

SK TELECOM CO., LTD.

ANNUAL FINANCIAL REPORT

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

29 April 2011

Financial Services Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Dear Sir/Madam,

I, Ki Wook Lee, an authorized employee of SK Telecom Co., Ltd. (the "Company"), as the person responsible for the submission of the annual financial report pursuant to Section 18.4.3A of Listing Rule and Section 4.1.3R of Disclosure and Transparency Rule, have reviewed the information contained herein and find that, to the best of my knowledge and having taken all reasonable care to ensure accuracy, the information is in accordance with the facts and contains no omission likely to affect its import.

In particular, I confirm that:

- (a) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole; and
- (b) the management report includes a fair review of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

In addition, all information provided by third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Yours faithfully,



Name: Ki Wook Lee

Position: Senior Vice President

Table of Contents

I. Company Overview	3
II. Business	11
III. Financial Information	19
IV. Auditor's Opinion	20
V. Management Discussion and Analysis	23
VI. Corporate Organization including Board of Directors and Affiliated Companies	28
VII. Shareholders Information	42
VIII. Employees	45
IX. Transactions with Parties Having Interests	46
X. Other Information Relating to the Protection of Investors	48
XI. Description of the Principal Risks and Uncertainties	52

Attachment 1: Korean GAAP Non-consolidated Financial Statements

Attachment 2: Korean GAAP Consolidated Financial Statements

I. COMPANY OVERVIEW

1. Company Overview

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Corporate Purpose of the Company

Business Objectives
<ol style="list-style-type: none">1. Information and communication business2. Handset sales and lease business3. New media business4. Advertisement business5. Communication sales business6. Real estate business(development, maintenance, leasing, etc.) and chattel leasing business7. Research and technology development related to Clause 1 through 48. Overseas business and trading business related to Clause 1 through 49. Manufacturing and distribution business related to Clause 1 through 410. Tourism11. Electronic financial business12. Motion picture business (Production, Importation, Distribution, Screening)13. Lifetime education and lifetime educational facilities management14. Electric related construction business15. Information and communication related work business16. Ubiquitous city construction and service business17. Any business or undertaking incidental or conducive to the attainment of the objects above

E. Credit Ratings

(1) Corporate Bonds

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
February 20, 2008	Corporate bond	AAA	Korea Ratings	Current rating
February 21, 2008	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 21, 2008	Corporate bond	AAA	Korea Information Services, 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
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

* 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”)

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
June 3, 2008	CP	A1	Korea Ratings	Current rating
June 16, 2008	CP	A1	Korea Information Services, Inc.	Current rating

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
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
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

* 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

Date of credit rating	Subject of rating	Credit rating of securities	Credit rating company (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

A. Location of Headquarters

- 22 Dohwa-dong, Mapo-gu, Seoul (July 11, 1988)
- 16-49 Hangang-ro 3-ga, Yongsan-gu, Seoul (November 19, 1991)
- 267 Namdaemun-ro 5-ga, Jung-gu, Seoul (June 14, 1995)

- 99 Seorin-dong, Jongro-gu, Seoul (December 20, 1999)

- 11 Euljiro 2-ga, Jung-gu, Seoul (December 13, 2004)

B. Significant Changes in Management

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

C. Other Important Matters related to Management Activities

(1) Sale of IHQ, Inc. shares.

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

(2) Interim Dividends

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

- Amount of interim dividends: Cash dividends of Won 1,000 per share (Total amount of interim dividend: Won 72,344,999,000)

- Market dividend rate: 0.61%

- Record date: June 30, 2010

- Dividend payment date: Within 20 days from the date of the resolution of the Board of Directors.

(3) Acquisition of Treasury Stock

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

(4) SK C&C stock sale

On October 8, 2010, the Company sold 2,450,000 shares of SK C&C Co., Ltd. ("SK C&C") out of 4,500,000 shares of SK C&C previously held, through an over-the-counter market transaction, at a price of Won 83,000 per

share (total sales price of Won 203,350 million). After the sale, the Company's ownership interest in SK C&C decreased to 4.1% from 9%.

(5) Additional sale of SK C&C stock

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

3. Total Number of Shares

A. Total number of shares

(As of December 31, 2010)

(Unit: shares)

Classification	Share type			Remarks
	Common shares	-	Total	
I. Total number of authorized shares	220,000,000	-	220,000,000	-
II. Total number of shares issued to date	89,278,946	-	89,278,946	-
III. Total number of shares retired to date	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	-	-	-	-
IV. Total number of shares (II-III)	80,745,711	-	80,745,711	-
V. Number of treasury shares	9,650,712	-	9,650,712	-
VI. Number of shares outstanding (IV-V)	71,094,999	-	71,094,999	-

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

B. Treasury Stock

(1) Acquisitions and Dispositions of Treasury Stocks

(As of December 31, 2010)

(Unit: Shares)

Acquisition methods	Type of shares	At the beginning of period	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	Direct acquisition from market	Common shares	4,436,028	1,250,000	-	-	5,686,028
			Preferred shares	-	-	-	-	-
		Tender offer	Common shares	-	-	-	-	-
			Preferred shares	-	-	-	-	-
		Appraisal rights of dissenting shareholder	Common shares	-	-	-	-	-
			Preferred shares	-	-	-	-	-
		Sub-total	Common shares	4,436,028	1,250,000	-	-	5,686,028
			Preferred shares	-	-	-	-	-
	Acquisition through trust and other agreements	Held by trustee	Common shares	3,886,710	-	3,886,710	-	-
			Preferred shares	-	-	-	-	-
		Held in actual stock	Common shares	-	3,886,710	-	-	3,886,710
			Preferred shares	-	-	-	-	-
		Sub-total	Common shares	3,886,710	3,886,710	3,886,710	-	3,886,710
			Preferred shares	-	-	-	-	-
Other acquisition			Common shares	77,974	-	-	-	
			Preferred shares	-	-	-	-	-
Total			Common shares	8,400,712	5,136,710	3,886,710	-	9,650,712
			Preferred shares	-	-	-	-	-

* Among 5,764,002 shares directly acquired by the Company, 2,090,996 shares were deposited with the Korea Securities Depository as of December 31, 2010 for issuance upon conversion of the overseas convertible bonds.

In addition, due to the termination of trust agreements for acquisition of treasury stock, the Company directly holds shares of treasury stock that it acquired through trust agreements. For more information, please refer to the reports on termination of trust agreements previously disclosed between October 26, 2010 and November 3, 2010 through the Korean Financial Supervisory Service.

4. Status of Voting Rights

(As of December 31, 2010)

(Unit: shares)

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

5. Dividends and Others

A. Dividends

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

B. Dividends for the Last 3 Fiscal Years

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

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

Stock dividend per share (share)	Common share	-	-	-
	Preferred share	-	-	-

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

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

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

II. BUSINESS

1. Business Overview

A. Industry Characteristics

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

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

B. Growth Potential

(Unit: 1,000 persons)

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

(Source: Korea Communications Commission website)

C. Domestic and Overseas Market Conditions

The Korean mobile communication market includes the entire population of Korea with mobile communication service needs, and almost every Korean is considered a potential user. Although demand has primarily been in the domestic market, as the business territory expands to overseas market, the size of overseas sales is expected to grow in the near future. In addition, sales revenue related to data services is expected to increase due to the increasing popularity of smart phones and wireless Internet. Business-to-business segment that creates added values

by adding additional solutions and applications is also growing. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

Historical market share of the Company:

(As of December 31, 2010) (Unit: %)

Classification	As of December 31, 2010	As of December 31,		
		2009	2008	2007
Mobile communication services	50.6	50.6	50.5	50.5

Comparative market share:

(As of December 31, 2010) (Unit: %)

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

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

The Company will comply with the guideline set by the Korea Communications Commission that limits marketing expenses of mobile communication business operators to stabilize the competition in the mobile service markets, while maintaining its competitive advantage based on fundamental strengths deriving from handsets, price plans, networks and contents. In 2010, the Company consistently strived to facilitate wireless Internet communication and enhance customers' benefits through the expansion of smart phone offerings, provision of unlimited data service and introduction of data-only frequency assignment, one-person multi-device price plans and T-Store, which is an open marketplace for mobile applications. The vitalization of the Company's T-Store, which has grown rapidly in the number of subscribers, contents and downloads, has enhanced the Company's competitiveness in the wireless data market.

As of December 31, 2010, the Company reached a subscriber number of approximately 25,710,000 and a 50.6% market share of the wireless market in Korea in terms of the number of subscribers. The Company plans to establish its leadership among users of smart phones by introducing various mobile platforms and streamlining the subscription process and pricing structures to enable subscribers to easily access their mobile content from multiple devices. The Company also plans to maintain its leadership in wireless Internet market by providing innovative user interface for content access and through investment in data networks, network sharing and support of the content production.

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

The Company will also continue its efforts to become a global leader in information and communication technology. It plans to actively respond to secular changes such as the growing popularity of smart phones and wireless Internet, as well as gaining competitive strengths in the IPE business. In particular, the Company intends to pursue opportunities to grow the wireless broadband and IPE businesses in Korea and abroad.

2. Major Products & Services

A. Updates on Major Products and Services

(Unit: in millions of Won, %)

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

B. Price Fluctuation Trend of Major Products and Services

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

was Won 2 per 1 second and based on the Company's Standard Plan, basic service fee was Won 12,000 per month and the usage fee was Won 1.8 per 1 second.

3. Investment Status

A. Investment in Progress

(Unit: in 100 millions of Won)

Business field	Classification	Investment period	Subject of investment	Investment effect	Total investments	Amount already invested	Future investment
Network/Common	Upgrade/ New installation	2010	Network, systems and others	Capacity increase and quality improvement; systems improvement	To be determined	18,453	To be determined
Total				-	To be determined	18,453	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	20,000	20,000	To be determined	To be determined	Upgrades to the existing services and provision of new services
Total		20,000	20,000	To be determined	To be determined	Upgrades to the existing services and provision of new services

4. Revenues

(Unit: in millions of Won)

Business field	Sales type	Item		2010	2009	2008
Information and communication	Services	Mobile communication	Export	-	-	-
			Domestic	11,981,528	11,820,202	11,492,832
			Subtotal	11,981,528	11,820,202	11,492,832
	-	Others	Export	599	2,339	5,855
			Domestic	477,863	278,643	175,975
			Subtotal	478,462	280,982	181,830

Total	Export	599	2,339	5,855
	Domestic	12,459,391	12,098,845	11,668,807
	Total	12,459,990	12,101,184	11,674,662

5. Derivative Transactions

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

A. Currency Swap

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

(2) Contract Terms

- Currency swap contract applying cash flow risk hedge accounting

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

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

In addition, the Company has entered into a currency and interest rate swap contract with two banks including HSBC in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (56-2) with face amounts totaling JPY 12,500,000,000 issued on November 13, 2007. As of December 31, 2010, in connection with this unsettled currency and interest rate swap contracts, an accumulated gain

on valuation of derivatives amounting to Won 5,804,000 (excluding tax effect totaling Won 1,525,007,000 and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling Won 70,580,613,000) was accounted for as accumulated other comprehensive gain.

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

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

In addition, the Company has entered into a currency swap contract with six banks including Morgan Stanley to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds (with face amounts totaling US\$400,000,000) issued on July 20, 2007, and has applied cash flow risk hedge accounting to this foreign currency swap contract starting from May 12, 2010. Accordingly, as of December 31, 2010, in connection with this unsettled foreign currency swap contract, an accumulated loss on valuation of currency swap of Won 54,178,521,000 that has accrued since May 12, 2010 (excluding tax effect totaling Won 15,281,121,000 and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling Won 1,930,203,000) was accounted for as accumulated other comprehensive loss. Meanwhile, a loss on valuation of currency swap of Won 129,806,021,000 incurred prior to the date of applying cash flow risk hedge accounting was charged to current operations.

B. Interest Rate Swap

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

(2) Contract Terms

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

The Company has entered into an interest rate swap contract with three banks including Nonghyup Bank in order to hedge the interest rate risk of long-term borrowings (totaling Won 500 billion) during the period between July 28, 2008 and August 12, 2011. As of December 31, 2010, in connection with unsettled interest rate swap contract to

which the cash flow risk hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to Won 5,719,556,000 (excluding tax effect totaling Won 1,826,032,000) was accounted for as accumulated other comprehensive loss.

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

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

6. Major Contracts

Category	Vendor	Start Date	Completion Date	Contract Title	Contract Amount (Won 100M)
Construction	SK E&C	January 1, 2010	December 31, 2010	2010 Base Transceiver Station ("BTS") Facility Construction (Seoul Metropolitan Area)	855
	SK E&C	January 1, 2010	December 31, 2010	2010 RF Relay Facility Construction (Seoul Metropolitan Area)	546
	SK Broadband	January 1, 2010	December 31, 2010	2010 Network, B2B building Facility Construction (SORO)	241
Service	SK C&C	January 1, 2010	December 31, 2010	2010 IT SM Contract	2,010
	SK Marketing & Company	January 1, 2010	December 31, 2010	2010 Membership Collaboration Program	717
	Network O&S	July 1, 2010	December 31, 2010	2010 BTS Maintenance	604
Product/ Equipment	SK Telesys	March 12, 2010	December 24, 2010	2010 1st Optical Relay Facility Investment	315
	SK Telesys	March 12, 2010	December 24, 2010	2010 1st RF Relay Facility Investment	297
	Samsung Electronics	May 31, 2010	September 20, 2010	2010 2nd Main Equipment W 5/6FA UHPA Samsung	222
Subtotal					5,807

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

7. R&D Investments

(Unit: in millions of Won)				
Category	For the year ended December 31, 2010	For the year ended December 31, 2009	For the year ended December 31, 2008	Remarks
Raw material	41	55	89	-
Labor	42,514	47,183	38,063	-

(Unit: in millions of Won)

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

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 (Non-consolidated)

(Unit: in millions of Won)

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

(Unit: Won)

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

2. Summary Financial Information (Consolidated)

(Unit: in millions of Won)

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

* See the attached Korean GAAP Consolidated Financial Statements.

IV. AUDITOR'S OPINION

1. Auditor

Year ended December 31,		
2010	2009	2008
Deloitte Anjin LLC	Deloitte Anjin LLC	Deloitte Anjin LLC

2. Audit Opinion

Term	Auditor's opinion	Issues noted
Year ended December 31, 2010	Unqualified	-
Year ended December 31, 2009	Unqualified	-
Year ended December 31, 2008	Unqualified	-

3. Remuneration for Independent Auditors for the Past Three Fiscal Years

A. Audit Contracts

(Unit: in thousands of Won)

Term	Auditors	Contents	Fee	Total hours
Year ended December 31, 2010	Deloitte Anjin LLC	Semi-annual review	1,563,770	16,810
		Quarterly review		
		Non-consolidated financial statements audit		
		Consolidated financial statements audit		
		IFRS-based financial statements review		
		English financial statements review and other audit task		
Year ended December 31, 2009	Deloitte Anjin LLC	Semi-annual review	1,308,356	13,982
		Quarterly review		
		Non-consolidated financial statements audit		
		Consolidated financial statements audit		
		English financial statements review and other audit task		
Year ended December 31, 2008	Deloitte Anjin LLC	Semi-annual review	1,310,097	13,346
		Quarterly review		
		Non-consolidated financial statements audit		
		Consolidated financial statements audit		
		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
Year ended December 31, 2010	July 20, 2010	Management consulting	4 days	5,000
	July 28, 2010	Tax consulting	15 days	18,000
	July 28, 2010	Tax consulting	5 days	6,600
	July 28, 2010	Tax consulting	30 days	40,000
	July 28, 2010	Tax consulting	20 days	23,100
	December 23, 2010	Tax consulting	3 days	7,700
	December 23, 2010	Tax consulting	20 days	24,600
	December 29, 2010	Tax consulting	15 days	17,000
Year ended December 31, 2009	May 13, 2009	Tax consulting	30 days	40,000
	May 22, 2009	Tax consulting	10 days	10,000
	May 22, 2009	Tax adjustment for fiscal year 2008	20 days	34,000
	May 22, 2009	Review of deferred corporate income tax for 1Q and 2Q	10 days	14,000
	September 14, 2009	Review of quarterly tax adjustments	5 days	7,000
	September 14, 2009	Tax consulting	20 days	20,000
	December 28, 2009	Review of quarterly tax adjustments	5 days	7,000
	December 28, 2009	Tax consulting	10 days	12,000
Year ended December 31, 2008	November 20, 2007	Set up services for agency tax manual	60 days	48,000
	March 3, 2008	Tax adjustment for fiscal year 2007	10 days	33,000
	May 15, 2008	Tax consulting	5 days	7,500
	June 24, 2008	Foreign tax consulting re indirect taxes	4 days	6,000
	August 13, 2008	Tax consulting	10 days	9,400
	November 1, 2008	Tax consulting	4 days	5,000
	November 19, 2008	Tax consulting	10 days	10,800
	November 19, 2008	Review of deferred corporate income tax for 1Q and 2Q	10 days	18,000
	December 24, 2008	Review of deferred corporate income tax for 3Q	3 days	6,000
	December 24, 2008	Tax consulting	3 days	3,600
	December 24, 2008	Tax consulting	3 days	3,000

V. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS RESULTS (NON-CONSOLIDATED)

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

2. ANALYSIS OF OPERATING DATA

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

As of December 31, 2010, the Company reached a subscriber number of approximately 25.7 million and the Company's revenue in 2010 amounted to Won 12.46 trillion, despite rapid changes in the management

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

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

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

3. ANALYSIS OF OPERATING REVENUE

(Unit: in billions of Won)	2010	2009	Change from 2010 to 2009	2009	2008	Change from 2008 to 2009
Sign-up fees	326	404	-19%	404	400	1%
Monthly fees	4,502	4,161	8%	4,161	3,591	16%
Call charges	2,745	3,259	-16%	3,259	3,683	-12%
Value-added & other service fees	646	394	64%	394	344	14%
Wireless Internet	3,010	2,660	13%	2,660	2,438	9%
% of Cellular service	26.8%	24.5%	2.4%p	24.5%	23.4%	1.1%p
Total Cellular service	11,229	10,877	3%	10,877	10,456	4%
Interconnection revenue	1,231	1,225	0%	1,225	1,218	1%
Land to Mobile	455	451	1%	451	473	-5%
Mobile to Mobile	776	774	0%	774	745	4%
Total operating revenue	12,460	12,101	3%	12,101	11,675	4%

Sign-up fees decreased in 2010 mainly due to the reduction of the Company's sign-up fee from November 2009. Monthly fees increased mainly due to increases in the average number of subscribers and in the number of

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

4. ANALYSIS OF OPERATING EXPENSES

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

Labor costs increased in 2010 from the previous year due among others to a one-off effect of changing the Company's accounting policy related to annual bonus payments. Labor costs increased in 2009 from the previous year due among others to a change of bonus payment dates. Marketing commissions increased each of 2010 and 2009 from the previous year due primarily to an increase in initial commissions as a result of competitive market conditions and an increase in new subscribers. Other commissions increased in 2010 from the previous year due among others to a one-time increase in commissions paid in connection with the change of purchasing entity of handset installment receivables, and decreased in 2009 from the previous year due among others to a decrease in expenses related to long-term accounts receivable for handsets sold on installment payment plans.

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

5. ANALYSIS OF NON-OPERATING INCOME / EXPENSES

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

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

6. ANALYSIS OF FINANCIAL CONDITION (NON-CONSOLIDATED)

(Unit: in billions of Won)	As of December 31, 2010	As of December 31, 2009	Change from 2009 to 2010	As of December 31, 2009	As of December 31, 2008	Change from 2008 to 2009
Current assets	5,483	4,983		4,983	3,991	24.9%
Quick assets	5,474	4,960	10%	4,960	3,977	24.7%
Cash and cash equivalent	357	421	-15%	421	434	-3.1%
Short-term financial instruments	300	178	69%	178	98	80.9%
Short-term investment securities	394	370	6%	370	370	0.1%
Accounts receivable	1,604	1,700	-6%	1,700	1,635	4.0%
Allowance for doubtful accounts	-151	-143	6%	-143	-58	144.3%
Inventory	9	23	-61%	23	14	62.7%
Non-current assets	13,477	14,315	-6%	14,315	14,627	-2.1%
Investments	4,941	5,108	-3%	5,108	5,668	-9.9%
Property and Equipment	5,028	5,197	-3%	5,197	4,698	10.6%
Intangible assets	2,514	2,666	-6%	2,666	2,942	-9.4%
Other non-current assets	995	1,344	-26%	1,344	1,319	1.9%

(Unit: in billions of Won)	As of December 31, 2010	As of December 31, 2009	Change from 2009 to 2010	As of December 31, 2009	As of December 31, 2008	Change from 2008 to 2009
Total assets	18,960	19,298	-2%	19,298	18,617	3.7%
Current liabilities	4,260	3,295	29%	3,295	3,412	-3.5%
Short-term borrowings	-	-	-	-	155	-100.0%
Accounts payable	1,281	1,136	13%	1,136	1,040	9.3%
Current portion of long-term debt	1,212	515	135%	515	698	-26.2%
Non-current liabilities	3,246	4,762	-32%	4,762	4,476	6.4%
Bonds payable	2,950	3,491	-15%	3,491	2,943	18.6%
Long-term borrowings	114	817	-86%	817	826	-1.1%
Total liabilities	7,505	8,056	-7%	8,056	7,888	2.1%
Capital	45	45	0%	45	45	0.0%
Capital surplus	3,032	3,032	0%	3,032	2,957	2.5%
Capital adjustment	-2,954	-2,708	9%	-2,708	-2,148	26.1%
Other Cumulative Profit and Loss	642	914	-30%	914	374	144.5%
Retained earnings	10,690	9,959	7%	9,959	9,501	4.8%
Total stockholders' equity	11,454	11,241	2%	11,241	10,729	4.8%
Total liabilities and stockholders' equity	18,960	19,298	-2%	19,298	18,617	3.7%

The Company's current assets increased in 2010 from the end of the previous year due primarily to an increase in the handset installment receivables. Investment assets decreased in 2010 from the end of the previous year due among others to the disposition of long-term investment assets such as shares of Sprint Nextel, SK C&C, and iHQ. The Company's cash and short-term financial instruments increased in 2009 from the end of the previous year due primarily to the sale in 2009 of shares of SK C&C and China Unicom. Investment assets decreased in 2009 from the end of the previous year due among others to the sale of shares of China Unicom. Current portion of long-term debt increased in 2010 mainly due to the reclassification of global bond issued in 2004 from long-term debt to current portion of long-term debt. Debt-to-equity ratio declined in 2010 from the end of the previous year primarily due to the repayment of borrowings in the fourth quarter of 2010. Debt-to-equity ratio declined in 2009 from the end of the previous year due to the repayment of borrowings and an increase in capital. Stockholders' equity increased in each of 2010 and 2009 from the end of the previous year due to an increase in retained earnings.

7. ANALYSIS OF LIQUIDITY AND SOLVENCY

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

8. FINANCING

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

VI. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS AND AFFILIATED COMPANIES

1. Board of Directors

A. Overview of Board of Directors Composition

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

	Inside directors	Independent directors
Name	Jae Won Choi, Sung Min Ha, Jin Woo So	Dal Sup Shim, Rak Yong Uhm, Hyun Chin Lim, Jay Young Chung, Jae Ho Cho

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

Meeting	Date	Agenda	Approval
312nd (the first meeting of 2010)	January 27, 2010	<ul style="list-style-type: none"> - Financial Statements as of and for the year ended December 31, 2009. - Annual Business Report as of and for the year ended December 31, 2009 - Donation for Happynanum - Report for Internal Accounting Management System - Report for Subsequent Events following 4Q 2009 	<p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p>
313rd (the second meeting of 2010)	February 11, 2010	<ul style="list-style-type: none"> - Convocation of the 26th Annual General Meeting of Shareholders - Result of Internal Accounting Management System Evaluation 	Approved as proposed
314th (the third meeting of 2010)	March 12, 2010	<ul style="list-style-type: none"> - Appointment of Committee Members - Fund Management Transaction with Affiliated Financial Company (SK Securities) - Establishment of SPC and Limited Partnership Agreement between SPC and Offshore Private Equity Fund 	<p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p>

Meeting	Date	Agenda	Approval
315th (the fourth meeting of 2010)	April 26, 2010	<ul style="list-style-type: none"> - Establishment of SKT Customer Contact Channel Subsidiary - Establishment of SKT Cell Site Maintenance Subsidiary - Business Plan for Joint Venture with Disney - Acquisition of Additional WCDMA Frequency - Extension of KIF (Korea IT Fund) Maturity - Partial Disposition of Shares of IHQ, Inc. - Report for Subsequent Events following 1Q 2010 	<p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p>
316th (the fifth meeting of 2010)	May 26, 2010	<ul style="list-style-type: none"> - Investment in Packet One Networks - Investment in Harbinger Global Wireless (HGW) 	<p>Approved as proposed</p> <p>Approved as proposed</p>
317th (the sixth meeting of 2010)	June 24, 2010	<ul style="list-style-type: none"> - Fund Management Transaction with Affiliated Financial Company (SK Securities) - Additional investment in network equipment in 2010 	<p>Approved as proposed</p> <p>Approved as proposed</p>
318th (the seventh meeting of 2010)	July 22, 2010	<ul style="list-style-type: none"> - Proposal for Interim Dividend - Proposal for acquisition of treasury stock - Financial performance during 1H 2010 - Report for Subsequent Events following 2Q 2010 - Performance review of compliance program for 1H 2010 and planning for 2H 2010 	<p>Approved as proposed</p> <p>Approved as proposed</p>
319th (the eighth meeting of 2010)	September 15, 2010	<ul style="list-style-type: none"> - Fund Management Transaction with Affiliated Financial Company (SK Securities) - Restructuring of Receivables related to Handset Installment Payment Plans 	<p>Approved as proposed</p>
320th (the ninth meeting of 2010)	November 19, 2010	<ul style="list-style-type: none"> - Cell Site Maintenance - Customer Contact Channel - Donation remittance for Happynanum - Report for Subsequent Events following 3Q 2010 	<p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>-</p>
321th (the tenth meeting of 2010)	December 17, 2010	<ul style="list-style-type: none"> - 2011 business plan - Fund Management Transaction with Affiliated Financial Company (SK Securities) - SK Broadband fixed line resale - Performance review of compliance program for 2010 and planning for 2011 	<p>Approved as proposed</p> <p>Approved as proposed</p> <p>Approved as proposed</p> <p>-</p>

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

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

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

Meetings	Dates	Independent Directors Attended	Description
The first meeting of 2010	January 27, 2010	5 / 5	-
The second meeting of 2010	February 11, 2010	5 / 5	-
The third meeting of 2010	March 12, 2010	5 / 5	-
The fourth meeting of 2010	April 26, 2010	5 / 5	-
The fifth meeting of 2010	May 26, 2010	4 / 5	Jay Young Chung absence
The sixth meeting of 2010	June 24, 2010	5 / 5	-
The seventh meeting of 2010	July 22, 2010	5 / 5	-
The eighth meeting of 2010	September 15, 2010	5 / 5	-
The ninth meeting of 2010	November 19, 2010	5 / 5	-
The tenth meeting of 2010	December 17, 2010	5 / 5	-
The first meeting of 2011	January 21, 2011	5 / 5	-
The second meeting of 2011	February 10, 2011	4 / 5	Hyun Chin Lim absence
The third meeting of 2011	March 11, 2011	5 / 5	-

C. Committees within Board of Directors

(1) Committee Structure

a) Independent Director Nomination Committee

(As of March 31, 2011)

Number of Persons	Members		Task
	Inside Directors	Independent Directors	
4	Sung Min Ha, Jin Woo So	Rak Yong Uhm, Jae Ho Cho	Nomination of independent directors

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

b) Audit Committee

(As of March 31, 2011)

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

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

c) Compensation Review Committee

(As of March 31, 2011)

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

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

d) Capex Review Committee

(As of March 31, 2011)

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

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

e) Corporate Citizenship Committee

(As of March 31, 2011)

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

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

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

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

Committee Name	Date of Activity	Agenda	Approval	Independent Directors		
				Dal Sup Shim (Attendance: 100%)	Rak Yong Uhm (Attendance: 100%)	Jay Yung Chung (Attendance: 100%)
				Vote		
CapEx Committee	February 10, 2010	Business plan and pending agenda for major investment	-	-	-	-
	March 11, 2010	Business plan and pending agenda for major investment	-	-	-	-
	April 26, 2010	Election of Chairman of Committee – Rak Yong Uhm	Approved as proposed	For	For	For
	August 24, 2010	Business plan and pending agenda for major investment	-	-	-	-

	December 16, 2010	Investment plan for 2011	-	-	-	-
	February 10, 2011	Business plan and pending agenda for major investment	-	-	-	-

* Agendas filled in with hyphens are for reporting purpose only

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

Committee Name	Date of Activity	Agenda	Approval	Independent Directors		
				Rak Yong Uhm (Attendance: 100%)	Hyun Chin Lim (Attendance: 67%)	Jay Yung Chung (Attendance: 100%)
				Vote		
Corporate Citizenship Committee	March 12, 2010	Environment Friendly Business Plan	-	-	-	-
		Result of Social Contribution Expenditures	-	-	-	-
		Result and Plan for Win-Win Business Strategy	-	-	-	-
	April 23, 2010	Election of Chairman of Committee – Jay Young Chung	Approved as proposed	For	Absence	For
		Status of Customer Protection	-	-	-	-
		2010 Ethical Management Plan	-	-	-	-

	July 21, 2010	Preparation of Greenhouse Gas Inventory	-	-	-	-
		Operating System for Sustainability Index	-	-	-	-
	November 18, 2010	Operating plan for CSR performance management system	-	-	-	-

* Agendas filled in with hyphens are for reporting purpose only

D. Directors' Independence

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

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

Name	Independent Director	Task
Sung Min Ha	No	o Nomination of independent directors
Jin Woo So	No	
Rak Yong Uhm	Yes	
Jae Ho Cho	Yes	

2. Audit System

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

Major activities of the Audit Committee are as follows.

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

Meeting	Date	Agenda	Approval	Remarks
The sixth meeting of 2010	June 23, 2010	<ul style="list-style-type: none"> 3Q 2010 Transactions with SK C&C Co., Ltd Consulting Service regarding Customer Contact Channel Base Station Maintenance Service Fund Management Transaction with Affiliated Company (SK Securities) Reports on 2009 US GAAP Audit 	Approved as proposed Approved as proposed Approved as proposed Approved as proposed -	
The seventh meeting of 2010	July 21, 2010	<ul style="list-style-type: none"> 1st half 2010 Financial Results Report on Review on the 1st half of 2010 Korean GAAP 	- -	
The eighth meeting of 2010	August 24, 2010	<ul style="list-style-type: none"> Purchase of Mobile Phone Relay Devices for 2010 Construction of Mobile Phone Facilities for 2010 Construction of Transmission Network Facilities for 2010 Participation in the Capital Increase of SK China Company Limited 	Approved as proposed Approved as proposed Approved as proposed Approved as proposed	
The ninth meeting of 2010	September 14, 2010	<ul style="list-style-type: none"> 4Q 2010 Transactions with SK C&C Co., Ltd Fund Management Transaction with Affiliated Company (SK Securities) 1st half 2010 Management Audit Results 	Approved as proposed	
The tenth meeting of 2010	October 13, 2010	<ul style="list-style-type: none"> Agency Agreement relating to Outdoor Advertisements Outsourcing of Leased Line Business Outsourcing of Handset Repair Services 	Approved as proposed Approved as proposed Approved as proposed	
The eleventh meeting of 2010	November 19, 2010	<ul style="list-style-type: none"> Result of follow-up measures and status report for ethics consultation and whistle-blower program Rental transaction for electronic telecommunication facilities 2011 integrated loyalty marketing plan and agency agreement Construction of Network Facilities Withdrawal of investment for Beijing U-City project Disposition of Mongolia Skytel shares 	- Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed	
The twelfth meeting of 2010	December 16, 2010	<ul style="list-style-type: none"> B2B Contract with SK Telink Service contract with T map Service contract with SK Telecom (China) Holding Co., Ltd Service contract with SK Telecom Americas, Inc. 2011 1Q Transactions with SK C&C Co., Ltd. Asset Management Transaction with Affiliated Company (SK Securities) 	Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed -	
The first meeting of 2011	January 20, 2011	<ul style="list-style-type: none"> 2nd half 2010 Management Audit Results and Management Audit Plan for 2011 Evaluation of Internal Accounting Controls based on the Opinion of the Members of the Audit Committee Rental contract for satellite line facilities Reports on Internal Accounting Management System Comparison of before and after operating customer contact channel and BTS maintenance subsidiary company 	- Approved as proposed Approved as proposed - -	
The second meeting of 2011	February 9, 2011	<ul style="list-style-type: none"> Reports on 2010 Korean GAAP Audit Report on Review of 2010 Internal Accounting Management System Evaluation of Internal Accounting Management System Operation Auditor's Report for Fiscal Year 2010 Purchase of Mobile Phone Relay Devices for 2011 Construction of Network Facilities for 2011 Construction of Mobile Phone Facilities for 2011 	- - Approved as proposed Approved as proposed Approved as proposed Re 상정 Approved as proposed	
The third meeting of 2011	February 10, 2011	<ul style="list-style-type: none"> Construction of Mobile Phone Facilities for 2011 	Approved as proposed	
The fourth meeting of 2011	March 11, 2011	<ul style="list-style-type: none"> 2011 2Q Transactions with SK C&C Co., Ltd. Asset Management Transaction with Affiliated Company (SK Securities) 	Approved as proposed -	

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

3. Shareholders' Exercises of Voting Rights

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 th 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 December 31, 2010)

* Based on common shares

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

Investing company	Invested companies									
	SK Securities	K-Power	SK Marketing & Company	DOPCO	Natruck	Encar network	SK Mobile Energy	SK Petrochemical	SK Lubricant	Zicos
SK Corporation		100.0%								
SK Energy			50.0%	38.3%	67.3%	87.5%	100.0%	100.0%	100.0%	
SK Telecom			50.0%							
SK Networks	22.7%			4.6%						
SK Chemicals										
SKC	7.7%									
SK C&C										
SK E&C										
SK E&S										
SK Gas										
SK Marketing & Company										
SK D&D										
SK Communications										
SK Broadband										
SK Lubricant										100.0%
SK Securities										
SK Petrochemical										
Entec										
Total affiliated companies	30.4%	100.0%	100.0%	42.9%	67.3%	87.5%	100.0%	100.0%	100.0%	100.0%

Investing company	Invested companies								
	Jeju United FC	M & Service	Green IS	SK Broadband	Broadband Media	Broadband D&M	Broadband CS	SK Communications	SK I-Media

SK Corporation									
SK Energy	100.0%		84.3%						
SK Telecom				50.6%				64.7%	
SK Networks									
SK Chemicals									
SKC									
SK C&C									
SK E&C									
SK E&S									
SK Gas									
SK Marketing & Company		100.0%							
SK D&D									
SK Communications									100.0%
SK Broadband					100.0%	100.0%	100.0%		
SK Lubricant									
SK Securities									
SK Petrochemical									
Entec									
Total affiliated companies	100.0%	100.0%	84.3%	50.6%	100.0%	100.0%	100.0%	64.7%	100.0%

Investing company	Invested companies									
	NTREEV Soft	SK Teink	Commerce Planet	PS & Marketing	F&U Credit Info	Loen Entertainment	Network O&S	Service Ace	Service Top	SK Wyverns
SK Corporation										
SK Energy										
SK Telecom	63.7%	83.5%	100.0%	100.0%	50.0%	63.5%	100.0%	100.0%	100.0%	100.0%
SK Networks										
SK Chemicals										
SKC										
SK C&C										
SK E&C										
SK E&S										
SK Gas										
SK Marketing & Company										
SK D&D										
SK Communications										
SK Broadband										
SK Lubricant										
SK Securities					40.0%					
SK Petrochemical										
Entec										
Total affiliated companies	63.7%	83.5%	100.0%	100.0%	90.0%	63.5%	100.0%	100.0%	100.0%	100.0%

