

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

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

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

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

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

Form 20-F

Form 40-F

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

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

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

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

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

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

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

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

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

I. COMPANY OVERVIEW

1. Company Overview

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Corporate Purpose of the Company

Business Objectives

1. Information and communication business

2. Handset sales and lease business

3. New media business

4. Advertisement business

5. Communication sales business

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

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

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

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

10. Tourism

11. Electronic financial business

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

13. Lifetime education and lifetime educational facilities management

14. Electric related construction business

15. Information and communication related work business

16. Ubiquitous city construction and service business

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

E. Credit Ratings

(1) Corporate Bonds

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

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

(2) Commercial Paper (CP)

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

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

(3) International Credit Ratings

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

2. Company History

A. Location of Headquarters

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

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

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

B. Significant Changes in Management

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

C. Other Important Matters related to Management Activities

(1) Sale of IHQ, Inc. shares.

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

(2) Interim Dividends

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

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

- Market dividend rate: 0.61%

- Record date: June 30, 2010

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

(3) Acquisition of Treasury Stock

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

(4) SK C&C stock sale

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

(5) Additional sale of SK C&C stock

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

3. Total Number of Shares

A. Total number of shares

(As of December 31, 2010)

(Unit: shares)

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

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

B. Treasury Stock

(1) Acquisitions and Dispositions of Treasury Stocks

(As of December 31, 2010)

(Unit: Shares)

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

Common
shares
Preferred
shares

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

4. Status of Voting Rights

(As of December 31, 2010)

(Unit: shares)

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

5. Dividends and Others

A. Dividends

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

B. Dividends for the Last 3 Fiscal Years

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

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

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

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

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

II. BUSINESS

1. Business Overview

A. Industry Characteristics

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

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

B. Growth Potential

(Unit: 1,000 persons)

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

(Source: Korea Communications Commission website)

C. Domestic and Overseas Market Conditions

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

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

Historical market share of the Company:

(As of December 31, 2010)

(Unit: %)

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

Comparative market share:

(As of December 31, 2010)

(Unit: %)

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

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

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

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

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

2. Major Products & Services

A. Updates on Major Products and Services

(Unit: in millions of Won, %)

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

B. Price Fluctuation Trend of Major Products and Services

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

3. Investment Status

A. Investment in Progress

(Unit: in 100 millions of Won)

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

B. Future Investment Plan

(Unit: in 100 millions of Won)

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

4. Revenues

(Unit: in millions of Won)

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

5. Derivative Transactions

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

A. Currency Swap

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

(2) Contract Terms

- Currency swap contract applying cash flow risk hedge accounting

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

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

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

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

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

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

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

B. Interest Rate Swap

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

(2) Contract Terms

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

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

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

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

6. Major Contracts

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

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

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

7. R&D Investments

(Unit: in millions of Won)

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

8. Other information relating to investment decisions

A. Trademark Policies

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

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

B. Business-related Intellectual Properties

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

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

(Unit: in millions of Won)

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

(Unit: Won)

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

2. Summary Financial Information (Consolidated)

(Unit: in millions of Won)

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

* See the attached Korean GAAP Consolidated Financial Statements.

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

2010 Deloitte Anjin LLC	Year ended December 31, 2009 Deloitte Anjin LLC	2008 Deloitte Anjin LLC
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2. Audit Opinion

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

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

(Unit: in thousands of Won)

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

B. Non-Audit Services Contract with External Auditors

(Unit: in thousands of Won)

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

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December 24,
2008

December 24, Tax consulting
2008

3 days 3,000

V. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINESS RESULTS (NON-CONSOLIDATED)

