

SK TELECOM CO LTD
Form 6-K
April 30, 2013

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 2013
COMMISSION FILE NUMBER 333-04906

SK Telecom Co., Ltd.

(Translation of registrant's name into English)

11, Euljiro2-ga, Jung-gu

Seoul 100-999, Korea

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(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

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

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

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

ANNUAL BUSINESS REPORT

(From January 1, 2012 to December 31, 2012)

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.

ALL REFERENCES TO THE COMPANY, WE, US, OR OUR SHALL MEAN SK TELECOM CO., LTD. AND, UNLESS THE CONTEXT OTHERWISE REQUIRES, ITS CONSOLIDATED SUBSIDIARIES. REFERENCES TO SK TELECOM SHALL MEAN SK TELECOM CO., LTD., BUT SHALL NOT INCLUDE ITS CONSOLIDATED SUBSIDIARIES.

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

IN ADDITION TO PREPARING FINANCIAL STATEMENTS IN ACCORDANCE WITH K-IFRS AS ADOPTED BY THE KOREAN ACCOUNTING STANDARDS BOARD (THE KASB) INCLUDED HEREIN, WE ALSO PREPARE FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) AS ADOPTED BY THE INTERNATIONAL ACCOUNTING STANDARDS BOARD (THE IASB) WHICH WE FILE WITH THE SECURITIES AND EXCHANGE COMMISSION ON FORM 20-F.

BEGINNING WITH OUR FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH K-IFRS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012, WE ARE REQUIRED TO ADOPT CERTAIN AMENDMENTS TO K-IFRS NO. 1001, PRESENTATION OF FINANCIAL STATEMENTS, AS ADOPTED BY THE KASB IN 2012. THE AMENDMENTS REQUIRE OPERATING INCOME, WHICH IS CALCULATED AS OPERATING REVENUE LESS OPERATING EXPENSE, TO BE SEPARATELY PRESENTED ON THE CONSOLIDATED STATEMENT OF INCOME. OPERATING EXPENSE REPRESENTS EXPENSES INCURRED IN OUR MAIN OPERATING ACTIVITIES AND INCLUDES COST OF PRODUCTS THAT HAVE BEEN RESOLD AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES.

IN OUR CONSOLIDATED STATEMENTS OF INCOME PREPARED IN ACCORDANCE WITH IFRS AS ISSUED BY THE IASB, SUCH CHANGES IN PRESENTATION WERE NOT ADOPTED. AS A RESULT, THE PRESENTATION OF OPERATING INCOME IN OUR CONSOLIDATED STATEMENTS OF INCOME PREPARED IN ACCORDANCE WITH K-IFRS INCLUDED HEREIN DIFFERS FROM THE PRESENTATION OF OPERATING INCOME FROM CONTINUING OPERATIONS IN THE CONSOLIDATED STATEMENTS OF INCOME PREPARED IN ACCORDANCE WITH IFRS AS ISSUED BY THE IASB FOR THE CORRESPONDING PERIODS.

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

Starting in the first quarter of 2011, the Company prepares and reports its financial statements under K-IFRS. The transition date of the Company and its consolidated subsidiaries to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company's annual business report for the year ended December 31, 2012 includes the following consolidated subsidiaries:

| Name | Date of Establishment | Principal Business | Total Asset as of Dec. 31, 2011 (millions of Won) | Material Subsidiary* |
|-----------------------------------------|-----------------------|-------------------------------------------------------------|---------------------------------------------------|----------------------|
| SK Telink Co., Ltd. | Apr. 9, 1998 | Telecommunication services | 420,829 | Material |
| SK Communications Co., Ltd. | Sep. 19, 1996 | Internet portal and other Internet information services | 319,948 | Material |
| PAXNet Co., Ltd. | May 18, 1999 | Database and online information services | 33,949 | |
| Loen Entertainment, Inc. | Jul. 7, 1982 | Music and audio publication | 157,104 | Material |
| Stonebridge Cinema Fund | Sep. 30, 2005 | Investment partnership | 18,506 | |
| Commerce Planet Co., Ltd. | Jul. 1, 1997 | Information technology and computer services | 49,729 | |
| SK Broadband Co., Ltd. | Sep. 26, 1997 | Multimedia and IP TV services | 3,318,699 | Material |
| Broadband Media Co., Ltd. | Aug. 25, 2005 | Telemarketing services | 90,018 | Material |
| K-net Culture and Contents Venture Fund | Nov. 24, 2008 | Investment partnership | 48,057 | |
| Hwaitec Focus Investment Partnership 2 | Dec. 12, 2008 | Investment partnership | 21,663 | |
| Open Innovation Fund | Dec. 22, 2008 | Investment partnership | 44,716 | |
| PS&Marketing Co., Ltd. | Apr. 3, 2009 | Resale of telecommunication services | 289,062 | Material |
| Service Ace Co., Ltd. | Jul. 1, 2010 | Call center operation and telemarketing services | 43,447 | |
| Service Top Co., Ltd. | Jul 1, 2010 | Call center operation and telemarketing services | 37,165 | |
| Network O&S Co., Ltd. | Jul. 1, 2010 | Wireless telecommunication services | 80,249 | Material |
| BNCP Co., Ltd. | Dec. 7, 2009 | Software development | 28,631 | |
| SK Planet Co., Ltd. | Oct. 5, 2011 | Platform service | 1,677,730 | Material |
| Madsmart, Inc. | Mar. 21, 2011 | Software development and digital contents sourcing services | | |
| SK Planet Japan, K.K. | Mar. 14, 2012 | Software development and digital contents sourcing services | | |
| SK Planet Global PTE, LTD. | Aug. 14, 2012 | Software development and digital contents sourcing services | | |
| SK Planet America LLC | Dec. 27, 2012 | Software development and digital contents sourcing services | | |
| SK Global Healthcare Business Group | Sep. 14, 2012 | Investment | | |
| SK Telecom China Holdings Co., Ltd. | Jul. 12, 2007 | Investment | 36,810 | |
| Sky Property Mgmt., Ltd. | Jun. 20, 2007 | Real estate rental | 820,639 | Material |
| Shenzhen E-eye High Tech Co., Ltd. | Apr. 1, 2000 | Telematics services | 23,569 | |
| SK China Real Estate Co., Ltd. | Mar. 19, 2009 | Real estate investment | 295 | |
| SKT Vietnam PTE., Ltd. | Apr. 5, 2000 | Wireless telecommunication services | 42,539 | |
| SKT Americas, Inc. | Dec. 29, 1995 | Management consulting and investment | 42,681 | |
| YTK Investment Ltd. | Jul. 1, 2010 | Investment | 51,218 | Material |
| Atlas Investment | Jun. 24, 2011 | Investment | 50,643 | Material |
| Technology Innovation Partners, L.P. | Jun. 24, 2011 | Investment | | |
| SK Telecom China Fund I L.P. | Sep. 14, 2011 | Investment | 687 | |

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

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Major Businesses

(1) Wireless Business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld devices, affordable pricing, network coverage and an extensive contents library. Since the introduction of services employing LTE technology in July 2011, the telecommunications market for such services has grown as demand for fast data transfer speeds and differentiated services has increased. Having reached over seven million LTE subscribers as of December 31, 2012, the Company is solidifying its leadership position in LTE services based on its technology and network operating expertise. The Company is also improving the profitability of its wireless business through efficient capital expenditures and marketing and enhancement of marketing network and products. In the business-to-business area, the Company is selling industry-specific solutions focused on healthcare and education through strategic alliances.