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

Investing company	Invested companies										
	Sumray Corporation	Incyto	RealVest	SK Forest	Daejeon Pure Water	Gwangju Pure Water	SK D&D	Namwon Sarang Electric Power	MKS Guarantee	Green Biro	Pana Blu Co., Ltd.
SK Corporation											
SK Energy											
SK Telecom											
SK Networks											
SK Chemicals											
SKC	83.5%	100.0%									
SK C&C											
SK E&C			100.0%	100.0%	32.0%	42.0%	45.0%				
SK E&S											
SK Gas										69.0%	80.4%
SK Marketing & Company											
SK D&D								100.0%	100.0%		
SK Communications											
SK Broadband											
SK Lubricant											
SK Securities											
SK Petrochemical											
Entec											
Total affiliated companies	83.5%	100.0%	100.0%	100.0%	32.0%	42.0%	45.0%	100.0%	100.0%	69.0%	80.4%

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

Investing company	Invested companies									
	Independence	Infosec	SK Sci-tech	UB Care	SK Seentec	Entec	Yeosu Expo Environment	Korea Sleep Network	U base Manufacturing Asia	Ever Health Care
SK Corporation										
SK Energy										
SK Telecom										
SK Networks										
SK Chemicals			50.0%	44.0%	100.0%	25.0%		43.0%		
SKC										
SK C&C	100.0%	100.0%								
SK E&C						25.0%				
SK E&S										
SK Gas										
SK Marketing & Company										
SK D&D										
SK Communications										
SK Broadband										
SK Lubricant									100.0%	
SK Securities										
SK Petrochemical								10.7%		
Entec							58.7%			
UB Care										100.0%
Total affiliated companies	100.0%	100.0%	50.0%	44.0%	100.0%	50.0%	58.7%	53.7%	100.0%	100.0%

VII. SHAREHOLDERS INFORMATION

1. Shareholdings of the Largest Shareholder and Related Persons

A. Shareholdings of the Largest Shareholder and Related Persons

(As of December 31, 2010)

(Unit: Shares, %)

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

B. Overview of the Largest Shareholder

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

Details of SK Corporation's subsidiaries are as follows:

Affiliates	Share Holdings	Book Value	Industry	Description
SK Energy Co., Ltd.	33.4%	4,187,385	Energy	Publicly Listed
SK Telecom Co., Ltd.	23.2%	2,839,269	Telecommunication	Publicly Listed
SK Networks Co., Ltd.	39.1%	1,198,126	Trading, Energy Sale	Publicly Listed
K-Power Co., Ltd.	100.0%	659,959	Power Generation	Privately Held
SK E&C Co., Ltd.	40.0%	457,453	Construction	Privately Held
SK E&S Co., Ltd.	67.5%	419,155	Gas Company Holdings	Privately Held

SK Shipping Co., Ltd.	83.1%	485,350	Ocean Freight	Privately Held
SKC Co., Ltd.	42.5%	301,774	Synthetic Resin Manufacturing	Publicly Listed

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

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

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

2. Changes in shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(Unit: Shares, %)

Largest Shareholder	Date of the change in the largest shareholder/ 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
	March 13, 2009	18,751,360	23.22	At the 25 th General Meeting of Shareholders, elected the CEO, Man Won Jung (who owned 100 shares of the Company stock)
	December 30, 2009	18,755,260	23.23	Man Won Jung, the CEO, purchased 3,900 shares.
	May 26, 2010	18,756,760	23.23	Man Won Jung, the CEO, purchased 1,500 shares
	July 20, 2010	18,756,860	23.23	Man Won Jung, the CEO, purchased 100 shares
	September 17, 2010	18,757,360	23.23	Dal Sup Shim, an Independent Director, purchased 500 shares

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

3. Distribution of Shares

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

(As of December 31, 2010)

(Unit: shares, %)

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

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

B. Shareholder Distribution

(As of December 31, 2010)

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

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

A. Domestic Securities Market

(Unit: Won, shares)

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

B. Domestic Securities Market

New York Stock Exchange

(Unit: US\$, ADR)

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

VIII. EMPLOYEES

(As of December 31, 2010)

(Unit: persons, in millions of Won)

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

IX. TRANSACTIONS WITH PARTIES WITH INTERESTS

1. Loans to the Largest Shareholder and Related Persons

(As of December 31, 2010)

(Unit: in millions of Won)

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

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

A. Investment and Disposition of Investment

(As of December 31, 2010)

(Unit: shares)

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

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

B. Transfer of Assets

(Units: in thousands of Won)

Name (Corporate Name)	Relationship	Details					Remarks
		Transferred Objects	Purpose of Transfer	Date of Transfer	Amount Transferred From Largest Shareholder	Amount Transferred to Largest Shareholder	
Encar Network Co., Ltd.	Affiliated Company	Automobiles	Sale of automobiles not in use	2010-02-25	-	235,909	-
SK Telesys	Affiliated Company	2G devices not in use	Sale of devices not in use	2010-03-31	-	381,453	-
PS & Marketing Co., Ltd.	Affiliated Company	Network asset	Sale of asset not in use	2010-03-31	-	82,701	-
SK Broadband	Affiliated Company	Used asset	Sale of asset not in use	2010-04-23	-	18,204	-

Encar Network Co., Ltd.	Affiliated Company	Automobiles	Sale of automobiles not in use	2010-05-19	-	101,091	-
SK Telesys	Affiliated Company	2G devices not in use	Sale of devices not in use	2010-06-30	-	53,708	-
SK Networks	Affiliated Company	Handset devices not in use	Sale of asset not in use	2010-06-23	-	144,000	-
Encar Network Co., Ltd.	Affiliated Company	Automobiles	Sale of automobiles not in use	2010-07-20	-	9,091	-
SK Networks	Affiliated Company	Used asset	Sale of asset not in use	2010-07-21		9,255	
SK Networks	Affiliated Company	Used asset	Sale of asset not in use	2010-07-21		14,317	
SK Networks	Affiliated Company	Used asset	Sale of asset not in use	2010-07-31		2,647	
SK Networks	Affiliated Company	Network asset	Sale of asset not in use	2010-08-23		8,396	
SK Networks	Affiliated Company	Network asset	Sale of asset not in use	2010-08-26		9,004	
SK Networks	Affiliated Company	Network asset	Sale of asset not in use	2010-08-27		536	
Encar Network Co., Ltd.	Affiliated Company	Automobiles	Sale of automobiles not in use	2010-09-14		15,455	
SK Networks	Affiliated Company	Handset devices not in use	Sale of asset not in use	2010-12-31		214,817	
Total					-	1,300,582	-

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

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

Agents

(Unit: in millions of Won)

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

(Unit: in millions of Won)

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

X. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS

1. Developments in the Items mentioned in prior Reports on Important Business Matters

A. Status and Progress of Major Management Events

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

B. Summary Minutes of the General Meeting of Shareholders

Date	Agenda	Resolution
23 rd Fiscal Year Meeting of Shareholders (March 9, 2007)	1. Approval of the financial statements for the year ended December 31, 2006 2. Remuneration limit for Directors 3. Election of Directors - Election of inside directors - Election of independent directors as Audit Committee members	Approved (Cash dividend, Won 7,000 per share) Approved (Won 12 billion) Approved (Jung Nam Cho, Sung Min Ha) Approved (Dal Sup Shim)
24 th Fiscal Year Meeting of Shareholders (March 14, 2008)	1. Approval of the Financial Statements for the year ended December 31, 2007 2. Amendment to Articles of Incorporation 3. Approval of Remuneration Limit for Directors 4. Election of Directors	Approved (Cash dividend, Won 8,400 per share) Approved Approved (Won 12 billion)

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

2. Contingent Liabilities

A. Material Legal Proceedings

(1) Claim for Copyright License Fees regarding “Coloring” Services

On May 7, 2010, Korea Music Copyright Association (“KOMCA”) filed a lawsuit with the court demanding that the Company pay KOMCA license fees for the Company’s “Coloring” services. The court rendered a judgment on

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

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

B. Other Matters

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

3. Status of sanctions, etc.

A. Status of sanctions

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

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

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

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

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

In addition, on January 21, 2009, the Company was sanctioned for unfair business practices with a fine of Won 1,268 million by the Fair Trade Commission of Korea along with a correctional order of its policy of restricting

certain rate plan subscribers from using third party portal contents. The Company has paid the fine and has taken efforts to educate applicable divisions of the issue and to improve the level of the voluntary compliance program to comply with fair trade laws to prevent a repeat of the same violation.

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

On April 8, 2010, the Company received a correctional order from the Fair Trade Commission of Korea for a violation of the Act on Fair Labeling and Advertising relating to 11th 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 11th Street and appropriate education for relevant employees.

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

(1) Additional sale of SK C&C stock

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

XI. DESCRIPTION OF THE PRINCIPAL RISKS AND UNCERTAINTIES

Risks Relating to Our Business

Competition may reduce our market share and harm our results of operations and financial condition.

We face substantial competition across all our businesses, including our wireless telecommunications business, in Korea. We expect competition to intensify as a result of continuing consolidation of market leaders and the development of new technologies, products and services. We expect that such trends will continue to put downward pressure on the prevailing tariffs we can charge our subscribers.

Prior to April 1996, we were the only wireless telecommunications service provider in Korea. Since then, several new providers have entered the market, offering wireless voice and data services that compete directly with our business. The collective market share of these providers amounts to approximately 49.4%, in terms of numbers of wireless service subscribers, as of December 31, 2010. Since 2000, there has also been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors, including the merger of KT Freetel Co., Ltd., or KTF, one of our principal wireless competitors before the merger, into KT Corporation, or KT, Korea's principal fixed-line operator, in June 2009 and the merger of LG DACOM Corporation and LG Powercomm Co., Ltd. into LG Telecom Co., Ltd., or LGT, in January 2010. Such consolidation has created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings. In addition, our broadband Internet access service provided through SK Broadband competes with other providers of Internet access services, including KT, LGT, and cable companies, and our fixed-line telephone service provided through SK Broadband competes with KT, as well as providers of voice over Internet protocol, or VoIP, services. Future business combinations and alliances in the telecommunications industry may also create significant new competitors or enhance the abilities of our current competitors to offer more competitive services and could harm our business and results of operations.

Continued competition from the other wireless and fixed-line service providers has also resulted in, and may continue to result in, a substantial level of deactivations among our subscribers. Subscriber deactivations, or churn, may significantly harm our business and results of operations. In 2010, the churn rate in our wireless business ranged from 2.3% to 3.1%, with an average churn rate of 2.7%, compared to an average churn rate of 2.7% in 2009. Intensification of competition in the future may cause our churn rates to increase. The increased competition may cause us to increase our marketing expenses as a percentage of sales to attract and retain subscribers.

However, on May 13, 2010, the KCC announced a guideline recommending that telecommunication service providers limit their marketing expenses to 22% of their annual sales. The guideline is not binding and such marketing expenses do not include advertising expenses. In order to meet the guideline, we, as well as our competitors, decreased such marketing expenses. Such decrease in our marketing expenses may have a material adverse effect on our businesses and results of operations.

In addition, in March 2008, the KCC fully lifted its prohibition on the practice of telecommunications services providers to offer handsets at below retail prices to attract new subscribers. As a result of the Government's decision to allow handset subsidies, we have faced increased competition from other mobile service providers and increased our marketing expenses. However, in order to comply with the KCC's guideline on marketing expenditures, we may not be able to spend sufficient funds on marketing to effectively compete with our competitors, and any material decrease in our marketing expenditures may have a material adverse effect on our results of operations.

In 2007, the KCC introduced certain regulations to allow telecommunication service providers to bundle their services as well as allow our competitors to employ services provided by us so that they can offer similar discounted package services. Competition intensified as licensed transmission service providers were permitted to offer local, domestic long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses. Moreover, beginning in September 2010, we are required to lease our networks to a mobile virtual network operator, or MVNO, at such MVNO's request, at a rate mutually agreed upon that complies with the standards set by the KCC. We expect a few MVNOs will commence providing wireless telecommunications services using the networks leased from us in the near future. In addition, Korea Mobile Internet, or KMI, announced a plan to enter the wireless telecommunications market as a fourth

telecommunication service provider in Korea and provide wireless Internet and mobile VoIP services based on the wireless broadband Internet, or WiBro, technologies. We believe the introduction of bundled services and the entrance of MVNOs and KMI into the wireless telecommunications market may further increase competition in the telecommunications sector, as well as cause downward price pressure on the fees we charge for our services, which, in turn, may have a material adverse effect on our results of operations, financial position and cash flows.

We expect competition to intensify as a result of continued consolidation of our competitors, regulatory changes and the rapid development of new technologies, products and services. Our ability to compete successfully will depend on our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, economic conditions and discount pricing strategies by competitors.

Inability to successfully implement or adapt our network and technology to meet the continuing technological advancements affecting the wireless industry will likely have a material adverse effect on our financial condition, results of operation, cash flows and business.

The telecommunications industry has been characterized by continual improvement and advances in technology, and this trend is expected to continue. We and our competitors have continually implemented technology upgrades from basic code division multiple access, or CDMA, networks to wide-band code division multiple access, or WCDMA, which is the 3G technology implemented by us. Our WCDMA networks currently support more advanced high-speed uplink packet access, or HSUPA, technology, as well as evolved high speed packet access, or HSPA+, technology. We are currently building more advanced networks based on long term evolution, or LTE, technology, which is generally referred to as a 4G technology, with a goal of commencing commercial LTE services by July 2011. The more successful introduction of a 4G network by a competitor, including better market acceptance of a competitor's 4G-based services, could materially and adversely affect our existing wireless businesses as well as the returns on future investments we may make in our 4G network or our other businesses.

In March 2005, we obtained a license from the MIC to provide WiBro services. WiBro enables us to offer high-speed and large-packet data services, including wireless broadband Internet access to portable computers and other portable devices. We commercially launched WiBro service in June 2006, initially to 24 "hot zone" areas, which are neighborhoods and districts that we have determined to be high-data traffic areas, in seven cities in Korea. By the end of 2010, we have extended WiBro service to hot zone areas in 84 cities throughout Korea. In 2011, we plan to further expand WiBro service to more extensive hot zone areas in the 84 cities. Beyond 2011, our WiBro expansion plans will depend, in part, on subscriber demand for WiBro services. As the implementation of WiBro service in Korea is relatively new, we cannot assure you that there will continue to be sufficient demand for our WiBro services. Our WiBro services may not be commercially successful if market conditions are unfavorable or service demand is weak.

Our business could also be harmed if we fail to implement, or adapt to, future technological advancements in the telecommunications sector in a timely manner.

Implementation of WiBro and LTE technologies has required, and may continue to require, significant capital and other expenditures, which we may not recoup.

We have made, and intend to continue to make, capital investments to develop and launch our WiBro and LTE services. In 2010, we spent Won 119.9 billion in capital expenditures to build and expand our WiBro network. In 2011, we plan to spend approximately Won 34 billion to expand our WiBro network and may make further capital investments related to our WiBro service in the future. We also plan to invest in developing and building our LTE networks in 2011. Our WiBro and LTE-related investment plans are subject to change, and will depend, in part, on market demand for WiBro and LTE services, the competitive landscape for provision of such services and the development of competing technologies. There may not be sufficient demand for our WiBro and LTE services, as a result of competition or otherwise, to permit us to recoup or profit from our WiBro and LTE-related capital investments. KT Corporation commercially launched its WiBro service in 2006 and announced its plan to commence its commercial LTE service in early 2012. The more successful operation of a WiBro and LTE networks

by KT Corporation, or another competitor, including better market acceptance of a competitor's WiBro and LTE services, could also materially and adversely affect our business.

Our growth strategy calls for significant investments in new businesses and regions, including businesses and regions in which we have limited experience.

As a part of our growth strategy, we plan to selectively seek business opportunities abroad. In February 2005, we established a joint venture company, UNISK Information Technology Co., Ltd., with China Unicom Ltd., China's second largest mobile operator, to market and offer wireless data services in China. In October 2008, China Unicom merged with China Netcom Group Corporation (Hong Kong) Limited, a leading broadband communications and fixed-line telecommunications operator in China. On November 5, 2009, we sold all common shares (representing a 6.6% equity interest) of China Unicom held by us to China Unicom. In connection with our investment in China Unicom, we realized a cumulative gain of Won 269 billion through the end of 2009.

In addition, in May 2006 our subsidiary, HELIO, LLC, launched cellular voice and data services across the United States. In August 2008, together with EarthLink Inc., our joint venture partner in HELIO, we sold our equity interest in HELIO to Virgin Mobile USA, Inc., in exchange for an equity stake in Virgin Mobile USA, Inc. In November 2009, we sold our equity interest in Virgin Mobile USA, Inc. to Sprint Nextel Corporation in connection with the merger of Virgin Mobile USA, Inc. with and into Sprint Nextel Corporation, in exchange for a 0.6% equity interest in Sprint Nextel Corporation. In connection with our investment in HELIO, we have recognized a cumulative loss of Won 20 billion through the end of 2009. We continue to seek other opportunities to expand our business abroad, particularly in Asia and the United States, as such opportunities present themselves. These global businesses may require further investment from us.

We believe that we must continue to make significant investments to build, develop and broaden our existing businesses. Entering into new businesses and regions in which we have limited experience may require us to make substantial investments, and, despite such investments, we may still be unsuccessful in these efforts to expand and diversify. We might not be able to recoup or profit from our investments in new businesses and regions. In addition, when we enter into these businesses and regions with partners through joint ventures or other strategic alliances, we and those partners may have disagreements with respect to strategic directions or other aspects of business, or may otherwise be unable to coordinate or cooperate with each other, any of which could materially and adversely affect our operations in such businesses and regions.

We may fail to successfully integrate our new acquisitions and joint ventures and may fail to realize the anticipated benefits.

We have pursued convergence growth opportunities. For example, in 2008 and 2009, we acquired an additional equity stake in SK Broadband, Korea's second-largest fixed-line operator, for an aggregate purchase price of approximately Won 1.45 trillion and currently hold a 50.6% equity stake in the company. In February 2010, we acquired a 49% equity stake in Hana Card Co., Ltd. for the purchase price of Won 402 billion in order to provide cross-over services between telecommunication and finance. In September 2009, we also acquired the leased-line business of SK Networks Co., Ltd. for Won 892.8 billion and assumed Won 620.2 billion of debt as part of the transaction. While we are hoping to benefit from a range of synergies from the acquisitions, including by offering our customers bundled fixed-line and mobile telecommunications services, we may not be able to integrate our new businesses and may fail to realize the expected benefits in the near term, or at all.

In particular, we may experience difficulties in operating SK Broadband's fixed-line telecommunications and broadband Internet services with our existing products and services, and we may be unsuccessful in retaining SK Broadband's existing customers. Since April 2008, customers of SK Broadband have filed lawsuits against SK Broadband in the Seoul Central District Court, alleging that SK Broadband had violated customers' privacy, and an investigation against SK Broadband was initiated by the Seoul Central Prosecutor's Office, the KCC and the Korea Trade Commission. In connection with its investigation, the KCC suspended SK Broadband from soliciting new subscribers for its broadband Internet services for a period of 40 days from July 1, 2008 and, in addition, imposed an administrative fine of Won 178 million. As of March 31, 2011, the number of plaintiffs was 23,930 and the aggregate amount of damages claimed by such plaintiffs was approximately Won 24.6 billion.

Due to the existing high penetration rate of wireless services in Korea, we are unlikely to maintain our subscriber growth rate, which could adversely affect our results of operations.

According to data published by the KCC and our population estimates based on historical data published by the National Statistical Office of Korea, the penetration rate for the Korean wireless telecommunications service industry as of December 31, 2010 was approximately 103.9%, which is high compared to many industrialized countries. Therefore, the penetration rates for wireless telecommunications service in Korea will not grow significantly. As a result of the already high penetration rates in Korea for wireless services coupled with our leading market share, we expect our subscriber growth rate to decrease. Slowed growth in penetration rates without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition, results of operations and cash flows.

Our business and results of operations may be adversely affected if we fail to acquire adequate additional spectrum or use our bandwidth efficiently to accommodate subscriber growth and subscriber usage.

One of the principal limitations on a wireless network's subscriber capacity is the amount of spectrum available for use by the system. According to KCC's final plan announced in February 2010, the amount of spectrum in the 800 MHz band allocated to us will be reduced to 2 x 15 MHz of spectrum beginning in July 2011 from the current 2 x 22.5 MHz. Instead, we have been allocated an additional 2 x 10 MHz of spectrum in the 2.1 GHz band, which will be used for our 3G services. As a result of bandwidth constraints, our CDMA 1xRTT network is currently operating near its capacity in the Seoul metropolitan area, although capacity constraints are not as severe for transmissions utilizing CDMA 1xEV-DO technology. While we believe that we can address this issue through system upgrades and efficient allocation of bandwidth, inability to address such capacity constraints in a timely manner may adversely affect our business, results of operations, financial position and cash flows.

The growth of our wireless data businesses has been a significant factor in the increased utilization of our bandwidth, since wireless data applications are generally more bandwidth-intensive than voice services. In particular, increasing popularity of smart phones and data intensive applications among smart phone users has recently been a major factor for the high utilization of our bandwidth. This trend has been offset in part by the implementation of CDMA 1xEV-DO upgrades to our CDMA 1xRTT network and, more recently, the completion of our HSDPA-capable WCDMA network, which both enable more efficient usage of our bandwidth than was possible on our basic CDMA and CDMA 1xRTT networks. However, if the current trend of increased data transmission use by our subscribers continues, or the volume of the multimedia content we offer through our wireless data services substantially grows, our bandwidth capacity requirements are likely to increase. In the event we are unable to maintain sufficient bandwidth capacity, our subscribers may perceive a general slowdown of wireless services. Growth of our wireless business will depend in part upon our ability to manage effectively our bandwidth capacity and to implement efficiently and in a timely manner new bandwidth-efficient technologies if they become available. We cannot assure you that bandwidth constraints will not adversely affect the growth of our wireless business.

We rely on key researchers and engineers and senior management, and the loss of the services of any such personnel or the inability to attract and retain them may negatively affect our business.

Our success depends to a significant extent upon the continued service of our research and development and engineering personnel, and on our ability to continue to attract, retain and motivate qualified researchers and engineers. In particular, our focus on leading the market in introducing new services has meant that we must aggressively recruit engineers with expertise in cutting-edge technologies.

We also depend on the services of experienced key senior management, and if we lose their services, it would be difficult to find and integrate replacement personnel in a timely manner, or at all.

The loss of the services of any of our key research and development and engineering personnel or senior management without adequate replacement, or the inability to attract new qualified personnel, would have a material adverse effect on our operations.

We need to observe certain financial and other covenants under the terms of our debt instruments, the failure to comply with which would put us in default under those instruments.

Certain of our debt instruments contain financial and other covenants with which we are required to comply on an annual and semi-annual basis. The financial covenants include, but are not limited to, maintenance of credit ratings and debt-to-equity ratios. The documentation for such debt also contains negative pledge provisions limiting our ability to provide liens on our assets as well as cross-default and cross-acceleration clauses, which give related creditors the right to accelerate the amounts due under such debt if an event of default or acceleration has occurred with respect to our existing or future indebtedness, or if any material part of our indebtedness or indebtedness of our subsidiaries is capable of being declared payable before the stated maturity date. In addition, such covenants restrict our ability to raise future debt financing.

If we breach our financial or other covenants, our financial condition will be adversely affected to the extent we are not able to cure such breaches or repay the relevant debt.

We may have to make further financing arrangements to meet our capital expenditure requirements and debt payment obligations.

As a network-based wireless telecommunications provider, we have had, and expect to continue to have, significant capital expenditure requirements as we continue to build out, maintain and upgrade our networks. We spent Won 1,845.3 billion for capital expenditures in 2010 and we expect to spend a similar amount for capital expenditures in 2011 for a range of projects, including investments in our backbone networks, investments to improve our WCDMA network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course. In 2011, we plan to continue HSUPA and HSPA+ upgrades to our WCDMA network and expand our WiBro service to more extensive “hot zone” areas in 84 cities, as well as introduce LTE service by July 2011.

We have not arranged firm financing for all of our current or future capital expenditure plans and contractual payment obligations. We have, in the past, obtained funds for our proposed capital expenditure and payment obligations from various sources, including our cash flow from operations as well as from financings, primarily debt and equity financings. Any material adverse change in our operational or financial condition could impact our ability to fund our capital expenditure plans and contractual payment obligations. Still volatile financial market conditions may also curtail our ability to obtain adequate funding. Inability to fund such capital expenditure requirements may have a material adverse effect on our financial condition, results of operations and business. In addition, although we currently anticipate that the capital expenditure levels estimated by us will be adequate to meet our business needs, such estimates may need to be adjusted based on developments in technology and markets. In the event we are unable to meet any such increased expenditure requirements or to obtain adequate financing for such requirements, on terms acceptable to us, or at all, this may have a material adverse effect on our financial condition, results of operations and business.

Termination or impairment of our relationship with a small number of key suppliers for network equipment and for leased lines could adversely affect our results of operations, financial position and cash flows.

We purchase wireless network equipment from a small number of suppliers. We purchase our principal wireless network equipment from Samsung Electronics Co., Ltd. and LG Ericsson Co., Ltd. To date, we have purchased substantially all of the equipment for our CDMA 1xRTT and CDMA 1xEV-DO networks from Samsung Electronics and substantially all of the equipment for our WCDMA network, including the software and firmware used to implement HSDPA and HSUPA upgrades, from Samsung Electronics and LG Ericsson. In addition, to date, we have purchased substantially all of the equipment for our WiBro network from Samsung Electronics. We plan to purchase substantially all of the equipment for our LTE network from Samsung Electronics, LG Ericsson and Nokia Siemens. We believe Samsung Electronics currently manufactures approximately half of the wireless handsets sold to our subscribers. Although other manufacturers sell the equipment we require, sourcing such equipment from other manufacturers could result in unanticipated costs in maintenance and upkeep of the CDMA 1xRTT, CDMA 1xEV-DO and WCDMA networks, as well as unanticipated increased costs in the planned expansion of our WiBro and

LTE network. Inability to obtain the equipment needed for our networks in a timely manner may have an adverse effect on our business, financial condition, results of operations and cash flows.

We cannot assure you that we will be able to continue to obtain the necessary equipment from one or more of our suppliers. Any discontinuation or interruption in the availability of equipment from our suppliers for any reason could have an adverse effect on our results of operations. Inability to lease adequate lines at commercially reasonable rates may impact the quality of the services we offer and may also damage our reputation and our business.

Our business relies on technology developed by us as well as technologies provided by third parties, and our business will suffer if we are unable to protect our proprietary rights, obtain new licensing agreements or renew existing licensing agreements with third parties.

We own numerous patents and trademarks worldwide, and have applications for patents pending in many countries, including Korea, Japan, China, the United States, and Europe. We also license a number of patented processes and trademarks under cross-licensing, technical assistance and other agreements. In addition to active internal and external research and development efforts, our success depends in part on our ability to obtain patents, licenses and other intellectual property rights covering our services.

We may be required to defend against charges of infringement of patent or other proprietary rights of third parties. Although we have not experienced any significant patent or other intellectual property disputes, we cannot be certain that any significant patent or other intellectual property disputes will not occur in the future. Defending our patent and other proprietary rights could require us to incur substantial expense and to divert significant resources of our technical and management personnel, and could result in our loss of rights to employ certain technologies to provide services. If we are unable to renew our technology licensing arrangements on acceptable terms, we may lose the legal protection to use certain of the technologies we employ to provide services and be prohibited from using those technologies which may prevent us from providing our services. In addition, we could be at a disadvantage if our competitors obtain licenses for protected technologies on more favorable terms than we do. We also cannot provide assurance that we will be able to obtain additional licenses for new or existing technologies on acceptable terms or at all.

Labor disputes may disrupt our operations.

Although we have not experienced any significant labor disputes, there can be no assurance that we will not experience labor disputes in the future, including protests and strikes, which could disrupt our business operations and have an adverse effect on our financial condition and results of operation.

Every two years, the union and management negotiate and enter into a new collective bargaining agreement that has a two-year duration, which is focused on employee benefits and welfare. Employee wages are separately negotiated on an annual basis. Although we consider our relations with our employees to be good, there can be no assurance that we will continue such a working relationship with our employees and will not experience labor disputes resulting from disagreements with the labor union in the future.

Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations, financial condition and cash flows.

All of our businesses are subject to extensive governmental supervision and regulation. The MIC has periodically reviewed the tariffs charged by wireless operators and has, from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some degree of tariff reductions in response to MIC recommendations. After discussions with the KCC, in November 2009, we adopted various tariff reduction measures, including a reduction of the initial subscription fee by 27% and an increase in discounts for long-term subscribers. In March 2010, we also began to charge voice calls on a per-second basis, which has the effect of reducing the usage charges compared with the previous system of charging per ten seconds.

In addition, the Chairman of the KCC mentioned in April 2011 that the KCC was considering policies to lower the tariff for short message services, although the KCC has subsequently clarified that it has not made any decisions.

The Government also plays an active role in the selection of technology to be used by telecommunications operators in Korea. The MIC adopted the WCDMA and CDMA2000 technologies as the only standards available in Korea for implementing 3G services. The KCC may impose similar restrictions on the choice of technology used in future telecommunications services, and it is possible that technologies promoted by the Government in the future may not provide the best commercial returns for us.

Furthermore, the Government sets the policies regarding the use of frequencies and allocates the spectrum of frequencies used for wireless telecommunications. In February 2010, the KCC announced its final plan to reallocate the spectrum of frequencies among us, KT Corporation and LGT. While we do not believe the reallocation of spectrum will materially impact our ability to maintain sufficient bandwidth capacity, the reallocation and new allocation of the spectrum to our existing or new competitors could increase competition among wireless service providers, which may have an adverse effect on our business.

Pursuant to recent amendments to the Telecommunications Business Act, which became effective as of September 23, 2010, certain mobile network operators designated by the KCC, which currently include only us, are required to lease their networks or allow use of their networks (collectively, “wholesale lease”) to other network service providers, such as an MVNO, that have requested such wholesale lease in order to provide their own services using the leased networks. We expect a few MVNOs will commence providing wireless telecommunications services using the networks leased from us in the near future. We believe that leasing a portion of our bandwidth capacity to an MVNO would impair our ability to use our bandwidth in ways that would generate maximum revenues and would strengthen our MVNO competitors by granting them access and lowering their costs to enter into our markets. Accordingly, our profitability may be adversely affected.

Our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Our interconnection arrangements, including the interconnection rates we pay and interconnection rates we charge, affect our revenues and operating results. The KCC determines the basic framework for interconnection arrangements, including interconnection policies relating to interconnection rates in Korea, and the MIC has changed this framework several times in the past. We cannot assure you that we will not be adversely affected by future changes in the KCC’s interconnection policies.

In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. In addition, the MIC has also required all new subscribers to be given numbers with the ‘010’ prefix starting January 2004, and it has been gradually retracting the mobile service identification numbers which had been unique to each wireless telecommunications service provider, including ‘011’ for our cellular services. Historically, ‘011’ has had high brand recognition in Korea as the premium wireless telecommunications service. The MIC’s adoption of the number portability system has resulted in and may continue to result in weakened customer loyalty, increased competition among wireless service providers and higher costs of marketing, increased subscriber deactivations and increased churn rate, all of which had, and may continue to have, an adverse effect on our results of operations.

In addition, the KCC may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control or any violation of the conditions of our licenses. Alternatively, in lieu of suspension of our business, the KCC may levy a monetary penalty of up to 3% of the average of our annual revenue for the preceding three fiscal years. The revocation of our cellular licenses, suspension of our business or imposition of monetary penalties by the KCC could have a material adverse effect on our business. We believe we are currently in compliance with the material terms of all our cellular licenses, including our IMT-2000 and WiBro licenses.

We are subject to additional regulations as a result of our dominant market position in the wireless telecommunications sector, which could harm our ability to compete effectively.

The KCC endeavors to promote competition in the Korean telecommunications markets through measures designed to prevent a dominant service provider from exercising its market power and deterring the emergence and development of viable competitors. We are currently designated by the KCC as the “market dominant service provider” in respect of our wireless telecommunications business. As such, we are subject to additional regulations to which certain of our competitors are not subject. For example, under current Government regulations, we must obtain prior approval from the KCC to change our existing rates or introduce new rates. We could also be required by the KCC to charge higher usage rates than our competitors for future services. In addition, we were required to introduce number portability earlier than our competitors, KT and LGT. The MIC also awarded the IMT-2000 license to provide 3G services to LGT at a fee lower than our license fee and on terms generally more favorable than the terms of our license.

We also qualify as a “market-dominating business entity” under the Fair Trade Act, which subjects us to additional regulations. For instance, during our acquisition of Shinsegi Telecom, Inc. in 2002, the Fair Trade Commission of Korea, or the FTC, approved the acquisition on the condition that, among other things, our and Shinsegi Telecom’s combined market share in the wireless telecommunications market, based on numbers of subscribers, be less than 50% as of June 30, 2001. In order to satisfy this condition, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers from April 1, 2001 through June 30, 2001. While we are no longer subject to any market share limitations, the Government may impose restrictions on our market share in the future. If we become subject to market share limitations, our ability to compete effectively will be impeded.

The additional regulation to which we are subject has affected our competitiveness in the past and may materially hurt our profitability and impede our ability to compete effectively against our competitors in the future.

Concerns that radio frequency emissions may be linked to various health concerns could adversely affect our business and we could be subject to litigation relating to these health concerns.

In the past, allegations that serious health risks may result from the use of wireless telecommunications devices or other transmission equipment have adversely affected share prices of some wireless telecommunications companies in the United States. We cannot assure you that these health concerns will not adversely affect our business. Several class action and personal injury lawsuits have been filed in the United States against several wireless phone manufacturers and carriers, asserting product liability, breach of warranty and other claims relating to radio transmissions to and from wireless phones. Certain of these lawsuits have been dismissed. We could be subject to liability or incur significant costs defending lawsuits brought by our subscribers or other parties who claim to have been harmed by or as a result of our services. In addition, the actual or perceived risk of wireless telecommunications devices could have an adverse effect on our business by reducing our number of subscribers or our usage per subscriber.

Risks Relating to Korea

Korea is our most important market, and our current business and future growth could be materially and adversely affected if economic conditions in Korea deteriorate.

We are incorporated in Korea, and a significant portion of our operations is based in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond our control. Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have increased the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. Due to recent liquidity and credit concerns and volatility in the global financial markets, the value of the Won relative to the Dollar has also fluctuated significantly in recent years. Furthermore, as a result of adverse global and Korean economic conditions, there has been continuing volatility in the stock prices of Korean companies. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition and results of operations.

Developments that could have an adverse impact on Korea's economy in the future include:

- difficulties in the housing and financial sectors in the United States and elsewhere and increased sovereign default risks in select countries and the resulting adverse effects on the global financial markets;
- declines in consumer confidence and a slowdown in consumer spending;
- adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates (including fluctuation of the Dollar or Japanese Yen exchange rates or revaluation of the Chinese renminbi), interest rates, inflation rates or stock markets;
- continuing adverse conditions in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;
- increasing delinquencies and credit defaults by retail and small- and medium-sized enterprise borrowers;
- the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);
- the economic impact of any pending or future free trade agreements;
- social and labor unrest;
- substantial decreases in the market prices of Korean real estate;
- a decrease in tax revenues and a substantial increase in the Korean government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased government budget deficit;
- financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues at certain Korean conglomerates;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;
- the occurrence of severe health epidemics in Korea and other parts of the world;
- deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;
- political uncertainty or increasing strife among or within political parties in Korea;
- hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the supply of oil or increase in the price of oil;
- the occurrence of severe earthquakes, tsunami or other natural disasters in Korea and other parts of the world, particularly in trading partners (such as the March 2011 earthquake in Japan, which also resulted in the release of radioactive materials from a nuclear plant that had been damaged by the earthquake); and
- an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

Increased tensions with North Korea could have an adverse effect on us and the market value of the common shares and ADSs.