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

2. ANALYSIS OF OPERATING DATA

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

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

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

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

3. ANALYSIS OF OPERATING REVENUE

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

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

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

4. ANALYSIS OF OPERATING EXPENSES

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

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

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

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

5. ANALYSIS OF NON-OPERATING INCOME / EXPENSES

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

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

6. ANALYSIS OF FINANCIAL CONDITION (NON-CONSOLIDATED)

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

Cash and cash equivalent	357	421	-15%	421	434	-3.1%
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	As of December 31, 2010	As of December 31, 2009	Change from 2009 to 2010	As of December 31, 2009	As of December 31, 2008	Change from 2008 to 2009
(Unit: in billions of Won)						
Short-term financial instruments	300	178	69%	178	98	80.9%
Short-term investment securities	394	370	6%	370	370	0.1%
Accounts receivable	1,604	1,700	-6%	1,700	1,635	4.0%
Allowance for doubtful accounts	-151	-143	6%	-143	-58	144.3%
Inventory	9	23	-61%	23	14	62.7%
Non-current assets	13,477	14,315	-6%	14,315	14,627	-2.1%
Investments	4,941	5,108	-3%	5,108	5,668	-9.9%
Property and Equipment	5,028	5,197	-3%	5,197	4,698	10.6%
Intangible assets	2,514	2,666	-6%	2,666	2,942	-9.4%
Other non-current assets	995	1,344	-26%	1,344	1,319	1.9%
Total assets	18,960	19,298	-2%	19,298	18,617	3.7%
Current liabilities	4,260	3,295	29%	3,295	3,412	-3.5%
Short-term borrowings					155	-100.0%
Accounts payable	1,281	1,136	13%	1,136	1,040	9.3%
Current portion of long-term debt	1,212	515	135%	515	698	-26.2%
Non-current liabilities	3,246	4,762	-32%	4,762	4,476	6.4%
Bonds payable	2,950	3,491	-15%	3,491	2,943	18.6%
Long-term borrowings	114	817	-86%	817	826	-1.1%
Total liabilities	7,505	8,056	-7%	8,056	7,888	2.1%
Capital	45	45	0%	45	45	0.0%
Capital surplus	3,032	3,032	0%	3,032	2,957	2.5%
Capital adjustment	-2,954	-2,708	9%	-2,708	-2,148	26.1%
Other Cumulative Profit and Loss	642	914	-30%	914	374	144.5%
Retained earnings	10,690	9,959	7%	9,959	9,501	4.8%
Total stockholders equity	11,454	11,241	2%	11,241	10,729	4.8%
Total liabilities and stockholders equity	18,960	19,298	-2%	19,298	18,617	3.7%

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

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

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

7. ANALYSIS OF LIQUIDITY AND SOLVENCY

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

8. FINANCING

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

VI. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS AND AFFILIATED COMPANIES

1. Board of Directors

A. Overview of Board of Directors Composition

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

Inside directors

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

Independent directors

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

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

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

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

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

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

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

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

**The sixth meeting of
2010**

June 24, 2010

5 / 5

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

C. Committees within Board of Directors

(1) Committee Structure

a) Independent Director Nomination Committee

(As of March 31, 2011)

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

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

b) Audit Committee

(As of March 31, 2011)

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

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

c) Compensation Review Committee

(As of March 31, 2011)

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

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

d) Capex Review Committee

(As of March 31, 2011)

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

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

e) Corporate Citizenship Committee

(As of March 31, 2011)

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

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

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

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

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

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

* Agendas filled in with hyphens are for reporting purpose only

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

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

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

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

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

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

2. Audit System

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

Major activities of the Audit Committee are as follows.

