

SK TELECOM CO LTD  
Form 6-K  
October 09, 2012  
[Table of Contents](#)

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

Washington, D.C. 20549

**Form 6-K**

**REPORT OF FOREIGN PRIVATE ISSUER**  
**PURSUANT TO RULE 13a-16 OR 15d-16 UNDER**  
**THE SECURITIES EXCHANGE ACT OF 1934**

**FOR THE MONTH OF OCTOBER 2012**

**COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**

(Translation of registrant's name into English)

Edgar Filing: SK TELECOM CO LTD - Form 6-K

11, Euljiro2-ga, Jung-gu

Seoul 100-999, Korea

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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

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

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes  No

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

**Table of Contents**

SEMI-ANNUAL BUSINESS REPORT

(From January 1, 2012 to June 30, 2012)

THIS IS A SUMMARY OF THE SEMI-ANNUAL BUSINESS REPORT ORIGINALLY PREPARED IN KOREAN AND IS IN SUCH FORM AS REQUIRED BY THE KOREAN FINANCIAL SERVICES COMMISSION.

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS.

UNLESS EXPRESSLY STATED OTHERWISE, ALL INFORMATION CONTAINED HEREIN IS PRESENTED ON A CONSOLIDATED BASIS IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED FOR USE IN KOREA, OR K-IFRS, WHICH DIFFER IN CERTAIN RESPECTS FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED STATES. WE HAVE MADE NO ATTEMPT TO IDENTIFY OR QUANTIFY THE IMPACT OF THESE DIFFERENCES.

**Table of Contents****I. COMPANY OVERVIEW****1. Company Overview**

Starting in the first quarter of 2011, SK Telecom Co., Ltd. (the Company) prepares and reports its financial statements under the International Financial Reporting Standards as adopted for use in Korea (K-IFRS). The transition date of the Company and its consolidated subsidiaries to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company's semi-annual business report for the six months ended June 30, 2012 includes the following consolidated subsidiaries:

| Name                                    | Date of Establishment | Principal Business                                      | Total Asset as of Dec. 31, 2011 (millions of Won) | Material Subsidiary* |
|---|-----------------------|---|---|----------------------|
| SK Telink Co., Ltd.                     | Apr. 9, 1998          | Telecommunication and satellite broadcasting services   | 420,829   | Material             |
| SK Communications Co., Ltd.             | Sep. 19, 1996         | Internet portal and other Internet information services | 319,948   | Material             |
| PAXNet Co., Ltd.                        | May 18, 1999          | Database and online information services                | 33,949  |                      |
| Loen Entertainment, Inc.                | Jul. 7, 1982          | Music and audio publication                             | 157,104   | Material             |
| Stonebridge Cinema Fund                 | Sep. 30, 2005         | Investment partnership                                  | 18,506  |                      |
| Commerce Planet Co., Ltd.               | Jul. 1, 1997          | Information technology and computer services            | 49,729  |                      |
| SK Broadband Co., Ltd.                  | Sep. 26, 1997         | Multimedia and IP TV services                           | 3,318,699   | Material             |
| Broadband D&M Co., Ltd.                 | Feb. 5, 1998          | Management of telecommunication facilities              | 11,872  |                      |
| Broadband Media Co., Ltd.               | Aug. 25, 2005         | Telemarketing services                                  | 89,915  | Material             |
| Broadband CS Co., Ltd.                  | Oct. 1, 1998          | Call center operation                                   | 6,948   |                      |
| K-net Culture and Contents Venture Fund | Nov. 24, 2008         | Investment partnership                                  | 48,057  |                      |
| Hwaitec Focust Investment Partnership 2 | Dec. 12, 2008         | Investment partnership                                  | 21,663  |                      |
| Open Innovation Fund                    | Dec. 22, 2008         | Investment partnership                                  | 44,716  |                      |
| PS&Marketing Corporation                | Apr. 3, 2009          | Resale of telecommunication services                    | 289,062   | Material             |
| Service Ace Co., Ltd.                   | Jul. 1, 2010          | Call center operation and telemarketing services        | 43,447  |                      |
| Service Top Co., Ltd.                   | Jul 1, 2010           | Call center operation and telemarketing services        | 37,165  |                      |
| Network O&S Co., Ltd.                   | Jul. 1, 2010          | Wireless telecommunication services                     | 80,249  | Material             |
| Service In Co., Ltd.                    | Apr. 4, 2011          | Internet services                                       | 3,247   |                      |
| BNCP Co., Ltd.                          | Dec. 7, 2009          | Software development                                    | 28,631  |                      |

**Table of Contents**

| <b>Name</b>                         | <b>Date of Establishment</b> | <b>Principal Business</b>            | <b>Total Asset as of Dec. 31, 2011 (millions of Won)</b> | <b>Material Subsidiary*</b> |
|-------------------------------------|------------------------------|--------------------------------------|--|-----------------------------|
| SK Planet Co., Ltd.                 | Oct. 5, 2011                 | Platform service                     | 1,677,730  | Material                    |
| SK Telecom China Holdings Co., Ltd. | Jul. 12, 2007                | Investment                           | 36,810   |                             |
| Sky Property Mgmt., Ltd.            | Jun. 20, 2007                | Real estate rental                   | 820,639  | Material                    |
| Shenzhen E-eye High Tech Co., Ltd.  | Apr. 1, 2000                 | Telematics services                  | 23,569   |                             |
| SK China Real Estate Co., Limited   | Mar. 19, 2009                | Real estate investment               | 295  |                             |
| SKT Vietnam PTE., Ltd.              | Apr. 5, 2000                 | Wireless telecommunication services  | 42,539   |                             |
| SKT Americas, Inc.                  | Dec. 29, 1995                | Management consulting and investment | 42,681   |                             |
| YTK Investment Ltd.                 | Jul. 1, 2010                 | Investment                           | 51,218   | Material                    |
| Atlas Investment                    | Jun. 24, 2011                | Investment                           | 50,643   | Material                    |
| Technology Innovation Partners, LP  | Jun. 24, 2011                | Investment                           | 0  |                             |
| SK Telecom China Fund I L.P.        | Sep. 14, 2011                | Investment                           | 687  |                             |

\* Material Subsidiary means a subsidiary with total assets of Won 50 billion or more as of the end of the latest fiscal year.

\*\* Formerly known as 2nd Benex Focus Investment Fund.

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Major Businesses

(1) Wireless Business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld device, affordable pricing, network coverage and an extensive contents library. Since the introduction of services employing LTE technology in July 2011, the telecommunications market for such services has grown as demand for fast data transfer speeds and differentiated services increased. Having reached over four million LTE subscribers as of July 30, 2012, the Company is solidifying its leadership position in LTE services based on its technology and network operating expertise. The Company is also improving the profitability of its wireless business through efficient capital expenditures and marketing and enhancement of marketing network and products. In the business-to-business area, the Company plans to develop and commercialize industry-specific solutions focused on healthcare and education through strategic alliances.

## **Table of Contents**

In addition, in order to strengthen our sales channels, the Company has been offering a variety of fixed-line and wireless telecommunication convergence products to its customers through PS&Marketing Corporation, one of its subsidiaries. Furthermore, Network O&S Co., Ltd., the Company's subsidiary responsible for the operation of the Company's 2G to 4G networks (including its CDMA, WCDMA and LTE networks), provides customers with quality network services and provides the Company with technological know-how in network operations.

### (2) Fixed-line Business

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

### (3) Other Businesses

The Company is pursuing customer satisfaction by providing the best service and generating new values in diverse areas in contents delivery, location based service, media, mobile commerce and advertisement. In contents delivery service, the Company provides high-quality digital contents in its leading mobile contents marketplace, T store, which had more than 15 million subscribers and plans to expand globally.

In the location based service business, users of the Company's T map service surpassed 13.7 million as of June 2012. T map provides real time traffic information and various local information. In the media business, the Company provides hoppin service that enables subscribers to access various multimedia contents through personal computers, mobile and other digital devices. In the commerce and advertising area, the Company's 11 Street provides platform service that connects various sellers and purchasers on-line, which continues to increase its market share. In addition, the Company pursues new business opportunities in comprehensive advertising service comprising on-line and wireless, such as its T ad service.

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

**Table of Contents**

The Company is also one of the leaders in the music services industry with the continued growth of Melon, its online music service, and its investments in music distribution and production.

In order to find future growth engines and strengthen the Company's competitiveness, the Company has made strategic investments in YTK Investment Ltd., an investment fund company, and SKY Property Management Ltd., which owns SK Tower in Beijing, China.

See II. Business Overview for more information.

## E. Credit Ratings

## (1) Corporate Bonds

| Credit rating date | Subject of rating | Credit rating | Credit rating entity             | Rating classification |
|--------------------|-------------------|---------------|----------------------------------|-----------------------|
|                    |                   |               | (Credit rating range)            |                       |
| 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        |
| May 27, 2011       | Corporate bond    | AAA           | Korea Ratings                    | Regular rating        |
| June 13, 2011      | Corporate bond    | AAA           | NICE Investors Service Co, Ltd.  | Regular rating        |

**Table of Contents**

| Credit rating date | Subject of rating | Credit rating | Credit rating entity            |                       |
|--------------------|-------------------|---------------|---------------------------------|-----------------------|
|                    |                   |               | (Credit rating range)           | Rating classification |
| June 23, 2011      | Corporate bond    | AAA           | Korea Investors Service, Inc.   | Regular rating        |
| December 12, 2011  | Corporate bond    | AAA           | Korea Investors Service, Inc.   | Current rating        |
| December 13, 2011  | Corporate bond    | AAA           | NICE Investors Service Co, Ltd. | Current rating        |
| December 16, 2011  | Corporate bond    | AAA           | Korea Ratings                   | Current rating        |
| June 21, 2012      | Corporate bond    | AAA           | Korea Ratings                   | Current rating        |
| June 22, 2012      | Corporate bond    | AAA           | Korea Investors Service, Inc.   | Current rating        |
| June 29, 2012      | Corporate bond    | AAA           | NICE Investors Service Co, Ltd. | Current 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        |
| 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        |



**Table of Contents**

| Credit rating date | Subject of rating | Credit rating | Credit rating entity            |                       |
|--------------------|-------------------|---------------|---------------------------------|-----------------------|
|                    |                   |               | (Credit rating range)           | Rating classification |
| December 29, 2010  | CP                | A1            | NICE Investors Service Co, Ltd. | Regular rating        |
| May 27, 2011       | CP                | A1            | Korea Ratings                   | Current rating        |
| June 13, 2011      | CP                | A1            | NICE Investors Service Co, Ltd. | Current rating        |
| June 23, 2011      | CP                | A1            | Korea Investors Service, Inc.   | Current rating        |
| December 12, 2011  | CP                | A1            | Korea Investors Service, Inc.   | Regular rating        |
| December 13, 2011  | CP                | A1            | NICE Investors Service Co, Ltd. | Regular rating        |
| December 16, 2011  | CP                | A1            | Korea Ratings                   | Regular rating        |
| June 21, 2012      | CP                | A1            | Korea Ratings                   | Current rating        |
| June 22, 2012      | CP                | A1            | Korea Investors Service, Inc.   | Current rating        |
| June 29, 2012      | CP                | A1            | NICE Investors Service Co, Ltd. | Current rating        |

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

(3) International Credit Ratings

| Date of credit rating | Subject of rating                | Credit rating of securities | Credit rating company | Rating type    |
|-----------------------|----------------------------------|-----------------------------|-----------------------|----------------|
| June 6, 2012          | Bonds denominated in Swiss Franc | A-                          | Fitch                 | Current rating |
| June 4, 2012          | Bonds denominated in Swiss Franc | A3                          | Moody's               | Current rating |
| June 7, 2012          | Bonds denominated in Swiss Franc | A-                          | S&P                   | Current rating |

**2. Company History**

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

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

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

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

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

February 2012: Purchased shares of SK Hynix Inc. (formerly, Hynix Semiconductor Inc.)

**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)

**Table of Contents**

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 Extraordinary General Meeting of Shareholders held on August 31, 2011, Jun Ho Kim was elected as an inside director and Jin Woo So resigned from the Board to transfer to an affiliate of the Company. At the 28th General Shareholders Meeting held on March 23, 2012, (1) Young Tae Kim and Dong Seob Jee were elected as inside directors, (2) Hyun Chin Lim was re-elected as an independent director, and (3) Hyun Chin Lim was re-elected as a member of the audit committee.

**C. Change in Company Name**

On September 22, 2008, SK Broadband, one of our material consolidated subsidiaries, changed its name to SK Broadband Co., Ltd. from Hanaro Telecom Co., Ltd. to facilitate the sharing of SK Group's corporate culture and brand. Similarly, on September 22, 2008, Broadband Media Co., Ltd., another of our material consolidated subsidiaries, changed its name to Broadband Media Co., Ltd. from Hanaro Media Co., Ltd. On March 23, 2012, SK Hynix Inc., which became our subsidiary in February 2012, changed its name to SK Hynix Inc. from Hynix Semiconductor Inc. in accordance with a resolution at its annual shareholders meeting.

**D. Mergers, Acquisitions and Restructuring**

[SK Telecom Co., Ltd.]

**(1) Spin-off**

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

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

**Table of Contents**

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

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

Schedule of spin-off

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

Changes in shareholding, including majority shareholder

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

Appraisal rights of shareholders

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

Protection of creditors

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

Allocation of new shares

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

**Table of Contents**

(2) Acquisition of Shares of Hynix Semiconductor

In accordance with the resolution of the Company's board of directors on November 14, 2011, the Company purchased 146,100,000 shares of Hynix Semiconductor Inc. (aggregate purchase price of Won 3,374,726 million) on February 14, 2012 in order to acquire the control of Hynix Semiconductor. The Company has a 21.05% equity interest in Hynix Semiconductor after the purchase.

[SK Telink Co., Ltd.]

(1) Merger

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

[SK Communications Co., Ltd.]

(1) Merger

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

(2) Spin off

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

(3) Disposition and acquisition of businesses

1. Disposition of publishing business division

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

2. Acquisition of the KUKU division

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

3. Disposition of the Spicus division

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

**Table of Contents**

(4) Disposition of shares

1. Disposition of shares of Etoos

SK Communications sold all of its shares in Etoos to Cheong Sol pursuant to a resolution of its board of directors of October 19, 2009 and, as consideration, received Won 50,000 million principal amount of convertible bonds. Pursuant to a resolution of its board of directors of July 23, 2010, SK Communications converted Won 25 billion principal amount, out of a total of Won 50 billion principal amount, of convertible bonds of Etoos into 701,000 shares of Etoos (15.58%). Pursuant to a resolution of its board of directors of January 13, 2012, SK Communications sold Won 20 billion principal amount, out of the remaining Won 25 billion principal amount, of convertible bonds of Etoos Education Co., Ltd. to Shinhan Private Equity Fund No. 2 at a price of Won 19 billion.

2. Disposition of shares of SK i-Media

Pursuant to a resolution of its board of directors of October 17, 2011, SK Communications sold all shares of SK i-Media Co., Ltd. held by it to LK Media Tech Co., Ltd. at a price of Won 1 million.

3. Disposition of shares of U-Land, an overseas entity

Pursuant to a resolution of its board of directors of December 21, 2011, SK Communications sold all of its 29.85% interest in U-Land, an overseas entity, to SK Planet Co., Ltd. at a price of Won 10 million.

E. Other Important Matters related to Management Activities

[SK Telecom Co., Ltd.]

(1) Bank loans

On February 14, 2012, the Company borrowed Won 2.5 trillion in a syndicated loan from a syndicate of Korean banks including Kookmin Bank and Woori Bank in order to finance the purchase of Hynix shares. Won 2 trillion of the loan matures in three years and Won 0.5 trillion of the loan matures in one year.

[SK Broadband Co., Ltd.]

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

[SK Communications Co., Ltd.]

(1) Leak of personal information

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

**Table of Contents**

[SK Telink Co., Ltd.]

On July 2, 2012, Telink, one of the Company's consolidated subsidiaries, submitted a proposal to suspend its broadcasting division to the Korea Communications Commission. On July 5, 2012, the Korea Communications Commission accepted Telink's proposal.

**3. Total Number of Shares**

## A. Total number of shares

(As of June 30, 2012)

(Unit: shares)

| Classification                                     | Share type    |             | Remarks |
|--|---------------|-------------|---------|
|  | Common shares | Total       |         |
| <b>I. Total number of authorized shares</b>        | 220,000,000   | 220,000,000 |         |
| <b>II. Total number of shares issued to date</b>   | 89,278,946    | 89,278,946  |         |
| <b>III. Total number of shares retired to date</b> | 8,533,235     | 8,533,235   |         |
| a. reduction of capital                            |               |             |         |
| b. retirement with profit                          | 8,533,235     | 8,533,235   |         |
| c. redemption of redeemable shares                 |               |             |         |
| d. others  |               |             |         |
| <b>IV. Total number of shares (II-III)</b>         | 80,745,711    | 80,745,711  |         |
| <b>V. Number of treasury shares</b>                | 11,050,712    | 11,050,712  |         |
| <b>VI. Number of shares outstanding (IV-V)</b>     | 69,694,999    | 69,694,999  |         |

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

**Table of Contents**

## B. Treasury Stock

## (1) Acquisitions and Dispositions of Treasury Stocks

(As of June 30, 2012)

(Unit: shares)

| Acquisition methods  | Type of shares                             | At the            | Changes  |          |         | At the end        |
|--|--|-------------------|----------|----------|---------|-------------------|
|  |  | beginning         | Acquired | Disposed | Retired | of                |
|  |  | of period         | (+)      | (-)      | (-)     | period            |
| Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea ( FSCMA ) | Direct acquisition                         | 7,086,028         |          |          |         | 7,086,028         |
|  | Direct acquisition from market             |                   |          |          |         |                   |
|  | Tender offer                               |                   |          |          |         |                   |
|  | Appraisal rights of dissenting shareholder |                   |          |          |         |                   |
|  | Sub-total                                  | 7,086,028         |          |          |         | 7,086,028         |
|  | Held by trustee                            |                   |          |          |         |                   |
|  | Held in actual                             | 3,886,710         |          |          |         | 3,886,710         |
|  | stock                                      |                   |          |          |         |                   |
|  | Sub-total                                  | 3,886,710         |          |          |         | 3,886,710         |
|  | Other acquisition                          |                   | 77,974   |          |         |                   |
| <b>Total</b>   |  | <b>11,050,712</b> |          |          |         | <b>11,050,712</b> |

\* Among 11,050,712 shares directly acquired by the Company, 2,308,406 shares were deposited with the Korea Securities Depository as of June 30, 2012 for issuance upon conversion of the overseas convertible bonds.

**4. Status of Voting Rights**

(As of June 30, 2012)

(Unit: shares)

| Classification  | Number of shares | Remarks         |
|---|------------------|-----------------|
| <b>Total shares (A)</b>   | 80,745,711       |                 |
| <b>Number of shares without voting rights (B)</b>   | 11,050,712       | Treasury shares |
| <b>Shares without voting rights pursuant to the Company s articles of incorporation (C)</b> |                  |                 |
| <b>Shares with restricted voting rights pursuant to Korean law (D)</b>                      |                  |                 |
| <b>Shares with reestablished voting rights (E)</b>  |                  |                 |
| <b>The number of shares with exercisable voting right s (F = A - B - C - D + E)</b>         | 69,694,999       |                 |



**Table of Contents**

**5. Dividends and Others**

A. Dividends

- (1) 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.

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

- (3) 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.

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

- (5) Distribution of cash dividends was approved during the 28th General Meeting of Shareholders held on March 23, 2012.

Distribution of cash dividends per share of Won 8,400 (exclusive of an interim dividend of Won 1,000) was approved.

- (6) Distribution of interim dividends of Won 1,000 was approved during the 344th Board of Directors Meeting on July 25, 2012.

**Table of Contents**

## B. Dividends for the Last 3 Fiscal Years

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

| Classification                                      | As of and for the<br>six months<br>ended<br>June 30,<br>2012 | As of and for the<br>year ended<br>December 31,<br>2011 | As of and for the<br>year ended<br>December 31,<br>2010 |
|---|--|---|---|
| Par value per share (Won)                           | 500  | 500   | 500   |
| Net income  | 576,338  | 1,694,363   | 1,947,008   |
| Net income per share (Won)                          | 8,269  | 24,002  | 27,063  |
| Total cash dividend                                 | 69,695   | 656,533   | 669,534   |
| Total stock dividends                               |  |   |   |
| Percentage of cash dividend to available income (%) | 12.1   | 38.7  | 34.4  |
| Cash dividend yield ratio (%)                       | Common share<br>Preferred share                              | 0.8<br>6.6  | 5.4   |
| Stock dividend yield ratio (%)                      | Common share<br>Preferred share                              |   |   |
| Cash dividend per share (Won)                       | Common share<br>Preferred share                              | 1,000<br>9,400  | 9,400   |
| Stock dividend per share (share)                    | Common share<br>Preferred share                              |   |   |

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

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

\* Total cash dividend of Won 656,533 million for the year ended December 31, 2011 includes the total interim dividend amount of Won 71,095 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount of Won 1,000.

\* Total amount of interim dividend for the six months ended June 30, 2012 was Won 69,695 million, and the interim cash dividend amount per share was Won 1,000.

**Table of Contents****II. BUSINESS**

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

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

As of June 30, 2012, the number of domestic mobile phone subscribers reached 53.96 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 smartphone markets, as well as the increasing popularity of high-tech mobile devices based on wireless data services such as tablet PC.

The Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology and the development of highly advanced handsets including various smartphones which enable the provision of convergence services for multimedia contents, mobile commerce, telematics, satellite Digital Multimedia Broadcasting ( DMB ), digital home services, connected workforce services and other related services. In addition, through HSPA+ network commercialized in October 2010 and the LTE network introduced in July 2011, the B2B business directly resulting in the enhancement of productivity, such as the corporate connected workforce business, is expected to grow rapidly.

**B. Growth Potential**

(Unit: 1,000 persons)

| Classification |                          | As of June 30, |        | As of December 31, |        |        |
|----------------|--------------------------|----------------|--------|--------------------|--------|--------|
|                |                          | 2012           | 2011   | 2010               | 2009   | 2008   |
|                | <b>SK Telecom</b>        | 26,659         | 26,553 | 25,705             | 24,270 | 23,032 |
|                | <b>Others (KT, LGU+)</b> | 26,340         | 25,954 | 25,062             | 23,675 | 22,575 |
|                | <b>Total</b>             | 52,999         | 52,507 | 50,767             | 47,944 | 45,607 |

(Source: Korea Communications Commission website)

**Table of Contents**

## 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. Sales revenue related to data services is expected to increase due to the increasing popularity of smartphones 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:

(Unit: %)

| Classification                       | As of June | As of December 31, |      |      |
|--------------------------------------|------------|--------------------|------|------|
|                                      | 30, 2012   | 2011               | 2010 | 2009 |
| <b>Mobile communication services</b> | 50.3       | 50.6               | 50.6 | 50.6 |

Comparative market share:

(As of June 30, 2012)

(Unit: %)

| Classification      | SK Telecom | KT   | LGU+ |
|---------------------|------------|------|------|
| <b>Market share</b> | 50.3       | 31.1 | 18.6 |

(Source: Korea Communications Commission website)

## D. Business Overview and Competitive Strengths

The Company is seeking to transform itself from a telecommunication service provider into a comprehensive information and communication technology ( ICT ) service provider. It has continued to expand the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. As of June 30, 2012, the Company recorded Won 8 trillion in revenue and Won 850 billion in operating income on a consolidated basis and Won 6.09 trillion in revenue, Won 800 billion in operating income and Won 580 billion in net profit on a non-consolidated basis.

The number of subscribers as of June 30, 2012 was 26.66 million, an increase of 103 thousand from the previous quarter. In particular, the number of smartphone subscribers as of June, 30 of 2012 was 14 million, an increase of 1.24 million from the previous quarter, including 3.34 million LTE subscribers, solidifying the Company's market leadership. The Company upgraded the quality of smartphone services by providing commercial LTE services, which enable streaming service of high-quality videos, high-definition video conference calls and wireless on-line gaming services. The Company also plans to enhance customer satisfaction by improving network quality.

**Table of Contents**

SK Telink, a subsidiary of the Company, plans to expand its operations to the mobile virtual network operator ( MVNO ) business based on its technical expertise and know-how obtained in its international telecommunications business. SK Telink launched its pre-paid MVNO service in June 2012 and plans to launch its post-pay service in January 2013. An MVNO leases the networks of a mobile network operator ( MNO ) and provides wireless telecommunication services under its own brand and fee structure, without owning telecommunication networks or frequencies.

Network O&S, a subsidiary of the Company responsible for the operation of the Company's base stations and related transmission and power facilities, offers quality fixed-line and wireless products to customers, including mobile office products to business customers.

PS&Marketing Corporation, a subsidiary of the Company involved in wholesale, retail and online sales, offers fixed-line and wireless telecommunication products and services to meet the lifestyle needs of customers.

**[Fixed Line Business]**

A. Industry Characteristics

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

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

**Table of Contents**

## B. Growth Potential

(Unit: 1,000 persons)

| Classification     |                            | As of June 30, 2012 | As of December 31, |        |
|--------------------|----------------------------|---------------------|--------------------|--------|
|                    |                            |                     | 2011               | 2010   |
| <b>Fixed Line</b>  | <b>High Speed Internet</b> | 18,011              | 17,860             | 17,224 |
|                    | <b>Fixed Line</b>          | 18,467              | 18,633             | 19,273 |
| <b>Subscribers</b> | <b>IPTV (real-time)</b>    | 5,404               | 3,591              | 2,740  |

(Source: Korea Communications Commission website)

## C. Cyclical Nature and Seasonality

High-speed Internet, fixed-line telephone and IPTV services are generally not sensitive to cyclical economic changes. Demand for these services also does not show seasonal fluctuations.

We expect that the accelerated transition to digital TV services as a result of the termination of terrestrial analog TV broadcast, as well as the entrance of Google Inc. and Apple Inc. into the television market and the introduction of Smart TV products, would present opportunities by expanding the market size and increasing consumers' interests. We are strengthening our competitiveness by improving the performance of our set boxes and expanding the number of popular channels, as well as introducing mobile IPTV services using N Screen.

Historical market share of the Company:

(Unit: %)

| Classification                              | As of         | As of December 31, |      |
|---|---------------|--------------------|------|
|   | June 30, 2012 | 2011               | 2010 |
| <b>High Speed Internet (include Resale)</b> | 23.9          | 23.5               | 23.2 |
| <b>Fixed Line (include VOIP)</b>            | 15.2          | 14.6               | 13.7 |
| <b>IPTV (real-time)</b>                     | 20.7          | 19.3               | 23.8 |

(Source: Korea Communications Commission website)

## D. Business Overview and Competitive Strengths

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

**Table of Contents**

SK Telink, a material consolidated subsidiary of ours, provides international telecommunications service. SK Telink has been able to establish itself as a market leader as a result of its affordable pricing, proactive marketing and the quality of its services. It launched a mobile phone-based international calling service under the brand name 00700 in 1998, creating a new niche market within the long-distance telephony market that was otherwise dominated by existing service providers. In 2003, SK Telink was designated a common carrier for international calling services, which allowed us to expand our international calling services to fixed-line international calling services. In addition, in 2011, we were again ranked first in the three major independent customer satisfaction surveys, including the Korea Nation Customer Satisfaction Index, after having been ranked first in 2010. The revenue from our international calling services in 2011 was Won 416.5 billion. SK Telink plans to strengthen its existing business, including international and long-distance calling services, while satisfying customers' diverse needs for new services such as the VOIP and value-added services.

**[Other Business]**

A. Industry Characteristics

As the number of smartphone subscribers in Korea exceeds 23 million, 92% of total economically active population uses smartphones. The growth in smartphones and other mobile devices has made a service provider with strong platform business the leader in ICT market. Platform business acts as an intermediary among various customer groups and thereby generating new values, attracting subscribers and users and creating an ecosystem with certain lock-in effects. A platform can exist in various forms, including technological standard (iOS, Android OS), subscriber-based service platforms (Facebook, Twitter) or a marketplace (Amazon, T store). Platform business is evolving and expanding globally.

Platform business has strong growth potential due to its connectivity with related services and ease of global expansion. Apple has become the world's leading smartphone producer based on its innovative design and the competitive strength of its AppStore platform. Google has created a new ecosystem of long-tail advertisement by attracting millions of third parties to its advertising platform, as well as showing strong growth in mobile markets with its competitive platform based on Android OS. Facebook has grown significantly into a platform business by introducing platforms such as Facebook Connect, Social Graph and Like.

**Table of Contents**

## B. Growth Potential

The Company expects that the scope and value generated by the platform business, including application and content marketplaces and N-screen services, will increase, as smartphones and tablet PCs become more popular and the bandwidth and speed of network infrastructure improve.

## &lt;Global Smartphone and Tablet Sales Forecast&gt;

(in million units)

| Classification | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------|------|------|------|------|------|------|------|------|
| Smartphone     | 252  | 285  | 269  | 366  | 455  | 555  | 670  | 774  |
| Tablet         |      |      | 18   | 70   | 108  | 160  | 223  | 294  |

(Source: Gartner, April 2011)

## &lt;Korea Smartphone and Tablet Subscriber Forecast&gt;

(in ten thousand subscribers)

| Classification | 2010 | 2011  | 2012  | 2013  | 2014  | 2015  |
|----------------|------|-------|-------|-------|-------|-------|
| Smartphone     | 733  | 1,883 | 2,706 | 3,324 | 3,820 | 4,213 |
| Tablet         | 18   | 180   | 383   | 563   | 744   | 982   |

(Source: Korea Communications Commission, December 2010)

As the wireless network evolves to LTE, business opportunities for the platform business are growing, which include multimedia streaming, N-screen service based on cloud technology and high-definition location based services. Since the platform business realizes profit by connecting with advertisement or commerce after building a critical mass of subscriber and traffic base, recent growth in advertisement and commerce markets is expected to present an opportunity for platform businesses.

In addition, as more people opt to watch online videos instead of satellite television, the number of subscribers to the Company's satellite DMB services, which began broadcasting in May 2005, has drastically decreased. As of June 30, 2012, there were only 40 thousand subscribers to the Company's satellite DMB services.

## C. Domestic and Overseas Market Conditions

## (1) Competition

## Application Marketplace

The growth of application marketplaces, which started with Apple's App Store, provides the platform businesses with new opportunities for revenue generation. The competitive paradigm is shifting from a competition among platform operators toward a competition among ecosystems that include application developers as well as platform operators.



**Table of Contents**

## Commerce Markets

The Company expects that on-line commerce market will continue to grow due to growth potential of Internet shopping population and strengthening of on-line business models by off-line operators.

## &lt;Size of Korea Commerce Market&gt;

(unit: Won trillion)

| Classification                     | 2010  | 2011(F) | 2012(F) | 2014(F) |
|------------------------------------|-------|---------|---------|---------|
| Total Commerce Markets             | 197.0 | 223.0   | 238.0   | 252.0   |
| Online Commerce                    | 24.8  | 29.6    | 34.1    | 45.2    |
| Department Stores and Supermarkets | 57.2  | 60.1    | 63.7    | 75.1    |
| TV home shopping                   | 5.2   | 5.9     | 6.3     | 7.2     |
| Convenience Stores                 | 7.0   | 7.8     | 8.8     | 11.2    |
| Small Stores                       | 101.0 | 103.3   | 119.2   | 113.3   |

(Source: National Statistical Office, 2010)

Korean advertisement market is expected to grow from Won 7.4 trillion in 2010 to Won 10.0 trillion in 2015. In particular, mobile advertisement is expected to grow rapidly to Won 0.8 trillion in 2015, primarily due to the popularity of smartphones and convergence with location based advertisement.

## &lt;Korea Advertising Market by Media&gt;

(unit: Won trillion)

| Classification                      | 2001 | 2005 | 2010 | 2015(F) |
|-------------------------------------|------|------|------|---------|
| Total Advertisement Market          | 5.5  | 6.3  | 7.4  | 10.0    |
| TV, Radio, Newspaper, Magazine      | 4.4  | 4.5  | 4.3  | 4.9     |
| Internet                            | 0.1  | 0.6  | 1.5  | 2.3     |
| Mobile                              |      |      | 0.3  | 0.8     |
| Others (including cable television) | 0.9  | 1.2  | 1.6  | 2.0     |

(Source: Frost &amp; Sullivan, 2010, Korea Communications Commission, 2010)

## Table of Contents

### Media Contents Market

Due to an increase in the number of devices owned by each user and an increase in network speed, each user can now enjoy music or video files anywhere and anytime by storing them in cloud servers, which is called N screen service. Users can recommend music to other users through social networking services and this is expected to become a distribution model for digital media contents. Various service providers are competing in this market expecting a strong growth in on-line and mobile video market.

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

### (2) Market Share

CyWorld service, our social networking website in Korea, had 26 million cumulative subscribers, 10 million net users and a page view of 2.3 billion as of June 2012. Our Nate-On service had the largest market share of 72.4% in the instant messenger market in Korea with 10 million net users as of June 2012. Our Nate search portal service had a market share of 2.2% as of June 2012. (Source: Korean Click, company data).

### D. Business Overview and Competitive Strengths

Based on the digital content marketplace (T store), commerce marketplace (11 Street) and location-based service (T map), the Company plans to expand its platform ecosystem focusing on Open & Collaboration motto. It seeks to increase its enterprise value by expanding into media platform and advertisement platform.

#### Digital Content Marketplace

T store, launched in September 2009, reached 15.23 million subscribers and cumulative downloads of 880 million as of June 2012, solidifying its leadership position in the Korean application market and plans to widen its services to tablets and navigation devices.

#### Commerce (Open Market)

11 Street, a marketplace, has continued its growth through effective marketing and customer satisfaction. Despite its later entry into the online commerce market (launched in 2008) which was already divided between Auction and G-Market, it has succeeded in growing to a comparable size to Auction. Future growth plans include new commerce and overseas joint ventures based on 11 Street's business expertise.

## **Table of Contents**

### Location-based Service

T map provides map, local information, real-time traffic information and navigation services. With cumulative subscribers of 13.68 million as of June 30, 2012, T map is one of the leading location based service platforms in Korea. The Company plans to further develop T map platform by initiating open services, providing services to more diverse types of devices and providing local services.

### Media Platform

The Company's media platform business has started with hoppin service, which provides N-screen media service enabling subscribers to enjoy contents through a number of devices. Hoppin is expanding its services to more types of smartphones and tablets. The Company plans to develop Hoppin service into a media platform acting as an intermediary of various N-screen services. It also plans to provide media platform services in overseas markets in stages.

### Satellite DMB

The Company launched its Hanbyul satellite in 2004 and received government approval in December 30, 2004 to provide satellite DMB services. In May 2005, the Company began broadcasting, but as an increasing number of customers has opted to watch online videos rather than satellite television, the number of subscribers to the Company's satellite DMB services has drastically decreased. As of June 30, 2012, there were only 40 thousand subscribers to the Company's satellite DMB services.

### Web Search through Nate.com

The Company's web search service provided through Nate.com plans to enhance competitiveness by adding social search function. In addition, Cyworld plans to establish a worldwide service for global users.

### Mobile Social Networking Service

In the first quarter 2012, SK Planet, a subsidiary of the Company, acquired Mad Smart Co., Ltd., which provides tic-toc service, in order to expand its business to mobile communication and social networking services. Mobile social networking service, still in its early stage of development, presents ample opportunities for new businesses and is expected to grow rapidly in the future. SK Planet plans to create synergies from the acquisition by combining its know-how in platform service and the strengths of tic-toc in social networking services.

### Music industry

The Company's online music site, Melon, has continued to increase its sales and, for the past four years, has been recognized as having the largest market share and the highest brand recognition in the digital music sales market in Korea. As of June 30, 2012, the Company supports all major smartphone and tablet devices introduced in Korea, including iPhone and iPad, and is strengthening its support for its mobile customers who use Melon services in a multi-device environment.

**Table of Contents**

The Company plans to strengthen its leadership in the mobile market and increase the number of its subscribers by responding to changes in the smart device and 4G LTE network environment, providing reliable service operations and continually improving service, offering relevant and special music related contents to its customers and engaging in diverse and differentiated marketing promotion activities.

**2. Major Products & Services**

## A. Updates on Major Products and Services

(Unit: in thousands of Won, %)

| Business fields   | Major companies  | Item   | Major trademarks                          | Sales amount (ratio) |
|-------------------|--|--|---|----------------------|
| <b>Mobile</b>     | SK Telecom Co., Ltd., PS&Marketing Corporation, Service Ace Co., Ltd., Service Top Co. Ltd., Network O&S Co., Ltd.   | Mobile Phone Service,<br>Wireless Data Service,<br>Information Telecommunication Service | T Store, NATE and others                  | 6,451,734,236 (81%)  |
| <b>Fixed Line</b> | SK Broadband Co., Ltd., Broadband D&M Co., Ltd., Broadband Media Co., Ltd., Broadband CS Co., Ltd., SK Telink Co., Ltd.  | Fixed-line Phone, High Speed Internet, Data and Network Lease Service                    | B tv, 00700 international call and others | 1,099,921,223 (14%)  |
| <b>Other</b>      | SK Planet Co., Ltd , Commerce Planet Co., Ltd , SK Communications Co., Ltd., PAXNet Co., Ltd., Loen Entertainment, Inc., SKT Americas, Inc., SK Telecom China Holdings Co., Ltd. | Internet Portal Service, Game Service  | NATE, Cyworld and others                  | 448,928,677 (6%)     |
|                   |  | Total  |   | 8,000,584,136 (100%) |

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

## [Mobile Business]

Previously, based on the Company's Basic Plan for monthly subscription, the basic service fee was Won 13,000 per month and the usage fee was Won 20 per 10 seconds and based on the Company's Standard Plan, basic service fee was Won 12,000 per month and the usage fee was Won 18 per 10 seconds. As of June 30, 2012, based on the Company's Standard Plan, basic service fee was Won 11,000 per month and the usage fee was Won 1.8 per 1 second.

## [Fixed Line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. For the six months ended June 30, 2012, broadband Internet and TV services comprised 49.2% of SK Broadband's revenue, telephony service 25.9%, corporate data services 21.2% and other telecommunications services 3.7%.

**Table of Contents**

[Other Business]

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

**3. Investment Status**

[Mobile Business]

## A. Investment in Progress

(Unit: in 100 millions of Won)

| Business field | Classification               | Investment period | Subject of investment       | Investment effect  | Total investments | Amount already invested | Future investment |
|----------------|------------------------------|-------------------|-----------------------------|--|-------------------|-------------------------|-------------------|
| Network/Common | Upgrade/<br>New installation | 2012              | Network, systems and others | Capacity increase and quality improvement; systems improvement | To be determined  | 10,979                  | To be determined  |
| <b>Total</b>   |                              |                   |                             |  | To be determined  | 10,979                  | 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 | 2012                              | 2013             | 2014             |   |
| Network/Common | Network, systems and others | 23,000 | 23,000                            | To be determined | To be determined | Upgrades to the existing services and provision of new services |
| <b>Total</b>   |                             | 23,000 | 23,000                            | To be determined | To be determined | Upgrades to the existing services and provision of new services |

**Table of Contents**

[Fixed Line Business]

## A. Investment in Progress

(Unit: in 100 millions of Won)

| Business field      | Classification               | Investment period | Subject of investment       | Investment effect                                      | Total investments | Amount already invested | Future investment |
|---------------------|------------------------------|-------------------|-----------------------------|--|-------------------|-------------------------|-------------------|
| High-speed Internet |                              |                   |                             | Expand subscriber networks and facilities              |                   | 206                     |                   |
| Telephone           |                              |                   | Backbone and                |  |                   | 25                      |                   |
| Television          |                              |                   |                             |  |                   | 294                     |                   |
| Corporate Data      | Upgrade/<br>New installation | 2012              | subscriber network / others | Increase leased-line and integrated information system | 1,017             |                         | To be determined  |
| Others              |                              |                   |                             | Expand networks  |                   | 270                     |                   |
|                     |                              |                   |                             |  |                   | 222                     |                   |
|                     |                              |                   | <b>Total</b>                |  |                   | 1,017                   |                   |

## 4. Revenues

(Unit: in millions of Won)

| Business field | Sales type | Item  |              | For the six months ended<br>June<br>30, 2012 | For the year<br>ended December<br>31, 2011 | For the year<br>ended December<br>31, 2010 |
|----------------|------------|---|--------------|--|--|--|
| Mobile         | Services   | Mobile communication                          | Export       | 8,409  | 1,331                                      | 599  |
|                |            |   | Domestic     | 6,443,326                                    | 13,100,614                                 | 12,919,663                                 |
|                |            |   | Subtotal     | 6,451,734                                    | 13,101,945                                 | 12,920,262                                 |
| Fixed Line     | Services   | Fixed line, B2B data, High speed Internet, TV | Export       | 15,252                                       | 28,070                                     | 30,883                                     |
|                |            |   | Domestic     | 1,084,669                                    | 2,134,498                                  | 2,196,424                                  |
|                |            |   | Subtotal     | 1,099,921                                    | 2,162,568                                  | 2,227,307                                  |
| Other          | Services   | Display and Search ad., Content               | Export       | 1,963  | 12,036                                     | 12,000                                     |
|                |            |   | Domestic     | 446,965                                      | 711,729                                    | 439,726                                    |
|                |            |   | Subtotal     | 448,929                                      | 723,765                                    | 451,726                                    |
|                |            |   | Export       | 25,624                                       | 41,437                                     | 43,482                                     |
|                |            |   | Domestic     | 7,974,960                                    | 15,946,841                                 | 15,555,813                                 |
|                |            | <b>Total</b>                                  | <b>Total</b> | 8,000,584                                    | 15,988,278                                 | 15,599,295                                 |

**Table of Contents**

(Unit: in thousands of Won)

For the six months ended

| June 30, 2012                  | Wireless       | Fixed         | Other         | Sub total      | Internal transaction | After consolidation |
|--------------------------------|----------------|---------------|---------------|----------------|----------------------|---------------------|
| <b>Total revenue</b>           | 7,005,933,510  | 1,421,599,759 | 811,106,921   | 9,238,640,190  | -1,238,056,054       | 8,000,584,136       |
| <b>Internal revenue</b>        | 554,199,274    | 321,678,536   | 362,178,244   | 1,238,056,054  | -1,238,056,054       |                     |
| <b>External revenue</b>        | 6,451,734,236  | 1,099,921,223 | 448,928,677   | 8,000,584,136  |                      | 8,000,584,136       |
| <b>Operating income (loss)</b> | 804,009,082    | 33,389,095    | 12,401,898    | 849,800,075    |                      | 849,800,075         |
| <b>Net profit (loss)</b>       | 523,844,204    | -117,359,312  | 14,452,480    | 420,937,372    |                      | 420,937,372         |
| <b>Total asset</b>             | 22,763,618,470 | 3,347,833,993 | 3,339,487,418 | 29,450,939,881 | -3,677,548,160       | 25,773,391,721      |
| <b>Total liabilities</b>       | 10,662,153,307 | 2,154,858,872 | 842,107,498   | 13,659,119,677 | -386,371,723         | 13,272,747,954      |

**5. Derivative Transactions**

## (1) Currency swap contract applying cash flow risk hedge accounting

The Company has entered into a currency and interest rate swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated floating rate long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of June 30, 2012, in connection with this unsettled currency and interest rate swap contract, an accumulated loss on valuation of derivatives amounting to Won 3,082,256,000 (excluding tax effect totaling Won 483,895,000 and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling Won 20,580 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 June 30, 2012, in connection with this unsettled currency and interest rate swap contracts, an accumulated gain on valuation of derivatives amounting to Won 3,223,070,000 (excluding tax effect totaling Won 699,058,000 and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling Won 77,662,639,000) was accounted for as accumulated other comprehensive gain.

**Table of Contents**

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 June 30, 2012, in connection with this unsettled foreign currency swap contract, an accumulated loss on valuation of currency swap of Won 21,609,427,000 that has accrued since May 12, 2010 (excluding tax effect totaling Won 6,899,052,000 and foreign exchange translation loss arising from unguaranteed U.S. dollar denominated bonds totaling Won 3,932,602,000) was accounted for as accumulated other comprehensive loss. Meanwhile, a gain 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.

The Company has entered into a currency and interest rate swap contract with two banks including DBS in order to hedge the foreign currency risk and the interest rate risk of floating rate foreign currency bonds with face amounts totaling US\$250,000,000 issued on December 15, 2011. As of June 30, 2012, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives of Won 6,321,413,000 (excluding tax effect totaling Won 2,018,182,000 and foreign exchange translation gain arising from this floating rate foreign currency bonds totaling Won 1,160,496,000) was accounted for as accumulated other comprehensive gain.

The Company has entered into a currency and interest rate swap contract with United Overseas Bank in order to hedge the foreign currency risk and the interest rate risk of floating rate foreign currency bonds with face amounts totaling SGD 65,000,000 issued on December 15, 2011. As of June 30, 2012, in connection with this unsettled currency and interest rate swap contract, an accumulated loss on valuation of derivatives of Won 229,278,000 (excluding tax effect totaling Won 73,200,000 and foreign exchange translation loss arising from this floating rate foreign currency bonds totaling Won 1,063,035,000) was accounted for as accumulated other comprehensive loss.

The Company has entered into a currency swap contract with six banks including Citibank in order to hedge the foreign currency risk of its fixed rate foreign currency bonds with face amounts totaling CHF 300,000,000 issued on June 12, 2012. As of June 30, 2012, in connection with this unsettled currency swap contract, an accumulated loss on valuation of derivatives of Won 13,982,566,000 (excluding tax effect totaling Won 4,464,091,000 and foreign exchange translation gain arising from this fixed rate foreign currency bonds totaling Won 5,082,759,000) was accounted for as accumulated other comprehensive loss.



**Table of Contents**

(2) The fair values of the derivative instruments described above as of June 30, 2012 are recognized as derivative assets or derivative liabilities under current assets, non-current assets or current liabilities on the Company's balance sheet. Details are as follows:

| Category                             | Subject of Risk Hedge   | Contract Period                     | (Unit: Won in thousands)             |                                      |             |
|--------------------------------------|---|-------------------------------------|--------------------------------------|--------------------------------------|-------------|
|                                      |   |                                     | Fair Value of Derivative Instruments |                                      | Total       |
|                                      |   |                                     | Designated as Hedging Instrument     | Not Designated as Hedging Instrument |             |
| Currency Swap (Current Asset)        | Unguaranteed Japanese Yen-denominated Bonds (face amount of JPY 12,500,000,000)               | From Nov. 13, 2007 to Nov. 13, 2012 | 80,186,651                           |                                      | 80,186,651  |
|                                      | Floating-rate Long-term Borrowing (principal amount of USD 100,000,000)                       | From Oct. 10, 2006 to Oct. 10, 2013 | 17,013,849                           |                                      | 17,013,849  |
| Currency Swap (Non-current Assets)   | Unguaranteed Foreign Currency Bonds (face amount of USD 400,000,000)                          | From Jul. 20, 2007 to Jul. 20, 2027 | 105,230,144                          |                                      | 105,230,144 |
|                                      | Floating-rate Foreign Currency Bonds (face amount of USD 250,000,000)                         | From Dec. 15, 2011 to Dec. 12, 2014 | 7,179,098                            |                                      | 7,179,098   |
|                                      | Floating-rate Foreign Currency Bonds (face amount of SGD 65,000,000)                          | From Dec. 15, 2011 to Dec. 12, 2014 | 760,558                              |                                      | 760,558     |
| Conversion Right (Non-current Asset) | Convertible Bonds (Available-for-sale Securities)(*) (face amount of Won 50,000,000 thousand) | From Sep. 1, 2009 to Aug. 31, 2014  |                                      | 532,169                              | 532,169     |
|                                      | Total derivative assets:  |                                     | 210,370,300                          | 532,169                              | 210,902,469 |

**Table of Contents**

| Category                             | Subject of Risk  | Hedge | Contract Period                     | (Unit: Won in thousands)             |  |            |
|--------------------------------------|--|-------|-------------------------------------|--------------------------------------|--|------------|
|                                      |  |       |                                     | Fair Value of Derivative Instruments |  | Total      |
|                                      |  |       | Designated as Hedging Instrument    | Not Designated as Hedging Instrument |  |            |
| Currency Swap(Non-current Liability) | Fixed rate Foreign Currency Bonds (face amount of CHF 300,000,000) |       | From Jun. 12, 2012 to Jun. 12, 2017 | 23,529,416                           |  | 23,529,416 |
|                                      | Total derivative liabilities:                                      |       |                                     | 23,529,416                           |  | 23,529,416 |

(\*) The fair value of Won 532,169,000 of the conversion rights of the convertible bonds held by SK Communications, a subsidiary of the Company, was recognized as non-current derivative asset.

**6. Major Contracts**

[SK Telecom]

| Category    | Vendor                | Start Date      | Completion        |  | Contract Title  | Contract Amount<br>(Won in 100 million) |
|-------------|-----------------------|-----------------|-------------------|--|---|---|
|             |                       |                 | Date              |  |   |   |
| Service     | SK Planet Co., Ltd.   | January 1, 2012 | December 31, 2012 |  | B2B contents contract for 2012 with SK Planet (T-map, T-Gift, Nate FZ, T-Cloud) | 6,167                                   |
| Service     | Service Ace Co., Ltd. | April 1, 2012   | April 1, 2013     |  | Operation of Roaming Centers in 2012  | 54                                      |
| Goods       | HAPPYNARAE Co., Ltd.  | May 1, 2012     | April 30, 2013    |  | Maintenance, repair and operations purchasing and agency services               | 150                                     |
| Real Estate | Individual            | First half 2012 |                   |  | Purchase of regional centers (Gangdong regional center and ten others)          | 81                                      |
| Subtotal    |                       |                 |                   |  |   | 6,452                                   |

**Table of Contents**

## [SK Broadband]

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

| <b>Counterparty</b>                 | <b>Contract Contents</b>                                  | <b>Contract Period</b>          | <b>Note</b>   |
|-------------------------------------|---|---------------------------------|---|
| Telecommunication service providers | Interconnection among telecommunication service providers |                                 | Interconnection among telecommunication service providers |
| KEPCO                               | Provision of electric facilities                          | From Dec. 2004 until terminated | Use of electricity poles                                  |
| Seoul City Railway                  | Use of telecommunication line conduits                    | From Jan. 2009 to Dec. 2012     | Use of railway telecommunication conduit                  |
| Seoul Metro                         | Use of telecommunication line conduits                    | From May 2010 to May 2013       | Use of railway telecommunication conduit                  |
| Busan Transportation Corporation    | Use of telecommunication line conduits                    | From July 2009 to July 2012     | Use of railway telecommunication conduit                  |
| Gwangju City Railway                | Use of telecommunication line conduits                    | From Sep. 2010 to Dec. 2012     | Use of railway telecommunication conduit                  |

## [SK Planet]

| <b>Counterparty</b> | <b>Contract Contents</b>                           | <b>Contract Period</b>             | <b>Amount</b>  |
|---------------------|--|------------------------------------|--|
| SK Communications   | Operation of shopping business at Nate.com website | From Jul. 1, 2011 to Dec. 31, 2013 | Variable depending on the NATE shopping revenues and other factors |

Note. The agreements with SK Communications Co., Ltd. have been transferred from SK Telecom to SK Planet in connection with the spin-off of SK Planet on Oct. 5, 2011.

**Table of Contents**

[SK Communications]

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

Note. The agreements with SK Planet Co., Ltd. have been transferred from SK Telecom to SK Planet in connection with the spin-off of SK Planet on Oct. 5, 2011.

