease | Ending                     | Accrued interest |         |
| Daehan Kanggun BcN Co., Ltd. | Investee     | Long-term loans  | 30,224    | 614            | 17,592   | 13,246                     |                  |         |

## 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 Disclosure | Title   | Report  | Reports status  |
|--------------------|---|---|---|
| October 26, 2001   | Resolution on trust agreement for the acquisition of treasury shares and others | <ol style="list-style-type: none"> <li>Signatories: Shinhan Bank, Hana Bank, Chohung Bank, Korea Exchange Bank</li> <li>Contract amount: Won 1,300 billion</li> <li>Purpose: to increase shareholder value</li> </ol> | <ol style="list-style-type: none"> <li>On December 24, 2003, cash surplus amount from the existing trust agreement was partially reduced (Won 318 billion).</li> <li>On September 24, 2004, the Board of Directors extended the term of the specified monetary trust agreement for 3 years.</li> <li>On October 16, 2007, the Board of Directors extended the term of the specified monetary trust agreement for 3 years.</li> <li>On October 26 and October 29, 2010, all trust agreements for the acquisition of treasury shares terminated (aggregate amount: Won 982 billion).</li> </ol> |

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

| Date   | Agenda   | Resolution  |
|--|--|---|
| 23 <sup>rd</sup> Fiscal Year Meeting of Shareholders<br>(March 9, 2007)  | 1. Approval of the financial statements for the year ended December 31, 2006   | Approved (Cash dividend, Won 7,000 per share)   |
|  | 2. Remuneration limit for Directors  | Approved (Won 12 billion)   |
|  | 3. Election of Directors<br>- Election of inside directors<br>- Election of independent directors as Audit Committee members                                       | Approved (Jung Nam Cho, Sung Min Ha)<br>Approved (Dal Sup Shim)   |
| 24 <sup>th</sup> Fiscal Year Meeting of Shareholders<br>(March 14, 2008) | 1. Approval of the Financial Statements for the year ended December 31, 2007   | Approved (Cash dividend, Won 8,400 per share)   |
|  | 2. Amendment to Articles of Incorporation  | Approved  |
|  | 3. Approval of Remuneration Limit for Directors  | Approved (Won 12 billion)   |
|  | 4. Election of Directors<br>- Election of inside directors<br>- Election of independent directors<br>- Election of independent directors as Audit Committee member | Approved (Shin Bae Kim, Young Ho Park)<br>Approved (Rak Yong Uhm, Jay Young Chung)<br>Approved (Jae Ho Cho) |
| 25 <sup>th</sup> Fiscal Year Meeting of Shareholders<br>(March 13, 2009) | 1. Approval of the financial statements for the year ended December 31, 2008   | Approved (Cash dividend, Won 8,400 per share)   |
|  | 2. Approval of Remuneration Limit for Directors<br>Amendment to Company Regulation on Executive  | Approved (Won 12 billion)<br>Approved   |
|  | 3. Compensation  |   |
|  | 4. Election of Directors<br>- Election of inside directors<br>- Election of independent directors<br>- Election of independent directors as Audit Committee member | Approved (Jae Won Chey, Man Won Jung)<br>Approved (Hyun Chin Lim)<br>Approved (Hyun Chin Lim)               |
| 26 <sup>th</sup> Fiscal Year Meeting of Shareholders<br>(March 12, 2010) | 1. Approval of the financial statements for the year ended December 31, 2009   | Approved (Cash dividend, Won 8,400 per share)   |
|  | 2. Amendment to Articles of Incorporation  | Approved  |
|  | 3. Approval of Remuneration Limit for Directors  | Approved (Won 12 billion)   |
|  | 4. Election of Directors<br>- Election of inside directors<br>- Election of independent directors<br>- Election of independent directors as Audit Committee member | Approved (Ki Haeng Cho)<br>Approved (Dal Sup Shim)<br>Approved (Dal Sup Shim, Jay Young Chung)              |
| 27 <sup>th</sup> Fiscal Year Meeting of Shareholders<br>(March 11, 2011) | 1. Approval of the financial statements for the year ended December 31, 2010   | Approved (Cash dividend, Won 8,400 per share)   |
|  | 2. Approval of Remuneration Limit for Directors  | Approved  |
|  | 3. Amendment to Company Regulation on Executive<br>Compensation  | Approved (Won 12 billion)   |
|  | 4. Election of Directors<br>- Election of inside directors<br>- Election of independent directors  | Approved (Sung Min Ha, Jin Woo So)<br>Approved (Rak Young Uhm, Jay Young Chung, Jae Ho Cho)                 |

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- Election of independent directors as Audit Committee member      Approved (Jay Young Chung, Jae Ho Cho)

1<sup>st</sup> Extraordinary Meeting of Shareholders (August 31, 2011)

1. Approval of the Spin-off Plan
2. Election of Directors

Approved (Spin-off of SK Planet)

Approved (Jun Ho Kim)



**2. Contingent Liabilities****[SK Telecom]**

## 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.

**[SK Broadband]**

## A. Material Legal Proceedings

## (1) SK Broadband as the Plaintiff

| Description of Proceedings   | Date of Commencement<br>of Proceedings | Amount of Claim | (Unit: thousand won)                |
|--|--|-----------------|-------------------------------------|
|  |  |                 | Status                              |
| Claim for Cancellation of Korea Fair Trade Commission's Penalty Reassessment | September 2009                         | 1,810,000       | On appeal                           |
| Claim relating to Gangnamgu District Office Cable-Burying Project            | March 2010                             | 345,271         | On appeal                           |
| Administrative Proceeding relating to Gangnamgu District Office              | April 2010                             | 703,440         | Pending before Administrative Court |
| Damages Claim relating to Hyundai Construction                               | December 2010                          | 561,283         | Pending before District Court       |
| Claim for Sales Price by Sambo Motors  | April 2011                             | 321,200         | Pending before District Court       |
| Damages Claim against Asan Construction Company                              | April 2011                             | 454,268         | Pending before District Court       |
| Other claims and proceedings   |  | 575,148         |                                     |
| Total  |  | 4,770,610       |                                     |

## (2) SK Broadband as the Defendant

(Unit: thousand won)

| Description of Proceedings                                      | Date of Commencement of Proceedings | Amount of Claim | Status                        |
|---|-------------------------------------|-----------------|-------------------------------|
| Claim for Return of Unfair Benefit from One Call                | October 2010                        | 670,787         | Pending before District Court |
| Damages Claim from Jin Man Cho and One Other                    | January 2011                        | 200,000         | Pending before District Court |
| Claim for Commission by i-Media Valley and Five Other Companies | July 2010                           | 100,000         | On appeal                     |
| Claim for Commission by Vialty and Four Other Companies         | November 2010                       | 125,000         | Pending before District Court |
| Other claims and proceedings                                    |                                     | 47,815          |                               |
| Total   |                                     | 1,143,602       |                               |

## (3) Broadband Media as the Defendant

| Description of Proceedings                                      | Date of Commencement of Proceedings | Amount of Claim | Status    |
|---|-------------------------------------|-----------------|-----------|
| Claim for Commission by i-Media Valley and Five Other Companies | July 2010                           | 75,000          | On appeal |
| Total   |                                     | 75,000          |           |

**[SK Communications]**

## A. Material Legal Proceedings

As of September 30, 2011, 24 cases were pending and the aggregate amount of claim was Won 1,527 million. While the management cannot forecast the outcome of the pending cases, it does not expect material adverse impact on SK Communications' financial condition from the litigation.

**3. Status of sanctions, etc.****[SK Telecom]**

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 8, 2009, ordered the Company to improve its work procedures.

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 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 June 10, 2010, the Korea Communications Commission imposed on the Company a fine of Won 2 billion and issued a correction order for hurting subscribers' interests relating to USIM uses. The Company paid the fine and completed the improvement of the procedures in consultation with the Korea Communications Commission by September 2010.

On September 24, 2010, the Korea Communications Commission imposed on the Company a fine of Won 12.9 billion and issued a correction order for providing discriminatory subsidy to subscribers. The Company paid the fine and completed the improvement of the procedures in consultation with the Korea Communications Commission by January 2011.

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 2011.

On September 19, 2011, the Korea Communications Commission imposed on the Company a fine of Won 6.86 billion and issued a correction order for providing discriminatory subsidy to subscribers. The Company paid the fine and expects to complete the improvement of the procedures in consultation with the Korea Communications Commission by January 2012.

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.

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.

On February 28, 2011, the Company received a correctional order from the Fair Trade Commission of Korea for violation of Article 19 of the Korean Monopoly Regulation and Fair Trade Act, or the Fair Trade Act, and was imposed a fine of Won 1,964 million with respect to providing Non-DRM on-line music content services. The Company filed a suit disputing the order of the Fair Trade Commission and the suit is currently pending.

On April 22, 2011, the Company received a correctional order from the Fair Trade Commission of Korea for violation of Article 21 of the Electronic Commerce Act and was imposed a fine of Won 5 million. The Company paid the fine and filed a suit disputing the order of the Fair Trade Commission. The suit is currently pending.

On November 11, 2011, the Company received a correctional order from the Fair Trade Commission of Korea for violation of Article 23 of the Fair Trade Act relating to the transfer of patented technology necessary for the supply of relay facilities. The Company has corrected the procedures before receiving the correctional order.

[SK Broadband]

On July 22, 2009, SK Broadband received a warning from the Financial Supervisory Service of Korea with respect to its omission to state a material fact that could affect investors' investment decision when it responded to the Korea Exchange's request for disclosure regarding SK Telecom's acquisition of SK Broadband shares from AIG-Newbridge-TVG consortium, then-largest shareholder of SK Broadband.

On January 5, 2009, SK Broadband received a correctional order from the Fair Trade Commission of Korea for unfair business practices relating to marketing networks. SK Broadband has taken efforts to educate the relevant personnel and implement reports to the Fair Trade Commission to prevent a repeat of the same violation.

[SK Communications]

On July 31, 2008, SK Communications was imposed a fine of Won 125 million by the Fair Trade Commission of Korea in connection with the preparation for the Fair Trade Commission's field inspection. SK Communications has paid the fine and has taken efforts to prevent a repeat of the same violation, including education of the relevant personnel.

[Loen Entertainment]

On February 28, 2011, Loen Entertainment Inc. received a correctional order from the Fair Trade Commission of Korea for violation of Article 19 of the Fair Trade Act and was imposed a fine of Won 10,381 million with respect to providing Non-DRM on-line music content services. Loen Entertainment filed a suit disputing the order of the Fair Trade Commission and the suit is currently pending.

4. Important Matters That Occurred After September 30, 2011

[SK Telecom]

(1) Spin-off

In accordance with the resolution of the Company's board of directors on July 19, 2011 and the resolution of the shareholders' meeting on August 31, 2011, the Company spun off its platform business and established SK Planet Co., Ltd. effective as of October 1, 2011. The registration of the spin-off was completed on October 5, 2011. Set forth below are important details of the spin-off.

| Description         | Detail   |
|---------------------|--|
| Method of Spin-off  | Simple vertical spin-off   |
| Resulting Companies | SK Telecom Co., Ltd. (Surviving Company)<br>SK Planet Co., Ltd. (Spin-off Company) |
| Effective Date      | October 1, 2011  |

Set forth below is summary of financial position before and after the spin-off. (in millions of Won)

| Description                      | Before spin-off<br>(As of September 30,<br>2011) |  | After spin-off (As of October 1, 2011) |                     |
|----------------------------------|--|--|--|---------------------|
|                                  | SK Telecom Co.,<br>Ltd.                          |  | SK Telecom Co., Ltd.                   | SK Planet Co., Ltd. |
| Total Assets                     | 19,400,114                                       |  | 19,084,651                             | 1,545,537           |
| Total Liabilities                | 7,673,828  |  | 7,358,365                              | 315,463             |
| <b>Total Shareholders Equity</b> | <b>11,726,286</b>                                |  | <b>11,726,286</b>                      | <b>1,230,074</b>    |

(2) Acquisition of Shares of Hynix Semiconductor

In accordance with the resolution of the Company's board of directors on November 14, 2011, the Company decided to purchase 146,100,000 shares of Hynix Semiconductor Inc. (estimated aggregate purchase price of Won 3,426,675 million) on February 14, 2012 in order to acquire the control of Hynix Semiconductor. All shares (including existing shares and newly-issues shares) will be purchased with cash, and the Company will have a 21.05% equity interest in Hynix Semiconductor after the purchase.

[SK Communications]

On October 5, 2011, SK Planet Co., Ltd., which has spun off from SK Telecom, acquired 28,029,945 shares (64.6%) of SK Communications common stock from SK Telecom in connection with the spin-off. As of September 30, 2011, SK Planet Co., Ltd. is the largest shareholder of SK Communications.

On October 17, 2011, SK i-media Co., Ltd. changed its name to NBJ Games Co., Ltd. In accordance with the resolution of the board of directors of SK Communications, SK Communications sold all of the shares of SK i-media Co., Ltd. to LK Mediatech Co., Ltd on October 20, 2011. Accordingly, NBJ Games Co., Ltd. was excluded from the affiliates of SK.

*SK TELECOM CO., LTD. AND SUBSIDIARIES*

*CONSOLIDATED FINANCIAL STATEMENTS*

*FOR THE THREE MONTHS AND NINE MONTHS*

*ENDED SEPTEMBER 30, 2011*

*AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT*

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## **Independent Accountants Review Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

SK Telecom Co., Ltd.

### **Report on the consolidated financial statements**

We have reviewed the accompanying consolidated financial statements of SK Telecom Co., Ltd. and subsidiaries (the Company). The financial statements consist of the consolidated statements of financial position as of September 30, 2011 and December 31, 2010, and the related consolidated statements of income, comprehensive income for the three months and nine months ended September 30, 2011 and changes in shareholders' equity and cash flows for the nine months ended September 30, 2011, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the consolidated financial statements**

The Company's management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Independent accountants' responsibility**

Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Review conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Company are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards (K-IFRS) 1034 Interim Financial Reporting, and the requirements of K-IFRS 1101, First-time Adoption of Korean International Financial Reporting Standards, relevant to interim financial reporting.

### **Other matter**

The consolidated statements of income and comprehensive income for the three months and nine months ended September 30, 2010 and changes in shareholders' equity and cash flows for the nine months ended September 30, 2010, comparatively presented herein, were not reviewed.

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Our reviews also comprehended the translation of the Korean won amounts into U.S. dollar amounts and nothing has come to our attention that causes us to believe that such translation has not been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers of financial statements.

Accounting principles and review 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 shareholders' 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 review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying consolidated financial statements are for use by those knowledgeable about Korean accounting procedures and review standards and their application in practice.

November 24, 2011

Notice to Readers

This report is effective as of November 24, 2011, the independent accountants' review report date. Certain subsequent events or circumstances may have occurred between the independent accountants' review report date and the time the independent accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modification to the independent accountants' review report.

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

| ASSETS                                | Notes   | Korean won                             |                                       | Translation into U.S. dollars (Note 2)  |  |
|---------------------------------------|---------|--|---------------------------------------|---|--|
|                                       |         | September 30,<br>2011<br>(In millions) | December 31,<br>2010<br>(In millions) | September 30,<br>2011<br>(In thousands) | December 31,<br>2010<br>(In thousands) |
| <b>CURRENT ASSETS:</b>                |         |  |                                       |   |  |
| Cash and cash equivalents             | 4,29    | (Won) 1,728,505                        | (Won) 659,405                         | \$ 1,463,718                            | \$ 558,392                             |
| Short-term financial instruments      | 4,25    | 960,238                                | 567,152                               | 813,141                                 | 480,271                                |
| Short-term investment securities      | 4,7     | 90,669                                 | 400,531                               | 76,780                                  | 339,174                                |
| Accounts receivable - trade           | 4,5,24  | 1,940,186                              | 1,949,397                             | 1,642,972                               | 1,650,772                              |
| Short-term loans                      | 4,5,24  | 99,643                                 | 94,924                                | 84,379                                  | 80,383                                 |
| Accounts receivable - other           | 4,5,24  | 1,343,877                              | 2,531,847                             | 1,138,011                               | 2,143,998                              |
| Prepaid expenses                      |         | 118,871                                | 182,091                               | 100,661                                 | 154,197                                |
| Derivative assets                     | 4,26    | 82,358                                 |                                       | 69,742                                  |  |
| Inventories                           | 6,25    | 176,430                                | 149,223                               | 149,403                                 | 126,364                                |
| Advanced payments and other           | 4,5,7   | 243,893                                | 119,422                               | 206,532                                 | 101,128                                |
| Assets held for sale                  | 29      | 3,915                                  |                                       | 3,315                                   |  |
| <b>Total Current Assets</b>           |         | <b>6,788,585</b>                       | <b>6,653,992</b>                      | <b>5,748,654</b>                        | <b>5,634,679</b>                       |
| <b>NON-CURRENT ASSETS:</b>            |         |  |                                       |   |  |
| Long-term financial instruments       | 4       | 7,764                                  | 117                                   | 6,575                                   | 99                                     |
| Long-term investment securities       | 4,7     | 1,560,133                              | 1,680,582                             | 1,321,139                               | 1,423,137                              |
| Investments in associates             | 8       | 1,246,510                              | 1,204,692                             | 1,055,559                               | 1,020,147                              |
| Property and equipment                | 9,24,25 | 8,208,949                              | 8,153,413                             | 6,951,434                               | 6,904,406                              |
| Investment property                   | 10      | 272,070                                | 197,307                               | 230,392                                 | 167,082                                |
| Goodwill                              | 11      | 1,755,040                              | 1,736,649                             | 1,486,189                               | 1,470,615                              |
| Intangible assets                     | 12      | 1,998,051                              | 1,884,956                             | 1,691,973                               | 1,596,203                              |
| Long-term loans                       | 4,5,24  | 91,862                                 | 84,323                                | 77,790                                  | 71,406                                 |
| Long-term accounts receivable - other | 4,5     | 8,322                                  | 527,106                               | 7,047                                   | 446,360                                |
| Long-term prepaid expenses            | 25      | 575,459                                | 411,509                               | 487,305                                 | 348,471                                |
| Guarantee deposits                    | 4,5,24  | 237,310                                | 250,333                               | 200,957                                 | 211,985                                |
| Long-term derivative assets           | 4,26    | 145,821                                | 203,382                               | 123,483                                 | 172,226                                |
| Deferred income tax assets            |         | 219,378                                | 106,860                               | 185,772                                 | 90,490                                 |
| Other                                 | 4,5     | 27,658                                 | 37,168                                | 23,421                                  | 31,473                                 |
| <b>Total Non-current Assets</b>       |         | <b>16,354,327</b>                      | <b>16,478,397</b>                     | <b>13,849,036</b>                       | <b>13,954,100</b>                      |
| <b>TOTAL ASSETS</b>                   |         | <b>(Won) 23,142,912</b>                | <b>(Won) 23,132,389</b>               | <b>\$ 19,597,690</b>                    | <b>\$ 19,588,779</b>                   |

(Continued)

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

| LIABILITIES AND STOCKHOLDERS EQUITY                       | Notes   | Korean won            |                      | Translation into U.S. dollars (Note 2) |                      |
|---|---------|-----------------------|----------------------|--|----------------------|
|   |         | September 30,<br>2011 | December 31,<br>2010 | September 30,<br>2011                  | December 31,<br>2010 |
|   |         | (In millions)         |                      | (In thousands)                         |                      |
| <b>CURRENT LIABILITIES:</b>                               |         |                       |                      |  |                      |
| Short-term borrowings                                     | 4,13,25 | (Won) 1,175,751       | (Won) 523,710        | \$ 995,640                             | \$ 443,484           |
| Accounts payable - trade                                  | 4,24    | 201,567               | 195,777              | 170,689                                | 165,786              |
| Accounts payable - other                                  | 4,24    | 1,094,878             | 1,434,329            | 927,156                                | 1,214,607            |
| Withholdings  | 4       | 587,446               | 408,261              | 497,456                                | 345,720              |
| Accrued expenses  | 4       | 657,384               | 677,480              | 556,680                                | 573,698              |
| Income tax payable  |         | 216,557               | 259,871              | 183,383                                | 220,062              |
| Unearned revenue  |         | 293,971               | 311,365              | 248,938                                | 263,668              |
| Derivative liabilities                                    | 4,26    | 2,465                 | 15,393               | 2,087                                  | 13,035               |
| Provisions  | 14      | 646,757               | 652,889              | 547,681                                | 552,874              |
| Current portion of long-term debt, net                    | 4,13    | 1,641,525             | 1,601,229            | 1,390,063                              | 1,355,939            |
| Advanced receipts and other                               |         | 144,888               | 121,866              | 122,694                                | 103,197              |
| Liabilities directly associated with assets held for sale | 29      | 2,093                 |                      | 1,772                                  |                      |
| <b>Total Current Liabilities</b>                          |         | <b>6,665,282</b>      | <b>6,202,170</b>     | <b>5,644,239</b>                       | <b>5,252,070</b>     |
| <b>NON-CURRENT LIABILITIES:</b>                           |         |                       |                      |  |                      |
| Bonds payable, net  | 4,13    | 2,738,291             | 3,658,546            | 2,318,817                              | 3,098,100            |
| Long-term borrowings                                      | 4,13,25 | 337,584               | 235,968              | 285,870                                | 199,820              |
| Long-term payables - other                                | 4       | 235,721               | 54,783               | 199,611                                | 46,391               |
| Long-term unearned revenue                                |         | 225,585               | 241,892              | 191,028                                | 204,837              |
| Finance lease liabilities                                 | 4       | 43,541                | 60,075               | 36,871                                 | 50,872               |
| Retirement benefit obligation                             | 15      | 103,749               | 67,870               | 87,856                                 | 57,473               |
| Long-term derivative liabilities                          | 4,26    |                       | 14,761               |  | 12,500               |
| Long-term provisions                                      | 14      | 148,093               | 112,227              | 125,407                                | 95,035               |
| Long-term advanced receipts and other                     | 4,24    | 71,209                | 76,098               | 60,301                                 | 64,441               |
| <b>Total Non-current Liabilities</b>                      |         | <b>3,903,773</b>      | <b>4,522,220</b>     | <b>3,305,761</b>                       | <b>3,829,469</b>     |
| <b>Total Liabilities</b>                                  |         | <b>10,569,055</b>     | <b>10,724,390</b>    | <b>8,950,000</b>                       | <b>9,081,539</b>     |
| <b>STOCKHOLDERS EQUITY:</b>                               |         |                       |                      |  |                      |
| Share capital   | 1,16    | 44,639                | 44,639               | 37,801                                 | 37,801               |
| Share premium   | 16,17   | (281,097)             | (78,953)             | (238,036)                              | (66,858)             |
| Retained earnings   | 18      | 11,442,251            | 10,721,249           | 9,689,433                              | 9,078,880            |
| Reserves  | 19      | 284,553               | 643,056              | 240,963                                | 544,547              |
| Non-controlling interests                                 |         | 1,083,511             | 1,078,008            | 917,529                                | 912,870              |
| <b>Total Stockholders Equity</b>                          |         | <b>12,573,857</b>     | <b>12,407,999</b>    | <b>10,647,690</b>                      | <b>10,507,240</b>    |

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|   |                  |                  |               |               |
|---|------------------|------------------|---------------|---------------|
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | (Won) 23,142,912 | (Won) 23,132,389 | \$ 19,597,690 | \$ 19,588,779 |
|---|------------------|------------------|---------------|---------------|

See accompanying notes to consolidated financial statements.

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF INCOME

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|                                  | Notes   | Korean won                      |   |                                 |                                | Translation into U.S. dollars (Note 2)                                      |  |                                 |                                |
|----------------------------------|---------|---------------------------------|---|---------------------------------|--------------------------------|---|--|---------------------------------|--------------------------------|
|                                  |         | 2011                            |   | 2010                            |                                | 2011  |  | 2010                            |                                |
|                                  |         | Three months ended September 30 | Nine months ended September 30<br>(In millions except for per share data) | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30<br>(In thousands except for per share data) | Nine months ended September 30<br>(In thousands except for per share data) | Three months ended September 30 | Nine months ended September 30 |
| <b>OPERATING REVENUE:</b>        |         |                                 |   |                                 |                                |   |  |                                 |                                |
| Revenue                          | 23,24   | (Won) 4,018,905                 | (Won) 11,948,764  | (Won) 3,978,940                 | (Won) 11,549,872               | \$ 3,403,256  | \$ 10,118,354  | \$ 3,369,413                    | \$ 9,780,567                   |
| Other                            | 20      | 46,233                          | 65,851  | 9,025                           | 26,124                         | 39,151  | 55,763   | 7,643                           | 22,122                         |
| Sub-total                        |         | 4,065,138                       | 12,014,615  | 3,987,965                       | 11,575,996                     | 3,442,407   | 10,174,117   | 3,377,056                       | 9,802,689                      |
| <b>OPERATING EXPENSES:</b>       |         |                                 |   |                                 |                                |   |  |                                 |                                |
| Labor cost                       | 15      | 294,097                         | 859,589   | 288,438                         | 781,977                        | 249,045   | 727,910  | 244,253                         | 662,187                        |
| Commissions paid                 |         | 1,411,636                       | 4,196,800   | 1,379,320                       | 4,237,474                      | 1,195,390   | 3,553,900  | 1,168,024                       | 3,588,343                      |
| Depreciation and amortization    | 9,10,12 | 617,812                         | 1,784,198   | 525,457                         | 1,607,831                      | 523,170   | 1,510,880  | 444,963                         | 1,361,530                      |
| Network interconnection          |         | 322,345                         | 964,589   | 375,713                         | 1,051,007                      | 272,966   | 816,825  | 318,158                         | 890,005                        |
| Leased line                      |         | 127,744                         | 352,060   | 103,820                         | 310,728                        | 108,175   | 298,129  | 87,916                          | 263,128                        |
| Advertising                      |         | 117,071                         | 257,623   | 84,620                          | 240,588                        | 99,137  | 218,158  | 71,658                          | 203,733                        |
| Rent                             |         | 98,265                          | 290,919   | 92,196                          | 267,379                        | 83,212  | 246,354  | 78,073                          | 226,420                        |
| Cost of goods sold               |         | 244,720                         | 648,244   | 168,658                         | 438,314                        | 207,232   | 548,941  | 142,822                         | 371,169                        |
| Other                            | 20      | 302,242                         | 855,080   | 326,520                         | 873,320                        | 255,942   | 724,091  | 276,500                         | 739,538                        |
| Sub-total                        | 24      | 3,535,932                       | 10,209,102  | 3,344,742                       | 9,808,618                      | 2,994,269   | 8,645,188  | 2,832,367                       | 8,306,053                      |
| OPERATING INCOME                 | 23      | 529,206                         | 1,805,513   | 643,223                         | 1,767,378                      | 448,138   | 1,528,929  | 544,689                         | 1,496,636                      |
| Financial income                 | 21      | 73,783                          | 388,509   | 103,352                         | 270,294                        | 62,480  | 328,994  | 87,520                          | 228,888                        |
| Financial costs                  | 21      | 100,357                         | 251,400   | 110,771                         | 346,507                        | 84,984  | 212,889  | 93,802                          | 293,425                        |
| Equity in earnings of affiliates | 8       | 17,452                          | 29,137  | 9,691                           | 24,392                         | 14,779  | 24,674   | 8,206                           | 20,655                         |
| Equity in losses of affiliates   | 8       | 18,835                          | 51,229  | 14,100                          | 23,820                         | 15,950  | 43,381   | 11,940                          | 20,171                         |

(Continued)

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|  | Notes | Korean won                      |   |                                 |                                | Translation into U.S. dollars (Note 2) |  |                                 |                                |
|--|-------|---------------------------------|---|---------------------------------|--------------------------------|--|--|---------------------------------|--------------------------------|
|  |       | 2011                            |   | 2010                            |                                | 2011                                   |  | 2010                            |                                |
|  |       | Three months ended September 30 | Nine months ended September 30<br>(In millions except for per share data) | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30        | Nine months ended September 30<br>(In thousands except for per share data) | Three months ended September 30 | Nine months ended September 30 |
| INCOME FROM CONTINUING OPERATION BEFORE INCOME TAX     |       | (Won) 501,249                   | (Won) 1,920,530   | (Won) 631,395                   | (Won) 1,691,737                | \$ 424,463                             | \$ 1,626,327   | \$ 534,673                      | \$ 1,432,583                   |
| INCOME TAX FOR CONTINUING OPERATION                    |       | 120,248                         | 535,071   | 158,223                         | 425,644                        | 101,827                                | 453,104  | 133,985                         | 360,440                        |
| INCOME (LOSS) FROM DISCONTINUED OPERATION              | 28    | 2,886                           | 1,132   | (983)                           | (1,725)                        | 2,444                                  | 959  | (832)                           | (1,461)                        |
| NET INCOME   | 23    | (Won) 383,887                   | (Won) 1,386,591   | (Won) 472,189                   | (Won) 1,264,368                | \$ 325,080                             | \$ 1,174,182   | \$ 399,856                      | \$ 1,070,682                   |
| ATTRIBUTABLE TO:                                       |       |                                 |   |                                 |                                |  |  |                                 |                                |
| Controlling interests                                  |       | (Won) 386,166                   | (Won) 1,396,494   | (Won) 489,023                   | (Won) 1,322,265                | (Won) 327,010                          | (Won) 1,182,568  | (Won) 414,110                   | (Won) 1,119,710                |
| Non-controlling interests                              |       | ((Won) 2,279)                   | ((Won) 9,903)   | ((Won) 16,834)                  | ((Won) 57,897)                 | ((Won) 1,930)                          | ((Won) 8,386)  | ((Won) 14,254)                  | ((Won) 49,028)                 |
| NET INCOME PER SHARE FROM CONTINUING OPERATION         |       |                                 |   |                                 |                                |  |  |                                 |                                |
| (In Korean won and U.S. dollars)                       | 22    | (Won) 5,451                     | (Won) 19,688  | (Won) 6,804                     | (Won) 18,325                   | \$ 4.62                                | \$ 16.67   | \$ 5.76                         | \$ 15.52                       |
| NET INCOME PER SHARE (In Korean won and U.S. dollars)  | 22    | (Won) 5,478                     | (Won) 19,698  | (Won) 6,795                     | (Won) 18,310                   | \$ 4.64                                | \$ 16.68   | \$ 5.75                         | \$ 15.51                       |
| DILUTED NET INCOME PER SHARE FROM CONTINUING OPERATION |       |                                 |   |                                 |                                |  |  |                                 |                                |
| (In Korean won and U.S. dollars)                       | 22    | (Won) 5,307                     | (Won) 19,150  | (Won) 6,632                     | (Won) 17,862                   | \$ 4.49                                | \$ 16.22   | \$ 5.62                         | \$ 15.13                       |

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DILUTED NET  
INCOME PER  
SHARE

|                                    |    |       |       |       |        |       |       |       |        |    |      |    |       |    |      |    |       |
|------------------------------------|----|-------|-------|-------|--------|-------|-------|-------|--------|----|------|----|-------|----|------|----|-------|
| In Korean won<br>and U.S. dollars) | 22 | (Won) | 5,333 | (Won) | 19,160 | (Won) | 6,623 | (Won) | 17,847 | \$ | 4.52 | \$ | 16.23 | \$ | 5.61 | \$ | 15.11 |
|------------------------------------|----|-------|-------|-------|--------|-------|-------|-------|--------|----|------|----|-------|----|------|----|-------|

See accompanying notes to consolidated financial statements.

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|   | Notes | Korean won                      |   |                                 |                                | Translation into U.S. dollars (Note 2) |  |                                 |                                |
|---|-------|---------------------------------|---|---------------------------------|--------------------------------|--|--|---------------------------------|--------------------------------|
|   |       | 2011                            |   | 2010                            |                                | 2011                                   |  | 2010                            |                                |
|   |       | Three months ended September 30 | Nine months ended September 30<br>(In millions except for per share data) | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30        | Nine months ended September 30<br>(In thousands except for per share data) | Three months ended September 30 | Nine months ended September 30 |
| NET INCOME  |       | (Won) 383,887                   | (Won) 1,386,591   | (Won) 472,189                   | (Won) 1,264,368                | \$ 325,080                             | \$ 1,174,182   | \$ 399,856                      | \$ 1,070,682                   |
| OTHER COMPREHENSIVE INCOME:                                     |       |                                 |   |                                 |                                |  |  |                                 |                                |
| Net change in fair value of available-for-sale financial assets | 19    | (198,482)                       | (376,631)   | 104,190                         | (40,667)                       | (168,077)                              | (318,936)  | 88,229                          | (34,437)                       |
| Share of other comprehensive income of associates               | 8     | 13,867                          | 5,023   | (628)                           | 2,173                          | 11,743                                 | 4,254  | (532)                           | 1,840                          |
| Loss on valuation of derivatives                                |       | (22,031)                        | (18,744)  | (10,524)                        | (14,710)                       | (18,656)                               | (15,873)   | (8,912)                         | (12,457)                       |
| Foreign currency translations of foreign operations             |       | 69,408                          | 46,361  | (30,621)                        | (5,411)                        | 58,775                                 | 39,259   | (25,931)                        | (4,582)                        |
| Actuarial gains (losses) on retirement benefit obligations      | 15    | 1,090                           | (7,134)   | 1,693                           | 2,452                          | 923                                    | (6,041)  | 1,434                           | 2,076                          |
| Sub-total   |       | (136,148)                       | (351,125)   | 64,110                          | (56,163)                       | (115,292)                              | (297,337)  | 54,288                          | (47,560)                       |
| TOTAL COMPREHENSIVE INCOME                                      |       | (Won) 247,739                   | (Won) 1,035,466   | (Won) 536,299                   | (Won) 1,208,205                | \$ 209,788                             | \$ 876,845   | \$ 454,144                      | \$ 1,023,122                   |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:                     |       |                                 |   |                                 |                                |  |  |                                 |                                |
| Controlling interests   |       | (Won) 228,707                   | (Won) 1,030,793   | (Won) 562,993                   | (Won) 1,270,913                | (Won) 193,672                          | (Won) 872,888  | (Won) 476,749                   | (Won) 1,076,224                |
| Non-controlling interests                                       |       | (Won) 19,032                    | (Won) 4,673   | ((Won) 26,694)                  | ((Won) 62,708)                 | (Won) 16,116                           | (Won) 3,957  | ((Won) 22,605)                  | ((Won) 53,102)                 |

See accompanying notes to consolidated financial statements.



## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

| Notes | Share capital | Paid-in surplus | Treasury stock    | Share premium<br>Loss on disposal<br>of treasury stock | Other           | Retained earnings             | Reserves      | Controlling interests         | Non-controlling interests  |
|-------|---------------|-----------------|-------------------|--|-----------------|-------------------------------|---------------|-------------------------------|----------------------------|
|       | (Won) 44,639  | (Won) 2,915,887 | ((Won) 1,992,083) | ((Won) 15,875)   | ((Won) 740,053) | (Won) 9,563,940<br>(680,042)  | (Won) 919,835 | (Won) 10,696,290<br>(680,042) | (Won) 1,151,755<br>(1,815) |
|       |               |                 |                   |  |                 | 1,323,644                     | (52,730)      | 1,270,914                     | (62,709)                   |
|       |               |                 |                   |  |                 | 1,322,265                     |               | 1,322,265                     | (57,897)                   |
| 19    |               |                 |                   |  |                 | 1,379                         | (52,730)      | (51,351)                      | (4,812)                    |
|       |               |                 | (156,088)         |  |                 |                               |               | (156,088)                     |                            |
|       |               |                 |                   |  | 3,458           |                               |               | 3,458                         | 12,287                     |
|       | (Won) 44,639  | (Won) 2,915,887 | ((Won) 2,148,171) | ((Won) 15,875)   | ((Won) 736,595) | (Won) 10,207,542              | (Won) 867,105 | (Won) 11,134,532              | (Won) 1,099,518            |
|       | (Won) 44,639  | (Won) 2,915,887 | ((Won) 2,202,439) | ((Won) 15,875)   | ((Won) 776,526) | (Won) 10,721,249<br>(668,293) | (Won) 643,056 | (Won) 11,329,991<br>(668,293) | (Won) 1,078,008<br>(2,226) |
|       |               |                 |                   |  |                 | 1,389,295                     | (358,503)     | 1,030,792                     | 4,674                      |
|       |               |                 |                   |  |                 | 1,396,494                     |               | 1,396,494                     | (9,903)                    |
| 19    |               |                 |                   |  |                 | (7,199)                       | (358,503)     | (365,702)                     | 14,577                     |
| 17    |               |                 | (208,012)         |  |                 |                               |               | (208,012)                     |                            |
|       |               |                 |                   |  | 5,868           |                               |               | 5,868                         | 3,055                      |
|       | (Won) 44,639  | (Won) 2,915,887 | ((Won) 2,410,451) | ((Won) 15,875)   | ((Won) 770,658) | (Won) 11,442,251              | (Won) 284,553 | (Won) 11,490,346              | (Won) 1,083,511            |

(Continued)



## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (CONTINUED)

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|                                       | Share capital | Paid-in surplus | Treasury stock | Share premium<br>Loss on disposal<br>of<br>treasury stock | Other        | Retained earnings | Reserves   | Controlling interests | Non-controlling interests | Total         |
|---------------------------------------|---------------|-----------------|----------------|---|--------------|-------------------|------------|-----------------------|---------------------------|---------------|
| <i>Notes</i>                          |               |                 |                |   |              |                   |            |                       |                           |               |
| <b>(In thousands of U.S. dollars)</b> |               |                 |                |   |              |                   |            |                       |                           |               |
| Balance, January 1, 2010              | \$ 37,801     | \$ 2,469,207    | (\$ 1,686,919) | (\$ 13,443)   | (\$ 626,686) | \$ 8,098,857      | \$ 778,927 | \$ 9,057,744          | \$ 975,320                | \$ 10,033,064 |
| Cash dividends                        |               |                 |                |   |              | (575,868)         |            | (575,868)             | (1,537)                   | (577,405)     |
| Total comprehensive income            |               |                 |                |   |              | 1,120,878         | (44,652)   | 1,076,226             | (53,104)                  | 1,023,122     |
| Net income                            |               |                 |                |   |              | 1,119,710         |            | 1,119,710             | (49,028)                  | 1,070,682     |
| Other comprehensive income            | <i>19</i>     |                 |                |   |              | 1,168             | (44,652)   | (43,484)              | (4,076)                   | (47,560)      |
| Acquisition of treasury stock         |               |                 | (132,177)      |   |              |                   |            | (132,177)             |                           | (132,177)     |
| Changes in subsidiaries equity        |               |                 |                |   | 2,928        |                   |            | 2,928                 | 10,405                    | 13,333        |
| Balance, September 30, 2010           | \$ 37,801     | \$ 2,469,207    | (\$ 1,819,096) | (\$ 13,443)   | (\$ 623,758) | \$ 8,643,867      | \$ 734,275 | \$ 9,428,853          | \$ 931,084                | \$ 10,359,937 |
| Balance, January 1, 2011              | \$ 37,801     | \$ 2,469,207    | (\$ 1,865,051) | (\$ 13,443)   | (\$ 657,571) | \$ 9,078,880      | \$ 544,547 | \$ 9,594,370          | \$ 912,870                | \$ 10,507,240 |
| Cash dividends                        |               |                 |                |   |              | (565,918)         |            | (565,918)             | (1,885)                   | (567,803)     |
| Total comprehensive income            |               |                 |                |   |              | 1,176,471         | (303,584)  | 872,887               | 3,958                     | 876,845       |
| Net income                            |               |                 |                |   |              | 1,182,568         |            | 1,182,568             | (8,386)                   | 1,174,182     |
| Other comprehensive income            | <i>19</i>     |                 |                |   |              | (6,097)           | (303,584)  | (309,681)             | 12,344                    | (297,337)     |
| Acquisition of treasury stock         | <i>17</i>     |                 | (176,147)      |   |              |                   |            | (176,147)             |                           | (176,147)     |
| Changes in subsidiaries equity        |               |                 |                |   | 4,969        |                   |            | 4,969                 | 2,586                     | 7,555         |
| Balance, September 30, 2011           | \$ 37,801     | \$ 2,469,207    | (\$ 2,041,198) | (\$ 13,443)   | (\$ 652,602) | \$ 9,689,433      | \$ 240,963 | \$ 9,730,161          | \$ 917,529                | \$ 10,647,690 |

See accompanying notes to consolidated financial statements.