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, China, Japan and Russia have held numerous rounds of six party multi-lateral talks in an effort to resolve issues relating to North Korea's nuclear weapons program.

In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In May 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution in June 2009 that condemned North Korea for the nuclear test and decided to expand and tighten sanctions against North Korea. In March 2010, a Korean warship was destroyed by an underwater explosion, killing many of the crewmen on board. The government formally accused North Korea of causing the sinking in May 2010, and North Korea has denied responsibility for the sinking and has threatened retaliation for any attempt to punish it for the act. On November 23, 2010, North Korean forces fired more than one hundred artillery shells targeting Yeonpyeong Island located near the maritime border between Korea and North Korea on the west coast of the Korean peninsula, killing two Korean soldiers and two civilians as well as causing substantial property damage. Korea responded by firing approximately 80 artillery shells and putting the military on its highest alert level. The Government condemned North Korea for the act and vowed stern retaliation should there be further provocation.

In addition, there recently has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political stability in the region. On September 28, 2010, Kim Jong-il, the North Korean ruler who reportedly suffered a stroke in August 2008, named Kim Jong-un, his third son who is reported to be in his twenties, as the vice chairman of the Central Military Commission and the general of the North Korean army. Although Kim Jong-il has designated his son to be his successor, the implementation of the succession plan remains uncertain. North Korea's economy also faces severe challenges. In November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. Such developments may further aggravate social and political tensions within North Korea.

Over the longer term, reunification of the two Koreas could occur. Reunification may entail a significant economic commitment by Korea. In President Lee Myung Bak's national address on August 15, 2010, he suggested the possible adoption of a reunification tax in order to prepare for long-term economic burden associated with reunification. Such discussions on reunification are preliminary, and it has not been decided whether or when such tax would be implemented. If a reunification tax is implemented, it may lead to a decrease in domestic consumption, which in turn may have a material adverse effect on the Korean economy. In addition, there can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tension, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on our business, financial condition and results of operations.

Korea's legislation allowing class action suits related to securities transactions may expose us to additional litigation risk.

The Securities-related Class Action Act of Korea enacted in January 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX KOSPI Market for losses incurred in connection with purchases and sales of securities and other securities transactions arising from (i) false or inaccurate statements provided in the registration statements, prospectuses, business reports and audit reports and omission of material information in such documents, (ii) insider trading, (iii) market manipulation and (iv) unfair trading. This

law permits 50 or more shareholders who collectively hold 0.01% of the shares of a company to bring a class action suit against, among others, the issuer and its directors and officers. Because of the relatively recent enactment of the act, there is not enough judicial precedent to predict how the courts will apply the law. Litigation can be time-consuming and expensive to resolve, and can divert management time and attention from the operation of a business. We are not aware of any basis upon which such suit may be brought against us, nor are any such suits pending or threatened. Any such litigation brought against us could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Securities

Depreciation of the value of the Won against the Dollar and other major foreign currencies may have a material adverse effect on our results of operations and the market value of our common shares and ADSs.

Substantially all of our revenues are denominated in Won. Depreciation of the Won may materially affect our results of operations because, among other things, it causes:

- an increase in the amount of Won required by us to make interest and principal payments on our foreign currency-denominated debt; and
- an increase, in Won terms, of the costs of equipment that we purchase from overseas sources which we pay for in Dollars or other foreign currencies.

Fluctuations in the exchange rate between the Won and the Dollar will affect the Dollar equivalent of the Won price of the shares of our common stock on the KRX KOSPI Market of the Korea Exchange, or the KRX KOSPI Market.

If SK Holdings causes us to breach the foreign ownership limitations on shares of our common stock, we may experience a change of control.

The Telecommunications Business Act currently sets a 49% limit on the aggregate foreign ownership of our issued shares. Under the Telecommunications Business Act, as amended, a Korean entity, such as SK Holdings, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the issued voting stock of the Korean entity. As of December 31, 2010, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.22%, of our issued shares. If SK Holdings were considered to be a foreign shareholder, then its shareholding in us would be included in the calculation of our aggregate foreign shareholding and our aggregate foreign shareholding would exceed the 49% ceiling on foreign shareholding. We could breach the foreign ownership limitations if the number of shares of our common stock or ADSs owned by other foreign persons significantly increases.

If our aggregate foreign shareholding limit is exceeded, the KCC may issue a corrective order to us, the breaching shareholder (including SK Holdings if the breach is caused by an increase in foreign ownership of SK Holdings) and the foreign investment fund and its related parties who own in the aggregate 15% or more of SK Holdings. Furthermore, if SK Holdings is considered a foreign shareholder, it may not exercise its voting rights with respect to the shares held in excess of the 49% ceiling, which may result in a change in control of us. In addition, the KCC may refuse to grant us licenses or permits necessary for entering into new telecommunications businesses until our aggregate foreign shareholding is reduced to below 49%.

If our convertible notes are converted by foreign holders and such conversion causes a violation of the foreign ownership restrictions of the Telecommunications Business Act, or in certain other circumstances, we may sell common stock in order to settle the converting holders' conversion rights in cash in lieu of delivering common stock or ADSs to them, and these sales might adversely affect the market price of our common stock or ADSs.

In April 2009, we sold US\$332.5 million in 1.75% convertible notes due 2014, which are held principally by foreign holders. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock or ADSs upon conversion of these notes would result in a

violation of applicable Korean law or (2) we do not have a sufficient number of shares of our common stock to satisfy the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we may sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Business Act or other legal restrictions. The number of shares sold in these circumstances might be substantial. We cannot assure you that such sales would not adversely affect the market prices of our common stock or ADSs.

Sales of our shares by SK Holdings and/or other large shareholders may adversely affect the market value of the common stock and ADSs.

Sales of substantial amounts of shares of our common stock, or the perception that such sales may occur, could adversely affect the prevailing market price of the shares of our common stock or ADSs or our ability to raise capital through an offering of our common stock.

As of December 31, 2010, SK Holdings owned 23.22% of our total issued common stock and has not agreed to any restrictions on its ability to dispose of our shares. We can make no prediction as to the timing or amount of any sales of our common stock. We cannot assure you that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will not adversely affect the market prices of the shares of our common stock or ADSs prevailing from time to time.

We are generally subject to Korean corporate governance and disclosure standards, which may differ from those in other countries.

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies, which may differ in some respects from standards applicable in other countries, including the United States. As a reporting company registered with the U.S. Securities and Exchange Commission and listed on the New York Stock Exchange, we are, and in the future will be, subject to certain corporate governance standards as mandated by the Sarbanes-Oxley Act of 2002. However, foreign private issuers, including us, are exempt from certain corporate governance requirements under the Sarbanes-Oxley Act or under the rules of the New York Stock Exchange. There may also be less publicly available information about Korean companies, such as us, than is regularly made available by public or non-public companies in other countries. Such differences in corporate governance standards and less public information available could result in corporate governance practices or disclosures that are perceived as less than satisfactory by investors in certain countries.

Attachment 1: Korean GAAP Non-consolidated Financial Statements

SK TELECOM CO., LTD.

*NON-CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009
AND INDEPENDENT AUDITORS' REPORT*

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

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

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

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

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

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

Deloitte Anjin LLC

February 25, 2011

Notice to Readers

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

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

A S S E T S	Korean won		Translation into U.S. dollars (Note 2)	
	2010	2009	2010	2009
	(In millions)		(In thousands)	
CURRENT ASSETS:				
Cash and cash equivalents (Notes 2 and 11)	₩ 357,470	₩ 420,576	\$ 316,177	\$ 371,994
Short-term financial instruments (Note 18)	299,500	178,057	264,904	157,489
Short-term investment securities (Notes 2 and 3)	393,811	370,182	348,320	327,421
Accounts receivable - trade, net of allowance for doubtful accounts of ₩151,208 million as of December 31, 2010 and ₩142,702 million as of December 31, 2009 (Notes 2, 11 and 21)	1,453,061	1,557,514	1,285,212	1,377,600
Short-term loans, net of allowance for doubtful accounts of ₩1,077 million as of December 31, 2010 and ₩933 million as of December 31, 2009 (Notes 2, 5 and 21)	81,126	66,888	71,755	59,162
Accounts receivable - other, net of allowance for doubtful accounts of ₩34,792 million and present value of ₩1,252 million as of December 31, 2010 and ₩26,059 million and ₩8,478 as of December 31, 2009 (Notes 2, 11 and 21)	2,499,969	2,032,757	2,211,188	1,797,945
Inventories (Note 2)	9,019	22,656	7,977	20,039
Prepaid expenses	139,129	112,762	123,058	99,736
Current deferred income tax assets, net (Notes 2 and 15)	182,516	194,825	161,433	172,320
Accrued income and other	67,262	26,835	59,492	23,734
Total Current Assets	5,482,863	4,983,052	4,849,516	4,407,440
NON-CURRENT ASSETS:				
Property and equipment, net (Notes 2, 6 and 20)	5,027,567	5,196,521	4,446,813	4,596,251
Intangible assets, net (Notes 2 and 7)	2,513,723	2,665,936	2,223,353	2,357,983
Long-term financial instruments (Note 18)	69	6,519	61	5,766
Long-term investment securities (Notes 2 and 3)	1,517,029	2,420,262	1,341,791	2,140,688
Equity securities accounted for using the equity method (Notes 2 and 4)	3,424,106	2,680,872	3,028,574	2,371,194
Long-term loans, net of allowance for doubtful accounts of ₩23,730 million as of December 31, 2010 and ₩24,250 million as of December 31, 2009 (Notes 2, 5 and 21)	69,667	64,216	61,619	56,798
Long-term accounts receivable - other, net of present value	527,084	761,647	466,198	673,666
Guarantee deposits (Notes 11 and 21)	164,983	172,021	145,925	152,150
Long-term currency swap (Notes 2 and 23)	139,577	223,173	123,454	197,393
Long-term deposits and other	93,244	123,414	82,474	109,159
Total Non-current Assets	13,477,049	14,314,581	11,920,262	12,661,048
TOTAL ASSETS	₩ 18,959,912	₩ 19,297,633	\$ 16,769,779	\$ 17,068,488

(Continued)

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

LIABILITIES AND STOCKHOLDERS' EQUITY	Korean won		Translation into U.S. dollars (Note 2)	
	2010	2009	2010	2009
	(In millions)		(In thousands)	
CURRENT LIABILITIES:				
Accounts payable (Notes 11 and 21)	₩ 1,281,423	₩ 1,136,475	\$ 1,133,401	\$ 1,005,196
Income tax payable	243,263	381,940	215,163	337,821
Accrued expenses (Notes 2 and 22)	1,112,300	934,372	983,814	826,439
Withholdings	348,093	250,656	307,883	221,702
Current portion of long-term debt, net (Notes 2 and 8)	1,208,555	513,277	1,068,950	453,986
Current portion of subscription deposits	5,611	6,804	4,963	6,018
Currency swap (Notes 2 and 23)	7,848	35,145	6,941	31,085
Interest swap (Notes 2 and 23)	7,546	1,173	6,674	1,038
Advanced receipts and other	45,324	34,791	40,089	30,772
Total Current Liabilities	4,259,963	3,294,633	3,767,878	2,914,057
NON-CURRENT LIABILITIES:				
Bonds payable, net (Notes 2 and 8)	2,839,751	3,349,216	2,511,720	2,962,335
Long-term borrowings (Notes 2 and 9)	113,890	816,760	100,734	722,413
Subscription deposits (Note 10)	5,219	5,480	4,616	4,847
Long-term payables - other, net of present value discount of ₩2,457 million as of December 31, 2010 and ₩5,837 million as of December 31, 2009 (Note 2)	50,643	164,163	44,793	145,200
Accrued severance indemnities, net (Note 2)	25,048	25,155	22,155	22,249
Non-current deferred income tax liabilities, net (Notes 2 and 15)	10,802	210,859	9,554	186,502
Long-term currency swap (Notes 2 and 23)	9,718	18,281	8,595	16,169
Long-term interest swap (Notes 2 and 23)	5,043	16,215	4,460	14,342
Guarantee deposits received and other (Note 21)	185,418	155,421	164,001	137,468
Total Non-current Liabilities	3,245,532	4,761,550	2,870,628	4,211,525
Total Liabilities	7,505,495	8,056,183	6,638,506	7,125,582
STOCKHOLDERS' EQUITY:				
Capital stock (Notes 1 and 12)	44,639	44,639	39,483	39,483
Capital surplus (Notes 2, 8 and 12)	3,031,780	3,032,009	2,681,567	2,681,769
Capital adjustments:				
Treasury stock (Notes 1 and 14)	(2,202,439)	(1,992,083)	(1,948,027)	(1,761,970)
Loss on disposal of treasury stock (Note 14)	(716)	(716)	(633)	(633)
Equity method in capital adjustments (Notes 2 and 4)	(88,233)	(52,626)	(78,041)	(46,547)
Other capital adjustments (Note 27)	(662,983)	(662,983)	(586,399)	(586,399)
Accumulated other comprehensive income (loss) (Note 16):				
Unrealized gains on valuation of long-term investment securities, net (Notes 2 and 3)	801,282	1,003,145	708,723	887,268
Equity in other comprehensive loss of affiliates, net (Notes 2 and 4)	(92,659)	(84,809)	(81,956)	(75,012)
Gain (Loss) on valuation of currency swap, net (Notes 2 and 23)	(60,749)	6,516	(53,732)	5,763
Loss on valuation of interest swap, net (Notes 2 and 23)	(5,720)	(10,932)	(5,059)	(9,669)
Retained earnings:				
Appropriated (Note 13)	9,350,386	8,890,053	8,270,285	7,863,128
Unappropriated	1,339,829	1,069,237	1,185,062	945,725
Total Stockholders' Equity	11,454,417	11,241,450	10,131,273	9,942,906
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₩ 18,959,912	₩ 19,297,633	\$ 16,769,779	\$17,068,488

See accompanying notes to non-consolidated financial statements.

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

	Korean won		Translation into U.S. dollars (Note 2)	
	2010	2009	2010	2009
	(In millions except for per share data)		(In thousands except for per share data)	
OPERATING REVENUE (Notes 2 and 21)	₩ 12,459,990	₩ 12,101,184	\$ 11,020,688	\$ 10,703,329
OPERATING EXPENSES (Note 21):				
Labor cost	(497,079)	(460,906)	(439,659)	(407,665)
Commissions paid	(4,960,782)	(4,594,727)	(4,387,743)	(4,063,972)
Depreciation and amortization (Notes 2, 6 and 7)	(2,042,681)	(1,895,880)	(1,806,723)	(1,676,880)
Network interconnection	(1,030,380)	(1,068,243)	(911,357)	(944,846)
Leased line	(189,060)	(332,824)	(167,221)	(294,378)
Advertising	(258,737)	(265,498)	(228,849)	(234,829)
Research and development	(264,417)	(233,469)	(233,873)	(206,500)
Rent	(295,226)	(277,018)	(261,123)	(245,019)
Frequency usage	(176,890)	(157,400)	(156,457)	(139,218)
Repair	(181,263)	(160,571)	(160,325)	(142,023)
Cost of goods sold	(108,870)	(35,979)	(96,294)	(31,823)
Other	(419,613)	(439,332)	(371,142)	(388,583)
Sub-total	(10,424,998)	(9,921,847)	(9,220,766)	(8,775,736)
OPERATING INCOME	2,034,992	2,179,337	1,799,922	1,927,593
OTHER INCOME:				
Interest income (Note 3)	210,248	157,104	185,961	138,956
Foreign exchange and translation gains (Note 2)	22,885	99,080	20,241	87,635
Equity in earnings of affiliates (Note 4)	74,318	63,804	65,733	56,434
Gain on valuation of short-term investment securities (Note 3)	-	14,086	-	12,459
Gain on disposal of property and equipment and intangible assets	7,774	24,547	6,876	21,711
Gain on valuation of derivative (Note 18)	7,951	109,306	7,033	96,680
Other	237,905	318,517	210,424	281,724
Sub-total	561,081	786,444	496,268	695,599

(Continued)

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

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

See accompanying notes to non-consolidated financial statements.

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

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

See accompanying notes to non-consolidated financial statements.

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

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
(In millions of Korean won)						
Balance, January 1, 2009	₩ 44,639	₩ 2,957,095	(₩ 2,147,530)	₩ 373,785	₩ 9,501,018	₩ 10,729,007
Cash dividends	-	-	-	-	(609,203)	(609,203)
Interim dividends (Note 19)	-	-	-	-	(72,345)	(72,345)
Net income	-	-	-	-	1,288,340	1,288,340
Conversion right (Note 8)	-	73,622	-	-	-	73,622
Treasury stock (Note 14)	-	(722)	62,821	-	(92,476)	(30,377)
Unrealized loss on valuation of long-term investment securities, net (Notes 3, 15 and 16)	-	-	-	589,875	-	589,875
Equity in other comprehensive income changes of affiliates, net (Notes 4, 15 and 16)	-	2,014	48,397	(79,985)	(56,044)	(85,618)
Difference between the acquisition cost and net book value incurred from the business acquisition between companies under common control (Notes 15 and 16)	-	-	(672,096)	-	-	(672,096)
Gain on valuation of currency swap, net (Notes 15, 16 and 23)	-	-	-	15,048	-	15,048
Gain on valuation of interest swap, net (Notes 15, 16 and 23)	-	-	-	15,197	-	15,197
Balance, December 31, 2009	₩ 44,639	₩ 3,032,009	(₩ 2,708,408)	₩ 913,920	₩ 9,959,290	₩ 11,241,450
Balance, January 1, 2010	₩ 44,639	₩ 3,032,009	(₩ 2,708,408)	₩ 913,920	₩ 9,959,290	₩ 11,241,450
Cash dividends	-	-	-	-	(607,698)	(607,698)
Interim dividends (Note 19)	-	-	-	-	(72,345)	(72,345)
Net income	-	-	-	-	1,410,968	1,410,968
Treasury stock (Note 14)	-	-	(210,356)	-	-	(210,356)
Unrealized loss on valuation of long-term investment securities, net (Notes 3, 15 and 16)	-	-	-	(201,863)	-	(201,863)
Equity in other comprehensive income changes of affiliates, net (Notes 4, 15 and 16)	-	(229)	(35,607)	(7,850)	-	(43,686)
Gain on valuation of currency swap, net (Notes 15, 16 and 23)	-	-	-	(67,265)	-	(67,265)
Gain on valuation of interest swap, net (Notes 15, 16 and 23)	-	-	-	5,212	-	5,212
Balance, December 31, 2010	₩ 44,639	₩ 3,031,780	(₩ 2,954,371)	₩ 642,154	₩ 10,690,215	₩ 11,454,417

(Continued)

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

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
(In thousands of U.S. dollars)						
Balance, January 1, 2009	\$ 39,483	\$ 2,615,509	\$ 1,899,460	\$ 330,608	\$ 8,403,518	\$ 9,489,658
Cash dividends	-	-	-	-	(538,832)	(538,832)
Interim dividends (Note 19)	-	-	-	-	(63,988)	(63,988)
Net income	-	-	-	-	1,139,519	1,139,519
Conversion right (Note 8)	-	65,118	-	-	-	65,118
Treasury stock (Note 14)	-	(639)	55,565	-	(81,794)	(26,868)
Unrealized loss on valuation of long-term investment securities, net (Notes 3, 15 and 16)	-	-	-	-	-	-
Equity in other comprehensive income changes of affiliates, net (Notes 4, 15 and 16)	-	1,781	42,806	(70,746)	(49,570)	(75,729)
Difference between the acquisition cost and net book value incurred from the business acquisition between companies under common control (Notes 15 and 16)	-	-	(594,460)	-	-	(594,460)
Gain on valuation of currency swap, net (Notes 15, 16 and 23)	-	-	-	13,310	-	13,310
Gain on valuation of interest swap, net (Notes 15, 16 and 23)	-	-	-	13,442	-	13,442
Balance, December 31, 2009	<u>\$ 39,483</u>	<u>\$ 2,681,769</u>	<u>\$ 2,395,549</u>	<u>\$ 808,350</u>	<u>\$ 8,808,853</u>	<u>\$ 9,942,906</u>
Balance, January 1, 2010	\$ 39,483	\$ 2,681,769	(\$ 2,395,549)	\$ 808,350	\$ 8,808,853	\$ 9,942,906
Cash dividends	-	-	-	-	(537,500)	(537,500)
Interim dividends (Note 19)	-	-	-	-	(63,988)	(63,988)
Net income	-	-	-	-	1,247,982	1,247,982
Treasury stock (Note 14)	-	-	(186,057)	-	-	(186,057)
Unrealized loss on valuation of long-term investment securities, net (Notes 3, 15 and 16)	-	-	-	(178,545)	-	(178,545)
Equity in other comprehensive income changes of affiliates, net (Notes 4, 15 and 16)	-	(202)	(31,494)	(6,944)	-	(38,640)
Gain on valuation of currency swap, net (Notes 15, 16 and 23)	-	-	-	(59,495)	-	(59,495)
Gain on valuation of interest swap, net (Notes 15, 16 and 23)	-	-	-	4,610	-	4,610
Balance, December 31, 2010	<u>\$ 39,483</u>	<u>\$ 2,681,567</u>	<u>(\$ 2,613,100)</u>	<u>\$ 567,976</u>	<u>\$ 9,455,347</u>	<u>\$ 10,131,273</u>

See accompanying notes to non-consolidated financial statements.

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

	Korean won		Translation into U.S. dollars (Note 2)	
	2010	2009	2010	2009
	(In millions)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	₩ 1,410,968	₩ 1,288,340	\$ 1,247,982	\$ 1,139,519
Expenses not involving cash payments:				
Provision for severance indemnities	35,382	34,481	31,295	30,498
Depreciation and amortization	2,185,674	2,030,081	1,933,198	1,795,578
Allowance for doubtful accounts	64,600	116,072	57,138	102,664
Foreign translation loss	382	972	338	860
Equity in losses of affiliates	181,077	295,332	160,160	261,217
Loss on disposal of accounts receivable - other	-	28,711	-	25,394
Loss on disposal of property, equipment and intangible assets	55,982	83,034	49,515	73,442
Loss on valuation of derivative	19,198	119,696	16,980	105,869
Amortization of discounts on bonds and other	49,457	193,850	43,744	171,459
Sub-total	2,591,752	2,902,229	2,292,368	2,566,981
Income not involving cash receipts:				
Foreign translation gain	(15,711)	(72,954)	(13,896)	(64,527)
Equity in earnings of affiliates	(74,318)	(63,804)	(65,733)	(56,434)
Gain on valuation of short-term investment securities	-	(14,086)	-	(12,459)
Gain on disposal of property, equipment and intangible assets	(7,774)	(24,547)	(6,876)	(21,711)
Gain on valuation of derivative	(7,951)	(109,306)	(7,033)	(96,680)
Other	(192,521)	(170,069)	(170,282)	(150,423)
Sub-total	(298,275)	(454,766)	(263,820)	(402,234)
Changes in assets and liabilities related to operating activities:				
Accounts receivable - trade	50,638	(76,425)	44,789	(67,597)
Accounts receivable - other	(469,686)	(816,259)	(415,431)	(721,970)
Inventories	9,143	(10,088)	8,087	(8,923)
Prepaid expenses	16,809	42,771	14,867	37,830
Accrued income and other	(79,659)	17,998	(70,457)	15,919
Long-term accounts receivable - other	234,563	(254,795)	207,468	(225,363)
Accounts payable	194,679	91,623	172,191	81,039
Income tax payable	(157,156)	68,881	(139,002)	60,924
Accrued expenses	168,355	274,601	148,908	242,881
Withholdings	116,286	(44,019)	102,853	(38,933)
Current portion of subscription deposits	(1,193)	(277)	(1,055)	(245)
Advanced receipts and other	10,532	10,010	9,315	8,854
Deferred income taxes	(91,280)	(228,392)	(80,736)	(202,010)
Severance indemnities payments	(17,867)	(26,122)	(15,803)	(23,105)
Deposits for group severance indemnities and other deposits	(18,192)	(8,049)	(16,091)	(7,119)
Dividends received from affiliate	12,533	6,817	11,085	6,030
Sub-total	(21,495)	(951,725)	(19,012)	(841,788)
Net Cash Provided by Operating Activities	3,682,950	2,784,078	3,257,518	2,462,478

(Continued)

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

	Korean won		Translation into U.S. dollars (Note 2)	
	2010	2009	2010	2009
	(In millions)		(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Proceeds from disposal of property and equipment	₩ 17,586	₩ 60,393	\$ 15,555	\$ 53,417
Proceeds from disposal of intangible assets	5,139	4,897	4,545	4,331
Disposal of short-term investment securities, net	168,316	13,704	148,873	12,121
Collection of short-term loans	210,035	333,225	185,773	294,733
Proceeds from sales of long-term investment securities	697,431	1,966,854	616,868	1,739,655
Proceeds from sales of equity securities accounted for using the equity method	75,256	6,444	66,563	5,700
Collection of long-term loans	14,752	41,123	13,048	36,373
Decrease in guarantee deposits	89,605	25,653	79,254	22,690
Cash inflows from transaction of currency swap	1,254	86,094	1,109	76,148
Decrease in other non-current assets	21,989	11,135	19,449	9,849
Sub-total	1,301,363	2,549,522	1,151,037	2,255,017
Cash outflows for investing activities:				
Acquisition of short-term financial instruments	(114,943)	(79,651)	(101,665)	(70,450)
Extension of short-term loans	(213,874)	(251,196)	(189,169)	(222,179)
Acquisition of property and equipment	(1,865,299)	(1,683,087)	(1,649,831)	(1,488,667)
Increase in intangible assets	(55,470)	(51,807)	(49,062)	(45,823)
Acquisition of long-term financial instruments	(50)	(6,500)	(44)	(5,749)
Acquisition of long-term investment securities	(58,762)	(489,338)	(51,974)	(432,813)
Acquisition of equity securities accounted for using the equity method	(991,130)	(451,702)	(876,641)	(399,524)
Extension of long-term loans	(30,224)	(15,379)	(26,733)	(13,603)
Increase in guarantee deposits and other	(117,544)	(125,908)	(103,966)	(111,364)
Cash outflows from transaction of currency swap	-	(177,848)	-	(157,304)
Cash outflows from business acquisition	-	(894,784)	-	(791,424)
Sub-total	(3,447,296)	(4,227,200)	(3,049,085)	(3,738,900)
Net Cash Used in Investing Activities	(2,145,933)	(1,677,678)	(1,898,048)	(1,483,883)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Increase in guarantee deposits received and other	53,657	16,572	47,459	14,658
Issuance of bonds	-	1,114,937	-	986,146
Sub-total	53,657	1,131,509	47,459	1,000,804
Cash outflows for financing activities:				
Repayment of short-term borrowings	-	(746,849)	-	(660,578)
Repayment of bonds	(365,140)	(60,216)	(322,961)	(53,260)
Repayment of long-term borrowings	(200,000)	-	(176,897)	-
Repayment of current portion of long-term debts	(150,000)	(715,672)	(132,673)	(633,002)
Decrease in other non-current liabilities	(12,719)	(13,938)	(11,251)	(12,327)
Payment of dividends	(680,044)	(681,548)	(601,489)	(602,820)
Decrease in guarantee deposits received and other	(261)	-	(231)	-
Acquisition of treasury stock	(210,356)	(28,939)	(186,057)	(25,596)
Cash outflows from transaction of currency swap	(35,260)	(4,348)	(31,187)	(3,846)
Sub-total	(1,653,780)	(2,251,510)	(1,462,746)	(1,991,429)
Net Cash Used in Financing Activities	(1,600,123)	(1,120,001)	(1,415,287)	(990,625)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(63,106)	(13,601)	(55,817)	(12,030)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	420,576	434,177	371,994	384,024
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	₩ 357,470	₩ 420,576	\$ 316,177	\$ 371,994

See accompanying notes to non-consolidated financial statements.

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

1. GENERAL

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of Presentation

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

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

b. Cash Equivalents

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

c. Allowance for Doubtful Accounts

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

d. Inventories

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

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

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

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

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

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

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

f. Equity Securities Accounted for Using the Equity Method

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

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

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

g. Valuation of Long-term Accounts Receivable - Other

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

h. Property and Equipment

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

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

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

i. Intangible Assets

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

j. Impairment Losses

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

k. Convertible Bonds

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

l. Discounts on Bonds

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

m. Valuation of Long-term Payables

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

n. Provisions, Contingent Liabilities and Contingent Assets

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

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

- Possible obligations related to past events, for which the existence of a liability can only be confirmed upon occurrence of uncertain future event or events outside the control of the Company.
- Present obligations arising out of past events or transactions, for which i) a disbursement of economic resources to fulfill such obligations is not probable or ii) a disbursement of economic resources is probable, but the related amount cannot be reasonably estimated.

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

o. Accrued Severance Indemnities

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

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

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

p. Research and Development Costs

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

q. Accounting for Foreign Currency Transactions and Translation

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

r. Derivative Instruments

The Company records rights and obligations arising from derivative instruments as assets and liabilities,

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

s. Revenue Recognition

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

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

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

t. Income Tax

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

u. Handset Subsidies

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

v. Use of Estimates

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

w. Reclassification in the prior year's financial statements

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

3. INVESTMENT SECURITIES

a. Short-term Investment Securities

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

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

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

b. Long-term Investment Securities

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

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

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

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

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

(Note a) During the year ended December 31, 2009, the common stocks of SK C&C were listed on the Korea Exchange stock market through an initial public offering ("IPO"). Upon SK C&C's IPO, the Company sold 10,500,000 shares for ₩307,558 million (gain on disposal ₩65,109 million). The Company additionally disposed 2,450,000 shares for ₩202,333 million (gain on disposal ₩145,762 million) during the year ended December 31, 2010. The Company recorded the residual investment of 2,050,000 shares at its market value of ₩87,200 per share as of December 31, 2010. Meanwhile, the Company classified this security as short-term investment securities as the Company intends to dispose the security within one year. As of December 31, 2010, the Company accounted for accumulated gain on valuation of investments in the amount of ₩99,620 million (net of tax effect ₩31,805 million) as unrealized gain on valuation of investments and treated as other comprehensive income.

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

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

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

- (Note e) For the year ended December 31, 2010, the Company entered into a transfer agreement regarding Skytel Co., Ltd.'s common stock. In accordance with the agreement, the Company sold 820,943 shares for the year ended December 31, 2010 and plans to dispose of its remaining shares in FY 2011. As a result, the Company reclassified the remaining shares from equity securities accounted for using the equity method to short-term investment securities and recorded the shares at their estimated selling price of ₩14,810 million as of December 31, 2010.
- (Note f) During the year ended 31, 2009, the Company recorded ₩6,245 million of impairment loss on investments in Mobinex Inc., Idea Culture Ltd., Alereon, Inc. as the Company deemed that the carrying amounts may not be recoverable in the future.
- (Note g) For the year ended December 31, 2009, the Company entered into a limited partnership agreement with overseas private fund. In accordance with the partnership agreement, the Company has contributed all of its total capital commitment of US\$ 200 million. In addition, the difference between the fair value and the acquisition cost of ₩9,905 million (net of tax effect of ₩2,794 million) is recorded as unrealized gain on valuation of investment securities in other comprehensive income.