**7. R&D Investments**

(Unit: in million Won)

| Category   |  | For the six months ended June 30, 2012 | For the year ended December 31, 2011 | For the year ended December 31, 2010 | Remarks |
|--|--|--|--------------------------------------|--------------------------------------|---------|
| Raw material   |  | 20                                     | 45                                   | 41                                   |         |
| Labor  |  | 22,042                                 | 48,656                               | 49,441                               |         |
| Depreciation   |  | 66,228                                 | 149,850                              | 143,131                              |         |
| Commissioned service   |  | 6,515                                  | 40,257                               | 98,545                               |         |
| Others   |  | 43,663                                 | 57,118                               | 64,755                               |         |
| Total R&D costs  |  | 138,468                                | 295,927                              | 355,913                              |         |
| Accounting   | Sales and administrative expenses        | 137,164                                | 289,979                              | 352,186                              |         |
|  | Development expenses (Intangible assets) | 1,034                                  | 5,948                                | 3,727                                |         |
| R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100) |  | 1.73%                                  | 1.85%                                | 2.28%                                |         |

**Table of Contents**

**8. Other information relating to investment decisions**

[SK Telecom]

**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 holds 4,667 Korean registered patents, 255 U.S. registered patents, 125 Chinese registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 822 Korean registered trademarks and owns intellectual property rights to the design of alphabet T. 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.

[SK Broadband]

SK Broadband holds 320 Korean registered patents relating to high-speed Internet, telephone and IPTV service. In addition, SK Broadband has applied for a patent relating to two-way broadcasting system. SK Broadband also holds a number of trademarks and service marks relating to its service and brand.

[SK Planet]

As of June 30, 2012, SK Planet held 1,816 Korean registered patents, 91 registered design marks, 671 registered trademarks and one copyright (including those held jointly with other companies). It also holds 20 U.S. registered patents, 31 Chinese registered patents, 8 Japanese registered patents, 13 E.U. registered patents (all including patents held jointly with other companies) and 94 registered trademarks, along with a number of other intellectual property rights, in other countries.

[SK Communications]

As of June 30, 2012, SK Communications held 58 Korean registered patents, 26 registered design rights and 696 registered trademarks.

**Table of Contents****III. FINANCIAL INFORMATION****1. Summary Financial Information (Consolidated)**

## A. Summary Financial Information (Consolidated)

(Unit: in thousand Won)

| Classification/Fiscal Year             | As of<br>June 30, 2012 | As of<br>December 31, 2011 | As of<br>December 31, 2010 |
|--|------------------------|----------------------------|----------------------------|
| <b>Current Assets</b>                  | 4,754,447,425          | 6,117,478,958              | 6,653,991,923              |
| Cash and Cash Equivalent               | 1,176,948,384          | 1,650,793,876              | 659,404,935                |
| Accounts Receivable Trade              | 1,843,465,243          | 1,823,169,889              | 1,949,397,279              |
| Accounts Receivable Other              | 612,219,552            | 908,836,454                | 2,531,847,155              |
| Others                                 | 1,121,814,246          | 1,734,678,739              | 1,513,342,554              |
| <b>Non-Current Assets</b>              | 21,018,944,296         | 18,248,557,471             | 16,478,397,157             |
| Long Term Investment                   | 1,427,869,866          | 1,537,945,216              | 1,680,582,091              |
| Investments in Associates              | 4,714,676,250          | 1,384,605,401              | 1,204,691,805              |
| Property and Equipment                 | 8,771,148,441          | 9,030,998,201              | 8,153,412,683              |
| Intangible Assets                      | 2,834,024,498          | 2,995,803,300              | 1,884,955,652              |
| Goodwill                               | 1,740,251,485          | 1,749,932,878              | 1,736,649,137              |
| Others                                 | 1,530,973,756          | 1,549,272,475              | 1,818,105,789              |
| <b>Total Assets</b>                    | 25,773,391,721         | 24,366,036,429             | 23,132,389,080             |
| <b>Current Liabilities</b>             | 5,322,259,126          | 6,673,589,809              | 6,202,170,452              |
| <b>Non-Current Liabilities</b>         | 7,950,488,828          | 4,959,737,573              | 4,522,219,358              |
| <b>Total Liabilities</b>               | 13,272,747,954         | 11,633,327,382             | 10,724,389,810             |
| <b>Controlling Shareholders Equity</b> | 11,471,831,668         | 11,661,880,863             | 11,329,990,900             |
| Capital                                | 44,639,473             | 44,639,473                 | 44,639,473                 |
| Share Premium                          | (290,688,417)          | (285,347,419)              | (78,952,875)               |
| Retained Earnings                      | 11,500,952,510         | 11,642,525,267             | 10,721,249,327             |
| Reserves                               | 216,928,102            | 260,063,542                | 643,054,975                |
| Non-controlling Interests              | 1,028,812,099          | 1,070,828,184              | 1,078,008,370              |
| <b>Total Stockholders Equity</b>       | 12,500,643,767         | 12,732,709,047             | 12,407,999,270             |
| Number of Companies Consolidated       | 30                     | 31                         | 32                         |

| Classification/Fiscal Year  | For the six months<br>ended June 30, 2012 | For the six months<br>ended June 30, 2011 | For the year<br>ended December 31,<br>2011 | For the year<br>ended December 31,<br>2010 |
|---|---|---|--|--|
| <b>Revenue</b>  | 8,000,584,136                             | 7,942,445,955                             | 15,976,197,456                             | 15,569,898,702                             |
| <b>Operating Income (or Loss)</b>   | 849,800,075                               | 1,301,313,284                             | 2,189,289,110                              | 2,341,044,360                              |
| <b>Income (or Loss) From Continuing<br/>Operation Before Income Tax</b>   | 705,323,772                               | 1,444,216,759                             | 2,240,689,573                              | 2,373,223,839                              |
| <b>Consolidated Total Net Income</b>                                      | 420,937,372                               | 1,002,704,547                             | 1,582,073,280                              | 1,582,073,280                              |
| <b>Net Income (or Loss) Attributable to<br/>Controlling Interests</b>     | 449,820,077                               | 1,010,328,469                             | 1,612,889,086                              | 1,841,612,790                              |
| <b>Net Income (or Loss) Attributable to<br/>Non-controlling Interests</b> | (28,882,705)                              | (7,623,922)                               | (30,815,806)                               | (74,778,036)                               |
| <b>Net Income Per Share (Won)</b>   | 6,454                                     | 14,211                                    | 22,848                                     | 25,598                                     |
| <b>Diluted Net Income Per Share (Won)</b>                                 | 6,221                                     | 13,474                                    | 22,223                                     | 24,942                                     |

**Table of Contents****2. Summary Financial Information (Non-Consolidated)**

(Unit: in thousand Won)

| Classification/Fiscal Year       | As of<br>June 30, 2012 | As of<br>December 31, 2011 | As of<br>December 31, 2010 |
|----------------------------------|------------------------|----------------------------|----------------------------|
| <b>Current Assets</b>            | <b>2,590,181,366</b>   | <b>3,948,077,706</b>       | <b>5,316,976,799</b>       |
| Cash and Cash Equivalent         | 369,378,171            | 895,557,654                | 357,469,908                |
| Accounts Receivable Trade        | 1,336,185,838          | 1,282,233,900              | 1,453,060,673              |
| Accounts Receivable Other        | 419,595,393            | 774,221,266                | 2,499,969,010              |
| Others                           | 465,021,964            | 996,064,886                | 1,006,477,208              |
| <b>Non Current Assets</b>        | <b>19,681,680,486</b>  | <b>16,572,449,699</b>      | <b>14,410,149,512</b>      |
| Long Term Investment             | 1,219,646,397          | 1,312,437,834              | 1,517,029,011              |
| Investments in Associates        | 7,972,908,937          | 4,647,505,583              | 3,584,394,790              |
| Property and Equipment           | 6,249,883,100          | 6,260,168,675              | 5,469,747,495              |
| Intangible Assets                | 2,285,113,380          | 2,364,795,182              | 1,424,968,542              |
| Goodwill                         | 1,306,236,299          | 1,306,236,299              | 1,308,422,097              |
| Others                           | 647,892,373            | 681,306,126                | 1,105,587,577              |
| <b>Total Assets</b>              | <b>22,271,861,852</b>  | <b>20,520,527,405</b>      | <b>19,727,126,311</b>      |
| <b>Current Liabilities</b>       | <b>3,667,248,789</b>   | <b>4,467,005,877</b>       | <b>4,561,013,611</b>       |
| <b>Non Current Liabilities</b>   | <b>6,698,954,898</b>   | <b>4,087,219,816</b>       | <b>3,585,155,050</b>       |
| <b>Total Liabilities</b>         | <b>10,366,203,687</b>  | <b>8,554,225,693</b>       | <b>8,146,168,661</b>       |
| <b>Capital</b>                   | <b>44,639,473</b>      | <b>44,639,473</b>          | <b>44,639,473</b>          |
| Share Premium                    | (236,160,557)          | (236,016,201)              | (24,643,471)               |
| Retained Earnings                | 11,822,197,779         | 11,837,184,788             | 10,824,355,758             |
| Reserves                         | 274,981,470            | 320,493,652                | 736,605,890                |
| <b>Total Shareholders Equity</b> | <b>11,905,658,165</b>  | <b>11,966,301,712</b>      | <b>11,580,957,650</b>      |

| Classification/Fiscal Year  | For the six months<br>ended June 30, 2012 | For the six months<br>ended June 30, 2011 | For the year<br>ended December 31,<br>2011 | For the year<br>ended December 31,<br>2010 |
|---|---|---|--|--|
| <b>Revenue</b>  | <b>6,086,494,134</b>                      | <b>6,326,041,425</b>                      | <b>12,575,129,190</b>                      | <b>12,550,496,552</b>                      |
| <b>Operating Income (or Loss)</b>                                       | <b>803,260,241</b>                        | <b>1,229,018,512</b>                      | <b>2,086,648,941</b>                       | <b>2,355,027,851</b>                       |
| <b>Income (or Loss) From Continuing<br/>Operation Before Income Tax</b> | <b>729,569,328</b>                        | <b>1,438,324,635</b>                      | <b>2,274,421,557</b>                       | <b>2,503,637,367</b>                       |
| <b>Net Income (or Loss)</b>   | <b>576,337,713</b>                        | <b>1,035,058,437</b>                      | <b>1,694,363,093</b>                       | <b>1,947,007,919</b>                       |
| <b>Net Income Per Share (Won)</b>                                       | <b>8,269</b>                              | <b>14,559</b>                             | <b>24,002</b>                              | <b>27,063</b>                              |
| <b>Diluted Net Income Per Share (Won)</b>                               | <b>7,978</b>                              | <b>13,811</b>                             | <b>23,343</b>                              | <b>26,366</b>                              |

**Table of Contents**

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

Transition to K-IFRS

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

**IV. AUDITOR'S OPINION**

**1. Auditor (Consolidated)**

| Six months ended June 30,     | Year ended December 31, | Year ended December 31, |
|-------------------------------|-------------------------|-------------------------|
| 2012                          | 2011                    | 2010                    |
| KPMG Samjong Accounting Corp. | Deloitte Anjin LLC      | Deloitte Anjin LLC      |

**2. Audit Opinion (Consolidated)**

| Term                           | Auditor's opinion | Issues noted |
|--------------------------------|-------------------|--------------|
| Six months ended June 30, 2012 |                   |              |
| Year ended December 31, 2011   | Unqualified       |              |
| Year ended December 31, 2010   | Unqualified       |              |

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

| Six months ended June 30,     | Year ended December 31, | Year ended December 31, |
|-------------------------------|-------------------------|-------------------------|
| 2012                          | 2011                    | 2010                    |
| KPMG Samjong Accounting Corp. | Deloitte Anjin LLC      | Deloitte Anjin LLC      |



**Table of Contents****4. Audit Opinion (Non-Consolidated)**

| Term                           | Auditor's opinion | Issues noted |
|--------------------------------|-------------------|--------------|
| Six months ended June 30, 2012 |                   |              |
| Year ended December 31, 2011   | Unqualified       |              |
| Year ended December 31, 2010   | Unqualified       |              |

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

## A. Audit Contracts

(Unit: in thousands of Won / hour)

| Fiscal Year                  | Auditors                      | Contents   | Fee       | Total number of hours accumulated for the fiscal year |
|------------------------------|-------------------------------|--|-----------|---|
| Year ended December 31, 2012 | KPMG Samjong Accounting Corp. | Semi-annual review                                       |           |   |
|                              |                               | Quarterly review   |           |   |
|                              |                               | Non-consolidated financial statements audit              | 1,220,000 | 16,160  |
|                              |                               | Consolidated financial statements audit                  |           |   |
| Year ended December 31, 2011 | Deloitte Anjin LLC            | English financial statements review and other audit task |           |   |
|                              |                               | Semi-annual review                                       |           |   |
|                              |                               | Quarterly review   |           |   |
|                              |                               | Non-consolidated financial statements audit              | 1,364,000 | 14,033  |
| Year ended December 31, 2010 | Deloitte Anjin LLC            | Consolidated financial statements audit                  |           |   |
|                              |                               | English financial statements review and other audit task |           |   |
|                              |                               | Semi-annual review                                       |           |   |
|                              |                               | Quarterly review   |           |   |
| Year ended December 31, 2010 | Deloitte Anjin LLC            | Non-consolidated financial statements audit              | 1,563,770 | 16,810  |
|                              |                               | Consolidated financial statements audit                  |           |   |
|                              |                               | IFRS-based financial statements review                   |           |   |
|                              |                               | English financial statements review and other audit task |           |   |

**Table of Contents**

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

(Unit: in thousands of Won)

| Term                               | Contract date     | Service provided      | Service duration | Fee    |
|------------------------------------|-------------------|-----------------------|------------------|--------|
| Six months ended<br>June 30, 2012  |                   |                       |                  |        |
| Year ended<br>December 31,<br>2011 | April 11, 2011    | Tax consulting        | 30 days          | 45,000 |
|                                    | April 28, 2011    | Tax consulting        | 30 days          | 45,000 |
|                                    | July 20, 2010     | Management consulting | 4 days           | 5,000  |
|                                    | July 28, 2010     | Tax consulting        | 15 days          | 18,000 |
| Year ended<br>December 31,<br>2010 | 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 |

**6. Change of Independent Auditors**

Starting from 2012, the Company changed its independent auditors to KPMG Samjong Accounting Corp. from Deloitte Anjin LLC due to the expiration of the audit contract with Deloitte Anjin LLC.

**V. MANAGEMENT DISCUSSION AND ANALYSIS**

Omitted in quarterly and semi-annual reports in accordance with Korean disclosure rules.

**Table of Contents**

**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.

| The number<br>of persons | Inside directors                             | Independent directors   |
|--------------------------|--|---|
| 8                        | Sung Min Ha, Young Tae Kim,<br>Dong Seob Jee | Dal Sup Shim, Rak Yong Uhm, Hyun Chin<br>Lim, Jay Young Chung, Jae Ho Cho |

At the 28th General Shareholders Meeting held on March 23, 2012, Young Tae Kim and Dong Seob Jee were elected as inside directors, Hyun Chin Lim was re-elected as an independent director, and Hyun Chin Lim was re-elected as a member of the audit committee.

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

| Meeting                            | Date              | Agenda  | Approval             |
|------------------------------------|-------------------|---|----------------------|
| 339th<br>(the 1st meeting of 2012) | February 9, 2012  | Financial Statements as of and for the year ended December 31, 2011   | Approved as proposed |
|                                    |                   | Annual Business Report as of and for the year ended December 31, 2011 | Approved as proposed |
|                                    |                   | Management Plan for 2012  | Approved as proposed |
|                                    |                   | Transaction of goods, services and assets with SK Planet              | Approved as proposed |
| 340th<br>(the 2nd meeting of 2012) | February 23, 2012 | Report for Internal Accounting Management System                      |                      |
|                                    |                   | Report for Subsequent Events following 4Q 2011                        |                      |
|                                    |                   | Convocation of the 29th Annual General Meeting of Shareholders        | Approved as proposed |
|                                    |                   | Result of Internal Accounting Management System Evaluation            |                      |



**Table of Contents**

| <b>Meeting</b>                                   | <b>Date</b>    | <b>Agenda</b>   | <b>Approval</b>                              |
|--|----------------|---|--|
|  |                | Election of Chairman of the Board of Directors  | Approved as proposed                         |
|  |                | Amendment to the Company's internal rules   | Approved as proposed<br>Approved as proposed |
| <b>341th</b><br><b>(the 3rd meeting of 2012)</b> | March 23, 2012 | Election of committee members   | Approved as proposed                         |
|  |                | Asset Management Transaction with Affiliated Company (SK Securities)                  | Approved as proposed                         |
|  |                | Donation to Happiness Sharing Institute   |  |
|  |                | Adoption of internal compliance rules and the appointment of chief compliance officer | Approved as proposed                         |
|  |                | Amendment of board regulations  | Approved as proposed                         |
| <b>342th</b><br><b>(the 4th meeting of 2012)</b> | April 26, 2012 | Issuance of overseas bonds  | Approved as proposed                         |
|  |                | Report for Subsequent Events following 1Q 2012  |  |
|  |                | Asset management transaction with affiliated company (SK Securities)                  |  |
| <b>343th</b><br><b>(the 5th meeting of 2012)</b> | June 21, 2012  | Compliance support operating plan   | Approved as proposed                         |
| <b>344th</b><br><b>(the 6th meeting of 2012)</b> | July 25, 2012  | Interim dividend  |  |
|  |                | Bond offering   | Approved as proposed                         |
|  |                | Agreement on the operation of Voluntary Responsible Management Support Group.         | Approved as proposed                         |

Financial results for the first half of 2012

Approved as proposed

Report for the period after the second quarter of 2012

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

C. Committees within Board of Directors

(1) Committee Structure (As of August 24, 2012)

a) Compensation Review Committee

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

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

**Table of Contents**

b) Capex Review Committee

| Number of Persons | Members          |  | Task   |
|-------------------|------------------|--|--|
|                   | Inside Directors | Independent Directors                                      |  |
| 5                 | Dong Seob Jee    | Dal Sup Shim, Rak Yong Uhm,<br>Jay Young Chung, Jae Ho Cho | Review major investment plans and changes thereto. |

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

c) Corporate Citizenship Committee

| Number of Persons | Members          |  | Task  |
|-------------------|------------------|--|---|
|                   | Inside Directors | Independent Directors                                      |   |
| 5                 | Dong Seob Jee    | Dal Sup Shim, 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.

d) Independent Director Nomination Committee

| Number of Persons | Members          |                          | Task                                |
|-------------------|------------------|--------------------------|-------------------------------------|
|                   | Inside Directors | Independent Directors    |                                     |
| 3                 | Sung Min Ha      | Rak Yong Uhm, Jae Ho Cho | Nomination of independent directors |

\* Under the Korean Commercial Code, a majority of the members of the Independent Director Nomination Committee should be independent directors.

e) Audit Committee

| 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.

**Table of Contents****2. Audit System**

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

Major activities of the Audit Committee are as follows.

| <b>Meeting</b>             | <b>Date</b>       | <b>Agenda</b>   | <b>Approval</b>      | <b>Remarks</b> |
|----------------------------|-------------------|---|----------------------|----------------|
| The first meeting of 2012  | February 1, 2012  | Preparation for audit report for the 28 Annual General Meeting of Shareholders                        |                      |                |
|                            |                   | Business-to-business contract with SK Telink  | Approved as proposed |                |
|                            |                   | Construction of Mobile Phone Facilities for 2012  | Approved as proposed |                |
| The second meeting of 2012 | February 8, 2012  | Construction of Network Facilities for 2012   | Approved as proposed |                |
|                            |                   | Evaluation of Internal Accounting Controls based on the Opinion of the Members of the Audit Committee | Approved as proposed |                |
|                            |                   | 2011 half 2011 Management Audit Results and Management Audit Plan for 2012                            |                      |                |
| The third meeting of 2012  | February 22, 2012 | Reports on Internal Accounting Management System  |                      |                |
|                            |                   | Reports on 2011 IFRS Audit  |                      |                |
|                            |                   | Report on Review of 2011 Internal Accounting Management System  |                      |                |
|                            |                   | Evaluation of Internal Accounting Management System Operation   | Approved as proposed |                |
|                            |                   | Auditor's Report for Fiscal Year 2011   | Approved as proposed |                |



## Edgar Filing: SK TELECOM CO LTD - Form 6-K

|                            |                |   |                      |
|----------------------------|----------------|---|----------------------|
|                            |                | Agenda and Document Review for the 28 Annual General Meeting of Shareholders    | Approved as proposed |
|                            |                | Purchase of Mobile Phone Relay Devices for 2012                                 | Approved as proposed |
|                            |                | Purchase of Mobile Phone Transmission Devices for 2012                          | Approved as proposed |
|                            |                | 2012 IT SM contract   | Approved as proposed |
|                            |                | Engagement of Independent Auditing Firm for 2012 to 2014                        | Approved as proposed |
|                            |                | 2012 2Q Transactions with SK C&C Co., Ltd.                                      | Approved as proposed |
| The fourth meeting of 2012 | March 22, 2012 | Asset Management Transaction with Affiliated Company (SK Securities)            | Approved as proposed |
|                            |                | Election of Chairman Jae Ho Cho   | Approved as proposed |
|                            |                | Remuneration of outside auditor for the Fiscal Year 2012                        | Approved as proposed |
| The fifth meeting of 2012  | April 26, 2012 | Outside auditor service plan for the Fiscal Year 2012                           | Approved as proposed |
|                            |                | Audit plan for the Fiscal Year 2012   |                      |
|                            |                | Purchase of maintenance, repair and operations items from Happy Narae Co., Ltd. | Approved as proposed |
| The sixth meeting of 2012  | May 23, 2012   | Construction of Mobile Phone Facilities for 2012                                | Approved as proposed |
|                            |                | Construction of Network Facilities for 2012                                     | Approved as proposed |
|                            |                | Service contract for handset customer service for 2012                          | Approved as proposed |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

The seventh  
meeting of 2012

June 20, 2012

Transaction with SK C&C in the third quarter of 2012

Approved as proposed

Plans for asset management transaction with affiliate (SK Securities)

44

**Table of Contents**

| Meeting                    | Date            | Agenda   | Approval             | Remarks |
|----------------------------|-----------------|--|----------------------|---------|
|                            |                 | Financial results for the first half of 2012   |                      |         |
| The eighth meeting of 2012 | July 24, 2012   | Results of operation for the first half of 2012  |                      |         |
|                            |                 | Results of fiscal year 2012 IFRS half year review<br>Plans for the construction of cell phone facilities in 2012 | Approved as proposed |         |
| The ninth meeting of 2012  | August 22, 2012 | Plans for the construction of transmission facilities in 2012  | Approved as proposed |         |
|                            |                 | Results of management audit in the first half of 2012  |                      |         |

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

**3. Shareholders Exercises of Voting Rights**

**A. Voting System and Exercise of Minority Shareholders Rights**

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

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

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

**Table of Contents****4. Affiliated Companies****A. Capital Investments between Affiliated Companies**

(As of June 30, 2012)

| Investing company                 | Invested companies |               |               |                    |              |              |              |              |              |               |
|-----------------------------------|--------------------|---------------|---------------|--------------------|--------------|--------------|--------------|--------------|--------------|---------------|
|                                   | SK Corporation     | SK Innovation | SK Energy     | SK Global Chemical | SK Telecom   | SK Networks  | SKC          | SK E&C       | SK Shipping  | SK Securities |
| SK Corporation                    |                    | 33.4%         |               |                    | 25.2%        | 39.1%        | 42.5%        | 40.0%        | 83.1%        |               |
| SK Innovation                     |                    |               | 100/0%        | 100/0%             |              |              |              |              |              |               |
| SK Energy                         |                    |               |               |                    |              |              |              |              |              |               |
| SK Global Chemical                |                    |               |               |                    |              |              |              |              |              |               |
| SK Networks                       |                    |               |               |                    |              |              |              |              |              | 22.7%         |
| SK Telecom                        |                    |               |               |                    |              |              |              |              |              |               |
| SK Chemicals                      |                    |               |               |                    |              | 0.02%        |              | 25.4%        |              |               |
| SKC                               |                    |               |               |                    |              |              |              |              |              |               |
| SK E&C                            |                    |               |               |                    |              |              |              |              |              |               |
| SK Gas                            |                    |               |               |                    |              |              |              |              |              |               |
| SK C&C                            | 31.8%              |               |               |                    |              |              |              |              |              |               |
| SK E&S                            |                    |               |               |                    |              |              |              |              |              |               |
| SK Communications                 |                    |               |               |                    |              |              |              |              |              |               |
| SK Broadband                      |                    |               |               |                    |              |              |              |              |              |               |
| SK D&D                            |                    |               |               |                    |              |              |              |              |              |               |
| SK Marketing & Company            |                    |               |               |                    |              |              |              |              |              |               |
| SK Lubricant                      |                    |               |               |                    |              |              |              |              |              |               |
| SK Shipping                       |                    |               |               |                    |              |              |              |              |              |               |
| SK Planet                         |                    |               |               |                    |              |              |              |              |              |               |
| SK Hynix                          |                    |               |               |                    |              |              |              |              |              |               |
| Hynix Engineering                 |                    |               |               |                    |              |              |              |              |              |               |
| <b>Total affiliated companies</b> | <b>31.8%</b>       | <b>33.4%</b>  | <b>100/0%</b> | <b>100.0%</b>      | <b>25.2%</b> | <b>39.2%</b> | <b>42.5%</b> | <b>65.4%</b> | <b>83.1%</b> | <b>22.7%</b>  |

| Investing company                 | Invested companies |              |              |               |               |   |              |              |                |                  |
|-----------------------------------|--------------------|--------------|--------------|---------------|---------------|---|--------------|--------------|----------------|------------------|
|                                   | SK E&S             | SK Gas       | DOPCO        | CCE           | YN Energy     | Ko-one Energy Service (formerly, Daehan City Gas) | SK Sci-tech  | SK Telink    | Busan City Gas | Jeonnam City Gas |
| SK Corporation                    | 94.1%              |              |              |               |               |   |              |              |                |                  |
| SK Innovation                     |                    |              | 41.0%        |               |               |   |              |              |                |                  |
| SK Energy                         |                    |              |              |               |               |   |              |              |                |                  |
| SK Global Chemical                |                    |              |              |               |               |   |              |              |                |                  |
| SK Networks                       |                    |              |              |               |               |   |              |              |                |                  |
| SK Telecom                        |                    |              |              |               |               |   |              | 83.5%        |                |                  |
| SK Chemicals                      |                    | 45.5%        |              |               |               |   | 50.0%        |              |                |                  |
| SK C                              |                    |              |              |               |               |   |              |              |                |                  |
| SK E&C                            |                    |              |              |               |               |   |              |              |                |                  |
| SK Gas                            |                    |              |              |               |               |   |              |              |                |                  |
| SK C&C                            | 5.9%               |              |              |               |               |   |              |              |                |                  |
| SK E&S                            |                    |              |              | 100.0%        | 100.0%        | 82.2%   |              |              | 40.0%          | 100.0%           |
| SK Communications                 |                    |              |              |               |               |   |              |              |                |                  |
| SK Broadband                      |                    |              |              |               |               |   |              |              |                |                  |
| SK D&D                            |                    |              |              |               |               |   |              |              |                |                  |
| SK Marketing & Company            |                    |              |              |               |               |   |              |              |                |                  |
| SK Lubricant                      |                    |              |              |               |               |   |              |              |                |                  |
| SK Shipping                       |                    |              |              |               |               |   |              |              |                |                  |
| SK Planet                         |                    |              |              |               |               |   |              |              |                |                  |
| SK Hynix                          |                    |              |              |               |               |   |              |              |                |                  |
| Hynix Engineering                 |                    |              |              |               |               |   |              |              |                |                  |
| <b>Total affiliated companies</b> | <b>100.0%</b>      | <b>45.5%</b> | <b>41.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>82.2%</b>                                      | <b>50.0%</b> | <b>83.5%</b> | <b>40.0%</b>   | <b>100.0%</b>    |



**Table of Contents**

| Investing company                 | Invested companies     |        |                |               |         |   |               |                  |                    |        |
|-----------------------------------|------------------------|--------|----------------|---------------|---------|---|---------------|------------------|--------------------|--------|
|                                   | Gangwon<br>City<br>Gas | JBES   | M &<br>Service | SK<br>Wyverns | Infosec | Happynarae<br>(formerly,<br>MRO<br>Korea) | SK<br>Telesys | Encar<br>network | F&U<br>Credit Info | Paxnet |
| SK Corporation                    |                        |        |                |               |         |   |               |                  |                    |        |
| SK Innovation                     |                        |        |                |               |         | 42.5%                                     |               |                  |                    |        |
| SK Energy                         |                        |        |                |               |         |   |               | 0.0%             |                    |        |
| SK Global Chemical                |                        |        |                |               |         |   |               |                  |                    |        |
| SK Networks                       |                        |        |                |               |         |   |               |                  |                    |        |
| SK Telecom                        |                        |        |                | 100.0%        |         | 42.5%                                     |               |                  | 50.0%              |        |
| SK Chemicals                      |                        |        |                |               |         |   |               |                  |                    |        |
| SK C                              |                        |        |                |               |         |   | 47.5%         |                  |                    |        |
| SK E&C                            |                        |        |                |               |         |   |               |                  |                    |        |
| SK Gas                            |                        |        |                |               |         | 5.0%                                      |               |                  |                    |        |
| SK C&C                            |                        |        |                |               | 100.0%  | 5.0%                                      |               | 91.7%            |                    |        |
| SK E&S                            | 100.0%                 | 100.0% |                |               |         |   |               |                  |                    |        |
| SK Communications                 |                        |        |                |               |         |   |               |                  |                    |        |
| SK Broadband                      |                        |        |                |               |         |   |               |                  |                    |        |
| SK D&D                            |                        |        |                |               |         |   |               |                  |                    |        |
| SK Marketing & Company            |                        |        | 100.0%         |               |         |   |               |                  |                    |        |
| SK Lubricant                      |                        |        |                |               |         |   |               |                  |                    |        |
| SK Shipping                       |                        |        |                |               |         |   |               |                  |                    |        |
| SK Planet                         |                        |        |                |               |         |   |               |                  |                    | 59.7%  |
| SK Hynix                          |                        |        |                |               |         |   |               |                  |                    |        |
| Hynix Engineering                 |                        |        |                |               |         |   |               |                  |                    |        |
| <b>Total affiliated companies</b> | 100.0%                 | 100.0% | 100.0%         | 100.0%        | 100.0%  | 95.0%                                     | 47.5%         | 91.7%            | 50.0%              | 59.7%  |

| Investing company                 | Invested companies |         |                       |              |                     |                     |                      |                 |                |                |
|-----------------------------------|--------------------|---------|-----------------------|--------------|---------------------|---------------------|----------------------|-----------------|----------------|----------------|
|                                   | SK D&D             | Natruck | Loen<br>Entertainment | Independence | SK Mobile<br>Energy | SK<br>Petrochemical | SK<br>Communications | SKN<br>Internet | SKC Air<br>Gas | SKN<br>service |
| SK Corporation                    |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK Innovation                     |                    |         |                       |              | 100.0%              |                     |                      |                 |                |                |
| SK Energy                         |                    | 92.4%   |                       |              |                     |                     |                      |                 |                |                |
| SK Global Chemical                |                    |         |                       |              |                     | 100.0%              |                      |                 |                |                |
| SK Networks                       |                    |         |                       |              |                     |                     |                      | 100.0%          |                | 85.0%          |
| SK Telecom                        |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK Chemicals                      |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK C                              |                    |         |                       |              |                     |                     |                      |                 | 80.0%          |                |
| SK E&C                            | 45.0%              |         |                       |              |                     |                     |                      |                 |                |                |
| SK Gas                            |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK C&C                            |                    |         |                       | 100.0%       |                     |                     |                      |                 |                |                |
| SK E&S                            |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK Communications                 |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK Broadband                      |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK D&D                            |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK Marketing & Company            |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK Lubricant                      |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK Shipping                       |                    |         |                       |              |                     |                     |                      |                 |                |                |
| SK Planet                         |                    |         | 67.6%                 |              |                     |                     |                      | 64.6%           |                |                |
| SK Hynix                          |                    |         |                       |              |                     |                     |                      |                 |                |                |
| Hynix Engineering                 |                    |         |                       |              |                     |                     |                      |                 |                |                |
| <b>Total affiliated companies</b> | 45.0%              | 92.4%   | 67.6%                 | 100.0%       | 100.0%              | 100.0%              | 64.6%                | 100.0%          | 80.0%          | 85.0%          |

**Table of Contents**

| Investing company                 | Invested companies |               |                       |              |               |                 |               |               |              |                          |
|-----------------------------------|--------------------|---------------|-----------------------|--------------|---------------|-----------------|---------------|---------------|--------------|--------------------------|
|                                   | Commerce Planet    | Real Vest     | SKC Solmics Co., Ltd. | SK Broadband | SK M&C        | Broadband Media | Broadband D&M | Broadband CS  | UBcare       | PyongTaek Energy Service |
| SK Corporation                    |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Innovation                     |                    |               |                       |              | 50.0%         |                 |               |               |              |                          |
| SK Energy                         |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Global Chemical                |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Networks                       |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Telecom                        |                    |               |                       | 50.6%        | 50.0%         |                 |               |               |              |                          |
| SK Chemicals                      |                    |               |                       |              |               |                 |               |               | 44.0%        |                          |
| SK C                              |                    |               | 53.7%                 |              |               |                 |               |               |              |                          |
| SK E&C                            |                    | 100.0%        |                       |              |               |                 |               |               |              |                          |
| SK Gas                            |                    |               |                       |              |               |                 |               |               |              |                          |
| SK C&C                            |                    |               |                       |              |               |                 |               |               |              |                          |
| SK E&S                            |                    |               |                       |              |               |                 |               |               |              | 100.0%                   |
| SK Communications                 |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Broadband                      |                    |               |                       |              |               | 100.0%          | 100.0%        | 100.0%        |              |                          |
| SK D&D                            |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Marketing & Company            |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Lubricant                      |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Shipping                       |                    |               |                       |              |               |                 |               |               |              |                          |
| SK Planet                         | 100.0%             |               |                       |              |               |                 |               |               |              |                          |
| SK Hynix                          |                    |               |                       |              |               |                 |               |               |              |                          |
| Hynix Engineering                 |                    |               |                       |              |               |                 |               |               |              |                          |
| <b>Total affiliated companies</b> | <b>100.0%</b>      | <b>100.0%</b> | <b>53.7%</b>          | <b>50.6%</b> | <b>100.0%</b> | <b>100.0%</b>   | <b>100.0%</b> | <b>100.0%</b> | <b>44.0%</b> | <b>100.0%</b>            |

| Investing company                 | Invested companies |               |                              |                |                            |               |               |               |               |               |
|-----------------------------------|--------------------|---------------|------------------------------|----------------|----------------------------|---------------|---------------|---------------|---------------|---------------|
|                                   | WS Commerce        | Incyto        | Namwon Sarang Electric Power | Jeju United FC | MKS Guarantee PS&Marketing | SK Forest     | Green Biro    | SK Lubricants | Zicos         |               |
| SK Corporation                    |                    |               |                              |                |                            |               |               |               |               |               |
| SK Innovation                     |                    |               |                              |                |                            |               |               |               |               | 100.0%        |
| SK Energy                         |                    |               |                              | 100.0%         |                            |               |               |               |               |               |
| SK Global Chemical                |                    |               |                              |                |                            |               |               |               |               |               |
| SK Networks                       | 100.0%             |               |                              |                |                            |               |               |               |               |               |
| SK Telecom                        |                    |               |                              |                |                            | 100.0%        |               |               |               |               |
| SK Chemicals                      |                    |               |                              |                |                            |               |               |               |               |               |
| SK C                              |                    | 100.0%        |                              |                |                            |               |               |               |               |               |
| SK E&C                            |                    |               |                              |                |                            |               |               |               |               |               |
| SK Gas                            |                    |               |                              |                |                            |               | 100.0%        |               |               |               |
| SK C&C                            |                    |               |                              |                |                            |               |               |               |               |               |
| SK E&S                            |                    |               |                              |                |                            |               |               |               |               |               |
| SK Communications                 |                    |               |                              |                |                            |               |               |               |               |               |
| SK Broadband                      |                    |               |                              |                |                            |               |               |               |               |               |
| SK D&D                            |                    |               | 100.0%                       |                | 100.0%                     |               |               |               |               |               |
| SK Marketing & Company            |                    |               |                              |                |                            |               |               |               |               |               |
| SK Lubricant                      |                    |               |                              |                |                            |               |               |               |               | 100.0%        |
| SK Shipping                       |                    |               |                              |                |                            |               |               |               |               |               |
| SK Planet                         |                    |               |                              |                |                            |               |               |               |               |               |
| SK Hynix                          |                    |               |                              |                |                            |               |               |               |               |               |
| Hynix Engineering                 |                    |               |                              |                |                            |               |               |               |               |               |
| <b>Total affiliated companies</b> | <b>100.0%</b>      | <b>100.0%</b> | <b>100.0%</b>                | <b>100.0%</b>  | <b>100.0%</b>              | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> | <b>100.0%</b> |

**Table of Contents**

| Investing company          | Invested companies |                    |                    |       |                        |             |             |             |         |                           |        |
|----------------------------|--------------------|--------------------|--------------------|-------|------------------------|-------------|-------------|-------------|---------|---------------------------|--------|
|                            | SK Seentec         | Daejeon Pure Water | Gwangju Pure Water | SKW   | Television Media Korea | Network O&S | Service Ace | Service Top | SK Pinx | U base Manufacturing Asia |        |
| SK Corporation             |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Innovation              |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Energy                  |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Global Chemical         |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Networks                |                    |                    |                    |       |                        |             |             |             |         | 100.0%                    |        |
| SK Telecom                 |                    |                    |                    |       |                        | 100.0%      | 100.0%      | 100.0%      |         |                           |        |
| SK Chemicals               | 100.0%             |                    |                    |       |                        |             |             |             |         |                           |        |
| SK C                       |                    |                    |                    | 65.0% |                        |             |             |             |         |                           |        |
| SK E&C                     |                    | 32.0%              | 42.0%              |       |                        |             |             |             |         |                           |        |
| SK Gas                     |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK C&C                     |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK E&S                     |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Communications          |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Broadband               |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK D&D                     |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Marketing & Company     |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Lubricant               |                    |                    |                    |       |                        |             |             |             |         |                           | 100.0% |
| SK Shipping                |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| SK Planet                  |                    |                    |                    |       |                        | 51.0%       |             |             |         |                           |        |
| SK Hynix                   |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| Hynix Engineering          |                    |                    |                    |       |                        |             |             |             |         |                           |        |
| Total affiliated companies |                    | 100.0%             | 32.0%              | 42.0% | 65.0%                  | 51.0%       | 100.0%      | 100.0%      | 100.0%  | 100.0%                    | 100.0% |

| Investing company          | Invested companies |                 |            |            |              |                 |        |        |       |             |  |
|----------------------------|--------------------|-----------------|------------|------------|--------------|-----------------|--------|--------|-------|-------------|--|
|                            | Natruck Friends    | Ulsan Aromatics | SK Biofarm | Service In | SKC Lighting | Gimcheon Energy | SKSM   | PMP    | LC&C  | Speed Motor |  |
| SK Corporation             |                    |                 | 100.0%     |            |              |                 |        |        |       |             |  |
| SK Innovation              |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK Energy                  | 50.0%              |                 |            |            |              |                 |        |        |       |             |  |
| SK Global Chemical         |                    | 50.0%           |            |            |              |                 |        |        |       |             |  |
| SK Networks                |                    |                 |            |            |              |                 |        |        | 79.6% | 100.0%      |  |
| SK Telecom                 |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK Chemicals               |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK C                       |                    |                 |            |            | 65.0%        |                 |        |        |       |             |  |
| SK E&C                     |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK Gas                     |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK C&C                     |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK E&S                     |                    |                 |            |            |              |                 | 50.0%  | 100.0% |       |             |  |
| SK Communications          |                    |                 |            | 100.0%     |              |                 |        |        |       |             |  |
| SK Broadband               |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK D&D                     |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK Marketing & Company     |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK Lubricant               |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK Shipping                |                    |                 |            |            |              |                 |        | 100.0% |       |             |  |
| SK Planet                  |                    |                 |            |            |              |                 |        |        |       |             |  |
| SK Hynix                   |                    |                 |            |            |              |                 |        |        |       |             |  |
| Hynix Engineering          |                    |                 |            |            |              |                 |        |        |       |             |  |
| Total affiliated companies | 50.0%              | 50.0%           | 100.0%     | 100.0%     | 65.0%        | 50.0%           | 100.0% | 100.0% | 79.6% | 100.0%      |  |



**Table of Contents**

| Investing company                 | Invested companies |               |              |                   |              |              |                       |                   |              |              |
|-----------------------------------|--------------------|---------------|--------------|-------------------|--------------|--------------|-----------------------|-------------------|--------------|--------------|
|                                   | SK Planet          | Highway Star  | SK Hynix     | Hynix Engineering | HYTEC        | HYLogitec    | Hynix Human Resources | QRT Semiconductor | Silicon File | Ami Power    |
| SK Corporation                    |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Innovation                     |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Energy                         |                    | 100.0%        |              |                   |              |              |                       |                   |              |              |
| SK Global Chemical                |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Networks                       |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Telecom                        | 100.0%             |               | 21.1%        |                   |              |              |                       |                   |              |              |
| SK Chemicals                      |                    |               |              |                   |              |              |                       |                   |              |              |
| SK C                              |                    |               |              |                   |              |              |                       |                   |              |              |
| SK E&C                            |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Gas                            |                    |               |              |                   |              |              |                       |                   |              |              |
| SK C&C                            |                    |               |              |                   |              |              |                       |                   |              |              |
| SK E&S                            |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Communications                 |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Broadband                      |                    |               |              |                   |              |              |                       |                   |              |              |
| SK D&D                            |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Marketing & Company            |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Lubricant                      |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Shipping                       |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Planet                         |                    |               |              |                   |              |              |                       |                   |              |              |
| SK Hynix                          |                    |               |              | 99.6%             | 99.6%        | 99.6%        | 99.6%                 |                   | 28.8%        | 99.6%        |
| Hynix Engineering                 |                    |               |              |                   |              |              |                       | 100.0%            |              |              |
| <b>Total affiliated companies</b> | <b>100.0%</b>      | <b>100.0%</b> | <b>21.1%</b> | <b>99.6%</b>      | <b>99.6%</b> | <b>99.6%</b> | <b>99.6%</b>          | <b>100.0%</b>     | <b>28.8%</b> | <b>99.6%</b> |

| Investing company                 | Invested companies |              |
|-----------------------------------|--------------------|--------------|
|                                   | Mad Smart          | Telsk        |
| SK Corporation                    |                    |              |
| SK Innovation                     |                    |              |
| SK Energy                         |                    |              |
| SK Global Chemical                |                    |              |
| SK Networks                       |                    |              |
| SK Telecom                        |                    |              |
| SK Chemicals                      |                    |              |
| SK C                              |                    |              |
| SK E&C                            |                    |              |
| SK Gas                            |                    |              |
| SK C&C                            |                    | 99.0%        |
| SK E&S                            |                    |              |
| SK Communications                 |                    |              |
| SK Broadband                      |                    |              |
| SK D&D                            |                    |              |
| SK Marketing & Company            |                    |              |
| SK Lubricant                      |                    |              |
| SK Shipping                       |                    |              |
| SK Planet                         | 100.0%             |              |
| SK Hynix                          |                    |              |
| Hynix Engineering                 |                    |              |
| <b>Total affiliated companies</b> | <b>100.0%</b>      | <b>99.0%</b> |

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

(As of June 30, 2012)

(Unit: Shares, %)

| Name                   | Relationship                  | Type of share | Number of shares owned and ownership ratio |                 |                  |                 |
|------------------------|-------------------------------|---------------|--|-----------------|------------------|-----------------|
|                        |                               |               | Beginning of Period                        |                 | End of Period    |                 |
|                        |                               |               | Number of shares                           | Ownership ratio | Number of shares | Ownership ratio |
| <b>SK Corporation</b>  | Largest Shareholder           | Common share  | 20,363,452                                 | 25.22           | 20,363,452       | 25.22           |
| <b>Tae Won Chey</b>    | Officer of affiliated company | Common share  | 100  | 0.00            | 100              | 0.00            |
| <b>Shin Won Chey</b>   | Officer of affiliated company | Common share  | 2,000                                      | 0.00            | 2,000            | 0.00            |
| <b>Sung Min Ha</b>     | Officer of affiliated company | Common share  | 738  | 0.00            | 738              | 0.00            |
| <b>Bang Hyung Lee*</b> | Officer of affiliated company | Common share  | 200  | 0.00            | 0                | 0.00            |
| <b>Total-</b>          |                               | Common share  | 20,366,490                                 | 25.22           | 20,366,290       | 25.22           |

\* Resigned on January 31, 2012.

**B. Overview of the Largest Shareholder**

SK Corporation is a holding company and as of June 30, 2012, has nine subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK Shipping Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd., SK Biofarm Co., Ltd. and SK Forest Co., Ltd.

Details of SK Corporation's subsidiaries are as follows:

(Unit: in millions of Won)

| Affiliates                     | Share Holdings | Book Value (million Won) | Industry                                  | Description     |
|--------------------------------|----------------|--------------------------|---|-----------------|
| <b>SK Innovation Co., Ltd.</b> | 33.4%          | 3,944,657                | Energy and Petrochemical                  | Publicly Listed |
| <b>SK Telecom Co., Ltd.</b>    | 25.2%          | 3,091,125                | Telecommunication                         | Publicly Listed |
| <b>SK Networks Co., Ltd.</b>   | 39.1%          | 1,165,759                | Trading, Energy Sale                      | Publicly Listed |
| <b>SKC Co., Ltd.</b>           | 42.5%          | 254,632                  | Synthetic Resin Manufacturing             | Publicly Listed |
| <b>SK E&amp;C Co., Ltd.</b>    | 40.0%          | 485,171                  | Construction                              | Privately Held  |
| <b>SK Shipping Co., Ltd.</b>   | 83.1%          | 607,643                  | Ocean Freight                             | Privately Held  |
| <b>SK E&amp;S Co., Ltd.</b>    | 94.1%          | 1,026,307                | Gas Company Holdings and Power Generation | Privately Held  |
| <b>SK Biofarm Co., Ltd.</b>    | 100.0%         | 228,702                  | Biotechnology                             | Privately Held  |
| <b>SK Forest Co., Ltd.**</b>   | 100.0%         | 60,200                   | Forestry and landscaping                  | Privately Held  |

\* The above share holdings are based on common stock holdings as of June 30, 2012.

\*\* Acquired from SK E&amp;C on June 29, 2012.

**Table of Contents**

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, 2011. SK Innovation Co., Ltd., SK Telecom Co., Ltd. and SK Networks Co., Ltd. are three such subsidiaries.

**2. Changes in shareholdings of the Largest Shareholder**

Changes in shareholdings of the largest shareholder are as follows.

(As of June 30, 2012)

(Unit: Shares, %)

| Largest Shareholder | Date of the change in the largest shareholder/<br>Date of change in shareholding | Shares Held | Holding Ratio | Remarks   |
|---------------------|--|-------------|---------------|---|
| SK Corporation      | March 7, 2008  | 18,751,260  | 23.09         | Purchased 1,085,325 shares from SK Networks<br>on March 7, 2008<br>At the 25 <sup>th</sup> General Meeting of Shareholders, elected |
|                     | March 13, 2009   | 18,751,360  | 23.22         | the CEO, Man Won Jung (who owned 100 shares of<br>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<br>Man Won Jung, SK Telecom's CEO, resigned                             |
|                     | March 11, 2011   | 18,750,490  | 23.22         | Shin Bae Kim, SK C&C's CEO, resigned  |
|                     | April. 5, 2011   | 18,749,990  | 23.22         | Dal Sup Shim, an Independent Director, disposed 500 shares  |
|                     | July 8, 2011   | 18,749,990  | 23.22         | Shin Won Chey, SKC's Chairman, purchased 500 shares   |
|                     | August 5, 2011   | 18,750,490  | 23.22         | Shin Won Chey, SKC's Chairman, purchased 500 shares   |
|                     | August 23, 2011  | 18,751,490  | 23.22         | Shin Won Chey, SKC's Chairman, purchased 500 shares   |
|                     | December 21, 2011  | 20,366,490  | 25.22         | SK Corporation purchased 1,615,000 shares   |
|                     | January 31, 2012   | 20,366,290  | 25.22         | Bang Hyung Lee, an officer of an affiliated company with 200 shares, resigned   |

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

**Table of Contents**

**3. Distribution of Shares**

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

(As of June 30, 2012)

(Unit: shares, %)

| Rank   | Name (title)   | Common share     |                 |
|--|----------------|------------------|-----------------|
|  |                | Number of shares | Ownership ratio |
| 1  | Citibank ADR   | 23,938,004       | 29.65           |
| 2  | SK Corporation | 20,363,452       | 25.22           |
| 3  | SK Telecom     | 11,050,712       | 13.69           |
| Shareholdings under the Employee Stock Ownership Program |                | 299,241          | 0.37            |

B. Shareholder Distribution

(As of June 30, 2012)

(Unit: shares, %)

| Classification                       | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Remarks |
|--------------------------------------|------------------------|-----------|------------------|-----------|---------|
| <b>Total minority shareholders *</b> | 32,908                 | 99.97%    | 35,201,362       | 43.60%    |         |

\* Defined as shareholders whose shareholding is less than a hundredth of the total issued and outstanding shares.

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

## A. Domestic Securities Market

(Unit: Won, shares)

| Types                             |                | June<br>2012 | May<br>2012 | April<br>2012 | March<br>2012 | February<br>2012 | January<br>2012 |
|-----------------------------------|----------------|--------------|-------------|---------------|---------------|------------------|-----------------|
| <b>Common stock</b>               | <b>Highest</b> | 142,500      | 138,500     | 126,500       | 146,000       | 145,500          | 143,000         |
|                                   | <b>Lowest</b>  | 134,500      | 120,500     | 120,500       | 131,500       | 136,000          | 134,500         |
| <b>Monthly transaction volume</b> |                | 7,871,677    | 5,027,374   | 4,468,381     | 4,037,305     | 3,970,688        | 4,221,433       |

## B. Foreign Securities Market

## New York Stock Exchange

(Unit: US\$, ADR)

| Types                             |                | June<br>2012 | May<br>2012 | April<br>2012 | March<br>2012 | February<br>2012 | January<br>2012 |
|-----------------------------------|----------------|--------------|-------------|---------------|---------------|------------------|-----------------|
| <b>Depository Receipt</b>         | <b>Highest</b> | 12.10        | 13.59       | 14.13         | 14.60         | 14.45            | 14.08           |
|                                   | <b>Lowest</b>  | 11.38        | 11.44       | 13.25         | 13.51         | 13.40            | 12.90           |
| <b>Monthly transaction volume</b> |                | 31,605,816   | 45,556,433  | 46,985,251    | 40,978,400    | 30,905,000       | 30,029,400      |

**VIII. EMPLOYEES AND MANAGEMENT COMPENSATION****1. EMPLOYEES**

(As of June 30, 2012)

(Unit: persons, in millions of Won)

| Classification |               | Number of employees  |                       |        |       | Average<br>service<br>year | Aggregate<br>wage for the<br>six months<br>ended June<br>30, 2012 | Average<br>wage per<br>person | Remarks |
|----------------|---------------|----------------------|-----------------------|--------|-------|----------------------------|---|-------------------------------|---------|
|                |               | Regular<br>employees | Contract<br>employees | Others | Total |                            |   |                               |         |
|                | <b>Male</b>   | 3,400                | 51                    |        | 3,451 | 12.8                       | 118,995   | 35                            |         |
|                | <b>Female</b> | 509                  | 67                    |        | 576   | 10.6                       | 14,308  | 25                            |         |
|                | <b>Total</b>  | 3,909                | 118                   |        | 4,027 | 12.5                       | 133,303   | 33                            |         |

**Table of Contents****2. Management Compensation**

## A. Amount Approved at the Shareholders Meeting

(Unit: Won million)

| Classification | Number of Directors | Aggregate Amount Approved |
|----------------|---------------------|---------------------------|
| Directors      | 8                   | 12,000                    |

2. Amount Paid

(As of June 30, 3012)

(Unit: Won million)

| Classification          | Number of Directors | Aggregate Amount Paid | Average Amount Paid Per Director |
|-------------------------|---------------------|-----------------------|----------------------------------|
| Insider Directors       | 3                   | 8,726                 | 2,909                            |
| Independent Directors*  | 1                   | 43                    | 43                               |
| Audit Committee Members | 4                   | 161                   | 40                               |
| Total                   | 8                   | 8,930                 |                                  |

\* Excludes Independent Directors who are Audit Committee Members.