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|   | Notes | 2011<br>Korean won<br>(In millions) | 2010            | Translation into U.S. dollars (Note 2) |                        |
|---|-------|-------------------------------------|-----------------|--|------------------------|
|   |       |                                     |                 | 2011<br>(In thousands)                 | 2010<br>(In thousands) |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                      |       |                                     |                 |  |                        |
| Cash generated from operating activities:                         |       |                                     |                 |  |                        |
| Net income  |       | (Won) 1,386,591                     | (Won) 1,264,368 | \$ 1,174,182                           | \$ 1,070,682           |
| Adjustments for income and expenses                               | 27    | 2,431,971                           | 2,398,284       | 2,059,422                              | 2,030,895              |
| Changes in assets and liabilities related to operating activities | 27    | 1,246,222                           | (498,592)       | 1,055,315                              | (422,214)              |
| Sub-total   |       | 5,064,784                           | 3,164,060       | 4,288,919                              | 2,679,363              |
| Interest received   |       | 123,575                             | 173,381         | 104,645                                | 146,821                |
| Dividends received  |       | 27,425                              | 30,149          | 23,224                                 | 25,531                 |
| Interest paid   |       | (241,622)                           | (306,620)       | (204,609)                              | (259,649)              |
| Income tax paid   |       | (567,259)                           | (671,693)       | (480,362)                              | (568,798)              |
| Net cash provided by operating activities                         |       | 4,406,903                           | 2,389,277       | 3,731,817                              | 2,023,268              |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                      |       |                                     |                 |  |                        |
| Cash inflows from investing activities:                           |       |                                     |                 |  |                        |
| Decrease in short-term investment securities, net                 |       | 112,000                             | 280,000         | 94,843                                 | 237,107                |
| Collection of short-term loans                                    |       | 145,439                             | 173,046         | 123,159                                | 146,537                |
| Decrease in long-term financial instruments                       |       | 3                                   |                 | 3                                      |                        |
| Proceeds from sales of long-term investment securities            |       | 258,158                             | 430,918         | 218,611                                | 364,906                |
| Proceeds from disposal of associates                              |       | 5,141                               | 45,159          | 4,353                                  | 38,241                 |
| Proceeds from disposal of property and equipment                  |       | 21,947                              | 22,102          | 18,585                                 | 18,716                 |
| Proceeds from disposal of intangible assets                       |       | 2,767                               | 7,009           | 2,343                                  | 5,935                  |
| Collection of long-term loans                                     |       | 29,260                              | 76,073          | 24,778                                 | 64,420                 |
| Decrease in other non-current assets                              |       | 1,136                               | 2,971           | 962                                    | 2,517                  |
| Proceeds from disposal of consolidated subsidiary                 |       | 1,000                               | 16,230          | 847                                    | 13,744                 |
| Sub-total   |       | 576,851                             | 1,053,508       | 488,484                                | 892,123                |
| Cash outflows for investing activities:                           |       |                                     |                 |  |                        |
| Increase in short-term financial instruments, net                 |       | 393,086                             | 133,273         | 332,870                                | 112,857                |
| Increase in short-term loans                                      |       | 182,486                             | 190,534         | 154,531                                | 161,346                |
| Increase in long-term financial instruments                       |       | 7,650                               | 10,052          | 6,478                                  | 8,512                  |
| Acquisition of long-term investment securities                    |       | 254,365                             | 103,433         | 215,399                                | 87,588                 |
| Acquisition of associates   |       | 61,896                              | 659,531         | 52,414                                 | 558,499                |
| Acquisition of property and equipment                             |       | 1,756,706                           | 1,074,312       | 1,487,599                              | 909,740                |
| Acquisition of investment property                                |       | 60,801                              |                 | 51,487                                 |                        |
| Acquisition of goodwill   |       |                                     | 1,012           |  | 857                    |
| Acquisition of intangible assets                                  |       | 74,752                              | 74,924          | 63,301                                 | 63,447                 |
| Increase in long-term loans                                       |       | 4,901                               | 85,099          | 4,150                                  | 72,063                 |
| Increase in other non-current assets                              |       | 2,562                               | 545             | 2,170                                  | 461                    |
| Acquisition of consolidated subsidiary                            |       | 13,626                              |                 | 11,539                                 |                        |

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|                                       |                   |                   |                |                |
|---------------------------------------|-------------------|-------------------|----------------|----------------|
| Sub-total                             | 2,812,831         | 2,332,715         | 2,381,938      | 1,975,370      |
| Net cash used in investing activities | ((Won) 2,235,980) | ((Won) 1,279,207) | (\$ 1,893,454) | (\$ 1,083,247) |

(Continued)

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|   | Korean won             |                      | Translation into U.S. dollars (Note 2) |                    |
|---|------------------------|----------------------|--|--------------------|
|   | 2011                   | 2010                 | 2011                                   | 2010               |
|   | (In millions)          |                      | (In thousands)                         |                    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                        |                      |  |                    |
| Cash inflows from financing activities:   |                        |                      |  |                    |
| Proceeds from short-term borrowings   | (Won) 1,206,434        | (Won) 607,376        | \$ 1,021,622                           | \$ 514,333         |
| Issuance of bonds payable   | 438,035                |                      | 370,933                                |                    |
| Proceeds from long-term borrowings  | 95,492                 | 116,733              | 80,864                                 | 98,851             |
| Increase in equity of consolidated subsidiaries   | 6,457                  | 4,973                | 5,468                                  | 4,211              |
| <b>Sub-total</b>  | <b>1,746,418</b>       | <b>729,082</b>       | <b>1,478,887</b>                       | <b>617,395</b>     |
| Cash outflows for financing activities:   |                        |                      |  |                    |
| Repayment of short-term borrowings  | 574,247                | 356,783              | 486,279                                | 302,128            |
| Repayment of current portion of long-term debt  | 550,943                | 470,657              | 466,545                                | 398,558            |
| Repayment of bonds payable  | 332,160                | 370,000              | 281,277                                | 313,320            |
| Repayment of long-term borrowings   | 500,000                | 16,097               | 423,406                                | 13,631             |
| Payment of dividends  | 668,293                | 680,100              | 565,918                                | 575,917            |
| Acquisition of treasury stock   | 208,012                | 156,088              | 176,147                                | 132,177            |
| Cash outflows from transaction of derivatives   | 17,695                 |                      | 14,984                                 |                    |
| <b>Sub-total</b>  | <b>2,851,350</b>       | <b>2,049,725</b>     | <b>2,414,556</b>                       | <b>1,735,731</b>   |
| <b>Net cash used in financing activities</b>  | <b>(1,104,932)</b>     | <b>(1,320,643)</b>   | <b>(935,669)</b>                       | <b>(1,118,336)</b> |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                   | <b>1,065,991</b>       | <b>(210,573)</b>     | <b>902,694</b>                         | <b>(178,315)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>                                   | <b>659,405</b>         | <b>886,632</b>       | <b>558,392</b>                         | <b>750,810</b>     |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY</b> | <b>3,323</b>           | <b>(3,656)</b>       | <b>2,814</b>                           | <b>(3,096)</b>     |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>   | <b>(Won) 1,728,719</b> | <b>(Won) 672,403</b> | <b>\$ 1,463,900</b>                    | <b>\$ 569,399</b>  |

See accompanying notes to consolidated financial statements.

## SK TELECOM CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

## 1. GENERAL

SK Telecom Co., Ltd. ( SK Telecom ) was incorporated in March 1984 under the laws of Korea to engage in providing cellular telephone communication services in the Republic of Korea. SK Telecom Co., Ltd. and its subsidiaries (the Company ) mainly provide 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, the New York Stock Exchange and the London Stock Exchange. As of September 30, 2011, the Company's total issued shares are held by the following:

|   | Number of shares | Percentage of total shares issued (%) |
|---|------------------|---------------------------------------|
| SK Holdings, Co., Ltd.                                  | 18,748,452       | 23.22                                 |
| Tradewinds Global Investors, LLC                        | 4,050,518        | 5.02                                  |
| POSCO Corp.   | 2,341,569        | 2.90                                  |
| Institutional investors and other minority stockholders | 44,554,460       | 55.17                                 |
| Treasury stock  | 11,050,712       | 13.69                                 |
|   | 80,745,711       | 100.00                                |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its official accounting records in Republic of Korean won ( Won ) and prepares consolidated financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ( K-IFRS ), in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated 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, income, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

The accompanying consolidated 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 (Won)1,180.90 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 nine months ended September 30, 2011. 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.

## a. Basis of Presentation

The Company has adopted the K-IFRS for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 First-time adoption of International Financial Reporting Standards , the transition date to K-IFRS is January 1, 2010. The transition adjustments to K-IFRS are summarized in Note 3.

The Company's interim consolidated financial statements for the nine months ended September 30, 2011 and 2010 are prepared in accordance with K-IFRS 1034 Interim Financial Reporting . The interim consolidated financial statements are prepared in accordance with the K-IFRS that are effective as of September 30, 2011.

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There may be newly or amended K-IFRS and interpretations that are effective subsequent to the current period-end. Accordingly, accounting policies that are used for the preparation of the interim consolidated financial statements may be different from the policies that are used for the preparation of the first annual consolidated financial statements in accordance with K-IFRS as of and for the period ending December 31, 2011. Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the interim financial statements may change accordingly in the future.



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Major accounting policies used for the preparation of the interim consolidated financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the financial statements for the current period and accompanying comparative period.

The interim consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### b. Basis of Consolidation

The consolidated financial statements include the accounts of SK Telecom and the following controlled subsidiaries as of September 30, 2011 (in millions of Korea won, except for share data).

| Subsidiary                              | Primary business                       | Net equity    | Number of shares | Ownership Percentage(%) | Location    |
|---|--|---------------|------------------|-------------------------|-------------|
| SK Telink Co., Ltd.                     | Telecommunication services             | (Won) 193,510 | 1,082,272        | 83.5                    | Korea       |
| SK Communications Co., Ltd.             | Internet website services              | 237,035       | 28,029,945       | 64.6                    | Korea       |
| PAXNet Co., Ltd.                        | Internet website services              | 23,433        | 5,590,452        | 59.7                    | Korea       |
| Loen Entertainment, Inc.                | Release of music disc                  | 91,619        | 16,054,812       | 63.5                    | Korea       |
| Stonebridge Cinema Fund                 | Investment association                 | 16,749        | 150              | 57.0                    | Korea       |
| Ntreev Soft Co., Ltd.                   | Game software production               | 20,059        | 2,064,970        | 63.7                    | Korea       |
| SK i-media Co., Ltd.                    | Game software production               | (1,395)       | 10,000,000       | 100.0                   | Korea       |
| Commerce Planet Co., Ltd.               | Online shopping mall operation agency  | (2,003)       | 29,396           | 100.0                   | Korea       |
| SK Broadband Co., Ltd.                  | Telecommunication services             | 1,376,502     | 149,638,354      | 50.6                    | Korea       |
| Broadband D&M Co., Ltd.                 | Base station maintenance service       | 5,150         | 900,000          | 100.0                   | Korea       |
| Broadband Media Co., Ltd.               | Multimedia TV portal services          | (258,578)     | 25,200,000       | 100.0                   | Korea       |
| Broadband CS Co., Ltd.                  | Customer Q&A and services              | (11,901)      | 1,210,596        | 100.0                   | Korea       |
| K-net Culture and Contents Venture Fund | Investment association                 | 48,511        | 295              | 59.0                    | Korea       |
| 2nd BMC Focus Investment Fund           | Investment association                 | 28,860        | 200              | 66.7                    | Korea       |
| Open Innovation Fund                    | Investment association                 | 44,605        | 450              | 98.9                    | Korea       |
| PS&Marketing Corporation                | Communications device retail business  | 155,999       | 46,000,000       | 100.0                   | Korea       |
| Service Ace Co., Ltd.                   | Customer center management service     | 26,346        | 4,385,400        | 100.0                   | Korea       |
| Service Top Co., Ltd.                   | Customer center management service     | 16,878        | 2,856,200        | 100.0                   | Korea       |
| Network O&S Co., Ltd.                   | Base station maintenance service       | 21,551        | 3,000,000        | 100.0                   | Korea       |
| BNCP Co., Ltd.                          | Internet website services              | 19,301        | 8,820,000        | 100.0                   | Korea       |
| Service-In Co., Ltd.                    | Database & on-line information service | 2,565         | 500,000          | 100.0                   | Korea       |
| SK Telecom China Holdings Co., Ltd.     | Equity Investment                      | 33,450        |                  | 100.0                   | China       |
| Sky Property Mgmt., Ltd.                | Real Estate Investment                 | 495,292       | 22,980           | 60.0                    | China       |
| Shenzhen E-eye High Tech Co., Ltd.      | Manufacturing                          | 20,096        |                  | 65.5                    | China       |
| SK China Real Estate Co., Ltd.          | Real Estate Investment                 | 82,862        | 70,000,000       | 99.4                    | Hongkong    |
| SKT Vietnam PTE., Ltd.                  | Telecommunication services             | 33,461        | 180,476,700      | 73.3                    | Singapore   |
| SKT Americas, Inc.                      | Information gathering and consulting   | 45,884        | 109              | 100.0                   | USA         |
| YTK Investment Ltd                      | Investment Association                 | 52,382        |                  | 100.0                   | Cayman      |
| Technology Innovation Partners, LP      | Investment Association                 | 17,220        |                  | 100.0                   | Cayman      |
| Atlas Investment                        | Investment Association                 | 52,245        |                  | 100.0                   | USA         |
|   | Investment Association                 | 37,402        | 18,000           | 100.0                   | Netherlands |

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|                                      |                        |       |       |        |
|--------------------------------------|------------------------|-------|-------|--------|
| SK Telecom Global Investment<br>B.V. |                        |       |       |        |
| SK Telecom China Fund I L.P.         | Investment Association | 1,087 | 100.0 | Cayman |

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the current period are included in the consolidated statement of income and comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full under consolidation

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings).

c. Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net fair value of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held interest in the acquiree (if any); the excess is recognized immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Company's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Any changes in value of equity interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss as if that interest were disposed of.

d. Foreign Currency Exchange

The individual financial statements of each Company entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Company entity are expressed in Korean Won, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

exchange differences on transactions entered into in order to hedge certain foreign currency risks below for hedging accounting policies); and

exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss.

e. Cash Equivalents

Cash and cash equivalents include cash, bank balances and short-term highly liquid investments with an original maturity of three months or less.

f. Financial Assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Classification of financial assets

1-1) Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term or it is a derivative or embedded derivative separated from contracts that is not designated and effective as a hedging instrument. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

1-2) Held-to-maturity investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue amortized on an effective yield basis.

1-3) Available-for-sale financial assets

Non-derivatives financial assets that are not classified as at held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables are classified as at available-for-sale financial assets. Available-for-sale financial assets are initially recognized and measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale financial assets are recognized in profit or loss when the Company's right to receive the dividends is established.

1-4) Loans and receivables

Non-derivatives financial assets like trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

2) *Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale financial asset, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets carried at amortized cost, the amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current rate of return for a similar financial asset. Once an impairment loss has been recognized on a financial asset recognized at cost, it is not permitted to recognize a reversal.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In case of debt securities, in subsequent periods, if the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

3) *Derecognition of financial assets*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

g. *Inventories*

Inventories are stated at the acquisition cost using the average method. During the period, a perpetual inventory systems is used to value inventories, which is adjusted to the physical inventory counts performed at the period 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.

h. *Investments in Associates*

Associates are those entities over which the Company has significant influence but doesn't control or has joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105

*Non-current Assets Held for Sale and Discontinued Operations* . Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and assessed for impairment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Company or its subsidiary transacts with its associate, unrealized gains from the transactions are eliminated to the extent of the Company's interests in the associate. Unrealized losses are also eliminated, as long as the unrealized loss is not an impairment indicator of an asset which is being transferred.

When necessary, the Company may revise an associate's financial statements, to apply consistent accounting policies as the Company, prior to applying the equity method of accounting for its investment in the associate.

i. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

| Assets                   | Useful lives (years) |
|--------------------------|----------------------|
| Buildings and structures | 15 ~ 50              |
| Machinery                | 3 ~ 15               |
| Other                    | 4 ~ 10               |

The Company reviews the depreciation method, the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in profit or loss when the item is derecognized.

j. Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 15 ~ 50 years using the straight-line method.

The Company reviews the depreciation method, the estimated useful lives and residual values of investment property at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.



k. Goodwill

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not depreciated, but tested for impairment at the end of each annual reporting period. Goodwill is carried at cost less accumulated impairment losses and the impairment losses are not reversed.

l. Intangible Assets

Intangible assets with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives ranging from 3 ~ 20 years. The Company reviews the amortization method, the estimated useful lives and residual values of intangible assets at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at the end of each annual reporting period. At the case of amortizable intangible assets, the Company reviews impairment at each time whether the events are occurring that the carrying amount is not recoverable.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. The gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

m. Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants for acquiring or constructing non-current assets are recognized as a deduction (net of) the related assets' book value in the consolidated statement of financial position, and is recognized into profit or loss by offsetting depreciation expense over the useful lives of the related assets on a systematic basis. Other government grants, revenue type, are recognized in profit or loss over the periods in which the Company recognizes the expense which the grants are intended to reimburse.

Government grants related to specific expenditure reimbursement; losses already incurred by the Company; or immediate financial support with no future expenditure requirements; are recognized in profit or loss in the period in which they become receivable by the Company.

n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o. Financial Liabilities and Equity Instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities .

1) Classification of financial liabilities and equity instruments

*1-1) Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

When the Company reacquires its own equity instruments ( treasury shares ), equity is directly deducted. No gain or loss is recognized in profit or loss related to the acquisition, sale, issue or cancellation of treasury shares.

*1-2) Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term or it is a derivative, including embedded derivative separated from contracts, which is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

*1-3) Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2) *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire. An exchange between an existing borrower and lender of debt instruments with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid is recognized in profit or loss.

p. Lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

q. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. For derivative instruments designated as cashflow hedges, the effective portions of the gains or losses on the hedging instruments are recorded as part of other comprehensive income (loss).

r. Retirement Benefit Obligation

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

For defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The present value of the defined benefit obligation is denominated in the same currency in which the benefits are expected to be paid, and calculated at the discount rate which is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligation. The Company recognizes all actuarial gains and losses arising from defined benefit plans as other comprehensive income (loss) and records at retained earnings immediately, which is not reclassified to current operation thereafter.

s. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, the provision is measured using the cash flows estimated to settle the present obligation. Discount rate is pre-tax interest rate reflecting inherent risk of liabilities and market's valuation on the present value of monetary. Changes in provisions caused by elapse of time are the financial cost as incurred and recognized in profit or loss.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

t. Revenue Recognition

Revenue from the sale of goods and rendering of services in the course of ordinary operating activities is measured at the fair value of the consideration received or receivable. 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 services including data services, broadband internet and fixed-line telephone services. Telecommunication services consist 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 deferred and recognized over the expected term of the customer relationship.

u. Income Tax and Deferred Tax

Income tax consists of current tax and deferred tax.

1) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets deferred tax assets and liabilities if, and only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

v. Handset Subsidies to Long-term Mobile Subscribers

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.

When customers agree to use the Company's service for a predetermined service period and purchase handsets on an installment basis, the subsidies are paid every month over the installment period and the Company estimates a provision for handset subsidies to be paid, which is recognized as to commissions paid at the time telecommunication service contracts are made.

w. Assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

x Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are critical assumptions and key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1) Fair value measurement of financial instruments

Subsequent to initial recognition, available-for-sale financial assets and derivative financial assets are stated at fair value with any gains or losses arising on remeasurement recognized in profit or loss or other comprehensive income. When measuring fair value, if there is quoted price in active market, the Company uses it. But, if quoted price does not exist, the Company uses valuation techniques that require the management's

judgments on the expected future cash flows and discount rates.

2) Allowance for doubtful accounts of trade/other receivables and loans

Based on the aging of accounts receivables, past experience of bad debt, and economic and industrial factors, the Company estimates bad debt for the period and recognizes an allowance for the bad debt.

3) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate present value.

4) Measurement of property and equipment, intangible assets

If the Company acquires property and equipment or intangible assets from business combination, it is required to estimate the fair value of these assets at the acquisition date and to estimate the useful lives for depreciation and amortization.

5) Provisions

Determining whether the Company will be required to settle the obligation incurred as a result of a past event, and estimating reliable value of obligation require the management's judgement.

6) Retirement benefit plans

The Company has defined retirement benefit plans. The cost of providing benefits under the plan are determined using an actuarial valuation method that requires management assumptions on discount rates, expected rate of salary increase and expected rate of return on plan assets. These assumptions involve critical uncertainties due to the long-term nature of the retirement benefit plans.

7) Deferred tax

Recognizing and measuring of the deferred tax assets and liabilities requires the management's judgments and specially, whether and how deferred tax assets is recognized shall be affected from an assumption and management's judgment of the future situation.

### 3. TRANSITION TO K-IFRS

As stated in Note 2, these are the Company's first consolidated financial statements prepared in accordance with K-IFRS, as the Company adopts K-IFRS in 2011. Therefore, prior periods' consolidated financial statements, comparatively presented herein, were restated in accordance with K-IFRS 1101 "First-time adoption of International Financial Reporting Standards" with a transition date of January 1, 2010.

a. K-IFRS 1101 First-time adoption of K-IFRS - optional exemptions

K-IFRS 1101 provides for a number of optional exemptions from the general principle of full retrospective applications of K-IFRS. The optional exemptions for first-time adoption of K-IFRS of the Company elected are as follows.

1) *Business combination*

Business combinations that occurred before the date of transition to K-IFRS, were not retrospectively restated.

2) *Fair value or revaluation as deemed cost*

Certain property and equipment were revaluated at the date of transition to K-IFRS and such revaluation is used as the asset's deemed cost.



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b. Explanation of effect of transition to K-IFRS

Effects on financial position at January 1, 2010 (date of transition) are as follows (in millions of Korean won):

|  | Total assets     | Total liabilities | Net equity       |
|--|------------------|-------------------|------------------|
| Based on Korean GAAP                                   | (Won) 23,206,256 | (Won) 10,861,631  | (Won) 12,344,625 |
| Adjustments:   |                  |                   |                  |
| 1. Changes in scope of consolidation                   | (62,440)         | 3,735             | (66,175)         |
| 2. Property and equipment                              | 69,538           |                   | 69,538           |
| 3. Employee benefits and retirement benefit obligation | 15               | 25,048            | (25,033)         |
| 4. Transfer of financial assets                        | 416,242          | 400,753           | 15,489           |
| 5. Non-refundable activation fees                      |                  | 593,981           | (593,981)        |
| 6. Other adjustments                                   | (107,730)        | (73,521)          | (34,209)         |
| 7. Deferred tax and tax effect of adjustments          | (185,157)        | (322,948)         | 137,791          |
| Total adjustment                                       | 130,468          | 627,048           | (496,580)        |
| Based on K-IFRS  | (Won) 23,336,724 | (Won) 11,488,679  | (Won) 11,848,045 |

Effects on financial position at December 31, 2010 and total comprehensive income for the year ended December 31, 2010 are as follows (in millions of Korean won):

|  | Total assets     | Total liabilities | Net equity       | Total comprehensive income |
|--|------------------|-------------------|------------------|----------------------------|
| Based on Korean GAAP                                   | (Won) 22,651,704 | (Won) 10,173,055  | (Won) 12,478,649 | (Won) 1,021,501            |
| Adjustments:   |                  |                   |                  |                            |
| 1. Changes in scope of consolidation                   | (103,743)        | (13,053)          | (90,690)         | 1,247                      |
| 2. Property and equipment                              | 477,044          |                   | 477,044          | 407,811                    |
| 3. Amortization of goodwill                            | 151,900          | (9,444)           | 161,344          | 151,620                    |
| 4. Employee benefits and retirement benefit obligation | 17               | 38,799            | (38,782)         | (5,514)                    |
| 5. Transfer of financial assets                        |                  |                   |                  | (15,489)                   |
| 6. Effect on equity method in associates               | 18,430           |                   | 18,430           | 7,717                      |
| 7. Nonrefundable activation fees                       |                  | 533,783           | (533,783)        | 60,199                     |
| 8. Other adjustments                                   | 44,507           | 94,943            | (50,436)         | 598                        |
| 9. Deferred tax and tax effect of adjustments          | (107,470)        | (93,693)          | (13,777)         | (150,139)                  |
| Total adjustment                                       | 480,685          | 551,335           | (70,650)         | 458,050                    |
| Based on K-IFRS  | (Won) 23,132,389 | (Won) 10,724,390  | (Won) 12,407,999 | (Won) 1,479,551            |

The adjustments of effects on financial position at September 30, 2010 and the results of operation for the three months and nine months ended September 30, 2010 are not presented in the accompanying financial statements as the Company did not prepare consolidated financial statements for the three months and nine months ended September 30, 2010 under Korean GAAP.



Under K-IFRS, dividends received, interest received, interest paid, and income tax paid which were not presented separately in the consolidated statement of cash flows under Korean GAAP, are now separately presented and the related income (expense) and assets (liabilities) have been adjusted for accordingly. Also, under K-IFRS, foreign currency translation amounts are presented gross as part of the related transactions and deducted against the effects of foreign exchange rate changes on the balance of cash held in foreign currencies. No others significant differences between the consolidated statements of cash flows prepared under Korean GAAP compared to K-IFRS have been noted.

c. Explanation of transition to K-IFRS

Transition adjustments from previous GAAP ( Korean GAAP ) to K-IFRSs that affected the Company s financial position, financial performance and cash flows are as follows.

1) *Scope of consolidation*

As at the date of transition to K-IFRS the Company s change in scope of consolidation is as follows:

*Newly Added*

Under Korean GAAP, subsidiaries whose total assets, as of December 31 of the prior year, were less than (Won)10 billion, were excluded from consolidation pursuant to the former Act on External Audit of Stock Companies Article 1.3 section 2.1 in the Republic of Korea. Under K-IFRS, such subsidiaries are subject to consolidation regardless of significance.

*Excluded*

Under Korean GAAP, entities (subsidiaries) of which the Company has over 30% of the voting rights and is the largest shareholder, were included in consolidation pursuant to the former Act on External Audit of Stock Companies Article 1.3 section 2.1 in the Republic of Korea. Under K-IFRS, as the Company does not have controlling power over the entities, entities are excluded from consolidation.

| Changes     | Name of entities   |
|-------------|--|
| Newly added | Broadband D&M Co., Ltd.,<br>Broadband CS Co., Ltd.   |
| Excluded    | F&U Credit information Co., Ltd.,<br>IHQ, Inc.,<br>BMC Movie Expert Fund,<br>BMC Digital Culture and Contents Fund |

2) *Employee benefits and retirement benefit obligation*

Under Korean GAAP, at the end of a reporting period a benefit obligation is calculated and recognized, based on an assumption that all employees who have worked over a year were to retire as of the reporting period end. While, under K-IFRS, the retirement benefit amount is appropriated as a defined benefit obligation by actuarial assessment using the projected unit credit method.

Also, the Company recognizes its long-term employee benefits obligation by actuarial assessment using the projected unit credit method.

3) *Change in depreciation method*

The Company changed the depreciation method of equipment from declining balance method to straight-line method.



4) *Goodwill acquired by business combinations*

Under Korean GAAP, the Company amortized goodwill acquired as a result of business combinations on a straight-line method from 5 ~ 20 years from the year of acquisition. Under K-IFRS, goodwill is not amortized but reviewed for impairment annually.

5) *Transfer of financial assets*

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under K-IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

6) *Deferment of non-refundable activation fees*

Under Korean GAAP, the Company recognizes non-refundable activation revenues when the activation service is performed. Under K-IFRS, the Company defers such revenues and amortizes it over the expected term of the customer relationship.

7) *Income tax*

Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities assuming that all differences from one entity are recovered or settled together. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse. Under K-IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.

Under Korean GAAP, difference between the carrying value and the tax base of the investments in subsidiaries, branches and associates and interest in joint ventures were considered as temporary differences and recognized as deferred tax assets and liabilities. Under K-IFRS, the temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures is recognized as deferred assets and liabilities reflecting the manner in which Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

8) *Other reclassifications*

(1) *Memberships*

Under Korean GAAP, facility-use memberships and guarantee deposits were classified as other non-current assets.

Under K-IFRS, facility-use memberships are recognized as intangible assets with an indefinite useful life and guarantee deposits that satisfy the definition of financial assets are classified as loans and receivables at amortized costs.

(2) *Investment property*

Under Korean GAAP, properties acquired for earning rental income and/or for capital appreciation were classified as property and equipment.

Under K-IFRS, such properties are reclassified separately as investment properties.

#### 4. FINANCIAL INSTRUMENTS

Details of financial assets as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|  | Financial assets    |                                     | September 30, 2011     |   | Total                  |
|--|---------------------|-------------------------------------|------------------------|---|------------------------|
|  | designated as FVTPL | Available-for-sale financial assets | Loans and receivables  | Derivatives designated as hedging instruments |                        |
| Cash and cash equivalents                | (Won)               | (Won)                               | (Won) 1,728,505        | (Won)   | (Won) 1,728,505        |
| Financial Instruments                    |                     |                                     | 968,002                |   | 968,002                |
| Short-term investment securities         |                     | 90,669                              |                        |   | 90,669                 |
| Long-term investment securities (Note a) | 15,067              | 1,545,066                           |                        |   | 1,560,133              |
| Trade receivables                        |                     |                                     | 1,953,774              |   | 1,953,774              |
| Loan and other receivables (Note b)      |                     |                                     | 1,800,402              |   | 1,800,402              |
| Derivatives assets                       | 1,273               |                                     |                        | 226,906                                       | 228,179                |
| <b>Total</b>                             | <b>(Won) 16,340</b> | <b>(Won) 1,635,735</b>              | <b>(Won) 6,450,683</b> | <b>(Won) 226,906</b>                          | <b>(Won) 8,329,664</b> |

  

|                                     | Financial assets    |                                     | December 31, 2010      |   | Total                  |
|-------------------------------------|---------------------|-------------------------------------|------------------------|---|------------------------|
|                                     | designated as FVTPL | Available-for-sale financial assets | Loans and receivables  | Derivatives designated as hedging instruments |                        |
| Cash and cash equivalents           | (Won)               | (Won)                               | (Won) 659,405          | (Won)   | (Won) 659,405          |
| Financial Instruments               |                     |                                     | 567,269                |   | 567,269                |
| Short-term investment securities    |                     | 400,531                             |                        |   | 400,531                |
| Long-term investment securities     |                     | 1,680,582                           |                        |   | 1,680,582              |
| Trade receivables                   |                     |                                     | 1,971,815              |   | 1,971,815              |
| Loan and other receivables (Note b) |                     |                                     | 3,518,690              |   | 3,518,690              |
| Derivatives assets                  | 1,961               |                                     |                        | 201,421                                       | 203,382                |
| <b>Total</b>                        | <b>(Won) 1,961</b>  | <b>(Won) 2,081,113</b>              | <b>(Won) 6,717,179</b> | <b>(Won) 201,421</b>                          | <b>(Won) 9,001,674</b> |

(Note a) Long-term investment securities designated as FVTPL consist of financial instruments with an embedded derivatives (convertible options) which cannot be bifurcated from the host contract, as such the entire financial instrument is measured at fair value with changes recognized in current period profit and loss.

(Note b) Details of loan and other receivables as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                     | September 30, 2011 | December 31, 2010 |
|-------------------------------------|--------------------|-------------------|
| Short-term loans                    | (Won) 99,643       | (Won) 94,924      |
| Accounts receivable other           | 1,343,877          | 2,531,847         |
| Advanced payments and other         | 19,388             | 30,157            |
| Long-term loans                     | 91,862             | 84,323            |
| Long-term accounts receivable other | 8,322              | 527,106           |
| Guarantee deposits                  | 237,310            | 250,333           |

(Won) 1,800,402

(Won) 3,518,690

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Details of financial liabilities as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                         | September 30, 2011                              |  |   |                 |
|-------------------------|---|--|---|-----------------|
|                         | Financial liabilities<br>designated as<br>FVTPL | Financial liabilities<br>at amortized cost | Derivatives<br>designated as<br>hedging instruments | Total           |
| Account payables-trade  | (Won) 1,654                                     | (Won) 201,567                              | (Won) 811   | (Won) 201,567   |
| Derivatives liabilities |   |  |   | 2,465           |
| Borrowings              |   | 1,523,976                                  |   | 1,523,976       |
| Bonds payable (Note a)  | 409,278   | 3,910,789                                  |   | 4,320,067       |
| Other payables (Note b) |   | 2,129,244                                  |   | 2,129,244       |
| Total                   | (Won) 410,932                                   | (Won) 7,765,576                            | (Won) 811   | (Won) 8,177,319 |

  

|                         | December 31, 2010                                  |  |  |                 |
|-------------------------|--|--|--|-----------------|
|                         | Financial<br>liabilities<br>designated as<br>FVTPL | Financial liabilities<br>at amortized cost | Derivatives<br>designated as<br>hedging<br>instruments | Total           |
| Account payables-trade  | (Won) 5,043  | (Won) 195,777                              | (Won) 25,111   | (Won) 195,777   |
| Derivatives liabilities |  |  |  | 30,154          |
| Borrowings              |  | 1,272,056                                  |  | 1,272,056       |
| Bonds payable (Note a)  | 461,655  | 4,071,328                                  |  | 4,532,983       |
| Other payables (Note b) |  | 2,485,789                                  |  | 2,485,789       |
| Total                   | (Won) 466,698                                      | (Won) 8,024,950                            | (Won) 25,111   | (Won) 8,516,759 |

(Note a) Bonds payables designated as FVTPL consist of financial instruments with an embedded derivative (convertible options) which cannot be bifurcated from the host contract, as such the entire financial instrument is measured at fair value with changes recognized in current period profit and loss.



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(Note b) Details of other payables as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                   | September 30, 2011 | December 31, 2010 |
|-----------------------------------|--------------------|-------------------|
| Accounts payable-other            | (Won) 1,094,487    | (Won) 1,433,812   |
| Withholdings                      | 11,907             | 5,137             |
| Accrued expenses                  | 657,384            | 677,480           |
| Current portion of long-term debt | 49,106             | 215,416           |
| Long-term payables other          | 235,721            | 54,783            |
| Finance lease liabilities         | 43,541             | 60,075            |
| Other non-current liabilities     | 37,098             | 40,086            |
|                                   | (Won) 2,129,244    | (Won) 2,485,789   |

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2, or 3, based on observable or unobservable fair value of the instrument.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;

Level 3: Inputs that are not based on observable market data.

Fair values of financial instruments by hierarchy level as of September 30, 2011 are as follows (in millions of Korean won):

| Type  | Level 1   | Level 2      | Level 3     | Total        |
|---|-----------|--------------|-------------|--------------|
| Financial assets designated as FVTPL                      | (Won)     | (Won) 15,067 | (Won) 1,273 | (Won) 16,340 |
| Available-for-sale financial assets                       | 1,176,346 | 25,370       | 8,695       | 1,210,411    |
| Derivatives assets designated as hedging instruments      |           | 226,906      |             | 226,906      |
| Financial liabilities designated as FVTPL                 | 409,278   | 1,654        |             | 410,932      |
| Derivatives liabilities designated as hedging instruments |           | 811          |             | 811          |

**5. TRADE AND OTHER RECEIVABLES**

Details of short-term trade and other receivables as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                      | September 30, 2011 | December 31, 2010 |
|--------------------------------------|--------------------|-------------------|
| Accounts receivable trade            | (Won) 2,208,725    | (Won) 2,198,050   |
| Less allowance for doubtful accounts | (268,539)          | (248,653)         |
| Accounts receivable trade, net       | 1,940,186          | 1,949,397         |
| Short-term loans                     | 101,902            | 96,353            |
| Less allowance for doubtful accounts | (2,259)            | (1,429)           |
| Short-term loans, net                | 99,643             | 94,924            |
| Accounts receivable other            | 1,391,062          | 2,577,961         |
| Less allowance for doubtful accounts | (47,185)           | (46,114)          |
| Accounts receivable other, net       | 1,343,877          | 2,531,847         |
| Accrued income                       | 18,856             | 29,578            |
| Less allowance for Accrued income    | (142)              |                   |
| Accrued income, net                  | 18,714             | 29,578            |
| Other                                | 675                | 580               |
|                                      | (Won) 3,403,095    | (Won) 4,606,326   |

Details of long-term trade and other receivables as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                      | September 30, 2011 | December 31, 2010 |
|--------------------------------------|--------------------|-------------------|
| Long-term accounts receivable trade  | (Won) 13,588       | (Won) 22,418      |
| Long-term loans                      | 123,191            | 115,509           |
| Less allowance for doubtful accounts | (31,329)           | (31,186)          |
| Long-term loans, net                 | 91,862             | 84,323            |
| Long-term accounts receivable other  | 8,322              | 527,106           |
| Guarantee deposits                   | 237,310            | 250,333           |
|                                      | (Won) 351,082      | (Won) 884,180     |

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Details of changes in allowance for doubtful accounts for the nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|   | For the nine months ended |                      |
|---|---------------------------|----------------------|
|   | September 30, 2011        | September 30, 2010   |
| Beginning balance   | (Won) 327,382             | (Won) 320,680        |
| Increase of Bad debt  | 56,550                    | 61,715               |
| Reversal of allowance for doubtful accounts                       | (1,737)                   | (259)                |
| Write-off   | (51,480)                  | (46,517)             |
| Collection of receivables written off                             | 19,562                    | 17,685               |
| Change in scope of consolidation and foreign exchange differences | (823)                     | (126)                |
| <b>Ending balance</b>   | <b>(Won) 349,454</b>      | <b>(Won) 353,178</b> |

Details of aging analysis of accounts receivable which are overdue but not impaired as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                    | September 30, 2011        |                           | December 31, 2010         |                           |
|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                    | Accounts receivable-trade | Accounts receivable-other | Accounts receivable-trade | Accounts receivable-other |
| Less than 1 month  | (Won) 198,575             | (Won) 18,191              | (Won) 242,574             | (Won) 58,014              |
| 1 ~ 3 months       | 91,009                    | 21,340                    | 106,063                   | 22,363                    |
| 3 ~ 6 months       | 35,828                    | 14,918                    | 45,823                    | 17,128                    |
| More than 6 months | 122,845                   | 32,340                    | 187,598                   | 35,072                    |
|                    | <b>(Won) 448,257</b>      | <b>(Won) 86,789</b>       | <b>(Won) 582,058</b>      | <b>(Won) 132,577</b>      |

## 6. INVENTORIES

Inventories as of September 30, 2011 and December 31, 2010 consist of the following (in millions of Korean won):

|  | September 30, 2011   | December 31, 2010    |
|--|----------------------|----------------------|
| Raw materials and Supplies               | (Won) 6,211          | (Won) 3,319          |
| Work in process and Semi-finished goods  | 95                   | 475                  |
| Finished goods and Merchandise           | 172,019              | 147,445              |
| <b>Total</b>                             | <b>178,325</b>       | <b>151,239</b>       |
| <b>Less allowance for valuation loss</b> | <b>(1,895)</b>       | <b>(2,016)</b>       |
| <b>Net</b>                               | <b>(Won) 176,430</b> | <b>(Won) 149,223</b> |

**7. INVESTMENT SECURITIES**

Details of investment securities as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                   | September 30, 2011  |                        | December 31, 2010    |                        |
|-----------------------------------|---------------------|------------------------|----------------------|------------------------|
|                                   | Current             | Non-current            | Current              | Non-current            |
| <b>Equity securities:</b>         |                     |                        |                      |                        |
| Investments in listed company     | (Won) 241           | (Won) 1,088,927        | (Won) 178,760        | (Won) 1,230,381        |
| Investments in non-listed company | 241                 | 54,736                 | 15,051               | 75,227                 |
| Investments in funds and etc.     |                     | 365,576                |                      | 345,680                |
| <b>Sub-total</b>                  | <b>241</b>          | <b>1,509,239</b>       | <b>193,811</b>       | <b>1,651,288</b>       |
| Debt Securities                   | 3,009               | 50,894                 | 2,004                | 29,294                 |
| Beneficiary certificates (Note)   | 87,419              |                        | 204,716              |                        |
| <b>Total</b>                      | <b>(Won) 90,669</b> | <b>(Won) 1,560,133</b> | <b>(Won) 400,531</b> | <b>(Won) 1,680,582</b> |

(Note) The distributions arising from some beneficiary certificates as of September 30, 2011, are accounted for as accrued income.