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

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o 2010 Management Audit Plan

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

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

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

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

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

3. Shareholders Exercises of Voting Rights

A. Voting System and Exercise of Minority Shareholders' Rights

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

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

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

4. Affiliated Companies

A. Capital Investments between Affiliated Companies

(As of December 31, 2010)

* Based on common shares

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

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

SK D&D										
SK										
Communications										
SK Broadband										
SK Lubricant										100.0%
SK Securities										
SK Petrochemical										
Entec										
Total affiliated companies	30.4%	100.0%	100.0%	42.9%	67.3%	87.5%	100.0%	100.0%	100.0%	100.0%

Invested companies

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

Invested companies

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

SK Broadband										
SK Lubricant										
SK Securities					40.0%					
SK Petrochemical										
Entec										
Total affiliated companies	63.7%	83.5%	100.0%	100.0%	90.0%	63.5%	100.0%	100.0%	100.0%	100.0%

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

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

SK D&D								100.0%	100.0%		
SK											
Communications											
SK Broadband											
SK Lubricant											
SK Securities											
SK Petrochemical											
Entec											
Total affiliated companies	83.5%	100.0%	100.0%	100.0%	32.0%	42.0%	45.0%	100.0%	100.0%	69.0%	80.4%

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

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

SK										
Communications										
SK Broadband										
SK Lubricant									100.0%	
SK Securities										
SK Petrochemical								10.7%		
Entec						58.7%				
UB Care										100.0%
Total affiliated companies	100.0%	100.0%	50.0%	44.0%	100.0%	50.0%	58.7%	53.7%	100.0%	100.0%

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

A. Shareholdings of the Largest Shareholder and Related Persons

(As of December 31, 2010)

(Unit: Shares, %)

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

B. Overview of the Largest Shareholder

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

Details of SK Corporation's subsidiaries are as follows:

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

SK E&C Co., Ltd.

40.0%

457,453

Construction

Privately Held

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

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

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

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

2. Changes in shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(Unit: Shares, %)

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

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

3. Distribution of Shares

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

(As of December 31, 2010)

(Unit: shares, %)

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

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

B. Shareholder Distribution

(As of December 31, 2010)

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

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

A. Domestic Securities Market

(Unit: Won, shares)

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

B. Domestic Securities Market

New York Stock Exchange

(Unit: US\$, ADR)

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

VIII. EMPLOYEES

(As of December 31, 2010)

(Unit: persons, in millions of Won)

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

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

(As of December 31, 2010)

(Unit: in millions of Won)

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

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

(As of December 31, 2010)

(Unit: shares)

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

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

B. Transfer of Assets

(Units: in thousands of Won)

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

(Units: in thousands of Won)

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

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

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

Agents

(Unit: in millions of Won)

Change details

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

(Unit: in millions of Won)

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

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

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

B. Summary Minutes of the General Meeting of Shareholders

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

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

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

2. Contingent Liabilities

A. Material Legal Proceedings

(1) Claim for Copyright License Fees regarding Coloring Services

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

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

B. Other Matters

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

3. Status of sanctions, etc.

A. Status of sanctions

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

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

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

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

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

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

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

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

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

(1) Additional sale of SK C&C stock

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

SK TELECOM CO., LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

AND INDEPENDENT AUDITORS REPORT

Audit Tax Consulting Financial Advisory

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Independent Auditors Report

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

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

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

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

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

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

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

/s/ Deloitte Anjin LLC

February 25, 2011

Notice to Readers

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

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

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

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

(Continued)

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

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

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

See accompanying notes to non-consolidated financial statements.

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

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

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

(Continued)

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

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

See accompanying notes to non-consolidated financial statements.

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

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

See accompanying notes to non-consolidated financial statements.

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

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

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

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

(Continued)

SK TELECOM CO., LTD.

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

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

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

Balance, December 31, 2010	\$ 39,483	\$ 2,681,567	(\$2,613,100)	\$ 567,976	\$ 9,455,347	\$ 10,131,273
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See accompanying notes to non-consolidated financial statements.

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

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

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

(Continued)

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

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

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

CASH AND CASH EQUIVALENTS AT END OF THE YEAR	₩ 357,470	₩ 420,576	\$ 316,177	\$ 371,994
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See accompanying notes to non-consolidated financial statements.