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

(As of June 30, 2012)

(Unit: in millions of Won)

| Name (Corporate name) | Relationship       | Account category               | Beginning | Change details |          | Ending | Accrued interest | Remarks |
|-----------------------|--------------------|--------------------------------|-----------|----------------|----------|--------|------------------|---------|
|                       |                    |                                |           | Increase       | Decrease |        |                  |         |
| SK Wyverns            | Affiliated company | Long-term and short-term loans | 1,832     |                |          | 1,832  |                  |         |

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

None.

**B. Transfer of Assets**

(Units: in millions of Won)

| Name (Corporate Name)   | Relation-ship      | Transferred Objects | Purpose of Transfer       | Details          |  | Amount Transferred From Largest Shareholder | Amount Transferred to Largest Shareholder | Remarks |
|-------------------------|--------------------|---------------------|---------------------------|------------------|--|---|---|---------|
|                         |                    |                     |                           | Date of Transfer |  |   |   |         |
| Encar Network Co., Ltd. | Affiliated Company | Used car sale       | Sale of assets not in use | March 21, 2012   |  |   | 60  |         |
|                         |                    | Total               |                           |                  |  |   | 60  |         |

**3. Transactions with Parties with Interests (excluding the Largest Shareholder and Related Persons)****A. Provisional Payment and Loans (including loans on marketable securities)**

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Account category               | Beginning | Change details |          | Ending  | Accrued interest | Remarks |
|-----------------------|--------------|--------------------------------|-----------|----------------|----------|---------|------------------|---------|
|                       |              |                                |           | Increase       | Decrease |         |                  |         |
| Midus and others      | Agency       | Long-term and short-term loans | 118,919   | 120,022        | 138,028  | 100,913 |                  |         |

**Table of Contents**

(Unit: in millions of Won)

| Name (Corporate name)               | Relationship | Account category | Beginning | Change details |          | Ending | Accrued interest | Remarks |
|-------------------------------------|--------------|------------------|-----------|----------------|----------|--------|------------------|---------|
|                                     |              |                  |           | Increase       | Decrease |        |                  |         |
| <b>Daehan Kanggun BeN Co., Ltd.</b> |              | Long-term        |           |                |          |        |                  |         |
|                                     | Investee     | loans            | 22,102    |                |          | 22,102 |                  |         |

**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

None.

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

| Date   | Agenda   | Resolution                                    |
|--|--|---|
|  | 1. Approval of the Financial Statements for the year ended December 31, 2007 | Approved (Cash dividend, Won 8,400 per share) |
|  | 2. Amendment to Articles of Incorporation                                    | Approved                                      |
|  | 3. Approval of Remuneration Limit for Directors                              | Approved (Won 12 billion)                     |
| 24 <sup>th</sup> Fiscal Year Meeting of Shareholders<br>(March 14, 2008) | 4. Election of Directors   | Approved (Shin Bae Kim, Young Ho Park)        |
|  | Election of inside directors   | Approved (Rak Yong Uhm, Jay Young Chung)      |
|  | Election of independent directors  | Approved (Jae Ho Cho)                         |
|  | Election of independent directors as Audit Committee member                  |   |
| 25 <sup>th</sup> Fiscal Year Meeting of Shareholders<br>(March 13, 2009) | 1. Approval of the financial statements for the year ended December 31, 2008 | Approved (Cash dividend, Won 8,400 per share) |
|  | 2. Approval of Remuneration Limit for Directors                              | Approved (Won 12 billion)                     |



## Edgar Filing: SK TELECOM CO LTD - Form 6-K

|  |  |   |
|--|--|---|
|  | 3. Amendment to Company Regulation on Executive Compensation                 | Approved                                      |
|  | 4. Election of Directors   | Approved (Jae Won Chey, Man Won Jung)         |
|  | Election of inside directors   | Approved (Hyun Chin Lim)                      |
|  | Election of independent directors  | Approved (Hyun Chin Lim)                      |
|  | Election of independent directors as Audit Committee member                  |   |
|  | 1. Approval of the financial statements for the year ended December 31, 2009 | Approved (Cash dividend, Won 8,400 per share) |
|  | 2. Amendment to Articles of Incorporation                                    | Approved                                      |
|  | 3. Approval of Remuneration Limit for Directors                              | Approved (Won 12 billion)                     |
| 26 <sup>th</sup> Fiscal Year<br>Meeting of<br>Shareholders<br><br>(March 12, 2010) | 4. Election of Directors   | Approved (Ki Haeng Cho)                       |
|  | Election of inside directors   | Approved (Dal Sup Shim)                       |
|  | Election of independent directors  | Approved (Dal Sup Shim, Jay Young Chung)      |
|  | Election of independent directors as Audit Committee member                  |   |

**Table of Contents**

|   |  |   |
|---|--|---|
|   |  | Approved (Cash dividend, Won 8,400 per share)         |
|   | 1. Approval of the financial statements for the year ended December 31, 2010 | Approved  |
|   | 2. Approval of Remuneration Limit for Directors                              | Approved (Won 12 billion)                             |
| 27 <sup>th</sup> Fiscal Year Meeting of Shareholders                    | 3. Amendment to Company Regulation on Executive Compensation                 | Approved (Sung Min Ha, Jin Woo So)                    |
| (March 11, 2011)  | 4. Election of Directors   | Approved (Rak Young Uhm, Jay Young Chung, Jae Ho Cho) |
|   | Election of inside directors   | Approved (Jay Young Chung, Jae Ho Cho)                |
|   | Election of independent directors  |   |
|   | Election of independent directors as Audit Committee member                  | Approved (Spin-off of SK Planet)                      |
| 1 <sup>st</sup> Extraordinary Meeting of Shareholders (August 31, 2011) | 1. Approval of the Spin-off Plan   | Approved (Jun Ho Kim)                                 |
|   | 2. Election of Directors   | Approved (Cash dividend, Won 8,400 per share)         |
| 28 <sup>th</sup> Fiscal Year Meeting of Shareholders                    | 1. Approval of the financial statements for the year ended December 31, 2011 | Approved  |
| (March 23, 2012)  | 2. Amendment to Articles of Incorporation                                    | Approved (Young Tae Kim)                              |
|   | 3. Election of Directors   | Approved (Dong Seob Jee)                              |
|   | Election of inside directors   |   |

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

Approved (Hyun Chin Lim)

Election of inside directors

Approved (Hyun Chin Lim)

Election of independent directors

Approved (Won 12 billion)

4. Election of an independent director as Audit Committee member

5. Approval of Remuneration Limit for Directors

### 2. Contingent Liabilities

#### [SK Telecom]

##### A. Material Legal Proceedings

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

On May 7, 2010, Korea Music Copyright Association ( KOMCA ) filed a lawsuit with the court demanding that the Company pay KOMCA license fees for the Company s Coloring services. The court rendered a judgment against the Company ordering the Company to pay Won 570 million to KOMCA, which was affirmed by the appellate court on October 26, 2011. The Company appealed to the Supreme Court on November 8, 2011. The Company plans to vigorously defend itself in the Supreme Court by supplementing legal analysis relating to the interpretation of legal actions. 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.

**Table of Contents**

B. Other Matters

(1) Pledged Assets and Covenants

In 2011, SK Broadband, a consolidated subsidiary of the Company, pledged its real estate and short term financial instruments as collateral for one year in connection with the borrowing by Broadband Media, another consolidated subsidiary. As of June 30, 2012, the amount of real estate provided as collateral was as follows: Won 65 billion to Hana Bank, Won 78 billion to IBK Capital and Won 52 billion to Kookmin Bank; the amount of short term financial instruments provided as collateral was as follows: Won 60 billion to Korea Exchange Bank, Won 35 billion to Hana Bank, Won 39 billion to National Agricultural Cooperative Federation and Won 20 billion to Woori Bank.

In addition, in 2011, SK Broadband, a consolidated subsidiary of the Company, pledged its real estate as collateral for one year in connection with the borrowing by Broadband CS, another consolidated subsidiary. As of June 30, 2012, the amount of real estate provided as collateral was Won 16.9 billion to Kookmin Bank.

SK Broadband, a consolidated subsidiary of the Company, has also provided *geun* mortgage amounting to Won 17.4 billion to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

In 2011, PS & Marketing, a consolidated subsidiary of the Company, entered into a loan agreement to borrow up to Won 60 billion of working capital from Shinhan Bank. In connection with the loan agreement, it pledged Won 78 billion of its inventories to Shinhan Bank as collateral.

As of June 30, 2012, SKY Property Mgmt, Ltd. pledged CNY532 million of its buildings and land-use rights as collateral to Korea Exchange Bank and China Merchants Bank in connection with a long-term borrowing of CNY525 million. In the first six months of 2012, SKY Property Mgmt, Ltd. newly borrowed long-term loans of US\$30 million and HKD 234 million from Standard Chartered Bank (HK) Ltd. and pledged its interests in its subsidiary, Shanghai Fujita Tianshan Housing Development Co., Ltd., as collateral.

(2) Payment Guarantee by the Company

The Company is participating in the tactical aeronautics project of the Defense Acquisition Program Administration of Korea (the *DAPA* ), together with Joint Defense Corporation. The Company has guaranteed the payment of Won 4.2 billion that the DAPA has prepaid to Joint Defense Corporation.

**Table of Contents****[SK Broadband]**

## A. Material Legal Proceedings

## (1) SK Broadband as the Plaintiff

(Unit: thousand won)

| Description of Proceedings   | Date of Commencement of Proceedings | Amount of Claim | Status                              |
|--|-------------------------------------|-----------------|-------------------------------------|
| Claim for Cancellation of Korea Fair Trade Commission's Penalty Reassessment | September 2009                      | 1,810,000       | Pending before Supreme Court        |
| Claim relating to Gangnamgu District Office Cable-Burying Project            | March 2010                          | 345,271         | Pending before Supreme Court        |
| Administrative Proceeding relating to Gangnamgu District Office              | April 2010                          | 703,440         | Pending before Administrative Court |
| Claim for Sales Price by Sambo Motors  | April 2011                          | 321,200         | Pending before Appellate Court      |
| Damages Claims against Golden Young and Others                               | April 2011                          | 454,267         | Pending before District Court       |
| Damages Claim relating to Hyundai Construction                               | December 2010                       | 561,283         | Pending before Appellate Court      |
| Other claims and proceedings   |                                     | 265,364         |                                     |
| Total  |                                     | 4,460,825       |                                     |

## (2) SK Broadband as the Defendant

(Unit: thousand won)

| Description of Proceedings                                      | Date of Commencement of Proceedings | Amount of Claim | Status                         |
|---|-------------------------------------|-----------------|--------------------------------|
| Damage Claim by Sun Technology and One Other                    | October 2011                        | 1,006,429       | Pending before Appellate Court |
| Claim for Return of Unfair Benefit from One Call                | October 2010                        | 471,302         | Pending before Appellate Court |
| Damages Claim from Jin Man Cho and One Other                    | January 2011                        | 200,000         | Pending before Appellate Court |
| Claim for Commission by i-Media Valley and Five Other Companies | July 2010                           | 313,764         | Pending before Appellate Court |
| Claim for Commission by Vialty and Four Other Companies         | November 2010                       | 125,000         | Pending before Appellate Court |
| Damage Claim by On-nuri Co., Ltd.                               | December 2011                       | 101,000         | Pending before District Court  |
| Damage Claim by Mac Telecom and Five Other Companies            | January 2012                        | 606,000         | Pending before District Court  |
| Claim for damages by the Seoul Metropolitan Office of Education | March 2012                          | 100,000         | Pending before District Court  |
| Other claims and proceedings                                    |                                     | 64,967          |                                |
| Total   |                                     | 2,988,462       |                                |

**Table of Contents**

The management believes that the final results of the litigations listed above would not have a material impact on the company's financial statements. In addition, in 2011, SK Broadband partly lost in a litigation relating to the leak of personal information at the district court, which ordered SK Broadband to pay damages of Won 5,072 million (out of the plaintiffs' claims of Won 24,689 million), and recognized such damage order as other accounts payable.

(3) Broadband Media as the Defendant

(Unit: thousand Won)

| Description of Proceedings                                      | Date of Commencement<br>of Proceedings | Amount of Claim | Status                         |
|---|--|-----------------|--------------------------------|
| Claim for commission by i-Media Valley and five other companies | July 2010                              | 300,869         | Pending before Appellate Court |
| Total   |  | 300,869         |                                |

**[SK Communications]****A. Material Legal Proceedings**

As of June 30, 2012, the aggregate amount of claim was Won 9,841 million. The management cannot reasonably forecast the outcome of the pending cases.

**[Loen Entertainment]**

The following sets forth the important financial agreements Loen Entertainment has entered into as of June 30, 2012.

| Financial Institution | Amount (Unit: thousand Won) | Type of Agreement |
|-----------------------|-----------------------------|-------------------|
| Hana Bank             | 2,000,000                   | Loan facility     |
| Total                 | 2,000,000                   |                   |

**Table of Contents**

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

**[SK Telecom]**

Due to the Company's ineffective measures taken with respect to phone numbers that are used for sending illegal unsolicited bulk messages, the Korea Communications Commission, on April 8, 2009, ordered the Company to improve its work procedures.

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

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

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

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

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

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

**Table of Contents**

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

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

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

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

On March 14, 2012, the Company received a correctional order from the Fair Trade Commission of Korea for an alleged violation of Article 23 of the Fair Trade Act relating to the handset subsidy practice and distribution of handsets and was imposed a fine of Won 21,928 million. The Company appealed the order and filed a suit with the administrative court. The suit is currently pending.

On February 6, 2012, the Company received three penalty points and was imposed a fine of Won 3 million from the Korea Exchange for a violation of Article 35 of Korea Exchange's disclosure rules. The Company paid the fine and has been taking efforts to prevent a repetitive violation.

On June 21, 2012, the Company received a correctional order from the Korea Communications Commission in connection with its decision on whether the Company had violated regulations related to the safeguarding of location information. The Company plans to work with the Korea Communications Commission to comply with the correction order by the end of 2012.

On July 4, 2012, the Company received a correctional order and a fine of Won 23,987 million from the Fair Trade Commission of Korea for alleged violation of Article 23 of the Fair Trade Act relating to the payment of system management and operation fees. The Company plans to evaluate its legal options after it receives the opinion from the Fair Trade Commission.



**Table of Contents**

A Trial of a former director of the Company is pending with respect to the Company's past transactions.

[SK Broadband]

(1) Violation of the Telecommunications Business Act

Date: May 18, 2012

Subject Company: SK Broadband

Sanction: SK Broadband received a correctional order and a fine of Won 253 million

Reason and relevant law: Violation of Article 50, Paragraph 1, Number 5 of the Telecommunications Business Act and Article 50, Paragraph 1 of the related Enforcement Decree for offering discounts outside the terms and conditions of the subscription agreement to certain subscribers and thereby discriminating against certain subscribers

Status of implementation: Paid the fine, ceased the prohibitive practice, disclosed receiving the correctional order in a newspaper advertisement and changed business practice to prevent reoccurrence.

Company's plan : Continuous management of the company's distribution network and improve the company's distribution structure.

(2) Violation of Accounting Rules

Date: January 20, 2012

Subject Company: SK Broadband

Sanction: SK Broadband was imposed a fine of Won 54 million from the Korea Communications Commission.

Reason and the Relevant Law: Business report for 2010 violated accounting rules under Article 49 of the Telecommunication Business Act.

Status of Implementation: Paid the fine.

Company's Plan: Will improve accounting management system.

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

(3) Violation of the Telecommunication Business Act

Date: November 23, 2011

Subject Company: SK Broadband

Sanction: SK Broadband was imposed a fine of Won 30 million from the Korea Communications Commission.

**Table of Contents**

Reason and the Relevant Law: Violated Telecommunication Business Act by allocating 060 number without prior review and charging fees for the service usage.

Status of Implementation: Paid the fine, stopped the prohibited practice, improved operating procedures and reported the results.

Company's Plan: Will improve operating procedures.

(4) Violation of the Act on Facilitation of the Use of Information Network and Protection of Information

Date: July 14, 2011

Subject: SK Broadband and a former officer of SK Broadband

Sanction: SK Broadband was imposed a fine of Won 15 million and the former officer was imposed a fine of Won 5 million.

Reason and the Relevant Law: Violated Articles 24 and 62 of the Act on Facilitation of the Use of Information Network and Protection of Information by providing subscribers' personal information to telemarketers without subscribers' consents.

Status of Implementation: Paid the fine.

Company's Plan: Provide education to officers and employees and strengthen internal regulations.

(5) Violation of the Telecommunication Business Act

Date: February 21, 2011

Subject Company: SK Broadband

Sanction: SK Broadband was imposed a correction order and a fine of Won 3.2 billion from the Korea Communications Commission.

Reason and the Relevant Law: Improperly discriminated subscribers with respect to the fee reduction in the process of acquiring high-speed Internet subscribers. Violated Article 50 of the Telecommunication Business Act and Article 42 of the Enforcement Decree.

Status of Implementation: Paid the fine, stopped the prohibited practice, published the sanction on newspapers, improved operating procedures and amended the terms of services.

Company's Plan: Continue to monitor marketing networks, improve marketing procedures, distribute incentive items directly and reduce incentive items.

(6) Violation of the Act on Facilitation of the Use of Information Network and Protection of Information

Date: June 10, 2010

Subject Company: SK Broadband

**Table of Contents**

Sanction: SK Broadband was imposed a fine of Won 10 million.

Reason and the Relevant Law: Violated Articles 49 and 62 of the Act on Facilitation of the Use of Information Network and Protection of Information by providing subscribers' personal information to telemarketers without subscribers' consents.

Status of Implementation: Paid the fine.

Company's Plan: Provide education to officers and employees and strengthen internal regulations.  
[SK Communications]

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

**4. Important Matters That Occurred After June 30, 2012**

(1) Interim dividend

On July 25, 2012, the Company's board of directors resolved to declare interim dividends as follows:

| <b>Classification</b>    | <b>Description</b>   |
|--------------------------|--|
| Dividend amount          | Cash dividend of Won 1,000 per share (total dividend amount: Won 69,694,999,000) |
| Market dividend rate     | 0.82%  |
| Record date              | June 30, 2012  |
| Date of dividend payment | Within 20 days following the resolution of the board of directors                |

(2) Acquisition of Broadband D&M Co., Ltd.

On July 13, 2012, in an extraordinary shareholders' meeting, the shareholders of Broadband D&M resolved to sell its power facilities management and new business opening and maintenance services to the Company's subsidiary Network O&S.

On July 26, 2012, in an extraordinary shareholders' meeting, the shareholders of SK Broadband resolved to acquire and merge with Broadband D&M.

**5. Use of Proceeds**

A. Use of Proceeds from Public Offerings

Not applicable.

**Table of Contents**

B. Use of Proceeds from Private Offerings

(Unit: Won million)

| <b>Classification</b> | <b>Closing Date</b> | <b>Proceeds</b> | <b>Planned Use of Proceeds</b>                      | <b>Actual Use of Proceeds</b>   | <b>Reasons for Change</b> |
|-----------------------|---------------------|-----------------|---|---------------------------------|---------------------------|
| Convertible Bonds     | April 7, 2009       | 437,673         | Refinancing of convertible bonds issued in May 2004 | Refinancing and working capital |                           |

**Table of Contents**

**SK TELECOM CO., LTD.**

Condensed Consolidated Interim Financial Statements

(Unaudited)

**June 30, 2012**

(With Independent Auditors' Review Report Thereon)

**Table of Contents**

Contents

|  | <b>Page</b> |
|--|-------------|
| <b><u>Independent Auditors' Review Report</u></b>                                  | 1           |
| <u>Unaudited Condensed Consolidated Interim Statements of Financial Position</u>   | 3           |
| <u>Unaudited Condensed Consolidated Interim Statements of Income</u>               | 6           |
| <u>Unaudited Condensed Consolidated Interim Statements of Comprehensive Income</u> | 8           |
| <u>Unaudited Condensed Consolidated Interim Statements of Changes in Equity</u>    | 9           |
| <u>Unaudited Condensed Consolidated Interim Statements of Cash Flows</u>           | 10          |
| Notes to Unaudited Condensed Interim Consolidated Financial Statements             | 13          |



## **Table of Contents**

### **Independent Auditors' Review Report**

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed consolidated interim financial statements of SK Telecom Co., Ltd. and its subsidiaries (the Group), expressed in Korean won, which comprise the condensed consolidated interim statement of financial position as of June 30, 2012, the condensed consolidated interim statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2012, the condensed consolidated interim statements of changes in equity and cash flows for the six-month period ended June 30, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

We did not review the financial statements of SK Broadband Co., Ltd., a domestic subsidiary, two other domestic subsidiaries and an associate, whose financial statements constitute 26.1% of consolidated total assets as of June 30, 2012, and 15.6% of consolidated total operating revenue for the six-month period ended June 30, 2012. Those financial statements were reviewed by other auditors whose reports have been furnished to us, and our report, insofar as it relates to the amounts included for those subsidiaries and associate, is based solely on the reports of those other auditors.

### **Management's responsibility for the Condensed Interim Financial Statements**

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

### **Auditors' review responsibility**

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

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

### **Conclusion**

Based on our review and the reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial statements referred to above are not prepared, in all material respects, in accordance with K-IFRS No.1034, *Interim Financial Reporting*.

**Table of Contents**

**Other matters**

The condensed consolidated statements of income, comprehensive income for the three-month and six-month periods ended June 30, 2011, and the condensed consolidated statements of changes in equity and cash flows for the six-month period ended June 30, 2011, were reviewed by other auditors and their report thereon, dated August 26, 2011, stated that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial statements referred to above were not prepared, in all material respects, in accordance with K-IFRS No.1034, *Interim Financial Reporting* .

In addition, the consolidated statement of financial position of the Group as of December 31, 2011, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by other auditors and their report thereon, dated March 13, 2012, expressed an unqualified opinion. The accompanying consolidated statement of financial position of the Group as of December 31, 2011, presented for comparative purposes, is not different from that audited by other auditors in all material respects.

The procedures and practices utilized in the Republic of Korea to review such consolidated interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying condensed consolidated financial statements are for use by those knowledgeable about Korean review standards and their application in practice.

KPMG Samjong Accounting Corp.

Seoul, Korea

August 6, 2012

This report is effective as of August 6, 2012, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed consolidated interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Financial Position

As of June 30, 2012 and December 31, 2011

| <i>(In millions of won)</i>           | Note         | June 30,<br>2012  | December 31, 2011 |
|---------------------------------------|--------------|-------------------|-------------------|
| <b>Assets</b>                         |              |                   |                   |
| <b>Current Assets:</b>                |              |                   |                   |
| Cash and cash equivalents             | 28,29        | 1,176,948         | 1,650,794         |
| Short-term financial instruments      | 5,28,29,31   | 506,646           | 979,564           |
| Short-term investment securities      | 8,28,29      | 55,620            | 94,829            |
| Accounts receivable trade, net        | 6,28,29,30   | 1,843,465         | 1,823,170         |
| Short-term loans, net                 | 6,28,29,30   | 86,424            | 100,429           |
| Accounts receivable other, net        | 6,28,29,30   | 612,220           | 908,836           |
| Prepaid expenses                      |              | 102,168           | 118,200           |
| Derivative financial assets           | 19,28,29     | 80,187            | 148,038           |
| Inventories, net                      | 7,31         | 226,429           | 219,590           |
| Advanced payments and other           | 6,8,28,29,30 | 64,340            | 74,029            |
| <b>Total Current Assets</b>           |              | <b>4,754,447</b>  | <b>6,117,479</b>  |
| <b>Non-Current Assets:</b>            |              |                   |                   |
| Long-term financial instruments       | 5,28,29,31   | 7,636             | 7,628             |
| Long-term investment securities       | 8,28,29      | 1,427,870         | 1,537,945         |
| Investments in associates             | 9            | 4,714,676         | 1,384,605         |
| Property and equipment, net           | 10,30,31     | 8,771,148         | 9,030,998         |
| Investment property                   | 11           | 264,701           | 271,086           |
| Goodwill                              | 12           | 1,740,251         | 1,749,933         |
| Intangible assets                     | 13           | 2,834,024         | 2,995,803         |
| Long-term loans, net                  | 6,28,29,30   | 84,751            | 95,565            |
| Long-term accounts receivable other   | 6,28,29      | 694               | 5,393             |
| Long-term prepaid expenses            | 31           | 559,945           | 567,762           |
| Guarantee deposits                    | 6,28,29,30   | 239,322           | 245,218           |
| Long-term derivative financial assets | 19,28,29     | 130,716           | 105,915           |
| Deferred tax assets                   | 26           | 219,269           | 227,578           |
| Other non-current assets              | 6,28,29      | 23,941            | 23,128            |
| <b>Total Non-Current Assets</b>       |              | <b>21,018,944</b> | <b>18,248,557</b> |
| <b>Total Assets</b>                   |              | <b>25,773,391</b> | <b>24,366,036</b> |

See accompanying notes to the unaudited condensed consolidated interim financial statements.

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Financial Position, Continued

As of June 30, 2012 and December 31, 2011

| <i>(In millions of won)</i>                     | Note           | June 30,<br>2012  | December 31, 2011 |
|---|----------------|-------------------|-------------------|
| <b>Liabilities and Equity</b>                   |                |                   |                   |
| <b>Current Liabilities:</b>                     |                |                   |                   |
| Short-term borrowings                           | 14,28,29       | 784,464           | 700,713           |
| Current portion of long-term debt, net          | 14,15,17,28,29 | 366,782           | 1,662,841         |
| Accounts payable trade                          | 28,29,30       | 313,129           | 195,391           |
| Accounts payable other                          | 28,29,30       | 1,192,607         | 1,507,877         |
| Withholdings                                    | 28,29          | 625,385           | 496,860           |
| Accrued expenses                                | 28,29,31       | 921,864           | 744,673           |
| Income tax payable                              | 26             | 166,241           | 293,725           |
| Unearned revenue                                |                | 264,151           | 290,791           |
| Derivative financial liabilities                | 19,28,29       |                   | 4,645             |
| Provisions                                      | 16             | 573,543           | 657,198           |
| Advanced receipt and other                      | 30             | 114,093           | 118,876           |
| <b>Total Current Liabilities</b>                |                | <b>5,322,259</b>  | <b>6,673,590</b>  |
| <b>Non-Current Liabilities:</b>                 |                |                   |                   |
| Debentures, net, excluding current portion      | 14,28,29       | 4,301,168         | 3,229,009         |
| Long-term borrowings, excluding current portion | 14,28,29       | 2,381,325         | 323,852           |
| Long-term payables other                        | 15,28,29,30    | 710,731           | 847,496           |
| Long-term unearned revenue                      |                | 205,540           | 212,172           |
| Finance lease liabilities                       | 17,28,29       | 31,765            | 41,940            |
| Defined benefit obligation                      | 18             | 102,322           | 85,941            |
| Long-term derivative financial liabilities      | 19,28,29       | 23,529            |                   |
| Long-term provisions                            | 16             | 122,524           | 142,361           |
| Other non-current liabilities                   | 28,29,30       | 71,584            | 76,966            |
| <b>Total Non-Current Liabilities</b>            |                | <b>7,950,488</b>  | <b>4,959,737</b>  |
| <b>Total Liabilities</b>                        |                | <b>13,272,747</b> | <b>11,633,327</b> |
| <b>Equity</b>                                   |                |                   |                   |
| Share capital                                   | 1,20           | 44,639            | 44,639            |
| Share deficit                                   | 20,21          | (290,688)         | (285,347)         |
| Retained earnings                               | 22             | 11,500,953        | 11,642,525        |

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Financial Position, Continued

As of June 30, 2012 and December 31, 2011

|  |    |                   |                   |
|--|----|-------------------|-------------------|
| Reserves   | 23 | 216,928           | 260,064           |
| <b>Equity attributable to owners of the Parent Company</b> |    | 11,471,832        | 11,661,881        |
| <b>Non-controlling interests</b>                           |    | 1,028,812         | 1,070,828         |
| <b>Total Equity</b>  |    | <b>12,500,644</b> | <b>12,732,709</b> |
| <b>Total Liabilities and Equity</b>                        |    | <b>25,773,391</b> | <b>24,366,036</b> |

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Income

For the three and six-month periods ended June 30, 2012 and 2011

|   | Note | June 30, 2012                  |                           | June 30, 2011                  |                           |
|---|------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|   |      | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
| <i>(In millions of won except for per share data)</i> |      |                                |                           |                                |                           |
| <b>Continuing operations</b>                          |      |                                |                           |                                |                           |
| <b>Operating revenue:</b>                             |      |                                |                           |                                |                           |
|   | 4,30 |                                |                           |                                |                           |
| Revenue   |      | 4,007,863                      | 7,977,574                 | 4,025,769                      | 7,922,777                 |
| Other operating income                                | 24   | 7,414                          | 23,010                    | 11,819                         | 19,669                    |
| Sub-total   |      | 4,015,277                      | 8,000,584                 | 4,037,588                      | 7,942,446                 |
| <b>Operating expense:</b>                             |      |                                |                           |                                |                           |
|   | 30   |                                |                           |                                |                           |
| Labor cost  |      | 292,918                        | 648,450                   | 253,379                        | 566,965                   |
| Commissions paid                                      |      | 1,548,229                      | 2,962,672                 | 1,417,359                      | 2,768,038                 |
| Depreciation and amortization                         |      | 575,620                        | 1,155,880                 | 583,212                        | 1,149,630                 |
| Network interconnection                               |      | 273,467                        | 569,619                   | 323,503                        | 642,244                   |
| Leased line   |      | 112,824                        | 231,759                   | 110,435                        | 224,329                   |
| Advertising   |      | 99,651                         | 169,554                   | 85,277                         | 140,552                   |
| Rent  |      | 100,393                        | 207,268                   | 93,662                         | 192,934                   |
| Cost of products that have been resold                |      | 299,334                        | 570,770                   | 217,050                        | 403,524                   |
| Other operating expenses                              | 24   | 328,224                        | 634,812                   | 280,817                        | 552,917                   |
| Sub-total   |      | 3,630,660                      | 7,150,784                 | 3,364,694                      | 6,641,133                 |
| <b>Operating income</b>                               | 4    | <b>384,617</b>                 | <b>849,800</b>            | <b>672,894</b>                 | <b>1,301,313</b>          |
| Finance income  | 25   | 54,491                         | 117,992                   | 83,558                         | 327,414                   |
| Finance costs   | 25   | 110,621                        | 216,871                   | 85,320                         | 163,801                   |
| Losses related to investments in associates, net      | 1,9  | 18,014                         | 45,597                    | 9,898                          | 20,709                    |
| <b>Income before income tax</b>                       |      | <b>310,473</b>                 | <b>705,324</b>            | <b>661,234</b>                 | <b>1,444,217</b>          |

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Income, Continued

For the three and six-month periods ended June 30, 2012 and 2011

|   | Note     | June 30, 2012                  |                           | June 30, 2011                  |                           |
|---|----------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|   |          | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
| <i>(In millions of won except for per share data)</i> |          |                                |                           |                                |                           |
| Income tax expense from continuing operations         | 26       | 66,106                         | 150,683                   | 184,526                        | 418,643                   |
| <b>Net income from continuing Operations</b>          |          | <b>244,367</b>                 | <b>554,641</b>            | <b>476,708</b>                 | <b>1,025,574</b>          |
| <b>Discontinued operation</b>                         |          |                                |                           |                                |                           |
| Loss from discontinued operation, net of income taxes | 32       | 123,810                        | 133,704                   | 11,272                         | 22,869                    |
| <b>Net income for the period</b>                      | <b>4</b> | <b>120,557</b>                 | <b>420,937</b>            | <b>465,436</b>                 | <b>1,002,705</b>          |
| Attributable to :                                     |          |                                |                           |                                |                           |
| Owners of the Parent Company                          |          | 143,396                        | 449,820                   | 467,794                        | 1,010,329                 |
| Non-controlling interests                             |          | (22,839)                       | (28,883)                  | (2,358)                        | (7,624)                   |
| <b>Earnings per share</b>                             |          |                                |                           |                                |                           |
| Basic earnings per share                              | 27       | 2,057                          | 6,454                     | 6,580                          | 14,211                    |
| Diluted earnings per share                            | 27       | 1,909                          | 6,221                     | 6,172                          | 13,474                    |
| <b>Earnings per share Continuing operations</b>       |          |                                |                           |                                |                           |
| Basic earnings per share                              | 27       | 3,569                          | 8,101                     | 6,743                          | 14,542                    |
| Diluted earnings per share                            | 27       | 3,372                          | 7,815                     | 6,330                          | 13,795                    |

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2012 and 2011

| <i>(In millions of won)</i>   | Note   | June 30, 2012                  |                           | June 30, 2011                  |                           |
|---|--------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|   |        | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
| <b>Net income for the period</b>                                      |        | <b>120,557</b>                 | <b>420,937</b>            | <b>465,436</b>                 | <b>1,002,705</b>          |
| <b>Other comprehensive income (loss)</b>                              |        |                                |                           |                                |                           |
| Net change in fair value of available-for-sale financial assets       | 23     | (36,267)                       | (50,500)                  | (92,818)                       | (178,148)                 |
| Net change in other comprehensive income of investments in associates | 9, 23  | 742                            | 7,177                     | (5,036)                        | (8,844)                   |
| Gains (losses) on valuation of derivatives                            | 19, 23 | 17,087                         | (894)                     | (35,282)                       | 3,287                     |
| Foreign currency translation differences for foreign operations       | 23     | 7,821                          | (2,496)                   | (9,641)                        | (23,048)                  |
| Actuarial losses, net on defined benefit obligations                  | 18, 22 | (1,254)                        | (4,945)                   | (4,632)                        | (8,225)                   |
|   |        | (11,871)                       | (51,658)                  | (147,409)                      | (214,978)                 |
| <b>Total comprehensive income</b>                                     |        | <b>108,686</b>                 | <b>369,279</b>            | <b>318,027</b>                 | <b>787,727</b>            |
| Total Comprehensive Income Attributable to:                           |        |                                |                           |                                |                           |
| Owners of the Parent Company  |        | 129,098                        | 400,730                   | 324,178                        | 802,086                   |
| Non-controlling interests   |        | (20,412)                       | (31,451)                  | (6,151)                        | (14,359)                  |

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*



**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2012 and 2011

| <i>(In millions of won)</i>     | Share capital | Share premium<br>(deficit) | Controlling interest<br>Retained<br>earnings | Reserves       | Sub-total         | Non-controlling<br>interests | Total equity      |
|---------------------------------|---------------|----------------------------|--|----------------|-------------------|------------------------------|-------------------|
| <b>Balance, January 1, 2011</b> | <b>44,639</b> | <b>(78,953)</b>            | <b>10,721,249</b>                            | <b>643,055</b> | <b>11,329,990</b> | <b>1,078,008</b>             | <b>12,407,998</b> |
| Cash dividends                  |               |                            | (597,198)                                    |                | (597,198)         |                              | (597,198)         |
| Total comprehensive income      |               |                            |  |                |                   |                              |                   |
| Net income                      |               |                            | 1,010,329                                    |                | 1,010,329         | (7,624)                      | 1,002,705         |
| Other comprehensive loss        |               |                            | (8,125)                                      | (200,118)      | (208,243)         | (6,735)                      | (214,978)         |
| Changes in subsidiaries         |               | 6,043                      |  |                | 6,043             | 544                          | 6,587             |
| <b>Balance, June 30, 2011</b>   | <b>44,639</b> | <b>(72,910)</b>            | <b>11,126,255</b>                            | <b>442,937</b> | <b>11,540,921</b> | <b>1,064,193</b>             | <b>12,605,114</b> |
| <b>Balance, January 1, 2012</b> | <b>44,639</b> | <b>(285,347)</b>           | <b>11,642,525</b>                            | <b>260,064</b> | <b>11,661,881</b> | <b>1,070,828</b>             | <b>12,732,709</b> |
| Cash dividends                  |               |                            | (585,438)                                    |                | (585,438)         | (2,144)                      | (587,582)         |
| Total comprehensive income      |               |                            |  |                |                   |                              |                   |
| Net income                      |               |                            | 449,820                                      |                | 449,820           | (28,883)                     | 420,937           |
| Other comprehensive loss        |               |                            | (5,954)                                      | (43,136)       | (49,090)          | (2,568)                      | (51,658)          |
| Changes in subsidiaries         |               | (5,341)                    |  |                | (5,341)           | (8,421)                      | (13,762)          |
| <b>Balance, June 30, 2012</b>   | <b>44,639</b> | <b>(290,688)</b>           | <b>11,500,953</b>                            | <b>216,928</b> | <b>11,471,832</b> | <b>1,028,812</b>             | <b>12,500,644</b> |

See accompanying notes to the unaudited condensed consolidated interim financial statements.

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2012 and 2011

| <i>(In millions of won)</i>                                       | Note | 2012             | 2011             |
|---|------|------------------|------------------|
| <b>Cash flows from operating activities:</b>                      |      |                  |                  |
| Cash generated from operating activities                          |      |                  |                  |
| Net income for the period   |      | 420,937          | 1,002,705        |
| Adjustments for income and expenses                               | 33   | 1,744,239        | 1,592,155        |
| Changes in assets and liabilities related to operating activities | 33   | 197,401          | 960,344          |
| Sub-total   |      | 2,362,577        | 3,555,204        |
| Interest received   |      | 52,141           | 81,278           |
| Dividends received  |      | 22,947           | 20,222           |
| Interest paid   |      | (186,757)        | (158,538)        |
| Income tax paid   |      | (248,509)        | (355,786)        |
| <b>Net cash provided by operating activities</b>                  |      | <b>2,002,399</b> | <b>3,142,380</b> |
| <b>Cash flows from investing activities:</b>                      |      |                  |                  |
| Cash inflows from investing activities:                           |      |                  |                  |
| Decrease in short-term financial instruments, net                 |      | 464,201          |                  |
| Decrease in short-term investment securities, net                 |      | 50,179           | 147,000          |
| Collection of short-term loans                                    |      | 141,971          | 92,562           |
| Decrease in long-term financial instruments, net                  |      |                  | 3                |
| Proceeds from disposal of long-term investment securities         |      | 55,055           | 250,075          |
| Proceeds from disposal of investments in associates               |      | 1,850            | 8,782            |
| Proceeds from disposal of property and equipment                  |      | 6,089            | 13,251           |
| Proceeds from disposal of intangible assets                       |      | 5,429            | 2,711            |
| Collection of long-term loans                                     |      | 5,748            | 8,738            |
| Decrease of deposits  |      | 3,921            |                  |
| Proceeds from disposal of other non-current assets                |      | 47               | 673              |
| Proceeds from disposal of a subsidiary                            |      | 88,641           |                  |
| Sub-total   |      | 823,131          | 523,795          |
| Cash outflows for investing activities:                           |      |                  |                  |
| Increase in short-term investment securities, net                 |      |                  | (206,431)        |
| Increase in other investment securities, net                      |      | (2,000)          |                  |
| Increase in short-term loans                                      |      | (121,122)        | (126,587)        |
| Increase in long-term loans                                       |      | (1,907)          | (2,113)          |

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2012 and 2011

|  |                    |                    |
|--|--------------------|--------------------|
| Increase in long-term financial instruments, net | (9)                | (7,500)            |
| Acquisition of long-term investment securities   | (18,913)           | (276,286)          |
| Acquisition of investments in associates         | (3,109,475)        | (42,338)           |
| Acquisition of property and equipment            | (1,213,409)        | (1,176,383)        |
| Acquisition of investment property               |                    | (61,240)           |
| Acquisition of intangible assets                 | (50,224)           | (38,318)           |
| Increase in deposits                             | (7,477)            |                    |
| Increase in other non-current assets             | (752)              | (17,640)           |
| Acquisition of business                          |                    | (129,190)          |
| Decrease in cash due to disposal                 | (11,867)           |                    |
| <b>Sub-total</b>                                 | <b>(4,537,155)</b> | <b>(2,084,026)</b> |
| <b>Net cash used in investing activities</b>     | <b>(3,714,024)</b> | <b>(1,560,231)</b> |

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2012 and 2011

| <i>(In millions of won)</i>                                   | Note | 2012             | 2011               |
|---|------|------------------|--------------------|
| <b>Cash flows from financing activities:</b>                  |      |                  |                    |
| Cash inflows from financing activities:                       |      |                  |                    |
| Proceeds from short-term borrowings                           |      | 895,404          | 349,018            |
| Issuance of debentures  |      | 688,666          | 363,038            |
| Proceeds from long-term borrowings                            |      | 2,060,180        | 186,734            |
| Cash inflows from settlement of derivatives                   |      | 1,517            |                    |
| Cash inflows from other financial activities                  |      | 48               |                    |
| Increase in cash from the consolidated capital transaction    |      |                  | 6,407              |
| Sub-total   |      | 3,645,815        | 905,197            |
| Cash outflows for financing activities:                       |      |                  |                    |
| Repayment of short-term borrowings                            |      | (810,965)        | (390,012)          |
| Repayment of current portion of long-term debt                |      | (98,278)         | (538,458)          |
| Repayment of bonds payable                                    |      | (888,124)        | (642,160)          |
| Repayment of long-term borrowings                             |      | (5,387)          | (6,990)            |
| Cash outflows from transaction of derivatives                 |      | (5,415)          | (17,695)           |
| Payment of finance lease liabilities                          |      | (10,061)         |                    |
| Payment of dividends  |      | (587,582)        | (597,198)          |
| Cash outflows from other financial activities                 |      | (41)             |                    |
| Decrease in cash from the consolidated capital transaction    |      | (1,025)          |                    |
| Sub-total   |      | (2,406,878)      | (2,192,513)        |
| <b>Net cash provided by (used in) financing activities</b>    |      | <b>1,238,937</b> | <b>(1,287,316)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>   |      | <b>(472,688)</b> | <b>294,833</b>     |
| Cash and cash equivalents at beginning of the period          |      | 1,650,794        | 659,405            |
| Effects of exchange rate changes on cash and cash equivalents |      | (1,158)          | 3,833              |
| Cash and cash equivalents at end of the period                |      | 1,176,948        | 958,071            |

*See accompanying notes to the unaudited condensed consolidated interim financial statements.*

**Table of Contents****1. Reporting Entity**

## (1) General

SK Telecom Co., Ltd. ( the Parent Company ) was incorporated in March 1984 under the laws of Republic of Korea ( Korea ) to engage in providing cellular telephone communication services in Korea. The Parent Company mainly provides wireless telecommunications in Korea. The Parent Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of June 30, 2012, the Parent Company's total issued shares are held by the following:

|   | Number of<br>shares | Percentage of<br>total<br>shares issued (%) |
|---|---------------------|---|
| SK Holdings Co., Ltd.                                   | 20,363,452          | 25.22                                       |
| Tradewinds Global Investors, LLC                        | 3,241,956           | 4.01  |
| Institutional investors and other minority stockholders | 46,089,591          | 57.08                                       |
| Treasury stock  | 11,050,712          | 13.69                                       |
| <b>Total number of shares</b>                           | <b>80,745,711</b>   | <b>100.00</b>                               |

These unaudited condensed consolidated interim financial statements comprise the Parent Company and its subsidiaries (together referred to as the Group and individuals as Group entities ). SK Holdings Co, Ltd. is the Ultimate Controlling Entity of the Parent Company because it has *de facto* control of the Parent Company. An entity is viewed to have *de facto* control when the balance of holdings is dispersed and the other shareholders have not organized their interests in such a way that they exercise more votes than the minority holder.

## (2) List of subsidiaries

The list of subsidiaries as of June 30, 2012 and December 31, 2011 is as follows:

| Subsidiary                              | Location | Primary business                      | Ownership(%)     |                      |
|---|----------|---------------------------------------|------------------|----------------------|
|   |          |                                       | June 30,<br>2012 | December 31,<br>2011 |
| SK Telink Co., Ltd.                     | Korea    | Telecommunication service             | 83.5             | 83.5                 |
| SK Communications Co., Ltd.             | Korea    | Internet website services             | 64.6             | 64.6                 |
| PAXNet Co., Ltd.                        | Korea    | Internet website services             | 59.7             | 59.7                 |
| Loen Entertainment, Inc.                | Korea    | Release of music disc                 | 67.6             | 67.6                 |
| Stonebridge Cinema Fund                 | Korea    | Investment association                | 57.0             | 57.0                 |
| Ntreev Soft Co., Ltd.                   | Korea    | Game software production              |                  | 63.7                 |
| Commerce Planet Co., Ltd.               | Korea    | Online shopping mall operation agency | 100.0            | 100.0                |
| SK Broadband Co., Ltd.                  | Korea    | Telecommunication services            | 50.6             | 50.6                 |
| Broadband D&M Co., Ltd.                 | Korea    | Base station maintenance service      | 100.0            | 100.0                |
| Broadband Media Co., Ltd.               | Korea    | Multimedia TV portal service          | 100.0            | 100.0                |
| Broadband CS Co., Ltd.                  | Korea    | Customer Q&A and Service              | 100.0            | 100.0                |
| K-net Culture and Contents Venture Fund | Korea    | Investment association                | 59.0             | 59.0                 |
| Fitech Focus Limited Partnership II(*)  | Korea    | Investment association                | 66.7             | 66.7                 |
| Open Innovation Fund                    | Korea    | Investment association                | 98.9             | 98.9                 |
| PS&Marketing Corporation                | Korea    | Communications device retail business | 100.0            | 100.0                |
| Service Ace Co., Ltd.                   | Korea    | Customer center management service    | 100.0            | 100.0                |

**Table of Contents****1. Reporting Entity, Continued**

## (2) List of subsidiaries, Continued

| Subsidiary                          | Location     | Primary business                     | Ownership(%)     |                      |
|-------------------------------------|--------------|--------------------------------------|------------------|----------------------|
|                                     |              |                                      | June 30,<br>2012 | December 31,<br>2011 |
| Service Top Co., Ltd.               | Korea        | Customer center management service   | 100.0            | 100.0                |
| Network O&S Co., Ltd.               | Korea        | Base station maintenance service     | 100.0            | 100.0                |
| BNCP Co., Ltd.                      | Korea        | Internet website services            | 100.0            | 100.0                |
| Service-In Co., Ltd.                | Korea        | Database & on-line information       | 100.0            | 100.0                |
|                                     |              | service                              |                  |                      |
| SK Planet Co., Ltd.                 | Korea        | Telecommunication service and new    | 100.0            | 100.0                |
|                                     |              | media business                       |                  |                      |
| SK Telecom China Holdings Co., Ltd. | China        | Equity investment                    | 100.0            | 100.0                |
| SKY Property Mgmt. Ltd.             | China        | Real Estate Investment               | 60.0             | 60.0                 |
| Shenzhen E-eye High Tech Co., Ltd.  | China        | Manufacturing                        | 65.5             | 65.5                 |
| SK China Real Estate Co., Ltd.      | Hong<br>Kong | Real Estate Investment               | 99.4             | 99.4                 |
|                                     |              |                                      |                  |                      |
| SKT Vietnam PTE. Ltd.               | Singapore    | Telecommunication service            | 73.3             | 73.3                 |
| SKT Americas, Inc.                  | USA          | Information gathering and consulting | 100.0            | 100.0                |
| YTK Investment Ltd.                 | Cayman       | Investment Association               | 100.0            | 100.0                |
| Atlas Investment                    | Cayman       | Investment Association               | 100.0            | 100.0                |
| Technology Innovation Partners, LP  | Cayman       | Investment Association               | 100.0            | 100.0                |
| SK Telecom China Fund I L.P.        | Cayman       | Investment Association               | 100.0            | 100.0                |

(\*) Name of the company has been changed from Benex Focus Limited Partnership II to Fitech Focus Limited Partnership II during the six-month period ended June 30, 2012.

In accordance with the accounting policy relating to the scope of consolidation, small-sized subsidiaries including IM Shopping Inc. were excluded from the list of subsidiaries as the effects on the financial statements are not material considering both individual and overall quantitative and qualitative effects, although the Group has ownership interests of more than 50% on those subsidiaries.

**Table of Contents****1. Reporting Entity, Continued**

## (3) Financial information of subsidiaries

Financial information of subsidiaries as of and for the six-month period ended June 30, 2012 is as follows:

(In millions of won)

| Subsidiary                              | Total assets | Total liabilities | Total equity | Revenue   | Net income (loss) |
|---|--------------|-------------------|--------------|-----------|-------------------|
| SK Telink Co., Ltd.                     | 292,649      | 200,450           | 92,199       | 160,370   | (96,405)          |
| SK Communications Co., Ltd.             | 311,840      | 88,539            | 223,301      | 106,169   | (10,294)          |
| PAXNet Co., Ltd.                        | 32,942       | 10,230            | 22,712       | 18,002    | 265               |
| Loen Entertainment, Inc.                | 166,420      | 48,819            | 117,601      | 89,966    | 13,244            |
| Stonebridge Cinema Fund                 | 22,418       | 71                | 22,347       | 74        | 4,613             |
| Commerce Planet Co., Ltd.               | 33,017       | 34,664            | (1,647)      | 24,528    | (64)              |
| SK Broadband Co., Ltd.                  | 2,964,546    | 1,581,629         | 1,382,917    | 1,159,918 | 11,195            |
| Broadband D&M Co., Ltd.                 | 12,723       | 7,964             | 4,759        | 24,579    | 352               |
| Broadband Media Co., Ltd.               | 72,682       | 347,600           | (274,918)    | 40,159    | (8,075)           |
| Broadband CS Co., Ltd.                  | 6,518        | 18,185            | (11,667)     | 36,574    | 154               |
| K-net Culture and Contents Venture Fund | 45,162       | 10                | 45,152       |           | (389)             |
| Fitech Focus Limited Partnership II(*1) | 19,851       | 282               | 19,569       |           | (1,975)           |
| Open Innovation Fund                    | 44,289       | 428               | 43,861       |           | (423)             |
| PS&Marketing Corporation                | 364,259      | 233,715           | 130,544      | 684,966   | (14,358)          |
| Service Ace Co., Ltd.                   | 43,728       | 19,231            | 24,497       | 69,584    | 2,663             |
| Service Top Co., Ltd.                   | 37,658       | 18,915            | 18,743       | 64,645    | 5,024             |
| Network O&S Co., Ltd.                   | 49,127       | 27,103            | 22,024       | 100,243   | 3,337             |
| BNCP Co., Ltd.                          | 25,102       | 7,771             | 17,331       | 15,644    | 273               |
| Service-In Co., Ltd.                    | 3,438        | 939               | 2,499        | 5,387     | 11                |
| SK Planet Co., Ltd.                     | 1,598,876    | 321,812           | 1,277,064    | 494,501   | 23,237            |
| SK Telecom China Holdings Co., Ltd.     | 35,029       | 883               | 34,146       | 11,963    | (147)             |
| SKY Property Mgmt. Ltd.(*2)             | 819,589      | 314,303           | 505,286      | 34,303    | 4,008             |
| Shenzhen E-eye High Tech Co., Ltd.      | 21,937       | 2,747             | 19,190       | 4,326     | 20                |
| SKT Vietnam PTE. Ltd.                   | 41,648       | 9,675             | 31,973       |           | (803)             |
| SKT Americas, Inc.                      | 34,313       | 510               | 33,803       | 6,244     | (7,594)           |
| YTK Investment Ltd.                     | 51,241       |                   | 51,241       |           |                   |
| Atlas Investment(*3)                    | 51,116       | 425               | 50,691       |           | (1,163)           |

(\*1) Name of the company has been changed from Benex Focus Limited Partnership II to Fitech Focus Limited Partnership II during the six-month period ended June 30, 2012.

(\*2) The financial information of Sky Property Mgmt. Ltd. includes the financial information of SK China Real Estate Co., Ltd., a subsidiary of Sky Property Mgmt. Ltd.

(\*3) The financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P. and SK Telecom China Fund I L.P., subsidiaries of Atlas Investment.