**8. INVESTMENTS IN ASSOCIATES**

Investments in associates accounted for using the equity method as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

|   | September 30, 2011 |                          |                  | Carrying amount    |                   |
|---|--------------------|--------------------------|------------------|--------------------|-------------------|
|   | Number of shares   | Ownership percentage (%) | Acquisition Cost | September 30, 2011 | December 31, 2010 |
| SK Marketing & Company Co., Ltd.                  | 5,000,000          | 50.0                     | (Won) 190,000    | (Won) 124,803      | (Won) 117,905     |
| SK China Company Ltd.                             | 720,000            | 22.5                     | 49,529           | 48,091             | 46,573            |
| SK USA, Inc.                                      | 49                 | 49.0                     | 3,184            | 5,821              | 5,972             |
| BMC Sector Limited Partnership IV                 | 2,500              | 49.7                     | 25,000           | 23,651             | 24,953            |
| F&U Credit information Co., Ltd.                  | 300,000            | 50.0                     | 2,410            | 3,412              | 4,529             |
| Korea IT Fund                                     | 190                | 63.3                     | 190,000 (Note a) | 236,572            | 226,633           |
| JYP Entertainment Corporation                     | 691,680            | 25.5                     | 4,150            | 4,015              | 4,150             |
| Konan Technology                                  | 78,550             | 29.5                     | 13,456           | 4,082              | 4,410             |
| Etoos Co., Ltd                                    | 701,000            | 15.6                     | 18,993 (Note b)  | 14,867             | 14,339            |
| BMC Digital Culture and Contents Venture Fund     | 100                | 39.8                     | 10,000           | 8,533              | 8,925             |
| Wave City Development Co., Ltd.                   | 382,000            | 19.1                     | 1,967 (Note b)   | 1,182              | 1,392             |
| IBKC-bmc Cultural Contents Fund                   |                    | 25.0                     | 2,500            | 2,383              | 2,292             |
| Hanhwa No.2 Daisy Entertainment Investment Fund   |                    | 20.0                     | 2,000            | 1,454              | 2,008             |
| BMC Movie Expert Fund                             | 135                | 46.6                     | 13,500           | 14,052             | 13,977            |
| HanaSK Card Co., Ltd.                             | 57,647,058         | 49.0                     | 400,000          | 392,737            | 386,417           |
| Daehan Kanggun BcN Co., Ltd.                      | 1,461,486          | 29.0                     | 7,307            | 7,264              | 7,264             |
| Television Media Korea Ltd.                       | 18,564,000         | 51.0                     | 18,568 (Note c)  | 16,555             | 18,568            |
| Candle Media Co., Ltd. (formerly PREGM Co., Ltd.) | 11,010,280         | 28.9                     | 26,334           | 18,848             | 19,313            |
| NanoEnTek, Inc.                                   | 1,807,130          | 9.3                      | 11,000 (Note d)  | 10,469             |                   |

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|   |           |      |                        |          |                        |                        |
|---|-----------|------|------------------------|----------|------------------------|------------------------|
| UNISK(Beijing) Information Technology Co., Ltd. | 49        | 49.0 | 3,475                  |          | 5,881                  | 4,714                  |
| PT. Melon Indonesia                             | 4,900,000 | 49.0 | 6,492                  |          | 5,713                  | 6,210                  |
| Packet One Network                              | 1,151,556 | 28.2 | 137,751                | (Note e) | 116,549                | 116,160                |
| Mobile Money Ventures, LLC                      |           | 50.0 | 12,763                 |          | 1,035                  | 3,206                  |
| SK Technology Innovation Company                |           | 49.0 | 28,146                 |          | 23,208                 | 25,052                 |
| LightSquared Inc.                               | 3,387,916 | 3.3  | 72,096                 | (Note b) | 56,782                 | 72,096                 |
| SK Wyverns Baseball Club Co., Ltd. and other    |           |      | 153,559                |          | 98,551                 | 67,634                 |
| <b>Total</b>                                    |           |      | <b>(Won) 1,404,180</b> |          | <b>(Won) 1,246,510</b> | <b>(Won) 1,204,692</b> |

- (Note a) Under an agreement with Korea IT Fund, the Company only has 14.3% voting rights, resulting in the Company having no control over Korea IT Fund
- (Note b) The Company classified investments in Etoos Co., Ltd., Wave City Development Co., Ltd., and Light squared Inc., as investments in associates, as the Company can exercise significant influence on these investees through participation in board of directors, even though the Company has less than 20% of equity interests in those investees.
- (Note c) Television Media Korea Ltd. is a joint venture as accounted for as investments in associates.
- (Note d) For the nine months ended September 30, 2011, the Company acquired 1,807,130 shares of NanoEnTek, Inc. Though the Company only holds 9.3% ownership of NanoEnTek, Inc., it has the ability to exercise significant influence on NanoEnTek, Inc., and as such entity is considered as an equity method investee.
- (Note e) For the nine months ended September 30, 2011, The Company additionally invested (Won)17,895 million in Packet One Network and acquired additional 172,082 shares.

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Details of changes in Investments in associates accounted for using the equity method for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|   | For the nine months ended September 30, 2011 |             |          |                             |                            |                           |          |                |  |  |  |
|---|--|-------------|----------|-----------------------------|----------------------------|---------------------------|----------|----------------|--|--|--|
|   | Beginning balance                            | Acquisition | Disposal | Equity in earnings (losses) | Other comprehensive income | Other increase (decrease) | Dividend | Ending balance |  |  |  |
| SK Marketing & Company Co., Ltd.                  | (Won) 117,905                                | (Won)       | (Won)    | (Won) 6,343                 | (Won) 820                  | ((Won) 265)               | (Won)    | (Won) 124,803  |  |  |  |
| SK China Company Ltd.                             | 46,573                                       |             |          | (159)                       | 1,677                      |                           |          | 48,091         |  |  |  |
| SK USA, Inc.                                      | 5,972  |             |          | (360)                       | 209                        |                           |          | 5,821          |  |  |  |
| BMC Sector Limited Partnership IV                 | 24,953                                       |             |          | (1,089)                     | (213)                      |                           |          | 23,651         |  |  |  |
| F&U Credit information Co., Ltd.                  | 4,529  |             |          | (117)                       |                            |                           | (1,000)  | 3,412          |  |  |  |
| Korea IT Fund                                     | 226,633                                      |             |          | 10,406                      | (467)                      |                           |          | 236,572        |  |  |  |
| JYP Entertainment Corporation                     | 4,150  |             |          | (135)                       |                            |                           |          | 4,015          |  |  |  |
| Konan Technology Etoos Co., Ltd                   | 4,410  |             |          | (327)                       | (1)                        |                           |          | 4,082          |  |  |  |
| BMC Digital Culture and Contents Venture Fund     | 8,925  |             |          | (392)                       |                            |                           |          | 8,533          |  |  |  |
| Wave City Development Co., Ltd.                   | 1,392  |             |          | (210)                       |                            |                           |          | 1,182          |  |  |  |
| IBKC-bmc Cultural Contents Fund                   | 2,292  |             |          | 91                          |                            |                           |          | 2,383          |  |  |  |
| Hanhwa No.2 Daisy Entertainment Investment Fund   | 2,008  |             |          | (554)                       |                            |                           |          | 1,454          |  |  |  |
| BMC Movie Expert Fund                             | 13,977                                       |             |          | 75                          |                            |                           |          | 14,052         |  |  |  |
| HanaSK Card Co., Ltd.                             | 386,417                                      |             |          | 6,186                       | (156)                      | 290                       |          | 392,737        |  |  |  |
| Daehan Kanggun BcN Co., Ltd.                      | 7,264  |             |          |                             |                            |                           |          | 7,264          |  |  |  |
| Television Media Korea Ltd.                       | 18,568                                       |             |          | (2,013)                     |                            |                           |          | 16,555         |  |  |  |
| Candle Media Co., Ltd. (formerly PREGM Co., Ltd.) | 19,313                                       | 1,000       |          | (1,651)                     | 7                          | 179                       |          | 18,848         |  |  |  |

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|   |                        |                     |                      |                       |                    |                    |                                      |
|---|------------------------|---------------------|----------------------|-----------------------|--------------------|--------------------|--------------------------------------|
| NanoEnTek, Inc.                                 | 11,000                 |                     | (490)                | (23)                  | (18)               |                    | 10,469                               |
| UNISK(Beijing) Information Technology Co., Ltd. | 4,714                  |                     | 483                  | 684                   |                    |                    | 5,881                                |
| PT. Melon Indonesia                             | 6,210                  |                     | (783)                | 286                   |                    |                    | 5,713                                |
| Packet One Network                              | 116,160                | 17,895              | (20,485)             | (27)                  | 3,006              |                    | 116,549                              |
| Mobile Money Ventures, LLC                      | 3,206                  |                     | (2,739)              | 617                   |                    | (49)               | 1,035                                |
| SK Technology Innovation Company                | 25,052                 |                     | (2,542)              | 698                   |                    |                    | 23,208                               |
| LightSquared Inc.                               | 72,096                 |                     | (17,405)             | 2,091                 |                    |                    | 56,782                               |
| SK Wyverns Baseball Club Co., Ltd. and other    | 67,634                 | 32,001              | (3,715)              | (200)                 | (115)              | 2,946              | 98,551                               |
| <b>Total</b>                                    | <b>(Won) 1,204,692</b> | <b>(Won) 61,896</b> | <b>((Won) 6,454)</b> | <b>((Won) 24,482)</b> | <b>(Won) 5,769</b> | <b>(Won) 6,089</b> | <b>((Won) 1,000) (Won) 1,246,510</b> |

(Note) For the nine months ended September 30, 2011, equity in earnings (losses) of investments in associates in the statements of income includes (Won)2,554 million of gain on disposal of investments in associates and (Won)164 million of loss on disposal of investments in associates, which is not reflected above.



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For the nine months ended September 30, 2010

|   | Beginning<br>balance | Acquisition | Disposal | Equity in<br>earnings<br>(losses) | Other<br>comprehensive<br>income | Other<br>increase<br>(decrease) | Dividend | Ending<br>balance |
|---|----------------------|-------------|----------|-----------------------------------|----------------------------------|---------------------------------|----------|-------------------|
| SK<br>Marketing &<br>Company Co.,<br>Ltd.                     | (Won) 112,531        | (Won)       | (Won)    | (Won) 3,777                       | ((Won) 47)                       | (Won)                           | (Won)    | (Won) 116,261     |
| SK China<br>Company Ltd.                                      | 3,918                | 44,859      | (947)    |                                   |                                  |                                 |          | 47,830            |
| SK USA, Inc.  | 5,498                |             |          |                                   |                                  |                                 |          | 5,498             |
| F&U Credit<br>information Co.,<br>Ltd.                        | 4,481                |             |          | (86)                              |                                  |                                 |          | 4,395             |
| IHQ, Inc.   | 20,178               |             |          | (1,490)                           | (16)                             | (18,672)                        |          |                   |
| Korea IT Fund   | 220,957              |             |          | 6,509                             | 954                              |                                 | (2,958)  | 225,462           |
| Konan<br>Technology   | 3,320                |             |          |                                   |                                  |                                 |          | 3,320             |
| Hanaro Dream<br>Incorporation                                 | 6,687                |             | (6,687)  |                                   |                                  |                                 |          |                   |
| BMC Digital<br>Culture and<br>Contents<br>Venture Fund        | 9,824                |             |          | (481)                             |                                  |                                 |          | 9,343             |
| Wave City<br>Development<br>Co., Ltd.                         | 1,532                |             |          |                                   |                                  |                                 |          | 1,532             |
| IBKC-bmc<br>Cultural<br>Contents Fund                         | 2,398                |             |          | (83)                              |                                  |                                 |          | 2,315             |
| Hanhwa No.2<br>Daisy<br>Entertainment<br>Investment<br>Fund   | 2,102                |             |          | (84)                              |                                  |                                 |          | 2,018             |
| BMC Movie<br>Expert Fund                                      | 13,261               |             |          | 587                               |                                  |                                 |          | 13,848            |
| HanaSK Card<br>Co., Ltd.                                      |                      | 400,000     |          | (16,282)                          | (222)                            |                                 |          | 383,496           |
| Daehan<br>Kanggun BcN<br>Co., Ltd.                            | 7,272                |             |          | (9)                               |                                  |                                 |          | 7,263             |
| Candle Media<br>Co., Ltd.<br>(formerly<br>PREGM Co.,<br>Ltd.) | 15,000               |             |          |                                   |                                  |                                 |          | 15,000            |
| UNISK(Beijing)<br>Information<br>Technology<br>Co., Ltd.      | 4,247                |             |          |                                   |                                  |                                 |          | 4,247             |
| SK Industrial<br>Development                                  | 18,009               |             |          |                                   |                                  | (18,009)                        |          |                   |
| Skytel Co., Ltd.  | 14,958               |             |          | 2,833                             | 1,337                            |                                 | (444)    | 18,684            |
| Mobile Money<br>Ventures, LLC                                 | 5,534                |             |          | (1,820)                           |                                  | (86)                            |          | 3,628             |
| SK Wyverns<br>Baseball Club<br>Co., Ltd. and<br>other         | 78,206               | 214,672     | (12,134) | (3,194)                           | 173                              | 1,801                           |          | 279,524           |

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Total (Won) 549,913 (Won) 659,531 ((Won) 19,768) ((Won) 9,823) (Won) 2,179 ((Won) 34,966) ((Won) 3,402) (Won) 1,143,664

(Note) For the nine months ended September 30, 2010, equity in earnings (losses) of investments in associates in the statements of income includes (Won)10,393 million of gain on disposal of investments in associates which is not reflected above.

**9. PROPERTY AND EQUIPMENT**

Property and equipment as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                    | September 30, 2011     | December 31, 2010      |
|------------------------------------|------------------------|------------------------|
| Land                               | (Won) 730,566          | (Won) 707,970          |
| Buildings and structures           | 2,027,738              | 1,988,759              |
| Machinery                          | 20,552,739             | 19,742,398             |
| Other                              | 1,691,328              | 1,414,837              |
| Construction in progress           | 435,124                | 447,480                |
| <b>Total</b>                       | <b>25,437,495</b>      | <b>24,301,444</b>      |
| Less accumulated depreciation      | (17,226,605)           | (16,146,012)           |
| Accumulated impairment             | (1,941)                | (2,019)                |
| <b>Property and equipment, net</b> | <b>(Won) 8,208,949</b> | <b>(Won) 8,153,413</b> |

Details of changes in property and equipment for the nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|                          | Beginning<br>balance   | Acquisition            | Disposal              | Transfer               | Depreciation             | Assets held<br>for sale | Ending<br>balance      |
|--------------------------|------------------------|------------------------|-----------------------|------------------------|--------------------------|-------------------------|------------------------|
| Land                     | (Won) 707,970          | (Won) 2,109            | ((Won) 1,947)         | (Won) 22,434           | (Won) (63,349)           | (Won) (25)              | (Won) 730,566          |
| Buildings and structures | 1,260,633              | 38,873                 | (6,739)               | 9,167                  | (63,349)                 | (25)                    | 1,238,585              |
| Machinery                | 5,167,143              | 167,757                | (14,393)              | 976,419                | (1,292,851)              | (61)                    | 5,004,050              |
| Other                    | 570,187                | 927,739                | (3,202)               | (618,212)              | (75,827)                 | (61)                    | 800,624                |
| Construction in progress | 447,480                | 817,417                | (8,061)               | (821,712)              | -                        | -                       | 435,124                |
| <b>Total</b>             | <b>(Won) 8,153,413</b> | <b>(Won) 1,953,895</b> | <b>((Won) 34,342)</b> | <b>((Won) 431,904)</b> | <b>((Won) 1,432,027)</b> | <b>((Won) 86)</b>       | <b>(Won) 8,208,949</b> |

For the nine months ended September 30, 2010

|                          | Beginning<br>balance   | Acquisition            | Disposal              | Transfer              | Depreciation             | Ending<br>balance      |
|--------------------------|------------------------|------------------------|-----------------------|-----------------------|--------------------------|------------------------|
| Land                     | (Won) 706,599          | (Won) 109              | ((Won) 6,919)         | ((Won) 1,102)         | (Won) (63,150)           | (Won) 698,687          |
| Buildings and structures | 1,316,534              | 1,913                  | (1,358)               | 10,475                | (63,150)                 | 1,264,414              |
| Machinery                | 5,211,662              | 137,768                | (13,272)              | 533,686               | (1,160,165)              | 4,709,679              |
| Other                    | 375,855                | 528,914                | (2,389)               | (315,662)             | (64,855)                 | 521,863                |
| Construction in progress | 417,027                | 405,608                | (27,870)              | (284,167)             | -                        | 510,598                |
| <b>Total</b>             | <b>(Won) 8,027,677</b> | <b>(Won) 1,074,312</b> | <b>((Won) 51,808)</b> | <b>((Won) 56,770)</b> | <b>((Won) 1,288,170)</b> | <b>(Won) 7,705,241</b> |

**10. INVESTMENT PROPERTY**

Investment property as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                 | September 30, 2011   | December 31, 2010    |
|---------------------------------|----------------------|----------------------|
| Land                            | (Won) 21,976         | (Won) 29,179         |
| Buildings                       | 298,170              | 183,406              |
| <b>Total</b>                    | <b>320,146</b>       | <b>212,585</b>       |
| Less accumulated depreciation   | (48,076)             | (15,278)             |
| <b>Investment property, net</b> | <b>(Won) 272,070</b> | <b>(Won) 197,307</b> |

Details of changes in investment property for the nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|              | For the nine months ended September 30, 2011 |                     |              |                     |                      |                      | Ending<br>balance |
|--------------|--|---------------------|--------------|---------------------|----------------------|----------------------|-------------------|
|              | Beginning<br>balance                         | Acquisition         | Disposal     | Transfer            | Depreciation         |                      |                   |
| Land         | (Won) 19,670                                 | (Won)               | (Won)        | (Won) 2,306         | (Won)                | (Won) 21,976         |                   |
| Buildings    | 177,637                                      | 60,801              |              | 16,568              | (4,912)              | 250,094              |                   |
| <b>Total</b> | <b>(Won) 197,307</b>                         | <b>(Won) 60,801</b> | <b>(Won)</b> | <b>(Won) 18,874</b> | <b>((Won) 4,912)</b> | <b>(Won) 272,070</b> |                   |

|              | For the nine months ended September 30, 2010 |              |              |                      |                      |                      | Ending<br>balance |
|--------------|--|--------------|--------------|----------------------|----------------------|----------------------|-------------------|
|              | Beginning<br>balance                         | Acquisition  | Disposal     | Transfer             | Depreciation         |                      |                   |
| Land         | (Won) 23,602                                 | (Won)        | (Won)        | (Won) 1,102          | (Won)                | (Won) 24,704         |                   |
| Buildings    | 189,140                                      |              |              | (9,375)              | (3,887)              | 175,878              |                   |
| <b>Total</b> | <b>(Won) 212,742</b>                         | <b>(Won)</b> | <b>(Won)</b> | <b>((Won) 8,273)</b> | <b>((Won) 3,887)</b> | <b>(Won) 200,582</b> |                   |

Details of fair value of investment property as of September 30, 2011 and December 31, 2010 are as follows (In millions of Korean won):

|           | September 30, 2011   | December 31, 2010    |
|-----------|----------------------|----------------------|
| Land      | (Won) 40,540         | (Won) 39,082         |
| Buildings | 248,973              | 176,465              |
|           | <b>(Won) 289,513</b> | <b>(Won) 215,547</b> |

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

## 11. GOODWILL

Details of goodwill as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30, 2011 | December 31, 2010 |
|---|--------------------|-------------------|
| Goodwill related to acquisition of Shinsegi Telecomm, Inc | (Won) 1,306,236    | (Won) 1,306,236   |
| Goodwill related to acquisition of SK Broadband Co., Ltd. | 358,443            | 358,443           |
| Other goodwill  | 90,243             | 80,975            |
| Net foreign exchange differences                          | 118                | (9,005)           |
|   | (Won) 1,755,040    | (Won) 1,736,649   |

## 12. INTANGIBLE ASSETS

Details of changes in intangible assets for the nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|                            | Beginning balance | For the nine months ended September 30, 2011 |               |               |                 |               |                      | Ending balance  |
|----------------------------|-------------------|--|---------------|---------------|-----------------|---------------|----------------------|-----------------|
|                            |                   | Acquisition                                  | Disposal      | Transfer      | Amortization    | Impairment    | Assets held for sale |                 |
| Frequency use rights       | (Won) 709,043     | (Won)  | (Won)         | (Won) 404,971 | ((Won) 109,768) | (Won)         | (Won)                | (Won) 1,004,246 |
| Land use right             | 17,551            | 4,720  | (54)          |               | (4,201)         |               |                      | 18,016          |
| Industrial right           | 60,740            | 1,440  | (1)           | 323           | (2,788)         |               |                      | 59,714          |
| Software development costs | 26,470            | 3,779  |               | (510)         | (6,618)         | (459)         | (2,965)              | 19,697          |
| Customer relationships     | 226,940           | 98   |               |               | (69,226)        |               |                      | 157,812         |
| Membership (Note a)        | 111,736           | 6,310  | (2,439)       |               |                 |               |                      | 115,607         |
| Other (Note b)             | 732,476           | 58,405                                       | (631)         | 99,634        | (265,779)       | (1,100)       | (46)                 | 622,959         |
| Total                      | (Won) 1,884,956   | (Won) 74,752                                 | ((Won) 3,125) | (Won) 504,418 | ((Won) 458,380) | ((Won) 1,559) | ((Won) 3,011)        | (Won) 1,998,051 |

|                            | Beginning balance | For the nine months ended September 30, 2010 |          |          |                |            |       | Ending balance |
|----------------------------|-------------------|--|----------|----------|----------------|------------|-------|----------------|
|                            |                   | Acquisition                                  | Disposal | Transfer | Amortization   | Impairment |       |                |
| Frequency use rights       | (Won) 727,239     | (Won)  | (Won)    | (Won)    | ((Won) 87,398) | (Won)      | (Won) | (Won) 639,841  |
| Land use right             | 12,534            | 6,420  |          |          | (3,057)        |            |       | 15,897         |
| Industrial right           | 60,918            | 3,054  |          | 5        | (3,063)        |            |       | 60,914         |
| Software development costs | 35,714            | 8,619  |          | 429      | (8,483)        |            |       | 36,279         |

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|                        |                 |              |               |               |                 |             |                 |
|------------------------|-----------------|--------------|---------------|---------------|-----------------|-------------|-----------------|
| Customer relationships | 317,670         |              |               | 755           | (68,750)        |             | 249,675         |
| Membership (Note a)    | 107,495         | 1,290        | 121           |               |                 |             | 108,906         |
| Other (Note b)         | 742,648         | 55,541       | (7,392)       | 123,711       | (252,687)       | (204)       | 661,617         |
| Total                  | (Won) 2,004,218 | (Won) 74,924 | ((Won) 7,271) | (Won) 124,900 | ((Won) 423,438) | ((Won) 204) | (Won) 1,773,129 |

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

(Note b) Other intangible assets consist of computer software, usable and profitable donation assets.

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The book value and residual useful lives of major intangible assets as of September 30, 2011 are as follows (in millions of Korean won):

|                        | Amount        | Description   | Residual useful lives |
|------------------------|---------------|---|-----------------------|
| IMT license            | (Won) 509,578 | Frequency use rights relating to W-CDMA service                         | (note a)              |
| W-CDMA license         | 85,633        | Frequency use rights relating to W-CDMA service                         | (note b)              |
| 800MHz license         | 395,304       | Frequency use rights relating to CDMA and LTE service                   | (note c)              |
| WiBro license          | 10,356        | WiBro service   | (note d)              |
| DMB license            | 3,375         | DMB service   | 4 years and 9 months  |
| Customer relationships | 156,814       | Customer relationships related to acquisition of SK Broadband Co., Ltd. | 2 years               |

(note a) The Company purchased the W-CDMA license from KCC on December 4, 2001. Amortization of the W-CDMA license commenced once the Company began its commercial W-CDMA services on December 29, 2003, under a straight-line basis over the remaining useful life of the license. The W-CDMA license will expire in December 2016.

(note b) The Company purchased an additional W-CDMA license from KCC in May 2010. Amortization of the additional W-CDMA license commenced once the Company started its related commercial W-CDMA services on October 7, 2010, under a straight-line basis over the remaining useful life of the W-CDMA license. The additional W-CDMA license will expire in December 2016.

(note c) The Company purchased 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Company started its related commercial CDMA and LTE services on July, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.

(note d) The Company purchased a WiBro license from KCC on March 30, 2005. The license period is for 7 years from the purchase date. Amortization of the WiBro license commenced when the Company started its commercial WiBro services on June 30, 2006, under a straight line basis over the remaining useful life.

**13. BORROWINGS AND BONDS PAYABLE**

## a. Short-term borrowings

Short-term borrowings as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars):

|   | Lender             | rate (%)    | September 30,<br>2011 | September 31,<br>2010 |
|---|--------------------|-------------|-----------------------|-----------------------|
| Short-term borrowing (Korean won)       | Hana Bank, etc.    | 4.49 ~ 6.87 | (Won) 386,235         | (Won) 328,710         |
| Short-term borrowing (Foreign currency) | SK China           |             | 269,516               |                       |
|   | Company .Ltd       |             | (US\$ 228,500)        |                       |
| CP                                      | Shinhan Bank, etc. | 3.83 ~ 3.85 | 520,000               | 195,000               |
| Total                                   |                    |             | (Won) 1,175,751       | (Won) 523,710         |

## b. Long-term borrowings

Long-term borrowings as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars, thousands of Chinese yuan and thousands of Japanese yen):

| Lender                           | Maturity | Annual interest<br>rate (%) (note b) | September 30,<br>2011 | December 31,<br>2010 |
|----------------------------------|----------|--------------------------------------|-----------------------|----------------------|
| Korea Development Bank (note a)  | 2011     | 91 days CD yield + 1.02              | (Won)                 | (Won) 100,000        |
| Citibank (note a)                | 2011     | 91 days CD yield + 1.20              | (Won)                 | (Won) 100,000        |
| Nonghyup (note a)                | 2011     | 91 days CD yield + 1.30              | (Won)                 | (Won) 100,000        |
| Hana Bank (note a)               | 2011     | 91 days CD yield + 1.50              | (Won)                 | (Won) 150,000        |
| Nonghyup (note a)                | 2011     | 91 days CD yield + 1.50              | (Won)                 | (Won) 50,000         |
| Korea Development Bank           | 2011     | 3.22                                 | (Won)                 | (Won) 3,251          |
| Kookmin Bank                     | 2012     | 4.02                                 | (Won) 2,965           | (Won) 5,930          |
| Korea Development Bank           | 2013     | 4.02                                 | (Won) 6,170           | (Won) 8,814          |
| Korea Development Bank           | 2014     | 4.02                                 | (Won) 9,061           | (Won) 9,885          |
| Shinhan Bank                     | 2015     | 4.02                                 | (Won) 10,273          | (Won) 10,273         |
| Kookmin Bank                     | 2016     | 4.02                                 | (Won) 9,749           | (Won)                |
| Credit Agricole                  | 2013     | 6M Libor + 0.29                      | US\$ 30,000           | US\$ 30,000          |
| Bank of China                    |          |                                      | US\$ 20,000           | US\$ 20,000          |
| DBS Bank                         |          |                                      | US\$ 25,000           | US\$ 25,000          |
| SMBC                             |          |                                      | US\$ 25,000           | US\$ 25,000          |
| China Merchants Bank             | 2018     | 5.35                                 | CNY 360,000           | CNY 360,000          |
| Korea Exchange Bank              | 2015     | 5.18 ~ 5.44                          | CNY 200,000           | CNY 200,000          |
| Hana Bank HK                     | 2014     | 3M Libor + 3.2                       | US\$ 75,000           | US\$                 |
| Total                            |          |                                      | (Won) 38,218          | (Won) 538,153        |
|                                  |          |                                      | US\$ 175,000          | US\$ 100,000         |
|                                  |          |                                      | CNY 560,000           | CNY 560,000          |
| Equivalent in Korean won         |          |                                      | (Won) 348,225         | (Won) 748,346        |
| Less portion due within one year |          |                                      | (10,641)              | (512,378)            |



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Long-term portion

(Won) 337,584

(Won) 235,968

(note a) Borrowings were repaid during the third quarter of 2011.

(note b) As of September 30, 2011, 3-month Libor rate is 0.37% and the 6-month Libor rate is 0.56%.

c. Bonds payable

Bonds payable as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars and thousands of Japanese yen):

|   | Maturity | Annual Interest rate (%) | September 30, 2011 | December 31, 2010 |
|---|----------|--------------------------|--------------------|-------------------|
| Domestic general bonds                          | 2011     | 3.0                      | (Won) 200,000      | (Won) 200,000     |
|   | 2013     | 4.0 ~ 6.92               | 450,000            | 450,000           |
|   | 2014     | 5.0                      | 200,000            | 200,000           |
|   | 2015     | 5.0                      | 200,000            | 200,000           |
|   | 2016     | 5.0 ~ 5.92               | 470,000            | 470,000           |
|   | 2018     | 5.0                      | 200,000            | 200,000           |
| Unsecured public bonds (note b)                 | 2011     | 9.08                     |                    | 25,000            |
|   | 2014     | 4.86                     | 50,000             |                   |
| Debentures (note c)                             | 2011     | 6.65 ~ 9.20              |                    | 315,718           |
| (note c)  | 2013     | 3.99                     | 150,000            | 150,000           |
| (note c)  | 2014     | 4.40 ~ 4.53              | 390,000            |                   |
| Dollar denominated bonds (US\$300,000)          | 2011     | 4.25                     |                    | 341,670           |
| Dollar denominated bonds (US\$500,000) (note d) | 2012     | 7.0                      | 592,142            | 596,951           |
| Dollar denominated bonds (US\$400,000)          | 2027     | 6.63                     | 471,800            | 455,560           |
| Yen denominated bonds (JPY 15,500,000) (note a) |          | 3 M Euro Yen             |                    |                   |
|   | 2012     | LIBOR+0.55 ~ 2.5         | 238,175            | 216,547           |
| Yen denominated bonds (JPY 5,000,000) (note a)  |          | 3 M Euro Yen             |                    |                   |
|   | 2012     | TIBOR+2.5                | 76,830             | 69,854            |
| Floating rate notes (US\$ 220,000) (note a)     | 2012     | 3 M LIBOR+3.15           | 259,490            | 250,558           |
| Convertible bonds (US\$ 332,528) (note e and f) | 2014     | 1.75                     | 409,278            | 461,655           |
| Sub total                                       |          |                          | 4,357,715          | 4,603,513         |
| Less discounts on bonds                         |          |                          | (37,647)           | (70,530)          |
| Net   |          |                          | 4,320,068          | 4,532,983         |
| Less portion due within one year                |          |                          | (1,581,777)        | (874,437)         |
| Long-term portion                               |          |                          | (Won) 2,738,291    | (Won) 3,658,546   |

(note a) The 3-months Euro Yen LIBOR rate, the 3-months Euro Yen TIBOR rate and the 3-month LIBOR rate as of September 30, 2011 are 0.19%, 0.33% and 0.37%, respectively.

(note b) SK Telink Co., Ltd., a subsidiary of the Company, issued unsecured public bonds.

(note c) According to the covenant provision of the related borrowings, SK Broadband Co., Ltd., a subsidiary of the Company, is required to maintain its debt ratio lower than 1,000 percent and it cannot dispose of its property and equipment more than twenty times or (Won)10 trillion of its net assets in any given fiscal year.

(note d) According to the covenants of foreign currency debentures, when a private person or other corporation except for AIG-Newbridge-TVG Consortium acquires more than 45% of ownership of SK Broadband Co., Ltd., a subsidiary of the Company, and its credit rating on global bond (US\$ 500,000 thousand) is downgraded by S&P or Moody's, SK Broadband Co., Ltd. is required to offer a buy-back of all foreign currency debentures at the price of 101% of the principal. If the Company does not comply with the covenant, it may be required to perform an immediate redemption.

(note e) The convertible bonds are classified as financial liabilities as FVTPL in current portion of long-term debt as the bond holders can redeem their notes at April 7, 2012.



(note f) 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 conversion price of (Won)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 that can be converted as of September 30, 2011 is 2,177,389 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 such 49% ownership limitation is violated due to the exercise of conversion rights, the Company will pay a bond holder a cash settlement which will be 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.

In accordance with a resolution of the Board of Directors on January 21, 2011, the conversion price has changed from (Won)220,000 to (Won)211,271 and the number of common shares that can be converted changed from 2,090,996 shares to 2,177,389 shares due to the payment of periodic dividends. During the nine months ended September 30, 2011, no conversion was made.

**14. PROVISIONS**

Details of change in the provisions for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                               | For the nine months ended September 30, 2011 |                      |                        | As of September 30, 2011 |                      |                      |
|-------------------------------|--|----------------------|------------------------|--------------------------|----------------------|----------------------|
|                               | Beginning balance                            | Increase             | Decrease               | Ending balance           | Current              | Non-current          |
| Provision for handset subsidy | (Won) 732,042                                | (Won) 668,248        | ((Won) 638,970)        | (Won) 761,320            | (Won) 646,507        | (Won) 114,813        |
| Provision for point program   | 353  | 389                  | (261)                  | 481                      | 158                  | 323                  |
| Provision for restoration     | 32,522                                       | 3,551                | (3,275)                | 32,798                   |                      | 32,798               |
| Provision for warranty        | 140  | 19                   |                        | 159                      |                      | 159                  |
| Provision for sales return    | 48   | 55                   | (40)                   | 63                       | 63                   |                      |
| Other provisions              | 11   | 50                   | (32)                   | 29                       | 29                   |                      |
| <b>Total</b>                  | <b>(Won) 765,116</b>                         | <b>(Won) 672,312</b> | <b>((Won) 642,578)</b> | <b>(Won) 794,850</b>     | <b>(Won) 646,757</b> | <b>(Won) 148,093</b> |

|                               | For the nine months ended September 30, 2010 |                      |                        | As of September 30, 2010 |                      |                      |
|-------------------------------|--|----------------------|------------------------|--------------------------|----------------------|----------------------|
|                               | Beginning balance                            | Increase             | Decrease               | Ending balance           | Current              | Non-current          |
| Provision for handset subsidy | (Won) 609,733                                | (Won) 738,829        | ((Won) 606,098)        | (Won) 742,464            | (Won) 664,231        | (Won) 78,233         |
| Provision for point program   | 894  | 333                  | (138)                  | 1,089                    | 326                  | 763                  |
| Provision for restoration     | 26,473                                       | 4,820                |                        | 31,293                   |                      | 31,293               |
| Provision for warranty        | 93   | 36                   |                        | 129                      |                      | 129                  |
| Provision for sales return    | 40   |                      | (9)                    | 31                       | 31                   |                      |
| Other provisions              | 22   |                      | (10)                   | 12                       | 12                   |                      |
| <b>Total</b>                  | <b>(Won) 637,255</b>                         | <b>(Won) 744,018</b> | <b>((Won) 606,255)</b> | <b>(Won) 775,018</b>     | <b>(Won) 664,600</b> | <b>(Won) 110,418</b> |

The Company provides provision for handset subsidies to be provided to the subscribers who purchase handsets on an installment basis.

**15. RETIREMENT BENEFIT OBLIGATION**

- a. Details of retirement benefit obligation as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30,<br>2011 | December 31,<br>2010 |
|---|-----------------------|----------------------|
| Present value of defined benefit obligation | (Won) 189,673         | (Won) 160,363        |
| Fair value of plan assets                   | (85,924)              | (92,493)             |
| <b>Total</b>                                | <b>(Won) 103,749</b>  | <b>(Won) 67,870</b>  |

- b. Principal actuarial assumptions as of September 30, 2011 and December 31, 2010 are as follows:

|   | September 30,<br>2011 | December 31,<br>2010 |
|---|-----------------------|----------------------|
| Discount rate for defined benefit obligations | 3.89 ~ 6.64%          | 5.41 ~ 6.30%         |
| Inflation rate                                | 3.00%                 | 3.00%                |
| Expected rate of return on plan assets        | 4.00 ~ 5.88%          | 4.00 ~ 5.64%         |
| Expected rate of salary increase              | 5.00 ~ 8.15%          | 4.36 ~ 8.42%         |

- c. Changes in defined benefit obligations for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                             | For the nine months ended |                       |
|-----------------------------|---------------------------|-----------------------|
|                             | September 30,<br>2011     | September 30,<br>2010 |
| Beginning balance           | (Won) 160,363             | (Won) 127,255         |
| Current service cost        | 48,345                    | 68,349                |
| Interest cost               | 6,750                     | 6,088                 |
| Actuarial gain or loss      | 8,210                     | (1,620)               |
| Benefit paid                | (33,642)                  | (52,742)              |
| Others                      | (58)                      | 725                   |
| Classified as held for sale | (295)                     |                       |
| <b>Ending balance</b>       | <b>(Won) 189,673</b>      | <b>(Won) 148,055</b>  |

- d. Changes in plan assets for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|   | For the nine months ended |                       |
|---|---------------------------|-----------------------|
|   | September 30,<br>2011     | September 30,<br>2010 |
| Beginning balance                                 | (Won) 92,493              | (Won) 73,596          |
| Expected return on plan assets                    | 3,050                     | 2,400                 |
| Actuarial gain or loss                            | (978)                     | (1,125)               |
| Contributions by employer directly to plan assets | 2,200                     | 4,002                 |
| Benefit payment                                   | (10,872)                  | (9,117)               |
| Others  | 31                        | 458                   |
| <b>Ending balance</b>                             | <b>(Won) 85,924</b>       | <b>(Won) 70,214</b>   |

- e. Expenses recognized in profit and loss for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                                | For the nine months ended |                       |
|--------------------------------|---------------------------|-----------------------|
|                                | September 30,<br>2011     | September 30,<br>2010 |
| Current service cost           | (Won) 48,345              | (Won) 68,349          |
| Interest cost                  | 6,750                     | 6,088                 |
| Expected return on plan assets | (3,050)                   | (2,400)               |
| <b>Total</b>                   | <b>(Won) 52,045</b>       | <b>(Won) 72,037</b>   |

These expenses are recognized as labor cost, research and development expense in the period as profit or loss and construction in progress.

- f. Details of plan assets as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                    | September 30,<br>2011 | December 31,<br>2010 |
|--------------------|-----------------------|----------------------|
| Equity instruments | (Won) 798             | (Won) 26,247         |
| Debt instruments   | 53,760                | 51,489               |
| Others             | 31,366                | 14,757               |
| <b>Total</b>       | <b>(Won) 85,924</b>   | <b>(Won) 92,493</b>  |

Actual return on plan assets for the nine months ended September 30, 2011 and 2010 is (Won)2,072 million and (Won)1,274 million, respectively.

**16. SHARE CAPITAL AND SHARE PREMIUM**

The Company's outstanding share capital consists entirely of common stock with a par value of (Won)500. The number of authorized, issued and outstanding common shares and share premium as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

|                                    | September 30, 2011 |             | December 31, 2010 |             |
|------------------------------------|--------------------|-------------|-------------------|-------------|
| Authorized shares                  |                    | 220,000,000 |                   | 220,000,000 |
| Issued shares (Note)               |                    | 80,745,711  |                   | 80,745,711  |
| <b>Share capital</b>               |                    |             |                   |             |
| Common stock                       | (Won)              | 44,639      | (Won)             | 44,639      |
| <b>Share premium:</b>              |                    |             |                   |             |
| Paid-in surplus                    | (Won)              | 2,915,887   | (Won)             | 2,915,887   |
| Treasury stock                     |                    | (2,410,451) |                   | (2,202,439) |
| Loss on disposal of treasury stock |                    | (15,875)    |                   | (15,875)    |
| Others                             |                    | (770,658)   |                   | (776,526)   |
| Total                              | ((Won)             | 281,097)    | ((Won)            | 78,953)     |

There are no changes in share capital for the nine months ended September 30, 2011 and for the year ended December 31, 2010.

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

**17. TREASURY STOCK**

Through 2009, the Company acquired 8,400,712 shares of treasury stock in the open market for (Won)1,992,083 million for providing stock dividends, to purchase odd-lot stocks remaining from new stocks issuance, merger with Shinsegi Telecom, Inc. and SK IMT Co., Ltd., increase shareholder value, and for stock price stabilization purpose.

Meanwhile from July 26, 2010 through October 20, 2010, the Company additionally acquired 1,250,000 shares of treasury stock for (Won)210,356 million and from July 21, 2011 through September 28, 2011, the Company additionally acquired 1,400,000 shares of treasury stock for (Won)208,012 million for in accordance with a resolution of the Board of Directors on July 22, 2010 and July 19, 2011, respectively.