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

(2) Fixed-line Business

SK Broadband Co., Ltd. (SK Broadband) is engaged in providing telecommunications, broadcasting and new media services and various other services that are permitted to be carried out by SK Broadband under relevant regulations, as well as business activities that are directly or indirectly related to providing those services. With the adoption of K-IFRS in 2011, our broadband and fixed-line services segment also includes multimedia services and IP TV services provided by Broadband Media Co., Ltd., the Company's consolidated subsidiary.

(3) Other Businesses

The Company is pursuing customer satisfaction by providing the best service and generating new values in diverse areas in contents delivery, location-based services, media and mobile commerce. In the contents delivery service business, the Company provides high-quality digital contents in its leading mobile contents marketplace, T Store, which had more than 18.8 million subscribers as of December 31, 2012 and which the Company plans to expand globally.

In the location-based service business, users of the Company's T-Map Navigation service surpassed 16.2 million in 2012. T-Map Navigation provides real time traffic information and various local information. In the media business, the Company provides Hoppin service that enables subscribers to access various multimedia contents through personal computers, mobile devices and other digital devices. In the commerce and advertising area, the Company's 11th Street, which continues to gain market share, is a platform service that connects various sellers and purchasers on-line.

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

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

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

See II. Business Overview for more information.

E. Credit Ratings

(1) Corporate Bonds

| Credit rating date | Subject of rating | Credit rating | Credit rating entity (Credit rating range) | Rating classification |
|---------------------------|--------------------------|----------------------|-------------------------------------------------------|------------------------------|
| June 22, 2010 | Corporate bond | AAA | Korea Ratings | Regular rating |
| June 29, 2010 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| June 29, 2010 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| May 27, 2011 | Corporate bond | AAA | Korea Ratings | Regular rating |
| June 13, 2011 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| June 23, 2011 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| December 12, 2011 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| December 13, 2011 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Current rating |
| December 16, 2011 | Corporate bond | AAA | Korea Ratings | Current rating |
| June 21, 2012 | Corporate bond | AAA | Korea Ratings | Regular rating |
| June 22, 2012 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular rating |
| June 29, 2012 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Regular rating |
| August 10, 2012 | Corporate bond | AAA | Korea Ratings | Current rating |
| August 14, 2012 | Corporate bond | AAA | Korea Investors Service, Inc. | Current rating |
| August 14, 2012 | Corporate bond | AAA | NICE Investors Service Co., Ltd. | Current rating |

* Rating definition: AAA - The certainty of principal and interest payment is at the highest level with extremely low investment risk and is stable such that it will not be influenced by reasonably foreseeable changes in external factors.

(2) Commercial Paper (CP)

| Credit rating date | Subject of rating | Credit rating | Credit rating entity | | Rating classification |
|--------------------|-------------------|---------------|-----------------------|----------------------------------|-----------------------|
| | | | (Credit rating range) | | |
| 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 |
| May 27, 2011 | CP | A1 | | Korea Ratings | Current rating |
| June 13, 2011 | CP | A1 | | NICE Investors Service Co., Ltd. | Current rating |
| June 23, 2011 | CP | A1 | | Korea Investors Service, Inc. | Current rating |
| December 12, 2011 | CP | A1 | | Korea Investors Service, Inc. | Regular rating |
| December 13, 2011 | CP | A1 | | NICE Investors Service Co., Ltd. | Regular rating |
| December 16, 2011 | CP | A1 | | Korea Ratings | Regular rating |
| June 21, 2012 | CP | A1 | | Korea Ratings | Current rating |
| June 22, 2012 | CP | A1 | | Korea Investors Service, Inc. | Current rating |
| June 29, 2012 | CP | A1 | | NICE Investors Service Co., Ltd. | Current rating |
| December 18, 2012 | CP | A1 | | Korea Ratings. | Regular rating |
| December 14, 2012 | CP | A1 | | Korea Investors Service, Inc. | Regular rating |
| December 18, 2012 | 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 such that it will not be influenced by reasonably foreseeable changes in external factors.

(3) International Credit Ratings

| Date of credit rating | Subject of rating | Credit rating of securities | Credit rating company | Rating type |
|-----------------------|-----------------------------------|-----------------------------|-----------------------------------|----------------|
| June 6, 2012 | Bonds denominated in Swiss Franc | A- | Fitch Inc. | Current rating |
| June 4, 2012 | Bonds denominated in Swiss Franc | A3 | Moody s Investors Service | Current rating |
| June 7, 2012 | Bonds denominated in Swiss Franc | A- | Standard & Poor s Rating Services | Current rating |
| October 24, 2012 | Bonds denominated in U.S. dollars | A- | Fitch Inc. | Current rating |
| October 24, 2012 | Bonds denominated in U.S. dollars | A3 | Moody s Investors Service | Current rating |
| October 24, 2012 | Bonds denominated in U.S. dollars | A- | Standard & Poor s Rating Services | Current rating |

2. Company History

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

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

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

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

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

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

A. Location of Headquarters

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

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

267 Namdaemun-ro 5-ga, Jung-gu, Seoul (June 14, 1995)

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

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

B. Significant Changes in Management

At the Extraordinary General Meeting of Shareholders held on August 31, 2011, Jun Ho Kim was elected as an inside director and Jin Woo So resigned from the Company's board of directors to transfer to an affiliate of the Company. At the 28th General Shareholders Meeting held on March 23, 2012, (1) Young Tae Kim and Dong Seob Jee were elected as inside directors, (2) Hyun Chin Lim was re-elected as an independent director, and (3) Hyun Chin Lim was re-elected as a member of the audit committee. At the 29th General Shareholders Meeting held on March 22, 2013, Dae Sik Cho was elected as an inside director and Dae Shick Oh was elected as an independent director and member of the audit committee of the Company's board of directors.

C. Change in Company Name

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

**D. Mergers, Acquisitions and Restructuring
[SK Telecom]**

(1) Spin-off

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

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

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Effective Date

October 1, 2011

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Set forth below is summary of financial position before and after the spin-off.

(in millions of Won)

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

Schedule of spin-off

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

Changes in shareholding, including majority shareholder

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

Appraisal rights of shareholders

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

Protection of creditors

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

Allocation of new shares

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

(2) Acquisition of Shares of SK hynix Inc. (formerly, Hynix Semiconductor Inc.)

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

[SK Broadband]

(1) Merger

On July 26, 2012, the board of directors of SK Broadband resolved to merge Broadband D&M Co., Ltd., its wholly-owned subsidiary, into SK Broadband after transferring Broadband D&M Co., Ltd.'s network maintenance business to Network O&S Co., Ltd. The merger was effective as of September 26, 2012. In connection with this merger, SK Broadband did not issue any new shares.

On October 25, 2012, the board of directors of SK Broadband resolved to merge Broadband CS Co., Ltd., its wholly-owned subsidiary, into SK Broadband after transferring Broadband CS Co., Ltd.'s customer service business to Service Ace Co., Ltd. The merger was effective as of December 26, 2012. In connection with this merger, SK Broadband did not issue any new shares.

On January 4, 2013, the board of directors of SK Broadband approved the merger of Broadband Media Co., Ltd., its wholly-owned subsidiary, into SK Broadband. The merger was effective as of March 22, 2013. In connection with this merger, SK Broadband did not issue any new shares.

[SK Telink]

(1) Merger

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

[SK Communications]

(1) Spin-off

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

(2) Disposition and acquisition of businesses

1. Disposition of publishing business division

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

2. Acquisition of the KUKU division

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

3. Disposition of the Spicus division

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

(3) Disposition of shares

1. Disposition of shares of Etoos

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

2. Disposition of shares of SK i-Media

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

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

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

4. Disposition of shares of Service-In

On November 19, 2012, SK Communications sold all of its shares (80,000 common shares) in Service-In Co., Ltd., its subsidiary, to the chief executive officer of Service-In Co., Ltd., pursuant to a resolution of its board of directors of October 31, 2012.