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

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

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

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

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

Maturity	December 31, 2010	December 31, 2009
Within one year	₩ -	₩ 56
After one year but within five years	401	401
	₩ 401	₩ 457

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

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

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

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

For the year ended December 31, 2010			
	Beginning balance	Increase (decrease)	Ending balance
<u>Available-for-sales securities:</u>			
Unrealized gain on valuation of Investment securities	₩ 1,301,359	(₩ 270,264)	₩ 1,031,095
Unrealized loss on valuation of Investment securities	(12,520)	12,520	-
Sub-total	1,288,839	(257,744)	1,031,095
Less tax effect	(285,694)	55,881	(229,813)
Total	₩ 1,003,145	(₩ 201,863)	₩ 801,282

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

4. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD

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

	December 31, 2010				Carrying Amount	
	Number of shares	Ownership percentage (%)	Acquisition cost	Net asset value	December 31, 2010	December 31, 2009
SK Broadband Co., Ltd.	149,638,354	50.6	₩1,450,804	₩669,821	₩1,162,600	₩1,242,247
SK Communications Co., Ltd.	28,029,945	64.7	175,441	144,852	155,189	148,831
SK Telink Co., Ltd.	1,082,272	83.5	8,555	129,915 (Note a)	129,915	133,029
SK Marketing & Company Co., Ltd.	5,000,000	50	190,000	119,104	119,104	112,531
HanaSK Card Co., Ltd.	57,647,058	49	402,476	308,651 (Note b)	376,446	-
PS&Marketing Corporation	46,000,000	100	230,000	177,705 (Note c)	177,705	133,934
SK Wyverns Baseball Club Co., Ltd.	199,997	100	1,000	-	-	-
Paxnet Co., Ltd.	5,590,452	59.7	26,563	14,603	27,477	30,611
F&U Credit Information Co., Ltd.	300,000	50	2,410	4,068	4,487	4,481
TU Media Corp.	-	-	-	- (Note a)	-	11,710
IHQ, Inc.	-	-	-	- (Note d)	-	20,178
Ntreev Soft Co., Ltd.	2,064,970	63.7	33,196	8,072	8,072	7,708
Commerce Planet Co., Ltd.	29,396	100	8,251	532	532	139
Loen Entertainment, Inc.	16,054,812	63.5	57,874	51,524	51,524	40,234
Harex Info Tech, Inc.	-	-	-	- (Note d)	-	62
SK Mobile	-	20	4,930	655	655	2,111
SKT Vietnam PTE Ltd.	180,476,700	73.3	191,273	23,381	23,381	26,264
Skytel Co., Ltd.	-	-	-	- (Note e)	-	14,958
SK China Company Ltd.	720,000	22.5	49,529	47,397 (Note c)	46,573	3,919
SK Telecom China Co., Ltd.	-	100	7,340	9,218	9,218	9,443
TR Entertainment	-	42.2	10,953	2,202	5,832	7,560
ULand Company Ltd.	14,100,100	70.1	17,511	2,869	2,869	3,819
SKT Americas, Inc.	109	100	63,494	48,922 (Note c)	48,922	26,131
SK Telecom China Holding Co., Ltd.	-	100	34,251	27,844 (Note c)	27,844	23,396
SK USA, Inc.	49	49	3,184	5,972	5,972	5,498
Helio, Inc.	79,437	14.3	134	12 (Note f)	12	12
Korea IT Fund	190	63.3	190,000	226,633	226,633	220,957
1st Music Investment Fund of SK-PVC	1,385	69.3	1,000	678 (Note f)	678	4,695
2nd Music Investment Fund of SK-PVC	1,585	79.3	699	661 (Note f)	661	8,036
SK-KTB Music Investment Fund	-	-	-	-	-	13,538
Stonebridge Cinema Fund	120	45.6	12,000	7,564	7,564	8,255
Michigan Global Cinema Fund	40	36.4	4,000	3,526	3,526	3,651
3rd Fund of Isu Entertainment	25	31.3	2,500	1,687	1,687	1,635
SK Telecom Advanced Tech & Service Center	-	100	6,989	9,667	9,667	9,536
Cyworld China Holdings	10,500,000	53.8	10,272	-	-	-
Magic Tech Network Co., Ltd.	4,500	30	8,494	- (Note g)	-	5,267
SK Telecom Global Investment B.V.	18,000	100	39,319	40,153	40,153	41,013
SKY Property Mgmt. Ltd.	22,980	60	283,368	267,977	267,977	264,850
Wave City Development Co. Ltd.	382,000	19.1	1,967	1,392	1,392	1,532
Prmaxsoftware Tech. Co., Ltd.	-	97.2	11,665	100 (Note f)	100	2,432

	December 31, 2010				Carrying Amount	
	Number of shares	Ownership percentage (%)	Acquisition cost	Net asset value	December 31, 2010	December 31, 2009
BMC Digital Cultural Contents Fund	50	19.9	₩ 5,000	₩ 4,637	₩ 4,637	₩ 4,912
2nd Benex Focus investment Fund	200	66.7	20,000	18,408	18,408	19,782
K-net Culture & Contents Venture Fund	295	59	29,500	28,411 (Note c)	28,411	11,157
Open Innovation Fund	450	98.9	45,000	44,219 (Note c)	44,219	19,938
UniSK	49	49	3,475	4,714	4,714	4,247
SK Beijing Industrial Development Co., Ltd.	-	-	-	-	-	18,009
Cyworld Japan	-	-	-	-	-	66
Daehan Kanggun BcN Co., Ltd.	1,461,486	29	7,307	7,264	7,264	7,272
SK Telecom Europe Limited	690,000	100	1,286	1,286 (Note f)	1,286	1,286
SK Fans Co., Limited	312,245	51	13,775	4,017 (Note h)	12,738	-
SK Telecom Smart City Management Co., Ltd.	1,532,143	100	1,709	931 (Note h)	931	-
Service Ace Co., Ltd.	4,385,400	100	21,927	21,949 (Note h)	21,949	-
Service Top Co., Ltd.	2,856,200	100	14,281	14,650 (Note h)	14,650	-
Network O&S Co., Ltd.	3,000,000	100	15,000	17,023 (Note h)	17,023	-
YTK Investment Ltd.	-	100	41,686	36,886 (Note h)	36,886	-
Benex Sector Limited Partnership IV	2,500	49.7	25,000	24,837 (Note h)	24,837	-
KIF Stonebridge Fund	700	20.8	700	670 (Note h)	670	-
SK Technology Innovation Company	-	49	28,146	25,052 (Note h)	25,052	-
PT. Melon Indonesia	4,900,000	49	6,493	6,210 (Note h)	6,210	-
Packet One Network	979,474	27.2	121,119	48,171 (Note i)	116,527	-
Lightsquared Inc.	3,387,916	3.3	72,096	42,517 (Note j)	72,096	-
Television Media Korea Ltd.	18,564,000	51	18,568	18,328 (Note h)	18,328	-
JYP Entertainment	483,830	17.8	2,903	342 (Note k)	2,903	-
			<u>₩4,036,413</u>		<u>₩3,424,106</u>	<u>₩2,680,872</u>

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

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

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

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

Details of the changes in investments in affiliates accounted for using the equity method for the years ended December 31, 2010 and 2009 are as follows (In millions of Korean won):

		For the year ended December 31, 2010								
		Beginning balance	Acquisi- tion	Equity in earnings (losses)	Equity in other com- prehen- sive income	Capital Surplus	Equity method in capital adjustments	Dividend received	Other increase (decrease)	Ending balance
SK Broadband Co., Ltd.	(Note a)	₩1,242,247	₩ -	(₩72,306)	(₩7,477)	₩ -	₩ 136	₩ -	₩ -	₩1,162,600
SK Communications Co., Ltd.	(Note a)	148,831	-	5,287	590	(61)	542	-	-	155,189
	(Notes a,									
SK Telink Co., Ltd.	b and c)	133,029	-	31,991	(97)	(167)	(30,737)	(7,363)	3,259	129,915
SK Marketing & Company Co., Ltd.	(Note a)	112,531	-	6,620	(47)	-	-	-	-	119,104
HanaSK Card Co., Ltd.	(Note a)	-	402,476	(25,902)	(128)	-	-	-	-	376,446
PS&Marketing Corporation	(Note a)	133,934	80,000	(35,067)	-	-	(1,162)	-	-	177,705
SK Wyverns Baseball Club Co., Ltd.	(Note a)	-	-	188	-	-	-	-	(188)	-
	(Notes a									
Paxnet Co., Ltd.	and c)	30,611	-	(2,055)	-	-	-	(1,079)	-	27,477
F&U Credit information Co., Ltd.	(Note a)	4,481	-	6	-	-	-	-	-	4,487
TU Media Corp.	(Note b)	11,710	-	(1,024)	-	-	(7,427)	-	(3,259)	-
IHQ, Inc.	(Note d)	20,178	-	(2,867)	(16)	-	-	-	(17,295)	-
Ntreev Soft Co., Ltd.	(Note a)	7,708	-	418	(54)	-	-	-	-	8,072
Commerce Planet Co., Ltd.	(Note a)	139	-	393	-	-	-	-	-	532
	(Notes a									
Loen Entertainment, Inc.	and c)	40,234	-	11,707	209	-	-	(626)	-	51,524
Harex Info Tech, Inc.	(Note d)	62	-	-	-	-	-	-	(62)	-
SK Mobile	(Note a)	2,111	-	(1,982)	526	-	-	-	-	655
SKT Vietnam PTE Ltd.	(Note a)	26,264	-	(2,092)	(791)	-	-	-	-	23,381
Skytel Co., Ltd.	(Note d)	14,958	-	2,832	1,337	-	-	(444)	(18,683)	-
	(Notes a									
SK China Company Ltd.	and d)	3,919	44,859	934	(2,192)	-	-	-	(947)	46,573
SK Telecom China Co., Ltd.	(Note a)	9,443	-	(302)	77	-	-	-	-	9,218
TR Entertainment	(Note a)	7,560	-	(1,746)	18	-	-	-	-	5,832
ULand Company Ltd.	(Note a)	3,819	-	(973)	23	-	-	-	-	2,869
SKT Americas, Inc.	(Note a)	26,131	33,036	(10,561)	316	-	-	-	-	48,922
SK Telecom China Holding Co., Ltd.	(Note a)	23,396	4,656	(453)	245	-	-	-	-	27,844
SK USA, Inc.	(Note a)	5,498	-	618	(144)	-	-	-	-	5,972
Helio, Inc.		12	-	-	-	-	-	-	-	12
	(Notes a									
Korea IT Fund	and c)	220,957	-	7,680	954	-	-	(2,958)	-	226,633
1st Music Investment Fund of SK-PVC	(Note e)	4,695	-	-	-	-	-	-	(4,017)	678
2nd Music Investment Fund of SK-PVC	(Note e)	8,036	-	(548)	-	-	-	-	(6,827)	661
	(Notes c									
SK-KTB Music Investment Fund	and e)	13,538	-	682	925	-	44	(63)	(15,126)	-
Stonebridge Cinema Fund	(Note a)	8,255	-	(691)	-	-	-	-	-	7,564
Michigan Global Cinema Fund	(Note a)	3,651	-	(125)	-	-	-	-	-	3,526
3rd Fund of Isu Entertainment	(Note a)	1,635	-	52	-	-	-	-	-	1,687
SK Telecom Advanced Tech & Service Center	(Note a)	9,536	-	50	81	-	-	-	-	9,667
Cyworld China Holdings		-	-	(11)	11	-	-	-	-	-
Magic Tech Network Co., Ltd.		5,267	-	(4,858)	(409)	-	-	-	-	-
SK Telecom Global Investment B.V.	(Note a)	41,013	-	150	(1,010)	-	-	-	-	40,153
SKY Property Mgmt. Ltd.	(Note a)	264,850	-	1,637	1,490	-	-	-	-	267,977
Wave City Development Co. Ltd.	(Note a)	1,532	-	(140)	-	-	-	-	-	1,392
Prmaxsoftware Tech. Co., Ltd.		2,432	-	(2,332)	-	-	-	-	-	100
BMC Digital Cultural Contents Fund	(Note a)	4,912	-	(275)	-	-	-	-	-	4,637
2nd Benex Focus investment Fund	(Note a)	19,782	-	(1,374)	-	-	-	-	-	18,408

For the year ended December 31, 2010

		Beginning balance	Acquisi- -tion	Equity in earnings (losses)	Equity in other com- prehen- sive income	Capital Surplus	Equity method in capital adjustments	Dividend received	Other increase (decrease)	Ending balance
K-net Culture & Contents										
Venture Fund	(Note a)	₩ 11,157	₩ 17,700	(₩ 446)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 28,411
Open Innovation Fund	(Note a)	19,938	25,000	(718)	-	-	(1)	-	-	44,219
UniSK	(Note a)	4,247	-	427	40	-	-	-	-	4,714
SK Beijing Industrial Development Co., Limited	(Note d)	18,009	-	-	-	-	-	-	(18,009)	-
Cyworld Japan	(Note e)	66	-	-	-	-	-	-	(66)	-
Daehan Kanggun BcN Co., Ltd.	(Note a)	7,272	-	(8)	-	-	-	-	-	7,264
SK Telecom Europe Limited		1,286	-	-	-	-	-	-	-	1,286
SK Fans Co., Limited	(Note a)	-	13,775	(1,074)	37	-	-	-	-	12,738
SK Telecom Smart City Management Co., Ltd.	(Note a)	-	1,709	(118)	(660)	-	-	-	-	931
Service Ace Co., Ltd.	(Note a)	-	21,927	22	-	-	-	-	-	21,949
Service Top Co., Ltd.	(Note a)	-	14,281	369	-	-	-	-	-	14,650
Network O&S Co., Ltd.	(Note a)	-	15,000	2,239	-	-	(216)	-	-	17,023
YTK Investment, Ltd.	(Note a)	-	41,686	(2,821)	(1,979)	-	-	-	-	36,886
Benex Sector Limited Partnership IV	(Note a)	-	25,000	(380)	217	-	-	-	-	24,837
KIF Stonebridge Fund	(Note a)	-	700	(30)	-	-	-	-	-	670
SK Technology Innovation Company	(Note a)	-	28,146	(2,836)	(258)	-	-	-	-	25,052
PT. Melon Indonesia	(Note a)	-	6,492	14	(296)	-	-	-	-	6,210
Packet One Network	(Note a)	-	121,120	(4,720)	127	-	-	-	-	116,527
Lightsquared Inc.		-	72,096	-	-	-	-	-	-	72,096
Television Media Korea Ltd.	(Note a)	-	18,568	(240)	-	-	-	-	-	18,328
JYP Entertainment	(Note a)	-	2,903	-	-	-	-	-	-	2,903
Total		₩ 2,680,872	₩991,130	(₩106,759)	(₩ 8,335)	(₩228)	(₩38,821)	(₩12,533)	(₩81,220)	₩3,424,106

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

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

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

(Note c) The Company received dividends from SK Telink Co., Ltd., Paxnet Co., Ltd., Loen Entertainment, Inc., Skytel Co., Ltd., Korea IT Fund and SK-KTB Music Investment Fund and the corresponding amounts are deducted from the carrying amount of equity securities accounted for using the equity method.

(Note d) Other decrease in IHQ, Inc., Harex info Tech, Inc., Skytel Co., Ltd., SK China Company Ltd. and SK Beijing Industrial Development is due to partial disposal of investments during the year ended December 31, 2010.

(Note e) Other decrease in 1st Music Investment Fund of SK-PVC, 2nd Music Investment Fund of SK-PVC and Cyworld Japan is due to liquidation during the year ended December 31, 2010.

For the year ended December 31, 2009

		Beginning balance	Acquisi- -tion	Equity in earnings (losses)	Equity in other com- prehen- sive income	Capital surplus	Equity method in retained earnings	Equity method in capital adjustments	Dividend received	Other increase (decrease)	Ending balance
SK Broadband Co., Ltd.	(Note a)	₩1,146,736	₩ 241,176	(₩117,528)	₩ 5,841	₩ -	(₩56,043)	₩22,065	₩ -	₩ -	₩1,242,247
SK Communications Co., Ltd.	(Note a)	147,392	-	(482)	(19,027)	2,049	-	18,899	-	-	148,831
	(Notes a										
SK Telink Co., Ltd.	and b)	112,358	-	26,835	162	-	-	-	(6,325)	-	133,030
SK Marketing & Company Co., Ltd.	(Note a)	101,345	-	16,067	(4,881)	-	-	-	-	-	112,531
PS&Marketing Corporation	(Note a)	-	150,000	(16,066)	-	-	-	-	-	-	133,934
SK Wyverns Baseball Club Co., Ltd.	(Note a)	-	-	28	-	-	-	-	-	(28)	-
	(Notes a										
Paxnet Co., Ltd.	and b)	30,086	-	1,017	(281)	-	-	281	(492)	-	30,611
F&U Credit Information Co., Ltd.	(Note a)	4,244	-	237	-	-	-	-	-	-	4,481
TU Media Corp.	(Note a)	14,847	-	(3,137)	36	(36)	-	-	-	-	11,710
	(Notes a										
Aircross Co., Ltd.	and c)	7,289	-	-	-	-	-	-	-	(7,289)	-
IHQ, Inc.	(Note a)	26,957	-	(7,641)	(5,108)	-	-	5,970	-	-	20,178
Nireev Soft Co., Ltd.	(Note a)	9,575	-	(1,963)	47	-	-	49	-	-	7,708
Commerce Planet Co., Ltd.	(Note a)	1,535	-	(1,396)	-	-	-	-	-	-	139
Loen Entertainment, Inc.	(Note a)	35,895	-	1,717	2,944	-	-	(322)	-	-	40,234
Harex Info Tech, Inc.	(Note a)	598	-	(536)	-	-	-	-	-	-	62
SK Mobile	(Note a)	2,111	-	-	-	-	-	-	-	-	2,111
SKT Vietnam PTE Ltd.	(Note a)	112,160	-	(71,649)	(14,247)	-	-	-	-	-	26,264
Skytel Co., Ltd.	(Note a)	12,381	-	5,192	(2,615)	-	-	-	-	-	14,958
SK China Company Ltd.	(Note a)	3,657	-	669	(408)	-	-	-	-	-	3,918
SK Telecom China Co., Ltd.	(Note a)	7,157	-	(91)	2,378	-	-	-	-	-	9,444
TR Entertainment	(Note a)	9,626	-	(1,894)	(172)	-	-	-	-	-	7,560
ULand Company Ltd.	(Note a)	5,401	-	(1,268)	(314)	-	-	-	-	-	3,819
	(Notes a										
Virgin Mobile USA, Inc.	and d)	62,096	-	(11,529)	11	-	-	-	-	(50,578)	-
	(Notes a										
SKT Americas, Inc.	and e)	36,126	-	(20,589)	(2,396)	-	-	-	-	12,990	26,131
SK Telecom China Holding Co., Ltd.	(Note a)	30,780	6,302	(11,738)	(1,948)	-	-	-	-	-	23,396
SK USA, Inc.	(Note a)	5,041	-	865	(408)	-	-	-	-	-	5,498
	(Notes a										
Helio, Inc.	and d)	116	-	-	(26)	-	-	26	-	(104)	12
Korea IT Fund	(Note a)	210,725	-	8,821	1,411	-	-	-	-	-	220,957
1st Music Investment Fund of SK-PVC	(Note a)	5,688	-	(1,146)	153	-	-	-	-	-	4,695
2nd Music Investment Fund of SK-PVC	(Note a)	8,441	-	(405)	-	-	-	-	-	-	8,036
SK-KTB Music Investment Fund	(Note a)	13,954	-	(341)	(76)	-	-	1	-	-	13,538
Stonebridge Cinema Fund											
(formerly IMM Cinema Fund)	(Note a)	8,435	-	(179)	-	-	-	-	-	-	8,256
Michigan Global Cinema Fund	(Note a)	3,577	-	74	-	-	-	-	-	-	3,651
3rd Fund of Isu Entertainment	(Note a)	1,568	-	67	-	-	-	-	-	-	1,635
SK Telecom Advanced											
Tech & Service Center	(Note a)	10,053	-	246	(763)	-	-	-	-	-	9,536
Cyworld China Holdings	(Note a)	2,117	-	(1,062)	(127)	-	-	(928)	-	-	-
Magic Tech Network	(Note a)	7,725	-	(2,403)	(55)	-	-	-	-	-	5,267
SK Telecom Global Investment B.V.	(Note a)	31,866	13,274	40	(4,167)	-	-	-	-	-	41,013
SKY Property Mgmt. Ltd.	(Note a)	287,405	-	827	(23,384)	-	-	-	-	-	264,848
Wave City Development Co. Ltd.	(Note a)	1,908	-	(376)	-	-	-	-	-	-	1,532
Prmaxsoftware Tech. Co., Ltd.	(Note a)	7,127	4,538	(9,526)	293	-	-	-	-	-	2,432
Benex Digital Cultural Contents Fund	(Note a)	5,068	-	(156)	-	-	-	-	-	-	4,912
Benex Focus Limited Partnership II	(Note a)	20,089	-	(307)	-	-	-	-	-	-	19,782
K-net Culture & Contents											
Venture Fund	(Note a)	5,856	5,900	(599)	-	-	-	-	-	-	11,157
Open Innovation Fund	(Note a)	20,044	-	(106)	-	-	-	-	-	-	19,938
UniSk	(Note a)	3,475	-	1,101	(329)	-	-	-	-	-	4,247
SK Beijing Industrial Development											
Co., Ltd.	(Note a)	-	23,709	(5,448)	(252)	-	-	-	-	-	18,009
Cyworld Japan	(Note a)	3,141	-	(3,063)	(12)	-	-	-	-	-	66
Cyworld Inc.	(Note a)	2,672	-	(2,672)	-	-	-	-	-	-	-

For the year ended December 31, 2009

		Beginning balance	Acquisition	Equity in earnings (losses)	Equity in other comprehensive income	Capital surplus	Equity method in retained earnings	Equity method in capital adjustments	Dividend received	Other increase (decrease)	Ending balance
Daehan Kanggun BcN Co., Ltd.	(Notes a and f)	₩ -	₩ 6,803	(₩ 35)	₩ -	₩ -	₩ -	₩ -	₩ -	₩ 504	₩ 7,272
SKT Holdings America	(Notes a and e)	12,990	-	-	-	-	-	-	-	(12,990)	-
SK Telecom Europe Limited	(Note a)	1,286	-	-	-	-	-	-	-	-	1,286
Total		₩2,600,719	₩451,702	(₩231,528)	(₩67,720)	₩2,013	(₩56,043)	₩ 46,041	(₩6,817)	(₩57,495)	₩2,680,872

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Total assets	Total liabilities	Revenue	Net income (loss)
SK Broadband Co., Ltd.	₩3,083,941	₩ 1,759,148	₩2,111,832	(₩ 60,550)
SK Communications Co., Ltd.	318,110	94,060	242,321	7,557
SK Telink Co., Ltd.	392,890	237,228	341,889	37,373
SK Marketing & Company Co., Ltd.	661,464	423,256	418,759	19,580
HanaSK Card Co., Ltd.	3,314,140	2,684,239	496,789	(60,453)
PS&Marketing Corporation	357,808	180,102	732,360	(34,979)
SK Wyverns Baseball Club Co., Ltd.	5,072	6,638	30,685	(324)
Paxnet Co., Ltd.	35,181	10,735	30,769	(1,697)
F&U Credit Information Co., Ltd.	12,800	4,664	46,154	251
Ntreev Soft Co., Ltd.	33,551	20,878	34,885	798
Commerce Planet Co., Ltd.	43,559	43,027	63,426	172
Loen Entertainment, Inc.	131,922	50,754	138,991	19,781
SK Mobile	3,658	382	-	(7,054)
SKT Vietnam PTE Ltd.	49,097	17,207	169	(2,600)
SK China Company Ltd.	212,370	1,784	15,876	4,155
SK Telecom China Co., Ltd.	9,469	251	1	(301)
TR Entertainment	8,096	2,879	11,026	(317)
ULand Company Ltd.	7,191	3,102	2,938	(1,387)
SKT Americas, Inc.	51,389	2,467	19,638	(9,736)
SK Telecom China Holding Co., Ltd.	32,218	4,374	26,225	(1,843)
SK USA, Inc.	14,346	2,158	9,303	1,262
Korea IT Fund	357,842	-	-	14,097
Stonebridge Cinema Fund	16,769	191	432	(1,351)
Michigan Global Cinema Fund	9,785	90	20	(165)
3rd Fund of Isu Entertainment	5,399	-	170	166
SK Telecom Advanced Tech & Service Center	9,761	94	-	50
SK Telecom Global Investment B.V.	40,269	117	360	150
SKY Property Mgmt. Ltd.	548,288	101,660	39,298	2,961
Wave City Development Co. Ltd.	126,442	119,153	693	(729)
BMC Digital Cultural Contents Fund	23,281	4	336	(285)
2nd Benex Focus investment Fund	27,613	2	313	(2,062)
K-net Culture & Contents Venture Fund	48,170	15	532	(755)
Open Innovation Fund	44,713	2	523	(728)
UniSK	14,769	5,149	10,261	871
Daehan Kanggun BcN Co., Ltd.	165,754	140,707	-	4
SK Fans Co., Limited	16,588	8,712	6,975	(1,205)
SK Telecom Smart City Management Co., Ltd.	1,008	77	-	(119)
Service Ace Co., Ltd.	36,505	14,556	54,182	22
Service Top Co., Ltd.	29,598	14,949	54,315	369
Network O&S Co., Ltd.	32,090	15,067	60,495	2,239
YTK Investment Ltd.	36,887	-	-	(2,820)
Benex Sector Limited Partnership IV	49,974	3	770	(644)
KIF Stonebridge Fund	3,383	157	12	(144)
SK Technology Innovation Company	52,949	1,822	-	(5,787)
PT. Melon Indonesia	13,759	1,085	-	27
Packet One Network	279,435	151,549	75,391	(13,604)
Television Media Korea Ltd.	36,188	251	-	(291)
JYP Entertainment	11,587	9,667	20,494	383

5. LOANS TO EMPLOYEES

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

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

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

6. PROPERTY AND EQUIPMENT

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

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

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

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

For the year ended December 31, 2010							
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance	
Land	₩ 416,732	₩ 1,622	(₩ 7,000)	₩ 857	₩ -	₩ 412,210	
Buildings and structures	1,011,126	10,180	(1,381)	6,794	(70,035)	956,685	
Machinery	3,101,102	90,025	(5,421)	1,085,230	(1,473,453)	2,797,484	
Vehicles	34,250	175	(113)	-	(3,976)	30,335	
Other	296,476	962,862	(4,195)	(695,832)	(105,353)	453,957	
Construction in progress	336,835	800,435	(46,581)	(713,792)	-	376,896	
Total	<u>₩ 5,196,521</u>	<u>₩1,865,299</u>	<u>(₩ 64,691)</u>	<u>(₩ 316,743)</u>	<u>(₩ 1,652,817)</u>	<u>₩ 5,027,567</u>	
For the year ended December 31, 2009							
	Beginning balance	Acquisition	Business acquisition (Note)	Disposal	Transfer	Depreciation	Ending balance
Land	₩ 447,088	₩ 8,589	₩ 3,408	(₩ 42,883)	₩ 530	₩ -	₩ 416,732
Buildings and structures	1,012,226	7,098	66,404	(18,323)	1,409	(57,688)	1,011,126
Machinery	2,594,086	85,703	534,922	(5,372)	1,273,350	(1,381,587)	3,101,102
Vehicles	2,035	793	-	(669)	34,339	(2,248)	34,250
Other	361,205	950,971	206	(26,593)	(883,568)	(105,745)	296,476
Construction in progress	281,574	629,933	7,031	(20,740)	(560,963)	-	336,835
Total	<u>₩ 4,698,214</u>	<u>₩1,683,087</u>	<u>₩ 611,971</u>	<u>(₩114,580)</u>	<u>(₩134,903)</u>	<u>(₩1,547,268)</u>	<u>₩5,196,521</u>

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

7. INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

8. BONDS PAYABLE

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

	Maturity year	Annual interest rate (%)	December 31, 2010	December 31, 2009
Domestic general bonds	2010	4.0	₩ -	₩ 140,000
"	2010	6.77	-	50,000
"	2011	3.0	200,000	200,000
"	2013	4.0	200,000	200,000
"	2013	6.92	250,000	250,000
"	2014	5.0	200,000	200,000
"	2015	5.0	200,000	200,000
"	2016	5.0	200,000	200,000
"	2016	5.54	40,000	40,000
"	2016	5.92	230,000	230,000
"	2018	5.0	200,000	200,000
Dollar denominated bonds (US\$ 300,000)	2011	4.25	341,670	350,280
Dollar denominated bonds (US\$ 400,000)	2027	6.63	455,560	467,040
	Maturity year	Annual interest rate (%)	December 31, 2010	December 31, 2009
Yen denominated bonds (JPY 12,500,000)	2012	3-month Euro Yen LIBOR rate +0.55 (note a)	174,635	157,852
Yen denominated bonds (JPY 5,000,000)	2012	3-month Euro Yen TIBOR rate +2.5 (Note b)	69,854	63,141
Yen denominated bonds (JPY 3,000,000)	2012	3-month Euro Yen LIBOR rate +2.5 (Note a)	41,912	37,885
Convertible bonds (US\$ 332,528)	2014	1.75	437,673	437,673
Floating rate notes (US\$ 150,000,000)	2010	3-month LIBOR rate +3.05 (Note c)	-	175,140
Floating rate notes (US\$ 220,000,000)	2012	3-month LIBOR rate +3.15 (Note c)	250,558	256,872
Total			3,491,862	3,855,883
Less discounts on bonds			(48,015)	(61,227)
Less conversion right adjustments			(64,489)	(81,235)
Net			3,379,358	3,713,421
Less portion due within one year			(539,607)	(364,205)
Long-term portion			₩ 2,839,751	₩ 3,349,216

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

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

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

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

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

Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock, if this 49% ownership limitation is violated due to the exercise of conversion rights. In this case, the Company will pay a bond holder as cash settlement determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five or twenty business days. The Company intends to sell treasury shares held in trust by the Company that corresponds to the number of shares of common stock that would have been delivered in the absence of the 49% foreign shareholding restrictions. Unless either previously redeemed or converted, the notes are redeemable at 100% of the principal amount at maturity.

Conversion price has changed from ₩230,010 to ₩220,000 and the number of common shares that can be converted has changed from 1,999,997 shares to 2,090,996 shares due to the payment of periodic dividends in accordance with a resolution of Board of Directors at January 27, 2010 and payment of interim dividends in accordance with a resolution of the Board of Directors at July 22, 2010. During the year ended December 31, 2010, no conversion has been made.

9. LONG-TERM BORROWINGS

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

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

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

10. SUBSCRIPTION DEPOSITS

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

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

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

11. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

12. CAPITAL STOCK

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

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

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

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

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

13. RETAINED EARNINGS

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

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

a. Legal Reserve

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

b. Reserve for Business Expansion and Technology Development

Reserve for research and manpower development were appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditure for tax purposes. These reserves

will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

c. Reserve for Business Expansion and Technology Development

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

14. TREASURY STOCK

The Company acquired 8,707,696 shares of treasury stock in the market or through the trust funds for ₩2,055,620 million through 2008 in order to provide stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co., Ltd., increase shareholder values, and stabilize the market price of its stock.

On January 9, 2009, in accordance with a resolution of Board of Directors on October 23, 2008, the Company acquired 448,000 shares of treasury stock for ₩92,476 million from December 2, 2008 through January 7, 2009, and retired the shares with the Company's retained earnings for ₩92,476 million. As a result of these transactions, retained earnings decreased by ₩92,476 million. On December 15, 2009, the Company acquired 4 shares of treasury stock for ₩7 million by acquisition request of odd lot stock, resulting from the merger with Shinsegi Telecom, Inc.

In addition, from July 26, 2010 through October 20, 2010, the Company acquired 1,250,000 shares of treasury stock for ₩210,356 million in accordance with a resolution of the board of directors on July 22, 2010.

As a result, treasury stocks as of December 31, 2010 and 2009 are 9,650,712 shares and 8,400,712 shares with acquisition costs of ₩2,202,439 million and ₩1,992,083 million, respectively.

15. INCOME TAX

a. Details of income tax expense

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

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

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

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

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

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

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

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

	For the year ended December 31,	
	2010	2009
Permanent difference	₩ 28,725	₩ 23,487
Changes in deferred income tax assets (liabilities) recognized related to equity method investment securities	(24,748)	16,629
Tax credit for investment and other	(36,709)	(96,266)
Special surtax for agriculture and fishery industries	6,708	16,521
Additional income tax (tax refund) for prior periods	(7,542)	11,142
Effect of statutory corporate income tax rates change	<u>(200)</u>	<u>(3,562)</u>
	<u>(₩ 33,766)</u>	<u>(₩ 32,049)</u>

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

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

Description	January 1, 2010	Increase (Note a)	Decrease (Note a)	December 31, 2010
Current:				
Allowance for doubtful accounts	₩ 142,991	₩ 135,391	₩ 142,135	₩ 136,247
Accrued interest income	(2,623)	(2,328)	(2,619)	(2,332)
Bad debt	126,575	1,060	9,748	117,887
Accrued expenses	137,603	38,822	40,822	135,603
Current portion of investment securities	-	(175,645)	-	(175,645)
Loss on valuation of interest rate swap (other comprehensive income)	-	14,016	6,470	7,546
Other	517,385	783,569	637,507	663,447
Total	921,931	794,885	834,063	882,753
Temporary differences unlikely to be realized	(128,555)			(128,555)
Total current cumulative temporary differences-net	₩ 793,376	₩ 794,885	₩ 834,063	₩ 754,198
Current deferred tax assets-net (Note b)	₩ 194,825			₩ 182,516
Non-current:				
Property and equipment	(₩ 10,705)	₩ 67,778	(₩ 34,346)	₩ 91,419
Loss on impairment of long-term investment securities	162,094	(27,382)	5,980	128,732
Reserves for research and manpower development	(546,333)	63,000	(123,333)	(360,000)
Equity in (earnings) losses of affiliates	401,081	167,063	32,049	536,095
Equity in other comprehensive income of affiliates	58,699	106,204	-	164,903
Unrealized loss on valuation of long-term investment securities, net (other comprehensive income)	(1,288,960)	(66,423)	(499,934)	(855,449)
Accrued severance indemnities	64,278	22,358	9,835	76,801
Deposits for severance indemnities	(64,278)	(22,358)	(9,835)	(76,801)
Loss on valuation of currency swap	(145,504)	28,057	-	(117,447)
Loss on valuation of currency swap (other comprehensive income)	(964)	86,238	-	85,274
Loss on valuation of interest rate swap (other comprehensive income)	14,016	-	14,016	-
Considerations for conversion right	(86,968)	5,733	(16,746)	(64,489)
Loss (Gain) on foreign currency translation	50,808	690	16,851	34,647
Goodwill relevant to lease line	819,989	(110)	197,427	622,452
Other	208,774	(40,554)	11,851	156,369
Total	(363,973)	390,294	(396,185)	422,506
Temporary differences unlikely to be realized	(607,286)	-	(107,796)	(499,490)
Total non-current cumulative temporary differences-net	(₩ 971,259)	₩ 390,295	(₩ 503,981)	(₩ 76,984)
Total non-current deferred tax liabilities-net (Note b)	₩ 210,859)			(₩ 10,802)

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

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

Description	January 1, 2009	Increase (Note a)	Decrease (Note a)	December 31, 2009
Current:				
Allowance for doubtful accounts	₩ 42,197	₩ 143,657	₩ 42,863	₩ 142,991
Accrued interest income	(5,490)	(2,623)	(5,490)	(2,623)
Bad debt	77,405	5,261	(43,909)	126,575
Accrued expenses	86,731	78,044	27,172	137,603
Other	17,285	502,267	2,167	517,385
Total	218,128	726,606	22,803	921,931
Temporary differences unlikely to be realized	(128,555)	-	-	(128,555)
Total current cumulative temporary differences-net	₩ 89,573	₩ 726,606	₩ 22,803	₩ 793,376
Current deferred tax assets-net (Note b)	₩ 21,677			₩ 194,825
Non-current:				
Bad debt	₩ 48,257	₩ -	₩ 48,257	₩ -
Property and equipment	(97,992)	23,644	(63,643)	(10,705)
Loss on impairment of long-term investment securities	357,092	6,245	201,243	162,094
Loss on impairment of other long-term assets	8,122	-	8,122	-
Reserves for research and manpower development	(350,000)	(363,000)	(166,667)	(546,333)
Equity in (earnings) losses of affiliates	(42,707)	454,188	10,400	401,081
Equity in other comprehensive income of affiliates	38,945	-	(19,754)	58,699
Unrealized loss on valuation of long-term investment securities, net (other comprehensive income)	(539,150)	(750,854)	(1,044)	(1,288,960)
Accrued severance indemnities	59,101	17,794	12,617	64,278
Deposits for severance indemnities	(58,427)	(18,468)	(12,617)	(64,278)
Loss on valuation of currency swap	(51,556)	96,411	190,359	(145,504)
Loss on valuation of currency swap (other comprehensive income)	18,328	70,082	89,374	(964)
Loss on valuation of interest rate swap (other comprehensive income)	33,499	-	19,483	14,016
Gain on conversion of convertible bond	(373,140)	-	(373,140)	-
Considerations for conversion right	(5,732)	(93,067)	(11,831)	(86,968)
Long-term accrued interest	17,256	-	17,256	-
Loss (Gain) on foreign currency translation	(295,250)	423,677	77,619	50,808
Goodwill relevant to lease line	-	870,713	50,724	819,989
Other	483,575	159,894	434,695	208,774
Total	(749,779)	897,259	511,453	(363,973)
Temporary differences unlikely to be realized	(496,155)	-	111,131	(607,286)
Total non-current cumulative temporary differences-net	(₩1,245,934)	₩897,259	₩ 622,584	(₩ 971,259)
Total non-current deferred tax liabilities-net (Note b)	(₩ 279,616)			(₩ 210,859)

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

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

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

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

16. COMPREHENSIVE INCOME

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

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

17. NET INCOME AND ORDINARY INCOME PER SHARE

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

Net income per share

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

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

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

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

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

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

Diluted net income and ordinary income per share

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

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

	For the year ended December 31,	
	2010	2009
Net income	₩ 1,410,968	₩ 1,288,340
Effect of convertible bonds (Note)	<u>18,752</u>	<u>20,484</u>
Adjusted net income and ordinary income	<u>₩ 1,429,720</u>	<u>₩ 1,308,824</u>

	For the year ended December 31,	
	2010	2009
Weighted average number of common shares outstanding	71,942,387	72,346,763
Effect of convertible bonds (Note)	<u>2,090,996</u>	<u>2,020,971</u>
Adjusted weighted average number of common shares outstanding	<u>74,033,383</u>	<u>74,367,734</u>

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

18. RESTRICTED CASH AND CASH EQUIVALENTS

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

19. DIVIDEND DISCLOSURE

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

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

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

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

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

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

20. INSURANCE

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

Insured	Risk	Carrying value	Coverage
Property and equipment	Fire and comprehensive liability	<u>₩ 3,754,805</u>	<u>₩ 8,878,066</u>