As a result of aforementioned treasury stock transactions, as of September 30, 2011 and December 31, 2010, the Company has 11,050,712 shares of treasury stock at (Won)2,410,451 million and 9,650,712 shares of treasury stock at (Won)2,202,439 million, respectively.



**18. RETAINED EARNINGS**

Retained earnings as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30, 2011 | December 31, 2010 |
|---|--------------------|-------------------|
| <b>Appropriated:</b>                          |                    |                   |
| Legal reserve                                 | (Won) 22,320       | (Won) 22,320      |
| Reserve for research and manpower development | 535,595            | 658,928           |
| Reserve for business expansion                | 8,009,138          | 7,519,138         |
| Reserve for technology development            | 1,524,000          | 1,150,000         |
| <br>  |                    |                   |
| Sub-total                                     | 10,091,053         | 9,350,386         |
| Unappropriated                                | 1,351,198          | 1,370,863         |
| <br>  |                    |                   |
| Total   | (Won) 11,442,251   | (Won) 10,721,249  |

## 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 share capital. The legal reserve may not be utilized for cash dividends, but may be used to offset a future deficit, if any, or may be transferred to share capital.

## b. Reserve for research and manpower 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.

**19. RESERVES**

Details of reserves as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30, 2011   | December 31, 2010    |
|---|----------------------|----------------------|
| Net change in fair value of available-for-sale financial assets | (Won) 416,329        | (Won) 793,645        |
| Share of other comprehensive income of associates               | (86,493)             | (91,413)             |
| Loss on valuation of derivatives                                | (74,127)             | (56,862)             |
| Foreign currency translations of foreign operations             | 28,844               | (2,314)              |
| <b>Total</b>  | <b>(Won) 284,553</b> | <b>(Won) 643,056</b> |

Details of change in reserves for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                             | Net change in fair value of available-for-sale financial assets | Share of other comprehensive loss of associates | Gain (loss) on valuation of derivatives | Foreign currency differences from foreign operations | Total         |
|-----------------------------|---|---|---|--|---------------|
| Balance, January 1, 2010    | (Won) 998,527   | ((Won) 91,244)                                  | (Won) 12,552                            | (Won) (4,793)  | (Won) 919,835 |
| Changes                     | (45,138)  | 2,168   | (10,777)                                | (4,793)  | (58,541)      |
| Tax effect                  | 4,395   |   | 1,415                                   |  | 5,811         |
| Balance, September 30, 2010 | (Won) 957,784   | ((Won) 89,076)                                  | (Won) 3,190                             | ((Won) 4,793)  | (Won) 867,105 |
| Balance, January 1, 2011    | (Won) 793,645   | ((Won) 91,413)                                  | ((Won) 56,862)                          | ((Won) 2,314)  | (Won) 643,056 |
| Changes                     | (487,932)   | 6,202   | (20,955)                                | 31,158   | (471,527)     |
| Tax effect                  | 110,616   | (1,282)   | 3,690                                   |  | 113,024       |
| Balance, September 30, 2011 | (Won) 416,329   | ((Won) 86,493)                                  | ((Won) 74,127)                          | (Won) 28,844   | (Won) 284,553 |

Details of change in fair value of available-for-sale financial assets for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | September 30, 2011 |                 | For the nine months ended |                 | September 30, 2010 |               |
|--|--------------------|-----------------|---------------------------|-----------------|--------------------|---------------|
|  | Before tax         | Tax effect      | After tax                 | Before tax      | Tax effect         | After tax     |
| Beginning balance  | (Won) 1,023,458    | ((Won) 229,813) | (Won) 793,645             | (Won) 1,284,221 | ((Won) 285,694)    | (Won) 998,527 |
| Recognized in other comprehensive income during the period | (349,914)          | 77,925          | (271,989)                 | (43,381)        | 4,009              | (39,372)      |
| Reclassified from equity to profit or loss for the period  | (138,018)          | 32,691          | (105,327)                 | (1,758)         | 387                | (1,371)       |
| Ending balance   | (Won) 535,526      | ((Won) 119,197) | (Won) 416,329             | (Won) 1,239,082 | ((Won) 281,298)    | (Won) 957,784 |



**20. OTHER OPERATING INCOME AND EXPENSES**

Details of other operating income and expenses for the three months and nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|  | 2011                                   |                                       | 2010                                   |                                       |
|--|--|---------------------------------------|--|---------------------------------------|
|  | Three months<br>ended<br>September, 30 | Nine months<br>ended<br>September, 30 | Three months<br>ended<br>September, 30 | Nine months<br>ended<br>September, 30 |
| <b>Other operating income:</b>   |  |                                       |  |                                       |
| Reversal of allowance for doubtful accounts<br>(Note)                      | (Won) 41                               | (Won) 1,737                           | (Won) 259                              | (Won) 259                             |
| Gain on disposal of property and equipment<br>and intangible assets (Note) | 1,366                                  | 5,296                                 | 1,000                                  | 9,876                                 |
| Other (Note)   | 44,826                                 | 58,818                                | 7,766                                  | 15,989                                |
|  | (Won) 46,233                           | (Won) 65,851                          | (Won) 9,025                            | (Won) 26,124                          |
| <b>Other operating expenses:</b>   |  |                                       |  |                                       |
| Communication expenses   | (Won) 14,384                           | (Won) 41,572                          | (Won) 15,761                           | (Won) 46,014                          |
| Utilities  | 47,309                                 | 124,921                               | 45,496                                 | 121,040                               |
| Taxes and dues   | 18,590                                 | 38,430                                | 26,430                                 | 42,742                                |
| Repair   | 62,808                                 | 185,718                               | 55,376                                 | 159,911                               |
| Research and development   | 67,776                                 | 185,864                               | 64,784                                 | 182,288                               |
| Training   | 9,346                                  | 21,042                                | 8,354                                  | 17,740                                |
| Bad debt   | 15,753                                 | 51,789                                | 19,226                                 | 56,627                                |
| Travels  | 7,889                                  | 22,825                                | 7,070                                  | 19,392                                |
| Supplies and other   | 24,902                                 | 79,503                                | 28,192                                 | 68,350                                |
| Loss on disposal of property and equipment<br>and intangible assets (Note) | 7,247                                  | 17,355                                | 30,421                                 | 39,845                                |
| Loss on disposal of investment assets (Note)                               |  | 248                                   |  | 2,028                                 |
| Loss on impairment of intangible assets<br>(Note)                          |  | 1,559                                 |  | 204                                   |
| Donations (Note)   | 15,796                                 | 61,175                                | 19,090                                 | 96,805                                |
| Other bad debt (Note)  | 1,615                                  | 4,761                                 | 3,230                                  | 5,088                                 |
| Other (Note)   | 8,827                                  | 18,318                                | 3,090                                  | 15,246                                |
|  | (Won) 302,242                          | (Won) 855,080                         | (Won) 326,520                          | (Won) 873,320                         |

(Note) Under Korean GAAP these were classified as other non-operating income and expenses. While, under K-IFRS, these are classified as other operating income and expenses.

**21. FINANCE INCOME AND COSTS**

Details of finance income and costs for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|   | 2011                                   |                                       | 2010                                   |                                       |
|---|--|---------------------------------------|--|---------------------------------------|
|   | Three months<br>ended<br>September, 30 | Nine months<br>ended<br>September, 30 | Three months<br>ended<br>September, 30 | Nine months<br>ended<br>September, 30 |
| <b>Finance income:</b>                                  |  |                                       |  |                                       |
| Interest income   | (Won) 42,435                           | (Won) 132,956                         | (Won) 64,062                           | (Won) 187,969                         |
| Dividends   | 5,912                                  | 26,882                                | 6,495                                  | 26,736                                |
| Gain on foreign currency transactions                   | 2,461                                  | 5,410                                 | 2,695                                  | 6,858                                 |
| Gain on foreign currency translation                    |  | 3,505                                 | 15,267                                 | 16,829                                |
| Gain on valuation of financial asset at FVTPL           |  | 1,067                                 |  |                                       |
| Gain on disposal of long-term investment securities     | 2,290                                  | 162,667                               | 13,187                                 | 28,702                                |
| Reversal of loss on impairment of investment securities |  |                                       |  | 39                                    |
| Gain on valuation of derivatives                        | 1,558                                  | 3,645                                 | 391                                    | 1,906                                 |
| Gain on transactions of derivatives                     |  |                                       | 1,255                                  | 1,255                                 |
| Gain on valuation of financial liability at FVTPL       | 19,127                                 | 52,377                                |  |                                       |
|   | 73,783                                 | 388,509                               | 103,352                                | 270,294                               |
| <b>Finance costs:</b>                                   |  |                                       |  |                                       |
| Interest expenses                                       | 73,070                                 | 224,936                               | 97,375                                 | 297,484                               |
| Loss on foreign currency transactions                   | 3,697                                  | 7,350                                 | 3,366                                  | 8,602                                 |
| Loss on foreign currency translation                    | 22,998                                 | 12,832                                |  | 1,888                                 |
| Loss on valuation of short-term investment securities   |  |                                       | 405                                    | 6,404                                 |
| Loss on disposal of long-term investment securities     | 300                                    | 457                                   | 2,029                                  | 2,030                                 |
| Loss on valuation of derivatives                        | 292                                    | 689                                   |  | 20,806                                |
| Loss on transactions of derivatives                     |  | 5,136                                 |  |                                       |
| Loss on disposal of accounts receivable                 |  |                                       |  | 6                                     |
| Loss on valuation of financial liability at FVTPL       |  |                                       | 7,596                                  | 9,287                                 |
|   | (Won) 100,357                          | (Won) 251,400                         | (Won) 110,771                          | (Won) 346,507                         |

Details of interest income included in finance income for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | 2011                                   |                                       | 2010                                   |                                       |
|--|--|---------------------------------------|--|---------------------------------------|
|  | Three months<br>ended<br>September, 30 | Nine months<br>ended<br>September, 30 | Three months<br>ended<br>September, 30 | Nine months<br>ended<br>September, 30 |
|  | (Won) 18,438                           | (Won) 41,550                          | (Won) 7,137                            | (Won) 24,359                          |

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|  |              |               |              |               |
|--|--------------|---------------|--------------|---------------|
| Interest income on cash equivalents and deposits                     |              |               |              |               |
| Interest income on installment receivables and other interest income | 23,997       | 91,406        | 56,925       | 163,610       |
|  | (Won) 42,435 | (Won) 132,956 | (Won) 64,602 | (Won) 187,969 |

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Details of interest expenses included in finance costs for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | 2011                             |                                 | 2010                             |                                 |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|  | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |
| Interest expense on bank overdrafts and borrowings | (Won) 15,813                     | (Won) 48,156                    | (Won) 21,765                     | (Won) 67,781                    |
| Interest on bonds                                  | 50,536                           | 157,106                         | 66,101                           | 200,979                         |
| Other interest expenses                            | 6,721                            | 19,674                          | 9,509                            | 28,724                          |
|  | (Won) 73,070                     | (Won) 224,936                   | (Won) 97,375                     | (Won) 297,484                   |

Details of income and costs by type of financial assets or financial liabilities; exclusive of the effects of bad debt expense on trade receivables, loans and other receivables, which is disclosed Note 5, for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|   | 2011                             |                                 |                                  |                                 | 2010                             |                                 |                                  |                                 |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | Financial income                 |                                 | Financial costs                  |                                 | Financial income                 |                                 | Financial costs                  |                                 |
|   | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |
| <b>Financial assets:</b>                      |                                  |                                 |                                  |                                 |                                  |                                 |                                  |                                 |
| Financial assets designated as at FVTPL       | (Won) 1,067                      | (Won) 1,067                     | (Won) 1,255                      | (Won) 1,255                     | (Won) 405                        | (Won) 405                       | (Won) 23,932                     | (Won) 23,932                    |
| Available-for-sale financial assets           | 9,969                            | 195,361                         | 300                              | 457                             | 21,009                           | 60,486                          | 2,029                            | 2,030                           |
| Loans and receivables                         | 43,129                           | 136,021                         | 5,130                            | 11,284                          | 74,851                           | 191,274                         | 2,243                            | 10,493                          |
| Sub-total                                     | 53,098                           | 332,449                         | 5,430                            | 11,741                          | 97,115                           | 253,015                         | 4,677                            | 36,455                          |
| <b>Financial liabilities:</b>                 |                                  |                                 |                                  |                                 |                                  |                                 |                                  |                                 |
| Financial liabilities designated as at FVTPL  | 20,685                           | 56,022                          | 292                              | 689                             | 391                              | 1,906                           | 7,337                            | 12,566                          |
| Financial liabilities at amortized cost       |                                  | 38                              | 94,635                           | 233,835                         | 5,846                            | 15,373                          | 98,757                           | 297,486                         |
| Derivatives designated as hedging instruments |                                  |                                 |                                  | 5,136                           |                                  |                                 |                                  |                                 |
| Sub-total                                     | 20,685                           | 56,060                          | 94,927                           | 239,660                         | 6,237                            | 17,279                          | 106,094                          | 310,052                         |

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Total (Won) 73,783 (Won) 388,509 (Won) 100,357 (Won) 251,401 (Won) 103,352 (Won) 270,294 (Won) 110,771 (Won) 346,507

Details of impairment losses for each class of financial assets for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | 2011                             |                                 | 2010                             |                                 |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|  | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |
| Impairment loss on available-for-sale financial assets | (Won) 15,753                     | (Won) 51,789                    | (Won) 19,226                     | (Won) 56,627                    |
| Bad debt   | 1,615                            | 4,761                           | 3,230                            | 5,088                           |
| Other bad debt   | (Won) 17,368                     | (Won) 56,551                    | (Won) 22,459                     | (Won) 61,718                    |



**22. NET INCOME PER SHARE**

Net income from continuing operation per share and net income per share for the three months and nine months ended September 30, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

*Net income per share from continuing operation*

|  | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|--|-------------------------------|-----------------------|------------------------------|-----------------------|
|  | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Net income from continuing operation attributable to the owners of the Company | (Won) 384,298                 | (Won) 489,659         | (Won) 1,395,761              | (Won) 1,323,381       |
| Weighted average number of common shares outstanding                           | 70,499,159                    | 71,965,408            | 70,894,202                   | 72,217,080            |
| Net income per share (in Korean won)   | (Won) 5,451                   | (Won) 6,804           | (Won) 19,688                 | (Won) 18,325          |

Net income per share from continuing operation for the three months ended March 31, 2011 and 2010 is (Won)7,640 and (Won)5,193, respectively. In addition, net income per share from continuing operation for the three months ended June 30, 2011 and 2010 is (Won)6,596 and (Won)6,333, respectively.

Net income from continuing operation attributable to the controlling interests for the three months and nine months ended September 30, 2011 and 2010 are computed as follows (in millions of Korean won):

|   | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|---|-------------------------------|-----------------------|------------------------------|-----------------------|
|   | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Net income attributable to the controlling interests  | (Won) 386,166                 | (Won) 489,023         | (Won) 1,396,494              | (Won) 1,322,265       |
| The controlling interests' portion of net loss (income) from discontinued operation attributable to the controlling interests | (1,868)                       | 636                   | (733)                        | 1,116                 |
| Net income from continuing operation attributable to the controlling interests  | (Won) 384,298                 | (Won) 489,659         | (Won) 1,395,761              | (Won) 1,323,381       |

*Net income per share*

|  | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|--|-------------------------------|-----------------------|------------------------------|-----------------------|
|  | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Net income attributable to the owners of the Company | (Won) 386,166                 | (Won) 489,023         | (Won) 1,396,494              | (Won) 1,322,265       |
|  | 70,499,159                    | 71,965,408            | 70,894,202                   | 72,217,080            |

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Weighted average number of  
common shares outstanding

|   |       |       |       |       |       |        |       |        |
|---|-------|-------|-------|-------|-------|--------|-------|--------|
| Net income per share (in Korean<br>won) | (Won) | 5,478 | (Won) | 6,795 | (Won) | 19,698 | (Won) | 18,310 |
|---|-------|-------|-------|-------|-------|--------|-------|--------|

Net income per share for the three months ended March 31, 2011 and 2010 is (Won)7,631 and (Won)5,192, respectively. In addition, net income per share for the three months ended June 30, 2011 and 2010 is (Won)6,580 and (Won)6,326, respectively.

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The weighted average number of common shares outstanding for the three months and nine months ended September 30, 2011 and 2010 are calculated as follows:

| 2011  |                     |                            |                                 |
|---|---------------------|----------------------------|---------------------------------|
|   | Number of<br>shares | Weighted<br>number of days | Weighted<br>number of<br>shares |
| For the three months ended September 30, 2011 |                     |                            |                                 |
| Outstanding common stocks at April 1, 2011    | 80,745,711          | 92 / 92                    | 80,745,711                      |
| Treasury stocks at July 1, 2011               | (9,650,712)         | 92 / 92                    | (9,650,712)                     |
| Acquisition of treasury stock                 | (1,400,000)         | 39 / 92 (Note)             | (595,840)                       |
| <b>Total</b>                                  | <b>69,694,999</b>   |                            | <b>70,499,159</b>               |
| For the nine months ended September 30, 2011  |                     |                            |                                 |
| Outstanding common stocks at January 1, 2011  | 80,745,711          | 273 / 273                  | 80,745,711                      |
| Treasury stocks at January 1, 2011            | (9,650,712)         | 273 / 273                  | (9,650,712)                     |
| Acquisition of treasury stock                 | (1,400,000)         | 39 / 273 (Note)            | (200,797)                       |
| <b>Total</b>                                  | <b>69,694,999</b>   |                            | <b>70,894,202</b>               |
| 2010  |                     |                            |                                 |
|   | Number of<br>Shares | Weighted<br>number of days | Weighted<br>number of shares    |
| For the three months ended September 30, 2010 |                     |                            |                                 |
| Outstanding common stocks at April 1, 2010    | 80,745,711          | 92 / 92                    | 80,745,711                      |
| Treasury stocks at July 1, 2010               | (8,400,712)         | 92 / 92                    | (8,400,712)                     |
| Acquisition of treasury stock                 | (940,074)           | 37 / 92 (Note)             | (379,591)                       |
| <b>Total</b>                                  | <b>71,404,925</b>   |                            | <b>71,965,408</b>               |
| For the nine months ended September 30, 2010  |                     |                            |                                 |
| Outstanding common stocks at January 1, 2010  | 80,745,711          | 273 / 273                  | 80,745,711                      |
| Treasury stocks at January 1, 2010            | (8,400,712)         | 273 / 273                  | (8,400,712)                     |
| Acquisition of treasury stock                 | (940,074)           | 37 / 273 (Note)            | (127,919)                       |
| <b>Total</b>                                  | <b>71,404,925</b>   |                            | <b>72,217,080</b>               |

(Note) The Company acquired treasury stocks on many different dates, and weighted number of shares was calculated considering each transaction date.

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Diluted net income from continuing operation per share and diluted net income per share amounts for the three months and nine months ended September 30, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

*Diluted net income per share from continuing operation*

|   | For the<br>three months ended |                  | For the<br>six months ended |                  |
|---|-------------------------------|------------------|-----------------------------|------------------|
|   | June 30,<br>2011              | June 30,<br>2010 | June 30,<br>2011            | June 30,<br>2010 |
| Adjusted net income from continuing operation attributable to the owners of the Company | (Won) 385,708                 | (Won) 491,119    | (Won) 1,399,304             | (Won) 1,327,304  |
| Adjusted weighted average number of common shares outstanding                           | 72,676,548                    | 74,056,404       | 73,071,591                  | 74,308,076       |
| Diluted net income per share (in Korean won)  | (Won) 5,307                   | (Won) 6,632      | (Won) 19,150                | (Won) 17,862     |

Diluted net income per share from continuing operation for the three months ended March 31, 2011 and 2010 is (Won)7,426 and (Won)5,068, respectively. In addition, diluted net income per share from continuing operation for the three months ended June 30, 2011 and 2010 is (Won)6,415 and (Won)6,170, respectively.

Diluted net income from continuing operation attributable to the controlling interests for the three months and nine months ended September 30, 2011 and 2010 are computed as follows (in millions of Korean won):

|   | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|---|-------------------------------|-----------------------|------------------------------|-----------------------|
|   | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Net income attributable to the controlling interests  | (Won) 387,576                 | (Won) 490,483         | (Won) 1,400,037              | (Won) 1,326,188       |
| The controlling interests' portion of net loss (income) from discontinued operation attributable to the controlling interests | (1,868)                       | 636                   | (733)                        | 1,116                 |
| Net income from continuing operation attributable to the controlling interests  | (Won) 385,708                 | (Won) 491,119         | (Won) 1,399,304              | (Won) 1,327,304       |

*Diluted net income per share*

|  | For the<br>three months ended |                  | For the<br>six months ended |                  |
|--|-------------------------------|------------------|-----------------------------|------------------|
|  | June 30,<br>2011              | June 30,<br>2010 | June 30,<br>2011            | June 30,<br>2010 |
| Adjusted net income to the owners of the Company | (Won) 387,576                 | (Won) 490,483    | (Won) 1,400,037             | (Won) 1,326,188  |
|  | 72,676,548                    | 74,056,404       | 73,071,591                  | 74,308,076       |

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Adjusted weighted average  
number of common shares  
outstanding

|   |       |       |       |       |       |        |       |        |
|---|-------|-------|-------|-------|-------|--------|-------|--------|
| Diluted net income per share (in<br>Korean won) | (Won) | 5,333 | (Won) | 6,623 | (Won) | 19,160 | (Won) | 17,847 |
|---|-------|-------|-------|-------|-------|--------|-------|--------|

Diluted net income per share for the three months ended March 31, 2011 and 2010 is (Won)7,418 and (Won)5,066, respectively. In addition, diluted net income from continuing operation per share for the three months ended June 30, 2011 and 2010 is (Won)6,400 and (Won)6,163, respectively.

Adjusted net income per share and the adjusted weighted average number of common shares outstanding for the three months and nine months ended September 30, 2011 and 2010 are calculated as follows (In millions of Korean won, except for share data):

|  | For the<br>three months ended |                       | For the<br>six months ended |                        |
|--|-------------------------------|-----------------------|-----------------------------|------------------------|
|  | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011       | September 30,<br>2010  |
| Net income and ordinary income                                       | (Won) 386,166                 | (Won) 489,023         | (Won) 1,396,494             | (Won) 1,322,265        |
| Effect of convertible bonds (Note)                                   | 1,410                         | 1,460                 | 3,543                       | 3,923                  |
| <b>Adjusted net income and ordinary income</b>                       | <b>(Won) 387,576</b>          | <b>(Won) 490,483</b>  | <b>(Won) 1,400,037</b>      | <b>(Won) 1,326,188</b> |
| Weighted average number of common shares outstanding                 | 70,499,159                    | 71,965,408            | 70,894,202                  | 72,217,080             |
| Effect of exchangeable bonds (Note)                                  | 2,177,389                     | 2,090,996             | 2,177,389                   | 2,090,996              |
| <b>Adjusted weighted average number of common shares outstanding</b> | <b>72,676,548</b>             | <b>74,056,404</b>     | <b>73,071,591</b>           | <b>74,308,076</b>      |

(Note) Assuming the conversion of the convertible bonds occurred at the beginning of the period, related interest expense would not have been incurred, resulting in an increase in net income and an increase in the weighted average number of common shares outstanding would have occurred.

Net income and diluted net income per share from discontinued operation for the three months and nine months ended September 30, 2011 and 2010 are computed as follows (in millions of Korean won):

|   | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|---|-------------------------------|-----------------------|------------------------------|-----------------------|
|   | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Net income and diluted net income per share | (Won) 26                      | ((Won) 9)             | (Won) 10                     | ((Won) 15)            |

**23. SEGMENT INFORMATION**

The Company has two operating segments; cellular telephone communication services, fixed-line telecommunication services and any other businesses which could not be identified as either segment, were grouped into other. Cellular telephone communication services include cellular voice service, wireless data service and wireless internet services. Fixed-line telecommunication services include telephone services, internet services, and leased line services. Lastly, the Company's Internet portal services and game manufacturing and others are grouped under other.

Details of the two segments and other for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

| For the nine months ended September 30, 2011 |   |  |               |                  |  |                        |
|--|---|--|---------------|------------------|--|------------------------|
|  | Cellular<br>telephone<br>telecommunication<br>service | Fixed-line<br>Telecommunication<br>service | Other         | Sub-total        | Internal<br>transaction<br>adjustments | Consolidated<br>amount |
| Total sales                                  | (Won) 10,641,117                                      | (Won) 2,114,212                            | (Won) 471,331 | (Won) 13,226,660 | ((Won) 1,212,045)                      | (Won) 12,014,615       |
| Internal sales                               | 632,182   | 474,721                                    | 105,142       | 1,212,045        | (1,212,045)                            |                        |
| External sales                               | 10,008,935  | 1,639,491                                  | 366,189       | 12,014,615       |  | 12,014,615             |
| Operating<br>income                          | 1,735,590   | 37,473                                     | 32,450        | 1,805,513        |  | 1,805,513              |
| Net income<br>(loss)                         | 1,391,796   | (21,894)                                   | 16,688        | 1,386,591        |  | 1,386,591              |
| Total assets                                 | 19,861,710  | 3,506,938                                  | 1,990,601     | 25,359,249       | (2,216,337)                            | 23,142,912             |
| Total liabilities                            | 7,916,652   | 2,202,254                                  | 691,612       | 10,810,518       | (241,463)                              | 10,569,055             |

| For the nine months ended September 30, 2010 |   |  |               |                  |  |                        |
|--|---|--|---------------|------------------|--|------------------------|
|  | Cellular<br>telephone<br>telecommunication<br>service | Fixed-line<br>Telecommunication<br>service | Other         | Sub-total        | internal<br>transaction<br>adjustments | Consolidated<br>amount |
| Total sales                                  | (Won) 10,002,727                                      | (Won) 2,005,393                            | (Won) 393,128 | (Won) 12,401,248 | ((Won) 825,252)                        | (Won) 11,575,996       |
| Internal sales                               | 404,212   | 331,520                                    | 89,520        | 825,252          | (825,252)                              |                        |
| External sales                               | 9,598,515   | 1,673,873                                  | 303,608       | 11,575,996       |  | 11,575,996             |
| Operating<br>income (loss)                   | 1,786,925   | (48,701)                                   | 29,154        | 1,767,378        |  | 1,767,378              |
| Net income<br>(loss)                         | 1,349,907   | (116,321)                                  | 30,782        | 1,264,368        |  | 1,264,368              |
| Total assets                                 | 20,416,908  | 3,637,929                                  | 1,496,944     | 25,551,781       | (2,025,341)                            | 23,526,440             |
| Total liabilities                            | 8,866,658   | 2,305,082                                  | 314,742       | 11,486,482       | (194,092)                              | 11,292,390             |

The Company mainly operates in the domestic market, and as such no separate geographic segment information analysis is available.

**24. TRANSACTIONS WITH RELATED PARTIES**

Significant related party transactions for the three months and nine months ended September 30, 2011 and 2010, and account balances as of September 30, 2011 and December 31, 2010 are as follows (In millions of Korean won):

**a. Transactions**

|   | For three months ended September 30, 2011 |                                     |                                     | For nine months ended September 30, 2011 |                                     |                                     |
|---|---|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|
|   | 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 |
| <b>Ultimate parent company:</b>         |   |                                     |                                     |  |                                     |                                     |
| SK C&C Co., Ltd.                        | (Won) 74,280                              | (Won) 80,288                        | (Won) 4,205                         | (Won) 163,106                            | (Won) 227,807                       | (Won) 12,359                        |
| <b>Parent Company:</b>                  |   |                                     |                                     |  |                                     |                                     |
| SK Holdings Co., Ltd.                   |   | 4,886                               | 256                                 |  | 23,255                              | 639                                 |
| <b>Associates:</b>                      |   |                                     |                                     |  |                                     |                                     |
| SK Marketing & Company Co., Ltd.        | 4,455                                     | 42,274                              | 1,730                               | 6,663                                    | 107,972                             | 6,902                               |
| F&U Credit Information Co., Ltd.        |   | 12,205                              | 415                                 |  | 33,788                              | 1,262                               |
| SK Wyverns Baseball Club Co., Ltd.      |   | 4,918                               | 4                                   |  | 15,912                              | 17                                  |
| HanaSK Card Co., Ltd.                   | 3   | 86,195                              | 28,693                              | 13                                       | 210,192                             | 62,866                              |
| Others                                  | 76  | 2,680                               | 215                                 | 105                                      | 6,151                               | 660                                 |
| <b>Others :</b>                         |   |                                     |                                     |  |                                     |                                     |
| SK innovation Co., Ltd.                 |   | 185                                 | 1,445                               |  | 577                                 | 2,950                               |
| SK MNS Co., Ltd.                        | 42  | 4,949                               | 1,592                               | 47                                       | 12,318                              | 3,053                               |
| SK Engineering & Construction Co., Ltd. | 89,106                                    | 11,607                              | 2,182                               | 153,397                                  | 25,803                              | 4,431                               |
| SKC Co., Ltd.                           |   | 26                                  | 345                                 |  | 26                                  | 1,028                               |
| SK Telesys Co., Ltd.                    | 51,608                                    | 14,172                              | 286                                 | 149,078                                  | 27,882                              | 838                                 |
| SK Mobile energy Co., Ltd.              | 98  |                                     | 5                                   | 659                                      |                                     | 8                                   |
| SK Networks Co., Ltd.                   | 2,016                                     | 278,026                             | 2,299                               | 5,390                                    | 866,567                             | 10,471                              |
| MRO Korea Co., Ltd.                     | 2,782                                     | 1,486                               | 6                                   | 5,541                                    | 4,430                               | 22                                  |
| SK Networks Service Co., Ltd.           | 578                                       | 17,800                              | 105                                 | 1,170                                    | 54,360                              | 296                                 |
| SK Shipping Co., Ltd.                   |   |                                     | 824                                 |  |                                     | 2,435                               |
| Others                                  | 8,535                                     | 26,671                              | 4,618                               | 9,234                                    | 51,704                              | 6,626                               |
| <b>Total</b>                            | <b>(Won) 233,579</b>                      | <b>(Won) 588,368</b>                | <b>(Won) 49,225</b>                 | <b>(Won) 494,403</b>                     | <b>(Won) 1,668,744</b>              | <b>(Won) 116,863</b>                |



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|   | For three months ended September 30, 2010 |                                     |                                     | For nine months ended September 30, 2010 |                                     |                                     |
|---|---|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|
|   | 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 |
| <b>Ultimate parent company:</b>         |   |                                     |                                     |  |                                     |                                     |
| SK C&C Co., Ltd.                        | (Won) 65,163                              | (Won) 81,151                        | (Won) 4,214                         | (Won) 106,293                            | (Won) 221,529                       | (Won) 9,990                         |
| <b>Parent Company:</b>                  |   |                                     |                                     |  |                                     |                                     |
| SK Holdings Co., Ltd.                   | 49  | 7,351                               | 335                                 | 118                                      | 22,028                              | 789                                 |
| <b>Associates:</b>                      |   |                                     |                                     |  |                                     |                                     |
| SK Marketing & Company Co., Ltd.        | 1,289                                     | 45,378                              | 1,329                               | 3,314                                    | 133,931                             | 4,565                               |
| F&U Credit Information Co., Ltd.        |   | 17,652                              | 1,132                               |  | 29,939                              | 1,315                               |
| SK Wyverns Baseball Club Co., Ltd.      |   | 4,500                               | 11                                  |  | 12,900                              | 39                                  |
| HanaSK Card Co., Ltd.                   |   | 15,970                              | 5                                   |  | 15,970                              | 8                                   |
| Others                                  |   | 1,363                               | 267                                 |  | 7,527                               | 777                                 |
| <b>Others :</b>                         |   |                                     |                                     |  |                                     |                                     |
| SK innovation Co., Ltd.                 |   | 263                                 | 1,938                               |  | 763                                 | 4,583                               |
| SK MNS Co., Ltd.                        | 9   | 5,509                               | 76                                  | 649                                      | 10,759                              | 233                                 |
| SK Engineering & Construction Co., Ltd. | 103,641                                   | 7,845                               | 1,654                               | 139,206                                  | 8,986                               | 10,403                              |
| SKC Co., Ltd.                           |   | 26                                  | 246                                 |  | 26                                  | 659                                 |
| SK Telesys Co., Ltd.                    | 93,303                                    | 8,955                               | 231                                 | 184,601                                  | 22,655                              | 1,144                               |
| SK Mobile energy Co., Ltd.              | 398                                       |                                     | 4                                   | 1,482                                    |                                     | 14                                  |
| SK Networks Co., Ltd.                   | 2,793                                     | 303,075                             | 5,892                               | 3,319                                    | 821,728                             | 21,087                              |
| MRO Korea Co., Ltd.                     | 694                                       | 1,653                               | 102                                 | 4,852                                    | 3,538                               | 129                                 |
| SK Networks Service Co., Ltd.           | 95  | 16,183                              |                                     | 459                                      | 37,117                              | 169                                 |
| SK Shipping Co., Ltd.                   |   |                                     | 844                                 |  |                                     | 2,940                               |
| Others                                  | 12,751                                    | 41,289                              | 1,853                               | 12,751                                   | 42,820                              | 3,651                               |
| <b>Total</b>                            | <b>(Won) 280,185</b>                      | <b>(Won) 558,163</b>                | <b>(Won) 20,133</b>                 | <b>(Won) 457,044</b>                     | <b>(Won) 1,392,216</b>              | <b>(Won) 62,495</b>                 |

**b. Account balances**

|   | As of September 30, 2011               |                       |                      |                                   |
|---|--|-----------------------|----------------------|-----------------------------------|
|   | Accounts<br>Receivable<br>and<br>loans | Guarantee<br>deposits | Accounts<br>payable  | Guarantee<br>deposits<br>received |
| <b>Ultimate parent company:</b>         |  |                       |                      |                                   |
| SK C&C Co., Ltd.                        | (Won) 2,852                            | (Won)                 | (Won) 95,738         | (Won) 3,585                       |
| <b>Parent Company:</b>                  |  |                       |                      |                                   |
| SK Holdings Co., Ltd.                   | 194                                    |                       |                      |                                   |
| <b>Associates:</b>                      |  |                       |                      |                                   |
| SK Marketing & Company Co., Ltd.        | 7,377                                  |                       | 28,623               | 10                                |
| F&U Credit Information Co., Ltd.        | 23                                     |                       | 3,764                |                                   |
| Wave City Development Co., Ltd.         | 38,412                                 |                       |                      |                                   |
| Daehan Kanggun BcN Co., Ltd.            | 14,786                                 |                       |                      |                                   |
| HanaSK Card Co., Ltd.                   | 6,747                                  |                       | 944                  |                                   |
| SK China Company, Ltd.                  |  |                       | 269,516              |                                   |
| Others                                  | 2,406                                  |                       | 1,089                |                                   |
| <b>Others :</b>                         |  |                       |                      |                                   |
| SK innovation Co., Ltd.                 | 889                                    | 91                    | 27                   |                                   |
| SK MNS Co., Ltd.                        | 993                                    |                       | 2,986                |                                   |
| SK Engineering & Construction Co., Ltd. | 1,925                                  |                       | 5,689                | 83                                |
| SKC Co., Ltd.                           | 258                                    |                       |                      |                                   |
| SK Telesys Co., Ltd.                    | 499                                    |                       | 33,205               |                                   |
| SK Mobile energy Co., Ltd.              | 5                                      |                       |                      |                                   |
| SK Networks Co., Ltd.                   | 16,366                                 | 5,513                 | 152,627              | 896                               |
| MRO Korea Co., Ltd.                     | 1                                      |                       | 2,552                |                                   |
| SK Networks Service Co., Ltd.           | 13                                     |                       | 7,260                |                                   |
| SK Pinx Co., Ltd.                       |  |                       | 7                    |                                   |
| SK Shipping Co., Ltd.                   | 353                                    |                       |                      |                                   |
| Others                                  | 1,239                                  |                       | 8,267                | 47                                |
| <b>Total</b>                            | <b>(Won) 95,338</b>                    | <b>(Won) 5,604</b>    | <b>(Won) 612,294</b> | <b>(Won) 4,621</b>                |

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|   | As of December 31, 2010             |                       |                      |                                   |
|---|-------------------------------------|-----------------------|----------------------|-----------------------------------|
|   | Accounts<br>receivable and<br>loans | Guarantee<br>deposits | Accounts<br>payable  | Guarantee<br>deposits<br>received |
| <b>Ultimate parent company:</b>         |                                     |                       |                      |                                   |
| SK C&C Co., Ltd.                        | (Won) 935                           | (Won)                 | (Won) 203,031        | (Won) 3,585                       |
| <b>Parent Company:</b>                  |                                     |                       |                      |                                   |
| SK Holdings Co., Ltd.                   | 480                                 |                       | 1,595                |                                   |
| <b>Associates:</b>                      |                                     |                       |                      |                                   |
| SK Marketing & Company Co., Ltd.        | 12,497                              |                       | 35,068               |                                   |
| F&U Credit Information Co., Ltd.        | 47                                  |                       | 7,002                |                                   |
| Wave City Development Co., Ltd.         | 38,412                              |                       |                      |                                   |
| Daehan Kanggun BcN Co., Ltd.            | 30,224                              |                       |                      |                                   |
| HanaSK Card Co., Ltd.                   | 8,478                               |                       | 19,948               |                                   |
| Others                                  | 2,415                               |                       | 1,826                |                                   |
| <b>Others :</b>                         |                                     |                       |                      |                                   |
| SK innovation Co., Ltd.                 | 1,204                               | 96                    |                      | 23                                |
| SK MNS Co., Ltd.                        | 1,591                               |                       | 4,036                |                                   |
| SK Engineering & Construction Co., Ltd. | 2,610                               |                       | 42,880               | 82                                |
| SKC Co., Ltd.                           | 109                                 |                       | 6                    |                                   |
| SK Telesys Co., Ltd.                    | 14,207                              |                       | 63,350               |                                   |
| SK Mobile energy Co., Ltd.              | 2                                   |                       | 645                  |                                   |
| SK Networks Co., Ltd.                   | 3,203                               | 5,513                 | 99,284               | 689                               |
| MRO Korea Co., Ltd.                     | 6                                   |                       | 1,985                |                                   |
| SK Networks Service Co., Ltd.           | 1                                   |                       | 10,585               |                                   |
| SK Pinx Co., Ltd.                       |                                     |                       | 6                    |                                   |
| SK Shipping Co., Ltd.                   | 69                                  |                       |                      |                                   |
| Others                                  | 850                                 |                       | 3,510                | 258                               |
| <b>Total</b>                            | <b>(Won) 117,340</b>                | <b>(Won) 5,609</b>    | <b>(Won) 494,757</b> | <b>(Won) 4,637</b>                |

**c. Compensation for the key management**

The Company considers registered directors who have substantial roles and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the three months and nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

| Payee   | For the three months ended<br>September 30, 2011 |                          |           | For the nine months ended<br>September 30, 2011 |                          |             |
|---|--|--------------------------|-----------|---|--------------------------|-------------|
|   | Payroll  | Severance<br>indemnities | Total     | Payroll   | Severance<br>indemnities | Total       |
| Eight (8) Registered directors (including<br>outside directors) | (Won) 399  | (Won) 107                | (Won) 506 | (Won) 9,230                                     | (Won) 731                | (Won) 9,961 |

| Payee   | For the three months ended<br>September 30, 2010 |                          |           | For the nine months ended<br>September 30, 2010 |                          |             |
|---|--|--------------------------|-----------|---|--------------------------|-------------|
|   | Payroll  | Severance<br>indemnities | Total     | Payroll   | Severance<br>indemnities | Total       |
| Eight (8) Registered directors (including<br>outside directors) | (Won) 358  | (Won) 75                 | (Won) 433 | (Won) 2,651                                     | (Won) 518                | (Won) 3,169 |



## 25. COMMITMENTS AND CONTINGENCIES

- a. SK Broadband Co., Ltd., a subsidiary, provides its time deposits up to (Won)20,000 million as collateral for members of the Employee Stock Purchase Association ( ESPA ) in order for employees to borrow money and contribute to the ESPA; such contribution are used to purchase the shares of SK Broadband Co., Ltd. in the market. As of September 30, 2011, SK Broadband Co., Ltd. has pledged (Won)4,700 million of time deposits.
- b. As of September 30, 2011, SK Telink Co., Ltd., a subsidiary, pledged as collateral for borrowings (Won)41,900 million (book value of (Won)31,600 million) of machinery.
- c. For the nine months ended June 30, 2011, PS & Marketing Corporation, a subsidiary, borrowed (Won)20,000 million from Shinhan Bank and obtained a line of credit for (Won)20,000 million, for operational purposes. In relation to the borrowings and line of credit, PS & Marketing Corporation pledged (Won)52,000 million of inventory as collateral to Shinhan Bank.
- d. As of September 30, 2011, Sky Property Mgmt, Ltd., a subsidiary, pledged CNY800,000,000 of building and land use right (long-term prepaid expenses) as collateral for its long-term borrowing amounting to CNY560,000,000 to Korean Exchange Bank and China Merchants Bank.