E. Other Important Matters related to Management Activities
[SK Telecom]

(1) Bank loans

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

[SK Broadband]

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

[SK Communications]

(1) Leak of personal information

In July 2011, there was a leak of personal information of subscribers of NATE and Cyworld websites operated by SK Communications. As of December 31, 2012, twenty lawsuits were filed against SK Communications, alleging that the leak was caused by its poor management of subscribers' personal information and seeking damages of approximately Won 5.5 billion. With respect to a few of the lawsuits, the relevant district courts have rendered judgments for the relevant plaintiffs' claims in part and SK Communications has appealed such judgments to the applicable high courts, where the cases are currently pending. Other cases remain pending at various district courts in Korea.

[SK Telink]

On August 23, 2012, the board of directors of SK Telink resolved to discontinue operations of its satellite Digital Multimedia Broadcasting (DMB) services due to the decrease in satellite DMB subscribers and the continued burden of fixed costs.

3. Total Number of Shares**A. Total Number of Shares**

(As of December 31, 2012)

(Unit: shares)

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

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

B. Treasury Shares

(1) Acquisitions and Dispositions of Treasury Shares

(As of December 31, 2012)

(Unit: Shares)

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

* Of the 11,050,712 shares acquired by the Company, 2,421,077 shares were deposited with the Korea Securities Depository as of March 22, 2013 for issuance upon conversion of the Company's overseas convertible bonds.

4. Status of Voting Rights

| (As of December 31, 2012) | | | (Unit: shares) |
|---------------------------------------------------------------------------------------------|-----------------|------------------|-----------------|
| Classification | | Number of shares | Remarks |
| Total shares (A) | Common share | 80,745,711 | - |
| | Preferred share | | - |
| Number of shares without voting rights (B) | Common share | 11,050,712 | Treasury shares |
| | Preferred share | | - |
| Shares without voting rights pursuant to the Company's articles of incorporation (C) | Common share | | - |
| | Preferred share | | - |
| Shares with restricted voting rights pursuant to Korean law (D) | Common share | | - |
| | Preferred share | | - |
| Shares with reestablished voting rights (E) | Common share | | - |
| | Preferred share | | - |
| The number of shares with exercisable voting rights (F = A - B - C - D + E) | Common share | 69,694,999 | - |
| | Preferred share | | - |

5. Dividends and Others**A. Dividends**

- (1) Distribution of cash dividends was approved during the 26th General Meeting of Shareholders held on March 12, 2010.

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

- (2) Distribution of interim dividends of Won 1,000 was approved during the 318th Board of Directors Meeting on July 22, 2010.
- (3) Distribution of cash dividends was approved during the 27th General Meeting of Shareholders held on March 11, 2011.

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

- (4) Distribution of interim dividends of Won 1,000 was approved during the 330th Board of Directors Meeting on July 28, 2011.
- (5) Distribution of cash dividends was approved during the 28th General Meeting of Shareholders held on March 23, 2012.

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

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

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- (7) Distribution of cash dividends was approved during the 29th General Meeting of Shareholders held on March 22, 2013.

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, 2012 | As of and for the year ended December 31, 2011 | As of and for the year ended December 31, 2010 |
|-----------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|---------------------------------------------------------|
| Par value per share (Won) | 500 | 500 | 500 |
| Net income | 1,242,767 | 1,694,363 | 1,947,008 |
| Net income per share (Won) | 17,832 | 24,002 | 27,063 |
| Total cash dividend | 655,133 | 656,533 | 669,534 |
| Total stock dividends | | | |
| Percentage of cash dividend to available income (%) | 52.7 | 38.7 | 34.4 |
| Cash dividend yield ratio (%) | 6.2 | 6.6 | 5.4 |
| | | Common share | |
| | | 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 | |

Prepared based on separate financial statements. Net income per share means basic net income per share.

- * The 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 per share of Won 1,000.
- * The total cash dividend of Won 656,533 million for the year ended December 31, 2011 includes the total interim dividend amount of Won 71,095 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount per share of Won 1,000.
- * The total cash dividend of Won 655,133 million for the year ended December 31, 2012 includes the total interim dividend amount of Won 69,695 million, and the cash dividend amount per share of Won 9,400 includes the interim cash dividend amount per share of Won 1,000.

II. BUSINESS

Each company in the consolidated entity is a separate legal entity providing independent services and products. The business is primarily separated into (1) the wireless telecommunication business consisting of mobile phone, wireless data, information telecommunication, (2) the fixed-line telecommunication business consisting of PSTN, high speed Internet, data and network lease services, among others, and (3) other businesses consisting of platform services, Internet portal services and music streaming services, among others.

1. Business Overview**Summary Business Description of Material Consolidated Subsidiaries**

| Classification | Company name | Description of business |
|-----------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Wireless | SK Telecom Co., Ltd. | Wireless voice and data telecommunications services via digital wireless networks |
| | PS&Marketing Co., Ltd. | Resale of fixed-line and wireless telecommunications products through wholesale, retail and online distribution channels |
| | Network O&S Co., Ltd. | Network maintenance services such as the operation of the Company's base stations and related transmission and power facilities |
| Fixed-line | SK Broadband Co., Ltd. | High-speed Internet, TV, telephone, commercial data and other fixed-line services |
| | Broadband Media Co., Ltd. | Various media-related services, such as development of IP TV set boxes and value-added services, management of the transmission system for online digital contents, channel management, including video on demand, and mobile IPTV services |
| | SK Telink Co., Ltd. | International wireless direct-dial 00700 services, pre-paid international card calling services, voice services using Internet protocol and Mobile Virtual Network Operator (MVNO) services |
| Other business | SK Planet Co., Ltd. | Various platform services such as 11th Street, T Store, T-Map Navigation and Hoppin in the application, commerce and new media areas, among others |
| | SK Communications Co., Ltd. | Integrated portal services through NATE, social networking services through Cyworld and instant messaging services through NATE-ON |
| | Loen Entertainment, Inc. | Online music services, including operation of MelOn, a music portal, as well as production and sales of music albums |
| | Sky Property Mgmt., Ltd. | Established for the purpose of holding SK Tower located in Beijing, China |

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YTK Investment Ltd.

Established to strategically invest in funds in order to find future growth opportunities and strengthen the Company's competitiveness

Atlas Investment

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

As of December 31, 2012, the number of domestic mobile phone subscribers reached 53.62 million and, with more than a 100% penetration rate, the Korean mobile communication market can be considered to have reached its maturation stage. However, the penetration rate is expected to increase further due to increased use of mobile phones by corporate users resulting from the rapid growth of smartphone markets, as well as the increasing popularity of high-tech mobile devices based on wireless data services such as tablet computers.

The Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology and the development of highly advanced LTE and 3G smartphones which enable the provision of convergence services for multimedia contents, mobile commerce, telematics, new media and other related services. In addition, through the HSPA+ network commercialized in October 2010 and the LTE network introduced in July 2011, B2B businesses, such as the corporate connected workforce business which can directly contribute to an enhancement in productivity, are expected to grow rapidly.