**Table of Contents****1. Reporting Entity, Continued**

## (3) Financial information of subsidiaries, Continued

Financial information of subsidiaries as of and for the year ended December 31, 2011 is as follows:

(In millions of won)

| Subsidiary                              | Total assets | Total liabilities | Total equity | Revenue   | Net income (loss) |
|---|--------------|-------------------|--------------|-----------|-------------------|
| SK Telink Co., Ltd.                     | 420,829      | 228,687           | 192,142      | 419,131   | 35,269            |
| SK Communications Co., Ltd.             | 319,948      | 84,282            | 235,666      | 260,573   | (5,041)           |
| PAXNet Co., Ltd.                        | 33,949       | 11,461            | 22,488       | 33,004    | (2,347)           |
| Loen Entertainment, Inc.                | 157,104      | 48,386            | 108,718      | 167,273   | 21,398            |
| Stonebridge Cinema Fund                 | 18,506       | 196               | 18,310       | 21        | 1,069             |
| Ntreev Soft Co., Ltd.                   | 37,529       | 17,304            | 20,225       | 56,029    | 8,707             |
| Commerce Planet Co., Ltd.               | 49,729       | 51,057            | (1,328)      | 75,038    | (556)             |
| SK Broadband Co., Ltd.                  | 3,318,699    | 1,945,825         | 1,372,874    | 2,285,845 | 19,272            |
| Broadband D&M Co., Ltd.                 | 11,872       | 7,399             | 4,473        | 46,433    | (49)              |
| Broadband Media Co., Ltd.               | 89,915       | 356,816           | (266,901)    | 66,526    | (32,214)          |
| Broadband CS Co., Ltd.                  | 6,948        | 18,744            | (11,796)     | 74,104    | 63                |
| K-net Culture and Contents Venture Fund | 48,057       | 16                | 48,041       |           | (113)             |
| Fitech Focus Limited Partnership II(*1) | 21,663       | 285               | 21,378       |           | (10,358)          |
| Open Innovation Fund                    | 44,716       | 432               | 44,284       |           | (427)             |
| PS&Marketing Corporation                | 289,062      | 143,883           | 145,179      | 1,078,925 | (31,820)          |
| Service Ace Co., Ltd.                   | 43,447       | 21,669            | 21,778       | 130,102   | 1,365             |
| Service Top Co., Ltd.                   | 37,165       | 23,255            | 13,910       | 123,366   | 1,829             |
| Network O&S Co., Ltd.                   | 80,249       | 61,555            | 18,694       | 199,653   | 5,646             |
| BNCP Co., Ltd.                          | 28,631       | 11,397            | 17,234       | 17,860    | 1,877             |
| Service-In Co., Ltd.                    | 3,247        | 759               | 2,488        | 6,225     | (12)              |
| SK Planet Co., Ltd.                     | 1,677,730    | 423,903           | 1,253,827    | 279,466   | 11,014            |
| SK Telecom China Holdings Co., Ltd.     | 36,810       | 2,442             | 34,368       | 26,944    | (232)             |
| SKY Property Mgmt. Ltd.(*2)             | 820,639      | 317,038           | 503,601      | 51,204    | 6,386             |
| Shenzhen E-eye High Tech Co., Ltd.      | 23,569       | 3,744             | 19,825       | 14,703    | 2,007             |
| SKT Vietnam PTE. Ltd.                   | 42,539       | 9,769             | 32,770       | 5,519     | 205               |
| SKT Americas, Inc.                      | 42,681       | 1,280             | 41,401       | 18,468    | (14,604)          |
| YTK Investment Ltd.                     | 51,218       |                   | 51,218       |           |                   |
| Atlas Investment(*3)                    | 50,643       | 530               | 50,113       |           | (2,056)           |

(\*1) Name of the company has been changed from Benex Focus Limited Partnership II to Fitech Focus Limited Partnership II during the six-month period ended June 30, 2012.

(\*2) The financial information of Sky Property Mgmt. Ltd. includes the financial information of SK China Real Estate Co., Ltd., a subsidiary of Sky Property Mgmt. Ltd.

(\*3) The financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P. and SK Telecom China Fund I L.P., subsidiaries of Atlas Investment.



---

**Table of Contents**
**1. Reporting Entity, Continued**

## (4) Changes in subsidiaries

There are no subsidiaries that were newly acquired during the six-month period ended June 30, 2012 and the list of subsidiary that is newly excluded during the same period is as follows:

| Subsidiary            | Reason   |
|-----------------------|--|
| Ntreev Soft Co., Ltd. | The Parent Company sold its investment during the period.  |
|                       | The Parent Company sold 2,064,970 shares (ownership interest of 63.7%) of investment in the above subsidiary to NCsoft Corporation and recognized a gain on the disposal of 66,006 million during the six-month period ended June 30, 2012, which is included in losses related to investments in associates, net in the accompanying condensed consolidated statements of income. |

**2. Basis of Preparation**

## (1) Statement of compliance

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting* as part of the period covered by the Group's K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2011. These unaudited condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

## (2) Use of estimates and judgments

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

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended December 31, 2011.

## (3) Common Control Transactions

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

**Table of Contents****3. Significant Accounting Policies**

The accounting policies applied by the Group in these unaudited condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as of and for the year ended December 31, 2011.

**4. Operating Segments**

The Group's operating segments are its business units, which generates separately identifiable revenue and costs, and its discrete financial information is regularly reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The Group's reportable segments are: 1) cellular services, which include cellular voice service, wireless data service and wireless internet services, 2) fixed-line telecommunication services, which include telephone services, internet services, and leased line services and 3) other, which includes the Group's Internet portal services and other operations, which do not meet the quantitative thresholds to be considered reportable segments.

(1) Segment information as of and for the six-month period ended June 30, 2012 is as follows:

| <i>(In millions of won)</i> | Fixed-line        |                            |           | Total segments | Consolidation Adjustments | Consolidated amount |
|-----------------------------|-------------------|----------------------------|-----------|----------------|---------------------------|---------------------|
|                             | Cellular services | Telecommunication Services | Other     |                |                           |                     |
| Total sales                 | 7,005,933         | 1,421,600                  | 811,107   | 9,238,640      | (1,238,056)               | 8,000,584           |
| Internal sales              | 554,199           | 321,679                    | 362,178   | 1,238,056      | (1,238,056)               |                     |
| External sales              | 6,451,734         | 1,099,921                  | 448,929   | 8,000,584      |                           | 8,000,584           |
| Operating income            | 804,009           | 33,389                     | 12,402    | 849,800        |                           | 849,800             |
| Net income (loss)           | 523,844           | (117,359)                  | 14,452    | 420,937        |                           | 420,937             |
| Total assets                | 22,763,618        | 3,347,834                  | 3,339,487 | 29,450,939     | (3,677,548)               | 25,773,391          |
| Total liabilities           | 10,662,153        | 2,154,859                  | 842,107   | 13,659,119     | (386,372)                 | 13,272,747          |

(2) Segment information as of and for the six-month period ended June 30, 2011 is as follows:

| <i>(In millions of won)</i> | Fixed-line        |                            |           | Total segments | Consolidation Adjustments | Consolidated amount |
|-----------------------------|-------------------|----------------------------|-----------|----------------|---------------------------|---------------------|
|                             | Cellular services | Telecommunication Services | Other     |                |                           |                     |
| Total sales                 | 7,021,793         | 1,374,584                  | 300,798   | 8,697,175      | (754,729)                 | 7,942,446           |
| Internal sales              | 406,042           | 287,181                    | 61,506    | 754,729        | (754,729)                 |                     |
| External sales              | 6,615,751         | 1,087,403                  | 239,292   | 7,942,446      |                           | 7,942,446           |
| Operating income            | 1,229,513         | 51,743                     | 20,057    | 1,301,313      |                           | 1,301,313           |
| Net income (loss)           | 1,006,092         | (18,074)                   | 14,687    | 1,002,705      |                           | 1,002,705           |
| Total assets                | 19,599,504        | 3,462,453                  | 1,766,514 | 24,828,471     | (2,216,156)               | 22,612,315          |
| Total liabilities           | 7,538,926         | 2,171,214                  | 549,858   | 10,259,998     | (252,797)                 | 10,007,201          |

**Table of Contents****4. Operating Segments, Continued**

The Group principally operates wireless and fixed-line business in its domestic market in Korea and the amounts outside of Korea are immaterial, therefore no entity-wide geographical information is presented.

**5. Restricted Deposits**

Deposits which are restricted in use as of June 30, 2012 and December 31, 2011 are summarized as follows:

| <i>(In millions of won)</i>          | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--------------------------------------|----------------------|--------------------------|
| Short-term financial instruments(*1) | 233,143              | 232,462                  |
| Long-term financial instruments(*2)  | 7,589                | 7,589                    |
|                                      | 240,732              | 240,051                  |

(\*1) Short-term financial instruments include financial instruments restricted in use in relation to the various charitable contributions and payment guarantee for borrowings which are non-cancellable until maturity.

(\*2) Long-term financial instruments include charitable contributions which are non-cancellable until maturity.

**6. Trade and Other Receivables**

(1) Details of trade and other receivables as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>         | <b>Gross amount</b> | <b>June 30, 2012<br/>Allowances for impairment</b> | <b>Carrying amount</b> |
|-------------------------------------|---------------------|--|------------------------|
| <b>Current assets:</b>              |                     |  |                        |
| Accounts receivable trade           | 2,061,497           | (218,032)  | 1,843,465              |
| Short-term loans                    | 88,305              | (1,881)  | 86,424                 |
| Accounts receivable other           | 672,767             | (60,547)   | 612,220                |
| Accrued income                      | 17,814              | (142)  | 17,672                 |
| Others                              | 448                 |  | 448                    |
|                                     | 2,840,831           | (280,602)  | 2,560,229              |
| <b>Non-current assets:</b>          |                     |  |                        |
| Long-term loans                     | 115,634             | (30,883)   | 84,751                 |
| Long-term accounts receivable other | 694                 |  | 694                    |
| Guarantee deposits                  | 239,322             |  | 239,322                |
| Long-term accounts receivable trade | 13,435              |  | 13,435                 |
|                                     | 369,085             | (30,883)   | 338,202                |
| <b>Total</b>                        | <b>3,209,916</b>    | <b>(311,485)</b>                                   | <b>2,898,431</b>       |

**Table of Contents****6. Trade and Other Receivables, Continued**

| <i>(In millions of won)</i>         | December 31, 2011 |                              | Carrying<br>amount |
|-------------------------------------|-------------------|------------------------------|--------------------|
|                                     | Gross<br>amount   | Allowances for<br>impairment |                    |
| <b>Current assets:</b>              |                   |                              |                    |
| Accounts receivable trade           | 2,063,611         | (240,441)                    | 1,823,170          |
| Short-term loans                    | 102,693           | (2,264)                      | 100,429            |
| Accounts receivable other           | 953,821           | (44,985)                     | 908,836            |
| Accrued income                      | 21,989            | (142)                        | 21,847             |
| Others                              | 462               |                              | 462                |
|                                     | 3,142,576         | (287,832)                    | 2,854,744          |
| <b>Non-current assets:</b>          |                   |                              |                    |
| Long-term loans                     | 126,553           | (30,988)                     | 95,565             |
| Long-term accounts receivable other | 5,393             |                              | 5,393              |
| Guarantee deposits                  | 245,218           |                              | 245,218            |
| Long-term accounts receivable trade | 12,471            |                              | 12,471             |
|                                     | 389,635           | (30,988)                     | 358,647            |
| <b>Total</b>                        | <b>3,532,211</b>  | <b>(318,820)</b>             | <b>3,213,391</b>   |

- (2) The movement in allowance for doubtful accounts in respect of trade and other receivables during the six-month periods ended June 30, 2012 and 2011 was as follows:

| <i>(In millions of won)</i>                 | For the six-month period ended |                |
|---|--------------------------------|----------------|
|   | June 30, 2012                  | June 30, 2011  |
| <b>Balance at January, 1</b>                | 318,820                        | 327,382        |
| Increase of bad debt                        | 46,666                         | 39,182         |
| Reversal of allowance for doubtful accounts | (5,530)                        | (1,939)        |
| Write-off                                   | (66,347)                       | (39,514)       |
| Others(*)                                   | 17,876                         | 4,601          |
| <b>Balance at June, 30</b>                  | <b>311,485</b>                 | <b>329,712</b> |

(\*) Others include collection of receivables written-off, net exchange difference and changes in consolidation scope.

**Table of Contents****6. Trade and Other Receivables, Continued**

- (3) Details of trade and other receivables, overdue but not impaired, and impaired accounts receivable as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                  | June 30, 2012               |                   | December 31, 2011           |                   |
|--|-----------------------------|-------------------|-----------------------------|-------------------|
|  | Accounts receivable - trade | Other receivables | Accounts receivable - trade | Other receivables |
| Accounts receivable                          | 1,537,872                   | 836,378           | 1,417,574                   | 1,287,607         |
| Overdue but not impaired accounts receivable | 59,619                      | 2,779             | 34,030                      | 32,144            |
| Impaired accounts receivable                 | 477,441                     | 295,827           | 624,478                     | 136,378           |
|  | 2,074,932                   | 1,134,984         | 2,076,082                   | 1,456,129         |
| Allowance for doubtful accounts              | (218,032)                   | (93,453)          | (240,441)                   | (78,379)          |
|  | 1,856,900                   | 1,041,531         | 1,835,641                   | 1,377,750         |

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

- (4) The aging of overdue but not impaired accounts receivable as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | June 30, 2012               |                             | December 31, 2011           |                             |
|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|                             | Accounts receivable - trade | Accounts receivable - other | Accounts receivable - trade | Accounts receivable - other |
| Less than 1 month           | 24,362                      | 743                         | 9,125                       | 15,384                      |
| 1 ~ 3 months                | 7,916                       | 171                         | 8,063                       | 3,147                       |
| 3 ~ 6 months                | 11,034                      | 204                         | 4,124                       | 713                         |
| More than 6 months          | 16,307                      | 1,661                       | 12,718                      | 12,900                      |
|                             | 59,619                      | 2,779                       | 34,030                      | 32,144                      |

**7. Inventories**

Details of Inventories as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | June 30, 2012    |                         |                 | December 31, 2011 |                         |                 |
|-----------------------------|------------------|-------------------------|-----------------|-------------------|-------------------------|-----------------|
|                             | Acquisition cost | Write-down of inventory | Carrying amount | Acquisition cost  | Write-down of inventory | Carrying amount |
| Merchandise                 | 211,856          | (3,552)                 | 208,304         | 216,452           | (4,551)                 | 211,901         |
| Finished goods              | 3,657            | (684)                   | 2,973           | 3,371             | (547)                   | 2,824           |
| Work in process             | 101              |                         | 101             | 286               |                         | 286             |
| Raw materials and supplies  | 15,109           | (58)                    | 15,051          | 4,630             | (51)                    | 4,579           |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|       |         |         |         |         |         |         |
|-------|---------|---------|---------|---------|---------|---------|
| Total | 230,723 | (4,294) | 226,429 | 224,739 | (5,149) | 219,590 |
|-------|---------|---------|---------|---------|---------|---------|

**Table of Contents****8. Investment Securities**

(1) Details of short-term investment securities as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                        | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Beneficiary certificates(*)                        | 45,792               | 91,539                   |
| Current portion of long-term investment securities | 9,828                | 3,290                    |
|  | 55,620               | 94,829                   |

(\*) The distributions arising from beneficiary certificates as of June 30, 2012 were accounted for as accrued income.

(2) Details of long-term investment securities as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                             | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|---|----------------------|--------------------------|
| <b>Equity securities:</b>                               |                      |                          |
| Marketable equity securities                            | 1,052,372            | 1,100,847                |
| Unlisted equity securities                              | 74,998               | 97,397                   |
| Equity investments                                      | 225,128              | 281,877                  |
|   | 1,352,498            | 1,480,121                |
| <b>Debt securities:</b>                                 |                      |                          |
| Public bonds(*1)  | 421                  | 413                      |
| Investment bonds(*2)                                    | 84,779               | 60,701                   |
|   | 85,200               | 61,114                   |
| <b>Total</b>  | 1,437,698            | 1,541,235                |
| Less current portion of long-term investment securities | (9,828)              | (3,290)                  |
| <b>Long-term investment securities</b>                  | 1,427,870            | 1,537,945                |

(\*1) Details of maturity for the public bonds as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|-----------------------------|----------------------|--------------------------|
| Less than 1 year            | 45                   | 45                       |
| 1 ~ 5 years                 | 376                  | 368                      |
|                             | 421                  | 413                      |

(\*2) The Group classified convertible bonds of NanoEnTek, Inc. (carrying amount as of June 30, 2012: 16,800 million), which were acquired during the year ended December 31, 2011, as financial assets at fair value through profit or loss. The difference between acquisition cost and fair value is accounted for as finance income (loss).

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

On February 2, 2012, SK Communications Co., Ltd, a subsidiary of the Parent Company, disposed 20,000 million of convertible securities issued by Etoos Co., Ltd. to Shinhan the 2nd Private Investment Company for 19,000 million. In relation to this transaction, the Group recognized a gain on the disposal of available-for-sale financial assets of W 2,812 million.



**Table of Contents****9. Investments in Associates**

(1) Investments in associates accounted for using the equity method as of June 30, 2012 and December 31, 2011 are as follows:

|  | June 30, 2012    |               |                  | December 31, 2011 |                 |
|--|------------------|---------------|------------------|-------------------|-----------------|
|  | Number of shares | Ownership (%) | Acquisition cost | Carrying amount   | Carrying amount |
| <i>(In millions of won, except for share data)</i> |                  |               |                  |                   |                 |
| SK Marketing & Company Co., Ltd.                   | 5,000,000        | 50.0          | 190,000          | 132,951           | 128,320         |
| SK China Company Ltd.                              | 720,000          | 22.5          | 49,529           | 47,569            | 48,488          |
| SK USA, Inc.                                       | 49               | 49.0          | 3,184            | 4,858             | 4,534           |
| Fitech Sector Limited Partnership IV (*1)          | 2,500            | 49.7          | 25,000           | 24,016            | 24,907          |
| F&U Credit information Co., Ltd.                   | 300,000          | 50.0          | 2,410            | 4,694             | 3,565           |
| Korea IT Fund(*2)                                  | 190              | 63.3          | 190,000          | 227,047           | 230,980         |
| JYP Entertainment Corporation                      | 691,680          | 25.5          | 4,150            | 4,201             | 4,008           |
| Konan Technology                                   | 78,550           | 29.5          | 13,456           | 3,910             | 4,760           |
| Etoos Co., Ltd.(*3)                                | 701,000          | 15.6          | 18,993           | 12,650            | 13,928          |
| BMC Digital Culture Contents Fund                  | 100              | 39.8          | 10,000           | 7,549             | 8,415           |
| Wave City Development Co., Ltd. (*3)               | 382,000          | 19.1          | 1,967            |                   | 1,124           |
| IBKC-bmc Cultural Contents Fund                    |                  | 25.0          | 2,500            | 2,320             | 2,326           |
| Hanhwa No.2 Daisy Entertainment Investment Fund    |                  | 20.0          | 2,000            | 1,149             | 1,165           |
| BMC Korea Movie Fund                               | 135              | 46.6          | 13,500           | 14,700            | 13,926          |
| HanaSK Card Co., Ltd.                              | 57,647,058       | 49.0          | 400,000          | 395,119           | 396,553         |
| Television Media Korea Ltd.(*4)                    | 18,564,000       | 51.0          | 18,568           | 13,875            | 15,262          |
| Candle Media Co., Ltd.                             | 21,620,360       | 44.3          | 33,746           | 18,330            | 11,814          |
| NanoEnTek, Inc.(*3)                                | 1,807,130        | 9.3           | 11,000           | 9,695             | 10,470          |
| UNISK(Beijing) Information Technology Co., Ltd.    | 49               | 49.0          | 3,475            | 6,394             | 5,886           |
| PT. Melon Indonesia                                | 4,900,000        | 49.0          | 6,492            | 4,821             | 5,326           |
| Packet One Network                                 | 1,151,556        | 28.2          | 137,751          | 93,429            | 103,408         |
| Mobile Money Venture, LLC                          |                  | 50.0          | 12,762           | 953               | 982             |
| SK Technology Innovation Company                   |                  | 49.0          | 85,873           | 72,703            | 75,974          |
| LightSquared Inc.(*3)                              | 3,387,916        | 3.3           | 72,096           |                   | 49,441          |
| SK Industrial Development China Co., Ltd.          |                  | 35.0          | 83,691           | 83,635            | 83,691          |
| HappyNarae Co., Ltd.(*1)                           | 680,000          | 42.0          | 12,250           | 12,327            | 12,250          |
| SK Hynix Inc.(*5)                                  | 146,100,000      | 21.1          | 3,374,726        | 3,343,788         |                 |
| SK MENA Investment B.V.(*6)                        |                  | 32.1          | 14,485           | 14,692            |                 |
| SK Latin America Investment(*7)                    |                  | 32.1          | 14,243           | 14,243            |                 |
| TR Entertainment and others                        |                  |               | 204,538          | 143,058           | 123,102         |
|  |                  |               | 5,012,385        | 4,714,676         | 1,384,605       |

**Table of Contents****9. Investments in Associates, Continued**

- (\*1) Name of the company has been changed from Benex Sector Limited Partnership IV and MRO Korea Co., Ltd. to Fitech Sector Limited Partnership IV and HappyNarae Co., Ltd., respectively, during the six-month period ended June 30, 2012.
- (\*2) Investment in Korea IT Fund was classified as investment in associates as the Group has less than 50% of voting rights under the contract, and therefore does not have control over Korea IT Fund under the agreement.
- (\*3) The Group classified the investments in Etoos Co., Ltd., Wave City Development Co., Ltd., NanoEnTek, Inc., and LightSquared Inc., as investments in associates as the Group can exercise significant influence on these investees through participation of their board of directors even though the Group has less than 20% of equity interests in those investees.
- (\*4) The Group classified the investments in Television Media Korea Ltd. as investments in associates as the entity is considered a joint venture.
- (\*5) The Group acquired 146,100,000 shares (ownership interest of 21.1%) of SK Hynix Inc. through purchase of existing shares and subscription of new shares at February 14, 2012.
- (\*6) The Group acquired 32.1% of ownership interest of SK MENA Investment B.V. during the six-month period ended June 30, 2012.
- (\*7) The Group acquired 32.1% of ownership interest of SK Latin America Investment during the six-month period ended June 30, 2012.

(2) The market price of investments in listed associates as of June 30, 2012 and December 31, 2011 are as follows:

|  | Market<br>value<br>per<br>share | June 30, 2012       |                 | December 31, 2011            |                     |                 |
|--|---------------------------------|---------------------|-----------------|------------------------------|---------------------|-----------------|
|  |                                 | Number of<br>shares | Market<br>price | Market<br>value per<br>share | Number of<br>shares | Market<br>price |
| <i>(In millions of won, except for share and per share data)</i> |                                 |                     |                 |                              |                     |                 |
| Candle Media Co., Ltd.   | 1,225                           | 21,620,360          | 26,485          | 1,435                        | 11,010,280          | 15,800          |
| NanoEnTek, Inc.  | 4,455                           | 1,807,130           | 8,051           | 4,160                        | 1,807,130           | 7,518           |
| SK Hynix Inc.  | 23,850                          | 146,100,000         | 3,484,485       |                              |                     |                 |

**Table of Contents****9. Investments in Associates, Continued**

(3) The condensed financial information of the investees as of and for the six-month periods ended June 30, 2012 and 2011 is as follows:

As of and for the six-month period ended June 30, 2012

| <i>(In millions of won)</i>                     | <b>Total<br/>assets</b> | <b>Total<br/>liabilities</b> | <b>Total equity</b> | <b>Revenue</b> | <b>Net income<br/>(loss) for the<br/>period</b> |
|---|-------------------------|------------------------------|---------------------|----------------|---|
| SK Marketing & Company Co., Ltd.                | 743,995                 | 478,093                      | 265,902             | 333,275        | 8,398   |
| SK China Company Ltd.                           | 229,358                 | 11,067                       | 218,291             | 32,349         | (2,279)   |
| SK USA, Inc.                                    | 21,436                  | 11,521                       | 9,915               | 6,697          | (235)   |
| Fitech Sector Limited Partnership IV(*1)        | 48,559                  | 472                          | 48,087              | 398            | (498)   |
| F&U Credit information Co., Ltd.                | 15,080                  | 6,613                        | 8,467               | 31,586         | 2,380   |
| Korea IT Fund                                   | 360,444                 |                              | 360,444             |                | 1,969   |
| JYP Entertainment Corporation                   | 20,740                  | 16,112                       | 4,628               | 10,817         | 1,517   |
| Konan Technology                                | 12,598                  | 3,634                        | 8,964               | 3,200          | (2,921)   |
| Etoos Co., Ltd.                                 | 96,428                  | 73,267                       | 23,161              | 52,789         | 596   |
| BMC Digital Culture Contents Fund               | 21,190                  | 161                          | 21,029              | 228            | (94)  |
| Wave City Development Co., Ltd.                 | 123,588                 | 132,150                      | (8,562)             |                | (802)   |
| IBKC-bmc Cultural Contents Fund                 | 9,337                   | 58                           | 9,279               | 93             | (26)  |
| Hanhwa No.2 Daisy Entertainment Investment Fund | 5,846                   | 101                          | 5,745               | 27             | (81)  |
| BMC Korea Movie Fund                            | 31,725                  | 147                          | 31,578              | 1,957          | 1,663   |
| HanaSK Card Co., Ltd.                           | 10,241,729              | 9,525,885                    | 715,844             | 512,668        | (514)   |
| Television Media Korea Ltd.                     | 31,389                  | 4,654                        | 26,735              | 5,611          | (2,700)   |
| Candle Media Co., Ltd.                          | 34,515                  | 9,613                        | 24,902              | 6,665          | (3,185)   |
| NanoEnTek, Inc.                                 | 46,895                  | 19,432                       | 27,463              | 6,387          | (1,778)   |
| UNISK(Beijing) Information Technology Co., Ltd. | 24,183                  | 11,218                       | 12,965              | 10,000         | 1,085   |
| PT. Melon Indonesia                             | 10,912                  | 1,073                        | 9,839               | 585            | (792)   |
| Packet One Network                              | 297,284                 | 222,998                      | 74,286              | 59,214         | (24,863)  |
| Mobile Money Venture, LLC                       | 2,006                   | 99                           | 1,907               | 201            | (57)  |
| SK Technology Innovation Company                | 169,407                 | 17,624                       | 151,783             |                | (5,098)   |
| LightSquared Inc.                               | 4,484,504               | 3,125,885                    | 1,358,619           | 8,343          | (162,631)                                       |
| SK Industrial Development China Co., Ltd.       | 341,529                 | 102,572                      | 238,957             |                | (4,453)   |
| HappyNarae Co., Ltd.(*1)                        | 29,634                  | 20,451                       | 9,183               | 56,951         | 184   |
| SK Hynix Inc.(*2)                               | 19,835,172              | 9,975,570                    | 9,859,602           | 5,020,341      | (324,530)                                       |
| SK MENA Investment B.V.                         | 45,235                  | 2                            | 45,233              |                | 27  |
| SK Latin America Investment                     | 44,437                  |                              | 44,437              |                |   |

(\*1) Name of the company has been changed from Benex Sector Limited Partnership IV and MRO Korea Co., Ltd. to Fitech Sector Limited Partnership IV and HappyNarae Co., Ltd., respectively, during the six-month period ended June 30, 2012.

**Table of Contents****9. Investments in Associates, Continued**

(\*2) Financial information of SK Hynix Inc. used when applying the equity method represents financial information after the acquisition date, February 14, 2012 and revenue and net loss for the period recognized from the acquisition date to June 30, 2012 are 4,068,430 million and 237,283 million, respectively.

|   | As of and for the year ended December 31, 2011 |                   |              |         |                                  |
|---|--|-------------------|--------------|---------|----------------------------------|
| <i>(In millions of won)</i>                     | Total assets                                   | Total liabilities | Total equity | Revenue | Net income (loss) for the period |
| SK Marketing & Company Co., Ltd.                | 753,508  | 496,867           | 256,641      | 652,749 | 21,543                           |
| SK China Company, Ltd.                          | 281,579  | 58,124            | 223,455      | 43,526  | 4,542                            |
| SK USA, Inc.                                    | 20,184   | 10,932            | 9,252        | 10,623  | (2,133)                          |
| Fitech Sector Limited Partnership IV(*)         | 50,357   | 478               | 49,879       |         | (1,717)                          |
| F&U Credit information Co., Ltd.                | 13,511   | 7,303             | 6,208        | 50,554  | 110                              |
| Korea IT Fund                                   | 364,706  |                   | 364,706      |         | 10,502                           |
| JYP Entertainment Corporation                   | 17,467   | 14,424            | 3,043        | 17,722  | 407                              |
| Konan Technology                                | 15,507   | 3,622             | 11,885       | 11,790  | 651                              |
| Etoos Co., Ltd.                                 | 69,994   | 67,889            | 2,105        | 107,174 | (743)                            |
| BMC Digital Culture Contents Fund               | 21,288   | 166               | 21,122       | 187     | (621)                            |
| Wave City Development Co., Ltd.                 | 129,768  | 123,882           | 5,886        | 431     | (1,399)                          |
| IBKC-bmc Cultural Contents Fund                 | 9,387  | 82                | 9,305        | 638     | 106                              |
| Hanhwa No.2 Daisy                               |  |                   |              |         |                                  |
| Entertainment Investment Fund                   | 5,877  | 51                | 5,826        | 92      | (1,518)                          |
| BMC Korea Movie Fund                            | 30,068   | 153               | 29,915       | 4,690   | 1,019                            |
| HanaSK Card Co., Ltd.                           | 9,810,720                                      | 9,094,326         | 716,394      | 849,719 | 25,593                           |
| Television Media Korea Ltd.                     | 34,606   | 5,150             | 29,456       | 4,919   | (6,481)                          |
| Candle Media Co., Ltd.                          | 25,978   | 5,588             | 20,390       | 27,494  | (5,650)                          |
| NanoEnTek, Inc.                                 | 52,649   | 20,379            | 32,270       | 13,088  | (8,809)                          |
| UNISK(Beijing) Information Technology Co., Ltd. | 20,401   | 8,388             | 12,013       | 16,028  | 1,202                            |
| PT. Melon Indonesia                             | 12,112   | 1,242             | 10,870       | 803     | (1,860)                          |
| Packet One Network                              | 269,362  | 197,049           | 72,313       | 99,918  | (72,307)                         |
| Mobile Money Venture, LLC                       | 2,191  | 227               | 1,964        | 6,294   | 1,189                            |
| SK Technology Innovation Company                | 159,745  | 4,695             | 155,050      |         | (11,556)                         |
| LightSquared Inc.                               | 4,647,136                                      | 3,125,885         | 1,521,251    | 33,374  | (669,558)                        |
| HappyNarae Co., Ltd.(*)                         | 31,335   | 22,095            | 9,240        | 124,986 | 1,001                            |

(\* ) Name of the company has been changed from Benex Sector Limited Partnership IV and MRO Korea Co., Ltd. to Fitech Sector Limited Partnership IV and HappyNarae Co., Ltd., respectively, during the six-month period ended June 30, 2012.

**Table of Contents****9. Investments in Associates, Continued**

- (4) Details of changes in investments in associates accounted for using the equity method for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>                     | For the six-month period ended June 30, 2012 |             |          |                           |                            |                 |                           | Ending balance |
|---|--|-------------|----------|---------------------------|----------------------------|-----------------|---------------------------|----------------|
|   | Beginning balance                            | Acquisition | Disposal | Share of profits (losses) | Other comprehensive income | Impairment loss | Other increase (decrease) |                |
| SK Marketing & Company Co., Ltd.                | 128,320                                      |             |          | 4,896                     | (265)                      |                 |                           | 132,951        |
| SK China Company, Ltd.                          | 48,488                                       |             |          | (716)                     | (203)                      |                 |                           | 47,569         |
| SK USA, Inc.                                    | 4,534  |             |          | 259                       | 65                         |                 |                           | 4,858          |
| Fitech Sector Limited Partnership IV(*)         | 24,907                                       |             |          | (239)                     | (652)                      |                 |                           | 24,016         |
| F&U Credit information Co., Ltd.                | 3,565  |             |          | 1,129                     |                            |                 |                           | 4,694          |
| Korea IT Fund                                   | 230,980                                      |             |          | (4,253)                   | 320                        |                 |                           | 227,047        |
| JYP Entertainment Corporation                   | 4,008  |             |          | 250                       | (57)                       |                 |                           | 4,201          |
| Konan Technology                                | 4,760  |             |          | (850)                     |                            |                 |                           | 3,910          |
| Etoos Co., Ltd.                                 | 13,928                                       |             |          | (1,278)                   |                            |                 |                           | 12,650         |
| BMC Digital Culture Contents Fund               | 8,415  |             |          | (866)                     |                            |                 |                           | 7,549          |
| Wave City Development Co., Ltd.                 | 1,124  |             |          | (1,124)                   |                            |                 |                           |                |
| IBKC-bmc Cultural Contents Fund                 | 2,326  |             |          | (6)                       |                            |                 |                           | 2,320          |
| Hanhwa No.2 Daisy Entertainment Investment Fund | 1,165  |             |          | (16)                      |                            |                 |                           | 1,149          |
| BMC Korea Movie Fund                            | 13,926                                       |             |          | 774                       |                            |                 |                           | 14,700         |
| HanaSK Card Co., Ltd.                           | 396,553                                      |             |          | (1,448)                   | 14                         |                 |                           | 395,119        |
| Television Media Korea Ltd.                     | 15,262                                       |             |          | (1,387)                   |                            |                 |                           | 13,875         |
| Candle Media Co., Ltd.                          | 11,814                                       | 8,000       | (588)    | (1,070)                   | 174                        |                 |                           | 18,330         |
| NanoEnTek, Inc.                                 | 10,470                                       |             |          | (864)                     | 89                         |                 |                           | 9,695          |
| UNISK(Beijing) Information Technology Co., Ltd. | 5,886  |             |          | 747                       | (239)                      |                 |                           | 6,394          |
| PT. Melon Indonesia                             | 5,326  |             |          | (304)                     | (201)                      |                 |                           | 4,821          |
| Packet One Network                              | 103,409                                      |             |          | (9,999)                   | 20                         |                 |                           | 93,429         |
| Mobile Money Venture, LLC                       | 982  |             |          | (18)                      |                            |                 | (11)                      | 953            |
| SK Technology Innovation Company                | 75,974                                       |             |          | (3,246)                   | (25)                       |                 |                           | 72,703         |
| LightSquared Inc.                               | 49,441                                       |             |          | (10,571)                  | 1,513                      | (40,383)        |                           |                |
| SK Industrial Development China Co., Ltd.       | 83,691                                       |             |          | 472                       | (528)                      |                 |                           | 83,635         |
| HappyNarae Co., Ltd.(*)                         | 12,250                                       |             |          | 96                        | (19)                       |                 |                           | 12,327         |
| SK Hynix Inc.                                   |  | 3,374,725   |          | (37,865)                  | 6,928                      |                 |                           | 3,343,788      |
| SK MENA Investment B.V.                         |  | 14,485      |          | 7                         | 200                        |                 |                           | 14,692         |
| SK Latin America Investment                     |  | 14,243      |          |                           |                            |                 |                           | 14,243         |
| TR Entertainment and others                     | 123,100                                      | 23,307      | (1,850)  | (3,141)                   | 36                         |                 | 1,606                     | 143,058        |
|   | 1,384,605                                    | 3,434,760   | (2,438)  | (70,632)                  | 7,169                      | (40,383)        | 1,595                     | 4,714,676      |

**Table of Contents****9. Investments in Associates, Continued**

(\*) Name of the company has been changed from Benex Sector Limited Partnership IV and MRO Korea Co., Ltd. to Fitech Sector Limited Partnership IV and HappyNarae Co., Ltd., respectively, during the six-month period ended June 30, 2012.

|   | For the six-month period ended June 30, 2011 |             |          |                          |                            |                           |                |
|---|--|-------------|----------|--------------------------|----------------------------|---------------------------|----------------|
| (In millions of won)                            | Beginning balance                            | Acquisition | Disposal | Share of profits(losses) | Other comprehensive income | Other increase (decrease) | Ending balance |
| SK Marketing & Company Co., Ltd.                | 117,905                                      |             |          | 3,972                    |                            | (462)                     | 121,415        |
| SK China Company, Ltd.                          | 46,573                                       |             |          | 65                       | (2,531)                    |                           | 44,107         |
| SK USA, Inc.                                    | 5,972  |             |          | (343)                    | (292)                      |                           | 5,337          |
| Fitech Sector Limited Partnership IV(*)         | 24,953                                       |             |          | (878)                    | (214)                      |                           | 23,861         |
| F&U Credit information Co., Ltd.                | 4,529  |             |          | 27                       |                            |                           | 4,556          |
| Korea IT Fund                                   | 226,633                                      |             |          | 5,455                    | 1,144                      |                           | 233,232        |
| JYP Entertainment Corporation                   | 4,150  |             |          | (88)                     |                            |                           | 4,062          |
| Konan Technology                                | 4,410  |             |          | (466)                    |                            |                           | 3,944          |
| Etoos Co., Ltd.                                 | 14,339                                       |             |          | (122)                    | 299                        |                           | 14,516         |
| BMC Digital Culture Contents Fund               | 8,925  |             |          | (346)                    |                            |                           | 8,579          |
| Wave City Development Co., Ltd.                 | 1,392  |             |          | (191)                    |                            |                           | 1,201          |
| IBKC-bmc Cultural Contents Fund                 | 2,292  |             |          | 15                       |                            |                           | 2,307          |
| Hanhwa No.2 Daisy Entertainment Investment Fund | 2,008  |             |          | (547)                    |                            |                           | 1,461          |
| BMC Korea Movie Fund                            | 13,977                                       |             |          | (71)                     |                            |                           | 13,906         |
| HanaSK Card Co., Ltd.                           | 386,417                                      |             |          | (949)                    | 115                        |                           | 385,583        |
| BNCP Co., Ltd.                                  | 7,264  |             |          |                          |                            |                           | 7,264          |
| Television Media Korea Ltd.                     | 18,568                                       |             |          | (425)                    |                            |                           | 18,143         |
| Candle Media Co., Ltd.                          | 19,313                                       |             |          |                          | 320                        | 291                       | 19,924         |
| NanoEnTek, Inc.                                 |  | 11,000      |          | (133)                    | 17                         |                           | 10,884         |
| UNISK(Beijing) Information Technology Co., Ltd. | 4,714  |             |          | 330                      | (185)                      |                           | 4,859          |
| PT. Melon Indonesia                             | 6,210  |             |          | (289)                    | (65)                       |                           | 5,856          |
| Packet One Network                              | 116,160                                      |             |          | (15,059)                 | (1,489)                    |                           | 99,612         |
| Mobile Money Venture, LLC                       | 3,206  |             |          | (1,155)                  |                            | (146)                     | 1,905          |
| SK Technology Innovation Company                | 25,052                                       |             |          | (2,269)                  | (1,282)                    |                           | 21,501         |
| Lightsquared Inc.                               | 72,096                                       |             |          | (7,903)                  | (2,864)                    |                           | 61,329         |
| SK Wyverns Baseball Club Co., Ltd. and others   | 67,634                                       | 31,338      | (2,320)  | (733)                    | (2,374)                    | 1,407                     | 94,952         |
|   | 1,204,692                                    | 42,338      | (2,320)  | (22,103)                 | (9,401)                    | 1,090                     | 1,214,296      |

(\*) Name of the company has been changed from Benex Sector Limited Partnership IV to Fitech Sector Limited Partnership IV during the six-month period ended June 30, 2012.

**Table of Contents****9. Investments in Associates, Continued**

- (5) As the Group discontinued the application of the equity method due to the carrying amount of the Group's share being reduced to zero, the unrecognized accumulated equity losses as of June 30, 2012 are as follows:

| <i>(In millions of won)</i>           | Unrealized loss | Unrealized change in equity |
|---------------------------------------|-----------------|-----------------------------|
| SK Wyverns Baseball Club Co., Ltd.    | 1,099           |                             |
| ULand Company Limited                 | 496             | 50                          |
| Cyworld Holdings Hong Kong and others | 2,937           | 333                         |
|                                       | 4,532           | 383                         |

There is no unrealized change in equity which has not been recognized for the six-month period ended June 30, 2012.

**10. Property and Equipment**

- (1) Property and equipment as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | Acquisition cost | June 30, 2012<br>Accumulated |                 | Carrying amount | December 31, 2011<br>Carrying amount |
|-----------------------------|------------------|------------------------------|-----------------|-----------------|--------------------------------------|
|                             |                  | depreciation                 | impairment loss |                 |                                      |
| Land                        | 734,639          |                              |                 | 734,639         | 730,361                              |
| Buildings                   | 1,518,900        | (551,763)                    |                 | 967,137         | 989,078                              |
| Structures                  | 594,260          | (302,265)                    |                 | 291,995         | 301,115                              |
| Machinery                   | 22,077,404       | (16,424,616)                 | (109,926)       | 5,542,862       | 5,493,572                            |
| Other                       | 1,626,978        | (950,829)                    | (462)           | 675,687         | 711,461                              |
| Construction in progress    | 558,828          |                              |                 | 558,828         | 805,411                              |
|                             | 27,111,009       | (18,229,472)                 | (110,388)       | 8,771,148       | 9,030,998                            |

- (2) Changes in property and equipment for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2012 |             |          |           |              |               |         | Change of consolidation scope | Ending balance |
|-----------------------------|--|-------------|----------|-----------|--------------|---------------|---------|-------------------------------|----------------|
|                             | Beginning balance                            | Acquisition | Disposal | Transfer  | Depreciation | Impairment(*) |         | Ending balance                |                |
| Land                        | 730,361                                      | 2           | (956)    | 5,232     |              |               |         | 734,639                       |                |
| Buildings                   | 989,078                                      | 340         | (1,178)  | 5,455     | (26,558)     |               |         | 967,137                       |                |
| Structures                  | 301,115                                      | 2,808       | (4)      | 5,615     | (17,539)     |               |         | 291,995                       |                |
| Machinery                   | 5,493,572                                    | 112,916     | (3,638)  | 904,156   | (856,145)    | (107,999)     |         | 5,542,862                     |                |
| Other                       | 711,461                                      | 743,763     | (1,422)  | (714,884) | (61,228)     | (448)         | (1,555) | 675,687                       |                |
| Construction in progress    | 805,411                                      | 353,580     | (811)    | (595,113) |              | (4,239)       |         | 558,828                       |                |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|           |           |         |           |           |           |         |           |
|-----------|-----------|---------|-----------|-----------|-----------|---------|-----------|
| 9,030,998 | 1,213,409 | (8,009) | (389,539) | (961,470) | (112,686) | (1,555) | 8,771,148 |
|-----------|-----------|---------|-----------|-----------|-----------|---------|-----------|



**Table of Contents****10. Property and Equipment, Continued**

(\*) The Group recognized 108,899 million of impairment loss on property and equipment in relation to the discontinuance of the Digital Multimedia Broadcasting service and included the amount in profit (loss) from discontinued operation.

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2011 |             |          |           |              | Ending balance |
|-----------------------------|--|-------------|----------|-----------|--------------|----------------|
|                             | Beginning balance                            | Acquisition | Disposal | Transfer  | Depreciation |                |
| Land                        | 707,970                                      | 2,109       | (1,947)  | (2,304)   |              | 705,828        |
| Buildings                   | 1,018,508                                    | 14,829      | (5,941)  | 1,852     | (26,609)     | 1,002,639      |
| Structures                  | 242,125                                      | 6,774       | (4)      | 1,099     | (15,805)     | 234,189        |
| Machinery                   | 5,167,143                                    | 86,188      | (4,662)  | 660,340   | (849,343)    | 5,059,666      |
| Other                       | 570,187                                      | 623,915     | (1,523)  | (452,137) | (49,485)     | 690,957        |
| Construction in progress    | 447,480                                      | 658,870     | (4,923)  | (253,170) |              | 848,257        |
|                             | 8,153,413                                    | 1,392,685   | (19,000) | (44,320)  | (941,242)    | 8,541,536      |

**11. Investment Property**

(1) Investment property as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | June 30, 2012    |                          |                 | December 31, 2011 |
|-----------------------------|------------------|--------------------------|-----------------|-------------------|
|                             | Acquisition cost | Accumulated depreciation | Carrying amount | Carrying amount   |
| Land                        | 23,182           |                          | 23,182          | 23,153            |
| Buildings                   | 293,344          | (51,825)                 | 241,519         | 247,933           |
|                             | 316,526          | (51,825)                 | 264,701         | 271,086           |

(2) Changes in investment property for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2012 |          |              |                |
|-----------------------------|--|----------|--------------|----------------|
|                             | Beginning balance                            | Transfer | Depreciation | Ending balance |
| Land                        | 23,153                                       | 29       |              | 23,182         |
| Buildings                   | 247,933                                      | (2,627)  | (3,787)      | 241,519        |
|                             | 271,086                                      | (2,598)  | (3,787)      | 264,701        |

*(In millions of won)*

For the six-month period ended June 30, 2011  
Acquisition      Transfer      Depreciation

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|           | <b>Beginning<br/>balance</b> |        |         |         | <b>Ending<br/>balance</b> |
|-----------|------------------------------|--------|---------|---------|---------------------------|
| Land      | 29,179                       |        | 2,305   |         | 31,484                    |
| Buildings | 168,128                      | 61,240 | (4,834) | (3,002) | 221,532                   |
|           | 197,307                      | 61,240 | (2,529) | (3,002) | 253,016                   |

**Table of Contents****11. Investment Property, Continued**

(3) Details of fair value of investment property as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | <b>June 30, 2012</b>   |                   | <b>December 31, 2011</b> |                   |
|-----------------------------|------------------------|-------------------|--------------------------|-------------------|
|                             | <b>Carrying amount</b> | <b>Fair value</b> | <b>Carrying amount</b>   | <b>Fair value</b> |
| Land                        | 23,182                 | 40,590            | 23,153                   | 40,540            |
| Buildings                   | 241,519                | 265,737           | 247,933                  | 272,794           |
|                             | 264,701                | 306,327           | 271,086                  | 313,334           |

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

**12. Goodwill**

(1) Goodwill as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                               | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|---|----------------------|--------------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | 1,306,236            | 1,306,236                |
| Goodwill related to acquisition of SK Broadband Co., Ltd. | 358,443              | 358,443                  |
| Other goodwill  | 75,572               | 85,254                   |
|   | 1,740,251            | 1,749,933                |

(2) Details of changes in goodwill for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>                                | <b>For the six-month period ended</b> |                      |
|--|---------------------------------------|----------------------|
|  | <b>June 30, 2012</b>                  | <b>June 30, 2011</b> |
| Beginning balance  | 1,749,933                             | 1,736,649            |
| Goodwill increase (decrease) due to acquisition (disposal) | (9,685)                               | 18,389               |
| Other increase (decrease)(*)                               | 3                                     | (177)                |
|  | 1,740,251                             | 1,754,861            |

(\*) Other increase (decrease) represents effects of exchange rate change in relation to the foreign subsidiaries.

**Table of Contents****13. Intangible Assets**

(1) Intangible assets as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | June 30, 2012    |                          |                        | December 31, 2011 |                 |
|-----------------------------|------------------|--------------------------|------------------------|-------------------|-----------------|
|                             | Acquisition cost | Accumulated depreciation | Accumulated impairment | Carrying amount   | Carrying amount |
| Frequency use rights        | 2,837,385        | (1,014,304)              | (2,907)                | 1,820,174         | 1,889,102       |
| Land use rights             | 40,725           | (22,514)                 |                        | 18,211            | 19,327          |
| Industrial rights           | 89,048           | (27,782)                 | (6)                    | 61,260            | 59,473          |
| Development costs           | 179,087          | (154,630)                | (6,526)                | 17,931            | 20,961          |
| Facility usage rights       | 139,027          | (73,241)                 |                        | 65,786            | 69,491          |
| Customer relations          | 99,217           | (4,009)                  |                        | 95,208            | 141,819         |
| Memberships(*1)             | 116,485          |                          |                        | 116,485           | 117,711         |
| Other(*2)                   | 2,302,776        | (1,650,311)              | (13,496)               | 638,969           | 677,919         |
|                             | 5,803,750        | (2,946,791)              | (22,935)               | 2,834,024         | 2,995,803       |

(\*1) Memberships are classified as intangible assets with indefinite useful life and are not amortized.

(\*2) Other intangible assets consist of computer software and usage rights to a research facility which the Group built and donated to a university which in turn the Group is given rights-to-use for a definite number of years.

(2) Details of changes in intangible assets for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2012 |             |          |          |              |                |                               | Ending balance |
|-----------------------------|--|-------------|----------|----------|--------------|----------------|-------------------------------|----------------|
|                             | Beginning balance                            | Acquisition | Disposal | Transfer | Amortization | Impairment (*) | Change of consolidation scope |                |
| Frequency use rights        | 1,889,102                                    | 16,659      |          |          | (82,680)     | (2,907)        |                               | 1,820,174      |
| Land use rights             | 19,327                                       | 2,382       | (80)     |          | (3,418)      |                |                               | 18,211         |
| Industrial rights           | 59,473                                       | 3,659       |          | 477      | (2,295)      | (6)            | (48)                          | 61,260         |
| Development costs           | 20,961                                       | 755         |          |          | (3,785)      |                |                               | 17,931         |
| Facility usage rights       | 69,491                                       | 385         | (41)     | 13       | (4,062)      |                |                               | 65,786         |
| Customer relations          | 141,819                                      | 145         |          |          | (46,756)     |                |                               | 95,208         |
| Memberships                 | 117,711                                      | 2,500       | (2,942)  |          |              |                | (784)                         | 116,485        |
| Other                       | 677,919                                      | 31,747      | (2,570)  | 84,455   | (141,613)    | (9,260)        | (1,709)                       | 638,969        |
|                             | 2,995,803                                    | 58,232      | (5,633)  | 84,945   | (284,609)    | (12,173)       | (2,541)                       | 2,834,024      |

(\*) The Group recognized 12,101 million of impairment loss on intangible assets in relation to the frequency use rights of the discontinuance of Digital Multimedia Broadcasting service and included the amount in profit (loss) from discontinued operation.

**Table of Contents****13. Intangible Assets, Continued**

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2011 |             |          |          |              |            | Ending<br>balance |
|-----------------------------|--|-------------|----------|----------|--------------|------------|-------------------|
|                             | Beginning<br>balance                         | Acquisition | Disposal | Transfer | Amortization | Impairment |                   |
| Frequency use rights        | 709,043                                      |             |          | (469)    | (66,421)     |            | 642,153           |
| Land use rights             | 17,551                                       | 2,774       | (98)     |          | (2,718)      |            | 17,509            |
| Industrial rights           | 60,740                                       | 859         |          | 323      | (1,847)      |            | 60,075            |
| Development costs           | 26,470                                       | 1,348       | (511)    |          | (4,464)      | (459)      | 22,384            |
| Facility usage rights       | 73,760                                       | 248         | (69)     | 31       | (3,942)      | (777)      | 69,251            |
| Customer relations          | 226,940                                      | 87          |          |          | (46,148)     |            | 180,879           |
| Memberships                 | 111,736                                      | 5,927       | (2,422)  |          |              |            | 115,241           |
| Other                       | 658,716                                      | 27,075      | (35)     | 72,426   | (169,966)    | (323)      | 587,893           |
|                             | 1,884,956                                    | 38,318      | (3,135)  | 72,311   | (295,506)    | (1,559)    | 1,695,385         |

(3) The carrying amount and residual useful lives of major intangible assets as of June 30, 2012 are as follows:

| <i>(In millions of won)</i>   | Amount  | Description   | Residual useful<br>lives |
|---|---------|---|--------------------------|
| W-CDMA license  | 437,800 | Frequency use rights relating to W-CDMA service       | (*1)                     |
| W-CDMA license  | 73,399  | Frequency use rights relating to W-CDMA service       | (*2)                     |
| 800MHz license  | 364,896 | Frequency use rights relating to CDMA and LTE service | (*3)                     |
| 1.8GHz license  | 928,203 | Frequency use rights relating to LTE service          | (*4)                     |
| WiBro license   |         | WiBro service   | (*5)                     |
| WiBro license   | 15,876  | WiBro service   | (*6)                     |
| Customer relationships related to acquisition of SK Broadband Co., Ltd. | 88,065  | Customer relationships                                | 1 year and 3 months      |

(\*1) The Group purchased the W-CDMA license from Korea Communication Commission ( KCC ) on December 4, 2001. Amortization of the W-CDMA license commenced once the Group began its commercial W-CDMA services on December 29, 2003, under a straight-line basis over the remaining useful life of the license. The W-COMA license will expire in December 2016.