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

21. RELATED PARTY TRANSACTIONS

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

a. Holding company and subsidiaries

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

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

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

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

b. Transactions and balances with related parties

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

b-(1) Transactions

For the year ended December 31,						
2010			2009			
Purchases of property and equipment	Commissions paid and other expenses	Commissions earned and other income	Purchases of property and equipment	Commissions paid and other expenses	Commissions earned and other income	
Ultimate parent company:						
SK C&C Co., Ltd.	₩ 228,793	₩ 271,187	₩ 10,057	₩ 173,855	₩ 286,102	₩ 6,609
Parent Company:						
SK Holdings Co., Ltd.	118	24,724	1,408	85	24,462	813
Subsidiaries:						
SK Broadband Co., Ltd.	66,339	169,861	72,302	3,301	63,782	56,501
SK Communications Co., Ltd.	229	24,053	10,011	1,011	25,362	8,879
SK Telink Co., Ltd.	-	32,559	46,554	204	13,194	36,890
PS&Marketing Corporation	10	312,092	2,886	-	200,232	1,053
F&U Credit Information Co., Ltd.	-	44,125	2,132	-	48,526	1,540
TU Media Corp.	-	79,312	20,651	719	92,761	34,347
Commerce Planet Co., Ltd.	8,241	119,373	10,396	700	43,603	9,067
Loen Entertainment, Inc	-	35,838	3,931	-	35,079	6,092
Ntreev Soft Co., Ltd.	94	4,469	6,099	1,900	6,700	1,982
SKT Americas, Inc.	-	19,219	-	-	18,259	-
SK Telecom China Holdings	-	24,328	-	-	26,660	-
Service Ace Co., Ltd.	-	54,228	4,079	-	-	-
Service Top Co., Ltd.	-	54,102	3,280	-	-	-
Network O&S Co., Ltd.	-	60,495	1,135	-	-	-
Others	214	3,916	769	-	22,194	1,820
Equity Method Investees:						
SK Marketing & Company Co., Ltd.	11,802	165,702	7,168	6,130	133,459	4,280
HanaSK Card, Co., Ltd.	-	95,044	3,562	-	-	-
SK Wyverns Baseball Club Co., Ltd.	-	18,000	67	-	21,414	316
Wave City Development Co. Ltd.	-	-	-	-	-	34,920
Others	189	8,870	5	73	10,765	2
Others:						
SK Engineering & Construction Co., Ltd.	290,391	18,943	6,079	308,334	30,871	2,230
SK Networks Co., Ltd.	8,949	448,102	18,834	1,498,748	730,373	23,804
SK Networks Service Co., Ltd.	254	24,491	308	-	23,479	281
SK Telesys Co., Ltd.	307,931	10,345	12,072	223,310	12,660	1,504
M&Service Co., Ltd.	921	10,095	287	1,458	7,958	742
MRO Korea Co., Ltd.	6,233	4,094	55	3,243	2,852	19
Others	8,496	10,637	11,775	18,290	32,579	10,574
Total	₩ 939,204	₩ 2,148,204	₩ 255,902	₩ 2,241,361	₩ 1,913,326	₩ 244,265

b-(2) Account balances

For the year ended December 31, 2010						
	Accounts receivable	Short-term loans	Long-term loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate parent company:						
SK C&C Co., Ltd.	₩ 843	₩ -	₩ -	₩ -	₩ 163,154	₩ 197
Parent Company:						
SK Holdings Co., Ltd.	525	-	-	-	-	-
Subsidiaries:						
SK Broadband Co., Ltd.	3,373	-	-	1,151	63,917	39,462
SK Communications Co., Ltd.	2,239	-	-	-	8,706	5,524
SK Telink Co., Ltd.	4,573	-	-	-	9,086	3,439
PS&Marketing Corporation	1,085	-	-	-	27,133	5,913
F&U Credit Information Co., Ltd.	47	-	-	-	7,002	-
Commerce Planet Co., Ltd.	10,927	-	-	-	19,359	-
Loen Entertainment, Inc.	665	-	-	-	4,058	-
Ntreev Soft Co., Ltd.	6,622	-	-	-	75	-
SKT Vietnam PTE Ltd.	4,205	-	-	-	-	-
SKT Americas, Inc.	-	-	-	-	7,830	-
SK Telecom China Holdings	-	-	-	-	6,984	-
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
Others	224	-	-	-	910	150
Equity Method Investees:						
SK Marketing & Company Co., Ltd.	3,382	-	-	-	32,304	-
HanaSK Card, Co., Ltd.	8,478	-	-	-	19,948	-
Wave City Development Co. Ltd.	38,412	-	-	-	-	-
Daehan Kanggun BcN Co., Ltd	-	-	30,224	-	-	-
Others	8	575	1,831	-	1,826	-
Others:						
SK Engineering & Construction Co., Ltd.	1,171	-	-	-	16,148	82
SK Networks Co., Ltd.	2,911	-	-	5,513	32,734	489
SK Telesys Co., Ltd.	14,197	-	-	-	30,037	-
M&Service Co., Ltd.	1,591	-	-	-	3,998	-
MRO Korea Co., Ltd.	5	-	-	-	1,408	-
Others	1,985	-	-	95	6,256	70
Total	₩ 108,358	₩ 575	₩ 32,055	₩ 6,759	₩ 493,250	₩ 62,753

For the year ended December 31, 2009

	Accounts receivable	Short-term loans	Long-term loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate parent company:						
SK C&C Co., Ltd.	₩ 758	₩ -	₩ -	₩ -	₩ 89,318	₩ -
Parent Company:						
SK Holdings Co., Ltd.	248	-	-	-	1	-
Subsidiaries:						
SK Broadband Co., Ltd.	2,356	-	-	1,216	374	5,114
SK Communications Co., Ltd.	1,785	-	-	-	12,738	5,524
SK Telink Co., Ltd.	797	-	-	-	700	1,022
PS&Marketing Corporation	159	-	-	-	32,400	5,084
F&U Credit Information Co., Ltd.	8	-	-	-	3,617	-
TU Media Corp.	4,051	-	-	-	114	2,709
Commerce Planet Co., Ltd.	8,331	-	-	-	10,258	-
Loen Entertainment, Inc.	272	-	-	-	652	-
IHQ, Inc.	51	-	-	-	-	-
Ntreev Soft Co., Ltd.	3,988	-	-	-	3,210	-
SKT Vietnam PTE Ltd.	3,835	-	-	-	-	-
SKT Americas, Inc.	-	-	-	-	5,567	-
SK Telecom China Holdings	-	-	-	-	8,500	-
Others	7	-	-	-	19	150
Equity Method Investees:						
SK Marketing & Company Co., Ltd.	2,403	-	-	-	25,921	249
SK Wyverns Baseball Club Co., Ltd.	59	575	2,407	-	-	-
Wave City Development Co. Ltd.	38,412	-	-	-	-	-
Others	-	-	-	-	2,288	-
Others:						
SK Engineering & Construction Co., Ltd.	182	-	-	-	991	83
SK Networks Co., Ltd.	890	-	-	112	109,900	1,256
SK Telesys Co., Ltd.	236	-	-	-	15,422	-
M&Service Co., Ltd.	772	-	-	-	2,993	-
MRO Korea Co., Ltd.	-	-	-	-	691	-
Others	1,649	-	-	5,496	5,053	23
Total	₩ 71,249	₩ 575	₩ 2,407	₩ 6,824	₩ 330,727	₩ 21,214

c. Compensation for the key management

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

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

22. PROVISION

a. Provision for Point Program

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

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

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

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

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

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

b. Provision for handset subsidy

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

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

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

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

23. DERIVATIVE INSTRUMENTS

a. Currency swap contract under cash flow hedge accounting

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

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

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

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

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

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

b. Interest rate swap contract under cash flow hedge accounting

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

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

The Company has entered into a floating-to-fixed interest rate swap contract with DBS and Calyon Bank to hedge the interest rate risk of floating rate U.S. dollar denominated bonds with face amounts totaling US\$220,000,000 issued on April 29, 2009. In connection with unsettled interest rate swap contract to

which the hedge accounting is not applied, loss on valuation of interest rate swap of ₩1,671 million and ₩3,371 million for the year ended December 31, 2010 and 2009, respectively, are charged to current operations.

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

Type	Hedged item	Amount	Duration of contract	Fair value		
				Designated as cash flow hedge	Not designated	Total
<u>Non-current assets:</u>						
Floating-to-fixed						
cross currency	U.S. dollar denominated		Oct 10, 2006			
interest rate swap	long-term borrowings	US\$100,000	~ Oct 10, 2013	₩ 12,100	₩ -	₩ 12,100
Fix-to-fixed cross						
currency swap	U.S. dollar denominated		Jul. 20, 2007			
	Bonds	US\$400,000	~ Jul. 20, 2027	(71,390)	129,806	58,416
Floating-to-fixed						
cross currency	Japanese yen		Nov. 13, 2007			
interest rate swap	denominated bonds	JPY12,500,000	~ Nov. 13, 2012	69,061	-	69,061
Total assets				₩ 9,771	₩ 129,806	₩ 139,577
<u>Current liabilities:</u>						
Fix-to-fixed cross						
currency swap	U.S. dollar denominated		Mar. 23, 2004			
	Bonds	US\$300,000	~ April. 1, 2011	₩ 7,848	₩ -	₩ 7,848
Floating-to-fixed						
interest rate swap	Long-term borrowings	₩500,000	July 28, 2008 ~ August 12, 2011	7,546	-	7,546
<u>Non-current liabilities:</u>						
Floating-to-fixed						
cross currency	Japanese yen		Jan. 22, 2009			
interest rate swap	denominated bonds	JPY3,000,000	~ Jan. 22, 2012	1,557	-	1,557
Floating-to-fixed						
cross currency	Japanese yen		Mar. 5, 2009			
interest rate swap	denominated bonds	JPY5,000,000	~ Mar. 5, 2012	8,161	-	8,161
Floating-to-fixed						
interest rate swap	Long-term borrowings	US\$220,000	April 29, 2009 ~ April 29, 2012	-	5,043	5,043
Total liabilities				₩ 25,112	₩ 5,043	₩ 30,155

24. SUBSEQUENT EVENT

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

25. STATEMENTS OF CASH FLOWS

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

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

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

26. OPERATING RESULTS FOR THE FOURTH QUARTER

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

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

27. K-IFRS ADOPTION PLAN AND STATUS

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

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

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

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

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

English Translation of a Report Originally Issued in Korean

To the Representative Director of
SK Telecom Co., Ltd.

We have reviewed the accompanying Report on the Management's Assessment of IACS (the "Management's Report") of SK Telecom Co., Ltd. (the "Company") As of December 31, 2010. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that "based on the assessment of the IACS As of December 31, 2010, the Company's IACS has been appropriately designed and is operating effectively As of December 31, 2010, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association."

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

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

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

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

Deloitte Anjin LLC

February 25, 2011

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

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

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

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

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

February 25, 2011

/s/ Internal Accounting Control Officer

/s/ Chief Executive Officer

Attachment 2: Korean GAAP Consolidated Financial Statements



SK TELECOM CO., LTD. AND SUBSIDIARIES

*CONSOLIDATED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 2009 AND 2010
AND INDEPENDENT AUDITORS' REPORT*

Independent Auditors' Report

English Translation of a Report Originally Issued in Korean

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2009 and 2010, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the Republic of Korea.

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

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

Deloitte Anjin LLC

March 18, 2011

Notice to Readers

This report is effective as of March 18, 2011, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modifications to the auditors' report.

						Korean won		Translation into U.S. dollars (Note 2)	Translation into U.S. dollars (Note 2)
A	S	S	E	T	S	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010
						(In millions)		(In thousands)	(In thousands)
CURRENT ASSETS :									
Cash and cash equivalents, net of government subsidy of ₩71 million and nil as of									
December 31, 2009 and 2010 (Notes 2, 13 and 29)						₩953,855	₩778,509	\$843,672	\$688,580
Short-term financial instruments (Notes 21 and 22)						351,675	578,571	311,052	511,738
Short-term investment securities (Notes 2 and 4)						376,723	395,929	333,206	350,194
Accounts receivable - trade, net of allowance for doubtful accounts of ₩233,078 million and ₩248,978 million as of December 31, 2009 and 2010 (Notes 2, 13 and 24)						2,000,987	2,955,289	1,769,845	1,729,426
Short-term loans, net of allowance for doubtful accounts of ₩5,058 million and ₩2,987 million as of December 31, 2009 and 2010 (Notes 2, 6 and 13)						85,677	95,422	75,780	84,399
Accounts receivable - other, net of allowance for doubtful accounts of ₩42,473 million and ₩46,685 million as of December 31, 2009 and 2010 and present value discount of ₩8,478 million and ₩1,252 million as of December 31, 2008, 2009 and 2010 (Notes 2, 13 and 24)						2,075,949	2,534,284	1,836,148	2,241,539
Inventories (Notes 2, 3 and 23)						119,890	149,643	106,041	132,357
Prepaid expenses						143,414	164,936	126,848	145,884
Current deferred income tax assets (Notes 2 and 17)						205,291	199,790	181,577	176,711
Currency swap (Notes 2 and 27)						-	-	-	-
Advanced payments and other						57,170	120,615	50,566	106,683
Total Current Assets						6,370,631	6,972,988	5,634,735	6,167,511
NON-CURRENT ASSETS :									
Property and equipment, net (Notes 2, 7, 12, 22, 23 and 24)						8,165,879	7,864,594	7,222,607	6,956,124
Intangible assets, net (Notes 2, 8 and 12)						3,992,325	3,740,643	3,531,156	3,308,547
Long-term financial instruments (Note 21)						6,580	264	5,820	234
Long-term investment securities (Notes 2 and 4)						2,536,659	1,684,244	2,243,640	1,489,690
Equity securities accounted for using the equity method (Notes 2 and 5)						486,393	1,107,843	430,208	979,872
Long-term loans, net of allowance for doubtful accounts of ₩32,114 million and ₩31,186 million as of December 31, 2009 and 2010 (Notes 2 and 6)						91,830	89,956	81,222	79,565
Long-term accounts receivable - trade, net of present value discount of ₩3,914 million and ₩2,303 million as of December 31, 2009 and 2010 (Note 2)						32,392	22,418	28,650	19,828
Long-term accounts receivable - other						761,735	527,106	673,744	466,218
Guarantee deposits (Notes 13 and 24)						365,127	265,126	322,950	234,500
Long-term currency swap (Notes 2 and 27)						314,345	201,839	278,034	178,524
Long-term interest rate swap (Notes 2 and 27)						-	-	-	-
Non-current deferred income tax assets (Notes 2 and 17)						8,563	16,497	7,574	14,591
Other						73,797	158,186	65,272	139,914
Total Non-Current Assets						16,835,625	15,678,716	14,890,877	13,867,607
TOTAL ASSETS						₩23,206,256	₩22,651,704	\$20,525,612	\$20,035,118

4

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

	Korean won		Translation into U.S. dollars (Note 2)	Translation into U.S. dollars (Note 2)
	December 31, 2009	December 31, 2010	December 31, 2009	December 31, 2010
	(In millions)		(In thousands)	(In thousands)
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES :				
Accounts payable (Notes 13, 21 and 24)	₩1,464,508	₩1,629,804	\$1,295,337	\$1,441,539
Short-term borrowings (Notes 21 and 22)	677,235	529,568	599,005	468,396
Income taxes payable	395,720	259,967	350,009	229,937
Dividend payable				
Accrued expenses (Notes 2 and 26)	1,118,077	1,342,936	988,924	1,187,808
Withholdings	281,962	403,508	249,391	356,897
Current portion of long-term debt, net (Notes 2, 8, 9, 10 and 12)	805,946	1,601,229	712,848	1,416,265
Current portion of subscription deposits (Note 11)	7,511	5,137	6,643	4,544
Currency swap (Notes 2 and 27)	36,318	7,848	32,123	6,941
Interest rate swap (Notes 2 and 27)	-	7,546	-	6,674
Advanced receipts and other	107,659	127,757	95,224	113,000
Total Current Liabilities	4,894,936	5,915,300	4,329,504	5,232,001
NON-CURRENT LIABILITIES :				
Bonds payable, net (Notes 2, 9 and 22)	4,280,398	3,566,048	3,785,953	3,154,120
Long-term borrowings (Notes 10 and 22)	844,640	235,968	747,072	208,710
Subscription deposits (Note 11)	5,480	5,220	4,847	4,617
Long-term payables - other, net of present value discount of ₩5,837 million and ₩2,457 million as of December 31, 2009 and 2010 (Notes 2 and 8)	164,163	50,643	145,200	44,793
Obligations under finance lease (Notes 2, 12 and 22)	77,709	60,075	68,733	53,136
Accrued severance indemnities (Note 2)	57,655	62,904	50,995	55,638
Non-current deferred income tax liabilities, (Notes 2 and 17)	321,372	104,118	284,249	92,091
Long-term currency swap (Notes 2 and 27)	18,281	9,718	16,169	8,595
Long-term interest swap (Notes 2 and 27)	16,215	5,043	14,342	4,460
Guarantee deposits received and other (Notes 2, 21, 24 and 26)	180,782	158,018	159,899	139,765
Total Non-Current Liabilities	5,966,695	4,257,755	5,277,459	3,765,925
Total Liabilities	10,861,631	10,173,055	9,606,963	8,997,926
STOCKHOLDERS' EQUITY :				
Capital stock (Notes 1 and 14)	44,639	44,639	39,483	39,483
Capital surplus (Note 14)	3,031,947	3,031,780	2,681,715	2,681,567
Capital adjustments :				
Treasury stock (Notes 1 and 16)	(1,992,083)	(2,202,439)	(1,761,970)	(1,948,027)
Loss on disposal of treasury stock (Notes 16 and 17)	(716)	(716)	(633)	(633)
Other capital adjustment (Notes 2, 5 and 17)	(754,087)	(790,695)	(666,980)	(699,359)
Accumulated other comprehensive income (loss) (Note 18) :				
Unrealized gains on valuation of long-term investment securities, net (Notes 2, 4 and 17)	998,588	793,977	883,237	702,262
Equity in other comprehensive gain (loss) of affiliates, net (Notes 2, 5 and 17)	(88,780)	(84,183)	(78,524)	(74,459)
Gain (loss) on valuation of currency swap, net (Notes 2, 17 and 27)	23,485	(51,142)	20,772	(45,234)
Gain (loss) on valuation of interest swap, net (Notes 2, 17 and 27)		(5,719)	(9,669)	(5,058)
Foreign-based operations' translation adjustment (Note 2)	(7,055)	(13,301)	(6,240)	(11,765)
Retained earnings (Note 15)	9,909,753	10,603,399	8,765,038	9,378,559
Non-controlling interest in equity of consolidated subsidiaries (Note 2)	1,189,866	1,153,049	1,052,420	1,019,856
Total Stockholders' Equity	12,344,625	12,478,649	10,918,649	11,037,192
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₩23,206,256	₩22,651,704	\$20,525,612	\$20,035,118

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	Translation into U.S. dollars (Note 2)
	2009	2010	2009	2010
	(In millions except for per share data)		(In thousands except for per share data)	
OPERATING REVENUE (Notes 2, 24 and 32)	₩14,512,347	₩15,435,373	\$12,835,969	\$13,652,373
OPERATING EXPENSES (Notes 24 and 32):				
Labor cost	(718,598)	(936,489)	(635,590)	(828,312)
Commissions paid	(5,140,173)	(5,498,329)	(4,546,412)	(4,863,196)
Depreciation and amortization (Notes 7 and 8)	(2,593,474)	(2,723,580)	(2,293,892)	(2,408,969)
Network interconnection	(1,317,696)	(1,316,296)	(1,165,484)	(1,164,246)
Leased line	(434,280)	(258,937)	(384,115)	(229,026)
Advertising	(341,366)	(339,775)	(301,933)	(300,526)
Research and development (Note 2)	(236,269)	(270,378)	(208,977)	(239,146)
Rent	(326,168)	(349,773)	(288,491)	(309,369)
Frequency usage	(159,740)	(178,815)	(141,288)	(158,159)
Repair	(253,467)	(253,053)	(224,188)	(223,822)
Provision for bad debts (Note 2)	(199,933)	(79,972)	(176,838)	(70,734)
Cost of goods sold (Note 2)	(338,030)	(634,614)	(298,983)	(561,307)
Other	(571,918)	(653,059)	(505,854)	(577,622)
Sub-total	(12,631,112)	(13,493,070)	(11,172,045)	(11,934,434)
OPERATING INCOME (Note 32)	1,881,235	1,942,303	1,663,924	1,717,939
OTHER INCOME:				
Interest income	186,427	235,556	164,892	208,346
Foreign exchange and translation gains (Note 2)	152,282	27,121	134,691	23,988
Equity in earnings of affiliates (Notes 2 and 5)	28,685	29,675	25,371	26,247
Gain on valuation of short-term investment securities (Notes 2 and 4)	14,086	-	12,459	-
Gain on disposal of investment assets	-	-	-	-
Gain on disposal of property and equipment and intangible assets	27,228	11,030	24,083	9,756
Gain on transactions and valuation of derivatives (Notes 2 and 27)	109,306	7,951	96,680	7,033
Other	357,952	318,093	316,604	281,349
Sub-total	875,966	629,426	774,780	556,719

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	Translation into U.S. dollars (Note 2)
	2009	2010	2009	2010
	(In millions except for per share data)		(In thousands except for per share data)	(In thousands except for per share data)
OTHER EXPENSES:				
Interest and discounts	(439,921)	(397,051)	(389,104)	(351,186)
Donations	(71,155)	(123,293)	(62,936)	(109,051)
Foreign exchange and translation losses (Note 2)	(185,394)	(16,264)	(163,978)	(14,385)
Equity in losses of affiliates (Notes 2 and 5)	(88,597)	(59,070)	(78,363)	(52,247)
Loss on disposal of account receivable - other (Note 31)	(28,711)	-	(25,394)	-
Loss on disposal of property, equipment and intangible assets	(91,496)	(69,841)	(80,927)	(61,773)
Loss on transactions and valuation of derivatives (Notes 2 and 27)	(164,646)	(19,198)	(145,627)	(16,980)
External research and development cost (Note 2)	(56,867)	(81,582)	(50,298)	(72,158)
Other	(224,662)	(131,742)	(198,710)	(116,524)
Sub-total	(1,351,449)	(898,041)	(1,195,337)	(794,304)
INCOME FROM CONTINUING OPERATION BEFORE INCOME TAX	1,405,752	1,673,688	1,243,367	1,480,354
INCOME TAX FOR CONTINUING OPERATION (Notes 2 and 17)	355,670	404,306	314,585	357,603
PREACQUISITION NET LOSS OF SUBSIDIARIES	-	23,406	-	20,702
INCOME(LOSS) FROM DISCONTINUED OPERATION (Note 2)	5,524	4,388	4,886	3,881
NET INCOME	₩1,055,606	₩1,297,176	\$933,668	\$1,147,334
ATTRIBUTABLE TO :				
Controlling interests	₩1,247,182	₩1,379,613	\$1,103,115	\$1,220,249
Non-controlling interests	(191,576)	(82,437)	(169,446)	(72,915)
	₩1,055,606	₩1,297,176	\$933,669	\$1,147,334
NET INCOME PER SHARE FROM CONTINUING OPERATION (In Korean won and U.S. dollars) (Notes 2 and 19)	₩17,173	₩19,098	\$15.19	\$16.89
NET INCOME PER SHARE (In Korean won and U.S. dollars) (Notes 2 and 19)	₩17,239	₩19,177	\$15.25	\$16.96
DILUTED NET INCOME PER SHARE FROM CONTINUING OPERATION (In Korean won and U.S. dollars) (Notes 2 and 19)	₩16,981	₩18,811	\$15.02	\$16.64
DILUTED NET INCOME PER SHARE (In Korean won and U.S. dollars) (Notes 2 and 19)	₩17,046	₩18,888	\$15.08	\$16.71

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interest	Total stockholders' equity
(In millions of Korean won)							
Balance, January 1, 2009	₩44,639	₩2,958,854	(₩2,159,389)	₩356,192	₩9,448,185	₩1,175,959	₩11,824,440
Cash dividends (Note 20)	-	-	-	-	(609,203)	-	(609,203)
Interim dividends (Note 20)	-	-	-	-	(72,345)	-	(72,345)
Net income	-	-	-	-	1,247,182	(191,576)	1,055,606
Equity in retained earnings changes of affiliates, net (Notes 2 and 5)	-	-	-	-	(11,589)	-	(11,589)
Conversion rights (Notes 9 and 14)	-	73,622	-	-	-	-	73,622
Difference between the acquisition cost and the net book value incurred from the capital transactions between companies under common control (Note 2)	-	-	21,663	-	-	-	21,663
Equity in capital surplus changes of affiliates	-	193	-	-	-	-	193
Equity in capital adjustment changes of affiliates	-	-	(5,346)	-	-	-	(5,346)
Treasury stock (Note 16)	-	-	(28,939)	-	-	-	(28,939)
Loss on disposal of treasury stock (Notes 16 and 17)	-	(722)	91,760	-	(92,477)	-	(1,439)
Unrealized gain on valuation of long-term investment securities (Notes 2 and 4)	-	-	-	590,746	-	-	590,746
Equity in retained earnings changes of affiliates	-	-	-	-	-	-	-
Equity in other comprehensive income changes of affiliates, net (Notes 2 and 5)	-	-	-	(20,017)	-	-	(20,017)
Difference between the acquisition cost and net book value incurred from the business acquisition between companies under common control (Note 28)	-	-	(666,635)	-	-	-	(666,635)
Foreign-based operations' translation adjustment (Note 2)	-	-	-	(41,753)	-	-	(41,753)
Gain on valuation of currency swap (Notes 2 and 27)	-	-	-	14,941	-	-	14,941
Gain on valuation of interest rate swap (Notes 2 and 27)	-	-	-	15,197	-	-	15,197
Increase in non-controlling interest in equity of consolidated subsidiaries	-	-	-	-	-	205,483	205,483
Balance, December 31, 2009	₩44,639	₩3,031,947	(₩2,746,886)	₩915,306	₩9,909,753	₩1,189,866	₩12,344,625

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interest	Total stockholders' equity
(In millions of Korean won)							
Balance, January 1, 2010	₩44,639	₩3,031,947	(₩2,746,886)	₩915,306	₩9,909,753	₩1,189,866	₩12,344,625
Cash dividends (Note 20)	-	-	-	-	(607,698)	-	(607,698)
Interim dividends (Note 20)	-	-	-	-	(72,345)	-	(72,345)
Net income	-	-	-	-	1,379,613	(82,437)	1,297,176
Equity in retained earnings changes of affiliates, net (Notes 2 and 5)	-	-	-	-	-	-	-
Conversion rights (Notes 9 and 14)	-	-	-	-	-	-	-
Difference between the acquisition cost and the net book value incurred from the capital transactions between companies under common control (Note 2)	-	-	(7,971)	-	-	-	(7,971)
Equity in capital surplus changes of affiliates	-	(167)	-	-	-	-	(167)
Equity in capital adjustment changes of affiliates	-	-	(28,637)	-	-	-	(28,637)
Treasury stock (Note 16)	-	-	(210,356)	-	-	-	(210,356)
Loss on disposal of treasury stock (Notes 16 and 17)	-	-	-	-	-	-	-
Unrealized gain on valuation of long-term investment securities (Notes 2 and 4)	-	-	-	(204,611)	-	-	(204,611)
Equity in retained earnings changes of affiliates	-	-	-	-	(5,924)	-	(5,924)
Equity in other comprehensive income changes of affiliates, net (Notes 2 and 5)	-	-	-	4,597	-	-	4,597
Difference between the acquisition cost and net book value incurred from the business acquisition between companies under common control (Note 28)	-	-	-	-	-	-	-
Foreign-based operations' translation adjustment (Note 2)	-	-	-	(6,246)	-	-	(6,246)
Gain on valuation of currency swap (Notes 2 and 27)	-	-	-	(74,627)	-	-	(74,627)
Gain on valuation of interest rate swap (Notes 2 and 27)	-	-	-	5,213	-	-	5,213
Increase in non-controlling interest in equity of consolidated subsidiaries	-	-	-	-	-	45,620	45,620
Balance, December 31, 2010	₩44,639	₩3,031,780	(₩2,993,850)	₩639,632	₩10,603,399	₩1,153,049	₩12,478,649

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interest	Total stockholders' equity
(In thousands of U.S. dollars)(Note 2)							
Balance, January 1, 2009	\$39,483	\$2,617,065	(\$1,909,951)	\$315,047	\$8,356,788	\$1,040,119	\$10,458,551
Cash dividends (Note 20)	-	-	-	-	(538,832)	-	(538,832)
Interim dividends (Note 20)	-	-	-	-	(63,988)	-	(63,988)
Net income	-	-	-	-	1,103,115	(169,446)	933,669
Equity in retained earnings changes of affiliates, net (Notes 2 and 5)	-	-	-	-	(10,250)	-	(10,250)
Conversion rights (Notes 9 and 14)	-	65,118	-	-	-	-	65,118
Difference between the acquisition cost and the net book value incurred from the capital transactions between companies under common control (Note 2)	-	-	19,161	-	-	-	19,161
Equity in capital surplus changes of affiliates	-	171	-	-	-	-	171
Equity in other capital adjustment changes of affiliates	-	-	(4,728)	-	-	-	(4,728)
Treasury stock (Note 16)	-	-	(25,596)	-	-	-	(25,596)
Loss on disposal of treasury stock (Notes 16 and 17)	-	(639)	81,160	-	(81,795)	-	(1,274)
Unrealized gain on valuation of long-term investment securities (Notes 2 and 4)	-	-	-	522,507	-	-	522,507
Equity in retained earnings changes of affiliates	-	-	-	-	-	-	-
Equity in other comprehensive income changes of affiliates, net (Notes 2 and 5)	-	-	-	(17,705)	-	-	(17,705)
Difference between the acquisition cost and net book value incurred from the business acquisition between companies under common control (Note 28)	-	-	(589,629)	-	-	-	(589,629)
Foreign-based operations' translation adjustment (Note 2)	-	-	-	(36,930)	-	-	(36,930)
Gain on valuation of currency swap (Notes 2 and 27)	-	-	-	13,215	-	-	13,215
Gain on valuation of interest rate swap (Notes 2 and 27)	-	-	-	13,442	-	-	13,442
Increase in non-controlling interest in equity of consolidated subsidiaries	-	-	-	-	-	181,747	181,747
Balance, December 31, 2009	\$39,483	\$2,681,715	(\$2,429,583)	\$809,576	\$8,765,038	\$1,052,420	\$10,918,649

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY(CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Non- controlling interest	Total stockholders' equity
(In thousands of U.S. dollars)(Note 2)							
Balance, January 1, 2010	\$39,483	\$2,681,715	(\$2,429,583)	\$809,576	\$8,765,038	\$1,052,420	\$10,918,649
Cash dividends (Note 20)	-	-	-	-	(537,500)	-	(537,500)
Interim dividends (Note 20)	-	-	-	-	(63,988)	-	(63,988)
Net income	-	-	-	-	1,220,249	(72,915)	1,147,334
Equity in retained earnings changes of affiliates, net (Notes 2 and 5)	-	-	-	-	-	-	-
Conversion rights (Notes 9 and 14)	-	-	-	-	-	-	-
Difference between the acquisition cost and the net book value incurred from the capital transactions between companies under common control (Note 2)	-	-	(7,050)	-	-	-	(7,050)
Equity in capital surplus changes of affiliates	-	(148)	-	-	-	-	(148)
Equity in other capital adjustment changes of affiliates	-	-	(25,329)	-	-	-	(25,329)
Treasury stock (Note 16)	-	-	(186,057)	-	-	-	(186,057)
Loss on disposal of treasury stock (Notes 16 and 17)	-	-	-	-	-	-	-
Unrealized gain on valuation of long-term investment securities (Notes 2 and 4)	-	-	-	(180,975)	-	-	(180,975)
Equity in retained earnings changes of affiliates	-	-	-	-	(5,240)	-	(5,240)
Equity in other comprehensive income changes of affiliates, net (Notes 2 and 5)	-	-	-	4,066	-	-	4,066
Difference between the acquisition cost and net book value incurred from the business acquisition between companies under common control (Note 28)	-	-	-	-	-	-	-
Foreign-based operations' translation adjustment (Note 2)	-	-	-	(5,525)	-	-	(5,525)
Gain on valuation of currency swap (Notes 2 and 27)	-	-	-	(66,007)	-	-	(66,007)
Gain on valuation of interest rate swap (Notes 2 and 27)	-	-	-	4,611	-	-	4,611
Increase in non-controlling interest in equity of consolidated subsidiaries	-	-	-	-	-	40,351	40,351
Balance, December 31, 2010	\$39,483	\$2,681,567	(\$2,648,019)	\$565,746	\$9,378,559	\$1,019,856	\$11,037,192

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	Translation into U.S. dollars (Note 2)
	2009	2010	2009	2010
	(In millions)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES :				
Net income	₩1,055,606	₩1,297,176	\$933,669	\$1,147,334
Expenses not involving cash payments :				
Provision for severance indemnities	55,711	86,797	49,276	76,771
Depreciation and amortization	2,730,008	2,868,768	2,414,654	2,537,385
Allowance for doubtful accounts	216,663	96,324	191,635	85,197
Foreign currency translation loss	5,314	1,785	4,700	1,579
Loss on valuation of short-term investment securities	-	-	-	-
Equity in losses of affiliates	88,597	59,070	78,363	52,247
Impairment loss on investment securities	-	-	-	-
Loss on disposal of investment assets	-	-	-	-
Loss on disposal of account receivable-other	28,711	-	25,394	-
Loss on disposal of property, equipment and intangible assets	91,496	69,841	80,927	61,773
Loss on disposal of consolidated subsidiaries	-	-	-	-
Impairment loss on assets	-	-	-	-
Loss on transaction and valuation of derivatives	164,646	19,198	145,627	16,980
Loss on transaction and valuation of interest rate swap	-	-	-	-
Amortization of discounts on bonds and other	31,736	39,265	28,070	34,729
Loss on repayment of bonds	-	-	-	-
Loss from discontinued operation	-	-	-	-
Other	178,460	57,160	157,844	50,558
Sub-total	3,591,342	3,298,208	3,176,490	2,917,219
Income not involving cash receipts :				
Foreign translation gain	122,268	16,813	108,144	14,871
Reversal of allowance for doubtful accounts	-	-	-	-
Equity in earnings of affiliates	28,685	29,675	25,371	26,247
Gain on valuation of trading securities	14,086	-	12,459	-
Gain on disposal of investment assets	-	-	-	-
Gain on disposal of property, equipment and intangible assets	27,228	11,030	24,083	9,756
Gain on transaction and valuation of derivatives	109,306	7,951	96,680	7,033
Gain on transactions of interest rate swap	-	-	-	-
Gain on transactions of currency option	-	-	-	-
Gain on conversion of convertible bond	-	-	-	-
Gain on repayment of bonds	-	-	-	-
Gain on disposal of other non-current assets and other	56,448	10,424	49,927	9,220
Gain from discontinued operation	5,524	4,388	4,886	3,881
Other	118,751	195,169	105,035	172,623
Sub-total	482,296	275,450	426,585	243,631
Changes in assets and liabilities related to operating activities :				
Accounts receivable - trade	(217,896)	14,157	(192,726)	12,522
Accounts receivable - other	(811,129)	(475,547)	(717,432)	(420,615)
Inventories	(187,673)	(102,428)	(165,994)	(90,596)
Prepaid expenses	47,310	20,632	41,845	18,249
Advanced payments and other	(18,775)	(89,520)	(16,606)	(79,179)
Long-term accounts receivables - other	(284,085)	213,479	(251,269)	188,819
Accounts payable	190,718	167,995	168,687	148,589
Income taxes payable	73,431	(154,488)	64,949	(136,642)
Accrued expenses	292,573	204,507	258,777	180,884
Withholdings	(36,382)	133,643	(32,179)	118,205
Current portion of subscription deposits	(560)	(42,351)	(495)	(37,459)
Advance receipts and other	15,507	20,350	13,716	17,999
Deferred income taxes	(254,891)	(121,182)	(225,448)	(107,184)
Dividends received from affiliates	-	3,402	-	3,009
Severance indemnity payments	(37,953)	(63,185)	(33,569)	(55,886)
Deposits for group severance indemnities and other	(2,216)	(28,380)	(1,961)	(25,101)
Sub-total	(1,232,021)	(298,916)	(1,089,705)	(264,386)
Net Cash Provided by Operating Activities	2,932,631	4,021,018	2,593,869	3,556,536
(Continued)				