B. Growth Potential

| Classification | | (Unit: 1,000 persons) | | | | |
|------------------------------|--------------------------|-----------------------|--------|--------|--------|--------|
| | | As of December 31, | | | | |
| | | 2012 | 2011 | 2010 | 2009 | 2008 |
| Number of subscribers | SK Telecom | 26,961 | 26,553 | 25,705 | 24,270 | 23,032 |
| | Others (KT, LGU+) | 26,663 | 25,954 | 25,062 | 23,675 | 22,575 |
| | Total | 53,624 | 52,507 | 50,767 | 47,944 | 45,607 |

(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. Sales revenue related to data services is expected to increase due to the increasing popularity of smartphones and wireless Internet. The importance of the business-to-business segment, which creates added value by selling and developing various solutions, is also growing. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

Historical market share of the Company:

| Classification | (Unit: %) | | | |
|-------------------------------|--------------------|------|------|------|
| | As of December 31, | | | |
| | 2012 | 2011 | 2010 | 2009 |
| Mobile communication services | 50.3 | 50.6 | 50.6 | 50.6 |

(Source: Korea Communications Commission website)

Comparative market share:

| (As of December 31, 2012) | | (Unit: %) | | |
|---------------------------|------------|-----------|------|--|
| Classification | SK Telecom | KT | LGU+ | |
| Market share | 50.3 | 30.8 | 18.9 | |

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

The Company is seeking to transform itself from a telecommunication service provider into a comprehensive information and communication technology (ICT) service provider. It has continued to expand the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. For the year ended December 31, 2012, the Company recorded Won 16.3 trillion in operating revenue and Won 1,760 billion in operating income on a consolidated basis and Won 12.33 trillion in revenue and Won 1,680 billion in operating income on a separate basis.

The number of subscribers as of December 31, 2012 was 26.96 million, an increase of approximately 408,000 from the previous year. In particular, the number of smartphone subscribers as of December 31, 2012 was 16.18 million, an increase of 4.92 million from the previous year, including 7.53 million LTE subscribers, solidifying the Company's market leadership. The Company upgraded the quality of data services by providing commercial LTE services, enabling streaming of high-quality videos, high-definition voice services such as high-definition video conference calls and joyn.T, an all-IP next generation integrated communications service. The Company also plans to enhance customer satisfaction by improving network quality.

The Company has proved that it has superior network quality compared to its competitors according to the Korea Communications Commission quality evaluations. The Company has also proved to be the leader in Korea's top three customer satisfaction indices: according to the National Customer Satisfaction Index, Korean Customer Satisfaction Index and Korean Standard Service Quality Index, the Company has continued to hold the leading position for 15 years, 15 years and 13 years, respectively.

SK Telink, a consolidated subsidiary of the Company, expanded its operations to the MVNO business based on its technical expertise and know-how obtained in its international telecommunications business and launched its MVNO service, 7Mobile, which is offered at reasonable rates and provides excellent quality. An MVNO leases the networks of a mobile network operator (MNO) and provides wireless telecommunication services under its own brand and fee structure, without owning telecommunication networks or frequencies.

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

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

[Fixed-line Business]

A. Industry Characteristics

Mergers among fixed-line operators and wireless operators have accelerated the convergence within the Korean telecommunications industry, creating a market structure in which groups with both fixed-line and wireless capabilities compete for greater market share to secure a more solid footing in the market. In addition, with the introduction of smartphones, tablet computers and other devices with enhanced mobility and the expansion of LTE service, wireless Internet usage has become a norm. As subscribers to various bundled wireless and fixed-line products are continuing to increase, subscribers to IPTV services are rapidly increasing. The market for our corporate business is also growing with cloud computing, mobile offices and other new information and communications technologies being commercialized. The increased usage of smartphones and tablet computers has greatly increased the demand for wireless data transmissions, thereby further emphasizing the importance of fixed-line networks.

We believe the transition to digital TV services will accelerate when analog open air TV broadcasting terminates at the end of 2012. With the introduction of new services such as smart TVs, we are seeing stronger competition in various convergence products, such as mobile IPTV and N-screen services employing smartphones and tablet computers.

B. Growth Potential

(Unit: 1,000 persons)

| Classification | | As of December 31, | | |
|------------------------|----------------------|--------------------|--------|--------|
| | | 2012 | 2011 | 2010 |
| Fixed-line Subscribers | High-speed Internet | 18,254 | 17,860 | 17,224 |
| | Fixed-line telephone | 18,459 | 18,633 | 19,273 |
| | IPTV (real-time) | 6,310 | 3,591 | 2,740 |

(Source: Korea Communications Commission website)

C. Cyclical Nature and Seasonality

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

We expect that the accelerated transition to digital TV services as a result of the termination of analog open air TV broadcasting, as well as the entrance of Google Inc. (Google) and Apple Inc. (Apple) into the television market and the introduction of smart TV products, will present opportunities by expanding the market size and increasing consumers' interests. We are strengthening our competitiveness in the TV business by improving the performance of our TV set boxes and expanding the number of popular channels, as well as introducing mobile IPTV services using N-screen.

Historical market share of the Company:

| Classification | (Unit: %) | | |
|---------------------------------------|--------------------|------|------|
| | As of December 31, | | |
| | 2012 | 2011 | 2010 |
| High-speed Internet (include resales) | 24.1 | 23.5 | 23.2 |
| Fixed-line telephone (include VOIP) | 16.5 | 14.6 | 13.7 |
| IPTV (real-time) | 22.2 | 19.3 | 23.8 |

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

SK Telink, a material consolidated subsidiary of the Company, provides international telecommunications service. SK Telink has been able to establish itself as a market leader as a result of its affordable pricing, proactive marketing and the quality of its services. It launched a mobile phone-based international calling service under the brand name 00700 in 1998, creating a new niche market within the long-distance telephony market that was otherwise dominated by existing service providers. In 2003, SK Telink was designated a common carrier for international calling services, which allowed us to expand our international calling services to fixed-line international calling services. SK Telink plans to strengthen its existing business, including international and long-distance calling services, value-added services for local calling and B2B services, while satisfying customers' diverse needs for new services.

[Other Business]

A. Industry Characteristics

As the number of smartphones distributed in Korea exceeds 30 million, the growth in various mobile devices has spurred the rise of the service provider with a strong platform business as the leader in the ICT market. A platform business acts as an intermediary by promoting interactions among various customer groups, thereby generating new values. It is important for a platform business to continually attract subscribers and users and to create an ecosystem with certain lock-in effects. A platform can exist in various forms, including as a technological standard (iOS, Android OS), a subscriber-based service platform (Facebook, Twitter) or a marketplace (Amazon, T Store). Platform businesses are evolving and expanding globally.

A platform business has strong growth potential due to its connectivity with related services and ease of global expansion. Apple became a world-leading smartphone producer based on its innovative design and the competitive strength of its App Store platform. Google has created a new ecosystem of long-tail advertising by attracting millions of third parties to its advertising platform, as well as showing strong growth in mobile markets with its competitive platform based on Android OS. .

B. Growth Potential

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

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

C. Domestic and Overseas Market Conditions

(1) Competition

Application Marketplace

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

Commerce Markets

The Company expects that on-line commerce markets will continue to grow due to the growth potential of the Internet shopping population and the strengthening of on-line business models by off-line operators. The Korean advertising market is expected to grow from Won 7.4 trillion in 2010 to Won 10.0 trillion in 2015. In particular, mobile advertising is expected to grow rapidly to Won 0.8 trillion in 2015, primarily due to the popularity of smartphones and convergence with location-based advertising.

Media Contents Market

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

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

(2) Market Share

CyWorld service, our social networking website in Korea, had 26 million cumulative subscribers, 14 million net users and a page view of 6 billion as of December 2012. Our Nate-On service had the largest market share of 74.4% in the instant messenger market in Korea with 8 million net users as of December 2012. Our Nate search portal service had a market share of 1.8% as of December 2012. (Source: Korean Click, Company data).

D. Business Overview and Competitive Strengths

SK Planet plans to expand its platform ecosystem focusing on its Open & Collaboration motto in operating its digital content marketplaces such as T Store and Hoppin, commerce marketplaces such as 11th Street and Smart Wallet and location-based services such as T-Map Navigation, thereby ultimately increasing its enterprise value.