**Table of Contents****13. Intangible Assets, Continued**

- (\*2) The Group purchased the additional W-CDMA license from KCC in May 2010. Amortization of the additional W-CDMA license commenced once the Group started its related commercial W-CDMA services on October 7, 2010, under a straight-line basis over the remaining useful life of the W-CDMA license. The additional W-COMA license will expire in December 2016.
- (\*3) The Group purchased 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Group started its related commercial CDMA and LTE services on July 1, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.
- (\*4) The Group purchased 1.8GHz license from KCC in December 2011. Amortization of the 1.8GHz license will be commenced when the Group starts its related commercial LTE services in July 2012, under a straight-line basis over the remaining useful life of the 1.8GHz license. The 1.8GHz license will expire in December 2021.
- (\*5) The WiBro license was used for seven years from the purchase date when the Group started its commercial WiBro services on March 30, 2005. The amortization is completed during the six-month period ended June 30, 2012 as the useful life matures.
- (\*6) The Group additionally purchased WiBro license in March 2012. Amortization of this WiBro license commenced when the Group started its commercial WiBro services on March 30, 2012, under a straight line basis over the remaining useful life. This WiBro license will expire in March 2019.

**14. Borrowings and Debentures**

- (1) Short-term borrowings as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won and thousands of U.S. dollars)</i> | <b>Lender</b>          | <b>Annual interest rate (%)</b> | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|---|------------------------|---------------------------------|----------------------|--------------------------|
| Commercial Paper  |                        | 3.43~3.85                       | 400,000              | 200,000                  |
| Short-term borrowings (Korean won)                        | Kookmin Bank, etc.     | 4.47~6.65                       | 346,965              | 394,033                  |
| Short-term borrowings (Foreign currency)                  |                        |                                 | 37,499               | 106,680                  |
|   | SK China Company, Ltd. |                                 | (USD 32,500)         | (USD 92,500)             |
|   |                        |                                 | 784,464              | 700,713                  |

**Table of Contents****14. Borrowings and Debentures, Continued**

(2) Long-term borrowings as of June 30, 2012 and December 31, 2011 are as follows:

*(In millions of won, thousands of U.S. dollars, thousands of Chinese yuan and thousands of Hong Kong dollars)*

| Lender  | Annual interest rate (%) | Maturity      | June 30, 2012 | December 31, 2011 |
|---|--------------------------|---------------|---------------|-------------------|
| Bank of Communications (*1,2)                       |                          |               | 34,614        | 34,599            |
|   | 6M Libor + 0.29          | Oct. 10, 2013 | (USD 30,000)  | (USD 30,000)      |
| Bank of China(*1)                                   |                          |               | 23,076        | 23,066            |
|   | 6M Libor + 0.29          | Oct. 10, 2013 | (USD 20,000)  | (USD 20,000)      |
| DBS Bank(*1)  |                          |               | 28,845        | 28,833            |
|   | 6M Libor + 0.29          | Oct. 10, 2013 | (USD 25,000)  | (USD 25,000)      |
| SMBC(*1)  |                          |               | 28,845        | 28,833            |
|   | 6M Libor + 0.29          | Oct. 10, 2013 | (USD 25,000)  | (USD 25,000)      |
| China Merchants Bank                                |                          |               | 65,672        | 65,893            |
|   | 5.35                     | Jan. 27, 2018 | (CNY 360,000) | (CNY 360,000)     |
| Korea Exchange Bank                                 |                          |               | 30,100        | 31,116            |
|   | 5.18                     | Jan. 28, 2015 | (CNY 170,000) | (CNY 170,000)     |
| Hana Bank HK(*3)                                    |                          |               | 86,535        | 86,498            |
|   | 3M Libor + 3.2           | Mar. 3, 2014  | (USD 75,000)  | (USD 75,000)      |
| SCB Bank HK(*3)                                     |                          |               | 34,614        |                   |
|   | 3M Libor + 3.3           | Nov. 3, 2014  | (USD 30,000)  |                   |
| SCB Bank HK(*3)                                     |                          |               | 34,773        |                   |
|   | 3M Libor + 3.3           | Nov. 3, 2014  | (HKD 234,000) |                   |
| Kookmin Bank and 13 others                          | 4.48                     | Feb. 14, 2015 | 2,000,000     |                   |
| Kookmin Bank  | 3.55                     | Jun. 15, 2012 |               | 1,977             |
| Korea Development Bank                              | 3.55                     | Jun. 17, 2013 | 3,526         | 5,288             |
| Korea Development Bank                              | 3.55                     | Jun. 16, 2014 | 6,590         | 8,237             |
| Shinhan Bank  | 3.55                     | Jun. 15, 2015 | 10,273        | 10,273            |
| Kookmin Bank  | 3.55                     | Jun. 15, 2016 | 9,749         | 9,749             |
| Kookmin Bank  | 3.55                     | Mar. 15, 2017 | 5,996         |                   |
| Sub-total   |                          |               | 2,403,207     | 334,362           |
| Less present value discount on long-term borrowings |                          |               | (11,637)      |                   |
|   |                          |               | 2,391,570     | 334,362           |
| Less current portion of long-term borrowings        |                          |               | (10,245)      | (10,510)          |
| Long-term borrowings                                |                          |               | 2,381,325     | 323,852           |

- (\*1) As of June 30, 2012, 6M Libor rate is 0.73%.
- (\*2) As of June 30, 2012, the Group's lender is Bank of Communications as Credit Agricole transferred the loans to Bank of Communications during the six-month period ended June 30, 2012.
- (\*3) As of June 30, 2012, 3M Libor rate is 0.46%.



**Table of Contents****14. Borrowings and Debentures, Continued**

(3) Debentures as of June 30, 2012 and December 31, 2011 are as follows:

*(In millions of won, thousands of U.S. dollars, thousands of Japanese Yen, and thousands of Singapore dollars)*

|                             | Purpose          | Maturity | Annual interest rate (%) | June 30, 2012    | December 31, 2011 |
|-----------------------------|------------------|----------|--------------------------|------------------|-------------------|
| Unsecured private bonds     | Refinancing fund | 2016     | 5.00                     | 200,000          | 200,000           |
| Unsecured private bonds     |                  | 2013     | 4.00                     | 200,000          | 200,000           |
| Unsecured private bonds     |                  | 2014     | 5.00                     | 200,000          | 200,000           |
| Unsecured private bonds(*1) |                  |          |                          | 181,724          | 185,645           |
|                             |                  |          | 3M Euro Yen              |                  |                   |
|                             |                  | 2012     | Libor + 0.55             | (JPY 12,500,000) | (JPY 12,500,000)  |
| Unsecured private bonds     | Other fund       | 2015     | 5.00                     | 200,000          | 200,000           |
| Unsecured private bonds     |                  | 2018     | 5.00                     | 200,000          | 200,000           |
| Unsecured private bonds     |                  | 2013     | 6.92                     | 250,000          | 250,000           |
| Unsecured private bonds     |                  | 2016     | 5.54                     | 40,000           | 40,000            |
| Unsecured private bonds     |                  |          |                          |                  | 44,555            |
|                             |                  |          | 3M Euro Yen              |                  |                   |
|                             |                  | 2012     | Libor + 2.50             |                  | (JPY 3,000,000)   |
| Unsecured private bonds     |                  | 2016     | 5.92                     | 230,000          | 230,000           |
| Unsecured private bonds     |                  |          |                          |                  | 74,258            |
|                             |                  |          | 3M Euro Yen              |                  |                   |
|                             |                  | 2012     | Tibor + 2.50             |                  | (JPY 5,000,000)   |
| Unsecured private bonds     | Operating fund   | 2016     | 3.95                     | 110,000          | 110,000           |
| Unsecured private bonds     |                  | 2021     | 4.22                     | 190,000          | 190,000           |
| Unsecured private bonds(*2) |                  | 2014     | 4.86                     | 50,000           | 50,000            |
| Unsecured private bonds(*2) |                  | 2015     | 4.62                     | 50,000           | 50,000            |
| Unsecured private bonds(*3) |                  | 2013     | 3.99                     | 150,000          | 150,000           |
| Unsecured private bonds(*3) |                  | 2014     | 4.53                     | 290,000          | 290,000           |
| Unsecured private bonds(*3) |                  | 2014     | 4.40                     | 100,000          | 100,000           |
| Unsecured private bonds(*3) |                  | 2015     | 4.09                     | 110,000          |                   |
| Unsecured private bonds(*3) |                  | 2015     | 4.14                     | 110,000          |                   |
| Unsecured private bonds(*3) |                  | 2017     | 4.28                     | 100,000          |                   |
| Foreign global bonds        |                  |          |                          | 461,520          | 461,320           |
|                             |                  | 2027     | 6.63                     | (USD 400,000)    | (USD 400,000)     |
| Foreign global bonds        |                  |          |                          |                  | 576,650           |
|                             |                  | 2012     | 7.00                     |                  | (USD 500,000)     |
| Exchangeable bonds(*6,7)    | Refinancing fund |          |                          | 392,112          | 397,886           |
|                             |                  | 2014     | 1.75                     | (USD 332,528)    | (USD 332,528)     |
| Floating rate notes(*4)     | Operating fund   |          |                          |                  | 253,726           |
|                             |                  | 2012     | 3M Libor + 3.15          |                  | (USD 220,000)     |
| Floating rate notes(*4)     |                  |          |                          | 288,450          | 288,325           |
|                             |                  | 2014     | 3M Libor + 1.60          | (USD 250,000)    | (USD 250,000)     |
| Floating rate notes(*5)     |                  | 2014     | SOR rate + 1.20          | 58,534           | 57,618            |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|                                       |      |      |               |              |
|---------------------------------------|------|------|---------------|--------------|
|                                       |      |      | (SGD 65,000)  | (SGD 65,000) |
| Swiss unsecured private bonds         |      |      | 358,434       |              |
|                                       | 2017 | 1.75 | (CHF 300,000) |              |
| Sub-total                             |      |      | 4,520,774     | 4,799,983    |
| Less discounts on bonds               |      |      | (37,930)      | (39,095)     |
|                                       |      |      | 4,482,844     | 4,760,888    |
| Less current portion of bonds payable |      |      | (181,676)     | (1,531,879)  |
|                                       |      |      | 4,301,168     | 3,229,009    |

---

**Table of Contents**

**14. Borrowings and Debentures, Continued**

- (\*1) As of June 30, 2012, 3M Euro Yen Libor rate is 0.19%.
- (\*2) Unsecured private bonds were issued by SK Telink Co., Ltd., a subsidiary of the Parent Company.
- (\*3) According to covenant provision of the related borrowings, SK Broadband Co., Ltd., a subsidiary of the Parent Company, is required to maintain its debt to equity ratio lower than 10 to 1 and cannot dispose of its property and equipment more than twenty times of equity or 10 trillion in any given fiscal year.
- (\*4) As of June 30, 2012, 3M Libor rate is 0.46%.
- (\*5) As of June 30, 2012, SOR rate is 0.38%.
- (\*6) As of June 30, 2012, exchangeable bonds are classified as financial liabilities at fair value through profit or loss. As of December 31, 2011, the exchangeable bonds were classified as current as the bond holders would be eligible to redeem their notes at 100% of the principal amount on April 7, 2012. However, as of June 30, 2012, the exchangeable bonds are reclassified as non-current liabilities as the bond holders have not exercised and have lost their early redemption right.
- (\*7) On April 7, 2009, the Group issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%. As of June 30, 2012, fair value of the exchangeable bonds is USD 352,978,472. The exchange price could be adjusted and the exchange price is 199,280 with the exchange rate of 1,383.40 per USD 1.

The Group may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the exchange 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 exchange right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be exchanged as of June 30, 2012 is 2,308,406 shares.

Exchange 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 Group's voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Group will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

In accordance with a resolution of the Board of Directors on February 9, 2012, the exchange price has changed from 209,853 to 199,280 and the number of common shares that can be exchanged was changed from 2,192,102 shares to 2,308,406 shares due to the payment of periodic dividends. During the six-month period ended June 30, 2012, no exchange was made.

**Table of Contents****14. Borrowings and Debentures, Continued**

(4) Details of issuance or repayments of borrowings and debentures for the six-month period ended June 30, 2012 are as follows:  
(In millions of won, thousands of U.S. dollars, thousands of Japanese Yen, and thousands of Hong Kong dollars)

|   | Lender                              | Annual<br>interest rate<br>(%) | Maturity | Coupon<br>value         | Carrying<br>amount |
|---|-------------------------------------|--------------------------------|----------|-------------------------|--------------------|
| January 1, 2012                                   |                                     |                                |          | 5,835,058               | 5,795,962          |
| Issues:   |                                     |                                |          |                         |                    |
| Short-term borrowings                             | Kookmin Bank and<br>other           | 3.43 ~6.50                     |          | 895,404                 | 895,404            |
| Long-term borrowings                              | Kookmin Bank and<br>other           | 4.48                           | 2015     | 2,000,000               | 2,000,000          |
|   | Kookmin Bank                        | 3.55                           | 2017     | 5,996                   | 5,996              |
|   | SCB Bank HK                         |                                |          |                         | 34,134             |
|   |                                     | 3M Libor +<br>3.3              | 2014     | 34,134(USD 30,000)      | (USD 30,000)       |
|   | SCB Bank HK                         |                                |          |                         | 34,291             |
|   |                                     | 3M Libor +<br>3.3              | 2014     | 34,291(HKD 234,000)     | (HKD 234,000)      |
| Debentures  |                                     | 4.09                           | 2015     | 110,000                 | 109,581            |
|   |                                     | 4.14                           | 2015     | 110,000                 | 109,576            |
|   |                                     | 4.28                           | 2017     | 100,000                 | 99,605             |
|   |                                     |                                |          |                         | 363,552            |
|   |                                     | 1.75                           | 2017     | 363,552(CHF<br>300,000) | (CHF 300,000)      |
| Fees, etc.  |                                     |                                |          |                         | (15,200)           |
| Repayments:                                       |                                     |                                |          |                         |                    |
| Short-term borrowings(*1)                         | Hana Bank and<br>other              | 4.57~8.03                      |          | (810,965)               | (810,965)          |
| Long-term borrowings                              | Korea Development<br>Bank and other | 3.55                           |          | (5,387)                 | (5,387)            |
| Unsecured private bonds                           |                                     |                                |          |                         | (44,555)           |
|   |                                     | 3M Euro Yen<br>Libor + 2.50    | 2012     | (44,555)(JPY 3,000,000) | (JPY 3,000,000)    |
| Unsecured private bonds                           |                                     |                                |          |                         | (74,258)           |
|   |                                     | 3M Euro Yen<br>Tibor + 2.50    | 2012     | (74,258)(JPY 5,000,000) | (JPY 5,000,000)    |
| Foreign global bond                               |                                     |                                |          |                         | (576,650)          |
|   |                                     | 7.00                           | 2012     | (576,650)(USD 500,000)  | (USD 500,000)      |
| Floating rate notes                               |                                     |                                |          |                         | (253,726)          |
|   |                                     | 3M Libor +<br>3.15             | 2012     | (253,726)(USD 220,000)  | (USD 220,000)      |
| Other:  |                                     |                                |          |                         |                    |
| Foreign translation gain (loss) and<br>others(*2) |                                     |                                |          | (14,449)                | (8,482)            |
| June 30, 2012                                     |                                     |                                |          | 7,708,445               | 7,658,878          |

- (\*1) For the six-month period ended June 30, 2012, the Group early redeemed the short-term borrowings amounting to 500,000 million while the contractual maturity is February 14, 2013.
- (\*2) Foreign translation gain (loss) and others represent changes from foreign translation gain (loss) of foreign currency borrowings and debentures and amortization of bond discount.

**Table of Contents****15. Long-term Payables other**

(1) Long-term payables as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                        | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Payables related to acquisition of W-CDMA licenses | 702,780              | 840,974                  |
| Other(*)   | 7,951                | 6,522                    |
| <b>Total</b>                                       | <b>710,731</b>       | <b>847,496</b>           |

(\*) Other consists of vested compensation claims of employees who have rendered long-term service.

(2) As of June 30, 2012 and December 31, 2011, long-term payables consist of payables related to acquisition of W-CDMA licenses for 2.1GHz, 800MHZ, 1.8GHz and 2.3GHz frequency and other details are as follows:

| <i>(In millions of won)</i>   | <b>2.1GHz</b> | <b>800MHz</b> | <b>1.8GHz</b> | <b>2.3GHz</b> | <b>Total</b> |
|---|---------------|---------------|---------------|---------------|--------------|
| Period of repayment   | 2012~2014     | 2013~2015     | 2012~2021     | 2014~2016     |              |
| Coupon rate(*1)   | 3.58%         | 3.51%         | 3.00%         | 3.00%         |              |
| Annual effective interest rate(*2)                                      | 5.89%         | 5.69%         | 5.25%         | 5.80%         |              |
| Nominal value   | 52,600        | 208,250       | 746,250       | 8,650         | 1,015,750    |
| Present value discount on long-term payments other                      | (3,237)       | (11,060)      | (66,797)      | (641)         | (81,735)     |
| Present value of long-term payables other at the time of acquisition    | 49,363        | 197,190       | 679,453       | 8,009         | 934,015      |
| Nominal value   | 52,600        | 208,250       | 746,250       |               | 1,007,100    |
| Present value discount on long-term payables other                      | (3,237)       | (11,060)      | (66,797)      |               | (81,094)     |
| Current portion of long-term payables other                             | (17,533)      |               | (74,625)      |               | (92,158)     |
| Accumulated amortization of present value discount at December 31, 2011 | 2,065         | 1,925         | 3,136         |               | 7,126        |
| Carrying amount as of December 31, 2011                                 | 33,895        | 199,115       | 607,964       |               | 840,974      |
| Increase  |               |               |               | 8,650         | 8,650        |
| Present value discount on long-term payables other                      |               |               |               | (641)         | (641)        |
| Amortization of present value discount on long-term payables other      | 301           | 1,233         | 1,770         | 52            | 3,356        |
| Less current portion of long-term payables other                        | (16,998)      | (66,481)      | (66,080)      |               | (149,559)    |
| Carrying amount at June 30, 2012  | 17,198        | 133,867       | 543,654       | 8,061         | 702,780      |

**Table of Contents****15. Long-term Payables other, Continued**

- (\*1) The Group applied an annual interest rate equal to the previous year average lending rate of public funds financing account less 1%.  
 (\*2) The Group estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term account payables-other.

- (3) The repayment schedule of long-term payables other as of June 30, 2012 is as follows:

| <i>(In millions of won)</i> | <b>Amount</b>  |
|-----------------------------|----------------|
| 2013                        | 161,575        |
| 2014                        | 164,458        |
| 2015                        | 146,925        |
| 2016 and thereafter         | 450,633        |
|                             | <b>923,591</b> |

**16. Provisions**

Change in provisions for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>   | <b>For the six-month period ended June 30, 2012</b> |                 |                    |                           | <b>As of June 30, 2012</b> |                    |
|-------------------------------|---|-----------------|--------------------|---------------------------|----------------------------|--------------------|
|                               | <b>Beginning<br/>balance</b>                        | <b>Increase</b> | <b>Utilization</b> | <b>Ending<br/>balance</b> | <b>Current</b>             | <b>Non-current</b> |
| Provision for handset subsidy | 762,238   | 262,346         | (374,143)          | 650,441                   | 568,298                    | 82,143             |
| Provision for point programs  | 639   |                 | (213)              | 426                       |                            | 426                |
| Provision for restoration     | 36,378  | 8,998           | (360)              | 45,016                    | 5,176                      | 39,840             |
| Provision for warranty        | 154   |                 | (39)               | 115                       |                            | 115                |
| Provision for sales return    | 81  | 18              | (30)               | 69                        | 69                         |                    |
| Other provisions              | 69  |                 | (69)               |                           |                            |                    |
|                               | <b>799,559</b>                                      | <b>271,362</b>  | <b>(374,854)</b>   | <b>696,067</b>            | <b>573,543</b>             | <b>122,524</b>     |

| <i>(In millions of won)</i>   | <b>For the six-month period ended June 30, 2011</b> |                 |                    |                           | <b>As of June 30, 2011</b> |                    |
|-------------------------------|---|-----------------|--------------------|---------------------------|----------------------------|--------------------|
|                               | <b>Beginning<br/>balance</b>                        | <b>Increase</b> | <b>Utilization</b> | <b>Ending<br/>balance</b> | <b>Current</b>             | <b>Non-current</b> |
| Provision for handset subsidy | 732,042   | 470,235         | (427,513)          | 774,764                   | 657,820                    | 116,944            |
| Provision for point programs  | 87  |                 |                    | 87                        |                            | 87                 |
| Provision for restoration     | 32,522  | 2,120           |                    | 34,642                    | 375                        | 34,267             |
| Provision for warranty        | 140   |                 | (15)               | 125                       |                            | 125                |
| Provision for sales return    | 48  | 42              | (32)               | 58                        | 58                         |                    |
| Other provisions              | 11  | 32              | (11)               | 32                        | 32                         |                    |
|                               | <b>764,850</b>                                      | <b>472,429</b>  | <b>(427,571)</b>   | <b>809,708</b>            | <b>658,285</b>             | <b>151,423</b>     |

**Table of Contents****16. Provisions, Continued**

The Group has provided a handset subsidy for the subscribers who purchase handsets on an installment basis and recognized a provision for handset subsidy in accordance with the payment duration as of period end.

**17. Finance Lease Liabilities**

- (1) The Group has leased certain telecommunication equipment under the finance lease agreement with Cisco Systems Capital Korea Ltd. Finance lease liabilities as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                            | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| <b>Finance Lease Liabilities</b>                       |                      |                          |
| Current portion of long-term finance lease liabilities | 25,302               | 31,308                   |
| Long-term finance lease liabilities                    | 31,765               | 41,940                   |
|  | 57,067               | 73,248                   |

- (2) The Group's related interest and principal as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                            | <b>June 30, 2012</b>             |                          | <b>December 31, 2011</b>             |                          |
|--|----------------------------------|--------------------------|--------------------------------------|--------------------------|
|  | <b>Minimum<br/>lease payment</b> | <b>Present<br/>value</b> | <b>Minimum<br/>lease<br/>payment</b> | <b>Present<br/>value</b> |
| Less than 1 year                                       | 27,379                           | 25,302                   | 34,198                               | 31,308                   |
| 1~5 years  | 33,100                           | 31,765                   | 44,119                               | 41,940                   |
| <b>Subtotal</b>  | <b>60,479</b>                    | <b>57,067</b>            | <b>78,317</b>                        | <b>73,248</b>            |
| Current portion of long-term finance lease liabilities |                                  | (25,302)                 |                                      | (31,308)                 |
| <b>Long-term finance lease liabilities</b>             |                                  | <b>31,765</b>            |                                      | <b>41,940</b>            |

**18. Defined Benefit Liabilities**

- (1) Details of defined benefit liabilities as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                  | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Present value of defined benefit obligations | 206,718              | 188,120                  |
| Fair value of plan assets                    | (104,396)            | (102,179)                |
|  | 102,322              | 85,941                   |



## Edgar Filing: SK TELECOM CO LTD - Form 6-K

(2) Principal actuarial assumptions as of June 30, 2012 and December 31, 2011 are as follows:

|   | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|---|----------------------|--------------------------|
| Discount rate for defined benefit obligations | 3.95%~6.15%          | 4.11%~6.15%              |
| Inflation rate                                | 3.00%                | 3.00%                    |
| Expected rate of return on plan assets        | 3.50%~7.00%          | 2.00%~8.11%              |
| Expected rate of salary increase              | 2.00%~6.98%          | 3.50%~5.10%              |

**Table of Contents****18. Defined Benefit Liabilities, Continued**

Discount rate for defined benefit obligation is determined based on the Group's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligation. Expected rate of return on plan assets represent weighted average rate of market value of the individual assets on the plan. Expected rate of return on plan assets is determined based on the historical yield rate and current market conditions. Expected rate of salary increase is determined based on the Group's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement. Inflation rate is determined based on inflation data declared by Bank of Korea.

- (3) Changes in defined benefit obligations for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended</b> |                      |
|-----------------------------|---------------------------------------|----------------------|
|                             | <b>June 30, 2012</b>                  | <b>June 30, 2011</b> |
| Beginning balance           | 188,120                               | 160,363              |
| Current service cost        | 37,169                                | 31,559               |
| Interest cost               | 4,101                                 | 4,383                |
| Actuarial gain or loss      | 7,160                                 | 7,875                |
| Benefit paid                | (27,410)                              | (21,465)             |
| Others(*)                   | (2,422)                               | 42                   |
| <b>Ending balance</b>       | <b>206,718</b>                        | <b>182,757</b>       |

- (\*) Others include effects of changes in consolidation scope of (-) W 4,185 million in relation to the disposal of Ntreev Soft Co., Ltd. and transfer to construction in progress during the six-month period ended June 30, 2012

- (4) Changes in plan assets for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>                       | <b>For the six-month period ended</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>June 30, 2012</b>                  | <b>June 30, 2011</b> |
| Beginning balance                                 | 102,179                               | 92,493               |
| Expected return on plan assets                    | 1,864                                 | 2,071                |
| Actuarial gain or loss                            | 620                                   | (681)                |
| Contributions by employer directly to plan assets | 3,988                                 |                      |
| Benefit paid                                      | (4,177)                               | (7,685)              |
| Others  | (78)                                  | 30                   |
| <b>Ending balance</b>                             | <b>104,396</b>                        | <b>86,228</b>        |

- (5) Expenses recognized in profit and loss for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>    | <b>For the six-month period ended</b> |                      |
|--------------------------------|---------------------------------------|----------------------|
|                                | <b>June 30, 2012</b>                  | <b>June 30, 2011</b> |
| Current service cost           | 37,169                                | 31,559               |
| Interest cost                  | 4,101                                 | 4,383                |
| Expected return on plan assets | (1,864)                               | (2,071)              |



**Table of Contents****18. Defined Benefit Liabilities, Continued**

(6) Details of plan assets as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>            | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Equity instruments                     | 314                  |                          |
| Debt instruments                       | 25,086               | 12,455                   |
| Short-term financial instruments, etc. | 78,996               | 89,724                   |
|  | 104,396              | 102,179                  |

Actual return on plan assets for the six-month periods ended June 30, 2012 and 2011 amounted to 2,484 million and 1,390 million, respectively.

**19. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting

The Group 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 USD 100,000,000 borrowed on October 10, 2006. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contracts to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to 3,082 million (net of tax effect totaling 484 million and foreign currency translation loss arising from U.S. dollar denominated long-term borrowings totaling 20,580 million) is accounted for as accumulated other comprehensive loss.

In addition, the Group 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 JPY 12,500,000,000 issued on November 13, 2007. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contracts to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to 3,223 million (net of tax effect totaling 699 million and foreign currency translation loss arising from unguaranteed Japanese yen denominated bonds totaling 77,663 million) is accounted for as accumulated other comprehensive income.

In addition, the Group has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and five other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of June 30, 2012, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied since May 12 2010, an accumulated loss on valuation of derivatives amounting to 21,609 million (net of tax effect totaling 6,899 million and foreign currency translation loss arising from unguaranteed U.S. dollar denominated bonds totaling 3,933 million) is accounted for as accumulated other comprehensive loss. In connection with the currency swap contract, gain on valuation of currency swap which was incurred before application of hedge accounting, amounting to 129,806 million was recognized in profit or loss.

In addition, the Group has entered into a floating-to-fixed cross currency swap contract with DBS Bank and Citi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed U.S. dollar denominated bonds with face amounts USD 250,000,000 issued on December 15, 2011. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contract, an accumulated gain on valuation of derivatives amounting to 6,321 million (net of tax effect totaling 2,018 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 1,160 million) is accounted for as other comprehensive income.

In addition, the Group has entered into a floating-to-fixed cross currency swap contract with United Overseas Bank to hedge the foreign currency risk and the interest rate risk of its Singapore dollar denominated bonds with face amounts totaling SGD 65,000,000 issued on December 15, 2011. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 229 million (net of tax effect totaling 73 million and foreign currency translation loss arising from unguaranteed Singapore dollar denominated bonds totaling 1,063 million) is accounted for as accumulated other comprehensive loss.

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

In addition, the Group has entered into a fixed-to-fixed cross currency swap contract with Citi Bank and five other banks to hedge the foreign currency risk of its Swiss Franc denominated bonds with face amounts totaling CHF 300,000,000 issued on June 12, 2012. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to

13,983 million (net of tax effect totaling 4,464 million and foreign currency translation gain arising from unguaranteed Swiss Franc denominated bonds totaling 5,083 million) is accounted for as accumulated other comprehensive loss.

**Table of Contents****19. Derivative Instruments, Continued**

(2) As of June 30, 2012, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

(In millions of won, thousands of U.S. dollars, Japanese yen, and Singapore dollars)

|                                       | Hedged item                                  | Amount         | Duration of Contract          | Designated as Cash Flow Hedge | Fair value Not Designated | Total          |
|---------------------------------------|--|----------------|-------------------------------|-------------------------------|---------------------------|----------------|
| <b>Current assets:</b>                |  |                |                               |                               |                           |                |
| Floating-to-fixed cross currency swap | Japanese yen denominated bonds               | JPY 12,500,000 | Nov. 13, 2007 ~ Nov. 13, 2012 | 80,187                        |                           | 80,187         |
| <b>Non-current assets:</b>            |  |                |                               |                               |                           |                |
| Floating-to-fixed cross currency swap | U.S. dollar denominated long-term borrowings | USD 100,000    | Oct. 10, 2006 ~ Oct. 10, 2013 | 17,014                        |                           | 17,014         |
| Fix-to-fixed cross currency swap      | U.S. dollar denominated bonds                | USD 400,000    | Jul. 20, 2007 ~ Jul. 20, 2027 | 105,230                       |                           | 105,230        |
| Floating-to-fixed cross currency swap | U.S. dollar denominated bonds                | USD 250,000    | Dec. 15, 2011 ~ Dec. 12, 2014 | 7,179                         |                           | 7,179          |
| Floating-to-fixed cross currency swap | Singapore dollar denominated bonds           | SGD 65,000     | Dec. 15, 2011 ~ Dec. 12, 2014 | 760                           |                           | 760            |
| Convertible option                    | Convertible bonds (*)                        | KRW 50,000     | Sep. 01, 2009 ~ Aug. 31, 2014 |                               | 533                       | 533            |
| <b>Total assets</b>                   |  |                |                               | <b>210,370</b>                | <b>533</b>                | <b>210,903</b> |
| <b>Current liabilities:</b>           |  |                |                               |                               |                           |                |
| Fixed-to-fixed cross currency swap    | Swiss Franc denominated bonds                | CHF 300,000    | Jun. 12, 2012 ~ Jun. 12, 2017 | 23,529                        |                           | 23,529         |
| <b>Total liabilities</b>              |  |                |                               | <b>23,529</b>                 |                           | <b>23,529</b>  |

(\*) Fair value of the conversion option of convertible bonds held by SK Communications Co., Ltd., a subsidiary, amounting to 533 million was accounted for as non-current derivative financial assets.

**Table of Contents****20. Share Capital and Share Premium (Deficit)**

The Parent Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and share premium as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won, except for share data)</i> | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Authorized shares                                  | 220,000,000          | 220,000,000              |
| Issued shares(*1)                                  | 80,745,711           | 80,745,711               |
| Share capital                                      |                      |                          |
| Common stock                                       | 44,639               | 44,639                   |
| Share premium:                                     |                      |                          |
| Paid-in surplus                                    | 2,915,887            | 2,915,887                |
| Treasury stock                                     | (2,410,451)          | (2,410,451)              |
| Loss on disposal of treasury stock                 | (18,855)             | (18,855)                 |
| Others(*2)   | (777,269)            | (771,928)                |
|  | (290,688)            | (285,347)                |

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

(\*2) Others primarily consist of gains and losses from common control transactions. The Group transfers the carrying amounts of businesses acquired under common control and recognizes the difference between the consideration paid and carrying value of net assets as other equity, within share premium.

There were no changes in share capital for the six-month period ended June 30, 2012 and for the year ended December 31, 2011.

**21. Treasury Stock**

Through 2009, the Parent Company acquired 8,400,712 shares of treasury stock in the open market for ₩1,992,083 million to provide stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co., Ltd., increase shareholder value, and to stabilize its stock prices when needed.

In addition, the Parent Company acquired 1,250,000 shares of treasury stock for ₩210,356 million from July 26, 2010 to October 20, 2010 and 1,400,000 shares of treasury stock for ₩208,012 million from July 21, 2011 to September 28, 2011, in accordance with the resolution of the Board of Directors on July 22, 2010 and July 19, 2011, respectively.

As a result of these treasury stock transactions, as of June 30, 2012 and December 31, 2011, the Parent Company has 11,050,712 shares of treasury stock at ₩2,410,451 million.

**Table of Contents****22. Retained Earnings**

(1) Retained earnings as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                 | <b>June 30,<br/>2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| <b>Appropriated:</b>                        |                          |                          |
| Legal reserve                               | 22,320                   | 22,320                   |
| Reserve for research & manpower development | 220,000                  | 535,595                  |
| Reserve for business expansion              | 9,106,138                | 8,009,138                |
| Reserve for technology development          | 1,901,300                | 1,524,000                |
|   | 11,249,758               | 10,091,053               |
| <b>Unappropriated</b>                       | <b>251,195</b>           | <b>1,551,472</b>         |
|   | 11,500,953               | 11,642,525               |

(2) Legal reserve

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

(3) Reserve for research & manpower development

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

**23. Reserves**

(1) Details of reserves as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                                      | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Net change in fair value of available-for-sale financial assets  | 305,299              | 354,951                  |
| Net change in other comprehensive income of associates           | (86,463)             | (93,598)                 |
| Losses on valuation of derivatives                               | (24,185)             | (25,099)                 |
| Foreign currency translations differences for foreign operations | 22,277               | 23,810                   |
|  | 216,928              | 260,064                  |



**Table of Contents****23. Reserves, Continued**

(2) Change in reserves for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | Net change<br>in fair value<br>of<br>available-for-<br>sale<br>financial<br>assets | Net change in other comprehensive<br>income of investment in<br>associates | Losses on<br>valuation of<br>derivatives | Foreign currency<br>translation<br>differences for<br>foreign operations | Total     |
|-----------------------------|--|--|--|--|-----------|
| Balance at January 1, 2011  | 793,645  | (91,413)   | (56,862)                                 | (2,315)  | 643,055   |
| Changes                     | (233,309)  | (8,458)  | 7,242                                    | (16,816)   | (251,341) |
| Tax effect                  | 54,281   | (556)  | (2,502)                                  |  | 51,223    |
| Balance at June 30, 2011    | 614,617  | (100,427)  | (52,122)                                 | (19,131)   | 442,937   |
| Balance at January 1, 2012  | 354,951  | (93,598)   | (25,099)                                 | 23,810   | 260,064   |
| Changes                     | (65,359)   | 6,866  | 1,797                                    | (1,533)  | (58,229)  |
| Tax effect                  | 15,707   | 269  | (883)                                    |  | 15,093    |
| Balance at June 30, 2012    | 305,299  | (86,463)   | (24,185)                                 | 22,277   | 216,928   |

**24. Other Operating Income and Expenses**

Details of other operating income and expenses for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>                                      | 2012                                      |                                      | 2011                                   |                                      |
|--|---|--------------------------------------|--|--------------------------------------|
|  | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Other Operating Income:</b>                                   |   |                                      |  |                                      |
| Reversal of allowance for doubtful accounts                      |   | 5,149                                | 634                                    | 1,939                                |
| Gain on disposal of property and equipment and intangible assets | 1,822                                     | 2,832                                | 2,834                                  | 3,935                                |
| Others   | 5,592                                     | 15,029                               | 8,351                                  | 13,795                               |
|  | 7,414                                     | 23,010                               | 11,819                                 | 19,669                               |
| <b>Other Operating Expenses:</b>                                 |   |                                      |  |                                      |
| Communication expenses   | 16,427                                    | 33,754                               | 13,814                                 | 27,196                               |
| Utilities  | 44,222                                    | 88,673                               | 38,392                                 | 77,612                               |
| Taxes and dues(*)  | 32,365                                    | 63,486                               | 8,863                                  | 19,846                               |
| Repair   | 60,884                                    | 121,664                              | 58,513                                 | 122,910                              |
| Research and development   | 70,620                                    | 137,164                              | 58,723                                 | 118,088                              |
| Training   | 8,992                                     | 15,068                               | 6,577                                  | 11,698                               |
| Bad debt for accounts receivable trade                           | 16,369                                    | 23,626                               | 18,818                                 | 36,036                               |
| Travel   | 7,710                                     | 14,795                               | 8,424                                  | 14,960                               |
| Supplies and others  | 31,801                                    | 53,695                               | 33,572                                 | 54,640                               |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|  |         |         |         |         |
|--|---------|---------|---------|---------|
| Loss on disposal of property and equipment and intangible assets   | 2,962   | 4,956   | 8,097   | 10,108  |
| Loss on impairment of property and equipment and intangible assets | 441     | 3,869   | 621     | 1,559   |
| Donations  | 28,101  | 41,008  | 21,399  | 45,380  |
| Bad debt for accounts receivable other                             | 3,353   | 23,040  |         | 3,146   |
| Others   | 3,977   | 10,014  | 5,004   | 9,738   |
|  | 328,224 | 634,812 | 280,817 | 552,917 |

**Table of Contents****24. Other Operating Income and Expenses, Continued**

- (\*) Includes 20.3 billion fined against the Company for allegedly colluding with other third parties to inflate the prices of handsets while advertising that the handsets are offered at a discount through subsidy plans. The Company appeal of the case is currently pending.

**25. Finance Income and Costs**

- (1) Details of finance income and costs for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>   | 2012                                      |                                      | 2011                                      |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <b>Finance Income:</b>  |   |                                      |   |                                      |
| Interest income   | 24,857                                    | 57,253                               | 41,896                                    | 90,543                               |
| Dividends   | 613                                       | 22,947                               | 295                                       | 20,969                               |
| Gain on foreign currency transactions   | 3,527                                     | 5,480                                | 1,493                                     | 2,867                                |
| Gain on foreign currency translation  | 227                                       | 714                                  |   | 16,171                               |
| Gain on valuation of financial asset at fair value through profit or loss     | 823                                       | 183                                  |   | 1,150                                |
| Gain on disposal of long-term investment securities                           | 6,535                                     | 12,947                               | 1,693                                     | 160,377                              |
| Gain on valuation of derivatives  |   |                                      | 16,125                                    | 2,088                                |
| Gain on settlement of derivatives   | 8,402                                     | 12,694                               |   |                                      |
| Gain on valuation of financial liability at fair value through profit or loss | 9,507                                     | 5,774                                | 22,056                                    | 33,249                               |
|   | 54,491                                    | 117,992                              | 83,558                                    | 327,414                              |
| <b>Finance Costs:</b>   |   |                                      |   |                                      |
| Interest expense  | 102,404                                   | 199,439                              | 71,014                                    | 151,958                              |
| Loss on foreign currency transactions   | 4,333                                     | 5,516                                | 2,778                                     | 3,653                                |
| Loss on foreign currency translation  |   | 527                                  | 9,367                                     | 2,501                                |
| Loss on disposal of long-term investment securities                           | 1,629                                     | 9,134                                | 156                                       | 156                                  |
| Loss on impairment of long-term investment securities                         | 580                                       | 580                                  |   |                                      |
| Loss on valuation of derivatives  | 443                                       | 443                                  |   | 397                                  |
| Loss on settlement of derivatives   | 1,232                                     | 1,232                                | 2,005                                     | 5,136                                |
|   | 110,621                                   | 216,871                              | 85,320                                    | 163,801                              |

- (2) Details of interest income included in finance income for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012                                      |                                      | 2011                                      |                                      |
|-----------------------------|---|--------------------------------------|---|--------------------------------------|
|                             | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
|                             |   |                                      |   |                                      |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|   |        |        |        |        |
|---|--------|--------|--------|--------|
| Interest income on cash equivalents and deposits      | 15,812 | 36,600 | 13,664 | 27,163 |
| Interest income on installment receivables and others | 9,045  | 20,653 | 28,232 | 63,380 |
|   | 24,857 | 57,253 | 41,896 | 90,543 |

**Table of Contents****25. Finance Income and Costs, Continued**

- (3) Details of interest expense included in finance costs for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

|  | 2012                                      |                                      | 2011                                      |                                      |
|--|---|--------------------------------------|---|--------------------------------------|
|  | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>                        |   |                                      |   |                                      |
| Interest expense on bank overdrafts and borrowings | 44,746                                    | 60,293                               | 14,218                                    | 32,435                               |
| Interest expense on debentures                     | 47,844                                    | 100,199                              | 52,478                                    | 106,570                              |
| Interest on finance lease liabilities              | 702                                       | 1,513                                | 1,134                                     | 2,477                                |
| Others   | 9,112                                     | 37,434                               | 3,184                                     | 10,476                               |
|  | 102,404                                   | 199,439                              | 71,014                                    | 151,958                              |

- (4) Details of impairment losses for financial assets for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows.

|  | 2012                                      |                                      | 2011                                      |                                      |
|--|---|--------------------------------------|---|--------------------------------------|
|  | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>            |   |                                      |   |                                      |
| Bad debt for accounts receivable trade | 16,369                                    | 23,626                               | 18,818                                    | 36,036                               |
| Bad debt for accounts receivable other | 3,353                                     | 23,040                               |   | 3,146                                |
|  | 19,722                                    | 46,666                               | 18,818                                    | 39,182                               |

**26. Income Tax Expense**

Income tax expense was recognized as current tax expense adjusted to changes in estimates related to prior periods, deferred tax expenses by origination and reversal, temporary differences, and income tax recognized in other comprehensive income. The Group's effective tax rate is higher in 2011 than in 2012 primarily due to additional tax expense recognized as a result of the resolution of various tax matters during the finalization of Tax Authorities audits of the Parent Company's tax returns from 2005 to 2009.

**27. Earnings per Share**

- (1) Basic earnings per share

1) Basic earnings per share for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

2012

2011

Edgar Filing: SK TELECOM CO LTD - Form 6-K

| <i>(In millions of won, shares)</i>   | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
|---|--|--------------------------------------|--|--------------------------------------|
| <b>Basic earnings per share attributable to owners of the Parent Company from continuing operation:</b> |  |                                      |  |                                      |
| Net income attributable to owners of the Parent Company<br>from continuing operations                   | 248,754                                | 564,576                              | 479,419                                | 1,033,877                            |
| Weighted average number of common shares outstanding  | 69,694,999                             | 69,694,999                           | 71,094,999                             | 71,094,999                           |
| Basic earnings per share from continuing operations (In won)  | 3,569                                  | 8,101                                | 6,743                                  | 14,542                               |
| <b>Basic earnings per share attributable to owners of the Parent Company:</b>                           |  |                                      |  |                                      |
| Net income attributable to owners of the Parent Company   | 143,396                                | 449,820                              | 467,794                                | 1,010,329                            |
| Weighted average number of common shares outstanding  | 69,694,999                             | 69,694,999                           | 71,094,999                             | 71,094,999                           |
| Basic earnings per share (In won)   | 2,057                                  | 6,454                                | 6,580                                  | 14,211                               |

**Table of Contents****27. Earnings per Share, Continued**

- 2) Net income attributable to owners of the Parent Company from continuing operation for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

| <i>(In millions of won)</i>   | 2012                                      |                                      | 2011                                      |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Net income attributable to owners of the Parent Company                           | 143,396                                   | 449,820                              | 467,794                                   | 1,010,329                            |
| Results of discontinued operation attributable to owners of the Parent Company    | 105,358                                   | 114,756                              | 11,625                                    | 23,548                               |
| Net income attributable to owners of the Parent Company from continuing operation | 248,754                                   | 564,576                              | 479,419                                   | 1,033,877                            |

- 3) The weighted average number of common shares outstanding for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

|  | Number of<br>shares | Weighted number of days                   |                                      | Weighted number of shares              |                                      |
|--|---------------------|---|--------------------------------------|--|--------------------------------------|
|  |                     | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Outstanding common shares at January 1, 2012 | 80,745,711          | 91/91                                     | 182/182                              | 80,745,711                             | 80,745,711                           |
| Effect of treasury stock                     | (11,050,712)        | 91/91                                     | 182/182                              | (11,050,712)                           | (11,050,712)                         |
| Number of shares at June 30, 2012            | 69,694,999          |   |                                      | 69,694,999                             | 69,694,999                           |

**Table of Contents****27. Earnings per Share, Continued**

(1) Basic earnings per share, Continued

|  | Number of shares | Weighted number of days          |                                | Weighted number of shares        |                                |
|--|------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|  |                  | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 |
| Outstanding common shares at January 1, 2011 | 80,745,711       | 91/91                            | 181/181                        | 80,745,711                       | 80,745,711                     |
| Effect of treasury stock                     | (9,650,712)      | 91/91                            | 181/181                        | (9,650,712)                      | (9,650,712)                    |
| Number of shares at June 30, 2011            | 71,094,999       |                                  |                                | 71,094,999                       | 71,094,999                     |

(2) Diluted earnings per share

1) Diluted earnings per share for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

| <i>(In millions of won, shares)</i>  | 2012                             |                                | 2011                             |                                |
|--|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|  | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 |
| <b>Diluted earnings per share attributable to owners of the Parent Company from continuing operations:</b> |                                  |                                |                                  |                                |
| Diluted net income attributable to owners of the Parent Company from continuing operations                 | 242,811                          | 562,695                        | 463,840                          | 1,010,806                      |
| Weighted average number of common shares outstanding   | 72,003,405                       | 72,003,405                     | 73,272,388                       | 73,272,388                     |
| Diluted earnings per share from continuing operations (In won)   | 3,372                            | 7,815                          | 6,330                            | 13,795                         |
| <b>Diluted earnings per share attributable to owners of the Parent Company:</b>                            |                                  |                                |                                  |                                |
| Diluted net income attributable to owners of the Parent Company  | 137,453                          | 447,939                        | 452,215                          | 987,258                        |
| Weighted average number of common shares outstanding   | 72,003,405                       | 72,003,405                     | 73,272,388                       | 73,272,388                     |
| Diluted earnings per share (In won)  | 1,909                            | 6,221                          | 6,172                            | 13,474                         |

2) Diluted net income attributable to owners of the Parent Company from continuing operations for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

| <i>(In millions of won)</i> | Continuing operations |                        | 2012<br>Discontinued operation |                        | Total              |                        |
|-----------------------------|-----------------------|------------------------|--------------------------------|------------------------|--------------------|------------------------|
|                             | Three-month period    | Six-month period ended | Three-month period             | Six-month period ended | Three-month period | Six-month period ended |



Edgar Filing: SK TELECOM CO LTD - Form 6-K

|   | <b>ended<br/>June 30</b> | <b>June 30</b> | <b>ended<br/>June 30</b> | <b>June 30</b> | <b>ended<br/>June 30</b> | <b>June 30</b> |
|---|--------------------------|----------------|--------------------------|----------------|--------------------------|----------------|
| Net income attributable to owners of the Parent Company         | 248,754                  | 564,576        | (105,358)                | (114,756)      | 143,396                  | 449,820        |
| Effect of exchangeable bonds                                    | (5,943)                  | (1,881)        |                          |                | (5,943)                  | (1,881)        |
| Diluted net income attributable to owners of the Parent Company | 242,811                  | 562,695        | (105,358)                | (114,756)      | 137,453                  | 447,939        |

**Table of Contents****27. Earnings per Share, Continued**

## (2) Diluted earnings per share, Continued

| <i>(In millions of won)</i>                                     | Continuing operations          |                           | 2011<br>Discontinued operation |                           | Total                          |                           |
|---|--------------------------------|---------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|   | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
|   | June 30                        | June 30                   | June 30                        | June 30                   | June 30                        | June 30                   |
| Net income attributable to owners of the Parent Company         | 479,419                        | 1,033,877                 | (11,625)                       | (23,548)                  | 467,794                        | 1,010,329                 |
| Effect of exchangeable bonds                                    | (15,579)                       | (23,071)                  |                                |                           | (15,579)                       | (23,071)                  |
| Diluted net income attributable to owners of the Parent Company | 463,840                        | 1,010,806                 | (11,625)                       | (23,548)                  | 452,215                        | 987,258                   |

- 3) Adjusted weighted average number of common shares outstanding for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

| <i>(In shares)</i>  | 2012                                   |                                      | 2011                                   |                                      |
|---|--|--------------------------------------|--|--------------------------------------|
|   | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Weighted average number of common shares outstanding          | 69,694,999                             | 69,694,999                           | 71,094,999                             | 71,094,999                           |
| Effect of exchangeable bonds(*)                               | 2,308,406                              | 2,308,406                            | 2,177,389                              | 2,177,389                            |
| Adjusted weighted average number of common shares outstanding | 72,003,405                             | 72,003,405                           | 73,272,388                             | 73,272,388                           |

- (\*) Effect of exchangeable bonds represents weighted average number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds, which could be exchanged to treasury stock

## (3) Basic loss per share from discontinued operation

| <i>(In millions of won, shares)</i>   | 2012                                   |                                      | 2011                                   |                                      |
|---|--|--------------------------------------|--|--------------------------------------|
|   | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| Loss from discontinued operation attributable to owners of the Parent Company | 105,358                                | 114,756                              | 11,625                                 | 23,548                               |
| Weighted average number of common shares outstanding                          | 69,694,999                             | 69,694,999                           | 71,094,999                             | 71,094,999                           |
| Basic loss per share (In won)   | 1,512                                  | 1,647                                | 164                                    | 331                                  |

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



**Table of Contents****28. Categories of Financial Instruments**

(1) Financial assets by categories as of June 30, 2012 and December 31, 2011 are as follows:

|                                     | June 30, 2012  |   |                          |  |           |
|-------------------------------------|--|---|--------------------------|--|-----------|
|                                     | Financial<br>assets at fair<br>value<br>through<br>profit or<br>loss | Available-<br>for-sale<br>financial<br>assets | Loans and<br>receivables | Derivative<br>financial<br>instruments<br>designated as<br>hedged item | Total     |
| <i>(In millions of won)</i>         |  |   |                          |  |           |
| Cash and cash equivalents           |  |   | 1,176,948                |  | 1,176,948 |
| Financial instruments               |  |   | 514,282                  |  | 514,282   |
| Short-term investment securities    |  | 55,620  |                          |  | 55,620    |
| Long-term investment securities(*1) | 16,800   | 1,411,070                                     |                          |  | 1,427,870 |
| Accounts receivable trade           |  |   | 1,856,900                |  | 1,856,900 |
| Loans and receivables(*2)           |  |   | 1,041,531                |  | 1,041,531 |
| Derivative financial assets(*3)     | 533  |   |                          | 210,370  | 210,903   |
|                                     | 17,333   | 1,466,690                                     | 4,589,661                | 210,370  | 6,284,054 |

|                                     | December 31, 2011  |   |                          |  |           |
|-------------------------------------|--|---|--------------------------|--|-----------|
|                                     | Financial<br>assets at fair<br>value<br>through<br>profit or<br>loss | Available-<br>for-sale<br>financial<br>assets | Loans and<br>receivables | Derivative<br>financial<br>instruments<br>designated as<br>hedged item | Total     |
| <i>(In millions of won)</i>         |  |   |                          |  |           |
| Cash and cash equivalents           |  |   | 1,650,794                |  | 1,650,794 |
| Financial instruments               |  |   | 987,192                  |  | 987,192   |
| Short-term investment securities    |  | 94,829  |                          |  | 94,829    |
| Long-term investment securities(*1) | 16,617   | 1,521,328                                     |                          |  | 1,537,945 |
| Accounts receivable trade           |  |   | 1,835,641                |  | 1,835,641 |
| Loans and receivables(*2)           |  |   | 1,377,750                |  | 1,377,750 |
| Derivative financial assets(*3)     | 1,018  |   |                          | 252,935  | 253,953   |
|                                     | 17,635   | 1,616,157                                     | 5,851,377                | 252,935  | 7,738,104 |

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

**Table of Contents****28. Categories of Financial Instruments, Continued**

(\*2) Details of loans and receivables as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>         | <b>June 30,<br/>2012</b> | <b>December 31, 2011</b> |
|-------------------------------------|--------------------------|--------------------------|
| Short-term loans                    | 86,424                   | 100,429                  |
| Accounts receivable other           | 612,220                  | 908,836                  |
| Accrued income                      | 17,672                   | 21,847                   |
| Other current assets                | 448                      | 462                      |
| Long-term loans                     | 84,751                   | 95,565                   |
| Long-term accounts receivable other | 694                      | 5,393                    |
| Guarantee deposits                  | 239,322                  | 245,218                  |
|                                     | 1,041,531                | 1,377,750                |

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

(2) Financial liabilities by categories as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>            | <b>June 30, 2012</b>  |   |   | <b>Total</b> |
|--|---|---|---|--------------|
|  | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities measured at amortized cost</b> | <b>Derivative financial instruments designated as hedged item</b> |              |
| Accounts payable trade                 |   | 313,129   |   | 313,129      |
| Derivative financial liabilities       |   |   | 23,529  | 23,529       |
| Borrowings                             |   | 3,176,034   |   | 3,176,034    |
| Debentures(*1)                         | 392,112   | 4,090,732   |   | 4,482,844    |
| Accounts payable other and others (*2) |   | 3,079,876   |   | 3,079,876    |
|  | 392,112   | 10,659,771  | 23,529  | 11,075,412   |

| <i>(In millions of won)</i>            | <b>December 31, 2011</b>  |   |   | <b>Total</b> |
|--|---|---|---|--------------|
|  | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities measured at amortized cost</b> | <b>Derivative financial instruments designated as hedged item</b> |              |
| Accounts payable trade                 |   | 195,391   |   | 195,391      |
| Derivative financial liabilities       |   |   | 4,645   | 4,645        |
| Borrowings                             |   | 1,035,074   |   | 1,035,074    |
| Debentures(*1)                         | 397,886   | 4,363,002   |   | 4,760,888    |
| Accounts payable other and others (*2) |   | 3,312,642   |   | 3,312,642    |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

397,886      8,906,109      4,645      9,308,640

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

(\*2) Details of accounts payable and other payables as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                 | <b>June 30,<br/>2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| Accounts payable other                      | 1,192,607                | 1,507,458                |
| Withholdings                                | 10,752                   | 10,835                   |
| Accrued expenses                            | 921,864                  | 744,673                  |
| Current portion of long-term payables other | 174,861                  | 120,452                  |
| Long-term payables other                    | 710,731                  | 847,496                  |
| Finance lease liabilities                   | 31,765                   | 41,940                   |
| Other non-current liabilities               | 37,296                   | 39,788                   |
|   | <b>3,079,876</b>         | <b>3,312,642</b>         |

**Table of Contents****29. Financial Risk Management**

## (1) Financial risk management

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

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

## 1) Market risk

## (i) Currency risk

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

Monetary foreign currency assets and liabilities as of June 30, 2012 are as follows:

*(In millions of won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese Yen, thousands of other currencies)*

|        | Assets             |                 | Liabilities        |                 |
|--------|--------------------|-----------------|--------------------|-----------------|
|        | Foreign currencies | Won translation | Foreign currencies | Won translation |
| USD    | 94,553             | 109,095         | 1,150,965          | 1,327,983       |
| EUR    | 273                | 392             | 1,302              | 1,868           |
| JPY    | 209,152            | 3,041           | 12,496,692         | 181,676         |
| CNY    |                    |                 | 2                  |                 |
| SGD    |                    |                 | 64,533             | 58,114          |
| CHF    |                    |                 | 297,966            | 356,004         |
| Others | 1                  | 2               | 44                 | 7               |
|        |                    | 112,530         |                    | 1,925,652       |

**Table of Contents****29. Financial Risk Management, Continued**

## (1) Financial risk management, continued

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 19)

As of June 30, 2012, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

| <i>(In millions of won)</i> | <b>If increased by 10%</b> | <b>If decreased by 10%</b> |
|-----------------------------|----------------------------|----------------------------|
| USD                         | (36,386)                   | 36,386                     |
| EUR                         | (148)                      | 148                        |
| JPY                         | 304                        | (304)                      |
| CNY                         |                            |                            |
| Others                      | (5)                        | 5                          |
|                             | (36,235)                   | 36,235                     |

## (ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of June 30, 2012, available-for-sale equity instruments measured at fair value amount of 1,222,863 million.