## 26. DERIVATIVE INSTRUMENTS

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

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 September 30, 2011, 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 (Won)5,971 million (net of tax effect totaling (Won)1,242 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling (Won)23,150 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 its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY12,500,000,000 issued on November 13, 2007. As of September 30, 2011, 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 (Won)1,240 million (net of tax effect totaling (Won)1,177 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling (Won)88,006 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 Corporation Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY3,000,000,000 issued on January 22, 2009. As of September 30, 2011, 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 (Won)2,325 million (net of tax effect totaling (Won)656 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)35 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-Mitsubishi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY5,000,000,000 issued on March 5, 2009. As of September 30, 2011, 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 (Won)760 million (net of tax effect totaling (Won)214 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)1,786 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and other five banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling US\$400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of September 30, 2011, in connection with un settled foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)80,579 million (excluding tax effect totaling (Won)22,727 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling (Won)14,042 million) is accounted for as other comprehensive loss. Meanwhile, the gain on valuation of currency swap which was incurred before application of hedge accounting, amounting to (Won)129,806 million was charged to current operations.

In addition, SK Broadband Co., Ltd., a subsidiary of the Company, has entered into a fixed-to-fixed cross currency swap contract with Korea Development Bank and other five banks to hedge the foreign currency risk of U.S. dollar denominated bonds with face amounts totaling US\$500,000,000 at annual fixed interest rate of 7.0% issued on February 1, 2005. As of September 30, 2011, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to (Won)5,362 million (excluding foreign exchange translation loss arising from U.S. dollar denominated bonds totaling (Won)120,907 million) is accounted for as accumulated other comprehensive income. Meanwhile, loss on valuation of currency swap which was incurred before the application of hedge accounting, amounting to (Won)46,856 million was charged to current operations.

b. 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, gain on valuation of currency swap of (Won)3,389 million and loss on valuation of interest swap of (Won)3,279 million for the nine months ended September 30, 2011 and 2010, respectively, are charged to current operations.

In addition, SK Communications Co., Ltd., a subsidiary of the Company, sold its shares of Etoos Co., Ltd. on October 19, 2009 and acquired convertible bonds on disposal of its shares. In connection with convertible option which is embedded in convertible bonds, loss on valuation of convertible option of (Won)689 million and gain on valuation of convertible option of (Won)1,515 million for the nine months ended September 30, 2011 and 2010, respectively, are charged to current operations.

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As of September 30, 2011, 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 and millions of Korean won):

| Type   | Hedged item                                  | Amount         | Duration of Contract             | Designated as Cash Flow Hedge | Fair value<br>Not Designated | Total         |
|--|--|----------------|----------------------------------|-------------------------------|------------------------------|---------------|
| <b>Current assets:</b>                         |  |                |                                  |                               |                              |               |
| Fix-to-fixed cross currency swap               | U.S. dollar denominated bonds                | US\$ 500,000   | Feb. 1, 2005<br>~ Feb. 1, 2012   | (Won) 79,412                  | (Won)                        | (Won) 79,412  |
| Floating-to-fixed cross currency interest swap | Japanese yen denominated bonds               | JPY 3,000,000  | Jan. 22, 2009<br>~ Jan. 22, 2012 | 2,946                         |                              | (Won) 2,946   |
| <b>Non-current assets:</b>                     |  |                |                                  |                               |                              |               |
| Floating-to-fixed cross currency swap          | U.S. dollar denominated long-term borrowings | US\$ 100,000   | Oct. 10, 2006<br>~ Oct. 10, 2013 | 15,937                        |                              | 15,937        |
| Fix-to-fixed cross currency swap               | U.S. dollar denominated bonds                | US\$ 400,000   | Jul. 20, 2007<br>~ Jul. 20, 2027 | 40,543                        |                              | 40,543        |
| Floating-to-fixed cross currency swap          | Japanese yen denominated bonds               | JPY 12,500,000 | Nov. 13, 2007<br>~ Nov. 13, 2012 | 88,068                        |                              | 88,068        |
| Convertible Option                             | Convertible bonds securities                 | US\$ 500,000   | Sep. 1, 2009<br>~ Aug. 31, 2014  |                               | 1,273                        | 1,273         |
| <b>Total assets</b>                            |  |                |                                  | (Won) 226,906                 | (Won) 1,273                  | (Won) 228,179 |
| <b>Current liabilities:</b>                    |  |                |                                  |                               |                              |               |
| Floating-to-fixed cross currency interest swap | Japanese yen denominated bonds               | JPY 5,000,000  | Mar. 05, 2009<br>~ Mar. 5, 2012  | (Won) 811                     | (Won)                        | (Won) 811     |
| Floating-to-fixed Interest rate swap           | U.S. dollar denominated bonds                | US\$ 220,000   | Apr. 29, 2009<br>~ Apr.29, 2012  |                               | 1,654                        | 1,654         |
| <b>Total liabilities</b>                       |  |                |                                  | (Won) 811                     | (Won) 1,654                  | (Won) 2,465   |

**27. CONSOLIDATED STATEMENTS OF CASH FLOWS**

Adjustments for income and expenses from operating activities for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | For the nine months ended |                    |
|--|---------------------------|--------------------|
|  | September 30, 2011        | September 30, 2010 |
| Reversal of allowance for doubtful accounts                    | ((Won) 1,737)             | ((Won) 259)        |
| Gain on disposal of property, equipment and intangible assets  | (5,304)                   | (9,876)            |
| Interest income  | (132,986)                 | (188,002)          |
| Dividend income  | (26,882)                  | (26,736)           |
| Gain on foreign currency translation                           | (3,505)                   | (16,829)           |
| Gain on valuation of short-term securities                     | (1,067)                   |                    |
| Gain on disposal of long term investment securities            | (162,667)                 | (28,702)           |
| Reversal of impairment loss on long term investment securities |                           | (39)               |
| Gain on valuation of derivatives                               | (3,645)                   | (1,906)            |
| Gain on valuation of financial liabilities at FVTPL            | (52,377)                  |                    |
| Equity in earnings of investments in affiliates                | (29,137)                  | (24,392)           |
| Other income   | (4,721)                   | (2,172)            |
| Provision for retirement benefits                              | 51,055                    | 71,655             |
| Depreciation and amortization                                  | 1,895,319                 | 1,715,495          |
| Bad debt expenses  | 51,789                    | 56,627             |
| Loss on disposal of property, equipment and intangible assets  | 17,355                    | 39,845             |
| Loss on impairment of intangible assets                        | 1,559                     | 204                |
| Other bad debt expenses  | 4,761                     | 5,088              |
| Interest expenses  | 225,111                   | 297,502            |
| Loss on foreign currency translation                           | 12,833                    | 1,888              |
| Loss on valuation of short-term investment securities          |                           | 6,404              |
| Loss on disposal of long term investment securities            | 457                       | 2,030              |
| Loss on valuation of derivatives                               | 689                       | 20,806             |
| Loss on transaction of derivatives                             | 5,136                     |                    |
| Loss on valuation of financial liabilities at FVTPL            |                           | 9,287              |
| Equity in losses of investments in affiliates                  | 51,229                    | 23,820             |
| Income tax expense   | 530,755                   | 425,092            |
| Other expenses   | 7,951                     | 21,454             |
|  | (Won) 2,431,971           | (Won) 2,398,284    |



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Changes in assets and liabilities from operating activities for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | For the nine months ended |                    |
|--|---------------------------|--------------------|
|  | September 30, 2011        | September 30, 2010 |
| Accounts receivable - trade            | ((Won) 23,658)            | ((Won) 64,205)     |
| Accounts receivable - other            | 1,038,616                 | (497,094)          |
| Accrued income                         | 16,151                    | 1,053              |
| Advance payments                       | 24,852                    | (29,440)           |
| Prepaid expenses                       | (79,473)                  | (13,365)           |
| Inventories                            | (70,107)                  | (58,769)           |
| Other current assets                   | 68,948                    | 50,576             |
| Long-term accounts receivables - other | 518,762                   | (148,799)          |
| Accounts payable -trade                | 17,947                    | 67,308             |
| Accounts payable -other                | (379,504)                 | (145,254)          |
| Advanced receipts                      | 16,304                    | 46,263             |
| Withholdings                           | 119,331                   | 224,284            |
| Accrued expenses                       | 34,869                    | 165,508            |
| Unearned revenue                       | (33,586)                  | (43,487)           |
| Retirement benefit payment             | (33,642)                  | (52,742)           |
| Plan assets                            | 8,672                     | 5,115              |
| Other non-current                      | (159)                     | (7,599)            |
| Others                                 | 1,899                     | 2,055              |
|  | (Won) 1,246,222           | ((Won) 498,592)    |

Significant non-cash transactions for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | For the nine months ended |                    |
|--|---------------------------|--------------------|
|  | September 30, 2011        | September 30, 2010 |
| Transfer construction in progress to property and equipment                | (Won) 1,458,672           | (Won) 582,617      |
| Transfer inventories to tangible assets account                            | 59,470                    | 47,312             |
| Accounts payable -other of tangible assets and others                      | 197,190                   |                    |
| Write-off of accounts receivable-trade and others                          | 51,480                    | 46,517             |
| Transfer bonds payable to current portion of long-term debt account        | 1,401,923                 | 759,478            |
| Transfer long-term borrowings to current portion of long-term debt account | 47,644                    | 907,095            |

**28. DISCONTINUED OPERATION**

The Company determined to dispose its common stock in SK i-media Co., Ltd. a game software production business. General information on the discontinued operation is as follows:

|                                     | Description   |
|-------------------------------------|---|
| Main business                       | On-line & Mobile game software production and provision |
| Date of initial public announcement | September 30, 2011                                      |
| Date of expected discontinuance     | October 20, 2011  |
| Method of disposal                  | Disposal of common stock                                |
| Purchasing company                  | LK Media tech Inc.                                      |

Income (loss) of discontinued operation for the three months and nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won). Meanwhile, comparative financial statements for the three months and nine months ended September 30, 2010 were restated and separately present discontinued operation and cash flows relating to discontinued operation.

|  | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|--|-------------------------------|-----------------------|------------------------------|-----------------------|
|  | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Operating loss generated by discontinued operation         | ((Won) 699)                   | ((Won) 1,270)         | ((Won) 2,943)                | ((Won) 2,290)         |
| Financial income(loss) generated by discontinued operation | (75)                          | (27)                  | (145)                        | 14                    |
| Income tax for discontinued operation                      | 3,660                         | 314                   | 4,220                        | 551                   |
| Income(loss) generated by discontinued operation           | (Won) 2,886                   | ((Won) 983)           | (Won) 1,132                  | ((Won) 1,725)         |
| Attributable to:   |                               |                       |                              |                       |
| Controlling interests                                      | (Won) 1,868                   | ((Won) 636)           | (Won) 733                    | ((Won) 1,116)         |
| Non-controlling interests                                  | (Won) 1,018                   | ((Won) 347)           | (Won) 400                    | ((Won) 609)           |

Net cash flows related to discontinued operation for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                                      | 2011          | 2010          |
|--------------------------------------|---------------|---------------|
| Cash flows from operating activities | ((Won) 1,864) | ((Won) 620)   |
| Cash flows from investing activities | 206           | (1,952)       |
| Cash flows from financing activities | 1,600         | 1,000         |
| Net cash flows                       | ((Won) 58)    | ((Won) 1,572) |

As of September 30, 2011, the related asset and liability of discontinued operation is classified as assets classified as held for sale (See Note 29).

**29. ASSETS CLASSIFIED AS HELD FOR SALE**

As of September 30, 2011, the book value of the assets and liabilities classified as held for sale are as follows (In millions of Korean won):

|  | September 30, 2011 |
|--|--------------------|
| Cash and cash equivalents                            | (Won) 214          |
| Accounts receivable - trade                          | 114                |
| Property and equipment / Intangible assets           | 3,097              |
| Other receivables                                    | 490                |
| <b>Total assets classified as held for sale</b>      | <b>3,915</b>       |
| Accounts payable - other                             | 196                |
| Retirement benefit obligation                        | 295                |
| Other payables                                       | 1,602              |
| <b>Total liabilities classified as held for sale</b> | <b>2,093</b>       |
| <br>Net assets classified as held for sale           | <br>(Won) 1,822    |

**30. SUBSEQUENT EVENT**

## a. Split-off

In accordance with the resolution of the Board of Directors on July 19, 2011 and the approval of general meeting of shareholders on August 31, 2011, the Company split off platform business segment and established SK Planet Co., Ltd. on October 1, 2011. SK Planet Co., Ltd. was registered on October 5, 2011. General information related to the split-off are summarized as follows:

|                   | Description  |
|-------------------|--|
| Split-off method  | Simple physical split-off  |
| Spin-off company  | SK Telecom Co., Ltd. (Surviving company)<br>SK Planet Co., Ltd. (New spin-off company) |
| Date of split-off | October 1, 2011  |

## b. Resolution of acquisition of common stock in Hynix Semiconductor Inc.

On November 11, 2011, in accordance with the resolution of the Board of Directors, the Company agreed to acquire 146,100,000 shares of common stock in Hynix Semiconductor Inc. for approximately (Won)3,426,657 million on February 14, 2012. The Company will acquire the investee's common stock by cash settlement (old and new stock purchase). The Company's ownership for Hynix Semiconductor Inc. will be 21.05%.

### 31. FINANCIAL RISK MANAGEMENT

#### Financial Risk Factors

The Company is exposed to credit risk, liquidity risk and market risk. The Company implements a risk management system to monitor and manage these specific risks.

The Company's financial assets under financial risk management consist of cash and cash equivalents, financial instruments, financial assets available-for-sale, trade and other receivables, and financial liabilities such as trade and other payables, borrowings, and bonds payable.

#### a. Market risk

##### a-(1) Currency risk

The Company is exposed to currency risk of its revenue and expenditure that are denominated in a currency other than the functional currency of the Company. The Company primarily transacts in USD, JPY and EUR, besides its functional currency of KRW. The Company has hedging policies based on its business characteristics and its current financial instruments (which hedge its currency risks). In addition, the Company analyzes, manages and reports currency risk periodically through its foreign currency denominated receivables and payables management system.

The book value of the Company's monetary assets and liabilities denominated in foreign currencies as of September 30, 2011, is as follows (In millions of Korean won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese yen, thousands of other currencies):

|        | Assets             |                       | Liabilities        |                       |
|--------|--------------------|-----------------------|--------------------|-----------------------|
|        | Foreign currencies | Korean won equivalent | Foreign currencies | Korean won equivalent |
| US\$   | 57,841             | (Won) 68,223          | 1,615,506          | (Won) 1,905,490       |
| EUR    | 283                | 454                   | 2,059              | 3,297                 |
| JPY    | 117,659            | 1,808                 | 20,501,467         | 315,028               |
| CNY    |                    |                       | 560,000            | 103,595               |
| Others | 4,003              | 671                   | 538                | 957                   |
|        |                    | (Won) 71,156          |                    | (Won) 2,328,367       |

In addition, the Company has entered into a cross currency swaps to hedge against currency risk related to foreign currency borrowings and bonds payable. (Refer to Note 26)

Effects of a 10% change in foreign currency to the Company's functional currency on income before income tax as of September 30, 2011 are as follows (In millions of Korean won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese yen, thousands of other currencies):

|        | 10% increase in KRW<br>against foreign currency | 10% decrease in KRW<br>against foreign currency |
|--------|---|---|
| US\$   | ((Won) 66,613)                                  | (Won) 66,613                                    |
| EUR    | (284)   | 284   |
| JPY    | 154   | (154)   |
| CNY    | (10,359)  | 10,359  |
| Others | (29)  | 29  |

##### a-(2) Equity price risk

The Company has investments in listed and non-listed equity securities for its liquidity and ongoing operational purposes. Refer to Note 7 for details on the carrying value of these investments. As of September 30, 2011, marketable equity securities is (Won)1,112,643 million.



*a-(3) Interest rate risk*

The Company's interest bearing assets are mostly fixed-interest bearing assets, as such, the Company's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Company is exposed to interest rate risk due to its borrowing with floating interest rate. The Company considers various alternatives to hedge its interest rate risk and optimize its financing, which includes refinancing, renewal, alternative finance and hedging options.

As of September 30, 2011, borrowings and bonds payables with floating interest rate is (Won)867,905 million and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and bonds payables (Refer to Note 26).

For the nine months ended September 30, 2011, assuming an interest rate change of 1% and considering all other variables as fixed, income before income tax would change upward or downward by (Won)1,767 million due to the interest expenses of borrowings and bonds payables with floating interest rate.

*b. Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information the Company establishes credit limits for each customer or counterparty.

For the nine months ended September 30, 2011, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are significantly overdue. As a result, the Company believes that the possibility of default is low. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institution. The amount of maximum exposure to credit risk of the Company is same as the book value of financial assets as of September 30, 2011.

In addition, the aging analysis of trade and other receivables that are past due at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 21.

*c. Liquidity risk*

The Company's approach to managing liquidity is to ensure that it maintains sufficient cash equivalents balance and liquidity through the utilization of its various committed credit lines, while operating an effective & effective business.

The contractual maturity of financial liabilities of the Company as of September 30, 2011 is as follows (In millions of Korean won):

|                         | Less than 1 year       | 1-5 years              | More than 5 years    | Total                  |
|-------------------------|------------------------|------------------------|----------------------|------------------------|
| Borrowings              | (Won) 1,186,392        | (Won) 270,987          | (Won) 66,597         | (Won) 1,523,976        |
| Bonds payable (Note a)  | 1,583,839              | 2,102,076              | 671,800              | 4,357,715              |
| Derivatives liabilities | 2,465                  |                        |                      | 2,465                  |
| Trade payables          | 201,567                |                        |                      | 201,567                |
| Other payables (Note b) | 1,813,147              | 328,363                |                      | 2,141,510              |
| <b>Total</b>            | <b>(Won) 4,787,410</b> | <b>(Won) 2,701,426</b> | <b>(Won) 738,397</b> | <b>(Won) 8,227,232</b> |

(Note a) Exclusive of bond discount.

(Note b) Includes undiscounted long-term payables and long-term security deposits the Company received.

### **Capital Management**

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The Company's overall strategy remains unchanged since 2010.

The Company monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total debt divided by total equity; the total debt and equity is extracted from the consolidated financial statements.

Debt-equity ratio as of September 30, 2011 and December 31, 2010 are as follows (In millions of Korean won):

|                          | September 30, 2011 | December 31, 2010 |
|--------------------------|--------------------|-------------------|
| Debt                     | (Won) 10,569,055   | (Won) 10,724,390  |
| Equity                   | 12,573,857         | 12,407,999        |
| <b>Debt-equity ratio</b> | <b>84.06%</b>      | <b>86.43%</b>     |

*SK TELECOM CO., LTD.*

*SEPARATE FINANCIAL STATEMENTS*

*FOR THE THREE MONTHS AND NINE MONTHS*

*ENDED SEPTEMBER 30, 2011*

*AND INDEPENDENT ACCOUNTANTS REVIEW REPORT*



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### **Independent Accountants' Review Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

SK Telecom Co., Ltd.

### **Report on the separate financial statements**

We have reviewed the accompanying separate financial statements of SK Telecom Co., Ltd. (the Company). The financial statements consist of the separate statements of financial position as of September 30, 2011 and December 31, 2010, and the related separate statements of income, comprehensive income for the three months and nine months ended September 30, 2011 and changes in shareholders' equity and cash flows for the nine months ended September 30, 2011, and a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the separate financial statements**

The Company's management is responsible for the preparation and fair presentation of the accompanying separate financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Independent accountants' responsibility**

Our responsibility is to express a conclusion on the accompanying separate financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

### **Review conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying separate financial statements of the Company are not presented fairly, in all material respects, in accordance with Korean International Financial Reporting Standards (K-IFRS) 1034 Interim Financial Reporting, and the requirements of K-IFRS 1101 First-time Adoption of Korean International Financial Reporting Standards, relevant to interim financial reporting.

### **Other matter**

The separate statements of income and comprehensive income for the three months and nine months ended September 30, 2010 and changes in shareholders' equity and cash flows for the nine months ended September 30, 2010, comparatively presented herein, were not reviewed.

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Our reviews also comprehended the translation of the Korean won amounts into U.S. dollar amounts and nothing has come to our attention that causes us to believe that such translation has not been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers of financial statements.

Accounting principles and review 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 shareholders' 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 review such financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying separate financial statements are for use by those knowledgeable about Korean accounting procedures and review standards and their application in practice.

November 24, 2011

Notice to Readers

This report is effective as of November 24, 2011, the independent accountants' review report date. Certain subsequent events or circumstances may have occurred between the independent accountants' review report date and the time the independent accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modification to the independent accountants' review report.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

| ASSETS                                     | Notes  | Korean won                             |                                       | Translation into U.S. dollars (Note 2)  |  |
|--|--------|--|---------------------------------------|---|--|
|  |        | September 30,<br>2011<br>(In millions) | December 31,<br>2010<br>(In millions) | September 30,<br>2011<br>(In thousands) | December 31,<br>2010<br>(In thousands) |
| <b>CURRENT ASSETS:</b>                     |        |  |                                       |   |  |
| Cash and cash equivalents                  | 4      | (Won) 1,396,318                        | (Won) 357,470                         | \$ 1,182,418                            | \$ 302,710                             |
| Short-term financial instruments           | 4      | 705,500                                | 299,500                               | 597,426                                 | 253,620                                |
| Short-term investment securities           | 4,6    | 85,263                                 | 393,811                               | 72,202                                  | 333,484                                |
| Accounts receivable - trade, net           | 4,5,23 | 1,334,787                              | 1,453,061                             | 1,130,313                               | 1,230,469                              |
| Short-term loans, net                      | 4,5,23 | 88,765                                 | 80,731                                | 75,167                                  | 68,364                                 |
| Accounts receivable - other, net           | 4,5,23 | 1,293,249                              | 2,499,969                             | 1,095,138                               | 2,117,003                              |
| Prepaid expenses                           |        | 91,954                                 | 156,153                               | 77,868                                  | 132,232                                |
| Derivative assets                          | 4,24   | 2,946                                  |                                       | 2,495                                   |  |
| Inventories                                |        | 15,860                                 | 9,019                                 | 13,430                                  | 7,637                                  |
| Advanced payments and other                | 5,6    | 35,800                                 | 67,262                                | 30,317                                  | 56,959                                 |
| Total current assets                       |        | 5,050,442                              | 5,316,976                             | 4,276,774                               | 4,502,478                              |
| <b>NON-CURRENT ASSETS:</b>                 |        |  |                                       |   |  |
| Long-term financial instruments            | 4      | 7,578                                  | 69                                    | 6,417                                   | 58                                     |
| Long-term investment securities            | 4,6    | 1,382,761                              | 1,517,029                             | 1,170,938                               | 1,284,638                              |
| Investments in subsidiaries and associates | 7      | 3,640,521                              | 3,584,395                             | 3,082,836                               | 3,035,308                              |
| Property and equipment                     | 8,23   | 5,673,497                              | 5,469,747                             | 4,804,384                               | 4,631,846                              |
| Investment property                        | 9      | 39,935                                 | 34,799                                | 33,817                                  | 29,468                                 |
| Goodwill                                   | 10     | 1,308,422                              | 1,308,422                             | 1,107,987                               | 1,107,987                              |
| Intangible assets                          | 11     | 1,611,118                              | 1,424,969                             | 1,364,314                               | 1,206,680                              |
| Long-term loans, net                       | 4,5,23 | 72,931                                 | 64,098                                | 61,759                                  | 54,279                                 |
| Long-term accounts receivable - other, net | 4,5    | 8,322                                  | 527,084                               | 7,047                                   | 446,341                                |
| Long-term prepaid expenses                 |        | 21,107                                 | 1,031                                 | 17,874                                  | 873                                    |
| Guarantee deposits                         | 4,5,23 | 155,049                                | 154,360                               | 131,297                                 | 130,714                                |
| Long-term derivative assets                | 4,24   | 144,548                                | 139,577                               | 122,405                                 | 118,195                                |
| Deferred income tax assets                 |        | 283,174                                | 183,481                               | 239,795                                 | 155,374                                |
| Other non-current assets                   |        | 709                                    | 1,089                                 | 601                                     | 923                                    |
| Total non-current assets                   |        | 14,349,672                             | 14,410,150                            | 12,151,471                              | 12,202,684                             |
| <b>TOTAL ASSETS</b>                        |        | (Won) 19,400,114                       | (Won) 19,727,126                      | \$ 16,428,245                           | \$ 16,705,162                          |

(Continued)

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF FINANCIAL POSITION (CONTINUED)

SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

| LIABILITIES AND STOCKHOLDERS EQUITY       | Notes   | Korean won            |                      | Translation into U.S. dollars (Note 2) |                      |
|---|---------|-----------------------|----------------------|--|----------------------|
|   |         | September 30,<br>2011 | December 31,<br>2010 | September 30,<br>2011                  | December 31,<br>2010 |
|   |         | (In millions)         |                      | (In thousands)                         |                      |
| <b>CURRENT LIABILITIES:</b>               |         |                       |                      |  |                      |
| Short-term borrowings                     | 4       | (Won) 500,000         | (Won)                | \$ 423,406                             | \$                   |
| Accounts payable - other                  | 4,23    | 1,032,909             | 1,287,035            | 874,679                                | 1,089,876            |
| Withholdings                              |         | 485,284               | 348,093              | 410,944                                | 294,769              |
| Accrued expenses                          | 4       | 433,523               | 452,103              | 367,112                                | 382,846              |
| Income tax payable                        |         | 202,740               | 243,263              | 171,683                                | 205,998              |
| Unearned revenue                          |         | 291,684               | 308,590              | 247,001                                | 261,318              |
| Derivative liabilities                    | 4,24    | 2,465                 | 15,393               | 2,087                                  | 13,035               |
| Provision                                 | 14      | 646,665               | 652,830              | 547,604                                | 552,824              |
| Current portion of long-term debt, net    | 4,12,13 | 1,007,585             | 1,208,555            | 853,235                                | 1,023,419            |
| Advanced receipts and other               |         | 54,090                | 45,151               | 45,805                                 | 38,234               |
| Total current liabilities                 |         | 4,656,945             | 4,561,013            | 3,943,556                              | 3,862,319            |
| <b>NON-CURRENT LIABILITIES:</b>           |         |                       |                      |  |                      |
| Bonds payable, net                        | 4,12    | 2,150,524             | 2,933,813            | 1,821,089                              | 2,484,387            |
| Long-term borrowings                      | 4,13    | 117,950               | 113,890              | 99,881                                 | 96,443               |
| Long-term payables - other                | 4       | 231,731               | 50,643               | 196,233                                | 42,885               |
| Long-term unearned revenue                |         | 225,585               | 241,892              | 191,028                                | 204,837              |
| Retirement benefit obligation             | 15      | 45,946                | 21,382               | 38,908                                 | 18,107               |
| Long-term derivative liabilities          | 4,24    |                       | 14,761               |  | 12,500               |
| Long-term provision                       | 14      | 142,710               | 107,218              | 120,849                                | 90,793               |
| Long-term advanced receipts and other     | 4,14,23 | 102,437               | 101,556              | 86,744                                 | 85,999               |
| Total non-current liabilities             |         | 3,016,883             | 3,585,155            | 2,554,732                              | 3,035,951            |
| Total Liabilities                         |         | 7,673,828             | 8,146,168            | 6,498,288                              | 6,898,270            |
| <b>STOCKHOLDERS EQUITY:</b>               |         |                       |                      |  |                      |
| Share capital                             | 1,16    | 44,639                | 44,639               | 37,801                                 | 37,801               |
| Share premium                             | 16,17   | (233,036)             | (24,643)             | (197,338)                              | (20,868)             |
| Retained earnings                         | 18      | 11,574,002            | 10,824,356           | 9,801,002                              | 9,166,192            |
| Reserves                                  | 19      | 340,681               | 736,606              | 288,492                                | 623,767              |
| Total Shareholders Equity                 |         | 11,726,286            | 11,580,958           | 9,929,957                              | 9,806,892            |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY |         | (Won) 19,400,114      | (Won) 19,727,126     | \$ 16,428,245                          | \$ 16,705,162        |

See accompanying notes to separate financial statements.



## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF INCOME

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|                               | Notes  | Korean won                      |   |                                 |                                | Translation into U.S. dollars (Note 2) |                                |                                 |                                |
|-------------------------------|--------|---------------------------------|---|---------------------------------|--------------------------------|--|--------------------------------|---------------------------------|--------------------------------|
|                               |        | 2011                            | 2011  | 2010                            | 2010                           | 2011                                   | 2011                           | 2010                            | 2010                           |
|                               |        | Three months ended September 30 | Nine months ended September 30<br>(In millions except for per share data) | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30        | Nine months ended September 30 | Three months ended September 30 | Nine months ended September 30 |
| <b>OPERATING REVENUE:</b>     |        |                                 |   |                                 |                                |  |                                |                                 |                                |
| Revenue                       | 23     | (Won) 3,202,287                 | (Won) 9,521,831   | (Won) 3,205,265                 | (Won) 9,324,277                | \$ 2,711,734                           | \$ 8,063,198                   | \$ 2,714,256                    | \$ 7,895,907                   |
| Other                         | 20     | 9,772                           | 16,270  | 5,751                           | 15,036                         | 8,275                                  | 13,778                         | 4,870                           | 12,733                         |
| Sub-total                     |        | 3,212,059                       | 9,538,101   | 3,211,016                       | 9,339,313                      | 2,720,009                              | 8,076,976                      | 2,719,126                       | 7,908,640                      |
| <b>OPERATING EXPENSES:</b>    |        |                                 |   |                                 |                                |  |                                |                                 |                                |
| Labor cost                    | 15     | 133,437                         | 421,254   | 117,309                         | 446,304                        | 112,996                                | 356,723                        | 99,339                          | 377,935                        |
| Commissions paid              |        | 1,302,214                       | 3,824,523   | 1,277,173                       | 3,721,984                      | 1,102,730                              | 3,238,651                      | 1,081,525                       | 3,151,820                      |
| Depreciation and amortization | 8,9,11 | 454,446                         | 1,298,332   | 358,158                         | 1,112,240                      | 384,830                                | 1,099,443                      | 303,292                         | 941,858                        |
| Network interconnection       |        | 247,310                         | 739,085   | 301,744                         | 832,502                        | 209,425                                | 625,866                        | 255,520                         | 704,972                        |
| Leased line                   |        | 115,899                         | 310,022   | 85,247                          | 256,489                        | 98,145                                 | 262,530                        | 72,188                          | 217,198                        |
| Advertising                   |        | 78,957                          | 173,681   | 67,204                          | 189,676                        | 66,862                                 | 147,075                        | 56,910                          | 160,620                        |
| Rent                          |        | 77,971                          | 231,943   | 73,588                          | 221,008                        | 66,027                                 | 196,412                        | 62,315                          | 187,152                        |
| Cost of goods sold            |        | 54,225                          | 137,832   | 25,657                          | 57,595                         | 45,918                                 | 116,718                        | 21,727                          | 48,772                         |
| Other                         | 20     | 238,807                         | 663,616   | 261,215                         | 697,223                        | 202,224                                | 561,958                        | 221,200                         | 590,417                        |
| Sub-total                     |        | 2,703,266                       | 7,800,288   | 2,567,295                       | 7,535,021                      | 2,289,157                              | 6,605,376                      | 2,174,016                       | 6,380,744                      |

(Continued)

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF INCOME (CONTINUED)

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|   | Notes | Korean won                      |   |                                 |                                | Translation into U.S. dollars (Note 2) |  |                                 |                                |
|---|-------|---------------------------------|---|---------------------------------|--------------------------------|--|--|---------------------------------|--------------------------------|
|   |       | 2011                            |   | 2010                            |                                | 2011                                   |  | 2010                            |                                |
|   |       | Three months ended September 30 | Nine months ended September 30<br>(In millions except for per share data) | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30        | Nine months ended September 30<br>(In thousands except for per share data) | Three months ended September 30 | Nine months ended September 30 |
| <b>OPERATING INCOME</b>                       |       | (Won) 508,793                   | (Won) 1,737,813   | (Won) 643,721                   | (Won) 1,804,292                | \$ 430,852                             | \$ 1,471,600   | \$ 545,110                      | \$ 1,527,896                   |
| Financial income                              | 21    | 63,592                          | 366,015   | 98,463                          | 255,729                        | 53,850                                 | 309,947  | 83,380                          | 216,554                        |
| Financial costs                               | 21    | 72,727                          | 167,834   | 76,761                          | 248,273                        | 61,586                                 | 142,123  | 65,002                          | 210,240                        |
| Gain on disposal of investments in associates |       |                                 | 1,990   | 6,408                           | 6,408                          |  | 1,684  | 5,426                           | 5,426                          |
| Loss on disposal of investments in associates |       | 1,291                           | 1,291   |                                 |                                | 1,093                                  | 1,093  |                                 |                                |
| <b>INCOME BEFORE INCOME TAX</b>               |       | 498,367                         | 1,936,693   | 671,831                         | 1,818,156                      | 422,023                                | 1,640,015  | 568,914                         | 1,539,636                      |
| <b>PROVISION FOR INCOME TAX</b>               |       | 109,684                         | 512,952   | 157,927                         | 429,252                        | 92,882                                 | 434,374  | 133,734                         | 363,496                        |
| <b>NET INCOME</b>                             |       | (Won) 388,683                   | (Won) 1,423,741   | (Won) 513,904                   | (Won) 1,388,904                | \$ 329,141                             | \$ 1,205,641   | \$ 435,180                      | \$ 1,176,140                   |
| <b>NET INCOME PER SHARE</b>                   |       |                                 |   |                                 |                                |  |  |                                 |                                |
| (In Korean won and U.S. dollars)              | 22    | (Won) 5,513                     | (Won) 20,083  | (Won) 7,141                     | (Won) 19,232                   | \$ 4.67                                | \$ 17.01   | \$ 6.05                         | \$ 16.29                       |
| <b>DILUTED NET INCOME PER SHARE</b>           |       |                                 |   |                                 |                                |  |  |                                 |                                |
| (In Korean won and U.S. dollars)              | 22    | (Won) 5,368                     | (Won) 19,533  | (Won) 6,959                     | (Won) 18,744                   | \$ 4.55                                | \$ 16.54   | \$ 5.89                         | \$ 15.87                       |



dollars)

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENT OF COMPREHENSIVE INCOME

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|   | Korean won                      |   |                                 |                                | Translation into U.S. dollars (Note 2)                                      |  |                                 |                                |
|---|---------------------------------|---|---------------------------------|--------------------------------|---|--|---------------------------------|--------------------------------|
|   | 2011                            |   | 2010                            |                                | 2011  |  | 2010                            |                                |
|   | Three months ended September 30 | Nine months ended September 30<br>(In millions except for per share data) | Three months ended September 30 | Nine months ended September 30 | Three months ended September 30<br>(In thousands except for per share data) | Nine months ended September 30<br>(In thousands except for per share data) | Three months ended September 30 | Nine months ended September 30 |
| <b>NET INCOME</b>   | (Won) 388,683                   | (Won) 1,423,741   | (Won) 513,904                   | (Won) 1,388,904                | \$ 329,141  | \$ 1,205,641   | \$ 435,180                      | \$ 1,176,140                   |
| <b>OTHER COMPREHENSIVE INCOME :</b>                             |                                 |   |                                 |                                |   |  |                                 |                                |
| Net change in fair value of available-for-sale financial assets | 19 (199,438)                    | (380,171)   | 105,210                         | (37,296)                       | (168,886)   | (321,933)  | 89,093                          | (31,583)                       |
| Gain (loss) on valuation of derivatives                         | 19 (21,981)                     | (15,754)  | (5,144)                         | (3,894)                        | (18,614)  | (13,342)   | (4,356)                         | (3,297)                        |
| Actuarial gain (loss) on retirement benefit obligations         | 15 (182)                        | (5,802)   | 960                             | (147)                          | (154)   | (4,913)  | 813                             | (124)                          |
| Sub-total   | (221,601)                       | (401,727)   | 101,026                         | (41,337)                       | (187,654)   | (340,188)  | 85,550                          | (35,004)                       |
| <b>TOTAL COMPREHENSIVE INCOME</b>                               | (Won) 167,082                   | (Won) 1,022,014   | (Won) 614,930                   | (Won) 1,347,567                | \$ 141,487  | \$ 865,453   | \$ 520,730                      | \$ 1,141,136                   |

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|                                   |              |                 |                   | Share premium  |                  |                  |               |                |                |
|-----------------------------------|--------------|-----------------|-------------------|----------------|------------------|------------------|---------------|----------------|----------------|
|                                   |              |                 |                   | Treasury       | Loss on disposal |                  |               |                |                |
|                                   | Share        | Paid-in         |                   | stock          | of treasury      | Other            | Retained      | Reserves       | Total          |
|                                   | capital      | surplus         |                   |                | stock            |                  | earnings      |                |                |
| <i>Notes</i>                      |              |                 |                   |                |                  |                  |               |                |                |
| <b>(millions of Korean won)</b>   |              |                 |                   |                |                  |                  |               |                |                |
| Balance, January 1, 2010          | (Won) 44,639 | (Won) 2,915,887 | ((Won) 1,992,083) | ((Won) 15,875) | ((Won) 726,156)  | (Won) 9,560,310  | (Won) 998,728 | (Won) 10,785,4 | (Won) 10,785,4 |
| Dividends                         |              |                 |                   |                |                  | (680,043)        |               | (680,0         | (680,0         |
| Treasury stock                    |              |                 | (156,088)         |                |                  |                  |               | (156,0         | (156,0         |
| Other comprehensive income (loss) |              |                 |                   |                |                  | 1,388,757        | (41,190)      | 1,347,5        | 1,347,5        |
| Income                            |              |                 |                   |                |                  | 1,388,904        |               | 1,388,9        | 1,388,9        |
| Other comprehensive loss          | <i>19</i>    |                 |                   |                |                  | (147)            | (41,190)      | (41,3          | (41,3          |
| Other changes                     |              |                 |                   |                | 5,607            |                  |               | 5,6            | 5,6            |
| Balance, September 30, 2010       | (Won) 44,639 | (Won) 2,915,887 | ((Won) 2,148,171) | ((Won) 15,875) | ((Won) 720,549)  | (Won) 10,269,024 | (Won) 957,538 | (Won) 11,302,4 | (Won) 11,302,4 |
| Balance, January 1, 2011          | (Won) 44,639 | (Won) 2,915,887 | ((Won) 2,202,439) | ((Won) 15,875) | ((Won) 722,216)  | (Won) 10,824,356 | (Won) 736,606 | (Won) 11,580,9 | (Won) 11,580,9 |
| Dividends                         |              |                 |                   |                |                  | (668,293)        |               | (668,2         | (668,2         |
| Treasury stock                    | <i>17</i>    |                 | (208,012)         |                |                  |                  |               | (208,0         | (208,0         |
| Other comprehensive income (loss) |              |                 |                   |                |                  | 1,417,939        | (395,925)     | 1,022,0        | 1,022,0        |
| Income                            |              |                 |                   |                |                  | 1,423,741        |               | 1,423,7        | 1,423,7        |
| Other comprehensive loss          | <i>19</i>    |                 |                   |                |                  | (5,802)          | (395,925)     | (401,7         | (401,7         |
| Other changes                     |              |                 |                   |                | (381)            |                  |               | (3             | (3             |
| Balance, September 30, 2011       | (Won) 44,639 | (Won) 2,915,887 | ((Won) 2,410,451) | ((Won) 15,875) | ((Won) 722,597)  | (Won) 11,574,002 | (Won) 340,681 | (Won) 11,726,2 | (Won) 11,726,2 |

(Continued)

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (CONTINUED)