Digital Content Marketplace

T Store, launched in September 2009, reached 18.8 million subscribers and cumulative downloads of 1 billion as of December 2012, solidifying its leadership position in the Korean application market and plans to widen its services to tablets and navigation devices. The Company intends to further develop T Store into a global service platform by evolving it into a personalized gateway through expansion of the scope of serviceable devices, reinforcement of digital content offerings and enhancement of search services, among other things.

The Company's Hoppin service, which provides N-screen media service enabling subscribers to enjoy video on demand through a number of N-screen compatible devices, including smartphones, tablets and PCs. Through continual service improvements and stable service provision, Hoppin has become the leading mobile video on demand service with over 300 million subscribers as of October 2012. The Company plans to market this service globally based on its experience in the Korean IT infrastructure environment.

Commerce (Open Market)

11th Street, an online marketplace, has continued its growth through effective marketing and customer satisfaction. Despite its later entry into the online commerce market (launched in 2008) which was already divided between Auction and G-Market, it is leading the domestic e-commerce market and is also firmly establishing its position as the leader in the mobile commerce market. Future growth plans include overseas joint ventures based on 11th Street's business expertise.

Location-based Service

T-Map Navigation provides map, local information, real-time traffic information and navigation services. With cumulative subscribers of 16.23 million as of December 31, 2012, T-Map Navigation is one of the leading location-based service platforms in Korea. The Company plans to further develop the T-Map Navigation platform by initiating open application programming interface-based services, providing services to more diverse types of devices and providing local area-based services.

Media Platform

The Company's media platform business started with its Hoppin service, which provides N-screen media service enabling subscribers to enjoy contents through a number of devices. Hoppin has expanded its services to more types of smartphones and tablets and has 3.38 million subscribers as of December 31, 2012. The Company plans to develop Hoppin service into a media platform acting as an intermediary of various N-screen services. It also plans to provide media platform services in overseas markets in stages.

Mobile Social Networking Service

In the first quarter 2012, SK Planet, a subsidiary of the Company, acquired Madsmart Inc., which provides "tic-toc" service, in order to expand its business to mobile communication and social networking services. Mobile social networking, still in its early stage of development, presents ample opportunities for new businesses and is expected to grow rapidly in the future. In October 2012, the Company completed the development of a global mobile social networking service and released it globally, including to the U.S. and South East Asia. SK Planet plans to create synergies from the acquisition of Madsmart Inc. by combining its know-how in platform services and the strengths of "tic-toc" in social networking services.

Music Business

The Company's online music site, MelOn, has continued to increase its sales and, for the past four years, has been recognized as having the largest market share and the highest brand recognition in the digital music sales market in Korea. As of December 31, 2012, the Company supports all major smartphone and tablet devices introduced in Korea, including the iPhone and the iPad, and is strengthening its support for its mobile customers who use MelOn services in a multi-device environment. From January 2013, the Ministry of Culture, Sports and Tourism has required online music streaming service providers to pay increased licensing fees to copyright holders and in response, MelOn released various new services and increased the fees for its services. With a wider range of options for subscribers and a more reasonable profit distribution structure for copyright holders, the Company expects to establish a coexistent structure for copyright holders and music distribution platforms. The Company plans to strengthen its leadership in the mobile market and increase the number of its subscribers by responding to changes in the smart device and 4G LTE network environment, providing reliable service operations and continually improving service, offering relevant and special music related contents to its customers and engaging in diverse and differentiated marketing promotion activities.

Satellite DMB

The Company launched its Hanbyul satellite in 2004 and received government approval in December 30, 2004 to provide satellite DMB services. Broadcasting through satellite DMB commenced in May 2005 and satellite DMB services expanded nationwide thereafter. On August 23, 2012, the board of directors resolved to discontinue operation of its satellite DMB services due to the rapid decrease in satellite DMB subscribers and the continued burden of fixed costs.

2. Major Products & Services

A. Updates on Major Products and Services

(Unit: in millions of Won, %)

| Business | Major companies | Item | Major trademarks | Sales amount (ratio) |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|----------------------|
| Wireless | SK Telecom Co., Ltd., PS&Marketing Co., Ltd., Service Ace Co., Ltd., Service Top Co. Ltd., Network O&S Co., Ltd. | Mobile Communication Service, Wireless Data Service, Information Telecommunication Service | T and others | 13,218,904 (81%) |
| | SK Broadband Co., Ltd., Broadband Media Co., Ltd., SK Telink Co., Ltd. | Fixed-line Phone, High Speed Internet, Data and Network Lease Service | B tv , 00700 international call and others | 2,193,861 (13%) |
| Other | SK Planet Co., Ltd , Commerce Planet Co., Ltd , SK Communications Co., Ltd., PAXNet Co., Ltd., Loen Entertainment, Inc., SKT Americas, Inc., SK Telecom China Holdings Co., Ltd. | Internet Portal Service, Game Service | NATE, 11th Street, T Store, T-Map Navigation, MelOn, Cyworld and others | 887,714 (5%) |
| Total | | | | 16,300,479 (100%) |

B. Price Fluctuation Trend of Major Products and Services

[Wireless Business]

In the past, based on the Company's basic monthly subscription plan, 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 monthly subscription plan, the basic service fee was Won 12,000 per month and the usage fee was Won 18 per 10 seconds. As of December 31, 2012, based on the Company's standard monthly subscription plan, the basic service fee was Won 11,000 per month and the usage fee was Won 1.8 per 1 second.

[Fixed-line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. For the year ended December 31, 2012, broadband Internet and TV services comprised 46.3% of SK Broadband's revenue, telephony service 24.0%, corporate data services 23.5% and other telecommunications services 6.2%.

3. Investment Status [Wireless Business]

A. Investment in Progress

| (Unit: in 100 millions of Won) | | | | | | | |
|--------------------------------|---------------------------|-------------------|-----------------------------|----------------------------------------------------------------|----------------------------|-------------------------|-------------------|
| Business | Classification | Investment period | Subject of investment | Investment effect | Expected investment amount | Amount already invested | Future investment |
| Network/Common | Upgrade/ New installation | 2012 | Network, systems and others | Capacity increase and quality improvement; systems improvement | 28,000 | 28,584 | To be determined |
| Total | | | | - | 28,000 | 28,584 | To be determined |

B. Future Investment Plan

| (Unit: in 100 millions of Won) | | | | | | |
|--------------------------------|-----------------------------|--------|--------|-----------------------------------|------------------|-----------------------------------------------------------------|
| Business | Expected investment amount | | 2013 | Expected investment for each year | | Investment effect |
| | Asset type | Amount | | 2014 | 2015 | |
| Network/Common | Network, systems and others | 21,000 | 21,000 | To be determined | To be determined | Upgrades to the existing services and provision of new services |
| Total | | 21,000 | 21,000 | To be determined | To be determined | Upgrades to the existing services and provision of new services |

[Fixed-line Business]

A. Investment in Progress

| (Unit: in 100 millions of Won) | | | | | | | |
|--------------------------------|---------------------------|-------------------|------------------------------------------|------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------|-------------------|
| Business | Classification | Investment period | Subject of investment | Investment effect | Total investments | Amount already invested | Future investment |
| High-speed Internet | Upgrade/ New installation | 2012 | Backbone and subscriber network / others | Expand subscriber networks and facilities Increase leased-line and integrated information system Expand networks | 4,113 | 1,172 | To be determined |
| Telephone | | | | | | 126 | |
| Television | | | | | | 1,009 | |
| Corporate Data | | | | | | | |
| Others | | | | | | 1,012 | |
| Total | | | | | | 4,113 | |