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	Translation into U.S. dollars (Note 2)
	2009	2010	2009	2010
	(In millions)		(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES :				
Cash inflows from investing activities:				
Decrease in short-term investment securities, net	₩14,130	₩168,316	\$12,498	\$148,873
Decrease in short-term financial instruments, net	-	-	-	-
Collection of short-term loans	349,658	223,704	309,268	197,863
Decrease in long-term financial instruments	10,809	713,873	9,560	631,411
Collection of long-term loans	43,183	18,561	38,195	16,417
Proceeds from sales of long-term investment securities	1,966,866	299	1,739,666	264
Proceeds from sales of equity securities accounted for using the equity method	10,663	58,431	9,431	51,681
Proceeds from disposal of consolidated subsidiary	166	-	147	-
Decrease in guarantee deposits	38,304	109,010	33,879	96,418
Decrease in other non-current assets	41,111	25,788	36,362	22,809
Proceeds from disposal of property and equipment	66,934	94,670	59,202	83,734
Proceeds from disposal of intangible assets	5,007	6,971	4,429	6,166
Cash inflows from transaction of derivatives	86,094	1,255	76,149	1,110
Cash inflows from transaction of currency option	-	-	-	-
Sub-total	2,632,925	1,420,878	2,328,786	1,256,746
Cash outflows from investing activities:				
Increase in short-term financial instruments, net	2,994	199,576	2,648	176,522
Increase in short-term investment securities, net	-	-	-	-
Increase in short-term loans	260,071	221,338	230,029	195,770
Increase in long-term financial instruments	6,516	55	5,763	49
Acquisition of long-term investment securities	539,036	146,941	476,770	129,967
Increase in long-term loans	20,766	36,052	18,367	31,887
Acquisition of equity securities accounted for using the equity method	107,401	693,945	94,995	613,785
Increase in equity of consolidated subsidiaries	-	-	-	-
Increase in guarantee deposits	60,597	122,098	53,597	107,994
Increase in other non-current assets	107,834	52,963	95,378	46,845
Acquisition of property and equipment	2,162,255	2,144,674	1,912,485	1,896,934
Acquisition of intangible assets	118,828	126,653	105,102	112,023
Acquisition of lease line business	894,783	-	791,423	-
Cash outflows from transaction of derivatives	177,848	35,260	157,304	31,187
Sub-total	4,458,929	3,779,555	3,943,861	3,342,963
Net Cash Used in Investing Activities	(1,826,004)	(2,358,677)	(1,615,075)	(2,086,217)

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2009 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	Translation into U.S. dollars (Note 2)
	2009	2010	2009	2010
	(In millions)		(In thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES :				
Cash inflows from financing activities:				
Issuance of bonds payable	₩1,114,938	₩148,308	\$986,147	\$131,176
Proceeds from short-term borrowings	348,505	289,246	308,248	255,834
Proceeds from long-term borrowings	9,885	108,044	8,743	95,563
Increase in guarantee deposits received and other	18,228	53,657	16,122	47,459
Proceeds from disposal of treasury stock	-	-	-	-
Cash inflows from transaction of currency swap	-	-	-	-
Increase in equity of consolidated subsidiaries	76,938	-	68,051	-
Sub-total	<u>1,568,494</u>	<u>599,255</u>	<u>1,387,311</u>	<u>530,032</u>
Cash outflows from financing activities:				
Repayment of short-term borrowings	1,007,618	324,327	891,224	286,863
Repayment of current portion of long-term debt	851,142	579,334	752,823	512,413
Repayment of long-term borrowings	111,560	235,281	98,673	208,103
Repayment of bonds payable	60,216	365,140	53,260	322,961
Payment of dividends	681,548	680,043	602,820	601,489
Decrease in subscription deposits	-	-	-	-
Cash outflows from transaction of currency swap	-	-	-	-
Acquisition and retirement of treasury stock	28,939	210,356	25,596	186,057
Decrease in equity of consolidated subsidiaries	10,211	9,025	9,031	7,982
Other	24,250	14,035	21,449	12,414
Sub-total	<u>2,775,484</u>	<u>2,417,541</u>	<u>2,454,876</u>	<u>2,138,282</u>
Net Cash Used in Financing Activities	<u>(1,206,990)</u>	<u>(1,818,286)</u>	<u>(1,067,565)</u>	<u>(1,608,250)</u>
THE EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES (Note 2)	<u>(7,405)</u>	<u>(5,222)</u>	<u>(6,550)</u>	<u>(4,619)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGES IN CONSOLIDATED SUBSIDIARIES	<u>46,258</u>	<u>(18,242)</u>	<u>40,915</u>	<u>(16,135)</u>
PREACQUISITION CASH FLOWS OF SUBSIDIARIES	<u>-</u>	<u>(23,406)</u>	<u>-</u>	<u>(20,702)</u>
CASHFLOWS FROM DISCONTINUED OPERATION (Note 2)	<u>3,969</u>	<u>27,398</u>	<u>3,511</u>	<u>24,233</u>
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(57,541)</u>	<u>(175,417)</u>	<u>(50,895)</u>	<u>(155,154)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (Note 29)	<u>1,011,467</u>	<u>953,926</u>	<u>894,629</u>	<u>843,734</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 29)	<u>₩953,926</u>	<u>₩778,509</u>	<u>\$843,734</u>	<u>\$688,580</u>

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2009 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 London Stock Exchange. As of December 31, 2010, the Company's total issued shares are held by the following:

	Number of shares (Unaudited)	Percentage of Total shares issued (%)
SK Group	18,748,452	23.22
POSCO	2,341,569	2.90
Institutional investors and other minority stockholders	50,004,978	61.93
Treasury stock	9,650,712	11.95
	<u>80,745,711</u>	<u>100.00</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the Republic of Korea. Significant accounting policies followed in preparing the accompanying consolidated financial statements are summarized as follows:

a. Basis of Presentation

The Company maintains its official accounting records in Republic of Korean won (Korean won) and prepares statutory consolidated financial statements in conformity with the accounting principles generally accepted in the Republic of Korea ("Korean GAAP") and in the Korean language (Hangul). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and 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, results of operations, changes in stockholders' 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 ₩1,130.60 to US\$1.00, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the year ended December 31, 2010. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

b. Principles of Consolidation

The consolidated financial statements include the accounts of SK Telecom and the following controlled subsidiaries as of December 31, 2009 and 2010. Controlled subsidiaries include (a) majority-owned entities by SK Telecom or its controlled subsidiaries and (b) other entities where SK Telecom or its controlled subsidiaries own more than 30% of total outstanding common stock and is the largest stockholder. Meanwhile, if the total assets of the controlled subsidiaries at the beginning of fiscal year were less than ₩10 billion, those investees are excluded and accounted for using the equity method in accordance with Korean GAAP. All intercompany balances and transactions have been eliminated in the consolidation procedures.

Subsidiary	Year of Establishment	Primary business	Ownership Percentage (%)	
			2009	2010
SK Broadband Co., Ltd.	1997	Telecommunication services	50.6	50.6
SK Communications Co., Ltd.	1999	Internet website services	64.8	64.7
SK Telink Co., Ltd.	1998	Telecommunication services	90.8	83.5
PS&Marketing Corporation	2009	Communications device retail business	100.0	100.0
PAXNet Co., Ltd.	1999	Internet website services	59.7	59.7
F&U Credit information Co., Ltd.	1998	Credit and collection services	50.0	50.0
Loen Entertainment, Inc.	1982	Release of music disc	63.5	63.5
Ntreev Soft Co., Ltd.	2003	Game software	63.7	63.7
Commerce Planet Co., Ltd.	1997	Online shopping mall operation agency	100.0	100.0
Stonebridge Cinema Fund	2005	Investment association	72.2	57.0
SK i-media Co., Ltd.	2006	Game software	100.0	100.0
Broadband Media Co., Ltd.	1997	Multimedia contents	100.0	100.0
Broadband CS Co., Ltd.	1998	Telemarketing services	100.0	100.0
Service Ace Co., Ltd.	2010	Telemarketing services	-	100.0
Service Top Co., Ltd.	2010	Telemarketing services	-	100.0
Network O&S Co., Ltd.	2010	Network managed services	-	100.0
K-net Culture and Contents Venture Fund	2008	Investment association	59.0	59.0
2nd Benex Focus Investment Fund	2008	Investment association	66.7	66.7
Benex Movie Expert Fund	2009	Investment association	46.6	46.6
Open Innovation Fund	2008	Investment association	98.5	98.9
Benex Sector Limited Partnership IV	2008	Investment association	-	49.7
BMC Digital Culture and Contents Fund	2008	Investment association	39.8	39.8
The Contents Com Co., Ltd.	2005	Software	-	100.0
PREGM Co., Ltd.	1999	Production of movies and videos	-	56.7
SK Telecom China Holdings Co., Ltd.	2007	Investment	100.0	100.0
Sky Property Mgmt., Ltd.	2008	Real Estate Investment	60.0	60.0
Shenzhen E-eye High Tech Co., Ltd.	2000	Manufacturing	65.5	65.5
SKT Vietnam PTE., Ltd.	2000	Telecommunication services	73.3	73.3
SKT Americas, Inc.	1995	Internet website services	100.0	100.0
SK Telecom Global Investment B.V	2008	Investment Association	100.0	100.0
Technology Venture Fund, LP	2010	Research and Development	100.0	100.0
YTK Investment Ltd	2010	Investment Association	-	100.0
SK Technology Innovation Company	2010	Research and Development	-	49.0

Effective January 1, 2010, Service Ace Co., Ltd., Service Top Co., Ltd., Network O&S Co., Ltd., and YTK Investment Ltd. are included in the consolidation of the accompanying consolidated financial statements as these companies are the wholly-owned subsidiaries of the Company. SK Technology Innovation Company is included in the consolidation of the accompanying consolidated financial statements as the Company owned more than 30% of total outstanding common stock and became the largest stockholder.

Effective January 1, 2010, Technology Venture Fund, LP. and Broadband CS Co., Ltd., are included in the consolidation of the accompanying consolidated financial statements as their total assets at the beginning of that fiscal year were more than ₩10 billion, in accordance with Korean GAAP.

Benex Sector Limited Partnership IV, The Contents Com Co., Ltd. and PREGM Co., Ltd. are included in the consolidation of the accompanying consolidated financial statements as the Company acquired equity interest of these companies for the year ended December 31, 2010.

Effective January 1, 2010, The Second Music Investment Fund of SK-PVC, SK Telecom China Co., Ltd. and SK Telecom Advanced Tech & Service Center (STC) are excluded from the consolidation as its total assets at the beginning of that fiscal year were less than ₩10 billion, in accordance with Korean GAAP and subsequently accounted for under the equity method.

IHQ, Inc. was excluded from the consolidation because the Company disposed 11,170,014 shares on April 26, 2010.

SK-KTB Music Investment Fund is excluded from the consolidation as the Company liquidated SK-KTB Music Investment Fund during October 2010. SK-KTB Music Investment Fund's operation in the consolidated income statement is treated as a discontinued operation, and accordingly is presented as a single item between income tax expenses for continuing operation and net income. Refer to Note 2(ab).

TU Media Corp. is excluded from the consolidation as it merged into SK Telink Co., Ltd. during the year ended December 31, 2010.

c. Cash Equivalents

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

d. Allowance for Doubtful Accounts

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

Details of changes in the allowance for doubtful accounts receivable - trade for 2009 and 2010 are as follows (in millions of Korean won):

	2009	2010
Beginning balance	₩150,320	₩233,078
Write-offs	(115,720)	(64,969)
Net	34,600	168,109
Provision for doubtful accounts receivable-trade	199,933	79,972
Provision for doubtful accounts receivable-trade for the discontinued operation	158	16
Increase (decrease) due to the changes in consolidated subsidiaries	(1,613)	881
End of year	₩233,078	₩248,978

e. Inventories

Inventories are stated at the acquisition cost using the following methods:

Assets	Methods
Inventories from E-commerce business	Moving average method
Replacement units for wireless telecommunication facilities and supplies for sales promotion	Moving average method
Wireless device	Individual method
Books and CDs	FIFO

During the year, a perpetual inventory systems is used to value inventories, which is adjusted to the physical inventory counts performed at year end. When the market value of inventories is less than the acquisition cost, the carrying amount is reduced to the market value and any difference is charged to current operations as operating expenses. Valuation loss of ₩921 million and nil is recorded for the year ended December 31, 2010 and 2009, respectively.

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

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

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

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

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

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

g. Equity Securities Accounted for Using the Equity Method of Accounting

Investment securities of affiliated companies, in which the Company has the ability to exercise significant influence, are carried using the equity method of accounting, whereby the Company's initial investment is recorded at cost and the carrying value is subsequently increased or decreased to reflect the Company's portion of stockholders' equity of the investee. Differences between the acquisition cost and net asset fair value of the investee are amortized over 5 to 20 years using the straight-line method. When applying the equity method of accounting, unrealized inter-company gains and losses are eliminated and charged or credited to current operation.

Assets and liabilities of foreign-based companies accounted for using the equity method are translated at current rate of exchange at the end of the reporting period while profit and loss items in the statement of earnings are translated at average rate and capital account at historical rate. The translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based companies are offset and the balance is remained as accumulated other comprehensive income (loss) in the Company's stockholders' equity.

Under the equity method of accounting, the Company does not record its share of losses of an affiliate when such losses would make the Company's investment in such entity less than zero, unless the Company has guaranteed obligations of the investee or is otherwise committed to provide additional financial support. The Company provides for additional losses for these investments accounted for using the equity method that are reduced to zero to the extent that the Company has other investment assets related to the equity method investees. In addition, when the Company's share of equity interest in the equity method investees increases as a result of capital transactions of the investees with (or without) consideration, the increase in the Company's proportionate shares in the investees are treated as goodwill or negative goodwill and when the Company's share of equity interest in the equity method investees decrease as a result of capital transactions of the investees with (or without) consideration, the decrease in the Company's proportionate shares in the investees are accounted for as gain or loss on disposal.

h. Valuation of Long-term Accounts Receivable - Other

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

i. Property and Equipment

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

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

Assets	Depreciation method	Useful lives (years)
Buildings and structures	Declining balance method (straight-line method)	15~50
Machinery	Declining balance method	3~15
Other	Declining balance method	4~9

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

j. Intangible Assets

Intangible assets are stated at cost less amortization computed using the straight-line method over 2 to 20 years.

The Company capitalizes the cost of internal-use software which has a useful life in excess of one year. Capitalized internal-use software costs are amortized using the straight-line method over 5 years and are recorded in intangible assets.

k. Government Subsidy

Government subsidy which has been received, in cash, yet has not been used as of the reporting period end, is presented on the face of the statements of financial position, as net of cash and cash equivalents.

For government subsidy which has been used for the acquisition of certain assets, is accounted for as a deduction from the acquisition cost of the acquired assets. Such subsidy amount is offset against the depreciation or amortization of the acquired assets during such assets' useful life. Government subsidy, which is required to be repaid, is recorded as a liability in the Statements of financial position. Government subsidy with no repayment obligation, which is used to purchase a designated asset or to develop a certain technology, is presented as a deduction of the related asset and is amortized against the depreciation or amortization expense of the related asset. Government subsidy, contributed to compensate for specific expenses, is offset against the related expenses as incurred.

l. Impairment Losses

When there is any indication of impairment such as significant decrease in the market value of an asset and carrying amount of property and equipment exceeds their estimated total future non-discounted cash flows from continued use or disposal, the carrying value is reduced to the recoverable amount, determined as present value of future cash flows, and any difference is charged to current operation as an impairment losses.

When the recoverable amount of assets (that are not recorded at fair value) including investment assets (except for trading and available-for-sale investments in listed companies) and intangible assets are significantly less than the carrying value due to obsolescence, physical damage, decline in market value or other causes, the carrying value is reduced to the recoverable amount and any difference is charged to current operation as an impairment losses. Impairment losses for the years ended December 31, 2009 and 2010 were ₩7,256 million and ₩31,864 million, respectively.

m. Convertible Bonds and Bonds with Stock Purchase Warrants

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

n. Discounts on Bonds

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

o. Valuation of Long-term Payables

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

p. Provisions, Contingent Liabilities and Contingent Assets

The Company recognizes a provision when i) it has a present obligation as a result of a past event, ii) it is probable that a disbursement of economic resources will be required to settle the obligation, and iii) a reliable estimate can be made of the amount of the obligation (See Note 26). When a possible range of loss in connection with a probable loss contingency as of the end of the reporting period is estimable with reasonable certainty, and some amount within that range appears at the time to be a better estimate than any other amount within the range, the Company accrues such amount. When no amount within the range appears to be a better estimate than any other amount, the minimum amount in that range is recorded.

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

- Possible obligations related to past events, for which the existence of a liability can only be confirmed upon occurrence of uncertain future event or events outside the control of the Company.
- Present obligations arising from past events or transactions, for which i) a disbursement of economic resources to fulfill such obligations is not probable or ii) a disbursement of economic resources is probable, but the related amount cannot be reasonably estimated.

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

q. Accrued Severance Indemnities

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

SK Telecom and certain domestic subsidiaries have deposits with insurance companies to fund the portion of the employees' severance indemnities which is in excess of the tax deductible amount allowed under the Corporate Income Tax Law, in order to take advantage of the additional tax deductibility for such funding. Such deposits with outside insurance companies, where the beneficiaries are their employees, totaling ₩68,559 million, ₩76,383 million and ₩96,266 million as of December 31, 2009 and 2010, respectively, are deducted from accrued severance indemnities.

In accordance with the Korean National Pension Fund Law, SK Telecom and its domestic subsidiaries transferred a portion of its accrued severance indemnities to the National Pension Fund through March 1999. Such transfers, amounting to ₩6 million and ₩6 million as of December 31, 2009 and 2010, respectively, are deducted from accrued severance indemnities.

Changes in accrued severance indemnities for 2009 and 2010 are as follows (in millions of Korean won):

	2009	2010
Beginning net balance	₩53,815	₩57,655
Provision for continuing operation	55,710	86,797
Provision for discontinued operation	373	276
Payments to employees for continuing operation	(37,953)	(63,185)
Payments to employees for discontinued operation	(403)	(381)
Net increase (decrease) due to the changes		
in consolidated subsidiaries	(4,349)	1,360
Changes in deposits for severance indemnities	(9,538)	(19,618)
Ending net balance	<u>₩57,655</u>	<u>₩62,904</u>
Ending balance :		
Accrued severance indemnities	₩134,044	₩159,176
Deposits with insurance companies	(76,383)	(96,266)
National Pension Fund	<u>(6)</u>	<u>(6)</u>
Net balance	<u>₩57,655</u>	<u>₩62,904</u>

r. Accounting for Leases

A lease is classified as a finance lease or an operating lease depending on the extent of transfer to the Company of the risks and rewards incidental to ownership. If a lease meets any one of the following criteria, it is accounted for as a finance lease:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a bargain price and it is certain that the option will be exercised;
- The lease term is for the major part (75% or more) of the economic life of the asset even if title is not transferred;
- At the date of lease commencement, the present value of the minimum lease payments amounts to at least substantially all (90% or more) of the fair value of the leased asset; or
- The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

All other leases are treated as operating leases.

Assets and liabilities related to finance leases are recorded as property and equipment and obligations under finance leases, respectively, and the related interest is calculated using the effective interest rate method and charged to expense. For operating leases, the future minimum lease payments are expensed ratably over the lease term while contingent rentals are expensed as incurred.

s. Research and Development Costs

The Company charges substantially all research and development costs to expense as incurred. The Company incurred internal research and development costs of ₩236,269 million and ₩270,378 million for the years ended December 31, 2009 and 2010, respectively, and external research and development costs of ₩56,867 million and ₩81,582 million for the years ended December 31, 2009 and 2010, respectively.

t. Foreign-based Operations' Translation Adjustment

In translating the foreign currency financial statements of the Company's overseas subsidiaries into

Korean won, the Company presents the translation gain or loss as a foreign-based operations' translation adjustment in the accumulated other comprehensive income (loss) section of the Statements of financial position. The translation gain or loss arises from the application of different exchange rates; the year-end rate for Statements of financial position items except stockholders' equity, the historical rate for stockholders' equity and the daily average rate for statement of income items.

u. Accounting for Foreign Currency Transactions and Translation Adjustment

SK Telecom and its domestic subsidiaries maintain their accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rate of exchange at the dates of transactions. As allowed under Korean GAAP, monetary assets and liabilities denominated in foreign currencies are translated in the accompanying consolidated financial statements at the Base Rates announced by Seoul Money Brokerage Services, Ltd. on the end of the reporting periods, which, for U.S. dollars, are ₩1,167.60=US\$1 and ₩1,138.90=US\$1 at December 31, 2009 and 2010, respectively. The resulting gains and losses arising from the translation or settlement of such assets and liabilities are included in current operations.

v. Derivative Instruments

The Company records rights and obligations arising from derivative instruments as assets and liabilities, which are stated at fair value.

For derivative instruments designated as hedges; items that hedge against the exposure of variable cash flows, the effective portions of the gains or losses on the hedging instruments are recorded as part of accumulated other comprehensive income (loss) and credited/charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses are charged immediately to current earnings.

The gains and losses that result from the change in the fair value of derivative instruments are reported in current earnings.

w. Revenue Recognition

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

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

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

SK Telecom's subsidiaries also sell products and merchandises to customers and these sales are recognized at the time products and merchandises are delivered.

x. Income Taxes

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets and liabilities.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred income tax assets and liabilities are classified into current and non-current based on the classification of related assets or liabilities for financial reporting purposes.

y. Net Income Per Share

Net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted net income per share of common stock is calculated by dividing adjusted net income by adjusted weighted average number of shares outstanding during the period, taking into account the dilutive effect of stock option and convertible bonds.

z. Handset Subsidies to Long-term Mobile Subscribers

Effective April 1, 2008, the Telecommunication Business Act was revised to allow wireless carriers to provide handset subsidies to customers without any restrictions. As a result, the Company provides lump-sum handset subsidies to customers who agree to use the Company's service for the predetermined service period and the subsidies are charged to commission paid (operating expense) as the related payments are made. In case where the customers agree to use the Company's service for the predetermined service period and purchase handsets on installment basis, the subsidies are paid every month over the installment period and the Company provides provision for handset subsidies estimated to be paid based on historical experience (See note 26).

aa. Use of Estimates

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

ab. Discontinued Operation

When a subsidiary is disposed of during the year, the result of its operations are treated as discontinued operation in the consolidated income statement, and is presented as a single item between income tax expenses for continuing operation and net income. The cash flows related to the gain (loss) from the sale of the discontinued operation is presented within cash flows from investing activities. Additionally, comparative financial statements for the years ended December 31, 2009 is restated accordingly.

As a result of resolution of the Board of Directors on April 26, 2010, the Company sold its shares of IHQ Inc., a subsidiary of the Company. Accordingly, the Company separately presents the relevant income and loss as discontinued operations. The results of the IHQ, Inc.'s discontinued operations for the years ended December 31, 2009 and 2010 are as follows (in millions of Korean won):

	<u>2009</u>	<u>2010</u>
Revenue	₩42,954	₩19,357
Operating expense	(45,695)	(21,137)
Other income (expense)	(2,053)	5,280
Income tax benefit	<u>-</u>	<u>-</u>
Net income(loss)	<u>(₩4,794)</u>	<u>₩3,500</u>

Cash flows from IHQ, Inc.'s discontinued operation for the years ended December 31, 2009, and 2010 are as follows (In millions of Korean won):

	<u>2009</u>	<u>2010</u>
Operating activities	₩162	₩472
Investing activities	(119)	17,729
Financing activities	<u>1,900</u>	<u>-</u>
Net	<u>₩1,943</u>	<u>₩18,201</u>

As the Company liquidated SK-KTB Music Investment Fund "SK-KTB", a subsidiary of the Company, during October 2010, the Company separately presented the relevant income and loss as discontinued operation. The details from SK-KTB's discontinued operation for the years ended December 31, 2009 and 2010 are as follows (in millions of Korean won):

	<u>2009</u>	<u>2010</u>
Revenue	₩165	₩915
Operating expense	(114)	(280)
Other income (expense)	(511)	253
Income tax expense	<u>-</u>	<u>-</u>
Net income(loss)	<u>(₩460)</u>	<u>₩888</u>

Cash flows from SK-KTB's discontinued operation for the years ended December 31, 2009, and 2010 are as follows (In millions of Korean won):

	<u>2009</u>	<u>2010</u>
Operating activities	₩516	₩920
Investing activities	(2,103)	8,276
Financing activities	<u>-</u>	<u>-</u>
Net	<u>(₩1,587)</u>	<u>₩9,196</u>

As a result of resolution of the Board of Directors on July 23, 2009, SK Communications Co., Ltd., a subsidiary of the Company, sold the Spicus division and the Company's telephone english education division ("Spicus"), to Spicus Inc., a subsidiary of Altos Ventures, on August 1, 2009. The results of Spicus' discontinued operation for the years ended December 31, 2009 is as follows (in millions of Korean won):

	<u>2009</u>
Revenue	₩2,770
Operating expense	(3,653)
Other income (expense)	671
Income tax expense	<u>51</u>
Net income	<u><u>(₩161)</u></u>

Cash flows from Spicus' discontinued operation for the years ended December 31, 2009 is as follows (In millions of Korean won):

	<u>2009</u>
Operating activities	₩(1,069)
Investing activities	(112)
Financing activities	<u>-</u>
Net	<u><u>(₩1,181)</u></u>

SK Communications Co., Ltd., a subsidiary of the Company, sold all shares of Etoos Co., Ltd. to Cheong Sol as a resolution of the Board of Directors on October 19, 2009 and, as the payment, received a convertible bond, the face value of ₩50 billion. As a result, the Company presented its business of Etoos Co., Ltd. as discontinued operation and the details from Etoos Co., Ltd.'s discontinued operation for the years ended December 31, 2009 is as follows (in millions of Korean won):

	<u>2009</u>
Revenue	₩19,357
Operating expense	(20,547)
Other income (expense)	15,782
Income tax expense	<u>(3,653)</u>
Net income	<u><u>₩10,939</u></u>

Cash flows from Etoos Co., Ltd.'s discontinued operation for the years ended December 31, 2009 is as follows (In millions of Korean won):

	<u>2009</u>
Operating activities	₩224
Investing activities	4,570
Financing activities	<u>-</u>
Net	<u><u>₩4,794</u></u>

ac. . Reclassification in the prior year's financial statements

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

3. INVENTORIES

Inventories as of December 31, 2009 and 2010 consist of the following (in millions of Korean won):

	2009	2010
Merchandise	₩114,015	₩144,647
Finished goods	2,324	3,406
Semi-finished goods	618	475
Raw materials	836	2,236
Supplies	2,488	1,077
Total	120,281	151,841
Less allowance for valuation loss	(391)	(2,198)
Net	₩119,890	₩149,643

4. INVESTMENT SECURITIES

a. Short-term Investment Securities

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

	Acquisition cost at December 31, 2010	Fair value at December 31, 2010	Carrying amount	
			2009	2010
Trading Securities (Note)	₩200,000	₩200,000	₩370,125	₩200,000
Current portion of long-term investment securities	161,058	195,929	6,598	195,929
Total	₩361,058	₩395,929	₩376,723	₩395,929

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

b. Long-term Investment Securities

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

	2009	2010
Available-for-sale equity securities	₩2,096,297	₩1,847,788
Available-for-sale debt securities	445,954	32,385
Held-to-maturity securities	1,006	-
Total	2,543,257	1,880,173
Less current portion	(6,598)	(195,929)
Long-term portion	₩2,536,659	₩1,684,244

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

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

	December 31, 2010				Carrying amount	
	Number of shares	Ownership percentage (%)	Acquisition cost	Fair value	2009	2010
Investments in listed companies						
SK C&C Co., Ltd.(note a)	2,050,000	4.1	₩68,559	₩178,760	₩201,600	₩178,760
Digital Chosunilbo Co., Ltd.	2,890,630	7.8	5,781	8,527	6,995	8,527
KRTnet Corporation	234,150	4.4	1,171	1,520	1,573	1,520
POSCO	2,481,310	2.8	332,662	1,209,639	1,533,450	1,209,639
nTels Co., Ltd.	205,200	6.2	34	871	1,161	871
IHQ, Inc. (note b)	3,790,770	9.4	3,830	6,823	-	6,823
Sprint Nextel (note c)	-	-	-	-	74,215	-
Barunson	338,686	0.5	591	667	-	667
Tesla Motors Inc.	83,017	-	2,845	2,518	-	2,518
C.C.S. Inc.and other	-	-	2,313	451	3,935	451
sub-total			417,786	1,409,776	1,822,929	1,409,776
Investments in non-listed companies						
The Korea Economic Daily	2,585,069	13.8	13,964	(note g)	13,964	13,964
Skytel Co. Ltd. (note e)	1,130,834	17.0	1,251	14,811	-	14,811
Dreamline Corp. (note d)	1,520,373	8.9	16,160	8,695	8,649	8,695
iFinanceGlobal Co., Ltd	6,593	15.3	23,076	(note g)	-	23,076
Other			156,033	(note c,f,g)	21,719	25,462
sub-total			210,484		44,532	86,008
Investments in funds						
Global Opportunities Breakaway Fund (note h)			244,183	256,882	175,140	256,882
Others (note i, j)			100,810	(note c,g)	53,696	95,122
sub-total			344,993		228,836	352,004
Total			973,263		2,096,297	1,847,788
Less: current portion			(70,050)		-	(193,811)
Long-term portion			₩903,213		₩2,096,297	₩1,653,977

(note a) During the year ended December 31, 2009, the common stocks of SK C&C, the Company's ultimate parent company, were listed on the Stock Market of Korea Exchange through an initial public offering ("IPO"). Upon SK C&C's IPO, the Company sold 10,500,000 shares for ₩307,558 million (gain on disposal ₩65,109 million). The Company additionally disposed 2,450,000 shares

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

- (note b) The Company disposed 11,170,014 shares of IHQ Inc. stock during the year ended December 31, 2010. As a result, the Company reclassified book value of the remaining shares to available-for-sale securities.
- (note c) The investment in common stock of Sprint Nextel and others were sold during the year ended December 31, 2010 and the difference between the disposal price and acquisition cost was recorded as loss on disposal of long term investment securities.
- (note d) The Company recorded its investment in common stock of Dreamline Corp. at its fair value of ₩5,719 per share, estimated using the market approach and income approach valuation method. The related unrealized losses on valuation of the investment are recorded in accumulated other comprehensive loss.
- (note e) For the year ended December 31, 2010, the Company entered into a transfer agreement regarding Skytel Co., Ltd.'s common stock. In accordance with the agreement, the Company sold 820,943 shares for the year ended December 31, 2010 and plans to dispose of its remaining shares in FY 2011. As a result, the Company reclassified the remaining shares from equity securities accounted for using the equity method to short-term investment securities and recorded the shares at their estimated selling price of ₩14,810 million as of December 31, 2010.
- (note f) During the year ended 31, 2009, the Company recorded ₩6,245 million of impairment loss on investments in Mobinex Inc., Idea Culture Ltd., Alereon, Inc. as the Company deemed that the carrying amounts may not be recoverable in the future.
- (note g) As a reasonable estimate of fair value could not be made, the investment is stated at acquisition cost.
- (note h) The Company entered into a partnership arrangement with a foreign private equity fund during 2009. The Company recorded ₩9,905 million (net tax effect of ₩2,794 million), the difference between the acquisition cost and fair value as long term unrealized loss on valuation of investments as of December 31, 2010. The agreed aggregate investment amount is \$200 million and the entire amount has been invested as of December 31, 2010.
- (note i) During the year ended 31, 2010, YTK Investment Ltd., the Company's subsidiary, entered into a partnership arrangement with a domestic private equity fund. The agreed aggregate investment amount is \$23 million and the entire amount has been invested as of December 31, 2010.
- (note j) During the year ended 31, 2010, YTK Investment Ltd., the Company's subsidiary, entered into a partnership arrangement with a foreign private equity fund. The agreed aggregate investment amount is \$200 million and \$12 million has been invested as of December 31, 2010.

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

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

	Maturity	Acquisition cost at December 31,	Carrying amount	
		2010	2009	2010
Public bonds	(note a)	₩429	₩475	₩429
Closed beneficiary certificates		-	9	-
Bond-type beneficiary certificates	(note b)	-	305,668	-
Hybrid Tier 1		100	-	114
Subordinated corporate bonds (note c)		-	90,980	-
Convertible bonds of MagicTech (note d)	Mar. 2, 2011	1,818	1,818	-
Convertible bonds of Spicus, Inc. (note e)	Aug. 31, 2014	1,492	1,492	1,573
Convertible bonds of Etoos Co., Ltd (note f) (formerly Cheong Sol)	Nov. 20, 2013	21,229	41,417	23,762
Convertible bonds of Mediacorp, Inc.(note g)	Mar. 21, 2009	884	-	-
Convertible bonds of Mobicle	Dec. 18, 2012	1,500	1,500	1,500
Bond with Warrants of Displaytech	May. 13, 2014	1,092	1,095	1,092
Convertible bonds of XRONet Corporation	Oct. 8, 2012	-	500	-
Convertible bonds of PREGM Co., Ltd(note h)	Dec. 22, 2014	-	1,000	-
Bond with Warrants of SDN Company Ltd.	Dec. 24, 2013	1,320	-	1,401
Convertible bonds of SDN Company Ltd.	Dec. 24, 2013	500	-	514
Convertible bonds of Namsung Electronics Co., Ltd.	Jul. 12, 2011	2,000	-	2,000
Others		-	-	-
Total		32,364	445,954	32,385
Less current portion of available-for-sale debt securities		(2,104)	(5,592)	(2,118)
Long-term available-for-sale debt securities		₩30,260	₩440,362	₩30,267

The Interest income incurred from available-for-sale debt securities for the years ended December 31, 2009 and 2010 are ₩289 million and ₩27,746 million, respectively.

(note a) The maturities of public bonds as of December 31, 2010, due within one year is ₩4 million and due within five years is ₩425 million.

(note b) The maturities of bond-type beneficiary certificates as of December 31, 2009, due within one year is ₩5,534 million and due within five years is ₩300,134 million.

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

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

(note e) The face value of the convertible bonds is ₩1,493 million and those are convertible into 298,502 shares at a price of ₩5,000 each, at the date of 10 years after issuing date.

(note f) The face value of the convertible bonds are ₩25,000 million (second: ₩24,000 million, third: ₩1,000 million) and those are convertible into 769,500 shares at prices from ₩10,354 each to ₩35,633 each until one month before maturities. In accordance with the agreement between

SK Communications Co., Ltd., a subsidiary of the Company, and certain stockholders of Etoos Co., Ltd(formerly, Cheong Sol), the Company converted convertible bonds of which face value totals ₩25,000 million during the year ended December 31, 2010 and the Company recognized conversion loss of ₩1,196 million as other income.