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|   | Notes | Share capital | Paid-in surplus | Treasury stock | Share premium<br>Loss on disposal<br>of treasury stock | Other        | Retained earnings | Reserves   | Total        |
|---|-------|---------------|-----------------|----------------|--|--------------|-------------------|------------|--------------|
| <b>(In thousands of U.S dollars)</b>    |       |               |                 |                |  |              |                   |            |              |
| Balance, January 1, 2010                |       | \$ 37,801     | \$ 2,469,207    | (\$ 1,686,919) | (\$ 13,443)  | (\$ 614,917) | \$ 8,095,783      | \$ 845,735 | \$ 9,133,247 |
| Cash dividends                          |       |               |                 |                |  |              | (575,868)         |            | (575,868)    |
| Treasury stock                          |       |               |                 | (132,177)      |  |              |                   |            | (132,177)    |
| Total other comprehensive income (loss) |       |               |                 |                |  |              | 1,176,016         | (34,880)   | 1,141,136    |
| Net income                              |       |               |                 |                |  |              | 1,176,140         |            | 1,176,140    |
| Other comprehensive loss                | 19    |               |                 |                |  |              | (124)             | (34,880)   | (35,004)     |
| Other changes                           |       |               |                 |                |  | 4,747        |                   |            | 4,747        |
| Balance, September 30, 2010             |       | \$ 37,801     | \$ 2,469,207    | (\$ 1,819,096) | (\$ 13,443)  | (\$ 610,170) | \$ 8,695,931      | \$ 810,855 | \$ 9,571,085 |
| Balance, January 1, 2011                |       | \$ 37,801     | \$ 2,469,207    | (\$ 1,865,051) | (\$ 13,443)  | (\$ 611,581) | \$ 9,166,192      | \$ 623,767 | \$ 9,806,892 |
| Cash dividends                          |       |               |                 |                |  |              | (565,918)         |            | (565,918)    |
| Treasury stock                          | 17    |               |                 | (176,147)      |  |              |                   |            | (176,147)    |
| Total other comprehensive income (loss) |       |               |                 |                |  |              | 1,200,728         | (335,275)  | 865,453      |
| Net income                              |       |               |                 |                |  |              | 1,205,641         |            | 1,205,641    |
| Other comprehensive loss                | 19    |               |                 |                |  |              | (4,913)           | (335,275)  | (340,188)    |
| Other changes                           |       |               |                 |                |  | (323)        |                   |            | (323)        |
| Balance, September 30, 2011             |       | \$ 37,801     | \$ 2,469,207    | (\$ 2,041,198) | (\$ 13,443)  | (\$ 611,904) | \$ 9,801,002      | \$ 288,492 | \$ 9,929,957 |

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF CASH FLOWS

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|   | Notes | 2011<br>Korean won<br>(In millions) | 2010            | Translation into U.S. dollars (Note 2) |              |
|---|-------|-------------------------------------|-----------------|--|--------------|
|   |       |                                     |                 | 2011<br>(In thousands)                 | 2010         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                      |       |                                     |                 |  |              |
| Cash generated from operating activities:                         |       |                                     |                 |  |              |
| Net income  |       | (Won) 1,423,741                     | (Won) 1,388,904 | \$ 1,205,641                           | \$ 1,176,140 |
| Adjustments for income and expenses                               | 25    | 1,791,310                           | 1,737,301       | 1,516,902                              | 1,471,167    |
| Changes in assets and liabilities related to operating activities | 25    | 1,756,037                           | (153,684)       | 1,487,033                              | (130,141)    |
| Sub-total   |       | 4,971,088                           | 2,972,521       | 4,209,576                              | 2,517,166    |
| Interest received   |       | 105,593                             | 158,359         | 89,417                                 | 134,100      |
| Dividends received  |       | 33,676                              | 38,981          | 28,517                                 | 33,010       |
| Interest paid   |       | (147,528)                           | (205,271)       | (124,928)                              | (173,826)    |
| Income tax paid   |       | (537,545)                           | (648,890)       | (455,200)                              | (549,488)    |
| Net cash provided by operating activities                         |       | 4,425,284                           | 2,315,700       | 3,747,382                              | 1,960,962    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                      |       |                                     |                 |  |              |
| Cash inflows from investing activities:                           |       |                                     |                 |  |              |
| Decrease in short-term investment assets                          |       | 253,000                             | 280,000         | 214,243                                | 237,108      |
| Decrease in short-term loans                                      |       | 136,852                             | 163,196         | 115,888                                | 138,196      |
| Proceeds from sales of long-term investment securities            |       | 214,612                             | 402,614         | 181,736                                | 340,938      |
| Proceeds from disposal of consolidated subsidiary and associates  |       | 7,124                               | 44,953          | 6,033                                  | 38,067       |
| Proceeds from disposal of property and equipment                  |       | 2,294                               | 16,736          | 1,943                                  | 14,172       |
| Proceeds from disposal of intangible assets                       |       | 2,172                               | 4,194           | 1,839                                  | 3,552        |
| Collection of long-term loans                                     |       | 28,152                              | 72,385          | 23,839                                 | 61,296       |
| Decrease in other non-current assets                              |       | 386                                 | 516             | 326                                    | 438          |
| Sub-total   |       | 644,592                             | 984,594         | 545,847                                | 833,767      |
| Cash outflows for investing activities:                           |       |                                     |                 |  |              |
| Increase in short-term financial instruments, net                 |       | 406,000                             | 69,310          | 343,806                                | 58,693       |
| Increase in short-term investment assets                          |       | 141,000                             |                 | 119,400                                |              |
| Increase in short-term loans                                      |       | 177,372                             | 183,356         | 150,201                                | 155,268      |
| Increase in long-term financial instruments                       |       | 7,509                               | 50              | 6,359                                  | 42           |
| Acquisition of long-term investment securities                    |       | 215,323                             | 30,566          | 182,338                                | 25,884       |
| Acquisition of consolidated subsidiary and associates             |       | 62,552                              | 880,138         | 52,970                                 | 745,311      |
| Acquisition of property and equipment                             |       | 1,590,158                           | 939,077         | 1,346,564                              | 795,221      |
| Increase in intangible assets                                     |       | 32,617                              | 22,909          | 27,620                                 | 19,400       |
| Increase in long-term loans                                       |       | 2,334                               | 81,840          | 1,976                                  | 69,303       |
| Increase in other non-current assets                              |       | 4                                   | 531             | 3                                      | 450          |
| Sub-total   |       | 2,634,869                           | 2,207,777       | 2,231,237                              | 1,869,572    |

(Continued)

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF CASH FLOWS (CONTINUED)

## FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

|   | Notes | Korean won             |                      | Translation into U.S. dollars (Note 2) |                    |
|---|-------|------------------------|----------------------|--|--------------------|
|   |       | 2011<br>(In millions)  | 2010                 | 2011<br>(In thousands)                 | 2010               |
| Net cash used in investing activities   |       | ((Won) 1,990,277)      | ((Won) 1,223,183)    | (\$ 1,685,390)                         | (\$ 1,035,805)     |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |       |                        |                      |  |                    |
| <b>Cash inflows for financing activities:</b>   |       |                        |                      |  |                    |
| Proceeds from short-term borrowings   |       | 500,000                | 100,000              | 423,406                                | 84,681             |
| <b>Sub-total</b>  |       | <b>500,000</b>         | <b>100,000</b>       | <b>423,406</b>                         | <b>84,681</b>      |
| <b>Cash outflows for financing activities:</b>  |       |                        |                      |  |                    |
| Repayment of current portion of long-term debt  |       | 670,000                | 290,000              | 567,364                                | 245,575            |
| Acquisition of treasury stock   |       | 208,012                | 156,088              | 176,147                                | 132,177            |
| Repayment of bonds payable  |       | 332,160                | 240,000              | 281,277                                | 203,235            |
| Cash dividends  |       | 668,293                | 680,016              | 565,918                                | 575,846            |
| Cash outflows from transaction of derivatives   |       | 17,694                 |                      | 14,984                                 |                    |
| <b>Sub-total</b>  |       | <b>1,896,159</b>       | <b>1,366,104</b>     | <b>1,605,690</b>                       | <b>1,156,833</b>   |
| <b>Net cash used in financing activities</b>  |       | <b>(1,396,159)</b>     | <b>(1,266,104)</b>   | <b>(1,182,284)</b>                     | <b>(1,072,152)</b> |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                             |       | <b>1,038,848</b>       | <b>(173,587)</b>     | <b>879,708</b>                         | <b>(146,995)</b>   |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>                               |       | <b>357,470</b>         | <b>422,125</b>       | <b>302,710</b>                         | <b>357,460</b>     |
| <b>EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCY</b> |       |                        | <b>32</b>            |  | <b>27</b>          |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>                                     |       | <b>(Won) 1,396,318</b> | <b>(Won) 248,570</b> | <b>\$ 1,182,418</b>                    | <b>\$ 210,492</b>  |

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## NOTES TO SEPARATE FINANCIAL STATEMENTS

## FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

## 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 depository receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of September 30, 2011, the Company's total issued shares are held by the following:

|   | Number of shares | Percentage of total shares issued (%) |
|---|------------------|---------------------------------------|
| SK Holdings, Co., Ltd.                                  | 18,748,452       | 23.22                                 |
| Tradewinds Global Investors, LLC                        | 4,050,518        | 5.02                                  |
| POSCO Corp.   | 2,341,569        | 2.90                                  |
| Institutional investors and other minority stockholders | 44,554,460       | 55.17                                 |
| Treasury stock  | 11,050,712       | 13.69                                 |
|   | 80,745,711       | 100.00                                |

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Republic of Korean won ( Won ) and prepares separate financial statements in conformity with Korean statutory requirements and Korean International Financial Reporting Standards ( K-IFRS ), in the Korean language (Hangul). Accordingly, these separate financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying separate 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, income, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying separate financial statements.

The accompanying separate 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 (Won)1,180.90 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 nine months ended September 30, 2011. 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.

## w. Basis of Presentation

The Company has adopted the K-IFRS for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 First-time adoption of International Financial Reporting Standards, the transition date to K-IFRS is January 1, 2010. The transition adjustments to K-IFRS are summarized in Note 3.



The Company's interim separate financial statements for the nine months ended September 30, 2011 and 2010 are prepared in accordance with K-IFRS 1034 Interim Financial Reporting. The interim financial statements are prepared in accordance with the K-IFRS that are effective as of September 30, 2011.

There may be newly or amended K-IFRS and interpretations that are effective subsequent to the current period-end. Accounting policies that are used for the preparation of the interim separate financial statements may be different from the policies that are used for the preparation of the first annual separate financial statements in accordance with K-IFRS as of and for the period ending December 31, 2011. Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the interim financial statements may change accordingly in the future.

Major accounting policies used for the preparation of the interim separate financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the financial statements for the current period and accompanying comparative period.

The interim separate financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

x. Foreign Currency Exchange

The individual financial statements of each Company entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the separate financial statements, the results and financial position of each Company entity are expressed in Korean Won, which is the functional currency of the Company and the presentation currency for the separate financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for:

exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

exchange differences on transactions entered into in order to hedge certain foreign currency risks below for hedging accounting policies); and

exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting separate financial statements, the assets and liabilities of the Company's foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to profit or loss.

y. Cash Equivalents

Cash and cash equivalents include cash, bank balances and short-term highly liquid investments with an original maturity of three months or less.

z. Financial Assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL),

held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

4) *Classification of financial assets*

1-5) *Financial assets at fair value through profit or loss (FVTPL)*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term or it is a derivative or embedded derivative separated from contracts that is not designated and effective as a hedging instrument. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

1-6) *Held-to-maturity investments*

Non-derivatives financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

*1-7) Available-for-sale financial assets*

Non-derivatives financial assets that are not classified as at held-to-maturity; held-for-trading; designated as at fair value through profit or loss; or loans and receivables are classified as at available-for-sale financial assets. Available-for-sale financial assets are initially recognized and measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale financial assets are recognized in profit or loss when the Company's right to receive the dividends is established.

*1-8) Loans and receivables*

Non-derivatives financial assets like trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

*5) Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale financial asset, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

For financial assets carried at amortized cost, the amount of the impairment loss is measured at the difference between the similar asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at acquisition cost, the amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. These impairment loss is not reversed to an event occurring after the impairment was recognized.

For financial assets carried at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In case of debt securities, in a subsequent period, if the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

6) *Derecognition of financial assets*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

aa. Inventories

Inventories are stated at the acquisition cost using the average method. During the period, a perpetual inventory systems is used to value inventories, which is adjusted to the physical inventory counts performed at the period 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.

bb. Investments in Subsidiaries and Associates

In accordance with K-IFS 1027 and 1028, the accompanying financial statements are separate financial statements, which are presented by an investor with control of a subsidiary or significant influence over associates, in which the investments are measured based on its direct cost, not using the equity method. The Company accounts for the investments in subsidiaries and associates at cost in accordance with K-IFRS 1027. Dividends from subsidiaries and associates are recognized in profit when the right to receive the dividend is established.

cc. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

| Assets                   | Useful lives (years) |
|--------------------------|----------------------|
| Buildings and structures | 15, 30               |
| Machinery                | 3 ~ 6                |
| Other                    | 4 ~ 10               |

The Company reviews the depreciation method, the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in profit or loss when the item is derecognized.

dd. Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 30 years using the straight-line method.

The company reviews the depreciation method, the estimated useful lives and residual value of investment property at the end of each annual reporting period. If expectations differ previous estimates, the changes are accounted for a changes in an accounting estimate.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset in which the property is derecognized) is included in profit or loss in the period in which the property is derecognized.

ee. Goodwill

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not depreciated, but tested for impairment at the end of each annual reporting period. Goodwill is carried at cost less accumulated impairment losses and the impairment losses are not reversed.

ff. Intangible Assets

Intangible assets with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives ranging from 3 ~ 20 years. The Company reviews the amortization method, the estimated useful lives and residual values of intangible assets at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at the end of each annual reporting period. At the case of amortizable intangible assets, the Company reviews impairment at each time whether the events are occurring that the carrying amount is not recoverable.

An Intangible assets is derecognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from the derecognition of an intangible assets is measured at the difference between the net disposal proceeds and the carrying amount of the asset, recognized in profit or loss when the item is derecognized.

gg. Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants for acquiring or constructing non-current assets are recognized as a deduction (net of) the related assets' book value in the consolidated statement of financial position, and is recognized into profit or loss by offsetting depreciation expense over the useful lives of the related assets on a systematic basis. Other government grants, revenue type, are recognized in profit or loss over the periods in which the Company recognizes the expense which the grants are intended to reimburse.

Government grants related to specific expenditure reimbursement, losses already incurred by the Company, or immediate financial support with no future expenditure requirements, are recognized in profit or loss in the period in which they become receivable by the Company.

hh. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

m. **Financial Liabilities and Equity Instruments issued by the Company**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

3) *Classification of financial liabilities and equity instruments*

1-1) *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

When the Company reacquires its own equity instruments ( treasury shares ), equity is directly deducted. No gain or loss is recognized in profit or loss related to the acquisition, sale, issue or cancellation of treasury shares.

1-2) *Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term or it is a derivative, including embedded derivative separated from contracts, that is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

1-3) *Other financial liabilities*

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.



4) *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire. An exchange between an existing borrower and lender of debt instruments with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid is recognized in profit or loss.

n. *Lease*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

o. *Derivative Financial Instruments*

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. For derivative instruments designated as cashflow hedges, the effective portions of the gains or losses on the hedging instruments are recorded as part of other comprehensive income (loss).

p. *Retirement Benefit Obligation*

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

For defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The present value of the defined benefit obligation is denominated in the same currency in which the benefits are expected to be paid, and calculated at the discount rate which is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company's obligation. The Company recognizes all actuarial gains and losses arising from defined benefit plans as other comprehensive income (loss) and records at retained earnings immediately, which is not reclassified to current operation thereafter.

q. *Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, the provision is measured using the cash flows estimated to settle the present obligation. Discount rate is pre-tax interest rate reflecting inherent risk of liabilities and market's valuation on the present value of monetary. Changes in provisions caused by elapse of time are the financial cost as incurred and recognized in profit or loss.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

r. Revenue Recognition

Revenue from the sale of goods and rendering of services in the course of ordinary operating activities is measured at the fair value of the consideration received or receivable. 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, broadband internet and fixed-line telephone services. Telecommunication services consist 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 deferred and recognized over the expected term of the customer relationship.

s. Segment information

The Company reports management its decision of resource allocation and performance evaluation of segment unit as a single reporting unit.

t. Income Tax and Deferred Tax

Income tax consists of current tax and deferred tax.

4) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the separate statement of income and comprehensive income/income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

5) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such

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investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The Company offsets deferred tax assets and liabilities if, and only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

6) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

u. Handset Subsidies to Long-term Mobile Subscribers

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.

Where customers agree to use the Company's service for a predetermined service period and purchase handsets on an installment basis, the subsidies are paid every month over the installment period and the Company estimates a provision for handset subsidies estimated to be paid, which is recognized as to commission paid at the time telecommunication service contracts are made.

v. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are critical assumptions and key sources of estimation uncertainty at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

8) Fair value measurement of financial instruments

Subsequent to initial recognition, available-for-sale financial assets and derivative financial assets are stated at fair value with any gains or losses arising on remeasurement recognized in profit or loss or other comprehensive income. When measuring fair value, if there is quoted price in active market, the Company uses it. But, if quoted price does not exist, the Company uses valuation techniques that require the management's judgments on the expected future cash flows and discount rates.

9) Allowance for doubtful accounts of trade/other receivables and loans

Based on the aging of accounts receivables, past experience of bad debt, and economic and industrial factors, the Company estimates bad debt for the period and recognizes an allowance for the bad debt.

10) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and an appropriate discount rate in order to calculate present value.

11) Measurement of property and equipment, intangible assets

If the Company acquires property and equipment or intangible assets from business combination, it is required to estimate the fair value of these assets at the acquisition date and to estimate the useful lives for depreciation and amortization.

12) Provisions

Determining whether that the Company will be required to settle the obligation incurred as a result of a past event and estimating reliable value of obligation require management's judgment.

13) Retirement benefit plans

The Company has defined retirement benefit plans. The cost of providing benefits under the plan are determined using an actuarial valuation method that requires management make assumptions on discount rates, expected rate of salary increase and expected rate of return on plan assets. These assumptions involve critical uncertainties due to the long-term nature of the retirement benefit plans.

14) Deferred tax

Recognizing and measuring of the deferred tax assets and liabilities requires the management's judgments and specially, whether and how deferred tax assets is recognized shall be affected from an assumption and management's judgment of the future situation.

### 3. TRANSITION TO K-IFRS

As stated in Note 2, these are the Company's first separate financial statements prepared in accordance with K-IFRS as the Company adopts K-IFRS in 2011. Therefore, prior periods' separate financial statements, comparatively presented herein, were restated in accordance with K-IFRS 1101 "First-time adoption of International Financial Reporting Standards" with a transition date of January 1, 2010.

#### d. First-time adoption of K-IFRS

K-IFRS 1101 provides for a number of optional exemptions from the general principle of full retrospective applications of K-IFRS. The optional exemptions for first-time adoption of K-IFRS of the Company elected are as follows.

##### 1) Business combination

Business combinations that occurred before the date of transition to K-IFRS, were not be retrospectively restated.

##### 2) Fair value or revaluation as deemed cost

Certain property and equipment were revaluated at the date of transition to K-IFRS such that revaluation is used as the asset's deemed cost.

##### 3) Deemed cost of investments in subsidiaries and associates

In accordance with the optional exemption of K-IFRS 1101, the carrying amount of investments in subsidiaries and associates, under previous GAAP (Korean GAAP), at the date of transition to K-IFRS, is used as the its deemed cost.

#### e. Explanation of effect of transition to K-IFRS

Effects on financial position at January 1, 2010 (date of transition) are as follows (in millions of Korean won):

|  | Total assets     | Total liabilities | Net equity       |
|--|------------------|-------------------|------------------|
| Based on Korean GAAP                                   | (Won) 19,297,633 | (Won) 8,056,183   | (Won) 11,241,450 |
| Adjustments:   |                  |                   |                  |
| 1. Property and equipment                              | 69,233           |                   | 69,233           |
| 2. Employee benefits and retirement benefit obligation |                  | 14,860            | (14,860)         |
| 3. Transfer of financial assets                        | 416,242          | 400,754           | 15,488           |
| 4. Non-refundable activation fees                      |                  | 593,981           | (593,981)        |
| 5. Other adjustments                                   | (178,452)        | (84,941)          | (93,511)         |
| 6. Deferred tax and tax effect of adjustments          | (49,227)         | (210,859)         | 161,632          |
| <b>Total adjustment</b>                                | <b>257,796</b>   | <b>713,795</b>    | <b>(455,999)</b> |
| Based on K-IFRS  | (Won) 19,555,429 | (Won) 8,769,978   | (Won) 10,785,451 |

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Effects on financial position at September 30, 2010 and total comprehensive income for the three months and nine months ended September 30, 2010 are as follows (in millions of Korean won):

|  | Total assets     | Total liabilities | Net equity       | Total comprehensive income       |                                 |
|--|------------------|-------------------|------------------|----------------------------------|---------------------------------|
|  |                  |                   |                  | Three months ended September, 30 | Nine months ended September, 30 |
| Based on Korean GAAP                                   | (Won) 19,333,859 | (Won) 7,910,180   | (Won) 11,423,679 | (Won) 451,917                    | (Won) 1,013,758                 |
| Adjustments:   |                  |                   |                  |                                  |                                 |
| 1. Property and equipment                              | 296,839          |                   | 296,839          | 118,759                          | 227,606                         |
| 2. Amortization of goodwill                            | 97,111           |                   | 97,111           | 32,370                           | 97,111                          |
| 3. Employee benefits and retirement benefit obligation |                  | 18,020            | (18,020)         | (736)                            | (3,161)                         |
| 4. Transfer of financial assets                        | 179,921          | 160,609           | 19,312           | 60                               | 3,824                           |
| 5. Effect on equity method in associates               | 58,263           |                   | 58,263           | 30,854                           | 57,981                          |
| 6. Non-refundable activation fees                      |                  | 552,160           | (552,160)        | 25,463                           | 41,821                          |
| 7. Other adjustments                                   | 875              | 88,858            | (87,983)         | (1,569)                          | 5,529                           |
| 8. Deferred tax and tax effect of adjustments          |                  | (65,453)          | 65,453           | (42,188)                         | (96,902)                        |
| <b>Total adjustment</b>                                | <b>633,009</b>   | <b>754,194</b>    | <b>(121,185)</b> | <b>163,013</b>                   | <b>333,809</b>                  |

Based on K-IFRS (Won) 19,966,868 (Won) 8,664,374 (Won) 11,302,494 (Won) 614,930 (Won) 1,347,567

Effects on financial position at December 31, 2010 and total comprehensive income for the year ended December 31, 2010 are as follows (in millions of Korean won):

|  | Total assets     | Total liabilities | Net equity       | Total Comprehensive income |
|--|------------------|-------------------|------------------|----------------------------|
|  |                  |                   |                  |                            |
| Based on Korean GAAP                                   | (Won) 18,959,912 | (Won) 7,505,495   | (Won) 11,454,417 | (Won) 1,139,202            |
| Adjustments:   |                  |                   |                  |                            |
| 1. Property and equipment                              | 477,044          |                   | 477,044          | 407,811                    |
| 2. Amortization of goodwill                            | 129,494          |                   | 129,494          | 129,494                    |
| 3. Employee benefits and retirement benefit obligation |                  | 23,630            | (23,630)         | (8,771)                    |
| 4. Transfer of financial assets                        |                  |                   |                  | (15,489)                   |
| 5. Effect on equity method in associates               | 160,100          |                   | 160,100          | 205,543                    |
| 6. Non-refundable activation fees                      |                  | 533,783           | (533,783)        | 60,199                     |
| 7. Other adjustments                                   | (389)            | 94,062            | (94,451)         | (940)                      |
| 8. Deferred tax and tax effect of adjustments          | 965              | (10,802)          | 11,767           | (150,274)                  |
| <b>Total adjustment</b>                                | <b>767,214</b>   | <b>640,673</b>    | <b>126,541</b>   | <b>627,573</b>             |

Based on K-IFRS (Won) 19,727,126 (Won) 8,146,168 (Won) 11,580,958 (Won) 1,766,775

Under K-IFRS, dividends received, interest received, interest paid, and income tax paid which were not presented separately in the separate statement of cash flows under Korean GAAP, are now separately presented and the related income (expense) and assets (liabilities) have been adjusted for accordingly. Also, under K-IFRS, foreign currency translation amounts are presented gross as part of the related transactions and deducted against the effects of foreign exchange rate changes on the balance of cash held in foreign currencies. No others significant differences between the separate statements of cash flows prepared under Korean GAAP compared to K-IFRS have been noted.



f. Explanation of transition to K-IFRS

Transition adjustments from previous GAAP (Korean GAAP) to K-IFRS that affected the Company's financial position, financial performance and cash flows are as follows.

9) *Employee benefits and retirement benefit obligation*

Under Korean GAAP, at the end of a reporting period a benefit obligation is calculated and recognized, based on an assumption that all employees who have worked over a year were to retire as of the reporting period end. While, under K-IFRS, the retirement benefit amount is appropriated as a defined benefit obligation by actuarial assessment using the projected unit credit method.

Also, the Company recognizes its long-term employee benefits obligation by actuarial assessment using the projected unit credit method.

10) *Change in depreciation method*

The Company changed the depreciation method of equipment from declining balance method to straight-line method.

11) *Goodwill acquired by business combinations*

Under Korean GAAP, the Company amortized goodwill acquired as a result of business combinations on a straight-line method from 5 ~ 20 years from the year of acquisition. Under K-IFRS, goodwill is not amortized but reviewed for impairment annually.

12) *Transfer of financial assets*

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under K-IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

13) *Deferment of non-refundable activation fees*

Under Korean GAAP, the Company recognizes non-refundable activation revenues when the activation service is performed. Under K-IFRS, the Company defers such revenues and amortizes it over the expected term of the customer relationship.

14) *Income tax*

Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse. Under K-IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.

Under Korean GAAP, difference between the carrying value and the tax base of the investments in subsidiaries, branches and associates and interest in joint ventures were considered as temporary differences and recognized as deferred tax assets and liabilities. Under K-IFRS, the temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures is recognized as deferred assets and liabilities reflecting the manner in which Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.



## 15) Other reclassifications

## (1) Memberships

Under Korean GAAP, facility-use memberships and guarantee deposits were classified as other non-current assets. Under K-IFRS, facility-use memberships are recognized as intangible assets with an indefinite useful life and guarantee deposits that satisfy the definition of financial assets are classified as loans and receivables at amortized costs.

## (2) Investment property

Under Korean GAAP, properties acquired for earning rental income and/or for capital appreciation were classified as property and equipment. Under K-IFRS, such properties are reclassified separately as investment properties.

**4. FINANCIAL INSTRUMENTS**

Details of financial assets as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30, 2011                                  |  |                          |   |                 |
|---|---|--|--------------------------|---|-----------------|
|   | Financial assets<br>designated as<br>at FVTPL       | Available-for-sale<br>financial assets | Loans and<br>receivables | Derivatives<br>designated as<br>hedging instruments | Total           |
| Cash and cash equivalents                   | (Won)   | (Won)                                  | (Won) 1,396,318          | (Won)   | (Won) 1,396,318 |
| Financial Instruments                       |   |  | 713,078                  |   | 713,078         |
| Short-term investment securities            |   | 85,263                                 |                          |   | 85,263          |
| Long-term investment securities<br>(Note a) | 15,067  | 1,367,695                              |                          |   | 1,382,762       |
| Trade receivables                           |   |  | 1,334,787                |   | 1,334,787       |
| Loan and other receivables (Note<br>b)      |   |  | 1,626,449                |   | 1,626,449       |
| Derivatives assets                          |   |  |                          | 147,494   | 147,494         |
| Total                                       | (Won) 15,067  | (Won) 1,452,958                        | (Won) 5,070,632          | (Won) 147,494                                       | (Won) 6,686,151 |
|   | December 31, 2010                                   |  |                          |   |                 |
|   | Financial assets<br>Designated<br>as<br>at<br>FVTPL | Available-for-sale<br>financial assets | Loans and<br>receivables | Derivatives<br>designated as<br>hedging instruments | Total           |
| Cash and cash equivalents                   | (Won)   | (Won)                                  | (Won) 357,470            | (Won)   | (Won) 357,470   |
| Financial Instruments                       |   |  | 299,569                  |   | 299,569         |
| Short-term investment securities            |   | 393,811                                |                          |   | 393,811         |
| Long-term investment securities             |   | 1,517,029                              |                          |   | 1,517,029       |
| Trade receivables                           |   |  | 1,453,060                |   | 1,453,060       |
| Loan and other receivables (Note b)         |   |  | 3,328,587                |   | 3,328,587       |
| Derivatives assets                          |   |  |                          | 139,577   | 139,577         |
| Total                                       | (Won)   | (Won) 1,910,840                        | (Won) 5,438,686          | (Won) 139,577                                       | (Won) 7,489,103 |

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(Note a) Long-term investment securities designated as at FVTPL consist of financial instruments with an embedded derivatives (convertible options) which cannot be bifurcated from the host contract, as such the entire financial instrument is measured at fair value with changes recognized in current period profit and loss.

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(Note b) Details of loan and other receivables as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                     | September 30, 2011 | December 31, 2010 |
|-------------------------------------|--------------------|-------------------|
| Short-term loans                    | (Won) 88,765       | (Won) 80,731      |
| Accounts receivable other           | 1,293,249          | 2,499,969         |
| Accrued income                      | 8,133              | 2,345             |
| Long-term loans                     | 72,931             | 64,098            |
| Long-term accounts receivable other | 8,322              | 527,084           |
| Guarantee deposits                  | 155,049            | 154,360           |
|                                     | (Won) 1,626,449    | (Won) 3,328,587   |

Details of financial liabilities as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                   | September 30, 2011                                 |  |   |                 |
|-----------------------------------|--|--|---|-----------------|
|                                   | Financial liabilities<br>Designated as<br>at FVTPL | Financial liabilities<br>at amortized cost | Derivatives<br>designated as<br>hedging instruments | Total           |
| Derivatives liabilities           | (Won) 1,654  | (Won)                                      | (Won) 811   | (Won) 2,465     |
| Borrowings                        |  | 617,950                                    |   | 617,950         |
| Bonds payable (Note a)            | 409,278  | 2,731,477                                  |   | 3,140,755       |
| Trade and other payables (Note b) |  | 1,790,060                                  |   | 1,790,060       |
| <b>Total</b>                      | (Won) 410,932                                      | (Won) 5,139,487                            | (Won) 811   | (Won) 5,551,230 |

|                                   | December 31, 2010                                  |  |   |                 |
|-----------------------------------|--|--|---|-----------------|
|                                   | Financial liabilities<br>designated as<br>at FVTPL | Financial liabilities<br>at amortized cost | Derivatives<br>designated as<br>hedging instruments | Total           |
| Derivatives liabilities           | (Won) 5,043  | (Won)                                      | (Won) 25,111  | (Won) 30,154    |
| Borrowings                        |  | 613,890                                    |   | 613,890         |
| Bonds payable (Note a)            | 461,655  | 3,011,765                                  |   | 3,473,420       |
| Trade and other payables (Note b) |  | 2,033,006                                  |   | 2,033,006       |
| <b>Total</b>                      | (Won) 466,698                                      | (Won) 5,658,661                            | (Won) 25,111  | (Won) 6,150,470 |

(Note a) Bonds payables designated as at FVTPL consist of financial instruments with an embedded derivative (convertible options) which cannot be bifurcated from the host contract, as such the entire financial instrument is measured at fair value with changes recognized in current period profit and loss.

(Note b) Details of loan and other receivables as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                        | September 30, 2011 | December 31, 2010 |
|------------------------|--------------------|-------------------|
| Accounts payable-other | (Won) 1,032,909    | (Won) 1,287,035   |
| Withholdings           | 18                 | 18                |

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|                                   |                 |                 |
|-----------------------------------|-----------------|-----------------|
| Accrued expenses                  | 433,523         | 452,103         |
| Current portion of long-term debt | 17,354          | 168,948         |
| Long-term payables other          | 231,731         | 50,643          |
| Other non-current liabilities     | 74,525          | 74,259          |
|                                   | (Won) 1,790,060 | (Won) 2,033,006 |

The following table provides an analysis of the Company's financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2, or 3, based on or unobservable fair value of the instrument.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;

Level 3: Inputs that are not based on observable market data.

Fair values of financial instruments by hierarchy level as of September 30, 2011 are as follows (in millions of Korean won):

| Type  | Level 1   | Level 2      | Level 3 | Total        |
|---|-----------|--------------|---------|--------------|
| Financial assets designated as at FVTPL                   | (Won)     | (Won) 15,067 | (Won)   | (Won) 15,067 |
| Available-for-sale financial assets                       | 1,172,282 |              |         | 1,172,282    |
| Derivatives assets designated as hedging instruments      |           | 147,494      |         | 147,494      |
| Financial liabilities designated as at FVTPL              | 409,278   | 1,654        |         | 410,932      |
| Derivatives liabilities designated as hedging instruments |           | 811          |         | 811          |

**5. TRADE AND OTHER RECEIVABLES**

Details of short-term trade and other receivables as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                      | September 30, 2011 | December 31, 2010 |
|--------------------------------------|--------------------|-------------------|
| Accounts receivable trade            | (Won) 1,497,617    | (Won) 1,604,269   |
| Less allowance for doubtful accounts | (162,830)          | (151,208)         |
| Accounts receivable trade, net       | 1,334,787          | 1,453,061         |
| Short-term loans                     | 89,923             | 81,808            |
| Less allowance for doubtful accounts | (1,158)            | (1,077)           |
| Short-term loans, net                | 88,765             | 80,731            |
| Accounts receivable other            | 1,328,922          | 2,534,761         |
| Less allowance for doubtful accounts | (35,673)           | (34,792)          |
| Accounts receivable other, net       | 1,293,249          | 2,499,969         |
| Accrued income                       | 8,133              | 2,345             |
|                                      | (Won) 2,724,934    | (Won) 4,036,106   |

Details of long-term trade and other receivables as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                       | September 30, 2011 | December 31, 2010 |
|---------------------------------------|--------------------|-------------------|
| Long-term loans                       | (Won) 96,728       | (Won) 88,016      |
| Less allowance for doubtful accounts  | (23,797)           | (23,919)          |
| Long-term loans, net                  | 72,931             | 64,097            |
| Long-term accounts receivable - other | 8,322              | 527,084           |
| Guarantee deposits                    | 155,049            | 154,360           |
|                                       | (Won) 236,302      | (Won) 745,541     |

Details of changes in allowance for doubtful accounts for the nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|   | For the nine months ended |                    |
|---|---------------------------|--------------------|
|   | September 30, 2011        | September 30, 2010 |
| Beginning balance                           | (Won) 210,996             | (Won) 201,435      |
| Bad debt                                    | 33,819                    | 44,931             |
| Reversal of allowance for doubtful accounts | (41)                      |                    |
| Write-off                                   | (36,061)                  | (31,320)           |
| Collection of receivables written off       | 14,745                    | 12,925             |
| Ending balance                              | (Won) 223,458             | (Won) 227,971      |

Details of aging analysis of accounts receivable which are overdue but not impaired as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                    | September 30, 2011        |                           | December 31, 2010         |                           |
|--------------------|---------------------------|---------------------------|---------------------------|---------------------------|
|                    | Accounts receivable-trade | Accounts receivable-other | Accounts receivable-trade | Accounts receivable-other |
| Less than 1 month  | (Won) 143,642             | (Won) 16,535              | (Won) 156,023             | (Won) 33,127              |
| 1 ~ 3 months       | 62,597                    | 15,992                    | 62,075                    | 21,169                    |
| 3 ~ 6 months       | 28,660                    | 12,822                    | 32,079                    | 14,390                    |
| More than 6 months | 96,594                    | 30,800                    | 110,293                   | 26,988                    |
|                    | (Won) 331,493             | (Won) 76,149              | (Won) 360,470             | (Won) 95,674              |

## 6. INVESTMENT SECURITIES

Details of investment securities as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                   | September 30, 2011  |                        | December 31, 2010    |                        |
|-----------------------------------|---------------------|------------------------|----------------------|------------------------|
|                                   | Current             | Non-current            | Current              | Non-current            |
| <b>Equity securities:</b>         |                     |                        |                      |                        |
| Investments in listed company     | (Won) 241           | (Won) 1,087,260        | (Won) 178,760        | (Won) 1,227,380        |
| Investments in non-listed company | 241                 | 18,226                 | 15,051               | 18,626                 |
| Investments in funds and etc.     |                     | 261,807                |                      | 270,622                |
| <b>Sub-total</b>                  | <b>241</b>          | <b>1,367,293</b>       | <b>193,811</b>       | <b>1,516,628</b>       |
| Debt Securities                   |                     | 15,468                 |                      | 401                    |
| Beneficiary certificates (Note)   | 85,022              |                        | 200,000              |                        |
| <b>Total</b>                      | <b>(Won) 85,263</b> | <b>(Won) 1,382,761</b> | <b>(Won) 393,811</b> | <b>(Won) 1,517,029</b> |

(Note) The distributions arising from some beneficiary certificates as of September 30, 2011, are accounted for as accrued income.

**7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

Investments in subsidiaries and associates as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                             | September 30, 2011 | December 31, 2010 |
|-----------------------------|--------------------|-------------------|
| Investments in subsidiaries | (Won) 2,475,473    | (Won) 2,442,516   |
| Investments in associates   | 1,165,048          | 1,141,879         |
| Ending balance              | (Won) 3,640,521    | (Won) 3,584,395   |

**a. Investments in subsidiaries**

Details of investments in subsidiaries as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

|   | Notes    | September 30, 2011 |                          | Carrying amount        |                        |
|---|----------|--------------------|--------------------------|------------------------|------------------------|
|   |          | Number of shares   | Ownership percentage (%) | September 30, 2011     | December 31, 2010      |
| SK Telink Co., Ltd.                     |          | 1,082,272          | 83.5                     | (Won) 144,740          | (Won) 144,740          |
| SK Communications Co., Ltd.             |          | 28,029,945         | 64.7                     | 148,831                | 148,831                |
| PAXNet Co., Ltd.                        |          | 5,590,452          | 59.7                     | 30,611                 | 30,611                 |
| Loen Entertainment, Inc.                |          | 16,054,812         | 63.5                     | 40,234                 | 40,234                 |
| Stonebridge Cinema Fund                 | (Note a) | 120                | 45.6                     | 8,256                  | 8,256                  |
| Ntreev Soft Co., Ltd.                   |          | 2,064,970          | 63.7                     | 7,708                  | 7,708                  |
| Commerce Planet Co., Ltd.               |          | 29,396             | 100.0                    | 139                    | 139                    |
| SK Broadband Co., Ltd.                  |          | 149,638,354        | 50.6                     | 1,242,247              | 1,242,247              |
| K-net Culture and Contents Venture Fund |          | 295                | 59.0                     | 28,857                 | 28,857                 |
| 2nd BMC Focus Investment Fund           |          | 200                | 66.7                     | 19,782                 | 19,782                 |
| Open Innovation Fund                    |          | 450                | 98.9                     | 44,938                 | 44,938                 |
| PS&Marketing Corporation                |          | 46,000,000         | 100.0                    | 213,934                | 213,934                |
| Service Ace Co., Ltd.                   |          | 4,385,400          | 100.0                    | 21,927                 | 21,927                 |
| Service Top Co., Ltd.                   |          | 2,856,200          | 100.0                    | 14,281                 | 14,281                 |
| Network O&S Co., Ltd.                   |          | 3,000,000          | 100.0                    | 15,000                 | 15,000                 |
| SK Telecom China Holdings Co., Ltd.     |          |                    | 100.0                    | 28,052                 | 28,052                 |
| Sky Property Mgmt., Ltd.                |          | 22,980             | 60.0                     | 264,850                | 264,850                |
| SKT Vietnam PTE., Ltd.                  |          | 180,476,700        | 73.3                     | 26,264                 | 26,264                 |
| SKT Americas, Inc.                      |          | 109                | 100.0                    | 59,167                 | 59,167                 |
| YTK Investment Ltd.                     | (Note b) |                    | 100.0                    | 52,123                 | 41,686                 |
| Atlas Investment                        | (Note c) |                    | 46.4                     | 22,520                 |                        |
| SK Telecom Global Investment B.V        |          | 18,000             | 100.0                    | 41,012                 | 41,012                 |
| <b>Total</b>                            |          |                    |                          | <b>(Won) 2,475,473</b> | <b>(Won) 2,442,516</b> |

(Note a) As the SK Telink Co., Ltd., one of the Company's subsidiaries, holds additional 11.4% ownership in Stonebridge Cinema Fund, the consolidated ownership is 57% and the investments in Stonebridge Cinema Fund is classified as investments in subsidiaries.