4. Revenues

| | | | | (Unit: in millions of Won) | | |
|------------|------------|-----------------------------------------------|----------|--------------------------------------|--------------------------------------|--------------------------------------|
| Business | Sales type | Item | | For the year ended December 31, 2012 | For the year ended December 31, 2011 | For the year ended December 31, 2010 |
| Wireless | Services | Mobile communication | Export | 14,202 | 1,331 | 599 |
| | | | Domestic | 13,204,702 | 13,100,614 | 12,919,663 |
| | | | Subtotal | 13,218,904 | 13,101,945 | 12,920,262 |
| Fixed-line | Services | Fixed-line, B2B data, High-speed Internet, TV | Export | 29,883 | 28,070 | 30,883 |
| | | | Domestic | 2,163,978 | 2,134,498 | 2,196,424 |
| | | | Subtotal | 2,193,861 | 2,162,568 | 2,227,307 |
| Other | Services | Display and Search ad., Content | Export | 4,698 | 12,036 | 12,000 |
| | | | Domestic | 883,016 | 711,729 | 439,593 |
| | | | Subtotal | 887,714 | 723,765 | 451,726 |
| Total | | | Export | 48,783 | 41,437 | 43,482 |
| | | | Domestic | 16,251,696 | 15,946,841 | 15,555,680 |
| | | | Total | 16,300,479 | 15,988,278 | 15,599,162 |

| | | | | | (Unit: in thousands of Won) | |
|--------------------------------------|------------|-----------|-----------|------------|-----------------------------|---------------------|
| For the year ended December 31, 2012 | Wireless | Fixed | Other | Sub total | Internal transaction | After consolidation |
| Total sales | 14,475,379 | 3,018,156 | 1,648,142 | 19,141,677 | (2,841,198) | 16,300,479 |
| Internal sales | 1,256,475 | 824,295 | 760,428 | 2,841,198 | (2,841,198) | |
| External sales | 13,218,904 | 2,193,861 | 887,714 | 16,300,479 | | 16,300,479 |
| Operating income (loss) | 1,683,431 | 53,115 | 23,625 | 1,760,171 | | 1,760,171 |
| Profit (loss) | 1,280,730 | (7,352) | (18,378) | 1,255,000 | | 1,255,000 |
| Total assets | 22,860,867 | 3,349,715 | 3,298,775 | 29,509,357 | (3,913,797) | 25,595,560 |
| Total liabilities | 10,281,115 | 2,105,282 | 860,337 | 13,246,734 | (505,957) | 12,740,777 |

5. Derivative Transactions

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

The Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar-denominated long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of December 31, 2012, in connection with this unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to Won 2,391 million (net of tax effect totaling Won 263 million and foreign currency translation loss arising from U.S. dollar-denominated long-term borrowings totaling Won 12,310 million) was accounted for as accumulated other comprehensive loss.

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In addition, the Company has entered into a fixed-to-fixed cross 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 hedge accounting to this cross currency swap contract starting from May 12, 2010. Accordingly, as of December 31, 2012, in connection with this unsettled cross currency swap contract, an accumulated loss on valuation of derivatives amounting to Won 37,047 million (net of tax effect totaling Won 11,828 million and foreign currency translation gain arising from these unguaranteed U.S. dollar-denominated bonds totaling Won 28,628 million) was accounted for as accumulated other comprehensive loss. In connection with this cross currency swap contract, a gain on valuation of the cross currency swap contract incurred before application of cash flow hedge accounting of Won 129,806 million was recognized.

The Company has entered into a floating-to-fixed cross currency swap contract with two banks, including DBS, to hedge the foreign currency risk and the interest rate risk of floating-rate U.S. dollar-denominated bonds with face amounts totaling US\$250,000,000 issued on December 15, 2011. As of December 31, 2012, in connection with this unsettled cross currency interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 6,152 million (net of tax effect totaling Won 1,964 million and foreign currency translation gain arising from these unguaranteed U.S. dollar-denominated bonds totaling Won 21,668 million) was accounted for as other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with United Overseas Bank to hedge the foreign currency risk and the interest rate risk of its Singapore dollar-denominated bonds with face amounts totaling SGD 65,000,000 issued on December 15, 2011. As of December 31, 2012, in connection with this unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to Won 121 million (net of tax effect totaling Won 39 million and foreign currency translation gain arising from these Singapore dollar-denominated bonds totaling Won 554 million) was accounted for as accumulated other comprehensive loss.

The Company has entered into a fixed-to-fixed cross currency swap contract with six banks, including Citibank, to hedge the foreign currency risk of its Swiss Franc-denominated bonds with face amounts totaling CHF 300,000,000 issued on June 12, 2012. As of December 31, 2012, in connection with this unsettled cross currency swap contract, an accumulated loss on valuation of derivatives amounting to Won 5,999 million (net of tax effect totaling Won 1,915 million and foreign currency translation gain arising from its Swiss Franc-denominated bonds totaling Won 11,550 million) was accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with ten banks, including Barclays, to hedge the foreign currency risk of unguaranteed U.S. dollar-denominated bonds with face amounts totaling US\$700,000,000 issued on November 1, 2012. As of December 31, 2012, in connection with this unsettled cross currency swap contract, an accumulated loss on valuation of derivatives amounting to Won 12,419 million (net of tax effect totaling Won 3,965 million and foreign currency translation gain arising from these unguaranteed U.S. dollar-denominated bonds totaling Won 13,485 million) was accounted for as accumulated other comprehensive loss.

(2) Convertible options not designated as hedged items

The Company sold its entire stake in Etoos Co., Ltd., which had been held by SK Communications Co., Ltd. prior to 2011, to Cheongsol Academy. In connection with this transaction, the Company received convertible bonds with conversion rights as consideration and recognized losses on the valuation of derivatives of Won 286 million and Won 943 million for the years ended December 31, 2012 and 2011, respectively.

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(3) The fair values of the derivative instruments described above as of December 31, 2012 are recognized as derivative assets or derivative liabilities under current assets, non-current assets or current liabilities on the Company's balance sheet. Details are as follows:

| Category | Subject of Risk Hedge | Contract Period | (Unit: in thousands of Won) | | |
|---------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------|----------------------------------|--------------------------------------|------------|
| | | | Designated as Hedging Instrument | Not Designated as Hedging Instrument | Total |
| Currency Swap (Current Asset) | U.S. dollar-denominated long-term borrowings (principal amount of US\$100,000,000) | From Oct. 10, 2006 to Oct. 10, 2013 | 9,655,850 | | 9,655,850 |
| Currency Swap (Non-current Asset) | Unguaranteed U.S. dollar-denominated bonds (face amount of US\$400,000,000) | From Jul. 20, 2007 to Jul. 20, 2027 | 52,302,976 | | 52,302,976 |
| Conversion Right (Non-current Asset) | Convertible bonds (Available-for-sale securities)(*) (face amount of Won 50,000,000,000) | From Sep. 1, 2009 to Aug. 31, 2014 | | 689,144 | 689,144 |
| Total derivative assets | | | 61,958,826 | 689,144 | 62,647,970 |
| Currency Swap (Non-current Liability) | Floating-rate U.S. dollar-denominated bonds (face amount of US\$250,000,000) | From December 15, 2011 to December 12, 2014 | 13,551,534 | | 13,551,534 |
| | Floating-rate Singapore dollar-denominated bonds (face amount of SGD 65,000,000) | From December 15, 2011 to December 12, 2014 | 714,268 | | 714,268 |
| | Floating-rate Swiss Franc-denominated bonds (face amount of CHF 300,000,000) | From June 12, 2012 to June 12, 2017 | 19,464,329 | | 19,464,329 |
| | Floating-rate U.S. dollar-denominated bonds (face amount of US\$700,000,000) | From November 1, 2012 to May 1, 2018 | 29,869,056 | | 29,869,056 |
| Total derivative liabilities | | | 63,599,187 | | 63,599,187 |

(*) The fair value of Won 689,144,000 of the conversion rights of the convertible bonds held by SK Communications, a subsidiary of the Company, was recognized as a non-current derivative asset.