(note g) Loen Entertainment, Inc., the Company's subsidiary, holds the convertible bonds. As the Company determined that the recoverable amount is lower than the acquisition cost. it recorded the entire amount as an impairment loss on investment securities prior to 2009

(note h) Open Innovation Fund, the Company's subsidiary, holds the convertible bonds of PREGM Co., Ltd. who during the current year also became a subsidiary of the Company. As such, the transaction is eliminated as an intercompany transaction.

b-(3). Held-to-maturity Securities

Held-to-maturity securities as of December 31, 2009 and 2010 are as follows (in millions of Korean won):

	Maturity	Acquisition cost at December 31, 2010	Carrying amount	
			2009	2010
Public bonds	(note)	-	₩1,006	₩-
Less current portion of held-to-maturity securities			(1,006)	-
Long-term held-to-maturity securities			₩-	₩-

The Company disposed entire amount of held-to-maturity securities on March 31, 2010.

(note) The maturities of all of the Company's public bonds are due within one year as of December 31, 2010.

b-(4). Changes in Unrealized Gains (Losses) on Valuation on Long-term Investment Securities

The changes in unrealized gains (losses) on valuation on long-term investment securities for the years ended December 31, 2009 and 2010 are as follows (in millions of Korean won):

	For the year ended December 31, 2009			
	Beginning balance	Increase/ (decrease)	Transferred to realized gain (loss)	Non-controlling interest in equity of consolidated subsidiaries
Unrealized gains on valuation of long-term investment securities	₩941,232	₩592,080	(₩231,282)	(₩46)
Unrealized losses on valuation of long-term investment securities	(407,552)	(12,028)	402,385	(429)
Sub-total	533,680	580,052	171,103	(475)
Less tax effect	(125,838)	(127,532)	(32,410)	8
Total	₩407,842	₩452,520	₩138,693	(₩467)

	For the year ended December 31, 2010				
	Beginning balance	Increase/ (decrease)	Transferred to realized gain (loss)	Minority interest in equity of consolidated subsidiaries	Ending balance
Unrealized gains on valuation of long-term investment securities	₩1,301,984	(₩214,595)	(₩53,365)	(₩940)	₩1,033,084
Unrealized losses on valuation of long-term investment securities	(17,624)	6,061	2,947	(289)	(8,905)
Sub-total	1,284,360	(208,534)	(50,418)	(1,229)	1,024,179
Less tax effect	(285,772)	42,812	12,564	194	(230,202)
Total	₩998,588	(₩165,722)	(₩37,854)	(₩1,035)	₩793,977

5. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD

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

	December 31, 2010				Carrying amount	
	Number of shares	Ownership percentage (%)	Acquisition cost	Net asset value	2009	2010
SK Marketing & Company Co., Ltd.	5,000,000	50.0	₩190,000	₩118,698	₩109,314	₩118,698
HanaSK Card Co., Ltd.	57,647,058	49.0	402,476	309,433 (note a)	-	377,228
SK Wyverns Baseball Club Co., Ltd.	199,997	100.0	1,000	-	-	-
Harex Info Tech, Inc.	-	-	-	- (note b)	62	-
SK Mobile	-	20	4,930	655	2,111	655
Skytel Co., Ltd.	-	-	-	- (note c)	14,958	-
SK China Company Ltd.	720,000	22.5	49,529	47,397 (note d)	3,918	46,573
SK Telecom China Co., Ltd.	-	100.0	7,340	9,315	-	9,315
TR Entertainment	-	42.2	10,953	2,399	7,560	6,029
ULand Company Ltd.	20,100,100	100.0	23,570	4,137	4,445	2,869
SK USA, Inc.	49	49.0	3,184	5,551	5,498	5,551
Korea IT Fund	190	63.3	190,000	232,791	219,709	232,791
1st Music Investment Fund of SK-PVC	1,980	99.0	1,326	779 (note e)	6,434	779
2nd Music Investment Fund of SK-PVC	1,980	99.0	874	749 (note e)	-	749
Michigan Global Cinema Fund	500	45.5	5,000	4,512	4,587	4,512
3rd Fund of Isu Entertainment	30	37.5	3,000	2,023	1,962	2,023
AirCross Co., Ltd.	-	-	-	-	-	-
Virgin Mobile USA, Inc.	-	-	-	-	-	-
SK Telecom Advanced Tech & Service Center	-	100.0	6,989	9,667	-	9,667
Magic Tech Network Co., Ltd.	4,500	30.0	8,494	- (note f)	5,267	-
Wave City Development Co., Ltd.	382,000	19.1	1,967	1,391	1,532	1,391
Prmaxsoftware tech.Co.,Ltd.	-	97.2	11,665	100	2,432	100
SK Beijing Industrial Development Co., Ltd.	-	-	-	-	18,009	-
Cyworld Japan Co., Ltd.	-	-	-	-	226	-
Daehan Kanggun BcN Co., Ltd.	1,461,486	29.0	7,307	7,264	7,262	7,264
SK Fans Co., Limited	312,245	51.0	13,775	4,017 (note g)	-	12,738
SK Telecom Smart City Management Co., Ltd.	1,532,143	100.0	1,709	1,410 (note g)	-	1,410
KIF Stonebridge Fund	700	20.8	700	670 (note g)	-	670
PT. Melon Indonesia	4,900,000	49.0	6,492	6,210 (note g)	-	6,210
Packet One Network	979,474	27.2	121,119	46,404 (note h)	-	114,760
LightSquared Inc.	3,387,916	3.3	72,096	42,517 (note i)	-	72,096
Television Media Korea Ltd.	18,564,000	51.0	18,568	18,328 (note g)	-	18,328
JYP Entertainment Corporation	691,680	25.5	4,150	671 (note j)	-	4,150
Broadband D&M Co., Ltd.	900,000	100.0	4,500	4,861	3,713	3,848
Hanaro Dream Incorporated	-	-	-	- (note k)	6,687	-
Konan Technology	78,550	29.5	13,456	3,178	3,320	3,695
Etoos Co., Ltd (formerly Cheong Sol)	701,000	15.6	18,993	276 (note l)	-	13,501
Mobile Money Ventures, LLC	-	50.0	8,821	3,206	5,614	3,206
Joynav Technology Co.,Ltd.	-	41.0	3,763	2,795	3,762	2,795
IM Shopping Inc.	-	72.6	6,072	5,922	6,072	5,922
CU Media, Inc.	-	-	-	-	15,119	-
LCNC Co.,Ltd.	121,800	60.4	6,000	6,000	-	6,000
Skyon Co., Ltd.	-	-	-	-	15,000	-
SK Telecom Europe Limited and other investment in affiliates			31,058	(note e)	11,820	12,320
Total			<u>₩1,260,876</u>		<u>₩486,393</u>	<u>₩1,107,843</u>

- (Note a) The Company acquired 57,647,058 shares of in HanaSK Card Co.,Ltd. during the year ended December 31, 2010. As a result, the Company holds 49% ownership in HanaSK card Co., Ltd.
- (Note b) During the year ended December 31, 2010, the Company's ownership percentage of Harex Info Tech, Inc. decreased as the Company did not participate in Harex Info. Tech, Inc.'s issuance of new stock. As a result, the Company reclassified its remaining shares of Harex Info Tech, Inc. from the equity securities accounted for using the equity method to available-for-sale equity securities.
- (Note c) The Company replaced carrying value of the stock from equity securities accounted for using the equity method to short-term investment securities as the Company's ownership interest decreased due to the disposal of 820,943 shares of Skytel Co., Ltd.
- (Note d) The Company additionally invested in SK China Company Ltd. in the amount of ₩44,859 million.
- (Note e) Companies including SK Telecom Europe Limited are excluded from consolidation as the changes in investment securities by applying equity method are considered not significant despite the fact that the Company can exercise significant influence in those companies.
- (Note f) As of December 31, 2010, Magic Tech Network Co., Ltd is in liquidation process and as the Company determined that there will likely be no consideration for the liquidation paid to the Company, it recognized the entire carrying value amount as impairment loss on investment securities.
- (Note g) During the year ended December 31, 2010, the Company participated in the establishment of SK Fans Co.,Limited, SK Telecom Smart City Management Co.,Ltd., KIF Stonebridge Fund, PT. Melon Indonesia and Television Media Korea, respectively.
- (Note h) During the year ended December 31, 2010, the Company acquired 979,474 shares of convertible preferred stock of Packet One Network. As a result, the Company holds 27.2% ownership in Packet One Network.
- (Note i) During the year ended December 31, 2010, the Company acquired 3,387,916 shares of common stock of Lightsquared Inc. As a result, the Company holds 3.3% ownership but also has an ability to exercise significant influence on Light squared Inc.
- (Note j) During the year ended December 31, 2010, the Company and Loen Entertainment, Inc., the Company's subsidiary, acquired 483,830 (17.8%) and 207,850 shares (7.65%) of JYP Entertainment, Corp., respectively, resulting from the liquidation of 1st Music Investment Fund of SK-PVC.
- (Note k) SK Broadband Co., Ltd., the Company's subsidiary, transferred the entire amount of Hanaro Dream, Inc. shares to Hanaro Dream, Inc. for ₩6,937 million and ₩250 million is accounted for as gain on disposal of equity securities accounted for using equity method.
- (Note l) During the year ended December 31, 2010, SK Communications Co., Ltd., the Company's subsidiary, acquired 701,000 shares or 19.95% equity interest of Etoos Co., Ltd. by converting convertible bonds of Etoos Co., Ltd (face value of ₩25,000 million) and applied equity method due to the significant influence on Etoos Co., Ltd. Meanwhile, the Company's equity interest has decreased to 15.6% as Etoos Co., Ltd. increased its paid-in capital.

Details of changes in investments in affiliates accounted for using the equity method for the years ended December 31, 2009 and 2010 are as follows (in millions of Korean won):

For the year ended December 31, 2009							
	Beginning balance	Acquisition	Equity in earnings (losses)	Equity in capital surplus and other comprehensive income	Retained Earnings	Other increase (decrease)	Ending balance
SK Marketing & Company Co., Ltd.	₩96,798	₩-	₩13,063	(₩547)	₩-	₩-	₩109,314
AirCross Co., Ltd. (note a)	7,289	-	-	-	-	(7,289)	-
Harex Info Tech, Inc.	596	-	(534)	-	-	-	62
SK Mobile	2,111	-	-	-	-	-	2,111
Skytel Co., Ltd.	13,858	-	3,835	(2,735)	-	-	14,958
SK China Company Ltd.	3,577	-	739	(398)	-	-	3,918
TR Entertainment	9,626	-	(1,894)	(172)	-	-	7,560
Virgin Mobile USA Inc. (note b)	62,096	-	(11,529)	11	-	(50,578)	-
SK USA, Inc.	5,249	-	683	(434)	-	-	5,498
Korea IT Fund	210,735	-	7,562	1,412	-	-	219,709
3rd Fund of Isu Entertainment	1,882	-	80	-	-	-	1,962
Magic Tech Network	7,725	-	(2,403)	(54)	-	-	5,267
SK Telecom Global Investment B.V. (note c)	31,807	13,275	(65)	5	-	(45,022)	-
SKY Property Mgmt., Ltd. (note c)	287,006	-	(1,075)	-	-	(285,931)	-
S-Telecom (formerly CDMA Mobile Phone Center)	67,139	-	(31,212)	(14,248)	-	(21,679)	-
Wave City Development Co., Ltd.	1,908	-	(376)	-	-	-	1,532
SK Cyberpass, Inc. (note d)	4,068	-	-	-	-	(4,068)	-
Shenzhen E-Eye High Tech (note c)	19,801	-	-	-	-	(19,801)	-
Cyworld Japan Co., Ltd.	3,690	-	(3,428)	(36)	-	-	226
Cyworld Incorporated	2,672	-	(2,672)	-	-	-	-
Prmaxsoftware tech.Co.,Ltd.	7,127	4,538	(9,526)	293	-	-	2,432
Mobile Money Ventures,LLC.	5,283	7,694	(6,983)	(380)	-	-	5,614
SK Telecom Holdings America, Inc. (note e)	12,990	-	2,827	-	-	(15,817)	-
Benex Movie Expert Fund (note c)	8,045	-	(303)	-	-	(7,742)	-
SK Wyverns Baseball Club Co., Ltd. (note f)	-	-	(193)	-	-	193	-
1st Music Investment Fund of SK-PVC (note f)	-	-	(124)	17	-	6,541	6,434
Michigan Global Cinema Fund (note f)	-	-	9	-	-	4,578	4,587
SK Beijing Industrial Development Co.	-	23,709	(5,448)	(252)	-	-	18,009
Daehan Kanggun BcN Co., Ltd. (note g)	-	6,803	(45)	-	-	504	7,262
Broadband D&M Co., Ltd. (note f)	-	-	204	-	-	3,509	3,713
Hanaro Dream, Inc. (note f)	-	-	(39)	309	-	6,417	6,687
Cyworld China Holdings Ltd. (note f)	-	-	(2,627)	125	-	2,502	-
Konan Technology (note f)	-	-	19	(29)	-	3,330	3,320
ULand Company Ltd. (note f)	-	-	(1,641)	(424)	-	6,510	4,445
CU Media, Inc (note f)	-	-	(2,055)	-	-	17,174	15,119
IM Shopping Inc. (note h)	-	-	-	-	-	6,072	6,072
Skyon Co., Ltd.	-	15,000	-	-	-	-	15,000
Joynav Technology Co., Ltd.	-	4,111	(104)	(245)	-	-	3,762
Other investment in affiliates	25,434	32,271	(8,725)	(1,177)	(11,589)	(24,394)	11,820
	<u>₩898,512</u>	<u>₩107,401</u>	<u>(₩63,980)</u>	<u>(₩18,959)</u>	<u>(₩11,589)</u>	<u>(₩424,992)</u>	<u>₩486,393</u>

- (note a) Other decrease in investments in equity securities of AirCross Co., Ltd. is due to AirCross Co., Ltd.'s liquidation during the period.
- (note b) Other decrease in investments in equity securities of Virgin Mobile, Inc. and Helio Inc. resulted from the transaction of exchanging shares Sprint Nextel with those of such companies.
- (note c) SK Telecom Global Investment B.V., SKY Property Mgmt, Ltd. and some others investments are included in the consolidation during the year ended December 31, 2009, resulting in a decrease in (reclassification from) equity securities accounted for using the equity method.
- (note d) Other decrease in investments in equity securities of SK Cyberpass, Inc. resulted from the disposal of shares.
- (note e) Other decrease in investments in equity securities of SKT Holdings America resulted from the exchange of equity interest with SKT Americas, Inc.
- (note f) 1st Music Investment Fund of SK-PVC and others are included in the equity securities accounted for using equity method as its total assets at the beginning of 2009 decreased to less than ₩10 billion, in accordance to Korean GAAP.
- (note g) Other increase in investments in Daehan Kanggun BcN Co., Ltd. represents the increase through acquisition of lease line business from SK Networks Co., Ltd. .
- (note h) Due to SK Telecom Global Investment B.V. inclusion in the Company's consolidation beginning the year ended December 31, 2009. IM Shopping Inc. which SK Telecom Global Investment B.V., SK Global Investment owns 72.6% equity interest is included in the equity securities accounted for using equity method.

For the year ended December 31, 2010

	Beginning balance	Acquisition	Equity in capital surplus and				Ending balance
			Equity in earnings (losses)	other comprehensive income	Dividend received	Other increase (decrease)	
SK Marketing & Company Co., Ltd.	₩109,314	₩-	₩9,376	₩8	₩-	₩-	₩118,698
HanaSK Card Co., Ltd.	-	402,476	(25,148)	(100)	-	-	377,228
SK Wyverns Baseball Club Co., Ltd.	-	-	410	-	-	(410)	-
Harex Info Tech, Inc. (note h)	62	-	-	-	-	(62)	-
SK Mobile	2,111	-	(1,982)	526	-	-	655
Skytel Co., Ltd. (note a,b)	14,958	-	2,833	1,337	(444)	(18,683)	-
SK China Company Ltd. (note a)	3,918	44,860	935	(2,192)	-	(947)	46,574
SK Telecom China Co., Ltd. (note c)	-	-	(205)	77	-	9,443	9,315
TR Entertainment	7,560	-	(1,551)	20	-	-	6,029
ULand Company Ltd.	4,445	-	(1,612)	36	-	-	2,869
SK USA, Inc.	5,498	-	191	(138)	-	-	5,551
Korea IT Fund (note b)	219,709	-	13,943	2,097	(2,958)	-	232,791
1st Music Investment Fund of SK-PVC (note d)	6,434	-	(138)	13	-	(5,530)	779
2nd Music Investment Fund of SK-PVC (note c)	-	-	25	-	-	724	749
Michigan Global Cinema Fund	4,587	-	(75)	-	-	-	4,512
3rd Fund of Isu Entertainment	1,962	-	61	-	-	-	2,023
SK Telecom Advanced Tech & Service Center	-	-	50	81	-	9,536	9,667
Magic Tech Network Co., Ltd.	5,267	-	(4,858)	(409)	-	-	-
Wave City Development Co., Ltd.	1,532	-	(141)	-	-	-	1,391
Prmaxsoftware tech.Co.,Ltd.	2,432	-	(2,332)	-	-	-	100
SK Beijing Industrial Development Co. (note a)	18,009	-	-	-	-	(18,009)	-
Cyworld Japan Co., Ltd. (note d)	226	-	-	-	-	(226)	-
Daehan Kanggun BcN Co., Ltd.	7,262	-	1	-	-	-	7,263
SK Fans Co., Limited	-	13,775	(1,074)	37	-	-	12,738
SK Telecom Smart City Management Co., Ltd.	-	1,709	(192)	(107)	-	-	1,410
KIF Stonebridge Fund	-	700	(30)	-	-	-	670
PT. Melon Indonesia	-	6,492	13	(295)	-	-	6,210
Packet One Network	-	121,119	(6,460)	101	-	-	114,760
LightSquared Inc.	-	72,096	-	-	-	-	72,096
Television Media Korea Ltd.	-	18,568	(240)	-	-	-	18,328
JYP Entertainment Corporation	-	4,150	-	-	-	-	4,150
Broadband D&M Co., Ltd.	3,713	-	135	-	-	-	3,848
Hanaro Dream, Inc (note a)	6,687	-	-	-	-	(6,687)	-
Konan Technology	3,320	-	374	-	-	-	3,694
Etoos Co., Ltd (formerly Cheong Sol) (note e)	-	-	(1,619)	-	-	15,120	13,501
Mobile Money Ventures,LLC.	5,614	-	(2,226)	-	-	(182)	3,206
Joynav Technology Co., Ltd.	3,762	-	(989)	-	-	22	2,795
IM Shopping Inc.	6,072	-	-	-	-	(149)	5,923
LCNC Co.,Ltd.	-	6,000	-	-	-	-	6,000
CU Media, Inc (note f)	15,119	-	-	-	-	(15,119)	-
Skyon Co., Ltd. (note g)	15,000	-	(6,987)	-	-	(8,013)	-
SK Telecom Europe Limited and other investment in affiliates	11,820	2,000	118	40	-	(1,658)	12,320
	<u>₩486,393</u>	<u>₩693,945</u>	<u>(₩29,394)</u>	<u>₩1,132</u>	<u>(₩3,402)</u>	<u>(₩40,830)</u>	<u>₩1,107,843</u>

- (note a) Other decreases for Skytel Co., Ltd., SK China Company Ltd., SK Beijing Industrial Development Co., Limited, and Hanaro Dream, Inc. are due to the disposal of equity interests during the year ended December 31, 2010.
- (note b) The Company received dividends from Skytel Co., Ltd. and Korea IT Fund; the corresponding amounts are deducted from the carrying amount of equity securities accounted for using the equity method.
- (note c) Other increase or decrease of the 2nd Music Investment Fund of SK-PVC and others incurred as they were excluded from consolidation and investments in those companies are accounted for using equity method.
- (note d) Other increase or decrease of the 1st Music Investment Fund of SK-PVC and Cyworld Japan Co., Ltd due to liquidation during the year ended December 31, 2010.
- (note e) Other increase or decrease of Etoos Co., Ltd. is replacement of available-for-sale securities in the amount of ₩18,993 million to equity securities accounted for using equity method, as SK Communications Co., Ltd., the Company's subsidiary, converted convertible bonds of Etoos Co., Ltd (face value of ₩25,000 million. In addition, the Company accounts for the changes in equity interests in the amount of ₩3,872 million as loss on disposal of equity securities accounted for using equity method as the investee company increased its paid-in capital.
- (note f) IHQ Inc, the Company's subsidiary, holds shares of CU Media Inc. and other increase and decrease represents a decrease in shares as IHQ Inc. is excluded from consolidation due to decrease in equity interests.
- (note g) During the period Skyon Co., Ltd. merged into PREGM Co., Ltd.. As a result, Benex Focus Limited Partnership II, the Company's subsidiary, acquired shares of PREGM Co., Ltd.. As the Company has 56.69% equity ownership of PREGM Co., Ltd., it is included in the Company's consolidation.
- (note h) During the year ended December 31, 2010, the Company's ownership percentage of Harex Info Tech, Inc. decreased as the Company did not participate in Harex Info. Tech, Inc.'s issuance of new stock. As a result, the Company reclassified its remaining shares of Harex Info Tech, Inc. from the equity securities accounted for using the equity method to available-for-sale equity securities.

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

For the year ended December 31, 2009				
	Beginning balance	In(de)crease	Amortization	Ending balance
Harex Info Tech, Inc.	₩350	₩-	(₩350)	₩-
TR Entertainment	6,856	-	(1,613)	5,243
Virgin Mobile USA Inc.	119,180	(99,296)	(19,884)	-
Skytel Co., Ltd.	-	-	-	-
SK China Company Ltd.	107	-	(107)	-
Magic Tech Network	5,563	-	(1,236)	4,327
Prmaxsoftware tech.Co.,Ltd	-	671	(671)	-
Daehan Kanggun BcN Co. Ltd.	-	45	(45)	-
Hanaro Dream Incorporated	-	87	(87)	-
Cyworld Japan Co., Ltd.	-	2,821	(2,821)	-
Cyworld Incorporated	-	1,664	(1,664)	-
Konan Technology	-	2,027	(715)	1,312
ULand Company Ltd.	-	360	(240)	120
CU Media, Inc.	-	10,972	(1,859)	9,113
SK Cyberpass Inc.	258	(258)	-	-
Shenzhen E-Eye High Tech	8,680	(8,680)	-	-
Other investments in affiliates	3,436	(745)	(1,076)	1,615
Total	₩144,430	(₩90,332)	(₩32,368)	₩21,730

For the year ended December 31, 2010				
	Beginning balance	In(de)crease	Amortization	Ending balance
HanaSK Card Co., Ltd.	₩-	₩70,690	(₩2,895)	₩67,795
TR Entertainment	5,243	-	(1,613)	3,630
ULand Company Ltd.	120	-	(120)	-
Magic Tech Network Co., Ltd.	4,327	-	(4,327)	-
SK Fans Co., Limited	-	9,180	(459)	8,721
Packet One Network	-	67,952	404	68,356
LightSquared Inc.	-	29,579	-	29,579
Television Media Korea Ltd.	-	240	(240)	-
Konan Technology	1,312	-	(715)	596
Etoos Co., Ltd	-	-	-	-
(formerly Cheong Sol)	-	14,346	(1,308)	13,038
JYP Entertainment Corporation	-	3,479	-	3,479
CU Media, Inc	9,113	(9,113)	-	-
Other investments in affiliates	1,615	(1,615)	-	-
Total	₩21,730	₩184,738	(₩11,273)	₩195,194

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

	For the year ended December 31, 2009			
	Beginning balance	Increase	Decrease	Ending balance
SK China Company Ltd.	₩1,086	₩-	₩-	₩1,086
Broadband D&M Co., Ltd.	-	931	(79)	852
Cyworld China Holdings Ltd.	-	488	(258)	230
Konan Technology	-	116	(14)	102
ULand Company Ltd.	-	1,268	-	1,268
CU Media, Inc.	-	31	(31)	-
Cyworld Incorporated	1,416	-	-	1,416
Other investments in affiliates	2,820	-	(474)	2,346
Total	₩5,322	₩2,834	(₩856)	₩7,300

	For the year ended December 31, 2010			
	Beginning balance	Increase	Decrease	Ending balance
SK China Company Ltd.	₩1,086	₩-	(₩263)	₩823
ULand Company Ltd.	1,268	-	-	1,268
Cyworld China Holdings Ltd.	230	-	-	230
Broadband D&M Co., Ltd.	852	264	(103)	1,013
Konan Technology	102	-	(23)	79
Cyworld Incorporated	1,416	-	(1,416)	-
Etoos Co., Ltd (formerly Cheong Sol)	-	(238)	52	(186)
Other investments in affiliates	2,346	-	-	2,346
Total	₩7,300	₩26	(₩1,753)	₩5,573

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

	Total assets	Total liabilities	Revenue	Net income (loss)
SK Marketing & Company Co., Ltd.	₩659,847	₩422,452	₩415,270	₩18,751
HanaSK Card Co., Ltd.	3,315,740	2,684,243	492,499	(58,914)
SK Wyverns Baseball Club Co., Ltd.	5,039	7,566	30,685	(286)
SK Mobile	3,658	382	-	(7,054)
SK China Company Ltd.	212,370	1,784	15,876	4,155
SK Telecom China Co.,Ltd.	9,469	153	-	(205)
TR Entertainment	6,549	864	11,026	146
ULand Company Ltd.	7,191	3,102	2,938	(1,387)
SK USA, Inc.	22,035	10,706	9,303	10,358
Korea IT Fund	367,721	-	28,377	22,014
1st Music Investment Fund of SK-PVC	366	30	75	45
2nd Music Investment Fund of SK-PVC	477	29	155	125
Michigan Global Cinema Fund	9,785	90	20	(165)
3rd Fund of Isu Entertainment	5,395	-	166	162
SK Telecom Advanced Tech & Service Center	9,761	94	-	50
Wave City Development Co., Ltd.	126,413	119,128	693	(734)
Prmaxsoftware tech.Co.,Ltd.	103	-	-	(2,399)
Daehan Kanggun BcN Co., Ltd.	165,754	140,707	-	4
SK Fans Co., Limited	16,588	8,712	6,975	(1,205)
SK Telecom Smart City Management Co., Ltd.	1,487	77	-	(119)
KIF Stone Bridge Fund Co.,Ltd	3,383	157	12	(143)
PT. Melon Indonesia	13,759	1,085	-	27,371
Packet One Network	268,617	145,422	74,893	(59,635)
Television Media Korea Ltd.	36,402	465	-	(291)
JYP Entertainment Corporation	15,186	12,550	21,680	904
Broadband D&M Co., Ltd.	10,512	5,651	4,861	51,088
Konan Technology	15,590	4,814	14,596	3,620
Etoos Co., Ltd (formerly Cheong Sol)	74,938	73,164	29,719	(3,683)
Mobile Money Ventures, LLC	9,407	2,996	4,472	(3,767)
Joynav Technology Co.,Ltd.	7,008	194	107	(2,411)
IM Shopping Inc.	1,044	1,966	63	(1,498)
LCNC Co.,Ltd	9,729	175	12	(432)

6. LOANS TO EMPLOYEES

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

	2009	2010
Loans to employees' stock ownership association	₩58,198	₩43,487
Loans to employees for housing and other	30,848	26,427
	<u>₩89,046</u>	<u>₩69,914</u>

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

7. PROPERTY AND EQUIPMENT

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

	Useful lives (years)	2009	2010
Land		₩728,300	₩725,802
Buildings and structures	15-50	2,158,124	2,179,601
Machinery	3-15	19,732,297	19,750,703
Other	4-9	1,163,537	1,404,770
Construction in progress		417,027	447,608
Total		24,199,285	24,508,484
Less accumulated depreciation		(16,030,884)	(16,641,384)
Accumulated impairment		(2,019)	(2,019)
Government subsidy		(503)	(487)
Property and equipment, net		<u>₩8,165,879</u>	<u>₩7,864,594</u>

The officially assessed land prices, issued by the Korean Government, as of December 31, 2009 and 2010, are ₩856,729 million and ₩971,607 million, respectively.

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

For the year ended December 31, 2009							
	Beginning balance	Other increase (decrease)	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩756,348	(₩5,397)	₩19,326	(₩42,902)	₩925	₩-	₩728,300
Buildings and structures	1,354,812	210,087	35,164	(18,766)	(3,659)	(74,283)	1,503,355
Machinery	4,574,508	531,991	345,558	(16,794)	1,553,959	(1,838,688)	5,150,534
Other	395,871	(2,615)	974,824	(28,117)	(849,494)	(123,807)	366,662
Construction in progress	356,150	7,028	787,565	(20,739)	(712,976)	-	417,028
Total	<u>₩7,437,689</u>	<u>₩741,094</u>	<u>₩2,162,437</u>	<u>(₩127,318)</u>	<u>(₩11,245)</u>	<u>(₩2,036,778)</u>	<u>₩8,165,879</u>
For the year ended December 31, 2010							
	Beginning balance	Other increase (decrease)	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩728,300	₩62	₩1,622	(₩7,000)	₩2,818	₩-	₩725,802
Buildings and structures	1,503,355	1,956	13,838	(1,650)	8,490	(86,517)	1,439,472
Machinery	5,150,534	(71)	455,279	(91,874)	1,141,647	(1,926,994)	4,728,521
Other	366,662	(996)	982,906	(4,854)	(692,282)	(128,245)	523,191
Construction in progress	417,028	-	863,231	(46,581)	(786,070)	-	447,608
Total	<u>₩8,165,879</u>	<u>₩951</u>	<u>₩2,316,876</u>	<u>(₩151,959)</u>	<u>(₩325,397)</u>	<u>(₩2,141,756)</u>	<u>₩7,864,594</u>

Other increase (decrease) resulted from merger and the changes in consolidated subsidiaries.

8. INTANGIBLE ASSETS

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

	December 31, 2010			Carrying amounts	
	Acquisition cost	Accumulated amortization	Accumulated Impairment	2009	2010
Goodwill	₩2,945,582	(₩1,321,271)	(₩5,378)	₩1,737,966	₩1,618,933
Frequency use rights	1,487,552	(778,509)	-	727,239	709,043
Land use right	424,339	(26,966)	-	405,362	397,373
Software development costs	249,468	(212,669)	(10,855)	35,950	25,944
Customer relationships	504,156	(252,078)	-	343,743	252,078
Other	2,116,736	(1,370,018)	(9,446)	742,065	737,272
Total	₩7,727,833	(₩3,961,511)	(₩25,679)	₩3,992,325	₩3,740,643

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

	For the year ended December 31, 2009							
	Beginning balance	Other increase (decrease)	Acquisition	Disposal	Transfer	Amortization	Impairment	Ending balance
Goodwill	₩1,899,739	₩4,774	₩1,807	(₩1,130)	(₩261)	(₩166,963)	₩-	₩1,737,966
Frequency use rights	843,771	-	-	-	-	(116,532)	-	727,239
Land use right	1,260	418,016	-	(2)	-	(13,912)	-	405,362
Software development costs	34,573	(71)	17,547	-	4,208	(17,131)	(3,176)	35,950
Customer relationships	435,535	(128)	-	-	-	(91,664)	-	343,743
Other	763,267	24,957	101,417	(8,079)	151,175	(289,909)	(763)	742,065
Total	₩3,978,145	₩447,548	₩120,771	(₩9,211)	₩155,122	(₩696,111)	(₩3,939)	₩3,992,325

	For the year ended December 31, 2010							
	Beginning balance	Other increase (decrease)	Acquisition	Disposal	Transfer	Amortization	Impairment	Ending balance
Goodwill	₩1,737,966	₩6,988	₩33,470	₩-	₩7,453	(₩166,944)	₩-	₩1,618,933
Frequency use rights	727,239	-	-	-	102,432	(120,628)	-	709,043
Land use right	405,362	(190)	-	-	1,850	(9,649)	-	397,373
Software development costs	35,950	(313)	13,598	(243)	279	(8,879)	(14,448)	25,944
Customer relationships	343,743	-	-	-	-	(91,665)	-	252,078
Other	742,065	(3,350)	110,994	(8,336)	235,180	(330,283)	(8,998)	737,272
Total	₩3,992,325	₩3,135	₩158,062	(₩8,579)	₩347,194	(₩728,048)	(₩23,446)	₩3,740,643

Other increase (decrease) resulted from merger and change in consolidated subsidiary.

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

	Amount	Description	Residual useful lives
Goodwill	₩1,177,574	Goodwill related to merger of Shinsegi Telecomm, Inc.	9 years and 3 months
"	14,327	Goodwill related to merger of Empas Corp.	1 years and 10 months
"	338,803	Goodwill related to acquisition of SK Broadband Co., Ltd.	17 years and 3 months
IMT license	581,355	Frequency use rights relating to W-CDMA service	(note a)
W-CDMA license	98,335	Frequency use rights relating to W-CDMA service	(note b)
WiBro license	25,450	WiBro service	(note c)
DMB license	3,903	DMB service	5 years and 6 months
Customer relationships	252,078	Customer relationships related to acquisition of SK Broadband Co., Ltd.	2 years and 9 months

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

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

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

9. BONDS PAYABLE

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

	Maturity year	Annual Interest rate (%)	2009	2010
Domestic general bonds	2010	4.0~6.77	₩190,000	₩-
"	2011	3.0	200,000	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 private bonds (note b)	2009	6.51~7.48	-	-
"	2009	6.45	-	-
" (note b)	2010	6.50~7.07	20,000	-
Unsecured public bonds	2008	5.50	-	-
"	2010	6.30~6.81	110,000	-
" (note c)	2011	9.08	25,000	25,000
Debentures	2009	6.08	-	-
" (note d)	2010	8.75~9.25	80,000	-
" (note d)	2011	6.65~9.20	315,718	315,718
" (note d)	2013	3.99	-	150,000
Dollar denominated bonds (US\$300,000)	2011	4.25	350,280	341,670
Dollar denominated bonds (US\$500,000) (note e)	2012	7.0	611,301	596,951
Dollar denominated bonds (US\$400,000)	2027	6.63	467,040	455,560
Yen denominated bonds (JPY 15,500,000) (note a)	2012	3 M Euro Yen LIBOR+0.55~2.5	195,737	216,547
Yen denominated bonds (JPY 5,000,000) (note a)	2012	3 M Euro Yen TIBOR+2.5	63,141	69,854
Floating rate notes (US\$ 150,000) (note a)	2010	3 M LIBOR+3.05	175,140	-
Floating rate notes (US\$ 220,000) (note a)	2012	3 M LIBOR+3.15	256,872	250,558
Bonds with warrants -bearer, detachable, first (note f)	2009	13.65	-	10
Bonds with warrants -bearer, detachable, second (note f)	2012	14.23	-	1,399
Convertible bonds (SK Telecom)	2009	-	-	-
Convertible bonds (SK Telecom) (note g)	2014	1.75	437,673	437,673
Sub total			5,017,902	4,580,941
Less discounts on bonds			(82,333)	(76,122)
Less conversion right adjustments			(81,235)	(64,735)
Add long-term accrued interest			-	-
Add premium on redemption of bonds			-	400
Net			4,854,334	4,440,484
Less portion due within one year			(573,936)	(874,436)
Long-term portion			₩4,280,398	₩3,566,048

- (note a) The 3-months Euro Yen LIBOR rate, the 3-months Euro Yen Tibor rate and the 3-month Libor rate as of December 31, 2010 are 0.19%, 0.34% and 0.30%, respectively.
- (note b) These bonds are scheduled to be repaid in 3 years with a two-year grace period and entire amounts were repaid during the current year.
- (note c) In accordance with the covenant provision of related borrowings, SK Telink Co., Ltd, a subsidiary of the Company, is required to maintain its debt ratio lower than 1,000 percent until completion of the principal repayment obligation. If the subsidiary of the Company does not comply with the covenant provision until completion of the principal repayment, the Company may be required to perform an immediate redemption by written notification by resolution of bondholders committee.
- (note d) 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 SK Broadband Co., Ltd. shall not dispose of its property and equipment more than twenty times of its net assets in any given fiscal year.
- (note e) According to the covenants of foreign currency debentures, when a private person or other corporation except for AIG-Newbridge-TVG Consortium acquire 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. shall 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 f) Bonds with stock warrants were issued by PREGM Co., Ltd., a subsidiary of the Company. First bearer, detachable bonds with stock warrants have expired as of December 31, 2010 but has yet been redeemed. Exercise period of the second bearer, detachable bonds with stock warrants is from April 19, 2009 to January 23, 2012 and the exercise price is ₩4,375 per share.
- (note g) 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 ₩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 December 31, 2010 is 2,090,996 shares. Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock. If 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.