## (iii) Interest rate risk

Since the Group's interest bearing assets are mostly fixed-interest bearing assets, as such, the Group's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Group still has interest rate risk arising from borrowings and debentures.

Accordingly, the Group performs various analysis of interest rate risk, which includes refinancing, renewal, alternative financing and hedging instrument option, to reduce interest rate risk and to optimize its financing.

The Group's interest rate risk arises from floating-rate borrowings and payables. As of June 30, 2012, floating-rate debentures and borrowings amount to 528,708 million and 317,436 million, respectively, and the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures. (Refer to Note 19) If interest rate only increases (decreases) by 1%, income before income taxes for the six-month period ended June 30, 2012 would have been decreased (increased) by W2,021 million due to the interest expense from floating-rate borrowings and bonds payables.



**Table of Contents****29. Financial Risk Management, Continued**

## 2) Credit risk

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

For the six-month period ended June 30, 2012, the Group has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Group believes that the possibility of default is remote. Also, the Group's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of June 30, 2012.

In addition, the aging of trade and other receivables that are over due at the end of the reporting period but not impaired is stated in Note 6 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 25.

## 3) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always maintain sufficient cash and cash equivalents balances and have enough liquidity through various committed credit lines. The Group maintains flexibly enough liquidity under credit lines through active operating activities. The Group's current liabilities are greater than current assets by W 567.8 billion and W 556.1 billion as of June 30, 2012 and December 31, 2011, respectively. This was primarily caused by the acquisition of ownership interests in SK Hynix in February 2012. The Group plans to fund current liabilities with the cash flows generated by operations and through additional borrowings, as necessary.

Contractual maturities of financial liabilities as of June 30, 2012 are as follows:

| <i>(In millions of won)</i>           | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Less than 1 year</b> | <b>1 - 5 years</b> | <b>More than 5 years</b> |
|---------------------------------------|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|
| Accounts payable-trade                | 313,129                | 313,129                       | 313,117                 | 12                 |                          |
| Derivative financial liabilities      | 23,529                 | 23,529                        |                         | 23,529             |                          |
| Borrowings                            | 3,176,034              | 3,429,382                     | 889,201                 | 2,474,509          | 65,672                   |
| Debentures(*1)                        | 4,482,844              | 5,493,857                     | 372,756                 | 3,918,296          | 1,202,805                |
| Accounts payable-other and others(*2) | 3,079,876              | 3,101,084                     | 2,147,599               | 587,138            | 366,347                  |
|                                       | 11,075,412             | 12,360,981                    | 3,722,673               | 7,003,484          | 1,634,824                |

**Table of Contents****29. Financial Risk Management, Continued**

## (1) Financial risk management, continued

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

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

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

## (2) Capital management

The Group manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Group is the same as that of the group as of and for the year ended December 31, 2011.

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

Debt-equity ratio as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | <b>June 30,<br/>2012</b> | <b>December 31, 2011</b> |
|-----------------------------|--------------------------|--------------------------|
| Liabilities                 | 13,272,747               | 11,633,327               |
| Equity                      | 12,500,644               | 12,732,709               |
| <b>Debt-equity ratio</b>    | <b>106.18%</b>           | <b>91.37%</b>            |

## (3) Fair value

Fair value of the financial instruments that are traded in an active market is measured based on the quoted market price at the end of the reporting date. Disclosed market price of the financial assets held by the Group is the bid price.

**Table of Contents****29. Financial Risk Management, Continued**

## (3) Fair value, Continued

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

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

Interest rates used by the Group for the fair value measurement as of June 30, 2012 are as follows:

|                           | Interest rate |
|---------------------------|---------------|
| Derivative instruments    | 3.15%~5.59%   |
| Borrowings and debentures | 3.92%~4.09%   |

## 1) Fair value and carrying amount

Carrying amount and fair value of financial assets and liabilities are as follows:

| <i>(In millions of won)</i>                                | June 30, 2012   |            | December 31, 2011 |            |
|--|-----------------|------------|-------------------|------------|
|  | Carrying amount | Fair value | Carrying amount   | Fair value |
| <b>Assets carried at fair value</b>                        |                 |            |                   |            |
| Financial assets at fair value through profit or loss      | 17,333          | 17,333     | 17,635            | 17,635     |
| Derivative financial assets                                | 210,370         | 210,370    | 252,935           | 252,935    |
| Available-for-sale financial assets                        | 1,222,863       | 1,222,863  | 1,129,928         | 1,129,928  |
|  | 1,450,566       | 1,450,566  | 1,400,498         | 1,400,498  |
| <b>Assets carried at amortized cost</b>                    |                 |            |                   |            |
| Cash and cash equivalents                                  | 1,176,948       | 1,176,948  | 1,650,794         | 1,650,794  |
| Available-for-sale financial assets                        | 243,827         | 243,827    | 486,229           | 486,229    |
| Accounts receivable trade and others                       | 2,898,431       | 2,898,431  | 3,213,391         | 3,213,391  |
| Financial instruments                                      | 514,282         | 514,282    | 987,191           | 987,191    |
|  | 4,833,488       | 4,833,488  | 6,337,605         | 6,337,605  |
| <b>Liabilities carried at fair value</b>                   |                 |            |                   |            |
| Financial liabilities at fair value through profit or loss | 392,112         | 392,112    | 397,886           | 397,886    |
| Derivative financial liabilities                           | 23,529          | 23,529     | 4,645             | 4,645      |
|  | 415,641         | 415,641    | 402,531           | 402,531    |
| <b>Liabilities carried at amortized cost</b>               |                 |            |                   |            |
| Accounts payable trade                                     | 313,129         | 313,129    | 195,391           | 195,391    |
| Borrowings   | 3,176,034       | 3,225,011  | 1,035,075         | 1,035,075  |
| Debentures   | 4,090,732       | 4,330,096  | 4,363,002         | 4,562,156  |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|                                   |            |            |           |           |
|-----------------------------------|------------|------------|-----------|-----------|
| Accounts payable other and others | 3,079,876  | 3,079,876  | 3,312,642 | 3,312,642 |
|                                   | 10,659,771 | 10,948,112 | 8,906,110 | 9,105,264 |

**Table of Contents****29. Financial Risk Management, Continued**

(3) Fair value, continued

2) Fair value hierarchy

The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

The table below analyzes financial instruments carried at fair value, by fair value hierarchy as of June 30, 2012.

| <i>(In millions of won)</i>                                | Level 1   | Level 2 | Level 3 | Total     |
|--|-----------|---------|---------|-----------|
| Financial assets at fair value through profit or loss      |           | 16,800  | 533     | 17,333    |
| Derivative financial assets                                |           | 210,370 |         | 210,370   |
| Available-for-sale financial assets                        | 1,052,372 | 28,136  | 142,355 | 1,222,863 |
| Financial liabilities at fair value through profit or loss | 392,112   |         |         | 392,112   |
| Derivative financial liabilities                           |           | 23,529  |         | 23,529    |

There have been no transfers from Level 2 to Level 1 in 2012 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2012 are as follows:

| <i>(In millions of won)</i>                           | Balance at<br>January 1 | Acquisition | Profit(loss) for<br>the period | Other<br>comprehensive<br>income | Disposal | Balance at<br>June 30 |
|---|-------------------------|-------------|--------------------------------|----------------------------------|----------|-----------------------|
| Financial assets at fair value through profit or loss | 1,018                   |             | (485)                          |                                  |          | 533                   |
| Available-for-sale financial assets                   | 197,019                 | 7,702       |                                | (29,481)                         | (32,885) | 142,355               |

**Table of Contents****30. Transactions with Related Parties**

Transactions among consolidated entities have been eliminated upon the consolidation and significant related party transactions of the Group for the three-month and six-month periods ended June 30, 2012 and 2011, and account balances as of June 30, 2012 and December 31, 2011 are as follows:

## (1) Transactions

|   | Purchases of property and equipment |                  | 2012<br>Commissions paid and other expenses |                  | Commissions earned and other income |                  |
|---|-------------------------------------|------------------|---|------------------|-------------------------------------|------------------|
|   | Three-month period                  | Six-month period | Three-month period                          | Six-month period | Three-month period                  | Six-month period |
|   | ended June 30                       | ended June 30    | ended June 30                               | ended June 30    | ended June 30                       | ended June 30    |
| <i>(In millions of won)</i>               |                                     |                  |   |                  |                                     |                  |
| <b>Ultimate Controlling Entity(*1):</b>   |                                     |                  |   |                  |                                     |                  |
| SK Holdings Co., Ltd.                     |                                     |                  | 8,404                                       | 16,171           | 202                                 | 302              |
| <b>Associates:</b>                        |                                     |                  |   |                  |                                     |                  |
| SK Marketing & Company Co., Ltd.          | 1,911                               | 1,935            | 36,524                                      | 68,697           | 2,334                               | 5,088            |
| F&U Credit information Co., Ltd.          |                                     |                  | 11,881                                      | 25,077           | 440                                 | 805              |
| SK Wyverns Baseball Club Co., Ltd.        |                                     |                  | 64  | 9,480            |                                     |                  |
| HanaSK Card Co., Ltd.                     | 5                                   | 7                | 71,112                                      | 148,143          | 42,711                              | 90,390           |
| HappyNarae Co., Ltd.(*2)                  | 2,194                               | 2,238            | 4,156                                       | 5,120            | 6                                   | 11               |
| SK China Company, Ltd.                    |                                     |                  |   |                  | 432                                 | 505              |
| Others                                    | 232                                 | 386              | 1,542                                       | 2,344            | 84                                  | 92               |
| <b>Others:</b>                            |                                     |                  |   |                  |                                     |                  |
| SK C&C Co., Ltd.                          | 48,488                              | 104,716          | 72,077                                      | 148,619          | 3,514                               | 6,879            |
| SK Innovation Co., Ltd.                   |                                     |                  | 189   | 371              | 1,566                               | 2,433            |
| M&Service Co., Ltd.                       | 12                                  | 27               | 3,429                                       | 6,883            | 2,988                               | 3,517            |
| SK Engineering and Construction Co., Ltd. | 139,171                             | 193,921          | 15,156                                      | 20,525           | 923                                 | 2,525            |
| SKC Ltd.                                  |                                     |                  |   |                  | 176                                 | 422              |
| SK Telesys Co., Ltd.                      | 93,871                              | 107,840          | 17,375                                      | 22,108           | 130                                 | 213              |
| SK Networks Co., Ltd.                     | 1,161                               | 3,085            | 315,091                                     | 617,051          | 4,600                               | 9,314            |
| SK Networks Internet, Inc.                | 110                                 | 110              | 2,992                                       | 4,016            | 57                                  | 57               |
| SK Shipping Co., Ltd.                     |                                     |                  |   |                  | 819                                 | 1,599            |
| SK Securities Co., Ltd.                   |                                     |                  |   | 600              | 803                                 | 1,487            |
| Others                                    | 1,018                               | 1,164            | 29,197                                      | 50,439           | 2,443                               | 4,003            |
|   | 288,173                             | 415,429          | 589,189                                     | 1,145,644        | 64,228                              | 129,642          |

(\*1) SK Holdings Co., Ltd. is the Ultimate Controlling Entity because of its *de facto* control over the Parent Company.

(\*2) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

**Table of Contents****30. Transactions with Related Parties, Continued**

## (1) Transactions, Continued

|   | 2011                                       |                                       |  |                                       |  |                                       |
|---|--|---------------------------------------|--|---------------------------------------|--|---------------------------------------|
|   | Purchases of property<br>and<br>equipment  |                                       | Commissions paid and<br>other expenses     |                                       | Commissions earned<br>and other income     |                                       |
|   | Three- month<br>period<br>ended<br>June 30 | Six- month<br>period ended<br>June 30 | Three- month<br>period<br>ended<br>June 30 | Six- month<br>period ended<br>June 30 | Three- month<br>period<br>ended<br>June 30 | Six- month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>               |  |                                       |  |                                       |  |                                       |
| <b>Ultimate Controlling Entity :</b>      |  |                                       |  |                                       |  |                                       |
| SK Holdings Co., Ltd.                     |  |                                       | 10,938                                     | 18,370                                | 305  | 383                                   |
| <b>Associates:</b>                        |  |                                       |  |                                       |  |                                       |
| SK Marketing & Company Co., Ltd.          | 2,200                                      | 2,208                                 | 35,287                                     | 65,698                                | 2,825                                      | 5,173                                 |
| F&U Credit information Co., Ltd.          |  |                                       | 11,444                                     | 21,583                                | 426  | 846                                   |
| SK Wyverns Baseball Club Co., Ltd.        |  |                                       | 1,200                                      | 10,994                                |  | 13                                    |
| HanaSK Card Co., Ltd.                     | 9  | 10                                    | 114,189                                    | 158,503                               | 6,168                                      | 24,041                                |
| HappyNarae Co., Ltd.(*)                   | 2,525                                      | 2,759                                 | 2,012                                      | 2,944                                 | 5  | 16                                    |
| Others                                    | 29   | 29                                    | 5,374                                      | 10,745                                | 218  | 446                                   |
| <b>Others:</b>                            |  |                                       |  |                                       |  |                                       |
| SK C&C Co., Ltd.                          | 62,821                                     | 88,826                                | 79,123                                     | 147,520                               | 4,145                                      | 8,154                                 |
| SK Innovation Co., Ltd.                   |  |                                       | 184  | 392                                   | 680  | 1,505                                 |
| M&Service Co., Ltd.                       | 3  | 5                                     | 4,556                                      | 7,369                                 | 1,454                                      | 1,461                                 |
| SK Engineering and Construction Co., Ltd. | 54,499                                     | 64,292                                | 8,523                                      | 14,195                                | 680  | 2,249                                 |
| SKC Ltd.                                  |  |                                       |  |                                       | 330  | 682                                   |
| SK Telesys Co., Ltd.                      | 80,234                                     | 97,470                                | 7,296                                      | 13,710                                | 19,329                                     | 56,644                                |
| SK Mobile energy Co., Ltd.                | 290  | 561                                   |  |                                       | 2  | 3                                     |
| SK Networks Co., Ltd.                     | 3,196                                      | 3,374                                 | 308,516                                    | 588,541                               | 3,763                                      | 8,172                                 |
| SK Networks Service Co., Ltd.             | 591  | 591                                   | 25,499                                     | 36,560                                | 62   | 192                                   |
| SK Pinx Co., Ltd.                         |  |                                       | 10   | 475                                   | 4  | 7                                     |
| SK Shipping Co., Ltd.                     |  |                                       |  |                                       | 781  | 1,611                                 |
| Others                                    | 699  | 699                                   | 1,436                                      | 24,558                                | 1,195                                      | 2,001                                 |
|   | 207,096                                    | 260,824                               | 615,587                                    | 1,122,157                             | 42,372                                     | 113,599                               |

(\*) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

**Table of Contents****30. Transactions with Related Parties, Continued**

(2) Account balances

| <i>(In millions of won)</i>               | June 30, 2012          |                       |                     | Guarantee<br>deposits<br>received |
|---|------------------------|-----------------------|---------------------|-----------------------------------|
|   | Accounts<br>receivable | Guarantee<br>deposits | Accounts<br>payable |                                   |
| <b>Ultimate Controlling Entity:</b>       |                        |                       |                     |                                   |
| SK Holdings Co., Ltd.                     | 115                    |                       | 23                  |                                   |
| <b>Associates:</b>                        |                        |                       |                     |                                   |
| SK Marketing & Company Co., Ltd.          | 4,964                  |                       | 36,562              |                                   |
| F&U Credit information Co., Ltd.          | 280                    |                       | 3,941               |                                   |
| SK Wyverns Baseball Club Co., Ltd.        |                        |                       | 40                  |                                   |
| Wave City Development Co., Ltd.           | 38,412                 |                       |                     |                                   |
| HanaSK Card Co., Ltd.                     | 7,215                  | 14                    | 17,504              |                                   |
| SK China Company, Ltd.                    |                        |                       | 37,499              |                                   |
| Television Media Korea Ltd.               |                        |                       | 852                 |                                   |
| HappyNarae Co., Ltd.(*1)                  | 16                     |                       | 1,828               |                                   |
| Others                                    | 99                     | 10                    | 3,922               |                                   |
| <b>Others:</b>                            |                        |                       |                     |                                   |
| SK C&C Co., Ltd.                          | 448                    | 438                   | 60,774              | 3,585                             |
| SK Innovation Co., Ltd.                   | 1,019                  | 91                    | 1                   |                                   |
| M&Service Co., Ltd.                       | 1,516                  |                       | 1,595               |                                   |
| SK Engineering and Construction Co., Ltd. | 990                    |                       | 11,271              | 82                                |
| SKC Ltd.                                  | 73                     |                       |                     |                                   |
| SK Telesys Co., Ltd.                      | 246                    |                       | 32,684              |                                   |
| SK Networks Co., Ltd.                     | 25,628                 | 1,013                 | 397,704             | 865                               |
| SK Networks Service Co., Ltd.             | 8                      |                       | 10,987              |                                   |
| SK Energy Co., Ltd.                       | 528                    |                       | 2,546               |                                   |
| SK Securities Co., Ltd.                   | 102                    |                       |                     |                                   |
| SKY Investment Co., Ltd.(*2)              | 14,849                 |                       | 138                 |                                   |
| Others                                    | 770                    |                       | 1,576               | 525                               |
|   | 97,278                 | 1,566                 | 621,447             | 5,057                             |

(\*1) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

(\*2) The amount represents remaining balance of the loans to SKY Investment Co., Ltd. as of June 30, 2012.



**Table of Contents****30. Transactions with Related Parties, Continued**

(2) Account balances, Continued

| <i>(In millions of won)</i>               | December 31, 2011      |                       |                     | Guarantee<br>deposits<br>received |
|---|------------------------|-----------------------|---------------------|-----------------------------------|
|   | Accounts<br>receivable | Guarantee<br>deposits | Accounts<br>payable |                                   |
| <b>Ultimate Controlling Entity:</b>       |                        |                       |                     |                                   |
| SK Holdings Co., Ltd.                     | 147                    |                       |                     |                                   |
| <b>Associates:</b>                        |                        |                       |                     |                                   |
| SK Marketing & Company Co., Ltd.          | 9,876                  |                       | 36,901              | 10                                |
| F&U Credit information Co., Ltd.          |                        |                       | 3,736               |                                   |
| SK Wyverns Baseball Club Co., Ltd.        | 3,812                  |                       |                     |                                   |
| Wave City Development Co., Ltd.           | 38,412                 |                       |                     |                                   |
| HanaSK Card Co., Ltd.                     | 8,683                  | 14                    | 2,358               |                                   |
| Daehan Kanggun BcN Co., Ltd.              | 20,562                 |                       |                     |                                   |
| HappyNarae Co., Ltd. (*)                  | 1                      |                       | 1,768               |                                   |
| Others                                    | 69                     |                       | 1,539               | 222                               |
| <b>Others:</b>                            |                        |                       |                     |                                   |
| SK C&C Co., Ltd.                          | 3,330                  |                       | 172,047             | 3,585                             |
| SK Innovation Co., Ltd.                   | 954                    | 91                    | 2                   |                                   |
| M&Service Co., Ltd.                       | 644                    |                       | 4,679               |                                   |
| SK Engineering and Construction Co., Ltd. | 1,271                  |                       | 39,215              | 82                                |
| SKC Ltd.                                  | 184                    |                       |                     |                                   |
| SK Telesys Co., Ltd.                      | 132                    |                       | 65,619              |                                   |
| SK Mobile energy Co., Ltd.                | 1                      |                       | 71                  |                                   |
| SK Networks Co., Ltd.                     | 24,403                 | 5,513                 | 158,884             | 896                               |
| SK Networks Service Co., Ltd.             | 6                      |                       | 4,754               |                                   |
| SK Shipping Co., Ltd.                     | 365                    |                       |                     |                                   |
| Others                                    | 5,088                  |                       | 10,876              | 433                               |
|   | 117,940                | 5,618                 | 502,449             | 5,228                             |

(\*) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

(3) Compensation for the key management

The Parent Company considers registered directors who have substantial roles and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012                           |                           | 2011                           |                           |
|-----------------------------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|                             | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
|                             | June 30                        | June 30                   | June 30                        | June 30                   |
| Salaries                    | 297                            | 8,287                     | 1,676                          | 8,832                     |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|                                   |     |       |       |       |
|-----------------------------------|-----|-------|-------|-------|
| Provision for retirement benefits | 77  | 643   | 107   | 623   |
|                                   | 374 | 8,930 | 1,783 | 9,455 |

---

**Table of Contents**

**31. Commitments and Contingencies**

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, agreed to provide guarantees for Broadband Media Co., Ltd.'s loans as of June 30, 2012. For the guarantee, SK Broadband Co., Ltd. has provided its properties as collaterals as follows: 65,000 million to Hana Bank, 78,000 million to IBK Capital and 52,000 million to Kookmin Bank, respectively. SK Broadband Co., Ltd., has also provided its short-term financial instruments as collaterals as follows: 60,000 million to Korea Exchange Bank, 35,000 million to Hana Bank, 39,000 million to NH Bank 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 pledged its properties as collateral in the amount of 16,900 million to Kookmin Bank as of June 30, 2012.

SK Broadband Co., Ltd. has pledged its properties as collateral for leases on buildings in the amount of 17,400 million as of June 30, 2012.

PS & Marketing Corporation, a subsidiary of the Parent Company, has obtained a line of credit for 60,000 million from Shinhan Bank for operational purposes. In relation to the line of credit, PS & Marketing Corporation pledged 78,000 million of inventory as collateral to Shinhan Bank as of June 30, 2012.

As of June 30, 2012, SKY Property Mgmt. Ltd., a subsidiary, has pledged CNY 532 million of building and land use right (long-term prepaid expenses) as collateral for its long-term borrowing amounting to CNY 525 million to Korea Exchange Bank and China Merchants Bank. In relation to the newly obtained long-term borrowings of USD 30 million and HKD 234 million during the six-month period ended June 30, 2012, the Parent Company has provided interests in Shanghai Fujita Tianshan Housing Development Co., Ltd., a subsidiary, as collateral to Standard Chartered Bank (HK) Ltd.

(2) Guarantee provided

As of June 30, 2012, the Parent Company has participated in Tactical Airship program of the Defense Acquisition Program Administration with Joint Defense Corporation. For an advance receipt amounting to 4,200 million, which Joint Defense Corporation received from the Defense Acquisition Program Administration, the Parent Company provides payment guarantees to the Defense Acquisition Program Administration.

(3) Contingencies

As of June 30, 2012, the Group recorded 5,072 million of indemnities as accrued expense as SK Broadband Co., Ltd., a subsidiary, has partially lost the first trial relating to the violation of customer's privacy (plaintiff's claims of 24,689 million) during the year ended December 31, 2011.

As of June 30, 2012, the claim amount of pending litigations of SK Communications Co., Ltd., a subsidiary, amounts to 9,841 million and the final outcome of such litigation currently cannot be predicted.

**Table of Contents****32. Discontinued Operation**

## (1) Discontinued operation

During the six-month period ended June 30, 2012, SK Telink Co., Ltd., a subsidiary, finalized its decision to cease the broadcasting business due to the rapid decrease in satellite Digital Multimedia Broadcasting subscribers along with the effects from smart phones, etc. In relation to this event, SK Telink Co., Ltd. submitted its business cessation plan to Korea Communications Commission on July 2, 2012 and the business cessation plan was accepted without amendment on July 5, 2012.

## (2) Results of discontinued operation

Results of discontinued operation included in the unaudited condensed consolidated interim statements of income for the six-month periods ended June 30, 2012 and 2011 are as follows. The unaudited condensed consolidated interim statements of income presented for comparative purposes were restated in order to present discontinued operation segregated from the continuing operation.

| <i>(In millions of won)</i>                               | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|
| <b>Results of discontinued operation:</b>                 |             |             |
| Revenue   | 1,314       | 7,369       |
| Expenses  | (147,678)   | (34,618)    |
| <b>Operating loss generated by discontinued operation</b> | (146,364)   | (27,249)    |
| Income tax benefit  | 12,660      | 4,380       |
| <b>Loss generated by discontinued operation</b>           | (133,704)   | (22,869)    |
| <b>Attributable to :</b>                                  |             |             |
| Owners of the Parent Company                              | (114,756)   | (23,548)    |
| Non-controlling interests                                 | (18,948)    | 679         |

## (3) Cash flow from (used in) discontinued operation

Cash flow from (used in) discontinued operation for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>                             | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|
| <b>Cash flow from (used in) discontinued operation:</b> |             |             |
| Net cash used in operating activities                   | (1,840)     | (9,396)     |
| Net cash from (used in) investing activities            | 1,593       | (6,019)     |
| Net cash used in financing activities                   | (29,574)    | (64,460)    |
| <b>Net cash used in discontinued operation</b>          | (29,821)    | (79,875)    |

**Table of Contents****33. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>   | <b>2012</b>      | <b>2011</b>      |
|---|------------------|------------------|
| Interest income   | (57,253)         | (90,543)         |
| Dividend  | (22,947)         | (20,969)         |
| Gain on foreign currency translation  | (714)            | (16,171)         |
| Gain on valuation of financial assets at fair value through profit or loss      | (183)            | (1,150)          |
| Gain on valuation of financial liabilities at fair value through profit or loss | (5,774)          | (33,249)         |
| Gain on disposal of long-term investments securities                            | (12,947)         | (160,377)        |
| Gain on valuation of derivatives  |                  | (2,088)          |
| Gain on settlement of derivatives   | (12,694)         |                  |
| Gain on disposal of property, equipment and intangible assets                   | (2,832)          | (3,935)          |
| Reversal of allowance for doubtful accounts                                     | (5,530)          | (1,939)          |
| Other income  | (1,216)          | (2,921)          |
| Interest expenses   | 199,439          | 151,958          |
| Loss on foreign currency translation  | 527              | 2,501            |
| Loss on disposal of long-term investments securities                            | 9,134            | 156              |
| Impairment loss on long-term investment securities                              | 580              |                  |
| Loss on valuation of derivatives  | 443              | 397              |
| Loss on settlement of derivatives   | 1,232            | 5,136            |
| Equity in losses of investments in affiliates                                   | 45,597           | 20,709           |
| Income tax expense  | 138,023          | 414,263          |
| Provision for retirement benefits   | 39,406           | 33,871           |
| Depreciation and amortization   | 1,249,866        | 1,239,750        |
| Bad debt for accounts receivable trade  | 23,626           | 36,036           |
| Loss on disposal of property and equipment and intangible assets                | 4,956            | 10,108           |
| Impairment loss on property, equipment and intangible assets                    | 124,859          | 1,559            |
| Bad debt for accounts receivable other  | 23,040           | 3,146            |
| Other expenses  | 5,601            | 5,907            |
|   | <b>1,744,239</b> | <b>1,592,155</b> |

**Table of Contents****33. Statements of Cash Flows, Continued**

(2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>          | <b>2012</b>    | <b>2011</b>    |
|--------------------------------------|----------------|----------------|
| Accounts receivable trade            | (46,986)       | (93,441)       |
| Accounts receivable other            | 280,449        | 751,677        |
| Accrued income                       | 2,715          | 16,783         |
| Advance payments                     | 20,902         | 20,093         |
| Prepaid expenses                     | 19,024         | 35,322         |
| Proxy paid V.A.T.                    | (570)          | 42,227         |
| Inventories                          | (46,269)       | (48,883)       |
| Long-term accounts receivables other | 4,699          | 463,128        |
| Guarantee deposits                   | 13,837         | (819)          |
| Accounts payable trade               | 143,264        | 139,666        |
| Accounts payable other               | (338,120)      | (497,886)      |
| Advanced receipts                    | (1,512)        | 19,751         |
| Withholdings                         | 120,170        | 101,301        |
| Deposits received                    | (4,097)        |                |
| Accrued expenses                     | 187,666        | 34,161         |
| Advanced V.A.T.                      | 8,219          | (124,336)      |
| Unearned revenue                     | (33,267)       | (27,694)       |
| Provisions                           | (88,311)       | 2,601          |
| Long-term provisions                 | (18,377)       | 119,276        |
| Plan assets                          | 189            | 7,685          |
| Retirement benefit payment           | (27,410)       | (21,465)       |
| Others                               | 1,186          | 21,197         |
|                                      | <b>197,401</b> | <b>960,344</b> |

(3) Significant non-cash transactions for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>   | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|
| Accounts payable other related to acquisition of tangible assets and others | 8,010       | 216,301     |

**34. Subsequent Events**

(1) Interim Dividends

On July 25, 2012, the Board of Directors of the Parent Company resolved to pay interim cash dividends of 1,000 per share totaling 69,695 million (Market dividend rate: 0.82%). The ex-dividend date was June 30, 2012 and the interim dividends are expected to be paid within twenty days after the date of the Board of Directors' resolution.

(2) Transfer of Business and Merger of Broadband D&M Co., Ltd.

## Edgar Filing: SK TELECOM CO LTD - Form 6-K

### 1) Transfer of business

On July 13, 2012, shareholders of Broadband D&M Co., Ltd., a subsidiary of the Parent Company, resolved to transfer its power source equipment management, corporate service opening and maintenance tasks for SK Broadband Co., Ltd. to Network O&S Co., Ltd., a subsidiary of the Parent Company at extraordinary shareholders meeting.

### 2) Merger

On July 26, 2012, the board of directors of SK Broadband Co., Ltd. resolved to merge Broadband D&M Co., Ltd., a subsidiary of the Parent Company, into SK Broadband Co., Ltd., a subsidiary of the Parent Company.

These subsequent events represent transactions under common control of the SK Telecom consolidated group that have no impact on the consolidated financial statements of the Group.

**Table of Contents**

**SK TELECOM CO., LTD.**

Condensed Separate Interim Financial Statements

(Unaudited)

**June 30, 2012**

(With Independent Auditors' Review Report Thereon)



**Table of Contents**

Contents

|  | <b>Page</b> |
|--|-------------|
| <b><u>Independent Auditors' Review Report</u></b>                              | 1           |
| <u>Unaudited Condensed Separate Interim Statements of Financial Position</u>   | 3           |
| <u>Unaudited Condensed Separate Interim Statements of Income</u>               | 5           |
| <u>Unaudited Condensed Separate Interim Statements of Comprehensive Income</u> | 7           |
| <u>Unaudited Condensed Separate Interim Statements of Changes in Equity</u>    | 8           |
| <u>Unaudited Condensed Separate Interim Statements of Cash Flows</u>           | 9           |
| Notes to the Unaudited Condensed Interim Separate Financial Statements         | 12          |

## **Table of Contents**

Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

### **Reviewed financial statements**

We have reviewed the accompanying condensed separate interim financial statements of SK Telecom Co., Ltd. (the Company), expressed in Korean won, which comprise the condensed separate interim statement of financial position as of June 30, 2012, the condensed separate interim statements of income and comprehensive income for the three-month and six-month periods ended June 30, 2012, the condensed separate interim statements of changes in equity and cash flows for the six-month period ended June 30, 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

### **Management's responsibility for the Condensed Interim Financial Statements**

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

### **Auditors' review responsibility**

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

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

### **Conclusion**

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

**Table of Contents**

**Other matters**

The condensed separate statements of income, comprehensive income for the three-month and six-month periods ended June 30, 2011, and the condensed separate statements of changes in equity and cash flows for the six-month period ended June 30, 2011, were reviewed by other auditors and their report thereon, dated August 26, 2011, stated that nothing has come to their attention that causes them to believe that the condensed separate interim financial statements referred to above were not prepared, in all material respects, in accordance with K-IFRS No.1034, *Interim Financial Reporting* .

In addition, the separate statement of financial position of the Company as of December 31, 2011, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended, which are not accompanying this report, were audited by other auditors and their report thereon, dated March 13, 2012, expressed an unqualified opinion. The accompanying separate statement of financial position of the Company as of December 31, 2011, presented for comparative purposes, is not different from that audited by other auditors in all material respects.

The procedures and practices utilized in the Republic of Korea to review such separate interim financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying condensed separate financial statements are for use by those knowledgeable about Korean review standards and their application in practice.

KPMG Samjong Accounting Corp.

Seoul, Korea

August 6, 2012

This report is effective as of August 6, 2012, the review report date. Certain subsequent events or circumstances, which may occur between the review report date and the time of reading this report, could have a material impact on the accompanying condensed separate interim financial statements and notes thereto. Accordingly, the readers of the review report should understand that the above review report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Financial Position

As of June 30, 2012 and December 31, 2011

| <i>(In millions of won)</i>                | Note       | June 30,<br>2012  | December 31,<br>2011 |
|--|------------|-------------------|----------------------|
| <b>Assets</b>                              |            |                   |                      |
| <b>Current Assets:</b>                     |            |                   |                      |
| Cash and cash equivalents                  | 25,26      | 369,378           | 895,558              |
| Short-term financial instruments           | 4,25,26    | 162,000           | 627,500              |
| Short-term investment securities           | 6,25,26    | 49,945            | 90,573               |
| Accounts receivable trade, net             | 5,25,26,27 | 1,336,186         | 1,282,234            |
| Short-term loans, net                      | 5,25,26,27 | 75,381            | 88,236               |
| Accounts receivable other, net             | 5,25,26,27 | 419,595           | 774,221              |
| Prepaid expenses                           |            | 68,286            | 79,668               |
| Derivative financial assets                | 16,25,26   | 80,187            | 83,708               |
| Inventories, net                           |            | 14,398            | 8,407                |
| Advanced payments and other                | 5,25,26    | 14,825            | 17,972               |
| <b>Total Current Assets</b>                |            | <b>2,590,181</b>  | <b>3,948,077</b>     |
| <b>Non-Current Assets:</b>                 |            |                   |                      |
| Long-term financial instruments            | 4,25,26    | 7,569             | 7,569                |
| Long-term investment securities            | 6,25,26    | 1,219,646         | 1,312,438            |
| Investments in subsidiaries and associates | 7          | 7,972,909         | 4,647,506            |
| Property and equipment, net                | 8,27       | 6,249,883         | 6,260,169            |
| Investment property                        | 9          | 30,701            | 30,699               |
| Goodwill                                   | 10         | 1,306,236         | 1,306,236            |
| Intangible assets                          | 11         | 2,285,113         | 2,364,795            |
| Long-term loans, net                       | 5,25,26,27 | 65,687            | 75,282               |
| Long-term accounts receivable other        | 5,25,26    | 694               | 5,393                |
| Long-term prepaid expenses                 |            | 21,921            | 20,939               |
| Guarantee deposits                         | 5,25,26,27 | 146,343           | 155,389              |
| Long-term derivative financial assets      | 16,25,26   | 130,183           | 104,897              |
| Deferred tax assets                        | 23         | 244,017           | 280,380              |
| Other non-current assets                   |            | 778               | 758                  |
| <b>Total Non-Current Assets</b>            |            | <b>19,681,680</b> | <b>16,572,450</b>    |
| <b>Total Assets</b>                        |            | <b>22,271,861</b> | <b>20,520,527</b>    |

See accompanying notes to the condensed separate interim financial statements.

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Financial Position, Continued

As of June 30, 2012 and December 31, 2011

| <i>(In millions of won)</i>                     | Note        | June 30,<br>2012  | December 31,<br>2011 |
|---|-------------|-------------------|----------------------|
| <b>Liabilities and Equity</b>                   |             |                   |                      |
| <b>Current Liabilities:</b>                     |             |                   |                      |
| Short-term borrowings                           | 12,25,26    | 200,000           |                      |
| Current portion of long-term debt, net          | 12,13,25,26 | 331,235           | 1,044,518            |
| Accounts payable other                          | 25,26,27    | 1,084,184         | 1,361,473            |
| Withholdings                                    | 25,26       | 432,890           | 330,674              |
| Accrued expenses                                | 25,26       | 598,332           | 468,313              |
| Income tax payable                              | 23          | 150,675           | 277,836              |
| Unearned revenue                                |             | 258,313           | 282,891              |
| Derivative financial liabilities                | 16,25,26    |                   | 4,645                |
| Provisions                                      | 14          | 573,005           | 656,597              |
| Advanced receipt and other                      |             | 38,615            | 40,059               |
| <b>Total Current Liabilities</b>                |             | <b>3,667,249</b>  | <b>4,467,006</b>     |
| <b>Non-Current Liabilities:</b>                 |             |                   |                      |
| Debentures, net, excluding current portion      | 12,25,26    | 3,344,084         | 2,590,630            |
| Long-term borrowings, excluding current portion | 12,25,26    | 2,103,743         | 115,330              |
| Long-term payables other                        | 13,25,26    | 702,780           | 840,974              |
| Long-term unearned revenue                      |             | 205,540           | 212,172              |
| Defined benefit obligation                      | 15          | 40,173            | 26,740               |
| Long-term derivative financial liabilities      | 16,25,26    | 23,529            |                      |
| Long-term provisions                            | 14          | 114,749           | 134,264              |
| Other non-current liabilities                   | 25,26,27    | 164,356           | 167,109              |
| <b>Total Non-Current Liabilities</b>            |             | <b>6,698,954</b>  | <b>4,087,219</b>     |
| <b>Total Liabilities</b>                        |             | <b>10,366,203</b> | <b>8,554,225</b>     |
| <b>Equity</b>                                   |             |                   |                      |
| Share capital                                   | 1,17        | 44,639            | 44,639               |
| Share deficit                                   | 17,18       | (236,160)         | (236,016)            |
| Retained earnings                               | 19          | 11,822,198        | 11,837,185           |
| Reserves  | 20          | 274,981           | 320,494              |
| <b>Total Equity</b>                             |             | <b>11,905,658</b> | <b>11,966,302</b>    |
| <b>Total Liabilities and Equity</b>             |             | <b>22,271,861</b> | <b>20,520,527</b>    |

See accompanying notes to the condensed separate interim financial statements.

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Income

For the three and six-month periods ended June 30, 2012 and 2011

|   | Note | June 30, 2012                  |                           | June 30, 2011                  |                           |
|---|------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|   |      | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
| <i>(In millions of won except for per share data)</i> |      |                                |                           |                                |                           |
| <b>Operating revenue:</b>                             | 27   |                                |                           |                                |                           |
| Revenue   |      | 3,068,575                      | 6,076,014                 | 3,189,593                      | 6,319,543                 |
| Other operating income                                | 21   | 1,472                          | 10,480                    | 4,915                          | 6,498                     |
| Sub-total   |      | 3,070,047                      | 6,086,494                 | 3,194,508                      | 6,326,041                 |
| <b>Operating expense:</b>                             | 27   |                                |                           |                                |                           |
| Labor cost  |      | 118,460                        | 288,195                   | 110,355                        | 287,817                   |
| Commissions paid                                      |      | 1,449,868                      | 2,721,222                 | 1,282,394                      | 2,522,309                 |
| Depreciation and amortization                         |      | 400,316                        | 801,272                   | 430,230                        | 843,885                   |
| Network interconnection                               |      | 206,661                        | 432,412                   | 249,280                        | 491,775                   |
| Leased line   |      | 103,448                        | 210,884                   | 96,271                         | 194,123                   |
| Advertising   |      | 61,683                         | 97,881                    | 59,336                         | 94,724                    |
| Rent  |      | 80,967                         | 161,855                   | 74,872                         | 153,972                   |
| Cost of products that have been resold                |      | 55,310                         | 117,255                   | 42,697                         | 83,607                    |
| Other operating expenses                              | 21   | 247,775                        | 452,258                   | 218,035                        | 424,810                   |
| Sub-total   |      | 2,724,488                      | 5,283,234                 | 2,563,470                      | 5,097,022                 |
| <b>Operating income</b>                               |      | <b>345,559</b>                 | <b>803,260</b>            | <b>631,038</b>                 | <b>1,229,019</b>          |

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

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Income, Continued

For the three and six-month periods ended June 30, 2012 and 2011

|  | Note | June 30, 2012                  |                           | June 30, 2011                  |                           |
|--|------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|  |      | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
| <i>(In millions of won except for per share data)</i>          |      |                                |                           |                                |                           |
| Finance income   | 22   | 35,099                         | 82,839                    | 64,018                         | 315,549                   |
| Finance costs  | 22   | 84,925                         | 164,916                   | 47,639                         | 108,233                   |
| Gain on disposal of investments in subsidiaries and associates | 7    |                                | 80,482                    | 1,869                          | 1,990                     |
| Impairment loss on investments in associates                   | 7    |                                | 72,096                    |                                |                           |
| <b>Income before income tax</b>                                |      | <b>295,733</b>                 | <b>729,569</b>            | <b>649,286</b>                 | <b>1,438,325</b>          |
| <b>Income tax expense</b>                                      | 23   | <b>64,367</b>                  | <b>153,231</b>            | <b>174,899</b>                 | <b>403,267</b>            |
| <b>Net income for the period</b>                               |      | <b>231,366</b>                 | <b>576,338</b>            | <b>474,387</b>                 | <b>1,035,058</b>          |
| Basic earnings per share                                       | 24   | 3,320                          | 8,269                     | 6,673                          | 14,559                    |
| Diluted earnings per share                                     | 24   | 3,131                          | 7,978                     | 6,262                          | 13,811                    |

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

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Comprehensive Income

For the three and six-month periods ended June 30, 2012 and 2011

|   | Note  | June 30, 2012                  |                           | June 30, 2011                  |                           |
|---|-------|--------------------------------|---------------------------|--------------------------------|---------------------------|
|   |       | Three-month<br>period<br>ended | Six-month<br>period ended | Three-month<br>period<br>ended | Six-month<br>period ended |
| <i>(In millions of won)</i>                                     |       |                                |                           |                                |                           |
| <b>Net income for the period</b>                                |       | <b>231,366</b>                 | <b>576,338</b>            | <b>474,387</b>                 | <b>1,035,058</b>          |
| <b>Other comprehensive income(loss)</b>                         |       |                                |                           |                                |                           |
| Net change in fair value of available-for-sale financial assets | 20    | (36,577)                       | (48,276)                  | (95,379)                       | (180,734)                 |
| Gains (losses) on valuation of derivatives                      | 16,20 | 17,086                         | 2,763                     | (32,493)                       | 6,227                     |
| Actuarial losses, net on defined benefit obligations            | 15,19 | (1,202)                        | (5,887)                   | (1,541)                        | (5,620)                   |
|   |       | (20,693)                       | (51,400)                  | (129,413)                      | (180,127)                 |
| <b>Total comprehensive income</b>                               |       | <b>210,673</b>                 | <b>524,938</b>            | <b>344,974</b>                 | <b>854,931</b>            |

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



**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Changes in Equity

For the six-month periods ended June 30, 2012 and 2011

| <i>(In millions of won)</i>     | Share capital | Paid-in surplus | Share premium<br>Loss on disposal of |                |           | Retained earnings | Reserves  | Total equity |
|---------------------------------|---------------|-----------------|--------------------------------------|----------------|-----------|-------------------|-----------|--------------|
|                                 |               |                 | Treasury stock                       | treasury stock | Other     |                   |           |              |
| <b>Balance, January 1, 2011</b> | 44,639        | 2,915,887       | (2,202,439)                          | (15,875)       | (722,216) | 10,824,356        | 736,606   | 11,580,958   |
| Cash dividends                  |               |                 |                                      |                |           | (597,198)         |           | (597,198)    |
| Total comprehensive income      |               |                 |                                      |                |           |                   |           |              |
| Net income                      |               |                 |                                      |                |           | 1,035,058         |           | 1,035,058    |
| Other comprehensive loss        |               |                 |                                      |                |           | (5,620)           | (174,507) | (180,127)    |
| <b>Balance, June 30, 2011</b>   | 44,639        | 2,915,887       | (2,202,439)                          | (15,875)       | (722,216) | 11,256,596        | 562,099   | 11,838,691   |
| <b>Balance, January 1, 2012</b> | 44,639        | 2,915,887       | (2,410,451)                          | (18,855)       | (722,597) | 11,837,185        | 320,494   | 11,966,302   |
| Cash dividends                  |               |                 |                                      |                |           | (585,438)         |           | (585,438)    |
| Transfer of business            |               |                 |                                      |                | (144)     |                   |           | (144)        |
| Total comprehensive income      |               |                 |                                      |                |           |                   |           |              |
| Net income                      |               |                 |                                      |                |           | 576,338           |           | 576,338      |
| Other comprehensive loss        |               |                 |                                      |                |           | (5,887)           | (45,513)  | (51,400)     |
| <b>Balance, June 30, 2012</b>   | 44,639        | 2,915,887       | (2,410,451)                          | (18,855)       | (722,741) | 11,822,198        | 274,981   | 11,905,658   |

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

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Cash Flows

For the six-month periods ended June 30, 2012 and 2011

| <i>(In millions of won)</i>  | Note | 2012             | 2011             |
|--|------|------------------|------------------|
| <b>Cash flows from operating activities:</b>                         |      |                  |                  |
| Cash generated from operating activities                             |      |                  |                  |
| Net income for the period  |      | 576,338          | 1,035,058        |
| Adjustments for income and expenses                                  | 29   | 1,136,953        | 1,154,167        |
| Changes in assets and liabilities related to operating activities    | 29   | 119,367          | 1,185,950        |
| Sub-total  |      | 1,832,658        | 3,375,175        |
| Interest received  |      | 31,315           | 68,835           |
| Dividends received   |      | 25,780           | 26,472           |
| Interest paid  |      | (127,328)        | (102,875)        |
| Income tax paid  |      | (227,427)        | (336,969)        |
| <b>Net cash provided by operating activities</b>                     |      | <b>1,534,998</b> | <b>3,030,638</b> |
| <b>Cash flows from investing activities:</b>                         |      |                  |                  |
| Cash inflows from investing activities:                              |      |                  |                  |
| Decrease in short-term investment securities, net                    |      | 50,179           | 147,000          |
| Decrease in short-term financial instruments, net                    |      | 465,500          |                  |
| Collection of short-term loans                                       |      | 138,028          | 88,506           |
| Proceeds from disposal of long-term investment securities            |      | 14,185           | 214,512          |
| Proceeds from disposal of investments in subsidiaries and associates |      | 88,602           | 6,529            |
| Proceeds from disposal of property and equipment                     |      | 763              | 1,204            |
| Proceeds from disposal of intangible assets                          |      | 2,195            | 2,118            |
| Collection of long-term loans  |      | 5,348            | 7,037            |
| Proceeds from disposal of other non-current assets                   |      |                  | 386              |
| Sub-total  |      | 764,800          | 467,292          |
| Cash outflows for investing activities:                              |      |                  |                  |
| Increase in short-term financial instruments, net                    |      |                  | (205,500)        |
| Increase in short-term loans   |      | (120,000)        | (124,974)        |
| Increase in long-term financial instruments                          |      |                  | (7,500)          |
| Acquisition of long-term investment securities                       |      | (3,305)          | (215,158)        |

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Cash Flows

For the six-month periods ended June 30, 2012 and 2011

|   |                    |                    |
|---|--------------------|--------------------|
| Acquisition of investments in subsidiaries and associates | (3,082,544)        | (38,288)           |
| Acquisition of property and equipment                     | (1,097,496)        | (1,096,007)        |
| Acquisition of intangible assets                          | (21,897)           | (15,586)           |
| Increase in long-term loans                               | (22)               | (562)              |
| Cash outflows from transfer of business                   | (3,387)            |                    |
| Increase in other non-current assets                      | (19)               |                    |
| <b>Sub-total</b>  | <b>(4,328,670)</b> | <b>(1,703,575)</b> |
| <b>Net cash used in investing activities</b>              | <b>(3,563,870)</b> | <b>(1,236,283)</b> |

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

**Table of Contents**

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Cash Flows, Continued

For the six-month periods ended June 30, 2012 and 2011

| <i>(In millions of won)</i>                                   | Note | 2012             | 2011               |
|---|------|------------------|--------------------|
| <b>Cash flows from financing activities:</b>                  |      |                  |                    |
| Cash inflows from financing activities:                       |      |                  |                    |
| Proceeds from short-term borrowings                           |      | 700,000          |                    |
| Proceeds from long-term borrowings                            |      | 1,986,800        |                    |
| Issuance of debentures  |      | 369,970          |                    |
| Cash inflows from settlement of derivatives                   |      | 1,517            |                    |
| Sub-total   |      | 3,058,287        |                    |
| Cash outflows for financing activities:                       |      |                  |                    |
| Repayment of short-term borrowings                            |      | (500,000)        |                    |
| Repayment of current portion of long-term debt                |      | (92,158)         | (520,000)          |
| Repayment of debentures                                       |      | (372,539)        | (332,160)          |
| Payment of cash dividends                                     |      | (585,437)        | (597,198)          |
| Cash outflows from settlement of derivatives                  |      | (5,415)          | (17,694)           |
| Sub-total   |      | (1,555,549)      | (1,467,052)        |
| <b>Net cash provided by (used in) financing activities</b>    |      | <b>1,502,738</b> | <b>(1,467,052)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>   |      | <b>(526,134)</b> | <b>327,303</b>     |
| Cash and cash equivalents at beginning of the period          |      | 895,558          | 357,470            |
| Effects of exchange rate changes on cash and cash equivalents |      | (46)             | (1)                |
| <b>Cash and cash equivalents at end of the period</b>         |      | <b>369,378</b>   | <b>684,772</b>     |

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

**Table of Contents****1. Reporting Entity**

SK Telecom Co., Ltd. ( the Company ) was incorporated in June 1984 under the laws of Republic of Korea ( Korea ) to engage in providing cellular telephone communication services in Korea. The Company mainly provides wireless telecommunications in Korea. The Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of June 30, 2012, the Company s total issued shares are held by the following:

|   | Number of<br>shares | Percentage of<br>total shares issued (%) |
|---|---------------------|--|
| SK Holdings, Co., Ltd.                                  | 20,363,452          | 25.22                                    |
| Tradewinds Global Investors, LLC                        | 3,241,956           | 4.01                                     |
| Institutional investors and other minority stockholders | 46,089,591          | 57.08                                    |
| Treasury stock  | 11,050,712          | 13.69                                    |
| <b>Total number of shares</b>                           | <b>80,745,711</b>   | <b>100.00</b>                            |

**2. Basis of Preparation**

## (1) Statement of compliance

These condensed separate interim financial statements were prepared in accordance with K-IFRS No. 1034, *Interim Financial Reporting* as part of the period covered by the Company s K-IFRS annual financial statements. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the last annual separate financial statements as of and for the year ended December 31, 2011. These unaudited condensed separate interim financial statements do not include all of the disclosures required for full annual financial statements.