6. Major Contracts
[SK Telecom]

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

[SK Broadband]

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

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

[SK Planet]

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

[SK Communications]

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

SK Communications and Daum Communications have agreed not to publicly disclose the contract period with respect to the contract with Daum Communications.

On February 1, 2013, the board of directors of SK Communications resolved to sell the Pangyo office building (which is currently under construction) and certain land it owns to SK Planet for Won 74.9 billion. This amount is subject to the approval of the Gyeonggi Provincial Government.

7. R&D Investments

| Category | (Unit: in millions of Won) | | | Remarks |
|----------------------------------------------------------------------------|------------------------------------------|---------|---------|---------|
| | For the year ended December 31, | | | |
| | 2012 | 2011 | 2010 | |
| Raw material | 42 | 45 | 41 | |
| Labor | 59,050 | 48,656 | 49,441 | |
| Depreciation | 163,295 | 149,850 | 143,131 | |
| Commissioned service | 62,399 | 40,257 | 98,545 | |
| Others | 61,546 | 57,118 | 64,755 | |
| Total R&D costs | 346,332 | 295,927 | 355,913 | |
| Accounting | | | | |
| | Sales and administrative expenses | 304,557 | 289,979 | 352,186 |
| | Development expenses (Intangible assets) | 41,775 | 5,948 | 3,727 |
| R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100) | | 2.12% | 1.85% | 2.28% |

8. Other information relating to investment decisions**[SK Telecom]****A. Trademark Policies**

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

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

B. Business-related Intellectual Property

The Company holds 4,750 Korean-registered patents, 271 U.S.-registered patents, 159 Chinese-registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 842 Korean-registered trademarks and owns intellectual property rights to the design of the alphabet T. The designed alphabet T is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

[SK Broadband]

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

[SK Planet]

As of December 31, 2012, SK Planet held 2,033 registered patents, 91 registered design marks, 1,027 registered trademarks and one copyright (including those held jointly with other companies) in Korea. It also holds 24 U.S.-registered patents, 35 Chinese-registered patents, 8 Japanese-registered patents, 15 E.U.-registered patents (all including patents held jointly with other companies) and 118 registered trademarks, along with a number of other intellectual property rights, in other countries.

[SK Communications]

As of December 31, 2012, SK Communications held 62 registered patents, 26 registered design rights and 700 registered trademarks in Korea.

C. Business-related Pollutants and Environmental Protection

The Company does not engage in any manufacturing and therefore does not undertake any industrial processes that emit pollutants into the air or industrial processes in which hazardous materials are used.

FINANCIAL INFORMATION

9. Summary Financial Information (Consolidated)

A. Summary Financial Information (Consolidated)

(Unit: in thousands of Won, except for number of companies)

| | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010 |
|-----------------------------------------------------|----------------------------|----------------------------|----------------------------|
| Current Assets | 5,294,420,978 | 6,117,478,958 | 6,653,991,923 |
| Cash and Cash Equivalents | 920,124,810 | 1,650,793,876 | 659,404,935 |
| Accounts Receivable Trade, net | 1,954,920,332 | 1,823,169,889 | 1,949,397,279 |
| Accounts Receivable Other, net | 582,098,398 | 908,836,454 | 2,531,847,155 |
| Others | 1,837,277,438 | 1,734,678,739 | 1,513,342,554 |
| Non-Current Assets | 20,301,138,645 | 18,248,557,471 | 16,478,397,157 |
| Long-Term Investment Securities | 953,712,512 | 1,537,945,216 | 1,680,582,091 |
| Investments in Associates | 4,632,477,315 | 1,384,605,401 | 1,204,691,805 |
| Property and Equipment, net | 9,712,718,716 | 9,030,998,201 | 8,153,412,683 |
| Intangible Assets, net | 2,689,657,645 | 2,995,803,300 | 1,884,955,652 |
| Goodwill | 1,744,483,009 | 1,749,932,878 | 1,736,649,137 |
| Others | 568,089,448 | 1,549,272,475 | 1,818,105,789 |
| Total Assets | 25,595,559,623 | 24,366,036,429 | 23,132,389,080 |
| Current Liabilities | 6,174,895,434 | 6,673,589,809 | 6,202,170,452 |
| Non-Current Liabilities | 6,565,881,872 | 4,959,737,573 | 4,522,219,358 |
| Total Liabilities | 12,740,777,306 | 11,633,327,382 | 10,724,389,810 |
| Equity Attributable to Owners of the Parent Company | 11,854,777,781 | 11,661,880,863 | 11,329,990,900 |
| Share Capital | 44,639,473 | 44,639,473 | 44,639,473 |
| Capital Deficit and Other Capital Adjustments | (288,882,796) | (285,347,419) | (78,952,875) |
| Retained Earnings | 12,124,657,526 | 11,642,525,267 | 10,721,249,327 |
| Reserves | (25,636,422) | 260,063,542 | 643,054,975 |
| Non-controlling Interests | 1,000,004,536 | 1,070,828,184 | 1,078,008,370 |
| Total Equity | 12,854,782,317 | 12,732,709,047 | 12,407,999,270 |
| Number of Companies Consolidated | 32 | 31 | 32 |

(Unit: in thousands of Won, except for per share amounts)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 | For the year ended December 31, 2010 |
|---------------------------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|-----------------------------------------------------|
| Operating Revenue | 16,300,479,280 | 15,926,468,674 | 15,489,373,747 |
| Operating Income | 1,760,171,449 | 2,295,613,330 | 2,555,781,816 |
| Profit Before Income Tax | 1,550,887,182 | 2,240,689,573 | 2,373,223,839 |
| Profit for the Year | 1,115,662,553 | 1,582,073,280 | 1,766,834,754 |
| Profit for the Year Attributable to Owners of the Parent Company | 1,151,704,905 | 1,612,889,086 | 1,841,612,790 |
| Profit for the Year Attributable to Non-controlling Interests | (36,042,352) | (30,815,806) | (74,778,036) |
| Earnings Per Share (Won) | 16,525 | 22,848 | 25,598 |
| Diluted Earnings Per Share (Won) | 16,141 | 22,223 | 24,942 |

B. Changes to Accounting Standards Adopted During 2012**(1) Financial Instruments: Disclosures**

The Company has applied the amendments to K-IFRS No.1107, Financial Instruments: Disclosures since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

(2) Presentation of Financial Statements

The Company adopted the amendments pursuant to the amended K-IFRS No. 1001, Presentation of Financial Statements starting with the year ended December 31, 2012. The Company's operating income is calculated as operating revenue less operating expense. Operating expense represents expense incurred from the Company's main operating activities and includes cost of products that have been resold and selling, general and administrative expenses.