(Note b) For the nine months ended September 30, 2011, the Company additionally invested (Won)10,437 million in YTK Investment Ltd.

(Note c) For the nine months ended September 30, 2011, the Company established Atlas Investment. The Company and SK Telecom Global Investment B.V., one of the company's subsidiaries, hold 46.4% and 53.6% ownership in Atlas Investment, respectively.





**b. Investments in associates**

Details of investments in associates as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

|   | Notes    | September 30, 2011 |                          | Carrying amount        |                        |
|---|----------|--------------------|--------------------------|------------------------|------------------------|
|   |          | Number of shares   | Ownership percentage (%) | September 30, 2011     | December 31, 2010      |
| SK Marketing & Company Co., Ltd.                |          | 5,000,000          | 50.0                     | (Won) 112,531          | (Won) 112,531          |
| SK China Company Ltd.                           |          | 720,000            | 22.5                     | 47,830                 | 47,830                 |
| SK USA, Inc.                                    |          | 49                 | 49.0                     | 5,498                  | 5,498                  |
| BMC Sector Limited Partnership IV               |          | 2,500              | 49.7                     | 25,000                 | 25,000                 |
| F&U Credit information Co., Ltd.                |          | 300,000            | 50.0                     | 4,482                  | 4,482                  |
| Michigan Global Cinema Fund                     |          | 40                 | 36.4                     | 3,652                  | 3,652                  |
| 3rd Fund of Isu Entertainment                   | (Note a) |                    |                          |                        | 1,636                  |
| Korea IT Fund                                   | (Note b) | 190                | 63.3                     | 220,957                | 220,957                |
| JYP Entertainment Corporation                   | (Note c) |                    |                          | 1,286                  | 2,903                  |
| BMC Digital Culture and Contents Venture Fund   | (Note d) | 50                 | 19.9                     | 4,912                  | 4,912                  |
| Wave City Development Co., Ltd.                 | (Note g) | 382,000            | 19.1                     | 1,532                  | 1,532                  |
| HanaSK Card Co., Ltd.                           |          | 57,647,058         | 49.0                     | 400,000                | 400,000                |
| Daehan Kanggun BcN Co., Ltd.                    |          | 1,461,486          | 29.0                     | 7,272                  | 7,272                  |
| Television Media Korea Ltd.                     |          | 18,564,000         | 51.0                     | 18,568                 | 18,568                 |
| NanoEnTek, Inc.                                 | (Note e) | 1,807,130          | 9.3                      | 11,000                 |                        |
| UNISK(Beijing) Information Technology Co., Ltd. |          | 49                 | 49.0                     | 4,247                  | 4,247                  |
| TR Entertainment                                |          |                    | 42.2                     | 7,560                  | 7,560                  |
| PT. Melon Indonesia                             |          | 4,900,000          | 49.0                     | 6,492                  | 6,492                  |
| Packet One Network                              | (Note f) | 1,151,556          | 28.2                     | 137,750                | 119,856                |
| SK Technology Innovation Company                |          |                    | 49.0                     | 28,146                 | 28,146                 |
| LightSquared Inc.                               | (Note g) | 3,387,916          | 3.3                      | 72,096                 | 72,096                 |
| SK Wyverns Baseball Club Co., Ltd. and others   |          |                    |                          | 44,237                 | 46,709                 |
| <b>Total</b>                                    |          |                    |                          | <b>(Won) 1,165,048</b> | <b>(Won) 1,141,879</b> |

- (Note a) During the nine months ended September 30, 2011, in accordance with the liquidation of 3rd Fund of Isu Entertainment, relevant all shares was disposed and the company recognized (Won)121 million as gain on disposal of investments in associates.
- (Note b) Under an agreement of Korea IT Fund, the Company has voting rights of 14.3%, resulting in the Company having no control over Korea IT Fund.
- (Note c) 483,830 shares of common stock of JYP Entertainment Corporation were sold during the nine months ended September 30, 2011 and the company recognized (Won)1,869 million as gain to Loen Entertainment, Inc., one of the company's subsidiaries, on disposal of investments in associates.
- (Note d) As the SK Broadband Co., Ltd., one of the Company's subsidiaries, holds additional 19.9% ownership in BMC Digital culture and Contents Venture Fund, the investment in the investee is classified as investment in associate.
- (Note e) For the nine months ended September 30, 2011, the Company acquired 1,807,130 shares or 9.3% of NanoEnTek, Inc. The Company classified the investment as an equity method investee as the Company can exercise significant influence on the investee through participation of its board of directors even though the Company has less than 20% of equity invest in the investee.
- (Note f) For the nine months ended September 30, 2011, the Company additionally invested (Won)17,895 million in Packet One Network and acquired additional 172,082 shares.
- (Note g) The Company classified investments in Wave City Development Co., Ltd. and Light squared Inc., as investment in associates as the Company can exercise significant influence on these investees through participation in boards of directors even though the Company has less than 20% of equity invests in those investees.

In accordance with the optional exemption of K-IFRS 1101, the carrying amount of investments in subsidiaries and associates, under previous GAAP (Korean GAAP), at the date of transition to K-IFRS, is used as the its deemed cost.

**c. Market price of the listed securities**

Details of market price of the equity securities as of September 30, 2011 are as follows (In millions of Korean won, except for market price per share):

|                             | Marketprice<br>per share<br>(In Korean won) | Number of<br>shares owned by<br>the Company | Market price  |
|-----------------------------|---|---|---------------|
| SK Broadband Co., Ltd.      | (Won) 3,590                                 | 149,638,354                                 | (Won) 537,202 |
| SK Communications Co., Ltd. | 18,400                                      | 28,029,945                                  | 515,751       |
| Loen Entertainment, Inc.    | 14,100                                      | 16,054,812                                  | 226,373       |

**8. PROPERTY AND EQUIPMENT**

Property and equipment as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                               | September 30, 2011 | December 31, 2010 |
|-------------------------------|--------------------|-------------------|
| Land                          | (Won) 405,975      | (Won) 402,702     |
| Buildings and structures      | 1,582,189          | 1,544,963         |
| Machinery                     | 15,093,701         | 14,354,988        |
| Other                         | 1,537,473          | 1,285,999         |
| Construction in progress      | 401,573            | 376,896           |
| Total                         | 19,020,911         | 17,965,548        |
| Less accumulated depreciation | (13,347,414)       | (12,495,801)      |
| Property and equipment, net   | (Won) 5,673,497    | (Won) 5,469,747   |

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Details of changes in property and equipment for the nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|                          | For the nine months ended September 30, 2011 |                 |                |                 |                   |                 |
|--------------------------|--|-----------------|----------------|-----------------|-------------------|-----------------|
|                          | Beginning balance                            | Acquisition     | Disposal       | Transfer        | Depreciation      | Ending balance  |
| Land                     | (Won) 402,702                                | (Won) 2,109     | ((Won) 92)     | (Won) 1,257     | (Won)             | (Won) 405,976   |
| Buildings and structures | 928,649                                      | 38,430          | (866)          | 4,349           | (52,203)          | 918,359         |
| Machinery                | 3,240,001                                    | 48,749          | (3,696)        | 871,588         | (953,730)         | 3,202,912       |
| Other                    | 521,499                                      | 906,058         | (2,613)        | (620,788)       | (59,479)          | 744,677         |
| Construction in progress | 376,896                                      | 792,002         | (8,061)        | (759,264)       |                   | 401,573         |
| Total                    | (Won) 5,469,747                              | (Won) 1,787,348 | ((Won) 15,328) | ((Won) 502,858) | ((Won) 1,065,412) | (Won) 5,673,497 |

|                          | For the nine months ended September 30, 2010 |               |                |                 |                 |                 |
|--------------------------|--|---------------|----------------|-----------------|-----------------|-----------------|
|                          | Beginning balance                            | Acquisition   | Disposal       | Transfer        | Depreciation    | Ending balance  |
| Land                     | (Won) 405,418                                | (Won) 109     | ((Won) 6,919)  | (Won) 1,775     | (Won)           | (Won) 400,383   |
| Buildings and structures | 979,833                                      | 1,688         | (1,231)        | 3,505           | (52,470)        | 931,325         |
| Machinery                | 3,170,336                                    | 25,556        | (4,200)        | 440,783         | (814,445)       | 2,818,030       |
| Other                    | 330,726                                      | 516,902       | (1,778)        | (318,308)       | (51,763)        | 475,779         |
| Construction in progress | 336,834                                      | 394,822       | (27,871)       | (242,691)       |                 | 461,094         |
| Total                    | (Won) 5,223,147                              | (Won) 939,077 | ((Won) 41,999) | ((Won) 114,936) | ((Won) 918,678) | (Won) 5,086,611 |

**9. INVESTMENT PROPERTY**

Investment property as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                                 | September 30, 2011 |               | December 31, 2010 |               |
|---------------------------------|--------------------|---------------|-------------------|---------------|
| Land                            | (Won)              | 11,546        | (Won)             | 9,508         |
| Buildings                       |                    | 56,762        |                   | 46,467        |
| <b>Total</b>                    |                    | <b>68,308</b> |                   | <b>55,975</b> |
| Less accumulated depreciation   |                    | (28,373)      |                   | (21,176)      |
| <b>Investment property, net</b> | <b>(Won)</b>       | <b>39,935</b> | <b>(Won)</b>      | <b>34,799</b> |

Details of changes in investment property for the nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|              | Beginning<br>balance | For the nine months ended September 30, 2011 |              |                    |                      | Ending<br>balance   |
|--------------|----------------------|--|--------------|--------------------|----------------------|---------------------|
|              |                      | Acquisition                                  | Disposal     | Transfer           | Depreciation         |                     |
| Land         | (Won) 9,508          | (Won)  | (Won)        | (Won) 2,038        | (Won)                | (Won) 11,546        |
| Buildings    | 25,291               |  |              | 5,757              | (2,659)              | 28,389              |
| <b>Total</b> | <b>(Won) 34,799</b>  | <b>(Won)</b>                                 | <b>(Won)</b> | <b>(Won) 7,795</b> | <b>((Won) 2,659)</b> | <b>(Won) 39,935</b> |

|              | Beginning<br>balance | For the nine months ended September 30, 2010 |              |                      |                      | Ending<br>balance   |
|--------------|----------------------|--|--------------|----------------------|----------------------|---------------------|
|              |                      | Acquisition                                  | Disposal     | Transfer             | Depreciation         |                     |
| Land         | (Won) 11,314         | (Won)  | (Won)        | ((Won) 1,775)        | (Won)                | (Won) 9,539         |
| Buildings    | 31,294               |  |              | (3,472)              | (2,197)              | 25,625              |
| <b>Total</b> | <b>(Won) 42,608</b>  | <b>(Won)</b>                                 | <b>(Won)</b> | <b>((Won) 5,247)</b> | <b>((Won) 2,197)</b> | <b>(Won) 35,164</b> |

Details of fair value of investment property as of September 30, 2011 and December 31, 2010 are as follows (In millions of Korean won):

|              | September 30, 2011 |               | December 31, 2010 |               |
|--------------|--------------------|---------------|-------------------|---------------|
| Land         | (Won)              | 66,358        | (Won)             | 54,647        |
| Buildings    |                    | 27,808        |                   | 22,900        |
| <b>Total</b> | <b>(Won)</b>       | <b>94,166</b> | <b>(Won)</b>      | <b>77,547</b> |

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

**10. GOODWILL**

Details of goodwill as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30, 2011 | December 31, 2010 |
|---|--------------------|-------------------|
| Goodwill related to acquisition of Shinsegi Telecomm, Inc | (Won) 1,306,236    | (Won) 1,306,236   |
| Other goodwill  | 2,186              | 2,186             |
|   | (Won) 1,308,422    | (Won) 1,308,422   |

**11. INTANGIBLE ASSETS**

Details of changes in intangible assets for the nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

|                            | For the nine months ended September 30, 2011 |              |               |               |                 |                 | Ending<br>balance |
|----------------------------|--|--------------|---------------|---------------|-----------------|-----------------|-------------------|
|                            | Beginning<br>balance                         | Acquisition  | Disposal      | Transfer      | Amortization    |                 |                   |
| Frequency use rights       | (Won) 709,043                                | (Won)        | (Won)         | (Won) 404,970 | ((Won) 109,767) | (Won) 1,004,246 |                   |
| Land use right             | 11,130                                       | 3,642        | (54)          |               | (3,064)         | 11,654          |                   |
| Industrial right           | 14,748                                       | 1,395        |               | 323           | (2,587)         | 13,879          |                   |
| Software development costs | 4,898  |              |               |               | (2,619)         | 2,279           |                   |
| Membership (Note a)        | 90,108                                       | 3,313        | (2,400)       |               |                 | 91,021          |                   |
| Other (Note b)             | 595,042                                      | 24,267       | (87)          | 89,806        | (220,989)       | 488,039         |                   |
| <b>Total</b>               | (Won) 1,424,969                              | (Won) 32,617 | ((Won) 2,541) | (Won) 495,099 | ((Won) 339,026) | (Won) 1,611,118 |                   |

|                            | For the nine months ended September 30, 2010 |              |               |               |                 |                 | Ending<br>balance |
|----------------------------|--|--------------|---------------|---------------|-----------------|-----------------|-------------------|
|                            | Beginning<br>balance                         | Acquisition  | Disposal      | Transfer      | Amortization    |                 |                   |
| Frequency use rights       | (Won) 727,239                                | (Won)        | (Won)         | (Won)         | ((Won) 87,398)  | (Won) 639,841   |                   |
| Land use right             | 11,732                                       | 1,635        |               |               | (2,533)         | 10,834          |                   |
| Industrial right           | 14,948                                       | 2,862        |               |               | (2,863)         | 14,947          |                   |
| Software development costs | 12,528                                       |              |               |               | (3,592)         | 8,936           |                   |
| Membership (Note a)        | 89,777                                       | 730          | (21)          |               |                 | 90,486          |                   |
| Other (Note b)             | 591,067                                      | 17,682       | (4,480)       | 118,489       | (200,270)       | 522,488         |                   |
| <b>Total</b>               | (Won) 1,447,291                              | (Won) 22,909 | ((Won) 4,501) | (Won) 118,489 | ((Won) 296,656) | (Won) 1,287,532 |                   |

(Note a) Memberships which are classified as intangible assets with indefinite useful life and is not amortized.

(Note b) Other intangible assets consist of computer software and usable and profitable donation assets.

The book value and residual useful lives of major intangible assets as of September 30, 2011 are as follows (in millions of Korean won):

|                | Amount        | Description   | Residual useful lives |
|----------------|---------------|---|-----------------------|
| IMT license    | (Won) 509,578 | Frequency use rights relating to W-CDMA service       | (note a)              |
| W-CDMA license | 85,633        | Frequency use rights relating to W-CDMA service       | (note b)              |
| 800MHz license | 395,304       | Frequency use rights relating to CDMA and LTE service | (note c)              |
| WiBro license  | 10,356        | WiBro service   | (note d)              |
| DMB license    | 3,375         | DMB service   | 4 years 9 months      |

(note a) The Company purchased the W-CDMA license from KCC on December 4, 2001. Amortization of the W-CDMA license commenced once the Company began its commercial W-CDMA services on December 29, 2003 under a straight-line basis over the remaining useful life of the license. The W-COMA license will expire in December 2016.

(note b) The Company purchased an the additional W-CDMA license from KCC in May 2010. Amortization of the additional W-CDMA license commenced once the Company started its related commercial W-CDMA services on October 7, 2010, under a straight-line basis over the remaining useful life of the W-CDMA license. The additional W-COMA license will expire in December 2016.

(note c) The Company purchased rhe 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Company started its related commercial CDMA and LTE services on June, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.

(note d) The Company purchased a WiBro license from KCC on March 30, 2005. The license period is for 7 years from the purchase date. Amortization of the WiBro license commenced when the Company started its commercial WiBro services on September 30, 2006, under a straight line basis over the remaining useful life.

**12. BONDS PAYABLE**

Bonds payable as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars and thousands of Japanese yen):

|   | Maturity | Annual<br>Interest<br>rate (%) | September 30,<br>2011 | December 31,<br>2010 |
|---|----------|--------------------------------|-----------------------|----------------------|
| Domestic general bonds                          | 2011     | 3.0                            | (Won) 200,000         | (Won) 200,000        |
|   | 2013     | 4.0~6.92                       | 450,000               | 450,000              |
|   | 2014     | 5.0                            | 200,000               | 200,000              |
|   | 2015     | 5.0                            | 200,000               | 200,000              |
|   | 2016     | 5.0~5.92                       | 470,000               | 470,000              |
|   | 2018     | 5.0                            | 200,000               | 200,000              |
| Dollar denominated bonds (US\$300,000)          | 2011     | 4.25                           |                       | 341,670              |
| Dollar denominated bonds (US\$400,000)          | 2027     | 6.63                           | 471,800               | 455,560              |
| Yen denominated bonds (JPY 15,500,000) (note a) |          | 3 M Euro Yen<br>LIBOR+0.55~2.5 |                       |                      |
|   | 2012     |                                | 238,175               | 216,547              |
| Yen denominated bonds (JPY 5,000,000) (note a)  |          | 3 M Euro Yen                   |                       |                      |
|   | 2012     | TIBOR+2.5                      | 76,830                | 69,854               |
| Floating rate notes (US\$ 220,000) (note a)     | 2012     | 3 M LIBOR+3.15                 | 259,490               | 250,558              |
| Convertible bonds (US\$ 332,528) (note b, c)    | 2014     | 1.75                           | 409,278               | 461,655              |
| Sub total                                       |          |                                | 3,175,573             | 3,515,844            |
| Less discounts on bonds                         |          |                                | (34,818)              | (42,424)             |
| Net   |          |                                | 3,140,755             | 3,473,420            |
| Less portion due within one year                |          |                                | (990,231)             | (539,607)            |
| Long-term portion                               |          |                                | (Won) 2,150,524       | (Won) 2,933,813      |

(note a) The 3-months Euro Yen LIBOR rate, the 3-months Euro Yen TIBOR rate and the 3-month LIBOR rate as of September 30, 2011 are 0.19%, 0.33% and 0.37%, respectively.

(note b) The convertible bonds are classified as financial liabilities as at FVTPL in current portion of long-term debt as the bond holders can redeem their notes at April 7, 2012.

(note c) 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 conversion price of (Won)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 that can be converted as of September 30, 2011 is 2,177,389 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 such 49% ownership limitation is violated due to the exercise of conversion rights, the Company will pay a bond holder a cash settlement which will be 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



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amount at maturity.

In accordance with a resolution of the Board of Directors on January 21, 2011, the Conversion price has changed from (Won)220,000 to (Won)211,271 and the number of common shares that can be converted changed from 2,090,996 shares to 2,177,389 shares due to the payment of periodic dividends. During the nine months ended September 30, 2011, no conversion was made.

**13. BORROWINGS**

Detail of borrowings as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars and thousands of Japanese yen):

| Lender                           | Maturity | Annual interest<br>rate (%) (note b) | September 30,<br>2011 | December 31,<br>2010 |
|----------------------------------|----------|--------------------------------------|-----------------------|----------------------|
| Korea Development Bank (Note a)  | 2011     | 91 days CD yield + 1.02              | (Won)                 | (Won) 100,000        |
| Citibank (Note a)                | 2011     | 91 days CD yield + 1.20              | (Won)                 | (Won) 100,000        |
| Nonghyup (Note a)                | 2011     | 91 days CD yield + 1.30              | (Won)                 | (Won) 100,000        |
| Hana Bank (Note a)               | 2011     | 91 days CD yield + 1.50              | (Won)                 | (Won) 150,000        |
| Nonghyup (Note a)                | 2011     | 91 days CD yield + 1.50              | (Won)                 | (Won) 50,000         |
| Credit Agricole (Note b)         | 2013     | 6M Libor + 0.29                      | US\$ 30,000           | US\$ 30,000          |
| Bank of China                    |          |                                      | US\$ 20,000           | US\$ 20,000          |
| DBS Bank                         |          |                                      | US\$ 25,000           | US\$ 25,000          |
| SMBC                             |          |                                      | US\$ 25,000           | US\$ 25,000          |
| Total                            |          |                                      | (Won)                 | (Won) 500,000        |
|                                  |          |                                      | US\$ 100,000          | US\$ 100,000         |
| Equivalent in Korean won         |          |                                      | (Won) 117,950         | (Won) 613,890        |
| Less portion due within one year |          |                                      |                       | (500,000)            |
| Long-term portion                |          |                                      | (Won) 117,950         | (Won) 113,890        |

(Note a) Borrowings were repaid during the third quarter of 2011.

(Note b) As of September 30, 2011, the 6-month Libor rate is 0.56%

**14. PROVISION**

Details of change in the provisions for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                                  | Beginning<br>balance | For the nine months ended September 30, 2011 |                        | Ending<br>balance    | As of September 30, 2011 |                      |
|----------------------------------|----------------------|--|------------------------|----------------------|--------------------------|----------------------|
|                                  |                      | Increase                                     | Decrease               |                      | Current                  | Non-current          |
| Provision for handset<br>subsidy | (Won) 732,042        | (Won) 668,247                                | ((Won) 638,970)        | (Won) 761,319        | (Won) 646,507            | (Won) 114,812        |
| Provision for point program      | 266                  | 389  | (261)                  | 394                  | 158                      | 236                  |
| Provision for restoration        | 27,740               | 2,726  | (2,804)                | 27,662               |                          | 27,662               |
| <b>Total</b>                     | <b>(Won) 760,048</b> | <b>(Won) 671,362</b>                         | <b>((Won) 642,035)</b> | <b>(Won) 789,375</b> | <b>(Won) 646,665</b>     | <b>(Won) 142,710</b> |

|                                  | Beginning<br>balance | For the nine months ended September 30, 2010 |                        | Ending<br>balance    | As of September 30, 2010 |                      |
|----------------------------------|----------------------|--|------------------------|----------------------|--------------------------|----------------------|
|                                  |                      | Increase                                     | Decrease               |                      | Current                  | Non-current          |
| Provision for handset<br>subsidy | (Won) 609,733        | (Won) 738,729                                | ((Won) 605,998)        | (Won) 742,464        | (Won) 664,230            | (Won) 78,234         |
| Provision for point program      | 807                  | 333  | (139)                  | 1,001                | 326                      | 675                  |
| Provision for restoration        | 22,642               | 3,765  |                        | 26,407               |                          | 26,407               |
| <b>Total</b>                     | <b>(Won) 633,182</b> | <b>(Won) 742,827</b>                         | <b>((Won) 606,137)</b> | <b>(Won) 769,872</b> | <b>(Won) 664,556</b>     | <b>(Won) 105,316</b> |

Also, the Company provides provision for handset subsidies to be provided to the subscribers who purchase handsets on an installment basis.

**15. RETIREMENT BENEFIT OBLIGATION**

- g. Details of retirement benefit obligation as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30, 2011  | December 31, 2010   |
|---|---------------------|---------------------|
| Present value of defined benefit obligation | (Won) 123,011       | (Won) 105,966       |
| Fair value of plan assets                   | (77,065)            | (84,584)            |
| <b>Total</b>                                | <b>(Won) 45,946</b> | <b>(Won) 21,382</b> |

- h. Principal actuarial assumptions as of September 30, 2011 and December 31, 2010 are as follows:

|   | September 30, 2011 | December 31, 2010 |
|---|--------------------|-------------------|
| Discount rate for defined benefit obligations | 5.49%              | 6.10%             |
| Inflation rate                                | 3.00%              | 3.00%             |
| Expected rate of return on plan assets        | 4.74%              | 4.71%             |
| Expected rate of salary increase              | 5.62%              | 5.87%             |

- i. Changes in defined benefit obligations for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                        | For the nine months ended |                       |
|------------------------|---------------------------|-----------------------|
|                        | September 30,<br>2011     | September 30,<br>2010 |
| Beginning balance      | (Won) 105,966             | (Won) 87,102          |
| Current service cost   | 22,762                    | 21,387                |
| Interest cost          | 4,449                     | 4,200                 |
| Actuarial gain or loss | 6,538                     | (761)                 |
| Benefit paid           | (17,072)                  | (12,744)              |
| Others                 | 368                       | 382                   |
| <b>Ending balance</b>  | <b>(Won) 123,011</b>      | <b>(Won) 99,566</b>   |

- j. Changes in plan assets for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                                | For the nine months ended |                       |
|--------------------------------|---------------------------|-----------------------|
|                                | September 30,<br>2011     | September 30,<br>2010 |
| Beginning balance              | (Won) 84,584              | (Won) 66,489          |
| Expected return on plan assets | 2,819                     | 2,202                 |
| Actuarial gain or loss         | (901)                     | (908)                 |
| Benefit payment                | (9,437)                   | (4,380)               |
| Others                         |                           | 383                   |
| Ending balance                 | (Won) 77,065              | (Won) 63,786          |

- k. Expenses recognized in profit and loss for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won)

|                                | For the nine months ended |                       |
|--------------------------------|---------------------------|-----------------------|
|                                | September 30,<br>2011     | September 30,<br>2010 |
| Current service cost           | (Won) 22,762              | (Won) 21,387          |
| Interest cost                  | 4,449                     | 4,200                 |
| Expected return on plan assets | (2,818)                   | (2,202)               |
| Total                          | (Won) 24,393              | (Won) 23,385          |

These expenses are recognized as labor cost, research and development expense in the period as profit or loss and construction in progress.

- l. Details of plan assets as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|                    | September 30,<br>2011 | December 31,<br>2010 |
|--------------------|-----------------------|----------------------|
| Equity instruments | (Won) 207             | (Won) 21,687         |
| Debt instruments   | 51,633                | 49,465               |
| Others             | 25,225                | 13,432               |
| Total              | (Won) 77,065          | (Won) 84,584         |

Actual return on plan assets for the nine months ended September 30, 2011 and 2010 is (Won)1,918 million and (Won)1,294 million, respectively.

**16. SHARE CAPITAL AND SHARE PREMIUM**

The Company's outstanding share capital consists entirely of common stock with a par value of (Won)500. The number of authorized, issued and outstanding common shares and share premium as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

|                                    | September 30,<br>2011 | December 31,<br>2010 |
|------------------------------------|-----------------------|----------------------|
| Authorized shares                  | 220,000,000           | 220,000,000          |
| Issued shares (Note)               | 80,745,711            | 80,745,711           |
| <b>Share capital</b>               |                       |                      |
| Common stock                       | (Won) 44,639          | (Won) 44,639         |
| <b>Share premium :</b>             |                       |                      |
| Paid-in surplus                    | 2,915,887             | 2,915,887            |
| Treasury stock                     | (2,410,451)           | (2,202,439)          |
| Loss on disposal of treasury stock | (15,875)              | (15,875)             |
| Others                             | (722,597)             | (722,216)            |
| <br>Total                          | <br>(Won) 233,036     | <br>(Won) 24,643     |

There are no changes in share capital for the nine months ended September 30, 2011 and for the year ended December 31, 2010.

(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, of treasury stock which reduced its retained earnings before appropriation in accordance with the Korean Commercial Law. As a result, the Company's outstanding number of shares has decreased without change in the share capital.

**17. TREASURY STOCK**

Through 2009, the Company acquired 8,400,712 shares of treasury stock in the open market for (Won)1,992,083 million for providing stock dividends, to purchase odd-lot stocks remaining from new stocks issuance, merger with Shinsegi Telecom, Inc. and SK IMT Co., Ltd., increase shareholder value, and for stock price stabilization purpose.

Meanwhile from July 26, 2010 through October 20, 2010, the Company additionally acquired 1,250,000 shares of treasury stock for (Won)210,356 million and from July 21, 2011 through September 28, 2011, the Company additionally acquired 1,400,000 shares of treasury stock for (Won)208,012 million for in accordance with a resolution of the Board of Directors on July 22, 2010 and July 19, 2011, respectively.

As a result of aforementioned treasury stock transactions, as of September 30, 2011 and December 31, 2010, the Company has 11,050,712 shares of treasury stock at (Won)2,410,451 million and 9,650,712 shares of treasury stock at (Won)2,202,439 million, respectively.

**18. RETAINED EARNINGS**

Retained earnings as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30, 2011 | December 31, 2010 |
|---|--------------------|-------------------|
| <b>Appropriated :</b>                         |                    |                   |
| Legal reserve                                 | (Won) 22,320       | (Won) 22,320      |
| Reserve for research and manpower development | 535,595            | 658,928           |
| Reserve for business expansion                | 8,009,138          | 7,519,138         |
| Reserve for technology development            | 1,524,000          | 1,150,000         |
| <br>  |                    |                   |
| Sub-total                                     | 10,091,053         | 9,350,386         |
| Unappropriated                                | 1,482,950          | 1,473,970         |
| <br>  |                    |                   |
| Total   | (Won) 11,574,002   | (Won) 10,824,356  |

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 share capital. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to share capital.

b. Reserve for research and manpower 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.

**19. RESERVES**

Details of reserves as of September 30, 2011 and December 31, 2010 are as follows (in millions of Korean won):

|   | September 30, 2011   | December 31, 2010    |
|---|----------------------|----------------------|
| Net change in fair value of available-for-sale financial assets | (Won) 422,904        | (Won) 803,075        |
| Loss on valuation of derivatives                                | (82,224)             | (66,469)             |
| <b>Total</b>  | <b>(Won) 340,680</b> | <b>(Won) 736,606</b> |

Details of change in reserves for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                                 | Net change in fair value of available-for-sale financial assets |  | Loss on valuation of derivatives |  | Total             |
|---------------------------------|---|--|----------------------------------|--|-------------------|
| Balance, January 1, 2011        | (Won) 803,075   |  | ((Won) 66,469)                   |  | (Won) 736,606     |
| Changes                         | (490,788)   |  | (19,444)                         |  | (510,232)         |
| Tax effect                      | 110,617   |  | 3,689                            |  | 114,306           |
| <br>Balance, September 30, 2011 | <br>(Won) 422,904   |  | <br>((Won) 82,224)               |  | <br>(Won) 340,680 |
| Balance, January 1, 2010        | (Won) 1,003,145   |  | ((Won) 4,416)                    |  | (Won) 998,729     |
| Changes                         | (41,691)  |  | (5,309)                          |  | (47,000)          |
| Tax effect                      | 4,395   |  | 1,415                            |  | 5,810             |
| <br>Balance, September 30, 2010 | <br>(Won) 965,849   |  | <br>((Won) 8,310)                |  | <br>(Won) 957,539 |

Details of change in fair value of available-for-sale financial assets for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | September 30, 2011 |                     | For the nine months ended |                     | September 30, 2010  |                   |
|--|--------------------|---------------------|---------------------------|---------------------|---------------------|-------------------|
|  | Before tax         | Tax effect          | After tax                 | Before tax          | Tax effect          | After tax         |
| Beginning balance  | (Won) 1,032,888    | ((Won) 229,813)     | (Won) 803,075             | (Won) 1,288,839     | ((Won) 285,694)     | (Won) 1,003,145   |
| Recognized in other comprehensive income during the period | (353,219)          | 77,926              | (275,293)                 | (54,089)            | 7,123               | (46,966)          |
| Reclassified from equity to profit or loss for the period  | (137,569)          | 32,691              | (104,878)                 | 12,398              | (2,728)             | 9,670             |
| <br>Ending balance   | <br>(Won) 542,100  | <br>((Won) 119,196) | <br>(Won) 422,904         | <br>(Won) 1,247,148 | <br>((Won) 281,299) | <br>(Won) 965,849 |



**20. OTHER OPERATING INCOME AND EXPENSES**

Details of other operating income and expenses for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|   | 2011                             |                                 | 2010                             |                                 |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |
| <b>Other operating income:</b>  |                                  |                                 |                                  |                                 |
| Reversal of allowance for doubtful accounts (Note)                      | (Won) 41                         | (Won) 41                        | (Won)                            | (Won)                           |
| Gain on disposal of property and equipment and intangible assets (Note) | 328                              | 1,184                           | 148                              | 7,609                           |
| Other (Note)  | 9,403                            | 15,045                          | 5,602                            | 7,427                           |
|   | (Won) 9,772                      | (Won) 16,270                    | (Won) 5,750                      | (Won) 15,036                    |
| <b>Other operating expenses:</b>  |                                  |                                 |                                  |                                 |
| Communication expenses  | (Won) 14,626                     | (Won) 42,037                    | (Won) 14,007                     | (Won) 41,443                    |
| Utilities   | 35,343                           | 91,896                          | 32,534                           | 85,915                          |
| Taxes and dues  | 16,152                           | 29,634                          | 24,061                           | 35,064                          |
| Repair  | 48,701                           | 142,948                         | 42,340                           | 119,628                         |
| Research and development  | 67,198                           | 182,964                         | 64,097                           | 180,071                         |
| Training  | 7,691                            | 16,905                          | 6,554                            | 15,066                          |
| Bad debt  | 8,736                            | 29,295                          | 13,039                           | 40,672                          |
| Supplies and other  | 15,169                           | 42,692                          | 13,095                           | 39,322                          |
| Loss on disposal of property and equipment and intangible assets (Note) | 6,230                            | 13,585                          | 28,514                           | 33,479                          |
| Donations (Note)  | 15,480                           | 60,075                          | 18,754                           | 95,728                          |
| Other bad debt (Note)   | 1,614                            | 4,524                           | 3,153                            | 4,259                           |
| Other (Note)  | 1,866                            | 7,062                           | 1,069                            | 6,576                           |
|   | (Won) 238,806                    | (Won) 663,617                   | (Won) 261,217                    | (Won) 697,223                   |

(Note) Under Korean GAAP, these were classified as other non-operating income and expenses. While, under K-IFRS, these are classified as other operating income and expenses.

**21. FINANCE INCOME AND COSTS**

Details of finance income and costs for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|   | 2011                             |                                 | 2010                             |                                 |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|   | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |
| <b>Finance income:</b>                                |                                  |                                 |                                  |                                 |
| Interest income                                       | (Won) 35,184                     | (Won) 113,505                   | (Won) 57,533                     | (Won) 168,076                   |
| Dividends   | 7,203                            | 33,676                          | 9,282                            | 38,981                          |
| Gain on foreign currency transactions                 | 777                              | 3,281                           | 2,041                            | 5,179                           |
| Gain on foreign currency translation                  |                                  | 225                             | 15,482                           | 15,403                          |
| Gain on valuation of financial asset at FVTPL         |                                  | 1,067                           |                                  |                                 |
| Gain on disposal of long-term investment securities   |                                  | 158,495                         | 12,870                           | 26,836                          |
| Gain on valuation of derivatives                      | 1,301                            | 3,389                           |                                  |                                 |
| Gain on transactions of derivatives                   |                                  |                                 | 1,255                            | 1,255                           |
| Gain on valuation of financial liability at FVTPL     | 19,127                           | 52,377                          |                                  |                                 |
|   | (Won) 63,592                     | (Won) 366,015                   | (Won) 98,463                     | (Won) 255,730                   |
| <b>Finance costs:</b>                                 |                                  |                                 |                                  |                                 |
| Interest expenses                                     | (Won) 48,465                     | (Won) 148,375                   | (Won) 65,893                     | (Won) 204,821                   |
| Loss on foreign currency transactions                 | 1,870                            | 4,738                           | 2,805                            | 6,714                           |
| Loss on foreign currency translation                  | 22,092                           | 9,283                           |                                  | 179                             |
| Loss on valuation of short-term investment securities |                                  |                                 | 405                              | 6,404                           |
| Loss on disposal of long-term investment securities   | 300                              | 302                             | 61                               | 62                              |
| Loss on valuation of derivatives                      |                                  |                                 |                                  | 20,806                          |
| Loss on transactions of derivatives                   |                                  | 5,136                           |                                  |                                 |
| Loss on valuation of financial liability at FVTPL     |                                  |                                 | 7,596                            | 9,287                           |
|   | (Won) 72,727                     | (Won) 167,834                   | (Won) 76,760                     | (Won) 248,273                   |

Details of interest income included in finance income for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | 2011                             |                                 | 2010                             |                                 |
|--|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|  | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |
| Interest income on cash equivalents and deposits                     | (Won) 15,669                     | (Won) 33,390                    | (Won) 4,944                      | (Won) 18,145                    |
| Interest income on installment receivables and other interest income | 19,515                           | 80,115                          | 52,589                           | 149,931                         |
|  | (Won) 35,814                     | (Won) 113,505                   | (Won) 57,533                     | (Won) 168,076                   |

Details of interest expenses included in finance costs for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

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|                                | 2011                             |                                 | 2010                             |                                 |
|--------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                                | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |
| Interest expense on borrowings | (Won) 6,783                      | (Won) 23,570                    | (Won) 13,104                     | (Won) 42,184                    |
| Interest on bonds              | 37,678                           | 115,946                         | 48,803                           | 148,065                         |
| Other interest expenses        | 4,004                            | 8,859                           | 3,986                            | 14,572                          |
|                                | (Won) 48,465                     | (Won) 148,375                   | (Won) 65,893                     | (Won) 204,821                   |

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Details of income and costs by type of financial assets or financial liabilities; exclusive of the effects of bad debt expense on trade receivables, loans and other receivables, which is disclosed note 5 for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|   | 2011                             |                                 |                                  |                                 | 2010                             |                                 |                                  |                                 |     |       |        |
|---|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|-----|-------|--------|
|   | Financial income                 |                                 | Financial costs                  |                                 | Financial income                 |                                 | Financial costs                  |                                 |     |       |        |
|   | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |     |       |        |
| <b>Financial assets:</b>                      |                                  |                                 |                                  |                                 |                                  |                                 |                                  |                                 |     |       |        |
| Financial assets designated as at FVTPL       | (Won)                            | (Won)                           | 1,067                            | (Won)                           | (Won)                            | (Won)                           | 1,255                            | (Won)                           | 405 | (Won) | 23,932 |
| Available-for-sale financial assets           | 8,054                            | 195,308                         | 300                              | 302                             | 22,951                           | 69,329                          | 62                               | 62                              |     |       |        |
| Loans and receivables                         | 35,110                           | 113,860                         | 1,600                            | 4,741                           | 68,303                           | 169,776                         | 3,186                            | 6,889                           |     |       |        |
| Sub-total                                     | 43,164                           | 310,235                         | 1,900                            | 5,043                           | 92,509                           | 240,360                         | 3,653                            | 30,883                          |     |       |        |
| <b>Financial liabilities:</b>                 |                                  |                                 |                                  |                                 |                                  |                                 |                                  |                                 |     |       |        |
| Financial liabilities designated as at FVTPL  | 20,428                           | 55,766                          |                                  |                                 |                                  |                                 | 7,337                            | 12,566                          |     |       |        |
| Financial liabilities at amortized cost       |                                  | 14                              | 70,827                           | 157,655                         | 5,954                            | 15,370                          | 65,771                           | 204,824                         |     |       |        |
| Derivatives designated as hedging instruments |                                  |                                 |                                  | 5,136                           |                                  |                                 |                                  |                                 |     |       |        |
| Sub-total                                     | 20,428                           | 55,780                          | 70,827                           | 162,791                         | 5,954                            | 15,370                          | 73,107                           | 217,390                         |     |       |        |
| Total   | (Won) 63,592                     | (Won) 366,015                   | (Won) 72,727                     | (Won) 167,834                   | (Won) 98,463                     | (Won) 255,730                   | (Won) 76,760                     | (Won) 248,273                   |     |       |        |

Details of impairment losses for each class of financial assets for the three months and nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|                | 2011                             |                                 | 2010                             |                                 |
|----------------|----------------------------------|---------------------------------|----------------------------------|---------------------------------|
|                | Three months ended September, 30 | Nine months ended September, 30 | Three months ended September, 30 | Nine months ended September, 30 |
|                | Bad debt                         | (Won) 8,736                     | (Won) 29,295                     | (Won) 13,039                    |
| Other bad debt | 1,614                            | 4,525                           | 3,153                            | 4,259                           |
|                | (Won) 10,350                     | (Won) 33,820                    | (Won) 16,192                     | (Won) 44,931                    |



**22. NET INCOME PER SHARE**

Net income per share for the three months and nine months ended September 30, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

*Net income per share*

|  | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|--|-------------------------------|-----------------------|------------------------------|-----------------------|
|  | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Net income   | (Won) 388,683                 | (Won) 513,904         | (Won) 1,423,741              | (Won) 1,388,904       |
| Weighted average number of common shares outstanding | 70,499,159                    | 71,965,408            | 70,894,202                   | 72,217,080            |
| Net income per share (in Korean won)                 | (Won) 5,513                   | (Won) 7,141           | (Won) 20,083                 | (Won) 19,232          |

Net income per for the three months ended March 31, 2011 and 2010 is (Won)7,886 and (Won)5,710, respectively. In addition, net income per share for the three months ended June 30, 2011 and 2010 is (Won)6,673 and (Won)6,384, respectively.