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.1027,

*Consolidated and Separate Financial Statements* presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

**Table of Contents****2. Basis of Preparation, Continued****(2) Use of estimates and judgments**

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

In preparing these unaudited condensed separate interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as of and for the year ended December 31, 2011.

**(3) Common Control Transactions**

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

**3. Significant Accounting Policies**

The accounting policies applied by the Company in these unaudited condensed separate interim financial statements are the same as those applied by the Company in its separate financial statements as of and for the year ended December 31, 2011.

**4. Restricted Deposits**

Deposits which are restricted in use as of June 30, 2012 and December 31, 2011 are summarized as follows:

| <i>(In millions of won)</i>          | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--------------------------------------|----------------------|--------------------------|
| Short-term financial instruments (*) | 70,000               | 70,000                   |
| Long-term financial instruments (*)  | 7,569                | 7,569                    |
|                                      | <b>77,569</b>        | <b>77,569</b>            |

(\*) These financial instruments include financial instruments restricted in use in relation to the various charitable contributions which are non-cancellable until maturity.

**Table of Contents****5. Trade and Other Receivables**

(1) Details of trade and other receivables as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>         | <b>June 30, 2012</b> |                                  |                        |
|-------------------------------------|----------------------|----------------------------------|------------------------|
|                                     | <b>Gross amount</b>  | <b>Allowances for impairment</b> | <b>Carrying amount</b> |
| <b>Current assets:</b>              |                      |                                  |                        |
| Accounts receivable trade           | 1,431,577            | (95,391)                         | 1,336,186              |
| Short-term loans                    | 76,401               | (1,020)                          | 75,381                 |
| Accounts receivable other           | 462,236              | (42,641)                         | 419,595                |
| Accrued income                      | 3,881                |                                  | 3,881                  |
|                                     | 1,974,095            | (139,052)                        | 1,835,043              |
| <b>Non-current assets:</b>          |                      |                                  |                        |
| Long-term loans                     | 89,190               | (23,503)                         | 65,687                 |
| Long-term accounts receivable other | 694                  |                                  | 694                    |
| Guarantee deposits                  | 146,343              |                                  | 146,343                |
|                                     | 236,227              | (23,503)                         | 212,724                |
| <b>Total</b>                        | <b>2,210,322</b>     | <b>(162,555)</b>                 | <b>2,047,767</b>       |

| <i>(In millions of won)</i>         | <b>December 31, 2011</b> |                                  |                        |
|-------------------------------------|--------------------------|----------------------------------|------------------------|
|                                     | <b>Gross amount</b>      | <b>Allowances for impairment</b> | <b>Carrying amount</b> |
| <b>Current assets:</b>              |                          |                                  |                        |
| Accounts receivable trade           | 1,400,758                | (118,524)                        | 1,282,234              |
| Short-term loans                    | 89,387                   | (1,151)                          | 88,236                 |
| Accounts receivable other           | 802,581                  | (28,360)                         | 774,221                |
| Accrued income                      | 5,278                    |                                  | 5,278                  |
|                                     | 2,298,004                | (148,035)                        | 2,149,969              |
| <b>Non-current assets:</b>          |                          |                                  |                        |
| Long-term loans                     | 98,886                   | (23,604)                         | 75,282                 |
| Long-term accounts receivable other | 5,393                    |                                  | 5,393                  |
| Guarantee deposits                  | 155,389                  |                                  | 155,389                |
|                                     | 259,668                  | (23,604)                         | 236,064                |
| <b>Total</b>                        | <b>2,557,672</b>         | <b>(171,639)</b>                 | <b>2,386,033</b>       |

**Table of Contents****5. Trade and Other Receivables, Continued**

- (2) The movement in allowance for doubtful accounts in respect of trade and other receivables during the six-month periods ended June 30, 2012 and 2011 was as follows:

| <i>(In millions of won)</i>                 | <b>For the six-month period ended</b> |                      |
|---|---------------------------------------|----------------------|
|   | <b>June 30, 2012</b>                  | <b>June 30, 2011</b> |
| Balance at January, 1                       | 171,639                               | 210,996              |
| Increase of bad debt                        | 27,925                                | 23,470               |
| Reversal of allowance for doubtful accounts | (4,475)                               |                      |
| Write-off                                   | (51,203)                              | (31,008)             |
| Collection of receivables written-off       | 18,669                                | 4,573                |
| Balance at June, 30                         | 162,555                               | 208,031              |

- (3) Details of trade and other receivables, overdue but not impaired, and impaired accounts receivable as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                  | <b>June 30, 2012</b>               |                          | <b>December 31, 2011</b>           |                          |
|--|------------------------------------|--------------------------|------------------------------------|--------------------------|
|  | <b>Accounts receivable - trade</b> | <b>Other receivables</b> | <b>Accounts receivable - trade</b> | <b>Other receivables</b> |
| Accounts receivable                          | 1,025,466                          | 714,393                  | 944,178                            | 1,072,199                |
| Overdue but not impaired accounts receivable | 37,464                             |                          | 24,880                             |                          |
| Impaired accounts receivable                 | 368,647                            | 64,352                   | 431,700                            | 84,715                   |
|  | 1,431,577                          | 778,745                  | 1,400,758                          | 1,156,914                |
| Allowance for doubtful accounts              | (95,391)                           | (67,164)                 | (118,524)                          | (53,115)                 |
|  | 1,336,186                          | 711,581                  | 1,282,234                          | 1,103,799                |

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



**Table of Contents****5. Trade and Other Receivables, Continued**

(4) The aging of overdue but not impaired accounts receivable as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|-----------------------------|----------------------|--------------------------|
| Less than 1 month           | 15,225               | 4,229                    |
| 1 ~ 3 months                | 5,331                | 6,979                    |
| 3 ~ 6 months                | 5,650                | 3,336                    |
| More than 6 months          | 11,258               | 10,336                   |
|                             | <b>37,464</b>        | <b>24,880</b>            |

**6. Investment Securities**

(1) Details of short-term investment securities as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                        | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Beneficiary certificates (*)                       | 41,069               | 90,287                   |
| Current portion of long-term investment securities | 8,876                | 286                      |
|  | <b>49,945</b>        | <b>90,573</b>            |

(\*) The distributions arising from beneficiary certificates as of June 30, 2012, were accounted for as accrued income.

(2) Details of long-term available-for-sale financial assets as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                             | <b>June 30,<br/>2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| <b>Equity securities:</b>                               |                          |                          |
| Marketable equity securities                            | 1,052,372                | 1,095,747                |
| Unlisted equity securities                              | 18,737                   | 15,903                   |
| Equity investments                                      | 131,622                  | 175,466                  |
|   | <b>1,202,731</b>         | <b>1,287,116</b>         |
| <b>Debt securities:</b>                                 |                          |                          |
| Public bonds (*1)                                       | 401                      | 401                      |
| Investment bonds (*2)                                   | 25,390                   | 25,207                   |
|   | <b>25,791</b>            | <b>25,608</b>            |
| <b>Total</b>  | <b>1,228,522</b>         | <b>1,312,724</b>         |
| Less current portion of long-term investment securities | (8,876)                  | (286)                    |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

|  |           |           |
|--|-----------|-----------|
| <b>Long-term investment securities</b> | 1,219,646 | 1,312,438 |
|--|-----------|-----------|

(\*1) Details of maturity for the public bonds as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|-----------------------------|----------------------|--------------------------|
| Less than 1 year            | 45                   | 45                       |
| 1 ~ 5 years                 | 356                  | 356                      |
|                             | <b>401</b>           | <b>401</b>               |

(\*2) The Company classified convertible bonds of NanoEnTek, Inc. (carrying amount as of June 30, 2012: W 16,799 million), which were acquired during the year ended December 31, 2011, as financial assets at fair value through profit or loss. The difference between acquisition cost and fair value is accounted for as finance income (loss).

**Table of Contents****6. Investment Securities, Continued**

On February 2, 2012, SK Communications Co., Ltd, a subsidiary of the Company, disposed W 20,000 million of convertible securities issued by Etoos Co., Ltd. to Shinhan the 2nd Private Investment Company for W 19,000 million. In relation to this transaction, the Company recognized a gain on the disposal of available-for-sale financial assets of W 2,812 million.

**7. Investments in Subsidiaries and Associates**

(1) Investments in subsidiaries and associates as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|-----------------------------|----------------------|--------------------------|
| Investments in subsidiaries | 3,376,985            | 3,382,939                |
| Investments in associates   | 4,595,924            | 1,264,567                |
|                             | <b>7,972,909</b>     | <b>4,647,506</b>         |

(2) Details of investments in subsidiaries as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>         | <b>Number of shares</b> | <b>June 30, 2012 Ownership (%)</b> | <b>Carrying amount</b> | <b>December 31, 2011 Carrying amount</b> |
|-------------------------------------|-------------------------|------------------------------------|------------------------|--|
| SK Telink Co., Ltd.                 | 1,082,272               | 83.5                               | 144,740                | 144,740                                  |
| Ntreev Soft Co., Ltd.(*1)           |                         |                                    |                        | 7,708                                    |
| SK Broadband Co., Ltd.              | 149,638,354             | 50.6                               | 1,242,246              | 1,242,247                                |
| PS&Marketing Corporation            | 46,000,000              | 100.0                              | 213,934                | 213,934                                  |
| Service Ace Co., Ltd.               | 4,385,400               | 100.0                              | 21,927                 | 21,927                                   |
| Service Top Co., Ltd.               | 2,856,200               | 100.0                              | 14,281                 | 14,281                                   |
| Network O&S Co., Ltd.               | 3,000,000               | 100.0                              | 15,000                 | 15,000                                   |
| SK Planet Co., Ltd.                 | 60,000,000              | 100.0                              | 1,234,884              | 1,234,884                                |
| SK Telecom China Holdings Co., Ltd. |                         | 100.0                              | 29,116                 | 29,116                                   |
| SKY Property Mgmt. Ltd.             | 22,980                  | 60.0                               | 264,850                | 264,850                                  |
| SKT Vietnam PTE. Ltd.               | 180,476,700             | 73.3                               | 26,264                 | 26,264                                   |
| SKT Americas, Inc.                  | 122                     | 100.0                              | 65,379                 | 65,379                                   |
| YTK Investment Ltd.                 |                         | 100.0                              | 52,123                 | 52,123                                   |
| Atlas Investment(*2)                |                         | 100.0                              | 52,241                 | 50,486                                   |
|                                     |                         |                                    | <b>3,376,985</b>       | <b>3,382,939</b>                         |

**Table of Contents****7. Investments in Subsidiaries and Associates, Continued**

(\*1) During the six-month period ended June 30, 2012, the Company sold 2,064,970 shares (ownership interest of 63.7%) of investment in Ntreev Soft Co., Ltd. to NCsoft Corporation and recognized gain on disposal of W 80,482 million.

(\*2) During the six-month period ended June 30, 2012, the Company additionally invested W 1,754 million in Atlas Investment.

(3) Details of investments in associates as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                      | Number of<br>shares | June 30, 2012<br>Ownership<br>percentage<br>(%) | Carrying<br>amount | December 31, 2011<br>Carrying<br>amount |
|--|---------------------|---|--------------------|---|
| SK Marketing & Company Co., Ltd.                 | 5,000,000           | 50.0  | 112,531            | 112,531                                 |
| SK China Company Ltd.                            | 720,000             | 22.5  | 47,830             | 47,830                                  |
| SK USA, Inc.                                     | 49                  | 49.0  | 5,498              | 5,498                                   |
| HappyNarae Co., Ltd. (*1)                        | 680,000             | 42.5  | 12,250             | 12,250                                  |
| F&U Credit information Co., Ltd.                 | 300,000             | 50.0  | 4,482              | 4,482                                   |
| Korea IT Fund(*2)                                | 190                 | 63.3  | 220,957            | 220,957                                 |
| Wave City Development Co., Ltd.(*3)              | 382,000             | 19.1  | 1,532              | 1,532                                   |
| HanaSK Card Co., Ltd.                            | 57,647,058          | 49.0  | 400,000            | 400,000                                 |
| Daehan Kanggun BcN Co., Ltd.                     | 1,461,486           | 29.0  | 8,340              | 8,340                                   |
| NanoEnTek, Inc.(*3)                              | 1,807,130           | 9.3   | 11,000             | 11,000                                  |
| Health Connect Co., Ltd.                         | 141,000             | 49.5  | 1,410              | 1,410                                   |
| UNISK (Beijing) Information Technology Co., Ltd. | 49                  | 49.0  | 4,247              | 4,247                                   |
| TR Entertainment                                 |                     | 42.2  | 7,560              | 7,560                                   |
| SK Industrial Development China Co., Ltd.        |                     | 35.0  | 83,691             | 83,691                                  |
| Packet One Network                               | 1,151,556           | 28.2  | 137,751            | 137,751                                 |
| SK Technology Innovation Company                 | 9,800               | 49.0  | 85,873             | 85,873                                  |
| Lightsquared Inc.(*3,4)                          | 3,387,916           | 3.3   |                    | 72,096                                  |
| SK Hynix Inc.(*5)                                | 146,100,000         | 21.1  | 3,374,726          |   |
| SK MENA Investment B.V.(*6)                      |                     | 32.1  | 14,485             |   |
| SK Latin America Investment S.A.(*7)             |                     | 32.1  | 14,242             |   |
| SK Wyverns Baseball Club Co., Ltd. and others    |                     |   | 47,519             | 47,519                                  |
|  |                     |   | 4,595,924          | 1,264,567                               |

**Table of Contents****7. Investments in Subsidiaries and Associates, Continued**

- (\*1) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.
- (\*2) Investment in Korea IT Fund was classified as investments in associates as the Company only has less than 50% of voting rights under the contract, and therefore does not have control over Korea IT Fund under the agreement.
- (\*3) Investments in these associates were classified as investments in associates as the Company has the ability to exercise significant influence on these associates through participation on their board of directors.
- (\*4) The Company recognized impairment loss of W 72,096 million during the six-month period ended June 30, 2012.
- (\*5) The Company acquired 146,100,000 shares (ownership interest of 21.1%) of SK Hynix Inc. through purchase of existing shares and subscription of new shares at February 14, 2012.
- (\*6) The Company acquired 32.1% of ownership interest of SK MENA Investment B.V. during the six-month period ended June 30, 2012.
- (\*7) The Company acquired 32.1% of ownership interest of SK Latin America Investment S.A. during the six-month period ended June 30, 2012.

(4) The market price of investments in listed subsidiaries as of June 30, 2012 and December 31, 2011 are as follows:  
(In millions of won, except for share data)

|                        | June 30, 2012          |                  |              | December 31, 2011      |                  |              |
|------------------------|------------------------|------------------|--------------|------------------------|------------------|--------------|
|                        | Market value per share | Number of shares | Market price | Market value per share | Number of shares | Market price |
| SK Broadband Co., Ltd. | 2,915                  | 149,638,354      | 436,196      | 3,460                  | 149,638,354      | 517,749      |

**Table of Contents****8. Property and Equipment**

(1) Property and equipment as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | June 30, 2012     |                          |                        | December 31, 2011 |                  |
|-----------------------------|-------------------|--------------------------|------------------------|-------------------|------------------|
|                             | Acquisition cost  | Accumulated depreciation | Accumulated impairment | Carrying amount   | Carrying amount  |
| Land                        | 414,055           |                          |                        | 414,055           | 409,696          |
| Buildings                   | 1,083,563         | (423,968)                |                        | 659,595           | 676,095          |
| Structures                  | 594,103           | (302,228)                |                        | 291,875           | 300,995          |
| Machinery                   | 16,227,782        | (12,371,809)             | (12,531)               | 3,843,442         | 3,581,275        |
| Other                       | 1,442,737         | (833,049)                |                        | 609,688           | 640,317          |
| Construction in progress    | 431,228           |                          |                        | 431,228           | 651,791          |
| <b>Total</b>                | <b>20,193,468</b> | <b>(13,931,054)</b>      | <b>(12,531)</b>        | <b>6,249,883</b>  | <b>6,260,169</b> |

(2) Changes in property and equipment for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | Beginning balance | For the six-month period ended June 30, 2012 |                |                  |                  |                     | Ending balance   |
|-----------------------------|-------------------|--|----------------|------------------|------------------|---------------------|------------------|
|                             |                   | Acquisition(*1)                              | Disposal       | Transfer         | Depreciation     | Impairment loss(*2) |                  |
| Land                        | 409,696           | 3  | (44)           | 4,400            |                  |                     | 414,055          |
| Buildings                   | 676,095           | 340  | (23)           | 3,308            | (20,125)         |                     | 659,595          |
| Structures                  | 300,995           | 2,808  | (4)            | 5,615            | (17,539)         |                     | 291,875          |
| Machinery                   | 3,581,275         | 53,844                                       | (442)          | 833,129          | (611,833)        | (12,531)            | 3,843,442        |
| Other                       | 640,317           | 732,880                                      | (1,068)        | (715,880)        | (46,561)         |                     | 609,688          |
| Construction in progress    | 651,791           | 308,886                                      | (810)          | (528,639)        |                  |                     | 431,228          |
|                             | <b>6,260,169</b>  | <b>1,098,761</b>                             | <b>(2,391)</b> | <b>(398,067)</b> | <b>(696,058)</b> | <b>(12,531)</b>     | <b>6,249,883</b> |

(\*1) Acquisition for the six-month period ended June 30, 2012 includes assets transferred of W 1,265 million in relation to the transfer of Imagine business from SK Planet Co., Ltd.

(\*2) The Company recognized impairment loss on property and equipment of W 12,531 million in relation to the Digital Multimedia Broadcasting service.

**Table of Contents****8. Property and Equipment, Continued**

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2011 |             |          |           |              | Ending balance |
|-----------------------------|--|-------------|----------|-----------|--------------|----------------|
|                             | Beginning balance                            | Acquisition | Disposal | Transfer  | Depreciation |                |
| Land                        | 402,702                                      | 2,109       | (92)     | 508       |              | 405,227        |
| Buildings                   | 686,645                                      | 14,749      | (48)     | 3,989     | (19,301)     | 686,034        |
| Structures                  | 242,004                                      | 6,774       | (4)      | 1,099     | (15,805)     | 234,068        |
| Machinery                   | 3,240,001                                    | 17,059      | (1,211)  | 605,631   | (623,584)    | 3,237,896      |
| Other                       | 521,499                                      | 609,904     | (992)    | (454,068) | (39,084)     | 637,259        |
| Construction in progress    | 376,896                                      | 642,601     | (4,922)  | (221,801) |              | 792,774        |
|                             | 5,469,747                                    | 1,293,196   | (7,269)  | (64,642)  | (697,774)    | 5,993,258      |

**9. Investment Property**

(1) Investment property as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | Acquisition cost | June 30, 2012            | Carrying amount | December 31, 2011 |
|-----------------------------|------------------|--------------------------|-----------------|-------------------|
|                             |                  | Accumulated depreciation |                 | Carrying amount   |
| Land                        | 9,259            |                          | 9,259           | 9,001             |
| Buildings                   | 44,739           | (23,297)                 | 21,442          | 21,698            |
|                             | 53,998           | (23,297)                 | 30,701          | 30,699            |

(2) Changes in investment property for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2012 |          |              |                |
|-----------------------------|--|----------|--------------|----------------|
|                             | Beginning balance                            | Transfer | Depreciation | Ending balance |
| Land                        | 9,001  | 258      |              | 9,259          |
| Buildings                   | 21,698                                       | 488      | (744)        | 21,442         |
|                             | 30,699                                       | 746      | (744)        | 30,701         |

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2011 |          |              |                |
|-----------------------------|--|----------|--------------|----------------|
|                             | Beginning balance                            | Transfer | Depreciation | Ending balance |
| Land                        | 9,508  | (507)    |              | 9,001          |
| Buildings                   | 25,291                                       | (1,086)  | (1,639)      | 22,566         |
|                             | 34,799                                       | (1,593)  | (1,639)      | 31,567         |





**Table of Contents****9. Investment Property, Continued**

(3) Details of fair value of investment property as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | June 30, 2012   |            | December 31, 2011 |            |
|-----------------------------|-----------------|------------|-------------------|------------|
|                             | Carrying amount | Fair value | Carrying amount   | Fair value |
| Land                        | 9,259           | 57,490     | 9,001             | 51,731     |
| Buildings                   | 21,442          | 24,092     | 21,698            | 21,679     |
|                             | 30,701          | 81,582     | 30,699            | 73,410     |

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

**10. Goodwill**

Goodwill as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                               | June 30, 2012 | December 31, 2011 |
|---|---------------|-------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | 1,306,236     | 1,306,236         |

**11. Intangible Assets**

(1) Intangible assets as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | Acquisition cost | June 30, 2012            |                        | December 31, 2011 |                 |
|-----------------------------|------------------|--------------------------|------------------------|-------------------|-----------------|
|                             |                  | Accumulated amortization | Accumulated impairment | Carrying amount   | Carrying amount |
| Frequency use rights        | 2,837,385        | (1,014,304)              | (2,907)                | 1,820,174         | 1,889,102       |
| Land use rights             | 30,413           | (19,054)                 |                        | 11,359            | 12,739          |
| Industrial rights           | 31,217           | (20,748)                 |                        | 10,469            | 8,328           |
| Development costs           | 124,545          | (124,501)                |                        | 44                | 1,186           |
| Facility usage rights       | 38,551           | (24,258)                 |                        | 14,293            | 15,058          |
| Memberships(*1)             | 79,865           |                          |                        | 79,865            | 80,607          |
| Other(*2)                   | 1,423,991        | (1,075,082)              |                        | 348,909           | 357,775         |
| Total                       | 4,565,967        | (2,277,947)              | (2,907)                | 2,285,113         | 2,364,795       |

(\*1) Memberships are classified as intangible assets with indefinite useful life and are not amortized.

(\*2) Other intangible assets consist of computer software and usage rights to a research facility which the Company built and donated to a university which in turn the Company is given rights-to-use for a definite number of years.



**Table of Contents****11. Intangible Assets, Continued**

(2) Details of changes in intangible assets for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2012 |                 |          |          |              |                        | Ending<br>balance |
|-----------------------------|--|-----------------|----------|----------|--------------|------------------------|-------------------|
|                             | Beginning<br>balance                         | Acquisition(*1) | Disposal | Transfer | Amortization | Impairment<br>loss(*2) |                   |
| Frequency use rights        | 1,889,102                                    | 16,659          |          |          | (82,680)     | (2,907)                | 1,820,174         |
| Land use rights             | 12,739                                       | 1,140           | (80)     |          | (2,440)      |                        | 11,359            |
| Industrial rights           | 8,328  | 3,624           |          |          | (1,483)      |                        | 10,469            |
| Development costs           | 1,186  |                 |          |          | (1,142)      |                        | 44                |
| Facility usage rights       | 15,058                                       | 385             | (41)     | 13       | (1,122)      |                        | 14,293            |
| Memberships                 | 80,607                                       |                 | (742)    |          |              |                        | 79,865            |
| Other                       | 357,775                                      | 8,298           | (1,430)  | 53,140   | (68,874)     |                        | 348,909           |
|                             | 2,364,795                                    | 30,106          | (2,293)  | 53,153   | (157,741)    | (2,907)                | 2,285,113         |

(\*1) Acquisition for the six-month period ended June 30, 2012 includes assets transferred of W 200 million in relation to the transfer of Imagine business from SK Planet Co., Ltd.

(\*2) The Company recognized impairment loss on intangible assets of W 2,907 million in relation to the frequency use rights of the discontinued Digital Multimedia Broadcasting service.

| <i>(In millions of won)</i> | For the six-month period ended June 30, 2011 |             |          |          |              |  | Ending<br>balance |
|-----------------------------|--|-------------|----------|----------|--------------|--|-------------------|
|                             | Beginning<br>balance                         | Acquisition | Disposal | Transfer | Amortization |  |                   |
| Frequency use rights        | 709,043                                      |             |          | (470)    | (66,421)     |  | 642,152           |
| Land use rights             | 11,130                                       | 2,547       | (98)     |          | (1,979)      |  | 11,600            |
| Industrial rights           | 14,748                                       | 843         |          | 322      | (1,713)      |  | 14,200            |
| Development costs           | 4,898  |             |          |          | (1,813)      |  | 3,085             |
| Facility usage rights       | 16,702                                       | 248         | (71)     | 31       | (1,113)      |  | 15,797            |
| Memberships                 | 90,108                                       | 2,981       | (2,383)  |          |              |  | 90,706            |
| Other                       | 578,340                                      | 8,967       |          | 66,899   | (143,299)    |  | 510,907           |
|                             | 1,424,969                                    | 15,586      | (2,552)  | 66,782   | (216,338)    |  | 1,288,447         |

**Table of Contents****11. Intangible Assets, Continued**

(3) The carrying amount and residual useful lives of frequency usage rights as of June 30, 2012 are as follows:

| <i>(In millions of won)</i> | <b>Amount</b>    | <b>Description</b>                                    | <b>Residual<br/>useful<br/>lives</b> |
|-----------------------------|------------------|---|--------------------------------------|
| W-CDMA license              | 437,800          | Frequency use rights relating to W-CDMA service       | (*1)                                 |
| W-CDMA license              | 73,399           | Frequency use rights relating to W-CDMA service       | (*2)                                 |
| 800MHz license              | 364,896          | Frequency use rights relating to CDMA and LTE service | (*3)                                 |
| 1.8GHz license              | 928,203          | Frequency use rights relating to LTE service          | (*4)                                 |
| WiBro license               |                  | WiBro service   | (*5)                                 |
| WiBro license               | 15,876           | WiBro service   | (*6)                                 |
|                             | <b>1,820,174</b> |   |                                      |

(\*1) The Company purchased the W-CDMA license from Korea Communication Commission ( KCC ) on December 4, 2001. Amortization of the W-CDMA license commenced once the Company began its commercial W-CDMA services on December 29, 2003, under a straight-line basis over the remaining useful life of the license. The W-COMA license will expire in December 2016.

(\*2) The Company purchased the additional W-CDMA license from KCC in May 2010. Amortization of the additional W-CDMA license commenced once the Company started its related commercial W-CDMA services on October 7, 2010, under a straight-line basis over the remaining useful life of the W-CDMA license. The additional W-COMA license will expire in December 2016.

(\*3) The Company purchased 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Company started its related commercial CDMA and LTE services on July 1, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.

(\*4) The Company purchased 1.8GHz license from KCC in December 2011. Amortization of the 1.8GHz license will be commenced when the Company starts its related commercial LTE services in July 2012, under a straight-line basis over the remaining useful life of the 1.8GHz license. The 1.8GHz license will expire in December 2021.

**Table of Contents****11. Intangible Assets, Continued**

- (\*5) The WiBro license was used for seven years from the purchase date when the Company started its commercial WiBro services on March 30, 2005. The amortization is completed during the six-month period ended June 30, 2012 as the useful life matures.
- (\*6) The Company additionally purchased WiBro license in March 2012. Amortization of this WiBro license commenced when the Company started its commercial WiBro services on March 30, 2012, under a straight line basis over the remaining useful life. This WiBro license will expire in March 2019.

**12. Borrowings and Debentures**

- (1) Short-term borrowings as of June 30, 2012 and December 31, 2011 are as follows:

*(In millions of won)*

| Type             | Annual interest rate (%) | Maturity      | June 30, 2012 | December 31, 2011 |
|------------------|--------------------------|---------------|---------------|-------------------|
| Commercial paper | 3.43                     | Jul. 26, 2012 | 200,000       |                   |

- (2) Long-term borrowings as of June 30, 2012 and December 31, 2011 are as follows:

*(In millions of won and thousands of U.S. dollars)*

| Lender  | Annual interest rate (%) | Maturity      | June 30, 2012 | December 31, 2011 |
|---|--------------------------|---------------|---------------|-------------------|
| Bank of Communications (*1,2)                       |                          |               |               | 34,599            |
|   |                          |               | 34,614        |                   |
|   | 6M Libor + 0.29          | Oct. 10, 2013 | (USD 30,000)  | (USD 30,000)      |
| Bank of China(*1)                                   |                          |               |               | 23,066            |
|   |                          |               | 23,076        |                   |
|   | 6M Libor + 0.29          | Oct. 10, 2013 | (USD 20,000)  | (USD 20,000)      |
| DBS Bank(*1)  |                          |               |               | 28,833            |
|   |                          |               | 28,845        |                   |
|   | 6M Libor + 0.29          | Oct. 10, 2013 | (USD 25,000)  | (USD 25,000)      |
| SMBC(*1)  |                          |               |               | 28,832            |
|   |                          |               | 28,845        |                   |
|   | 6M Libor + 0.29          | Oct. 10, 2013 | (USD 25,000)  | (USD 25,000)      |
| Kookmin Bank and 13 others                          | 4.48                     | Feb. 14, 2015 | 2,000,000     |                   |
|   |                          |               |               |                   |
|   |                          |               | 2,115,380     | 115,330           |
| Less present value discount on long-term borrowings |                          |               | (11,637)      |                   |
|   |                          |               |               |                   |
|   |                          |               | 2,103,743     | 115,330           |

- (\*1) As of June 30, 2012, 6M Libor rate is 0.73%.

**Table of Contents****12. Borrowings and Debentures, Continued**

(\*2) As of June 30, 2012, the Company's lender is Bank of Communications as Credit Agricole transferred the loans to Bank of Communications during the six-month period ended June 30, 2012.

(3) Debentures as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won, thousands of U.S. dollars, thousands of Japanese Yen, thousands of other currencies)

|                              | Purpose          | Maturity | Annual interest rate (%) | June 30, 2012    | December 31, 2011 |
|------------------------------|------------------|----------|--------------------------|------------------|-------------------|
| Unsecured private bonds      | Refinancing      | 2016     | 5.00                     | 200,000          | 200,000           |
| Unsecured private bonds      | fund             | 2013     | 4.00                     | 200,000          | 200,000           |
| Unsecured private bonds      |                  | 2014     | 5.00                     | 200,000          | 200,000           |
| Unsecured private bonds (*1) |                  |          |                          | 181,724          | 185,645           |
|                              |                  |          | 3M Euro Yen              |                  |                   |
|                              |                  | 2012     | Libor + 0.55             | (JPY 12,500,000) | (JPY 12,500,000)  |
| Unsecured private bonds      | Other fund       | 2015     | 5.00                     | 200,000          | 200,000           |
| Unsecured private bonds      |                  | 2018     | 5.00                     | 200,000          | 200,000           |
| Unsecured private bonds      |                  | 2013     | 6.92                     | 250,000          | 250,000           |
| Unsecured private bonds      |                  | 2016     | 5.54                     | 40,000           | 40,000            |
| Unsecured private bonds      |                  |          |                          |                  | 44,555            |
|                              |                  |          | 3M Euro Yen              |                  |                   |
|                              |                  | 2012     | Libor + 2.50             |                  | (JPY 3,000,000)   |
| Unsecured private bonds      |                  | 2016     | 5.92                     | 230,000          | 230,000           |
| Unsecured private bonds      |                  |          |                          |                  | 74,258            |
|                              |                  |          | 3M Euro Yen              |                  |                   |
|                              |                  | 2012     | Tibor + 2.50             |                  | (JPY 5,000,000)   |
| Unsecured private bonds      | Operating fund   | 2016     | 3.95                     | 110,000          | 110,000           |
| Unsecured private bonds      |                  | 2021     | 4.22                     | 190,000          | 190,000           |
| Foreign global bonds         |                  |          |                          | 461,520          | 461,320           |
|                              |                  | 2027     | 6.63                     | (USD 400,000)    | (USD 400,000)     |
| Exchangeable bonds (*4,5)    |                  |          |                          | 392,112          | 397,886           |
|                              | Refinancing fund | 2014     | 1.75                     | (USD 332,528)    | (USD 332,528)     |
| Floating rate notes (*2)     |                  |          |                          |                  | 253,726           |
|                              |                  |          | 3M Libor +               |                  |                   |
|                              | Operating fund   | 2012     | 3.15                     |                  | (USD 220,000)     |
| Floating rate notes (*2)     |                  |          |                          | 288,450          | 288,325           |
|                              |                  |          | 3M Libor +               |                  |                   |
|                              |                  | 2014     | 1.60                     | (USD 250,000)    | (USD 250,000)     |
| Floating rate notes (*3)     |                  |          |                          | 58,534           | 57,619            |
|                              |                  |          | SOR rate +               |                  |                   |
|                              |                  | 2014     | 1.20                     | (SGD 65,000)     | (SGD 65,000)      |

**Table of Contents****12. Borrowings and Debentures, Continued**

|                               |      |      |               |           |
|-------------------------------|------|------|---------------|-----------|
| Swiss unsecured private bonds |      |      | 358,434       |           |
|                               | 2017 | 1.75 | (CHF 300,000) |           |
| Sub-total                     |      |      | 3,560,774     | 3,583,334 |
| Less discounts on bonds       |      |      | (35,014)      | (37,329)  |
|                               |      |      | 3,525,760     | 3,546,005 |
| Less current portion of bonds |      |      | (181,676)     | (955,375) |
|                               |      |      | 3,344,084     | 2,590,630 |

(\*1) As of June 30, 2012, 3M EURO Yen Libor rate is 0.19%.

(\*2) As of June 30, 2012, 3M Libor rate is 0.46%.

(\*3) As of June 30, 2012, SOR rate is 0.38%.

(\*4) As of June 30, 2012, exchangeable bonds are classified as financial liabilities at fair value through profit or loss. As of December 31, 2011, the exchangeable bonds were classified as current liabilities as the bond holders would be eligible to redeem their notes at 100% of the principal amount on April 7, 2012. However, as of June 30, 2012, the exchangeable bonds are reclassified as non-current liabilities as the bond holders have not exercised and have lost their early redemption right.

**Table of Contents****12. Borrowings and Debentures, Continued**

(\*5) On April 7, 2009, the Company issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%. As of June 30, 2012, fair value of the exchangeable bonds is USD 352,978,472. The exchange price could be adjusted and the exchange price is 199,280 with the exchange rate of 1,383.40 per USD 1.

The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the exchange 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 exchange right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be exchanged as of June 30, 2012 is 2,308,406 shares.

Exchange 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 exchange rights, the Company will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

In accordance with a resolution of the Board of Directors on February 9, 2012, the exchange price has changed from 209,853 to 199,280 and the number of common shares that can be exchanged was changed from 2,192,102 shares to 2,308,406 shares due to the payment of periodic dividends. During the six-month period ended June 30, 2012, no exchange was made.

(4) Details of issuance or repayments of borrowings and debentures for the six-month period ended June 30, 2012 are as follows:

*(In millions of won, thousands of Japanese yen)*

| <b>Lender</b>         | <b>Annual interest rate (%)</b> | <b>Maturity</b> | <b>Coupon value</b> | <b>Carrying amount</b> |
|-----------------------|---------------------------------|-----------------|---------------------|------------------------|
| January 1, 2012       |                                 |                 | 3,698,663           | 3,661,334              |
| Issues:               |                                 |                 |                     |                        |
| Short-term borrowings | 4.29                            | 2013            | 500,000             | 500,000                |
| Commercial paper      | 3.43                            | 2012            | 200,000             | 200,000                |
| Long-term borrowings  | 4.48                            | 2015            | 2,000,000           | 2,000,000              |



**Table of Contents****12. Borrowings and Debentures, Continued**

|  |                 |      |                 |                 |
|--|-----------------|------|-----------------|-----------------|
| Swiss unsecured private bonds                  |                 |      | 363,552         | 363,552         |
|  | 1.75            | 2017 | (CHF 300,000)   | (CHF 300,000)   |
| Commissions and others                         |                 |      |                 | (15,201)        |
| Redemption                                     |                 |      |                 |                 |
| Short-term borrowings(*1)                      | 4.29            | 2013 | (500,000)       | (500,000)       |
| Unsecured private bonds                        |                 |      | (44,555)        | (44,555)        |
|  | 3M Euro Yen     |      |                 |                 |
|  | Libor + 2.50    | 2012 | (JPY 3,000,000) | (JPY 3,000,000) |
| Unsecured private bonds                        |                 |      | (74,258)        | (74,258)        |
|  | 3M Euro Yen     |      |                 |                 |
|  | Tibor + 2.50    | 2012 | (JPY 5,000,000) | (JPY 5,000,000) |
| Floating rate notes                            |                 |      | (253,726)       | (253,726)       |
|  | 3M Libor + 3.15 | 2012 | (USD 220,000)   | (USD 220,000)   |
| Other:   |                 |      |                 |                 |
| Foreign translation gain (loss) and others(*2) |                 |      | (13,522)        | (7,643)         |
| June 30, 2012                                  |                 |      | 5,876,154       | 5,829,503       |

(\*1) For the six-month period ended June 30, 2012, the Company early redeemed the short-term borrowings while the contractual maturity is February 14, 2013.

(\*2) Foreign translation gain (loss) and others represent changes from foreign translation gain (loss) of foreign currency borrowings and debentures and amortization of bond discount.

**13. Long-term Payables other**

(1) As of June 30, 2012 and December 31, 2011, long-term payables consist of payables related to acquisition of W-CDMA licenses for 2.1GHz, 800MHz, 1.8GHz and 2.3GHz frequency and other details are as follows (Refer to note 11):

| <i>(In millions of won)</i>  | <b>2.1GHz</b> | <b>800MHz</b> | <b>1.8GHz</b> | <b>2.3GHz</b> | <b>Total</b> |
|--|---------------|---------------|---------------|---------------|--------------|
| Period of repayment  | 2012~2014     | 2013~2015     | 2012~2021     | 2014~2016     |              |
| Coupon rate(*1)  | 3.58%         | 3.51%         | 3.00%         | 3.00%         |              |
| Annual effective interest rate(*2)                                   | 5.89%         | 5.69%         | 5.25%         | 5.80%         |              |
| Nominal value  | 52,600        | 208,250       | 746,250       | 8,650         | 1,015,750    |
| Present value discount on long-term payables other                   | (3,237)       | (11,060)      | (66,797)      | (641)         | (81,735)     |
| Present value of long-term payables other at the time of acquisition | 49,363        | 197,190       | 679,453       | 8,009         | 934,015      |

**Table of Contents****13. Long-term Payables other, Continued**

|   |          |          |          |       |           |
|---|----------|----------|----------|-------|-----------|
| Nominal value   | 52,600   | 208,250  | 746,250  |       | 1,007,100 |
| Present value discount on long-term payables other                      | (3,237)  | (11,060) | (66,797) |       | (81,094)  |
| Current portion of long-term payables other                             | (17,533) |          | (74,625) |       | (92,158)  |
| Accumulated amortization of present value discount at December 31, 2011 | 2,065    | 1,925    | 3,136    |       | 7,126     |
| Carrying amount as of December 31, 2011                                 | 33,895   | 199,115  | 607,964  |       | 840,974   |
| Increase  |          |          |          | 8,650 | 8,650     |
| Present value discount on long-term payables other                      |          |          |          | (641) | (641)     |
| Amortization of present value discount on long-term payables other      | 300      | 1,233    | 1,770    | 52    | 3,355     |
| Less current portion of long-term payables other                        | (16,997) | (66,481) | (66,080) |       | (149,558) |
| Carrying amount at June 30, 2012  | 17,198   | 133,867  | 543,654  | 8,061 | 702,780   |

(\*1) The Company applied an annual interest rate equal to the previous year average lending rate of public funds financing account less 1%.

(\*2) The Company estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term accounts payables-other.

(2) The repayment schedule of long-term payables other as of June 30, 2012 is as follows:

| <i>(In millions of won)</i> | <b>Amount</b> |
|-----------------------------|---------------|
| 2013                        | 161,575       |
| 2014                        | 164,458       |
| 2015                        | 146,925       |
| 2016 and thereafter         | 450,633       |
|                             | 923,591       |

**Table of Contents****14. Provisions**

Change in provisions for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>   | For the six-month period ended June 30, 2012 |          |             |                | As of June 30, 2012 |             |
|-------------------------------|--|----------|-------------|----------------|---------------------|-------------|
|                               | Beginning balance                            | Increase | Utilization | Ending balance | Current             | Non-current |
| Provision for handset subsidy | 762,238                                      | 262,346  | (374,143)   | 650,441        | 568,298             | 82,143      |
| Provision for restoration     | 28,623                                       | 8,822    | (132)       | 37,313         | 4,707               | 32,606      |
|                               | 790,861                                      | 271,168  | (374,275)   | 687,754        | 573,005             | 114,749     |

| <i>(In millions of won)</i>   | For the six-month period ended June 30, 2011 |          |             |                | As of June 30, 2011 |             |
|-------------------------------|--|----------|-------------|----------------|---------------------|-------------|
|                               | Beginning balance                            | Increase | Utilization | Ending balance | Current             | Non-current |
| Provision for handset subsidy | 732,042                                      | 470,235  | (427,513)   | 774,764        | 657,820             | 116,944     |
| Provision for restoration     | 27,740                                       | 1,872    |             | 29,612         |                     | 29,612      |
|                               | 759,782                                      | 472,107  | (427,513)   | 804,376        | 657,820             | 146,556     |

The Company has provided a handset subsidy for the subscribers who purchase handsets on an installment basis and recognized a provision for handset subsidy in accordance with the payment duration as of period end.

**15. Defined Benefit Liabilities**

- (1) Details of defined benefit liabilities as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                  | June 30, 2012 | December 31, 2011 |
|--|---------------|-------------------|
| Present value of defined benefit obligations | 110,003       | 95,359            |
| Fair value of plan assets                    | (69,830)      | (68,619)          |
|  | 40,173        | 26,740            |

- (2) Principal actuarial assumptions as of June 30, 2012 and December 31, 2011 are as follows:

|   | June 30, 2012 | December 31, 2011 |
|---|---------------|-------------------|
| Discount rate for defined benefit obligations | 4.53%         | 4.53%             |
| Inflation rate                                | 3.00%         | 3.00%             |
| Expected rate of return on plan assets        | 3.67%         | 4.74%             |
| Expected rate of salary increase              | 5.92%         | 5.62%             |

Discount rate for defined benefit obligation is determined based on the Company's credit ratings and yield rate of corporate bonds with similar maturities for estimated payment term of defined benefit obligation. Expected rate of return on plan assets represent weighted average rate of market value of the individual assets on the plan. Expected rate of return on plan assets is determined based on the historical yield rate and current market conditions. Expected rate of salary increase is determined based on the Company's historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement. Inflation rate is determined based on inflation data declared by Bank of Korea.



**Table of Contents****15. Defined Benefit Liabilities, Continued**

(3) Changes in defined benefit obligations for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | <b>For the six-month period ended</b> |                      |
|-----------------------------|---------------------------------------|----------------------|
|                             | <b>June 30, 2012</b>                  | <b>June 30, 2011</b> |
| Beginning balance           | 95,359                                | 105,966              |
| Current service cost        | 14,365                                | 15,085               |
| Interest cost               | 2,169                                 | 2,910                |
| Actuarial gain or loss      | 8,380                                 | 4,989                |
| Benefit paid                | (11,113)                              | (12,996)             |
| Others(*)                   | 843                                   | 220                  |
| <b>Ending balance</b>       | <b>110,003</b>                        | <b>116,174</b>       |

(\*) Others include transfer to construction in progress and transfer from SK Planet Co., Ltd. in relation to the transfer of Imagine business.

(4) Changes in plan assets for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>    | <b>For the six-month period ended</b> |                      |
|--------------------------------|---------------------------------------|----------------------|
|                                | <b>June 30, 2012</b>                  | <b>June 30, 2011</b> |
| Beginning balance              | 68,619                                | 84,584               |
| Expected return on plan assets | 1,044                                 | 1,911                |
| Actuarial gain or loss         | 614                                   | (631)                |
| Benefit paid                   | (1,636)                               | (6,588)              |
| Contributions to the plan      | 1,000                                 |                      |
| Others(*)                      | 189                                   |                      |
| <b>Ending balance</b>          | <b>69,830</b>                         | <b>79,276</b>        |

(\*) Others include transfer from SK Planet Co., Ltd. in relation to the transfer of Imagine business.

(5) Expenses recognized in profit and loss for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>    | <b>For the six-month period ended</b> |                      |
|--------------------------------|---------------------------------------|----------------------|
|                                | <b>June 30, 2012</b>                  | <b>June 30, 2011</b> |
| Current service cost           | 14,365                                | 15,085               |
| Interest cost                  | 2,169                                 | 2,910                |
| Expected return on plan assets | (1,044)                               | (1,911)              |
|                                | 15,490                                | 16,084               |



**Table of Contents****15. Defined Benefit Liabilities, Continued**

Expenses recognized in profit or loss are recognized in labor cost, research and development, and construction-in-progress.

(6) Details of plan assets as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>            | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Equity instruments                     | 27                   |                          |
| Debt instruments                       | 15,788               |                          |
| Short-term financial instruments, etc. | 54,015               | 68,619                   |
|  | 69,830               | 68,619                   |

Actual return on plan assets for the six-month periods ended June 30, 2012 and 2011 amounted to 1,659 million and 1,281 million, respectively.

**16. Derivative Instruments**

(1) Currency swap contracts under cash flow hedge accounting

The Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling USD 100,000,000 borrowed on October 10, 2006. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contracts to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to 3,082 million (net of tax effect totaling 484 million and foreign currency translation loss arising from U.S. dollar denominated long-term borrowings totaling 20,580 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 JPY 12,500,000,000 issued on November 13, 2007. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contracts to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to 3,223 million (net of tax effect totaling 699 million and foreign currency translation loss arising from unguaranteed Japanese yen denominated bonds totaling 77,663 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 five other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of June 30, 2012, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied since May 12, 2010, an accumulated loss on valuation of derivatives amounting to 21,609 million (net of tax effect totaling 6,899 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 3,932 million) is accounted for as accumulated other comprehensive loss. In connection with the currency swap contract, gain on valuation of currency swap which was incurred before application of hedge accounting, amounting to 129,806 million was recognized in profit or loss.

**Table of Contents****16. Derivative Instruments, Continued**

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with DBS Bank and Citi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 250,000,000 issued on December 15, 2011. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contract, an accumulated gain on valuation of derivatives amounting to 6,321 million (net of tax effect totaling 2,018 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 1,160 million) is accounted for as other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with United Overseas Bank to hedge the foreign currency risk and the interest rate risk of its Singapore dollar denominated bonds with face amounts totaling SGD 65,000,000 issued on December 15, 2011. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 229 million (net of tax effect totaling 73 million and foreign currency translation loss arising from unguaranteed Singapore dollar denominated bonds totaling 1,063 million) is accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Citi Bank and five other banks to hedge the foreign currency risk of its Swiss Franc denominated bonds with face amounts totaling CHF 300,000,000 issued on June 12, 2012. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 13,983 million (net of tax effect totaling 4,464 million and foreign currency translation gain arising from unguaranteed Swiss Franc denominated bonds totaling 5,082 million) is accounted for as accumulated other comprehensive loss.

- (2) As of June 30, 2012, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

*(In millions of won, thousands of U.S. dollars, Japanese yen, and Singapore dollars)*

|                                       | Hedged item                                  | Amount         | Duration of Contract             | Fair value Designated as Cash Flow Hedge |
|---------------------------------------|--|----------------|----------------------------------|--|
| <b>Current assets:</b>                |  |                |                                  |  |
| Floating-to-fixed cross currency swap | Japanese yen denominated bonds               | JPY 12,500,000 | Nov. 13, 2007 ~<br>Nov. 13, 2012 | 80,187                                   |
| <b>Non-current assets:</b>            |  |                |                                  |  |
| Floating-to-fixed cross currency swap | U.S. dollar denominated long-term borrowings | USD 100,000    | Oct. 10, 2006 ~<br>Oct. 10, 2013 | 17,014                                   |
| Fixed-to-fixed cross currency swap    | U.S. dollar denominated bonds                | USD 400,000    | Jul. 20, 2007 ~<br>Jul. 20, 2027 | 105,230                                  |
| Floating-to-fixed cross currency swap | U.S. dollar denominated bonds                | USD 250,000    | Dec. 15, 2011 ~<br>Dec. 12, 2014 | 7,179                                    |
| Floating-to-fixed cross currency swap | Singapore dollar denominated bonds           | SGD 65,000     | Dec. 15, 2011 ~<br>Dec. 12, 2014 | 760                                      |
| Total assets                          |  |                |                                  | 210,370                                  |
| <b>Non-current liabilities:</b>       |  |                |                                  |  |
| Fixed-to-fixed cross currency swap    | Swiss Franc denominated bonds                | CHF 300,000    | Jun. 12, 2012 ~<br>Jun. 12, 2017 | 23,529                                   |
| Total liabilities                     |  |                |                                  | 23,529                                   |



**Table of Contents****17. Share Capital and Share Premium (Deficit)**

The Company's outstanding share capital consists entirely of common stock with a par value of W 500. The number of authorized, issued and outstanding common shares and share premium as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won, except for share data)</i> | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|--|----------------------|--------------------------|
| Authorized shares                                  | 220,000,000          | 220,000,000              |
| Issued shares(*1)                                  | 80,745,711           | 80,745,711               |
| Share capital                                      |                      |                          |
| Common stock                                       | 44,639               | 44,639                   |
| Share premium:                                     |                      |                          |
| Paid-in surplus                                    | 2,915,887            | 2,915,887                |
| Treasury stock                                     | (2,410,451)          | (2,410,451)              |
| Loss on disposal of treasury stock                 | (18,855)             | (18,855)                 |
| Others(*2)   | (722,741)            | (722,597)                |
|  | (236,160)            | (236,016)                |

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

(\*2) Others represent the difference between net assets and considerations paid in relation to the transfer of Imagine business from SK Planet Co., Ltd., a subsidiary.