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

1. GENERAL

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Basis of Presentation

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

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

b. Cash Equivalents

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

c. Allowance for Doubtful Accounts

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

d. Inventories

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

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

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

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

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

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

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

f. Equity Securities Accounted for Using the Equity Method

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

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

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

g. Valuation of Long-term Accounts Receivable - Other

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

h. Property and Equipment

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

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

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

i. Intangible Assets

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

j. Impairment Losses

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

k. Convertible Bonds

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

l. Discounts on Bonds

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

m. Valuation of Long-term Payables

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

n. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

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

o. Accrued Severance Indemnities

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

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

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

p. Research and Development Costs

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

q. Accounting for Foreign Currency Transactions and Translation

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

r. Derivative Instruments

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

s. Revenue Recognition

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

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

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

t. Income Tax

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

u. Handset Subsidies

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

v. Use of Estimates

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

w. Reclassification in the prior year's financial statements

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

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

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

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

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

b. Long-term Investment Securities

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

₩ 401 ₩ 457

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

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

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

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

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

4. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

(Note
k)

₩4,036,413

₩3,424,106 ₩2,680,872

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

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

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

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

For the year ended December 31, 2010

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

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

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

For the year ended December 31, 2010

		Beginning balance	Acquisition	Equity					Ending balance
				Equity in earnings (losses)	Equity in other comprehensive income	Capital Surplus	method in capital adjustments	Dividend received	
MC Digital Cultural Contents Fund	(Note a)	4,912		(275)					4,637
and Benex Focus Investment Fund	(Note a)	19,782		(1,374)					18,408
Internet Culture & Contents Venture Fund	(Note a)	₩ 11,157	₩ 17,700	₩ (446)	₩	₩	₩	₩	₩ 28,411
Open Innovation Fund	(Note a)	19,938	25,000	(718)			(1)		44,219
SK niSK	(Note a)	4,247		427	40				4,714
SK Beijing Industrial Development Co., Limited	(Note d)	18,009						(18,009)	
Myworld Japan	(Note e)	66						(66)	
Seoheon Kanggun eN Co., Ltd.	(Note a)	7,272		(8)					7,264
SK Telecom Europe Limited	(Note a)	1,286							1,286
SK Fans Co., Limited	(Note a)		13,775	(1,074)	37				12,738
SK Telecom Smart Security Management Co., Ltd.	(Note a)		1,709	(118)	(660)				931
Service Ace Co., Ltd.	(Note a)		21,927	22					21,949
Service Top Co., Ltd.	(Note a)		14,281	369					14,650
Network O&S Co., Ltd.	(Note a)		15,000	2,239			(216)		17,023
SK Investment, Ltd.	(Note a)		41,686	(2,821)	(1,979)				36,886
Benex Sector Limited Partnership IV	(Note a)		25,000	(380)	217				24,837
IF Stonebridge Fund	(Note a)		700	(30)					670
SK Technology Innovation Company	(Note a)		28,146	(2,836)	(258)				25,052
T. Melon Indonesia	(Note a)		6,492	14	(296)				6,210

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

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

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

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

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

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

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

For the year ended December 31, 2009

	Beginning balance	Acquisition	Equity in earnings (losses)	Equity in other comprehensive income	Capital surplus	Equity method in retained earnings	Equity method in capital adjustments	Dividend received	Other increase (decrease)	Ending balance
SK Telecom Co., Ltd.	₩ 1,146,736	₩ 241,176	₩ (117,528)	₩ 5,841	₩	₩ (56,043)	₩ 22,065	₩	₩	₩ 1,242,247
SK Telecom Co., Ltd. (Note a)	147,392		(482)	(19,027)	2,049		18,899			
SK Telecom Co., Ltd. (Notes a and b)	112,358		26,835	162				(6,325)		
SK Telecom Co., Ltd. (Note a)	101,345		16,067	(4,881)						
SK Telecom Co., Ltd. (Note a)		150,000	(16,066)							
SK Telecom Co., Ltd. (Note a)			28						(28)	
SK Telecom Co., Ltd. (Notes a and b)	30,086		1,017	(281)			281	(492)		
SK Telecom Co., Ltd. (Note a)	4,244		237							
SK Telecom Co., Ltd. (Note a)	14,847		(3,137)	36	(36)					
SK Telecom Co., Ltd. (Notes a and c)	7,289								(7,289)	
SK Telecom Co., Ltd. (Note a)	26,957		(7,641)	(5,108)			5,970			
SK Telecom Co., Ltd. (Note a)	9,575		(1,963)	47			49			