The weighted average number of common shares outstanding for the three months and nine months ended September 30, 2011 and 2010 are calculated as follows:

2011

|   | Number of<br>shares | Weighted<br>number of days | Weighted<br>number of shares |
|---|---------------------|----------------------------|------------------------------|
| For the three months ended September 30, 2011 |                     |                            |                              |
| Outstanding common stocks at April 1, 2011    | 80,745,711          | 92 / 92                    | 80,745,711                   |
| Treasury stocks at July 1, 2011               | (9,650,712)         | 92 / 92                    | (9,650,712)                  |
| Acquisition of treasury stock                 | (1,400,000)         | 39 / 92 (Note)             | (595,840)                    |
| Total   | 69,694,999          |                            | 70,499,159                   |

For the nine months ended September 30, 2011

|  |             |                 |             |
|--|-------------|-----------------|-------------|
| Outstanding common stocks at January 1, 2011 | 80,745,711  | 273 / 273       | 80,745,711  |
| Treasury stocks at January 1, 2011           | (9,650,712) | 273 / 273       | (9,650,712) |
| Acquisition of treasury stock                | (1,400,000) | 39 / 273 (Note) | (200,797)   |
| Total  | 69,694,999  |                 | 70,894,202  |

2010

|   | Number of<br>Shares | Weighted<br>number of days | Weighted<br>number of shares |
|---|---------------------|----------------------------|------------------------------|
| For the three months ended September 30, 2010 |                     |                            |                              |
| Outstanding common stocks at April 1, 2010    | 80,745,711          | 92 / 92                    | 80,745,711                   |
| Treasury stocks at July 1, 2010               | (8,400,712)         | 92 / 92                    | (8,400,712)                  |
| Acquisition of treasury stock                 | (940,074)           | 37 / 92 (Note)             | (379,591)                    |

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|  |             |                 |             |
|--|-------------|-----------------|-------------|
| Total  | 71,404,925  |                 | 71,965,408  |
| For the nine months ended September 30, 2010 |             |                 |             |
| Outstanding common stocks at January 1, 2010 | 80,745,711  | 273 / 273       | 80,745,711  |
| Treasury stocks at January 1, 2010           | (8,400,712) | 273 / 273       | (8,400,712) |
| Acquisition of treasury stock                | (940,074)   | 37 / 273 (Note) | (127,919)   |
| Total  | 71,404,925  |                 | 72,217,080  |

(Note) The Company acquired treasury stocks on many different dates, and weighted number of shares was calculated considering each transaction date.

Diluted net income per share amounts for the three months and nine months ended September 30, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

*Diluted net income per share*

|  | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|--|-------------------------------|-----------------------|------------------------------|-----------------------|
|  | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Adjusted net income  | (Won) 390,093                 | (Won) 515,364         | (Won) 1,427,285              | (Won) 1,392,827       |
| Adjusted weighted average number of<br>common shares outstanding | 72,676,548                    | 74,056,404            | 73,071,591                   | 74,308,076            |
| Diluted net income per share (in Korean<br>won)                  | (Won) 5,368                   | (Won) 6,959           | (Won) 19,533                 | (Won) 18,744          |

Diluted net income per share for the three months ended September 30, 2011 and 2010 is (Won)7,665 and (Won)5,570, respectively. In addition, diluted net income per share for the three months ended June 30, 2011 and 2010 is (Won)6,490 and (Won)6,220, respectively.

Adjusted net income per share and the adjusted weighted average number of common shares outstanding for the three months and nine months ended September 30, 2011 and 2010 are calculated as follows (In millions of Korean won, except for share data):

|  | For the<br>three months ended |                       | For the<br>nine months ended |                       |
|--|-------------------------------|-----------------------|------------------------------|-----------------------|
|  | September 30,<br>2011         | September 30,<br>2010 | September 30,<br>2011        | September 30,<br>2010 |
| Net income and ordinary income                                   | (Won) 388,683                 | (Won) 513,904         | (Won) 1,423,741              | (Won) 1,388,904       |
| Effect of convertible bonds (Note)                               | 1,410                         | 1,460                 | 3,544                        | 3,923                 |
| Adjusted net income and ordinary income                          | (Won) 390,093                 | (Won) 515,364         | (Won) 1,427,285              | (Won) 1,392,827       |
| Weighted average number of common<br>shares outstanding          | 70,499,159                    | 71,965,408            | 70,894,202                   | 72,217,080            |
| Effect of exchangeable bonds (Note)                              | 2,177,389                     | 2,090,996             | 2,177,389                    | 2,090,996             |
| Adjusted weighted average number of<br>common shares outstanding | 72,676,548                    | 74,056,404            | 73,071,591                   | 74,308,076            |

(Note) Assuming the conversion of the convertible bonds occurred at the beginning of the period, related interest expense would not have been incurred, resulting in an increase in net income and an increase in the weighted average number of common shares outstanding would have occurred.



**23. TRANSACTIONS WITH RELATED PARTIES**

As of June 30, 2011, the parent company and subsidiaries of the Company are as follows:

| Type                    | Company                                 | Ownership<br>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 Telink Co., Ltd.                     | 83.5                        | Telecommunication service                      |
|                         | SK Communications Co., Ltd.             | 64.6                        | Internet website services                      |
|                         | PAXNet Co., Ltd.                        | 59.7                        | Internet website services                      |
|                         | Loen Entertainment, Inc.                | 63.5                        | Release of music disc                          |
|                         | Stonebridge Cinema Fund                 | 45.6                        | Investment association                         |
|                         | Ntreev Soft Co., Ltd.                   | 63.7                        | Game software production                       |
|                         | SK i-media Co., Ltd.                    | 100.0 (Note c)              | Game software production                       |
|                         | Commerce Planet Co., Ltd.               | 100.0                       | Online shopping mall operation agency          |
|                         | SK Broadband Co., Ltd.                  | 50.6                        | Telecommunication service                      |
|                         | Broadband D&M Co., Ltd.                 | 100.0 (Note c)              | Base station maintenance service               |
|                         | 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                       |
|                         | K-net Culture and Contents Venture Fund | 59.0                        | Investment association                         |
|                         | 2nd BMC Focus Investment Fund           | 66.7                        | Investment association                         |
|                         | Open Innovation Fund                    | 98.9                        | Investment association                         |
|                         | PS&Marketing Corporation                | 100.0                       | Communications device retail business          |
|                         | 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               |
|                         | BNCP Co.,Ltd.                           | 100.0 (Note c)              | Internet website services                      |
|                         | Service-In Co.,Ltd.                     | 100.0 (Note c)              | Database & on-line information service         |
|                         | SK Telecom China Holdings Co., Ltd.     | 100.0                       | Equity investment (Holding company)            |
|                         | Sky Property Mgmt., Ltd.                | 60.0                        | Real estate investment                         |
|                         | Shenzhen E-eye High Tech Co., Ltd.      | 65.5 (Note c)               | Manufacturing                                  |
|                         | SK China Real Estate Co., Ltd.          | 99.4                        | Real estate investment                         |
|                         | SKT Vietnam PTE., Ltd.                  | 73.3                        | Telecommunication service                      |
|                         | SKT Americas, Inc.                      | 100.0                       | Information gathering and consulting           |
|                         | YTK Investment Ltd.                     | 100.0                       | Investment association                         |
|                         | Technology Innovation Partners, LP      | 100.0 (Note c)              | Investment association                         |
|                         | Atlas Investment                        | 46.4                        | Investment association                         |
|                         | SK Telecom Global Investment B.V        | 100.0                       | Investment association                         |
|                         | SK Telecom China Fund I L.P             | 100.0 (Note c)              | Investment association                         |

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

(Note b) The ownership percentage represents the 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.

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

Significant related party transactions for the three months and nine months ended September 30, 2011 and 2010, and account balances as of September 30, 2011 and December 31, 2010 are as follows (In millions of Korean won):

**a-(1) Transactions**

|   | For three months ended September 30, 2011 |                                     |                                     | For nine months ended September 30, 2011 |                                     |                                     |
|---|---|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|
|   | 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 |
| <b>Ultimate parent company:</b>         |   |                                     |                                     |  |                                     |                                     |
| SK C&C Co., Ltd.                        | (Won) 59,645                              | (Won) 71,337                        | (Won) 1,500                         | (Won) 141,829                            | (Won) 205,064                       | (Won) 3,478                         |
| <b>Parent Company:</b>                  |   |                                     |                                     |  |                                     |                                     |
| SK Holdings Co., Ltd.                   |   | 6,438                               | 250                                 |  | 19,325                              | 614                                 |
| <b>Subsidiaries:</b>                    |   |                                     |                                     |  |                                     |                                     |
| SK Telink Co., Ltd.                     |   | 25,305                              | 16,709                              |  | 77,401                              | 50,989                              |
| SK Communications Co., Ltd.             | 1,947                                     | 21,116                              | 1,849                               | 1,947                                    | 32,200                              | 5,712                               |
| Loen Entertainment, Inc.                |   | 9,305                               | 1,190                               |  | 30,048                              | 3,686                               |
| Ntreev Soft Co., Ltd.                   |   |                                     | 3,257                               |  |                                     | 10,622                              |
| Commerce Planet Co., Ltd.               | 2,711                                     | 42,281                              | 7,453                               | 2,757                                    | 120,941                             | 22,458                              |
| SK Broadband Co., Ltd.                  | 28,088                                    | 87,231                              | 26,154                              | 40,384                                   | 208,418                             | 69,879                              |
| PS&Marketing Corporation                |   | 77,272                              | 1,016                               |  | 190,691                             | 2,308                               |
| Service Ace Co., Ltd.                   |   | 36,989                              | 2,084                               |  | 94,100                              | 6,868                               |
| Service Top Co., Ltd.                   |   | 34,137                              | 1,567                               |  | 88,814                              | 5,275                               |
| Network O&S Co., Ltd.                   | 8,324                                     | 36,349                              | 523                                 | 15,391                                   | 87,823                              | 1,517                               |
| SK Telecom China Holdings Co., Ltd.     |   |                                     |                                     |  | 9,639                               |                                     |
| SKT Americas, Inc.                      |   | 1,750                               |                                     |  | 6,448                               |                                     |
| Others                                  | 115                                       | 925                                 | 42                                  | 115                                      | 1,530                               | 174                                 |
| <b>Associates:</b>                      |   |                                     |                                     |  |                                     |                                     |
| SK Marketing & Company Co., Ltd.        | 4,430                                     | 36,214                              | 1,669                               | 6,613                                    | 89,012                              | 5,412                               |
| F&U Credit Information Co., Ltd.        |   | 11,768                              | 364                                 |  | 32,505                              | 1,074                               |
| SK Wyverns Baseball Club Co., Ltd.      |   | 4,910                               | 4                                   |  | 15,904                              | 17                                  |
| HanaSK Card Co., Ltd.                   | 3   | 86,150                              | 24,126                              | 13                                       | 210,127                             | 62,609                              |
| Others                                  |   | 2,947                               |                                     | 29                                       | 4,944                               | 1                                   |
| <b>Others:</b>                          |   |                                     |                                     |  |                                     |                                     |
| SK Energy Co., Ltd.                     |   | 111                                 | 329                                 |  | 136                                 | 816                                 |
| SK MNS Co., Ltd.                        |   | 3,038                               | 1,587                               |  | 9,008                               | 2,856                               |
| SK Engineering & Construction Co., Ltd. | 67,626                                    | 6,005                               | 912                                 | 127,491                                  | 9,178                               | 2,310                               |
| SK Telesys Co., Ltd.                    | 45,286                                    | 4,017                               | 194                                 | 124,702                                  | 9,194                               | 496                                 |
| SK Networks Co., Ltd.                   | 1,829                                     | 67,648                              | 1,872                               | 4,743                                    | 235,216                             | 9,438                               |
| MRO Korea Co., Ltd.                     | 2,662                                     | 1,027                               | 1                                   | 4,721                                    | 3,230                               | 4                                   |
| SK Networks Service Co., Ltd.           |   | 10,224                              | 42                                  |  | 25,749                              | 121                                 |
| Others                                  | 1,112                                     | 21,621                              | 4,901                               | 2,371                                    | 47,720                              | 7,857                               |
| <b>Total</b>                            | <b>(Won) 223,778</b>                      | <b>(Won) 706,115</b>                | <b>(Won) 99,595</b>                 | <b>(Won) 473,106</b>                     | <b>(Won) 1,864,365</b>              | <b>(Won) 276,591</b>                |



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|   | For three months ended September 30, 2010 |                                     |                                     | For nine months ended September 30, 2010 |                                     |                                     |
|---|---|-------------------------------------|-------------------------------------|--|-------------------------------------|-------------------------------------|
|   | 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 |
| <b>Ultimate parent company:</b>         |   |                                     |                                     |  |                                     |                                     |
| SK C&C Co., Ltd.                        | (Won) 59,757                              | (Won) 70,300                        | (Won) 1,370                         | (Won) 89,672                             | (Won) 189,924                       | (Won) 6,328                         |
| <b>Parent Company:</b>                  |   |                                     |                                     |  |                                     |                                     |
| SK Holdings Co., Ltd.                   | 49  | 6,178                               | 333                                 | 118                                      | 18,504                              | 723                                 |
| <b>Subsidiaries:</b>                    |   |                                     |                                     |  |                                     |                                     |
| SK Telink Co., Ltd.                     |   | 28,528                              | 16,115                              |  | 85,100                              | 49,965                              |
| SK Communications Co., Ltd.             |   | 9,404                               | 2,320                               | 229                                      | 14,446                              | 7,662                               |
| Loen Entertainment, Inc.                |   | 8,537                               | 603                                 |  | 25,375                              | 2,461                               |
| Ntreev Soft Co., Ltd.                   | 94  | 1,588                               | 74                                  | 94                                       | 4,067                               | 78                                  |
| Commerce Planet Co., Ltd.               | 60  | 22,398                              | 2,730                               | 3,486                                    | 71,912                              | 6,651                               |
| SK Broadband Co., Ltd.                  | 10,928                                    | 49,144                              | 18,820                              | 10,928                                   | 108,569                             | 50,154                              |
| PS&Marketing Corporation                |   | 80,523                              | 547                                 | 1  | 242,322                             | 1,543                               |
| Service Ace Co., Ltd.                   |   | 30,364                              | 1,375                               |  | 30,364                              | 1,375                               |
| Service Top Co., Ltd.                   |   | 28,637                              | 1,260                               |  | 28,637                              | 1,260                               |
| Network O&S Co., Ltd.                   |   | 22,105                              | 488                                 |  | 22,104                              | 488                                 |
| SK Telecom China Holdings Co., Ltd.     |   | 2,266                               |                                     |  | 7,536                               |                                     |
| SKT Americas, Inc.                      |   | 9,890                               |                                     |  | 13,090                              |                                     |
| Others                                  | 10  | 3,131                               | 462                                 | 10                                       | 3,131                               | 462                                 |
| <b>Associates:</b>                      |   |                                     |                                     |  |                                     |                                     |
| SK Marketing & Company Co., Ltd.        | 681                                       | 40,900                              | 1,897                               | 2,691                                    | 124,416                             | 4,871                               |
| F&U Credit Information Co., Ltd.        |   | 9,258                               | 546                                 |  | 29,820                              | 1,637                               |
| SK Wyverns Baseball Club Co., Ltd.      |   | 4,500                               | 11                                  |  | 12,900                              | 47                                  |
| HanaSK Card Co., Ltd.                   |   | 15,970                              |                                     |  | 15,970                              |                                     |
| Others                                  |   | 2,695                               | 3                                   |  | 7,527                               | 3                                   |
| <b>Others:</b>                          |   |                                     |                                     |  |                                     |                                     |
| SK Energy Co., Ltd.                     |   | 263                                 | 1,740                               |  | 700                                 | 3,915                               |
| SK MNS Co., Ltd.                        | 9   | 2,743                               | 73                                  | 649                                      | 7,178                               | 213                                 |
| SK Engineering & Construction Co., Ltd. | 89,397                                    | 4,433                               | 665                                 | 117,133                                  | 5,552                               | 4,520                               |
| SK Telesys Co., Ltd.                    | 89,890                                    | 1,303                               | 137                                 | 176,760                                  | 3,757                               | 940                                 |
| SK Networks Co., Ltd.                   | 2,734                                     | 120,100                             | 4,653                               | 3,257                                    | 358,633                             | 13,289                              |
| MRO Korea Co., Ltd.                     | 538                                       | 1,324                               | 11                                  | 4,419                                    | 2,578                               | 34                                  |
| SK Networks Service Co., Ltd.           |   | 6,461                               | 80                                  |  | 17,838                              | 215                                 |
| Others                                  | 13,074                                    | 27,057                              | 1,275                               | 14,158                                   | 37,682                              | 4,118                               |
| <b>Total</b>                            | <b>(Won) 267,221</b>                      | <b>(Won) 610,000</b>                | <b>(Won) 57,588</b>                 | <b>(Won) 423,605</b>                     | <b>(Won) 1,489,632</b>              | <b>(Won) 162,952</b>                |

**a-(2) Account balances**

|   | As of September 30, 2011            |                     |                     |                       |                      |                                   |
|---|-------------------------------------|---------------------|---------------------|-----------------------|----------------------|-----------------------------------|
|   | Accounts<br>Receivable<br>and loans | Short-term<br>loans | Long-term<br>loans  | Guarantee<br>deposits | Accounts<br>payable  | Guarantee<br>deposits<br>received |
| <b>Ultimate parent company:</b>         |                                     |                     |                     |                       |                      |                                   |
| SK C&C Co., Ltd.                        | (Won) 2,828                         | (Won)               | (Won)               | (Won)                 | (Won) 72,283         | (Won) 197                         |
| <b>Parent Company:</b>                  |                                     |                     |                     |                       |                      |                                   |
| SK Holdings Co., Ltd.                   | 194                                 |                     |                     |                       |                      |                                   |
| <b>Subsidiaries:</b>                    |                                     |                     |                     |                       |                      |                                   |
| SK Telink Co., Ltd.                     | 3,187                               |                     |                     |                       | 7,840                | 3,281                             |
| SK Communications Co., Ltd.             | 2,620                               |                     |                     |                       | 15,596               | 5,524                             |
| Loen Entertainment, Inc.                | 326                                 |                     |                     |                       | 3,017                |                                   |
| Ntreev Soft Co., Ltd.                   | 4,799                               |                     |                     |                       |                      |                                   |
| Commerce Planet Co., Ltd.               | 10,413                              |                     |                     |                       | 20,055               |                                   |
| SK Broadband Co., Ltd.                  | 356                                 |                     |                     | 1,151                 | 34,264               | 40,388                            |
| PS&Marketing Corporation                |                                     |                     |                     |                       | 35,540               | 6,061                             |
| Service Ace Co., Ltd.                   |                                     |                     |                     |                       | 13,923               | 3,997                             |
| Service Top Co., Ltd.                   |                                     |                     |                     |                       | 11,979               | 3,367                             |
| Network O&S Co., Ltd.                   | 292                                 |                     |                     |                       | 2,952                | 170                               |
| SKT Vietnam PTE., Ltd.                  | 3,874                               |                     |                     |                       |                      |                                   |
| Others                                  | 1                                   |                     |                     |                       | 587                  | 150                               |
| <b>Associates:</b>                      |                                     |                     |                     |                       |                      |                                   |
| SK Marketing & Company Co., Ltd.        | 3,606                               |                     |                     |                       | 21,504               |                                   |
| F&U Credit Information Co., Ltd.        | 23                                  |                     |                     |                       | 3,760                |                                   |
| Wave City Development Co., Ltd.         | 38,412                              |                     |                     |                       |                      |                                   |
| HanaSK Card Co., Ltd.                   | 6,741                               |                     |                     |                       | 895                  |                                   |
| Daehan Kangun BcN Co., Ltd.             |                                     |                     | 14,786              |                       |                      |                                   |
| Others                                  |                                     | 575                 | 1,832               |                       | 1,027                |                                   |
| <b>Others:</b>                          |                                     |                     |                     |                       |                      |                                   |
| SK MNS Co., Ltd.                        | 993                                 |                     |                     |                       | 1,425                |                                   |
| SK Engineering & Construction Co., Ltd. | 1,078                               |                     |                     |                       | 2,672                | 82                                |
| SK Telesys Co., Ltd.                    | 489                                 |                     |                     |                       | 7,601                |                                   |
| SK Networks Co., Ltd.                   | 949                                 |                     |                     | 5,513                 | 16,677               | 696                               |
| MRO Korea Co., Ltd.                     |                                     |                     |                     |                       | 2,355                |                                   |
| Others                                  | 2,463                               |                     |                     | 91                    | 11,647               | 47                                |
| <b>Total</b>                            | <b>(Won) 83,644</b>                 | <b>(Won) 575</b>    | <b>(Won) 16,618</b> | <b>(Won) 6,755</b>    | <b>(Won) 287,599</b> | <b>(Won) 63,960</b>               |

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As of December 31, 2010

|   | Accounts<br>Receivable<br>and loans | Short-term<br>loans | Long-term<br>loans  | Guarantee<br>deposits | Accounts<br>payable  | Guarantee<br>deposits<br>received |
|---|-------------------------------------|---------------------|---------------------|-----------------------|----------------------|-----------------------------------|
| <b>Ultimate parent company:</b>         |                                     |                     |                     |                       |                      |                                   |
| SK C&C Co., Ltd.                        | (Won) 843                           | (Won)               | (Won)               | (Won)                 | (Won) 163,154        | (Won) 197                         |
| <b>Parent Company:</b>                  |                                     |                     |                     |                       |                      |                                   |
| SK Holdings Co., Ltd.                   | 524                                 |                     |                     |                       |                      |                                   |
| <b>Subsidiaries:</b>                    |                                     |                     |                     |                       |                      |                                   |
| SK Telink Co., Ltd.                     | 4,573                               |                     |                     |                       | 9,086                | 3,439                             |
| SK Communications Co., Ltd.             | 2,239                               |                     |                     |                       | 8,706                | 5,524                             |
| Loen Entertainment, Inc.                | 665                                 |                     |                     |                       | 4,058                |                                   |
| Ntreev Soft Co., Ltd.                   | 6,622                               |                     |                     |                       | 75                   |                                   |
| Commerce Planet Co., Ltd.               | 10,927                              |                     |                     |                       | 19,359               |                                   |
| SK Broadband Co., Ltd.                  | 3,373                               |                     |                     | 1,151                 | 63,917               | 39,462                            |
| PS&Marketing Corporation                | 1,085                               |                     |                     |                       | 27,133               | 5,913                             |
| Service Ace Co., Ltd.                   | 164                                 |                     |                     |                       | 10,078               | 3,890                             |
| Service Top Co., Ltd.                   | 542                                 |                     |                     |                       | 9,672                | 3,367                             |
| Network O&S Co., Ltd.                   | 184                                 |                     |                     |                       | 10,627               | 170                               |
| SK Telecom China Co., Ltd.              |                                     |                     |                     |                       | 6,984                |                                   |
| SKT Vietnam PTE., Ltd.                  | 4,205                               |                     |                     |                       |                      |                                   |
| SKT Americas, Inc.                      |                                     |                     |                     |                       | 7,830                |                                   |
| Others                                  | 224                                 |                     |                     |                       | 911                  | 150                               |
| <b>Associates:</b>                      |                                     |                     |                     |                       |                      |                                   |
| SK Marketing & Company Co., Ltd.        | 3,382                               |                     |                     |                       | 32,304               |                                   |
| F&U Credit Information Co., Ltd.        | 47                                  |                     |                     |                       | 7,002                |                                   |
| Wave City Development Co., Ltd.         | 38,412                              |                     |                     |                       |                      |                                   |
| HanaSK Card Co., Ltd.                   | 8,478                               |                     |                     |                       | 19,948               |                                   |
| Daehan Kanggun BcN Co., Ltd.            |                                     |                     |                     | 30,224                |                      |                                   |
| Others                                  | 9                                   | 575                 |                     | 1,831                 | 1,826                |                                   |
| <b>Others:</b>                          |                                     |                     |                     |                       |                      |                                   |
| SK MNS Co., Ltd.                        | 1,591                               |                     |                     |                       | 3,998                |                                   |
| SK Engineering & Construction Co., Ltd. | 1,171                               |                     |                     |                       | 16,148               | 82                                |
| SK Telesys Co., Ltd.                    | 14,197                              |                     |                     |                       | 30,037               |                                   |
| SK Networks Co., Ltd.                   | 2,911                               |                     |                     | 5,512                 | 32,734               | 489                               |
| MRO Korea Co., Ltd.                     | 5                                   |                     |                     |                       | 1,408                |                                   |
| Others                                  | 1,985                               |                     |                     | 96                    | 6,255                | 70                                |
| <b>Total</b>                            | <b>(Won) 108,358</b>                | <b>(Won) 575</b>    | <b>(Won) 32,055</b> | <b>(Won) 6,759</b>    | <b>(Won) 493,250</b> | <b>(Won) 62,753</b>               |

**b. Compensation for the key management**

The Company considers registered directors who have substantial roles and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the three months and nine months ended September 30, 2011 and 2010 are as follows (In millions of Korean won):

| Payee   | For the three months ended<br>September 30, 2011 |                          |           | For the nine months ended<br>September 30, 2011 |                          |             |
|---|--|--------------------------|-----------|---|--------------------------|-------------|
|   | Payroll  | Severance<br>indemnities | Total     | Payroll   | Severance<br>indemnities | Total       |
| Eight(8) Registered directors (including outside directors) | (Won) 399  | (Won) 107                | (Won) 506 | (Won) 9,230                                     | (Won) 731                | (Won) 9,961 |

| Payee   | For the three months ended<br>September 30, 2010 |                          |           | For the nine months ended<br>September 30, 2010 |                          |             |
|---|--|--------------------------|-----------|---|--------------------------|-------------|
|   | Payroll  | Severance<br>indemnities | Total     | Payroll   | Severance<br>indemnities | Total       |
| Eight(8) Registered directors (including outside directors) | (Won) 358  | (Won) 75                 | (Won) 433 | (Won) 2,651                                     | (Won) 518                | (Won) 3,169 |

**24. DERIVATIVE INSTRUMENTS****a. Currency swap contract under cash flow hedge accounting**

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 September 30, 2011, 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 (Won)5,971 million (net of tax effect totaling (Won)1,242 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling (Won)23,150 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 its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY12,500,000,000 issued on November 13, 2007. As of September 30, 2011, 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 (Won)1,240 million (net of tax effect totaling (Won)1,177 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling (Won)88,006 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 Corporation Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY3,000,000,000 issued on January 22, 2009. As of September 30, 2011, 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 (Won)2,325 million (net of tax effect totaling (Won)656 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)35 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-Mitsubishi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY5,000,000,000 issued on March 5, 2009. As of September 30, 2011, 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 (Won)760 million (net of tax effect totaling (Won)214 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)1,786 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and other five banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling US\$400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of September 30, 2011, in connection with unsecured foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)80,579 million (excluding tax effect totaling (Won)22,727 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling (Won)14,042 million) is accounted for as other comprehensive loss. Meanwhile, the gain on valuation of currency swap which was incurred before application of hedge accounting, amounting to (Won)129,806 million was charged to current operations.

b. 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, gain on valuation of currency swap of (Won)3,389 million and loss on valuation of interest swap of (Won)3,279 million for the nine months ended September 30, 2011 and 2010, respectively, are charged to current operations.



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As of September 30, 2011, 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 and millions of Korean won):

| Type   | Hedged item                                  | Amount         | Duration of Contract | Designated as Cash Flow Hedge | Fair value<br>Not Designated | Total         |
|--|--|----------------|----------------------|-------------------------------|------------------------------|---------------|
| <b>current assets:</b>                         |  |                |                      |                               |                              |               |
| Floating-to-fixed cross currency interest swap |  |                | Jan. 22, 2009        |                               |                              |               |
|  | Japanese yen denominated bonds               | JPY 3,000,000  | ~ Jan. 22, 2012      | (Won) 2,946                   | (Won)                        | (Won) 2,946   |
| <b>Non-current assets:</b>                     |  |                |                      |                               |                              |               |
| Floating-to-fixed cross currency swap          |  |                | Oct. 10, 2006        |                               |                              |               |
|  | U.S. dollar denominated long-term borrowings | US\$ 100,000   | ~ Oct. 10, 2013      | (Won) 15,937                  | (Won)                        | (Won) 15,937  |
| Fix-to-fixed cross currency swap               |  |                | Jul. 20, 2007        |                               |                              |               |
|  | U.S. dollar denominated bonds                | US\$ 400,000   | ~ Jul. 20, 2027      | 40,543                        |                              | 40,543        |
| Floating-to-fixed cross currency swap          |  |                | Nov. 13, 2007        |                               |                              |               |
|  | Japanese yen denominated bonds               | JPY 12,500,000 | ~ Nov. 13, 2012      | 88,068                        |                              | 88,068        |
| <b>Total assets</b>                            |  |                |                      | (Won) 147,494                 | (Won)                        | (Won) 147,494 |
| <b>Current liabilities:</b>                    |  |                |                      |                               |                              |               |
| Floating-to-fixed cross currency interest swap |  |                | Mar. 05, 2009        |                               |                              |               |
|  | Japanese yen denominated bonds               | JPY 5,000,000  | ~ Mar. 5, 2012       | 811                           |                              | 811           |
| Floating-to-fixed Interest rate swap           |  |                | Apr. 29, 2009        |                               |                              |               |
|  | U.S. dollar denominated bonds                | US\$ 220,000   | ~ Apr. 29, 2012      |                               | 1,654                        | 1,654         |
| <b>Total liabilities</b>                       |  |                |                      | (Won) 811                     | (Won) 1,654                  | (Won) 2,465   |

**25. SEPERATE STATEMENTS OF CASH FLOWS**

Adjustments for income and expenses from operating activities for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|   | For the nine months ended |                       |
|---|---------------------------|-----------------------|
|   | September 30,<br>2011     | September 30,<br>2010 |
| Gain on disposal of property, equipment and intangible assets | ((Won) 1,184)             | ((Won) 7,609)         |
| Interest income   | (113,505)                 | (168,076)             |
| Dividend income   | (33,676)                  | (38,981)              |
| Gain on foreign exchange translation                          | (225)                     | (15,402)              |
| Gain on valuation of financial assets at FVTPL                | (1,067)                   |                       |
| Gain on disposal of long term investments assets              | (158,495)                 | (26,836)              |
| Gain on valuation of derivatives                              | (3,389)                   |                       |
| Gain on valuation of financial liabilities at FVTPL           | (52,377)                  |                       |
| Gain on disposal of investments in associates                 | (1,990)                   | (6,408)               |
| Other income  | (2,879)                   | (1,405)               |
| Interest expenses   | 148,375                   | 204,821               |
| Loss on valuation of short-term investment securities         |                           | 6,404                 |
| Loss on foreign exchange translation                          | 9,283                     | 179                   |
| Loss on disposal of long term investments assets              | 302                       | 62                    |
| Loss on valuation of derivatives                              |                           | 20,806                |
| Loss on transaction of derivatives                            | 5,136                     |                       |
| Loss on valuation of financial liabilities at FVTPL           |                           | 9,287                 |
| Loss on disposal of investments in associates                 | 1,291                     |                       |
| Income tax expense  | 512,952                   | 429,252               |
| Provision for retirement benefits                             | 23,403                    | 23,003                |
| Depreciation and amortization                                 | 1,407,097                 | 1,217,531             |
| Bad debt expenses   | 29,295                    | 40,672                |
| Loss on disposal of property, equipment and intangible assets | 13,585                    | 33,479                |
| Other bad debt expenses                                       | 4,524                     | 4,259                 |
| Other expenses  | 4,854                     | 12,263                |
|   | (Won) 1,791,310           | (Won) 1,737,301       |

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Changes in assets and liabilities from operating activities for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | For the nine months ended |                       |
|--|---------------------------|-----------------------|
|  | September 30,<br>2011     | September 30,<br>2011 |
| Accounts receivable - trade            | (Won) 89,147              | (Won) 129,402         |
| Accounts receivable - other            | 1,202,545                 | (482,185)             |
| Advance payments                       | 36,957                    | (22,920)              |
| Prepaid expenses                       | 44,124                    | (10,175)              |
| Inventories                            | (6,843)                   | 7,029                 |
| Other current assets                   | 233                       | 13,271                |
| Long-term accounts receivables - other | 518,762                   | (148,799)             |
| Accounts payable -other                | (254,493)                 | (11,946)              |
| Advanced receipts                      | 8,939                     | 9,094                 |
| Withholdings                           | 137,191                   | 195,047               |
| Current provision                      | (6,165)                   | 148,461               |
| Accrued expenses                       | (7,939)                   | 42,697                |
| Unearned revenue                       | (33,213)                  | (43,292)              |
| Retirement benefit payment             | (17,072)                  | (12,744)              |
| Plan assets                            | 9,436                     | 4,380                 |
| Non-current provisions                 | 35,492                    | (11,771)              |
| Other non-current liabilities          | (1,064)                   | 40,767                |
|  | (Won) 1,756,037           | ((Won) 153,684)       |

Significant non-cash transactions for the nine months ended September 30, 2011 and 2010 are as follows (in millions of Korean won):

|  | For the nine months ended |                       |
|--|---------------------------|-----------------------|
|  | September 30,<br>2011     | September 30,<br>2010 |
| Transfer construction in progress to of property and equipment                   | (Won) 1,395,780           | (Won) 580,951         |
| Accounts payable -other of tangible assets and others                            | 197,189                   |                       |
| Write-off of accounts receivable-trade and others                                | 36,061                    | 31,320                |
| Transfer long-term borrowings to current portion of long-term debt account       |                           | 700,000               |
| Transfer bonds payable to current portion of long-term debt account              | 809,781                   | 418,760               |
| Transfer long-term payables - other to current portion of long-term debt account | 17,533                    | 170,000               |

**26. SUBSEQUENT EVENT**

On November 11, 2011, in accordance with the resolution of the Board of Directors, the Company agreed to acquire 146,100,000 shares of common stock in Hynix Semiconductor Inc. for approximately (Won)3,426,675 million on February 14, 2012. The Company will acquire the investee's common stock by cash settlement (old and new stock purchase), the Company's ownership for Hynix Semiconductor Inc. will be 21.05%.

**27. Spin-off**

In accordance with the resolution of the Board of Directors on July 19, 2011 and the approval of general meeting of shareholders on August 31, 2011, the Company spin off its platform business segment and established SK Planet Co., Ltd. on October 1, 2011 SK Planet Co.,Ltd. was registered on October 5, 2011. General information related to the split-off are summarized as follows:

|                  | Description  |
|------------------|--|
| Spin-off method  | Simple physical spin-off   |
| Spin-off company | SK Telecom Co., Ltd. (Surviving company)<br>SK Planet Co., Ltd. (New spin-off company) |
| Date of spin-off | October 1, 2011  |

The condensed financial information as of before and after the company's split-off are as follows;

|                            | Before               | After                |                     |
|----------------------------|----------------------|----------------------|---------------------|
|                            | (September 30 2011)  | (October 1, 2011)    |                     |
|                            | SK Telecom Co., Ltd. | SK Telecom Co., Ltd. | SK Planet Co., Ltd. |
| Total Assets               | (Won) 19,400,114     | (Won) 19,084,651     | (Won) 1,545,537     |
| Total Liabilities          | 7,673,828            | 7,358,365            | 315,463             |
| Total Shareholders' Equity | 11,726,286           | 11,726,286           | 1,230,074           |

**28. FINANCIAL RISK MANAGEMENT*****Financial Risk Factors***

The Company is exposed to credit risk, liquidity risk and market risks. The Company implements a risk management system to monitor and manage these specific risks.

The Company's financial assets under financial risk management consist of cash and cash equivalents, financial instruments, financial assets available-for-sale, trade and other receivables, and financial liabilities such as trade and other payables, borrowings, and bonds payable.

*a. Market risk**a-(1) Currency risk*

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

The book value of the Company's monetary assets and liabilities denominated in foreign currencies as of September 30, 2011, is as follows (In millions of Korean won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese yen, thousands of other currencies):

|      | Assets             |                       | Liabilities        |                       |
|------|--------------------|-----------------------|--------------------|-----------------------|
|      | Foreign currencies | Korean won equivalent | Foreign currencies | Korean won equivalent |
| US\$ | 6,835              | (Won) 8,062           | 1,063,205          | (Won) 1,254,044       |
| EUR  | 283                | 454                   | 2,059              | 3,297                 |
| JPY  | 52,411             | 805                   | 20,501,392         | 315,026               |
| SGD  |                    |                       | 519                | 954                   |
| CNY  |                    |                       | 19                 | 3                     |
|      |                    | (Won) 9,321           |                    | (Won) 1,573,324       |

Effects of a 10% change in foreign currency to the Company's functional currency on income before income tax as of September 30, 2011 are as follows (In millions of Korean won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese yen, thousands of other currencies):

|        | 10% increase in KRW against foreign currency | 10% decrease in KRW against foreign currency |
|--------|--|--|
| US\$   | ((Won) 66,408)                               | (Won) 66,408                                 |
| EUR    | (284)  | 284  |
| JPY    | (229)  | 229  |
| Others | (196)  | 196  |

*a-(2) Equity price risk*

The Company has investments in listed and non-listed equity securities for its liquidity and ongoing operational purposes. As of September 30, 2011, marketable equity securities is (Won)1,102,282 million.

a-(3) Interest rate risk

The Company's interest bearing assets are mostly fixed-interest bearing assets, as such, the Company's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Company is exposed to interest rate risk due to its borrowing with floating interest rate. The Company considers various alternatives to hedge its interest rate risk and optimize its financing, which includes refinancing, renewal, alternative finance and hedging options.

As of September 30, 2011, borrowings and bonds payables with floating interest rate is (Won)691,224 million and the Company has entered into interest rate swaps to hedge interest rate risk related to all floating-rate borrowings and bonds payables(Refer to Note 24).

As such, there would be no change in income before income tax even if there would be change in interest rate.

*b. Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information the Company establishes credit limits for each customer or counterparty.

For the nine months ended September 30, 2011, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are significantly overdue. As a result, the Company believes that the possibility of default is low. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institution. The amount of maximum exposure to credit risk of the Company is same as the book value of financial assets as of September 30, 2011.

In addition, the aging analysis of trade and other receivables that are past due at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 21.

*c. Liquidity risk*

The Company's approach to managing liquidity is to ensure that it maintains sufficient cash equivalents balance and liquidity through the utilization of its various committed credit lines, while operating an effective & effective business.

The contractual maturity of financial liabilities of the Company as of September 30, 2011 is as follows (in millions of Korean won):

|                         | Less than 1 year       | 1-5 years              | More than 5 years    | Total                  |
|-------------------------|------------------------|------------------------|----------------------|------------------------|
| Borrowings              | (Won) 500,000          | (Won) 117,950          | (Won) 617,950        | (Won) 617,950          |
| Bonds payable (Note a)  | 991,697                | 1,512,076              | 671,800              | 3,175,573              |
| Derivatives liabilities | 2,465                  |                        |                      | 2,465                  |
| Other payables (Note b) | 1,483,982              | 317,843                |                      | 1,801,825              |
| <b>Total</b>            | <b>(Won) 2,978,144</b> | <b>(Won) 1,947,869</b> | <b>(Won) 671,800</b> | <b>(Won) 5,597,813</b> |

(Note a) Exclusive of bond discount.

(Note b) Includes undiscounted long-term payables and long-term security deposits the Company received.

**Capital Management**

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The Company overall strategy remains unchanged since 2010.

The Company monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total debt divided by total equity; the total debt and equity is extracted from the separate financial statements.

Debt-equity ratio as of September 30, 2011 and December 31, 2010 are as follows (In millions of Korean won):

|                   | September 30, 2011 | December 31, 2010 |
|-------------------|--------------------|-------------------|
| Debt              | (Won) 7,673,828    | (Won) 8,146,168   |
| Equity            | 11,726,286         | 11,580,958        |
| Debt-equity ratio | 65.44%             | 70.34%            |

**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/ Soo Cheol Hwang  
*(Signature)*

Name: Soo Cheol Hwang  
Title: Senior Vice President

Date: January 6, 2012