There were no changes in share capital for the six-month period ended June 30, 2012 and for the year ended December 31, 2011.

**18. Treasury Stock**

Through 2009, the Company acquired 8,400,712 shares of treasury stock in the open market for W 1,992,083 million to provide stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co, Ltd., increase shareholder value and to stabilize its stock prices when needed.

**Table of Contents****18. Treasury Stock, Continued**

In addition, the Company acquired 1,250,000 shares of treasury stock for W 210,356 million from July 26, 2010 to October 20, 2010 and 1,400,000 shares of treasury stock for W 208,012 million from July 21, 2011 to September 28, 2011, in accordance with the resolution of the Board of Directors on July 22, 2010 and July 19, 2011, respectively.

As a result of these treasury stock transactions, as of June 30, 2012 and December 31, 2011, the Company has 11,050,712 shares of treasury stock at W 2,410,451 million.

**19. Retained Earnings**

(1) Retained earnings as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                 | <b>June 30,<br/>2012</b> | <b>December 31, 2011</b> |
|---|--------------------------|--------------------------|
| <b>Appropriated:</b>                        |                          |                          |
| Legal reserve                               | 22,320                   | 22,320                   |
| Reserve for research & manpower development | 220,000                  | 535,595                  |
| Reserve for business expansion              | 9,106,138                | 8,009,138                |
| Reserve for technology development          | 1,901,300                | 1,524,000                |
|   | 11,249,758               | 10,091,053               |
| <b>Unappropriated</b>                       | <b>572,440</b>           | <b>1,746,132</b>         |
|   | 11,822,198               | 11,837,185               |

(2) Legal reserve

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

(3) Reserve for research & manpower development

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

**Table of Contents****20. Reserves**

(1) Details of reserves as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                                     | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|---|----------------------|--------------------------|
| Net change in fair value of available-for-sale financial assets | 304,340              | 352,616                  |
| Losses on valuation of derivatives                              | (29,359)             | (32,122)                 |
|   | 274,981              | 320,494                  |

(2) Change in reserves for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | <b>Loss on valuation<br/>of available-for-<br/>sale financial<br/>assets</b> | <b>Loss on valuation<br/>of derivatives</b> | <b>Total</b> |
|-----------------------------|--|---|--------------|
| Balance at January 1, 2011  | 803,075  | (66,469)                                    | 736,606      |
| Changes                     | (235,014)  | 8,728                                       | (226,286)    |
| Tax effect                  | 54,280   | (2,501)                                     | 51,779       |
| Balance at June 30, 2011    | 622,341  | (60,242)                                    | 562,099      |
| Balance at January 1, 2012  | 352,616  | (32,122)                                    | 320,494      |
| Changes                     | (63,689)   | 3,645                                       | (60,044)     |
| Tax effect                  | 15,413   | (882)                                       | 14,531       |
| Balance at June 30, 2012    | 304,340  | (29,359)                                    | 274,981      |

**21. Other Operating Income and Expenses**

Details of other operating income and expenses for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>                                      | <b>2012</b>   |   | <b>2011</b>   |   |
|--|---|---|---|---|
|  | <b>Three-month<br/>period<br/>ended<br/>June 30</b> | <b>Six-month<br/>period ended<br/>June 30</b> | <b>Three-month<br/>period<br/>ended<br/>June 30</b> | <b>Six-month<br/>period ended<br/>June 30</b> |
| <b>Other Operating Income:</b>                                   |   |   |   |   |
| Reversal of allowance for doubtful accounts                      | 173   | 4,475   |   |   |
| Gain on disposal of property and equipment and intangible assets | 127   | 358   | 741   | 856   |
| Others   | 1,172   | 5,647   | 4,174   | 5,642   |
|  | 1,472   | 10,480  | 4,915   | 6,498   |



**Table of Contents****21. Other Operating Income and Expenses, Continued**

| <b>Other Operating Expenses:</b>                                   |         |         |         |         |
|--|---------|---------|---------|---------|
| Communication expenses   | 15,435  | 31,606  | 13,730  | 27,411  |
| Utilities  | 33,316  | 65,316  | 28,782  | 56,552  |
| Taxes and dues (*)   | 30,003  | 57,413  | 6,061   | 13,482  |
| Repair   | 44,891  | 84,128  | 52,333  | 94,247  |
| Research and development   | 48,778  | 92,523  | 58,031  | 115,767 |
| Training   | 6,436   | 11,195  | 5,010   | 9,213   |
| Bad debt for accounts receivables trade                            | 8,264   | 8,554   | 9,032   | 20,560  |
| Supplies and other   | 11,614  | 22,815  | 15,139  | 27,523  |
| Loss on disposal of property and equipment and intangible assets   | 1,323   | 2,085   | 6,789   | 7,355   |
| Loss on impairment of property and equipment and intangible assets | 15,438  | 15,438  |         |         |
| Donations  | 28,213  | 40,482  | 21,315  | 44,594  |
| Bad debt for accounts receivable other                             | 3,411   | 19,371  |         | 2,910   |
| Others   | 653     | 1,332   | 1,813   | 5,196   |
|  | 247,775 | 452,258 | 218,035 | 424,810 |

(\*) Includes W 20.3 billion fined against the Company for allegedly colluding with other third parties to inflate the prices of handsets while advertising that the handsets are offered at a discount through subsidy plans. The Company appeal of the case is currently pending.

**22. Finance Income and Costs**

(1) Details of finance income and costs for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

|  | 2012                                   |                                      | 2011                                   |                                      |
|--|--|--------------------------------------|--|--------------------------------------|
|  | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>  |  |                                      |  |                                      |
| <b>Finance Income:</b>   |  |                                      |  |                                      |
| Interest income  | 12,780                                 | 33,771                               | 35,306                                 | 78,321                               |
| Dividends  | 613                                    | 25,780                               |  | 26,472                               |
| Gain on foreign currency transactions  | 2,749                                  | 3,900                                | 1,187                                  | 2,422                                |
| Gain on foreign currency translation   | 225                                    | 267                                  | 4,644                                  | 13,352                               |
| Gain on valuation of financial asset at fair value through<br>profit or loss | 823                                    | 183                                  |  | 1,150                                |
| Gain on disposal of long-term investment securities                          |  | 470                                  |  | 158,495                              |

**Table of Contents****22. Finance Income and Costs, Continued**

|   |        |         |        |         |
|---|--------|---------|--------|---------|
| Gain on valuation of derivatives  |        |         | 825    | 2,088   |
| Gain on settlement of derivatives   | 8,402  | 12,694  |        |         |
| Gain on valuation of financial liability at fair value through profit or loss | 9,507  | 5,774   | 22,056 | 33,249  |
|   | 35,099 | 82,839  | 64,018 | 315,549 |
| <b>Finance Costs:</b>   |        |         |        |         |
| Interest expense  | 79,580 | 150,583 | 44,827 | 99,910  |
| Loss on foreign currency transactions   | 2,477  | 3,850   | 660    | 2,867   |
| Loss on foreign currency translation  | 7      | 117     | 145    | 318     |
| Loss on disposal of long-term investment securities                           | 1,629  | 9,134   | 2      | 2       |
| Loss on settlement of derivatives   | 1,232  | 1,232   | 2,005  | 5,136   |
|   | 84,925 | 164,916 | 47,639 | 108,233 |

- (2) Details of interest income included in finance income for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

|   | 2012                                      |                                      | 2011                                      |                                      |
|---|---|--------------------------------------|---|--------------------------------------|
|   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>                           |   |                                      |   |                                      |
| Interest income on cash equivalents and deposits      | 7,365                                     | 19,790                               | 9,916                                     | 20,007                               |
| Interest income on installment receivables and others | 5,415                                     | 13,981                               | 25,390                                    | 58,314                               |
|   | 12,780                                    | 33,771                               | 35,306                                    | 78,321                               |

- (3) Details of interest expense included in finance costs for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

|  | 2012                                      |                                      | 2011                                      |                                      |
|--|---|--------------------------------------|---|--------------------------------------|
|  | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>                        |   |                                      |   |                                      |
| Interest expense on bank overdrafts and borrowings | 33,807                                    | 37,272                               | 7,059                                     | 16,787                               |
| Interest expense on debentures                     | 38,345                                    | 79,247                               | 36,840                                    | 78,268                               |
| Others   | 7,428                                     | 34,064                               | 928                                       | 4,855                                |
|  | 79,580                                    | 150,583                              | 44,827                                    | 99,910                               |

**Table of Contents****22. Finance Income and Costs, Continued**

- (4) Details of impairment losses for financial assets for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows.

|  | 2012                                      |                                      | 2011                                      |                                      |
|--|---|--------------------------------------|---|--------------------------------------|
|  | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>              |   |                                      |   |                                      |
| Bad debt for accounts receivable - trade | 8,264                                     | 8,554                                | 9,032                                     | 20,560                               |
| Bad debt for accounts receivable - other | 3,411                                     | 19,371                               |   | 2,910                                |
|  | 11,675                                    | 27,925                               | 9,032                                     | 23,470                               |

**23. Income Tax Expense**

Income tax expense was recognized as current tax expense adjusted to changes in estimates related to prior periods, deferred tax expenses by origination and reversal, temporary differences, and income tax recognized in other comprehensive income. The Company's effective tax rate is higher in 2011 than in 2012 primarily due to additional tax expense recognized as a result of the resolution of various tax matters during the finalization of Tax Authorities audits of the Company's tax returns from 2005 to 2009

**24. Earnings per Share**

- (1) Basic earnings per share

- 1) Basic earnings per share for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

|  | 2012                                   |                                      | 2011                                   |                                      |
|--|--|--------------------------------------|--|--------------------------------------|
|  | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won, shares)</i>                  |  |                                      |  |                                      |
| Net income for the period                            | 231,366                                | 576,338                              | 474,387                                | 1,035,058                            |
| Weighted average number of common shares outstanding | 69,694,999                             | 69,694,999                           | 71,094,999                             | 71,094,999                           |
| Basic earnings per share (In won)                    | 3,320                                  | 8,269                                | 6,673                                  | 14,559                               |

- 2) The weighted average number of common shares outstanding for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

**Table of Contents****24. Earnings per Share, Continued**

| <i>(In shares)</i>                           | Number of shares  | Weighted number of days          |                                | Weighted number of shares        |                                |
|--|-------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|  |                   | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 |
| Outstanding common shares at January 1, 2012 | 80,745,711        | 91/91                            | 182/182                        | 80,745,711                       | 80,745,711                     |
| Effect of treasury stock                     | (11,050,712)      | 91/91                            | 182/182                        | (11,050,712)                     | (11,050,712)                   |
| <b>Number of shares at June 30, 2012</b>     | <b>69,694,999</b> |                                  |                                | <b>69,694,999</b>                | <b>69,694,999</b>              |

| <i>(In shares)</i>                           | Number of shares  | Weighted number of days          |                                | Weighted number of shares        |                                |
|--|-------------------|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|  |                   | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 |
| Outstanding common shares at January 1, 2011 | 80,745,711        | 91/91                            | 181/181                        | 80,745,711                       | 80,745,711                     |
| Effect of treasury stock                     | (9,650,712)       | 91/91                            | 181/181                        | (9,650,712)                      | (9,650,712)                    |
| <b>Number of shares at June 30, 2011</b>     | <b>71,094,999</b> |                                  |                                | <b>71,094,999</b>                | <b>71,094,999</b>              |

## (2) Diluted earnings per share

- 1) Diluted net income per share for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

| <i>(In millions of won, shares)</i>                          | 2012                             |                                | 2011                             |                                |
|--|----------------------------------|--------------------------------|----------------------------------|--------------------------------|
|  | Three-month period ended June 30 | Six-month period ended June 30 | Three-month period ended June 30 | Six-month period ended June 30 |
| Diluted net income for the period                            | 225,423                          | 574,457                        | 458,809                          | 1,011,988                      |
| Diluted weighted average number of common shares outstanding | 72,003,405                       | 72,003,405                     | 73,272,388                       | 73,272,388                     |
| <b>Diluted net income per share (In Won)</b>                 | <b>3,131</b>                     | <b>7,978</b>                   | <b>6,262</b>                     | <b>13,811</b>                  |

- 2) Adjusted net income for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:



**Table of Contents****24. Earnings per Share, Continued**

|                              | 2012                                   |                                      | 2011                                   |                                      |
|------------------------------|--|--------------------------------------|--|--------------------------------------|
|                              | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>  |  |                                      |  |                                      |
| Net income                   | 231,366                                | 576,338                              | 474,387                                | 1,035,058                            |
| Effect of exchangeable bonds | (5,943)                                | (1,881)                              | (15,578)                               | (23,070)                             |
| Adjusted net income          | 225,423                                | 574,457                              | 458,809                                | 1,011,988                            |

- 3) Adjusted weighted average number of common shares outstanding for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

|   | 2012                                   |                                      | 2011                                   |                                      |
|---|--|--------------------------------------|--|--------------------------------------|
|   | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In shares)</i>  |  |                                      |  |                                      |
| Weighted average number of common shares outstanding          | 69,694,999                             | 69,694,999                           | 71,094,999                             | 71,094,999                           |
| Effect of exchangeable bonds (*)                              | 2,308,406                              | 2,308,406                            | 2,177,389                              | 2,177,389                            |
| Adjusted weighted average number of common shares outstanding | 72,003,405                             | 72,003,405                           | 73,272,388                             | 73,272,388                           |

- (\*) Effect of exchangeable bonds represents weighted average number of common shares outstanding in respect of the exchangeable common shares of exchangeable bonds, which could be exchanged to treasury stock.

**Table of Contents****25. Categories of Financial Instruments**

(1) Financial assets by categories as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>          | June 30, 2012   |  |                          |   |           |
|--------------------------------------|---|--|--------------------------|---|-----------|
|                                      | Financial<br>assets at<br>fair<br>value<br>through<br>profit or<br>loss | Available-for-sale<br>financial assets | Loans and<br>receivables | Derivative<br>financial<br>instruments<br>designated<br>as hedged<br>item | Total     |
| Cash and cash equivalents            |   |  | 369,378                  |   | 369,378   |
| Financial instruments                |   |  | 169,569                  |   | 169,569   |
| Short-term investment securities     |   | 49,945                                 |                          |   | 49,945    |
| Long-term investment securities (*1) | 16,800  | 1,202,846                              |                          |   | 1,219,646 |
| Accounts receivable trade            |   |  | 1,336,186                |   | 1,336,186 |
| Loans and receivables (*2)           |   |  | 711,581                  |   | 711,581   |
| Derivative financial assets          |   |  |                          | 210,370   | 210,370   |
|                                      | 16,800  | 1,252,791                              | 2,586,714                | 210,370   | 4,066,675 |

| <i>(In millions of won)</i>          | December 31, 2011   |  |                          |   |           |
|--------------------------------------|---|--|--------------------------|---|-----------|
|                                      | Financial<br>assets at<br>fair<br>value<br>through<br>profit or<br>loss | Available-for-sale<br>financial assets | Loans and<br>receivables | Derivative<br>financial<br>instruments<br>designated<br>as hedged<br>item | Total     |
| Cash and cash equivalents            |   |  | 895,558                  |   | 895,558   |
| Financial instruments                |   |  | 635,069                  |   | 635,069   |
| Short-term investment securities     |   | 90,573                                 |                          |   | 90,573    |
| Long-term investment securities (*1) | 16,617  | 1,295,821                              |                          |   | 1,312,438 |
| Accounts receivable trade            |   |  | 1,282,234                |   | 1,282,234 |
| Loans and receivables (*2)           |   |  | 1,103,799                |   | 1,103,799 |
| Derivative financial assets          |   |  |                          | 188,605   | 188,605   |
|                                      | 16,617  | 1,386,394                              | 3,916,660                | 188,605   | 5,508,276 |

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

**Table of Contents****25. Categories of Financial Instruments, Continued**

(\*2) Details of loans and receivables as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>         | <b>June 30, 2012</b> | <b>December 31, 2011</b> |
|-------------------------------------|----------------------|--------------------------|
| Short-term loans                    | 75,381               | 88,236                   |
| Accounts receivable other           | 419,595              | 774,221                  |
| Accrued income                      | 3,881                | 5,278                    |
| Long-term loans                     | 65,687               | 75,282                   |
| Long-term accounts receivable other | 694                  | 5,393                    |
| Guarantee deposits                  | 146,343              | 155,389                  |
|                                     | <b>711,581</b>       | <b>1,103,799</b>         |

(2) Financial liabilities by categories as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>            | <b>June 30, 2012</b>  |   |   | <b>Total</b>     |
|--|---|---|---|------------------|
|  | <b>Financial liabilities at fair value through profit or loss</b> | <b>Financial liabilities measured at amortized cost</b> | <b>Derivative financial instruments designated as hedged item</b> |                  |
| Derivative financial liabilities       |   |   | 23,529  | 23,529           |
| Borrowings                             |   | 2,303,743   |   | 2,303,743        |
| Debentures (*1)                        | 392,112   | 3,133,648   |   | 3,525,760        |
| Accounts payable other and others (*2) |   | 2,675,412   |   | 2,675,412        |
|  | <b>392,112</b>  | <b>8,112,803</b>  | <b>23,529</b>   | <b>8,528,444</b> |

**Table of Contents****25. Categories of Financial Instruments, Continued**

| <i>(In millions of won)</i>           | December 31, 2011  |  |  | Total     |
|---------------------------------------|--|--|--|-----------|
|                                       | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item |           |
| Derivative financial liabilities      |  |  | 4,645  | 4,645     |
| Borrowings                            |  | 115,330  |  | 115,330   |
| Debentures(*1)                        | 397,887  | 3,148,118  |  | 3,546,005 |
| Accounts payable other and others(*2) |  | 2,901,123  |  | 2,901,123 |
|                                       | 397,887  | 6,164,571  | 4,645  | 6,567,103 |

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

(\*2) Details of accounts payable and other payables as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i>                 | June 30, 2012 | December 31, 2011 |
|---|---------------|-------------------|
| Accounts payable other                      | 1,084,184     | 1,361,473         |
| Withholdings                                | 18            | 18                |
| Accrued expenses                            | 598,332       | 468,313           |
| Current portion of long-term payables other | 149,558       | 89,144            |
| Long-term payables other                    | 702,780       | 840,974           |
| Other non-current liabilities               | 140,540       | 141,201           |
|   | 2,675,412     | 2,901,123         |

**26. Financial Risk Management****(1) Financial risk management**

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

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

**1) Market risk****(i) Currency risk**



**Table of Contents****26. Financial Risk Management, Continued**

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

Monetary foreign currency assets and liabilities as of June 30, 2012 are as follows:

*(In millions of won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese Yen, thousands of other currencies)*

|        | Assets             |                       | Liabilities        |                       |
|--------|--------------------|-----------------------|--------------------|-----------------------|
|        | Foreign currencies | Korean won equivalent | Foreign currencies | Korean won equivalent |
| USD    | 17,865             | 20,613                | 1,086,801          | 1,253,951             |
| EUR    | 222                | 319                   | 1,302              | 1,868                 |
| JPY    | 207,493            | 3,017                 | 12,496,692         | 181,676               |
| SGD    |                    |                       | 64,533             | 58,114                |
| CHF    |                    |                       | 297,966            | 356,004               |
| Others | 1                  | 1                     | 46                 | 7                     |
|        |                    | 23,950                |                    | 1,851,620             |

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 16)

As of June 30, 2012, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

| <i>(In millions of won)</i> | If increased by 10% | If decreased by 10% |
|-----------------------------|---------------------|---------------------|
| USD                         | (37,831)            | 37,831              |
| EUR                         | (154)               | 154                 |
| JPY                         | 302                 | (302)               |
| SGD                         | (1)                 | 1                   |
| CHF                         | (4)                 | 4                   |
| Others                      | (1)                 | 1                   |
|                             | (37,689)            | 37,689              |

**Table of Contents**

**26. Financial Risk Management, Continued**

(ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of June 30, 2012, available-for-sale equity instruments measured at fair value amounts to 1,196,227 million.

(iii) Interest rate risk

Since the Company's interest bearing assets are mostly fixed-interest bearing assets, as such, the Company's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Company still has interest rate risk arising from borrowings and debentures.

Accordingly, the Company performs various analysis of interest rate risk, which includes refinancing, renewal, alternative financing and hedging instrument option, to reduce interest rate risk and to optimize its financing.

The Company's interest rate risk arises from floating-rate borrowings and payables. As of June 30, 2012, floating-rate debentures and borrowings amount to 528,708 million and 115,380 million, respectively, and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (Refer to Note 16). If interest rate only increases (decreases) by 1%, income before income taxes for the six-month period ended June 30, 2012 would not have been changed due to the interest expense from floating-rate borrowings and debentures.

2) Credit risk

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

For the six-month period ended June 30, 2012, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Company believes that the possibility of default is remote. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of June 30, 2012.

**Table of Contents****26. Financial Risk Management, Continued**

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 22.

## 3) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Company maintains flexibly enough liquidity under credit lines through active operating activities. The Company's current liabilities are greater than current assets by W 1,077 billion and W 518.9 billion as of June 30, 2012 and December 31, 2011, respectively. This was primarily caused by the acquisition of ownership interests in SK Hynix in February 2012. The Company plans to fund current liabilities with the cash flows generated by operations and through additional borrowings, as necessary.

Contractual maturities of financial liabilities as of June 30, 2012 are as follows:

| <i>(In millions of won)</i>              | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>Less than 1 year</b> | <b>1 - 5 years</b> | <b>More than 5 years</b> |
|--|------------------------|-------------------------------|-------------------------|--------------------|--------------------------|
| Derivative financial liabilities         | 23,529                 | 23,529                        |                         | 23,529             |                          |
| Borrowings                               | 2,303,743              | 2,552,506                     | 291,319                 | 2,261,187          |                          |
| Debentures (*1)                          | 3,525,760              | 4,431,027                     | 331,046                 | 2,897,176          | 1,202,805                |
| Accounts payable - other and others (*2) | 2,675,412              | 2,734,649                     | 1,844,091               | 529,449            | 361,109                  |
|  | 8,528,444              | 9,741,711                     | 2,466,456               | 5,711,341          | 1,563,914                |

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

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

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



**Table of Contents****26. Financial Risk Management, Continued**

## (2) Capital management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The overall strategy of the Company is the same as that of the Company as of and for the year ended December 31, 2011.

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

Debt-equity ratio as of June 30, 2012 and December 31, 2011 are as follows:

| <i>(In millions of won)</i> | <b>June 30,<br/>2012</b> | <b>December 31, 2011</b> |
|-----------------------------|--------------------------|--------------------------|
| Liability                   | 10,366,203               | 8,554,225                |
| Equity                      | 11,905,658               | 11,966,302               |
| <b>Debt-equity ratio</b>    | <b>87.07%</b>            | <b>71.49%</b>            |

## (3) Fair value

Fair value of the financial instruments that are traded in an active market is measured based on the quoted market price at the end of the reporting date. Disclosed market price of the financial assets held by the Company is the bid price.

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

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

Interest rates used by the Company for the fair value measurement as of June 30, 2012 are as follows:

|                           | <b>Interest rate</b> |
|---------------------------|----------------------|
| Derivative instruments    | 3.15%~5.59%          |
| Borrowings and Debentures | 3.92%                |

**Table of Contents****26. Financial Risk Management, Continued**

## 1) Fair value and carrying amount

Carrying amount and fair value of financial assets and liabilities are as follows:

| <i>(In millions of won)</i>                                | June 30, 2012   |            | December 31, 2011 |            |
|--|-----------------|------------|-------------------|------------|
|  | Carrying amount | Fair value | Carrying amount   | Fair value |
| <b>Assets carried at fair value</b>                        |                 |            |                   |            |
| Financial assets at fair value through profit or loss      | 16,800          | 16,800     | 16,617            | 16,617     |
| Derivative financial assets                                | 210,370         | 210,370    | 188,605           | 188,605    |
| Available-for-sale financial assets                        | 1,196,226       | 1,196,226  | 1,273,132         | 1,273,132  |
|  | 1,423,396       | 1,423,396  | 1,478,354         | 1,478,354  |
| <b>Assets carried at amortized cost</b>                    |                 |            |                   |            |
| Cash and cash equivalents                                  | 369,378         | 369,378    | 895,558           | 895,558    |
| Available-for-sale financial assets                        | 56,565          | 56,565     | 113,262           | 113,262    |
| Accounts receivable trade and others                       | 2,047,767       | 2,047,767  | 2,386,033         | 2,386,033  |
| Financial instruments                                      | 169,569         | 169,569    | 635,069           | 635,069    |
|  | 2,643,279       | 2,643,279  | 4,029,922         | 4,029,922  |
| <b>Liabilities carried at fair value</b>                   |                 |            |                   |            |
| Financial liabilities at fair value through profit or loss | 392,112         | 392,112    | 397,887           | 397,887    |
| Derivative financial liabilities                           | 23,529          | 23,529     | 4,645             | 4,645      |
|  | 415,641         | 415,641    | 402,532           | 402,532    |
| <b>Liabilities carried at amortized cost</b>               |                 |            |                   |            |
| Borrowings   | 2,303,743       | 2,354,847  | 115,330           | 115,330    |
| Debentures   | 3,133,648       | 3,368,061  | 3,148,118         | 2,985,078  |
| Accounts payable other and others                          | 2,675,412       | 2,675,412  | 2,901,123         | 2,901,123  |
|  | 8,112,803       | 8,398,320  | 6,164,571         | 6,001,531  |

## 2) Fair value hierarchy

The different levels have been defined as follows:

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



**Table of Contents****26. Financial Risk Management, Continued**

The table below analyzes financial instruments carried at fair value, by fair value hierarchy as of June 30, 2012.

| <i>(In millions of won)</i>                                | Level 1   | Level 2 | Level 3 | Total     |
|--|-----------|---------|---------|-----------|
| Financial assets at fair value through profit or loss      |           | 16,800  |         | 16,800    |
| Derivative financial assets                                |           | 210,370 |         | 210,370   |
| Available-for-sale financial assets                        | 1,052,372 | 26,069  | 117,785 | 1,196,226 |
| Financial liabilities at fair value through profit or loss | 392,112   |         |         | 392,112   |
| Derivative financial liabilities                           |           | 23,529  |         | 23,529    |

There have been no transfers from Level 2 to Level 1 in 2012 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2012 are as follows:

| <i>(In millions of won)</i>         | Balance at<br>January 1 | Other<br>comprehensive<br>income | Disposal | Balance at<br>June 30 |
|-------------------------------------|-------------------------|----------------------------------|----------|-----------------------|
| Available-for-sale financial assets | 162,097                 | (30,227)                         | (14,085) | 117,785               |

**27. Transactions with Related Parties**

(1) As of June 30, 2012, the parent company and subsidiaries of the Company are as follows:

| Type                            | Company                     | Ownership<br>percentage<br>(%) | Types of business         |
|---------------------------------|-----------------------------|--------------------------------|---------------------------|
| Ultimate Controlling Entity(*1) | SK Holdings Co., Ltd.       | 25.2(*2)                       | Holding company           |
| Subsidiaries                    | SK Telink Co., Ltd.         | 83.5                           | Telecommunication service |
|                                 | SK Communications Co., Ltd. | 64.6(*3)                       | Internet website services |
|                                 | PAXNet Co., Ltd.            | 59.7(*3)                       | Internet website services |
|                                 | Loen Entertainment, Inc.    | 67.6(*3)                       | Release of music disc     |
|                                 | Stonebridge Cinema Fund     | 45.6                           | Investment association    |

**Table of Contents****27. Transactions with Related Parties, Continued**

|   |           |  |
|---|-----------|--|
| Commerce Planet Co., Ltd.                   | 100.0(*3) | Online shopping mall operation agency            |
| SK Broadband Co., Ltd.                      | 50.6      | Telecommunication services                       |
| Broadband D&M Co., Ltd.                     | 100.0(*3) | Base station maintenance service                 |
| Broadband Media Co., Ltd.                   | 100.0(*3) | Multimedia TV portal service                     |
| Broadband CS Co., Ltd.                      | 100.0(*3) | Customer Q&A and Service                         |
| K-net Culture and Contents<br>Venture Fund  | 59.0(*3)  | Investment association                           |
| Fitech Focus Limited Partnership II<br>(*4) | 66.7(*3)  | Investment association                           |
| Open Innovation Fund                        | 98.9(*3)  | Investment association                           |
| PS&Marketing Corporation                    | 100.0     | Retail   |
| Service Ace Co., Ltd.                       | 100.0     | Customer center management service               |
| Service Top Co., Ltd.                       | 100.0     | Customer center management service               |
| Network O&S Co., Ltd.                       | 100.0     | Base station maintenance service                 |
| BNCP Co., Ltd.                              | 100.0(*3) | Software development and distribution service    |
| Service-In Co., Ltd.                        | 100.0(*3) | Data base and internet website service           |
| SK Planet Co., Ltd.                         | 100.0     | Telecommunication service and new media business |
| SK Telecom China Holdings Co.,<br>Ltd.      | 100.0     | Equity investment (Holding company)              |
| SKY Property Mgmt. Ltd.                     | 60.0      | Equity investment                                |
| Shenzhen E-eye High Tech Co.,<br>Ltd.       | 65.5(*3)  | GPS manufacturing and selling                    |
| SK China Real Estate Co., Ltd.              | 99.4      | Equity investment                                |
| SKT Vietnam PTE. Ltd.                       | 73.3      | Telecommunication service                        |
| SKT Americas, Inc.                          | 100.0     | Telecommunication service                        |
| YTK Investment Ltd.                         | 100.0     | Investment                                       |
| Atlas Investment                            | 100.0     | Investment                                       |
| Technology Innovation Partners,<br>LP.      | 100.0(*3) | Investment                                       |
| SK Telecom China Fund I L.P.                | 100.0(*3) | Investment                                       |

(\*1) SK Holdings Co., Ltd. is the Ultimate Controlling Entity because of its de facto control over the Company.

(\*2) The ownership percentage represents parent company's ownership over the Company.

(\*3) The ownership percentage represents subsidiaries' ownership over their subsidiaries, in which the Company has no direct investment.

**Table of Contents****27 Transactions with Related Parties, Continued**

(\*4) Name of the company has been changed from Benex Focus Limited Partnership II to Fitech Focus Limited Partnership II during the six-month period ended June 30, 2012.

(2) Transactions

|                                     | Purchases of property and equipment |                                | Commissions paid and other expenses<br>2012 |                                | Commissions earned and other income |                                |
|-------------------------------------|-------------------------------------|--------------------------------|---|--------------------------------|-------------------------------------|--------------------------------|
|                                     | Three-month period ended June 30    | Six-month period ended June 30 | Three-month period ended June 30            | Six-month period ended June 30 | Three-month period ended June 30    | Six-month period ended June 30 |
| <i>(In millions of won)</i>         |                                     |                                |   |                                |                                     |                                |
| <b>Ultimate Controlling Entity:</b> |                                     |                                |   |                                |                                     |                                |
| SK Holdings Co., Ltd.(*1)           |                                     |                                | 6,471                                       | 162,871                        | 184                                 | 283                            |
| <b>Subsidiaries:</b>                |                                     |                                |   |                                |                                     |                                |
| SK Telink Co., Ltd.(*2)             |                                     |                                | 14,380                                      | 24,325                         | 12,754                              | 28,122                         |
| SK Communications Co., Ltd.         |                                     |                                |   |                                | 1,434                               | 3,130                          |
| Loen Entertainment, Inc.            |                                     |                                | 273   | 276                            | 1,529                               | 2,849                          |
| Commerce Planet Co., Ltd.           |                                     |                                | 292   | 292                            | 5                                   | 8                              |
| SK Broadband Co., Ltd.              | 15,637                              | 15,992                         | 92,115                                      | 179,214                        | 30,512                              | 57,639                         |
| PS&Marketing Corporation            | 128                                 | 128                            | 129,495                                     | 193,899                        | 1,249                               | 1,983                          |
| Service Ace Co., Ltd.               |                                     |                                | 33,069                                      | 67,432                         | 2,131                               | 4,209                          |
| Service Top Co., Ltd.               |                                     |                                | 30,013                                      | 63,215                         | 1,930                               | 3,591                          |
| Network O&S Co., Ltd.               | 27,188                              | 27,188                         | 46,913                                      | 72,931                         | 1,014                               | 1,602                          |
| SK Planet Co., Ltd.                 |                                     |                                | 129,636                                     | 260,270                        | 12,102                              | 25,646                         |
| SK Telecom China Holdings Co., Ltd. |                                     |                                | 11,775                                      | 11,775                         |                                     |                                |
| SKT Americas, Inc.                  |                                     |                                | 6,200                                       | 6,200                          |                                     |                                |
| Others                              |                                     |                                |   | 149                            | 39                                  | 69                             |
| <b>Associates:</b>                  |                                     |                                |   |                                |                                     |                                |
| SK Marketing & Company Co., Ltd.    | 72                                  | 97                             | 30,021                                      | 54,098                         | 1,262                               | 3,261                          |
| F&U Credit information Co., Ltd.    |                                     |                                | 11,355                                      | 24,029                         | 463                                 | 804                            |
| SK Wyverns Baseball Club Co., Ltd.  |                                     |                                | 43  | 9,443                          |                                     |                                |
| HanaSK Card Co., Ltd.               | 3                                   | 3                              | 70,046                                      | 146,299                        | 42,711                              | 90,387                         |
| HappyNarae Co., Ltd. (*3)           | 1,908                               | 1,911                          | 3,143                                       | 3,572                          |                                     |                                |
| Others                              |                                     |                                |   | 1,995                          | 63                                  | 63                             |
| <b>Others:</b>                      |                                     |                                |   |                                |                                     |                                |
| SK C&C Co., Ltd.                    | 39,312                              | 91,384                         | 59,995                                      | 123,627                        | 882                                 | 2,137                          |
| SK Innovation Co., Ltd.             |                                     |                                | 186   | 371                            | 1,511                               | 2,336                          |
| M&Service Co., Ltd.                 |                                     |                                | 332   | 487                            | 177                                 | 400                            |

**Table of Contents****27 Transactions with Related Parties, Continued**

|   |         |         |         |           |         |         |
|---|---------|---------|---------|-----------|---------|---------|
| SK Engineering and Construction Co., Ltd. | 132,927 | 175,809 | 12,642  | 12,723    | 899     | 2,467   |
| SK Telesys Co., Ltd.                      | 88,585  | 100,929 |         | 6,367     | 37      | 68      |
| SK Networks Co., Ltd.                     | 1,994   | 1,994   | 138,080 | 221,561   | 4,341   | 8,494   |
| SK Networks Service Co., Ltd.             |         |         | 11,525  | 18,243    |         |         |
| Others                                    | 545     | 548     |         | 3,741     | 2,361   | 4,346   |
|   | 308,299 | 415,983 | 838,000 | 1,669,405 | 119,590 | 243,894 |

(\*1) Dividends paid amounted to W 150,169 million were included in commissions paid and other expenses.

(\*2) Dividends received amounted to W 2,834 million were included in commissions earned and other income.

## (2) Transactions, Continued

(\*3) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

|                                     | Purchases of property and equipment |                                | Commissions paid and other expenses 2011 |                                | Commissions earned and other income |                                |
|-------------------------------------|-------------------------------------|--------------------------------|--|--------------------------------|-------------------------------------|--------------------------------|
|                                     | Three-month period ended June 30    | Six-month period ended June 30 | Three-month period ended June 30         | Six-month period ended June 30 | Three-month period ended June 30    | Six-month period ended June 30 |
| <i>(In millions of won)</i>         |                                     |                                |  |                                |                                     |                                |
| <b>Ultimate Controlling Entity:</b> |                                     |                                |  |                                |                                     |                                |
| SK Holdings Co., Ltd.(*1)           |                                     |                                | 6,631                                    | 151,556                        | 289                                 | 364                            |
| <b>Subsidiaries:</b>                |                                     |                                |  |                                |                                     |                                |
| SK Telink Co., Ltd.(*2)             |                                     |                                | 26,983                                   | 52,096                         | 16,017                              | 37,619                         |
| SK Communications Co., Ltd.         |                                     |                                | 8,830                                    | 11,084                         | 1,744                               | 3,863                          |
| Loen Entertainment, Inc.            |                                     |                                | 10,905                                   | 20,743                         | 1,545                               | 2,496                          |
| Ntreev Soft Co., Ltd.(*3)           |                                     |                                |  |                                | 4,368                               | 7,364                          |
| Commerce Planet Co., Ltd.           | 46                                  | 46                             | 36,660                                   | 78,660                         | 12,623                              | 15,006                         |
| SK Broadband Co., Ltd.              | 12,296                              | 12,296                         | 69,722                                   | 121,187                        | 23,764                              | 43,725                         |
| PS&Marketing Corporation            |                                     |                                | 49,951                                   | 113,418                        | 669                                 | 1,291                          |
| Service Ace Co., Ltd.               |                                     |                                | 28,940                                   | 57,111                         | 2,007                               | 4,784                          |
| Service Top Co., Ltd.               |                                     |                                | 27,230                                   | 54,677                         | 2,096                               | 3,708                          |
| Network O&S Co., Ltd.               | 7,066                               | 7,066                          | 32,596                                   | 51,475                         | 427                                 | 994                            |

**Table of Contents****27 Transactions with Related Parties, Continued**

|   |         |         |         |           |         |         |
|---|---------|---------|---------|-----------|---------|---------|
| SK Telecom China Holdings Co., Ltd.       |         |         | 7,066   | 11,586    |         |         |
| SKT Americas, Inc.                        |         |         | 5,802   | 9,110     |         |         |
| Others                                    |         |         | 355     | 605       | 88      | 132     |
| <b>Associates:</b>                        |         |         |         |           |         |         |
| SK Marketing & Company Co., Ltd.          | 2,183   | 2,183   | 25,415  | 52,798    | 1,561   | 3,743   |
| F&U Credit information Co., Ltd.          |         |         | 10,994  | 20,737    | 327     | 710     |
| SK Wyverns Baseball Club Co., Ltd.        |         |         | 1,200   | 10,994    |         | 12      |
| HanaSK Card Co., Ltd.                     | 9       | 10      | 79,731  | 124,045   | 16,201  | 33,995  |
| HappyNarae Co., Ltd.(*4)                  | 1,893   | 2,059   | 1,615   | 2,203     |         | 3       |
| Others                                    | 29      | 29      | 5,109   | 9,272     |         | 1       |
| <b>Others:</b>                            |         |         |         |           |         |         |
| SK C&C Co., Ltd.                          | 56,608  | 82,184  | 71,043  | 133,727   | 655     | 1,979   |
| SK Innovation Co., Ltd.                   |         |         | 14      | 25        | 336     | 487     |
| M&Service Co., Ltd.                       |         |         | 3,601   | 5,970     | 1,265   | 1,269   |
| SK Engineering and Construction Co., Ltd. | 51,841  | 59,864  | 3,090   | 3,173     | 447     | 1,398   |
| SK Telesys Co., Ltd.                      | 70,399  | 79,417  | 2,920   | 5,177     | 19,187  | 56,395  |
| SK Networks Co., Ltd.                     | 2,747   | 2,914   | 81,323  | 167,569   | 3,433   | 7,566   |
| SK Networks Service Co., Ltd.             |         |         | 12,358  | 15,525    |         | 79      |
| Others                                    | 989     | 1,260   | 2,473   | 26,098    | 1,467   | 2,956   |
|   | 206,106 | 249,328 | 612,557 | 1,310,621 | 110,516 | 231,939 |

(\*1) Dividends paid amounted to W 138,669 million were included in commissions paid and other expenses.

(\*2) Dividends received amounted to W 3,340 million were included in commissions earned and other income.

(\*3) The Company sold its investment during the six-month period ended June 30, 2012.

(\*4) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.



**Table of Contents****27 Transactions with Related Parties, Continued**

(3) Account balances

|   | June 30, 2012          |                       |                     |                                   |
|---|------------------------|-----------------------|---------------------|-----------------------------------|
| <i>(In millions of won)</i>               | Accounts<br>receivable | Guarantee<br>deposits | Accounts<br>payable | Guarantee<br>deposits<br>received |
| <b>Ultimate Controlling Entity:</b>       |                        |                       |                     |                                   |
| SK Holdings Co., Ltd.                     | 113                    |                       |                     |                                   |
| <b>Subsidiaries:</b>                      |                        |                       |                     |                                   |
| SK Telink Co., Ltd.                       | 1,675                  |                       | 27,442              |                                   |
| SK Communications Co., Ltd.               | 2,495                  |                       | 2,907               | 5,524                             |
| Loen Entertainment, Inc.                  | 330                    |                       | 315                 |                                   |
| Commerce Planet Co., Ltd.                 |                        |                       | 49                  |                                   |
| SK Broadband Co., Ltd.                    | 5,241                  | 1,151                 | 26,916              | 39,444                            |
| PS&Marketing Corporation                  | 767                    |                       | 35,813              | 7,059                             |
| Service Ace Co., Ltd.                     | 762                    |                       | 11,894              | 3,997                             |
| Service Top Co., Ltd.                     | 569                    |                       | 11,770              | 3,367                             |
| Network O&S Co., Ltd.                     |                        |                       | 12,141              | 164                               |
| SK Planet Co., Ltd.                       | 17,470                 |                       | 20,613              | 66,816                            |
| SK Vietnam PTE. Ltd.                      | 3,790                  |                       |                     |                                   |
| SKT Americas, Inc.                        |                        |                       | 1,855               |                                   |
| Others                                    |                        |                       | 7                   | 150                               |
| <b>Associates:</b>                        |                        |                       |                     |                                   |
| SK Marketing & Company Co., Ltd.          | 112                    |                       | 26,094              |                                   |
| F&U Credit information Co., Ltd.          | 280                    |                       | 3,941               |                                   |
| SK Wyverns Baseball Club Co., Ltd.        |                        |                       | 3                   |                                   |
| Wave City Development Co., Ltd.           | 38,412                 |                       |                     |                                   |
| HanaSK Card Co., Ltd.                     | 7,192                  |                       | 17,036              |                                   |
| HappyNarae Co., Ltd.(*)                   |                        |                       | 1,608               |                                   |
| SK USA, Inc.                              |                        |                       | 3,660               |                                   |
| Others                                    | 70                     | 10                    | 44                  |                                   |
| <b>Others:</b>                            |                        |                       |                     |                                   |
| SK C&C Co., Ltd.                          | 425                    |                       | 44,104              | 197                               |
| SK Innovation Co., Ltd.                   | 999                    | 91                    | 1                   |                                   |
| M&Service Co., Ltd.                       | 192                    |                       | 903                 |                                   |
| SK Engineering and Construction Co., Ltd. | 988                    |                       | 5,371               | 83                                |
| SK Telesys Co., Ltd.                      | 176                    |                       | 20,806              |                                   |
| SK Networks Co., Ltd.                     |                        | 1,013                 | 33,798              | 696                               |
| SK Networks Service Co., Ltd.             |                        |                       | 10,888              |                                   |
| Others                                    | 1,150                  |                       | 1,298               | 47                                |
|   | 83,208                 | 2,265                 | 321,277             | 127,544                           |

**Table of Contents****27. Transactions with Related Parties, Continued**

(\*) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

(3) Account balances, Continued

| <i>(In millions of won)</i>         | December 31, 2011      |                       |                     | Guarantee<br>deposits<br>received |
|-------------------------------------|------------------------|-----------------------|---------------------|-----------------------------------|
|                                     | Accounts<br>receivable | Guarantee<br>deposits | Accounts<br>payable |                                   |
| <b>Ultimate Controlling Entity:</b> |                        |                       |                     |                                   |
| SK Holdings Co., Ltd.               | 146                    |                       |                     |                                   |
| <b>Subsidiaries:</b>                |                        |                       |                     |                                   |
| SK Telink Co., Ltd.                 | 2,664                  |                       | 7,749               | 3,281                             |
| SK Communications Co., Ltd.         | 1,221                  |                       | 2,508               | 5,524                             |
| Loen Entertainment, Inc.            | 472                    |                       | 764                 |                                   |
| Ntreev Soft Co., Ltd.(*1)           | 1,629                  |                       |                     |                                   |
| Commerce Planet Co., Ltd.           | 1                      |                       | 363                 |                                   |
| SK Broadband Co., Ltd.              | 7,244                  | 982                   | 78,286              | 40,401                            |
| PS&Marketing Corporation            | 371                    |                       | 40,311              | 6,249                             |
| Service Ace Co., Ltd.               | 735                    |                       | 13,213              | 3,997                             |
| Service Top Co., Ltd.               | 438                    |                       | 14,733              | 2,462                             |
| Network O&S Co., Ltd.               | 575                    |                       | 50,210              | 170                               |
| SK Planet Co., Ltd.                 | 85,902                 |                       | 177,809             | 66,805                            |
| SK Telecom China Holdings Co., Ltd. | 3,788                  |                       |                     |                                   |
| SKT Americas, Inc.                  |                        |                       | 4,062               |                                   |
| Others                              |                        |                       | 591                 | 150                               |
| <b>Associates:</b>                  |                        |                       |                     |                                   |
| SK Marketing & Company Co., Ltd.    | 262                    |                       | 22,977              |                                   |
| F&U Credit information Co., Ltd.    |                        |                       | 3,736               |                                   |
| SK Wyverns Baseball Club Co., Ltd.  | 3,812                  |                       |                     |                                   |
| Wave City Development Co., Ltd.     | 38,412                 |                       |                     |                                   |
| HanaSK Card Co., Ltd.               | 8,627                  |                       | 1,600               |                                   |
| HappyNarae Co., Ltd.(*2)            |                        |                       | 1,057               |                                   |
| Daehan Kanggun BcN Co., Ltd.        | 20,562                 |                       |                     |                                   |
| Others                              |                        |                       | 1,060               |                                   |

**Table of Contents****27. Transactions with Related Parties, Continued**

| <b>Others:</b>                            |         |       |         |         |
|---|---------|-------|---------|---------|
| SK C&C Co., Ltd.                          | 2,452   |       | 89,784  | 197     |
| SK Innovation Co., Ltd.                   | 940     | 91    | 2       |         |
| M&Service Co., Ltd.                       | 332     |       | 2,346   |         |
| SK Engineering and Construction Co., Ltd. | 486     |       | 27,808  | 83      |
| SK Telesys Co., Ltd.                      | 106     |       | 35,371  |         |
| SK Networks Co., Ltd.                     | 696     | 4,613 | 29,296  | 696     |
| SK Networks Service Co., Ltd.             |         |       | 3,530   |         |
| Others                                    | 2,141   |       | 1,322   |         |
|   | 184,014 | 5,686 | 610,488 | 130,015 |

(\*1) The Company sold its investment during the six-month period ended June 30, 2012.

(\*2) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

**(4) Compensation for the key management**

The Company considers registered directors who have substantial roles and responsibility in planning, operating, and controlling of the business as key management. Considerations given to key management for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

|                                   | 2012                                      |                                      | 2011                                      |                                      |
|-----------------------------------|---|--------------------------------------|---|--------------------------------------|
|                                   | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 | Three-month<br>period<br>ended<br>June 30 | Six-month<br>period ended<br>June 30 |
| <i>(In millions of won)</i>       |   |                                      |   |                                      |
| Salaries                          | 296                                       | 8,287                                | 1,676                                     | 8,832                                |
| Provision for retirement benefits | 78  | 643                                  | 107                                       | 623                                  |
|                                   | 374                                       | 8,930                                | 1,783                                     | 9,455                                |

**28. Commitments and Contingencies**

As of June 30, 2012, the Company has participated in Tactical Airship program of the Defense Acquisition Program Administration with Joint Defense Corporation. For an advance receipt amounting to W 4,200 million, which Joint Defense Corporation received from the Defense Acquisition Program Administration, the Company provides payment guarantees to the Defense Acquisition Program Administration.

**Table of Contents****29. Statements of Cash Flows**

- (1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>   | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|
| Interest income   | (33,771)    | (78,321)    |
| Dividends   | (25,780)    | (26,472)    |
| Gain on foreign currency translation  | (267)       | (13,352)    |
| Gain on valuation of financial assets at fair value through profit or loss      | (183)       | (1,150)     |
| Gain on valuation of financial liabilities at fair value through profit or loss | (5,774)     | (33,249)    |
| Gain on disposal of long-term investments securities                            | (470)       | (158,495)   |
| Gain on valuation of derivatives  |             | (2,088)     |
| Gain on settlement of derivatives   | (12,694)    |             |
| Gain on disposal of investments in associates                                   | (80,482)    | (1,990)     |
| Gain on disposal of property and equipment and intangible assets                | (358)       | (856)       |
| Reversal of allowance for doubtful accounts                                     | (4,475)     |             |
| Other income  | (667)       | (2,491)     |
| Interest expenses   | 150,583     | 99,910      |
| Loss on foreign currency translation  | 117         | 318         |
| Loss on disposal of long-term investments securities                            | 9,134       | 2           |
| Loss on settlement of derivatives   | 1,232       | 5,136       |
| Impairment loss on investment in associates                                     | 72,096      |             |
| Income tax expense  | 153,231     | 403,267     |
| Provision for retirement benefits   | 15,490      | 16,084      |
| Depreciation and amortization   | 854,543     | 915,751     |
| Bad debt for accounts receivable trade  | 8,554       | 20,560      |
| Loss on disposal of property and equipment and intangible assets                | 2,085       | 7,355       |
| Impairment loss on property and equipment and intangible assets                 | 15,438      |             |
| Bad debt for accounts receivable other  | 19,371      | 2,910       |
| Other expenses  |             | 1,338       |
|   | 1,136,953   | 1,154,167   |

**Table of Contents****29. Statements of Cash Flows, Continued**

(2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>          | <b>2012</b>    | <b>2011</b>      |
|--------------------------------------|----------------|------------------|
| Accounts receivable trade            | (57,941)       | 89,221           |
| Accounts receivable other            | 335,259        | 804,399          |
| Advance payments                     | 23,878         | 43,451           |
| Prepaid expenses                     | 10,695         | 44,937           |
| Inventories                          | (5,038)        | (5,255)          |
| Long-term accounts receivables other | 4,699          | 461,495          |
| Guarantee deposits                   | 14,135         | (1,711)          |
| Accounts payable other               | (278,841)      | (373,898)        |
| Advanced receipts                    | (1,444)        | 8,782            |
| Withholdings                         | 102,216        | 120,613          |
| Deposits received                    | (2,162)        | 35               |
| Accrued expenses                     | 119,296        | (10,541)         |
| Unearned revenue                     | (31,209)       | (27,286)         |
| Provisions                           | (88,299)       | (6,323)          |
| Long-term provisions                 | (15,391)       | 44,203           |
| Plan assets                          | 636            | 6,588            |
| Retirement benefit payment           | (11,113)       | (12,996)         |
| Others                               | (9)            | 236              |
|                                      | <b>119,367</b> | <b>1,185,950</b> |

(3) Significant non-cash transactions for the six-month periods ended June 30, 2012 and 2011 are as follows:

| <i>(In millions of won)</i>   | <b>2012</b> | <b>2011</b> |
|---|-------------|-------------|
| Accounts payable other related to acquisition of tangible assets and others | 8,010       | 197,189     |

**30. Subsequent Events**

On July 25, 2012, the Board of Directors of the Company resolved to pay interim cash dividends of W 1,000 per share totaling W 69,695 million (Market dividend rate: 0.82%). The ex-dividend date was June 30, 2012 and the interim dividends are expected to be paid within twenty days after the date of the Board of Directors' resolution.

**Table of Contents**

**SIGNATURES**

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

**SK TELECOM Co., LTD.**

*(Registrant)*

By: /s/ Soo Cheol Hwang

*(Signature)*

Name: Soo Cheol Hwang

Title: Senior Vice President

Date: October 9, 2012