Conversion price has changed from ₩230,010 to ₩220,000 and number of common shares that can be converted has changed from 1,999,997 shares to 2,090,996 shares due to the payment of periodic dividends in accordance with a resolution of board of directors at January 27, 2010 and payment of interim dividends in accordance with a resolution of the board of directors at July 22, 2010. During the year ended December 31, 2010, no conversion was made.

10. LONG-TERM BORROWINGS

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

Lender	Final maturity year	Annual interest rate (%) (note a)	2009	2010
Shinhan Bank (note a)	2011	91 days CD yield + 0.25	₩200,000	₩-
Korea Development Bank	2011	91 days CD yield + 1.02	₩100,000	₩100,000
Citibank	2011	91 days CD yield + 1.20	₩100,000	₩100,000
Nonghyup	2011	91 days CD yield + 1.30	₩100,000	₩100,000
Hana Bank	2011	91 days CD yield + 1.50	₩150,000	₩150,000
Nonghyup	2011	91 days CD yield + 1.50	₩50,000	₩50,000
Shinhan Bank	2011	4.36	-	-
Korea Development Bank	2011	3.52	₩9,752	₩3,251
Kookmin Bank	2012	4.29	₩9,883	₩5,930
Korea Development Bank	2013	4.29	₩10,577	₩8,814
Small Business Corporation	2009	5.25	-	-
Calyon Bank	2013	6M Libor + 0.29	US\$50,000	US\$50,000
DBS Bank	"	"	US\$25,000	US\$25,000
SMBC	"	"	US\$25,000	US\$25,000
Korea Development Bank	2014	4.29	₩9,885	₩9,885
Korea Development Bank	2015	4.29	-	₩10,273
China Merchants Bank	2018	5.35	-	CNY 360,000
Korea Exchange Bank	2015	5.18 ~ 5.44	-	CNY 200,000
Industrial Bank of Korea	2010	2.78	₩128	₩-
Total			₩740,225	₩538,153
			US\$100,000	US\$100,000
			-	CNY 560,000
Equivalent in Korean won			₩856,985	₩748,345
Less portion due within one year			(12,345)	(512,377)
Long-term portion			₩844,640	₩235,968

(note a) As of December 31, 2010, the 91-day CD yield is 2.80%.

The repayment schedule of long-term borrowings at December 31, 2010 is as follows (in millions of Korean won and thousands of U.S. dollars):

Year ending December 31,	Long-term borrowings in Korean won	Long-term borrowings in foreign currencies		Total
		Foreign currencies	Korean won equivalent	
2011	₩512,377	-	₩-	₩512,377
2012	10,510	-	-	10,510
2013	8,482	US\$100,000 CNY59,929	124,196	132,678
2014 and thereafter	6,784	CNY500,071	85,996	92,780
Total	₩538,153	US\$100,000 CNY560,000	₩210,192	₩748,345

11. SUBSCRIPTION DEPOSITS

The Company receives facility guarantee deposits from subscribers of cellular services at the subscription date. The Company has no obligation to pay interest on these deposits and returns all amounts to subscribers upon termination of the subscription contract.

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

Service type	Deposit per subscriber	2009	2010
Cellular	₩200,000	₩5,480	₩5,219

Subscription deposits payable recorded as current liabilities represents payables to subscribers who cancelled services.

12. LEASES

SK Broadband Co., Ltd., a subsidiary of the Company, has leased certain equipment related to telecommunication under a finance lease agreement with Cisco Capital Korea. In addition, under certain finance lease agreements with KDB Capital Corp., and other lease companies, Broadband Media Co., Ltd., a subsidiary of the Company, has leased setup-boxes, sharers, etc. The acquisition cost of such leased setup-boxes, equipment and other totaled ₩198,226 million as of December 31, 2010. Accumulated depreciation for the leased assets as of December 31, 2010 is ₩76,663 million. The Company's minimum future lease payments as of December 31, 2010 are as follows (in millions of Korean won):

<u>Year ending December 31,</u>	<u>Annual lease payments</u>	<u>Interest</u>	<u>Principal</u>
2011	₩ 50,065	₩ 4,597	₩ 45,468
2012	30,508	2,381	28,127
2013	17,678	1,094	16,584
2014	15,761	397	15,364
Total	<u>₩ 114,012</u>	<u>₩ 8,469</u>	105,543
Less portion due within one year			<u>(45,468)</u>
Finance lease liabilities			<u>₩ 60,075</u>

The Company leased certain machinery and equipment under an operating lease and the Company's minimum future lease payments as of December 31, 2010 are as follows (In millions of Korean won):

<u>Year ending December 31,</u>	<u>Minimum Lease Payments</u>
2011	₩6,552
2012	4,459
2013 and thereafter	<u>1,904</u>
Total	<u>₩12,915</u>

13. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable and long-term borrowings denominated in foreign currencies described in Notes 9 and 10) as of December 31, 2009 and 2010 are as follows (in millions of Korean won, thousands of U.S. dollars, thousands of HK dollars, thousands of Japanese yen, thousands of Singaporean dollars, thousands of Euros, thousands of Great Britain pounds, thousands of Swiss francs, thousands of Chinese Yuan, thousands of Australian dollars, thousands of Canadian dollars, thousands of France francs and thousands of Thailand Baht):

	Foreign currencies		Korean won equivalent	
	2009	2010	2009	2010
Cash and cash equivalents	US\$3,885	US\$3,774	₩4,536	₩4,299
"	EUR9	EUR7	15	11
"	JPY35,930	-	454	-
"	-	CNY150,621	-	25,902
"	-	SG\$41	-	37
Accounts receivable - trade	US\$36,119	US\$63,291	42,173	72,106
"	JPY54,776	JPY59,566	692	831
"	EUR187	EUR203	313	307
"	-	GBP3	-	5
"	-	AU\$2	-	2
"	-	CA\$1	-	1
"	-	CNY7,833	-	1,347
"	THB2,852	THB2,968	100	113
Short-term loans	US\$480	US\$300	560	342
Accounts receivable - other	US\$182	US\$14,271	212	16,253
"	CNY1,131	-	193	-
Guarantee deposits	US\$8	US\$147	9	167
"	JPY 17,397	JPY16,854	220	235
Total assets			₩49,477	₩121,958

	Foreign currencies		Korean won equivalent	
	2009	2010	2009	2010
Accounts payable	US\$22,675	US\$32,812	₩26,476	₩37,370
"	JPY1,251	JPY76	16	1
"	FRF11	-	3	-
"	-	CNY85,117	-	14,638
"	US\$22,695	US\$42,446	26,498	48,335
"	JPY99,742	JPY945	1,260	13
"	HK\$19	HK\$29	3	5
"	GBP78	GBP86	146	152
"	SG\$1	SG\$1	1	1
"	EUR 810	EUR 429	1,356	650
"	CHF19	-	22	-
Total liabilities			₩55,781	₩101,165

14. CAPITAL STOCK AND CAPITAL SURPLUS

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

	2009	2010
Authorized shares	220,000,000	220,000,000
Issued shares	80,745,711	80,745,711
Outstanding shares, net of treasury stock	72,344,999	71,094,999

There are no changes in capital stock for the years ended December 31, 2010 and 2009.

Significant changes in common capital and capital surplus in 2009 and 2010 are as follows (in millions of Korean won, except for share data):

	Number of shares issued	Capital stock	Capital surplus
At December 31, 2008	81,193,711	₩44,639	₩2,958,854
Issuance of convertible bonds (note a)	-	-	73,622
Gain on disposal of treasury stock (note b)	(448,000)	-	(722)
Equity in capital surplus changes of affiliates	-	-	193
At December 31, 2009	80,745,711	44,639	3,031,947
Equity in capital surplus changes of affiliates	-	-	(167)
At December 31, 2010	80,745,711	₩44,639	₩3,031,780

(note a) During the year ended December 31, 2009, convertible bonds with principal amount of US\$332,528,000 were issued and resulted in the increase of value of conversion rights (capital surplus) of convertible bonds (net of tax effect ₩19,445 million).

(note b) On January 9, 2009, the Company retired 448,000 shares of treasury stock and reduced its retained earnings before appropriation in accordance with the Korean Commercial Law. The Company's capital surplus is changed due to the tax effects of this share retirement.

15. RETAINED EARNINGS

Retained earnings as of December 31, 2009 and 2010 are as follows (in millions of Korean won):

	<u>2009</u>	<u>2010</u>
Appropriated	₩8,890,053	₩9,350,386
Unappropriated	<u>1,019,700</u>	<u>1,253,013</u>
	<u>₩9,909,753</u>	<u>₩10,603,399</u>

The details of appropriated retained earnings as of December 31, 2009 and 2010 are as follows (in millions of Korean won):

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

a. Legal Reserve

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

b. Reserve for Business Expansion and Technology Development

Reserve for research and manpower development were appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditure for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.

c. Reserve for Business Expansion and Technology Development

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

16. TREASURY STOCK

The Company acquired 8,707,696 shares of treasury stock in the market for ₩2,055,620 million through 2008 in order to provide stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co., Ltd., increase shareholder values, and stabilize the market price of its stock.

On January 23, 2008, 208,326 shares of treasury stock with total carrying value of ₩49,401 million was sold to employees through the Employees' Stock Purchase Association. As a result of this transaction, loss on disposal of treasury stock of ₩7,155 million is recognized for the year ended December 31, 2008.

On January 9, 2009, in accordance with the resolution of Board of Directors on October 23, 2008, the Company additionally acquired 141,012 shares of treasury stock for ₩28,938 million and concurrently retired 448,000 treasury shares which it accumulated to date, with the Company's retained earnings, for ₩92,477 million. As a result of these transactions, retained earnings decreased by ₩92,476 million.

On December 15, 2009, the Company acquired 4 shares of treasury stock for ₩7 million by acquisition request of odd lot stock, resulting from the merger with Shinsegi Telecom, Inc.

In addition, from July 26, 2010 through October 20, 2010, the Company acquired 1,250,000 shares of treasury stock for ₩210,356 million in accordance with a resolution of the Board of Directors on July 22, 2010.

As a result, treasury stocks amount to as of December 31, 2010 and 2009 9,650,712 shares and 8,400,712 shares with acquisition costs of ₩2,202,439 million and ₩1,992,083 million, respectively.

17. INCOME TAXES

Income tax expenses for the years ended December 31, 2009 and 2010 consist of the following (in millions of Korean won):

	2009	2010
Currently	₩610,561	₩525,488
Changes in net deferred tax liabilities	<u>(254,891)</u>	<u>(121,182)</u>
Income tax expenses	<u>₩355,670</u>	<u>₩404,306</u>

The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2009 and 2010 is attributable to the following (in millions of Korean won):

	2009	2010
Income taxes at statutory income tax rate of 22% in 2009 and 2010	₩308,109	₩397,868
Resident surtax payable	30,811	39,786
Tax credit for investments, technology and human resource development	(98,242)	(37,074)
Special surtax for agriculture and fishery industries fund designated by government	16,521	6,720
Additional income tax (tax refund) for prior periods	10,947	(7,508)
Tax effect from statutory tax rate change	(3,353)	(2,807)
Equity losses(earnings) of affiliates	16,929	24,748
Permanent differences	<u>74,248</u>	<u>32,067</u>
Recorded income taxes	<u>₩355,670</u>	<u>₩404,306</u>
Effective tax rate	<u>25.40%</u>	<u>24.16%</u>

The tax effects of each type of temporary difference that give rise to a significant portion of the deferred tax assets and liabilities at December 31, 2009 and 2010 are as follows (in millions of Korean won):

	2009	2010
Current :		
Allowance for doubtful accounts	₩42,579	₩41,748
Accrued interest income	(980)	(846)
Accrued interest expense	34,216	40,259
Provision for handset subsidy	128,785	-
Net operating loss carryforwards	-	117
Tax credit carryforwards	225	3
Other	(13,809)	118,509
Net deferred tax assets - current	₩205,291	₩199,790
Non-Current :		
Depreciation	₩6,112	₩29,575
Loss on impairment of investment securities	59,450	48,379
Equity in losses (gains) of affiliates, net	2,468	22,260
Unrecognized deficit (undistributed earnings) of subsidiaries	111,807	131,726
Tax free reserve for research and manpower development	(132,244)	(80,762)
Loss on valuation of foreign currency swap	(49,178)	(36,648)
Loss on valuation of interest swap	3,392	-
Loss on valuation of foreign currency swap (accumulated other comprehensive income)	(5,365)	16,831
Gain on conversion of convertible bond	-	-
Consideration for conversion right	(21,046)	(14,188)
Equity in other comprehensive income of affiliates, net	13,799	22,260
Unrealized loss (gain) on valuation of long-term investment securities (accumulated other comprehensive income)	(309,882)	(186,213)
Gain on foreign currency translation	(48,475)	-
Net operating loss carryforwards	176,532	217,769
Tax credit carryforwards	14,417	2,043
Other	52,945	120,024
Total deferred tax assets (liabilities)	64,104	293,056
Valuation allowance for :		
Depreciation	(8,558)	(9,006)
Net operating loss carryforwards	(176,449)	(215,399)
Equity in losses of affiliates and unrecognized deficit of subsidiaries	(111,449)	(83,458)
Gain on foreign currency translation	(48,475)	-
Loss on impairment of investment securities	(18,033)	(17,850)
Other	(13,949)	(54,964)
Net deferred tax liabilities - non-current	(₩312,809)	(₩87,621)

The expirations of the net operating loss carryforwards and tax credit carryforwards of the Company's certain subsidiaries which are expected to be utilized are as follows (in millions of Korean won):

<u>Year ending December 31,</u>	<u>Net operating loss carryforwards</u>	<u>Tax credit carryforwards</u>
2011	₩84,262	₩3
2012	175,075	-
2013 and thereafter	<u>810,983</u>	<u>356</u>
Total	<u>₩1,070,320</u>	<u>₩359</u>

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

	<u>2009</u>	<u>2010</u>
Consideration for conversion right	(₩19,445)	₩-
Gain on disposal of treasury stock	(1,533)	-
Other capital adjustment	190,245	50
Equity in capital adjustments of affiliates	(3,028)	4,788
Unrealized gain on valuation of long-term investment securities, net	(159,942)	55,435
Equity in other comprehensive income of affiliates, net	11,028	(923)
Loss (gain) on valuation of foreign currency swap	(4,244)	18,972
Loss (gain) on valuation of interest rate swap	(4,286)	(1,257)
Foreign-based operations' translation adjustment	-	708
Other capital surplus	<u>-</u>	<u>163</u>
Total	<u>₩8,795</u>	<u>₩77,936</u>

18. COMPREHENSIVE INCOME

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

	2009		2010	
	Profit and loss effect	Tax effect	Profit and loss effect	Tax effect
Net income	₩1,055,606		₩1,297,176	
Other comprehensive income (loss):				
Unrealized gain on valuation of long-term investment securities, net	590,746	(₩159,942)	(204,611)	₩55,435
Equity in other comprehensive income of affiliates, net	(20,017)	11,028	4,597	(923)
Foreign-based operations translation adjustment	(41,753)	-	(6,246)	708
Gain (loss) on valuation of currency swap, net	14,941	(4,244)	(74,628)	18,972
Gain (loss) on valuation of interest rate swap, net	15,197	(4,286)	5,213	(1,257)
Sub-total	559,114	(₩157,444)	(275,675)	₩72,935
Comprehensive income	<u>₩1,614,720</u>		<u>₩1,021,501</u>	
Attributable to :				
Controlling interests	₩1,806,296		₩1,103,938	
Non- controlling interests	<u>(191,576)</u>		<u>(82,437)</u>	
	<u>₩1,614,720</u>		<u>₩1,021,501</u>	

19. NET INCOME PER SHARE

Net income from continuing operation per share and net income per share for the years ended December 31, 2009 and 2010 are computed as follows (in millions of Korean won, except for share data):

Net income from continuing operation per share

	2009	2010
Net income from continuing operation attributable to the controlling interests	₩1,242,387	₩1,373,926
Weighted average number of common shares outstanding	<u>72,346,763</u>	<u>71,942,387</u>
Net income per share(in Korean won)	<u>₩17,173</u>	<u>₩19,098</u>

Net income from continuing operation attributable to the controlling interests for the years ended December 31, 2009 and 2010 are computed as follows (in millions of Korean won):

	<u>2009</u>	<u>2010</u>
Net income attributable to the controlling interests	₩1,247,182	₩1,379,613
The controlling interests' portion of net loss(income) from discontinued operation attributable to the controlling interests	<u>(4,795)</u>	<u>(5,687)</u>
Net income from continuing operation attributable to the controlling interests	<u>₩1,242,387</u>	<u>₩1,373,926</u>
<u>Net income per share</u>		
	<u>2009</u>	<u>2010</u>
Net income attributable to the controlling interests	₩1,247,182	₩1,379,613
Weighted average number of common shares outstanding	<u>72,346,763</u>	<u>71,942,387</u>
Net income per share	<u>₩17,239</u>	<u>₩19,177</u>

The weighted average number of common shares outstanding for 2009 and 2010 is calculated as follows:

	<u>Date</u>	<u>Number of shares</u>	<u>Weighted number of days</u>	<u>Weighted number of shares</u>
<u>For 2009 :</u>				
Number of shares at January 1, 2009		81,193,711	365/365	81,193,711
Treasury stock, at the beginning of the year		(8,707,696)	365/365	(8,707,696)
Acquisition of treasury stock	(note a)	<u>(141,016)</u>	360/365	<u>(139,252)</u>
Number of shares at December 31, 2009		<u>72,344,999</u>		<u>72,346,763</u>
<u>For 2010 :</u>				
Number of shares at January 1, 2010		80,745,711	365/365	80,745,711
Treasury stock, at the beginning of the year		(8,400,712)	365/365	(8,400,712)
Acquisition of treasury stock	(note a)	<u>(1,250,000)</u>	118/365	<u>(402,612)</u>
Number of shares at December 31, 2010		<u>71,094,999</u>		<u>71,942,387</u>

(note a) The Company acquired treasury stocks on various dates for the years ended December 31, 2009 and 2010, and the weighted number of shares is calculated at each transaction date respectively.

Diluted net income from continuing operation per share and diluted net income per share amounts for the years ended December 31, 2009 and 2010 are computed as follows (in millions of Korean won, except for share data):

Diluted net income from continuing operation per share

	<u>2009</u>	<u>2010</u>
Adjusted net income from continuing operation attributable to the controlling interests	₩1,262,871	₩1,392,677
Adjusted weighted average number of common shares outstanding	<u>74,367,734</u>	<u>74,033,383</u>
Net income per share	<u>₩16,981</u>	<u>₩18,811</u>

Diluted net income per share

	<u>2009</u>	<u>2010</u>
Adjusted net income attributable to the controlling interest	₩1,267,666	₩1,398,364
Adjusted weighted average number of common shares outstanding	<u>74,367,734</u>	<u>74,033,383</u>
Diluted net income per share	<u>₩17,046</u>	<u>₩18,888</u>

The numerator and denominator of basic and diluted income per share for the years ended December 31, 2009 and 2010 are as follows:

Diluted net income per share

	Net income (in millions of Korean won)	Average weighted number of shares	Per-share amount (in Korean won)
<u>For 2009:</u>			
Basic net income per share	₩1,247,182	72,346,763	₩17,239
Effect of convertible bonds (note a)	20,484	2,020,971	
Diluted net income per share	₩1,267,666	74,367,734	₩17,046

For 2010:

Basic net income per share	₩1,379,613	71,942,387	₩19,177
Effect of convertible bonds (note a)	18,751	2,090,996	
Diluted net income per share	₩1,398,364	74,033,383	₩18,888

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

Net incomes from discontinued operation per share for the years ended December, 31, 2009 and 2010 are ₩66 and ₩79, respectively.

20. DIVIDEND DISCLOSURE

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

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

Dividends payout ratios for the years ended December 31, 2009 and 2010 are as follows (in millions of Korean won and %):

	2009	2010
Dividends	₩680,043	₩669,543
Net income attributable to the majority interest	<u>₩1,247,182</u>	<u>₩1,379,613</u>
Dividends payout ratio	<u>54.53%</u>	<u>48.53%</u>

Dividends yield ratios for the years ended December 31, 2009 and 2010 are as follows (in Korean won and %):

	2009	2010
Dividend per share	₩9,400	₩9,400
Stock price at the year-end	<u>₩169,500</u>	<u>₩173,500</u>
Dividends yield ratio	<u>5.55%</u>	<u>5.42%</u>

21. RESTRICTED DEPOSITS

- At December 31, 2010, the Company has guarantee deposits restricted for their checking accounts totaling ₩52 million and deposits restricted for charitable trust for the benefit of the public amounting to ₩56,500 million.
- At December 31, 2010, certain short-term and long-term bank deposits totaling ₩167,675 million are secured for payment guarantee of short-term borrowings, accounts payable and others.

22. COMMITMENTS AND CONTINGENCIES

- a. As of December 31, 2010, SK Broadband Co., Ltd., a subsidiary of the Company, agreed to provide guarantees for Broadband Media Co., Ltd.'s loans. For the guarantee, SK Broadband Co., Ltd. has provided its properties as collaterals as follows: ₩52,000 million to Woori Bank, ₩65,000 million to Hana Bank, ₩52,000 million to Kookmin Bank and ₩26,000 million to the Korean Federation of Community Credit Cooperatives, respectively. It also provided its short-term financial instruments as collaterals as follows: ₩35,000 million to Hana Bank, ₩65,000 million to Korea Exchange Bank, ₩34,000 million to Nonghyup, and ₩20,000 million to Woori Bank, respectively.

SK Broadband Co., Ltd. has provided guarantees for loans of Broadband CS Co., Ltd. For the guarantee, SK Broadband Co., Ltd. has provided its properties as collateral in the amount of ₩16,900 million to Kookmin Bank as of December 31, 2010.

SK Broadband Co., Ltd.'s Board of Directors resolved to provide its time deposits up to ₩20,000 million as collateral for members of the Employee Stock Purchase Association (ESPA) in order for employees to contribute money to the ESPA, which will be used to purchase the shares of SK Broadband Co., Ltd. in the market. In accordance with such the resolution, SK Broadband Co., Ltd. has pledged its time deposits of ₩7,400 million as of December 31, 2010.

- b. Broadband Media Co., Ltd., a subsidiary of the Company, has provided to a note amounting to ₩50,000 million as collateral to Hana Bank for its short-term borrowings.
- c. As of December 31, 2010, customers of SK Broadband Co., Ltd. have filed a lawsuit in the amount of ₩24,113 million against SK Broadband Co., Ltd. for alleged violation of customers' privacy. PAXNet Co., Ltd., a subsidiary of the Company, has been filed a lawsuit in the amount of ₩2,200 million for alleged patent infringement. The ultimate outcome of these lawsuits cannot be presently determined.

23. INSURANCE

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

Asset	Risk	Book value	Coverage
Property and equipment	Fire and comprehensive liability		US\$3,850
			₩10,185,322
		<u>₩4,987,033</u>	<u>CNY1,100,000</u>

In addition, the Company carries directors and officers liability coverage insurance totaling ₩80,000 million.

24. TRANSACTIONS WITH RELATED PARTIES

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

Description	2009	2010
<u>Transactions</u>		
SK C&C Co., Ltd. :		
Purchases of property and equipment	₩237,459	₩270,865
Commissions paid and other expense	317,539	316,395
Commission income and other income	12,606	19,500
SK Corporation :		
Purchases of property and equipment	85	118
Commissions paid and other expense	26,688	33,787
Commission income and other income	863	1,486
SK Energy Co., Ltd. :		
Purchases of property and equipment	-	-
Commissions paid and other expense	1,071	951
Commission income and other income	6,673	8,248
SK Engineering & Construction Co., Ltd. :		
Purchases of property and equipment	344,739	357,786
Commissions paid and other expense	30,999	29,168
Commission income and other income	2,340	10,500
SK Telesys Co., Ltd. :		
Purchases of property and equipment	237,015	336,265
Commissions paid and other expenses	110,192	46,513
Commission income and other income	1,652	12,361
SK Networks Co., Ltd. :		
Purchases of property and equipment	1,513,804	9,252
Commissions paid, leased line and other expense	967,901	1,083,543
Sales of handsets and other income	45,349	28,494
SK Networks Service :		
Purchases of property and equipment	-	663
Commissions paid and other expenses	28,009	54,049
Commission income and other income	509	-
SKC :		
Commissions paid and other expenses	26	26
Commission income and other income	909	1,010
M&SERVICE Co., Ltd. :		
Purchases of property and equipment	1,458	921
Commissions paid and other expenses	10,316	16,372
Commission income and other income	1,322	605
SK Mobile Energy., Ltd. :		
Purchases of property and equipment	5,512	3,522
Commission income and other income	21	22
Infosec Co., Ltd. :		
Purchases of property and equipment	349	1,656
Commissions paid and other expenses	1,218	6,324
Commission income and other income	6	19

Description	2009	2010
SK Shipping Co., Ltd.:		
Purchases of property and equipment	₩23,870	₩-
Commission income and other income	2,775	3,370
SK pinx Co., Ltd. :		
Purchases of property and equipment	-	3,317
Commissions paid and other expenses	-	196
MROKorea Co., Ltd. :		
Purchases of property and equipment	3,802	7,041
Commissions paid and other expenses	3,677	5,761
Commission income and other income	19	161
Others :		
Purchases of property and equipment	12,777	-
Commissions paid and other expenses	24,758	4,011
Commission income and other income	4,318	4,235
<u>Balances</u>		
SK C&C Co., Ltd. :		
Accounts receivable – trade and other	1,070	935
Guarantee deposits	-	-
Accounts payable	260,732	203,031
Guarantee deposits received	5	3,585
SK Corporation :		
Accounts receivable – trade and other	249	480
Accounts payable	2	1,595
Guarantee deposits received	23	-
SK Energy Co., Ltd. :		
Accounts receivable – trade and other	1,323	1,204
Guarantee deposits	96	96
Accounts payable	577	-
Guarantee deposits received	-	23
SK Engineering & Construction Co., Ltd. :		
Accounts receivable – trade and other	208	2,610
Accounts payable	44,420	42,880
Guarantee deposits received	82	82
SK Telesys Co., Ltd. :		
Accounts receivable – trade and other	242	14,207
Accounts payable	55,585	63,350
SK Networks Co., Ltd. :		
Accounts receivable – trade and other	5,319	3,203
Guarantee deposits	5,730	5,513
Accounts payable	287,837	99,284
Guarantee deposits received	54,461	689
SK Networks Service Co., Ltd. :		
Accounts receivable – trade and other	-	1
Accounts payable	13,028	10,585
M&SERVICE Co., Ltd. :		
Accounts receivable – trade and other	967	1,591
Accounts payable	7,514	4,036

Description	2009	2010
Infosec Co., Ltd. :		
Accounts receivable – trade and other	₩-	₩2
Accounts payable	6	3,045
MROKorea Co., Ltd. :		
Accounts receivable – trade and other	-	6
Accounts payable	1,855	1,985
Others :		
Accounts receivable – trade and other	1,035	1,027
Guarantee deposits	1	-
Accounts payable	4,271	1,124
Guarantee deposits received	-	258

25. COMPENSATION FOR THE KEY MANAGEMENT

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

	2009	2010
Payee		
(including outside directors)	8 registered directors	8 registered directors
Payroll	₩6,422	₩2,994
Severance indemnities	276	702
Total	₩6,698	₩3,696

26. PROVISION

a. Provision for Point Program

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

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

	2009	2010
Beginning balance	₩24,889	₩18,856
Increase (provision)	11,400	7,259
Decrease (usage and reversal)	(17,433)	(9,056)
Ending balance	₩18,856	₩17,059

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

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

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

b. Provision for handset subsidy

The Company provides provision for handset subsidies to be provided to the subscribers who purchase handsets on an installment basis. Refer to Note 2.(z). Such provision was recorded as accrued expenses or other non-current liabilities in accordance with the expected points when the subsidies are paid. Details of change in the provision for handset subsidies for the years ended December 31, 2009 and 2010 are as follows (In millions of Korean won):

	<u>2009</u>	<u>2010</u>
Beginning balance	₩339,696	₩609,733
Increase (provision)	695,330	941,586
Decrease (subsidy payment)	<u>(425,293)</u>	<u>(819,277)</u>
Ending balance	<u>₩609,733</u>	<u>₩732,042</u>

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

<u>Expected Payment for the Year Ended December 31,</u>	<u>Estimated Amount to be Paid in Nominal Value</u>	<u>Current Value</u>
2011	₩663,740	₩652,564
2012	<u>82,901</u>	<u>79,478</u>
Ending balance	<u>₩746,641</u>	<u>₩732,042</u>

27. DERIVATIVE INSTRUMENTS

a. Currency swap contract under cash flow hedge accounting

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

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of December 31, 2010, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩5,798 million (net of tax effect totaling ₩1,193 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling ₩19,090 million) is accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with HSBC and SMBC Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY12,500,000,000 issued on November 13, 2007. As of December 31, 2010, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩6 million (net of tax effect totaling ₩1,525 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling ₩70,581 million) is accounted for as accumulated other comprehensive income.

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 December 31, 2010, 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 ₩8,768 million (excluding foreign exchange translation loss arising from U.S. dollar denominated bonds totaling ₩100,350 million) is accounted for as accumulated other comprehensive income. Meanwhile, in connection with the currency swap contract, loss on valuation of currency swap which was incurred before the application of hedge accounting, amounting to ₩46,856 million is charged to current operations.

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 December 31, 2010, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩2,076 million (net of tax effect totaling ₩586 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling ₩4,219 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Bank of Tokyo-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 December 31, 2010, in connection with unsettled cross currency interest rate swap contract to which

cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩466 million (net of tax effect totaling ₩131 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling ₩8,758 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into 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 dominated bonds with face amounts totaling US\$400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of December 31, 2010, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩54,179 million (excluding tax effect totaling ₩15,281 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling ₩1,930 million) is accounted for as other comprehensive income. Meanwhile, in connection with the currency swap contract, loss on valuation of currency swap which was incurred before application of hedge accounting, amounting to ₩129,806 million was charged to current operations.

b. Interest rate swap contract under cash flow hedge accounting

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

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

The Company has entered into a floating-to-fixed interest rate swap contract with DBS and Calyon Bank the interest rate risk of floating rate U.S. dollar denominated bonds with face amounts totaling US\$220,000,000 issued on April 29, 2009. In connection with unsettled interest rate swap contract to which the hedge accounting is not applied, loss on valuation of currency swap of ₩1,671 million and ₩3,372 million for the years ended December 31, 2010 and 2009, respectively, are charged to current operations.

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

Type	Hedged item	Amount	Duration of Contract	Fair value		
				Designated as Cash Flow Hedge	Not Designated	Total
<u>Non-current assets:</u>						
Floating-to-fixed cross currency swap	U.S. dollar denominated long-term borrowings	US\$100,000	Oct. 10, 2006 ~ Oct. 10, 2013	₩12,099	₩-	₩12,099
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US\$400,000	Jul. 20, 2007 ~ Jul. 20, 2027	(71,390)	129,806	58,416
Floating-to-fixed cross currency swap	Japanese yen denominated bonds	JPY12,500,000	Nov. 13, 2007 ~ Nov. 13, 2012	69,062	-	69,062
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US\$500,000	Feb. 1, 2005 ~Feb. 1, 2012	109,118	(46,856)	62,262
Total assets				<u>₩118,889</u>	<u>₩82,950</u>	<u>₩201,839</u>
<u>Current liabilities:</u>						
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US\$300,000	Mar. 23, 2004 ~ Apr. 1, 2011	₩ 7,848	₩ -	₩ 7,848
Floating-to-fixed Interest rate swap	Long-term borrowings	₩500,000	Jul. 28, 2008 ~ Aug. 12, 2011	7,545	-	7,545
<u>Non-current liabilities</u>						
Floating-to-fixed cross currency interest swap	Japanese yen denominated bonds	JPY 3,000,000	Jan. 22, 2009 ~ Jan. 22, 2012	1,557	-	1,557
Floating-to-fixed cross currency interest swap	Japanese yen denominated bonds	JPY 5,000,000	Mar. 05, 2009 ~ Mar. 5, 2012	8,161	-	8,161
Floating-to-fixed Interest rate swap	U.S. dollar denominated bonds	US\$220,000	Apr. 29, 2009 ~ Apr.29, 2012	-	5,043	5,043
Total liabilities				<u>₩25,111</u>	<u>₩5,043</u>	<u>₩30,154</u>

29. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

	2009	2010
Write-offs of accounts receivable-trade	₩115,720	₩64,969
Acquisition of property and equipment asset through finance lease contract	10,709	26,690
Transfer from inventory to property and equipment	97,767	67,694
Acquisition of machinery by accounts payable	32,150	-
Transfer from construction in progress to machinery and other property and equipment	1,622,669	1,546,369

30. SUBSEQUENT EVENT

On February 11, 2011, the Company disposed its common stock investment in SK C&C Co, Ltd, an available for sale investment and the Company's ultimate parent company, of 2,050,000 shares (ownership 4.1%) for ₩200,695 million or ₩97,900 per common share.

31. SEGMENT INFORMATION

Through 2007, the Company had one reportable operating segment, cellular telephone communication service. In 2008, the Company acquired SK Broadband Co., Ltd., a fixed-line telephone service provider and included it in its consolidation. As a result, the Company has two operating segments, cellular telephone communication services and fixed-line telecommunication service from 2008. 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. Internet portal services and game manufacturing, etc. are included in other segment.

Details of each segment for the years ended December 31, 2009 and 2010 are as follows (in millions of Korean won):

For the year ended December 31, 2009						
	Cellular telephone telecommuni- -cation service	Fixed-line Telecomm -unication service	Other	Sub-total	Consolidating adjustments	Consolidated amount
Total sales	₩12,485,712	₩2,262,451	₩600,503	₩15,348,666	(₩836,319)	₩14,512,347
Internal sales	394,114	170,299	271,906	836,319	(836,319)	-
Net sales	12,091,598	2,092,152	328,597	14,512,347	-	14,512,347
Operating income	2,840,440	(69,274)	(889,931)	1,881,235	-	1,881,235
Property and equipment and intangible assets	7,870,203	3,378,390	909,611	12,158,204	-	12,158,204
Depreciation	2,031,472	591,606	106,930	2,730,008	-	2,730,008

For the year ended December 31, 2010						
	Cellular telephone telecommuni- -cation service	Fixed-line Telecomm -unication service	Other	Sub-total	Consolidating adjustments	Consolidated amount
Total sales	₩13,431,734	₩2,585,812	₩680,832	₩16,698,378	(₩1,263,005)	₩15,435,373
Internal sales	592,987	421,554	248,464	1,263,005	(1,263,005)	-
Net sales	12,838,747	2,164,258	432,368	15,435,373	-	15,435,373
Operating income	2,275,907	(178,487)	(155,117)	1,942,303	-	1,942,303
Property and equipment and intangible assets	7,564,433	3,321,625	719,179	11,605,237	-	11,605,237
Depreciation	2,189,653	585,038	94,077	2,868,768	-	2,868,768

32. K-IFRS ADOPTION PLAN AND STATUS

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

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

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

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