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

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For the year ended December 31, 2009

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

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

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

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

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

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

For the year ended December 31, 2010

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

For the year ended December 31, 2009

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

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

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

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

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

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

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

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

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

5. LOANS TO EMPLOYEES

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

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

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

6. PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

7. INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

8. BONDS PAYABLE

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

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

Less portion due within
one year

Long-term portion

₩ 2,839,751 ₩ 3,349,216

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

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

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

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

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

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

9. LONG-TERM BORROWINGS

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

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

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

10. SUBSCRIPTION DEPOSITS

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

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

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

11. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

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

12. CAPITAL STOCK

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

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

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

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

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

13. RETAINED EARNINGS

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

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

a. Legal Reserve

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

b. Reserve for Business Expansion and Technology Development

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

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

c. Reserve for Business Expansion and Technology Development

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

14. TREASURY STOCK

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

15. INCOME TAX

a. Details of income tax expense

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. COMPREHENSIVE INCOME

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

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

17. NET INCOME AND ORDINARY INCOME PER SHARE

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

Net income per share

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

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

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

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

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

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

Diluted net income and ordinary income per share

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

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

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

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

18. RESTRICTED CASH AND CASH EQUIVALENTS

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

19. DIVIDEND DISCLOSURE

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

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

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

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

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

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

20. INSURANCE

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

Insured	Risk	Carrying value	Coverage
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Property and equipment	Fire and comprehensive liability	₩ 3,754,805	₩ 8,878,066
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In addition, the Company carries directors and officers liability coverage insurance totaling ₩30,000 million.

21. RELATED PARTY TRANSACTIONS

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

a. Holding company and subsidiaries

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

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

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

(Note c)

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

b. Transactions and balances with related parties

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

b-(1) Transactions

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

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

b-(2) Account balances

For the year ended December 31, 2010

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

Total	₩ 108,358	₩ 575	₩ 32,055	₩ 6,759	₩ 493,250	₩ 62,753
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For the year ended December 31, 2009

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

c. Compensation for the key management

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

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

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

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

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

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

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

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

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

b. Provision for handset subsidy

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

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

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

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

23. DERIVATIVE INSTRUMENTS

a. Currency swap contract under cash flow hedge accounting

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

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

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

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

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

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

b. Interest rate swap contract under cash flow hedge accounting

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

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

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

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

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

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

2012

Total liabilities	₩ 25,112	₩ 5,043	₩ 30,155
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24. SUBSEQUENT EVENT

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

25. STATEMENTS OF CASH FLOWS

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

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

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

26. OPERATING RESULTS FOR THE FOURTH QUARTER

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

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

27. K-IFRS ADOPTION PLAN AND STATUS

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

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

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

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

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

English Translation of a Report Originally Issued in Korean

To the Representative Director of

SK Telecom Co., Ltd.

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

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

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

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

/s/ Deloitte Anjin LLC

February 25, 2011

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

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

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

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

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

February 25, 2011

/s/ Hyun Jong Song

Name: Hyun Jong Song

Title: Internal Accounting Control Officer

/s/ Sung Min Ha

Name: Sung Min Ha

Title: Chief Executive Officer

Forward-Looking Statement Disclaimer

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

SIGNATURES

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

SK Telecom Co., Ltd.

(Registrant)

By: /s/ Ki Wook Lee

(Signature)

Name: Ki Wook Lee

Title: Senior Vice President

Date: April 29, 2011