Impact of changes in accounting policies

The Company retrospectively applied the amendments to K-IFRS No. 1001, the impact of which is as follows:

| | (Unit: in millions of Won) | |
|------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
| Operating income before adoption of the amendment | 1,766,253 | 2,189,289 |
| Differences: | | |
| Other non-operating income | | |
| Fees revenues | (3,982) | (5,264) |
| Gain on disposal of property and equipment and intangible assets | (162,590) | (6,275) |
| Others | (29,462) | (35,889) |
| Total other non-operating income | (196,034) | (47,428) |
| Other non-operating expense | | |
| Impairment loss on property and equipment and intangible assets | 38,623 | 2,580 |
| Loss on disposal of property and equipment and intangible assets | 11,398 | 16,372 |
| Donations | 81,357 | 90,115 |
| Bad debt for accounts receivable other | 30,107 | 12,847 |
| Others | 28,467 | 31,838 |
| Total other non-operating expense | 189,952 | 153,752 |
| Operating income after adoption of the amendment | 1,760,171 | 2,295,613 |

10. Summary Financial Information (Separate)**A. Summary Financial Information (Separate)**

(Unit: in thousands of Won)

| | As of December 31, 2012 | As of December 31, 2011 | As of December 31, 2010 |
|------------------------------------------------------|----------------------------|----------------------------|----------------------------|
| Current Assets | 2,589,699,186 | 3,948,077,706 | 5,316,976,799 |
| Cash and Cash Equivalents | 256,576,827 | 895,557,654 | 357,469,908 |
| Accounts Receivable Trade, net | 1,407,205,772 | 1,282,233,900 | 1,453,060,673 |
| Accounts Receivable Other, net | 383,048,424 | 774,221,266 | 2,499,969,010 |
| Others | 542,868,163 | 996,064,886 | 1,006,477,208 |
| Non-Current Assets | 19,659,803,155 | 16,572,449,699 | 14,410,149,512 |
| Long-Term Investment Securities | 733,893,220 | 1,312,437,834 | 1,517,029,011 |
| Investments in Associates | 7,915,546,670 | 4,647,505,583 | 3,584,394,790 |
| Property and Equipment, net | 7,119,090,098 | 6,260,168,675 | 5,469,747,495 |
| Intangible Assets, net | 2,187,872,109 | 2,364,795,182 | 1,424,968,542 |
| Goodwill | 1,306,236,299 | 1,306,236,299 | 1,308,422,097 |
| Others | 397,164,759 | 681,306,126 | 1,105,587,577 |
| Total Assets | 22,249,502,341 | 20,520,527,405 | 19,727,126,311 |
| Current Liabilities | 4,343,086,486 | 4,467,005,877 | 4,561,013,611 |
| Non-Current Liabilities | 5,529,367,602 | 4,087,219,816 | 3,585,155,050 |
| Total Liabilities | 9,872,454,088 | 8,554,225,693 | 8,146,168,661 |
| Share Capital | 44,639,473 | 44,639,473 | 44,639,473 |
| Capital Deficit and Other Capital Adjustments | (236,160,479) | (236,016,201) | (24,643,471) |
| Retained Earnings | 12,413,981,340 | 11,837,184,788 | 10,824,355,758 |
| Reserves | 154,587,919 | 320,493,652 | 736,605,890 |
| Total Equity | 12,377,048,253 | 11,966,301,712 | 11,580,957,650 |

(Unit: in thousands of Won, except per share amounts)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 | For the year ended December 31, 2010 |
|----------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| Operating Revenue | 12,332,719,444 | 12,551,255,630 | 12,514,520,922 |
| Operating Income | 1,675,388,351 | 2,184,498,641 | 2,530,954,768 |
| Profit Before Income Tax | 1,546,719,635 | 2,274,421,558 | 2,503,637,367 |
| Profit for the Year | 1,242,767,480 | 1,694,363,093 | 1,947,007,919 |
| Earnings Per Share (Won) | 17,832 | 24,002 | 27,063 |
| Diluted Earnings Per Share (Won) | 17,406 | 23,343 | 26,366 |

B. Changes to Accounting Standards Adopted During 2012

(1) Financial Instruments: Disclosures

The Company has applied the amendments to K-IFRS No.1107, Financial Instruments: Disclosures since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

(2) Presentation of financial statements

The Company adopted the amendments pursuant to the amended K-IFRS No. 1001, Presentation of Financial Statements starting with the year ended December 31, 2012. The Company's operating income is calculated as operating revenue less operating expense. Operating expense represents expense incurred from the Company's main operating activities and includes cost of products that have been resold and selling, general and administrative expenses.

Impact of changes in accounting policies

The Company retrospectively applied the amendments to K-IFRS No. 1001, the impact of which is as follows:

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 |
|------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|
| Operating income before adoption of the amendment | 1,703,497 | 2,086,648 |
| Differences: | | |
| Other non-operating income | | |
| Fees revenues | (6,617) | (6,173) |
| Gain on disposal of property and equipment and intangible assets | (142,988) | (1,760) |
| Others | (12,151) | (15,291) |
| Total other non-operating income | (161,756) | (23,224) |
| Other non-operating expense | | |
| Impairment loss on property and equipment and intangible assets | 15,438 | |
| Loss on disposal of property and equipment and intangible assets | 9,628 | 15,752 |
| Donations | 77,357 | 88,652 |
| Bad debt for accounts receivable other | 21,845 | 7,815 |
| Others | 9,379 | 8,855 |

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| | | |
|--------------------------------------------------|-----------|-----------|
| Total other non-operating expense | 133,647 | 121,074 |
| Operating income after adoption of the amendment | 1,675,388 | 2,184,498 |

11. K-IFRS: Preparation, Impact to Financial Statements and Changes in the Accounting Principles Implemented

Transition to K-IFRS

The Company prepares its financial statements in accordance with K-IFRS starting from fiscal year 2011 which commenced on January 1, 2011. The Company's financial statements in previous periods were prepared in accordance with Korean GAAP. The Company's financial statements for fiscal year 2010, which are presented for comparison, were prepared in accordance with K-IFRS with January 1, 2010 as the transition date and pursuant to K-IFRS No. 1101, First-time Adoption of Korean International Financial Reporting Standards.

III. AUDITOR'S OPINION

1. Auditor (Consolidated)

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

2. Audit Opinion (Consolidated)

| Period | Auditor's opinion | Issues noted |
|------------------------------|-------------------|--------------|
| Year ended December 31, 2012 | Unqualified | - |
| Year ended December 31, 2011 | Unqualified | - |
| Year ended December 31, 2010 | Unqualified | - |

3. Auditor (Separate)

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

4. Audit Opinion (Separate)

| Period | Auditor's opinion | Issues noted |
|------------------------------|-------------------|--------------|
| Year ended December 31, 2012 | Unqualified | - |
| Year ended December 31, 2011 | Unqualified | - |
| Year ended December 31, 2010 | Unqualified | - |

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

A. Audit Contracts

(Unit: in thousands of Won / hour)

| Fiscal Year | Auditors | Contents | Fee | Total number of hours accumulated for the fiscal year |
|------------------------------|-------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|-------------------------------------------------------|
| Year ended December 31, 2012 | KPMG Samjong Accounting Corp. | Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task | 1,220,000 | 19,583 |
| Year ended December 31, 2011 | Deloitte Anjin LLC | Semi-annual review Quarterly review Separate financial statements audit Consolidated financial statements audit English financial statements review and other audit task | 1,364,000 | 14,033 |
| Year ended December 31, 2010 | Deloitte Anjin LLC | Semi-annual review Quarterly review Separate 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 |

B. Non-Audit Services Contract with External Auditors

(Unit: in thousands of Won)

| Period | Contract date | Service provided | Service duration | Fee |
|------------------------------|-------------------|-----------------------|------------------|--------|
| Year ended December 31, 2012 | N/A | N/A | N/A | N/A |
| Year ended December 31, 2011 | April 11, 2011 | Tax consulting | 30 days | 45,000 |
| | April 28, 2011 | Tax consulting | 30 days | 45,000 |
| 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 |

6. Change of Independent Auditors

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

IV. MANAGEMENT DISCUSSION AND ANALYSIS**1. Forward-Looking Statements**

This section contains forward-looking statements with respect to the financial condition, results of operations and business of the Company and plans and objectives of the management of the Company. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements.

The Company does not make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information contained in this section, and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Such forward-looking statements were based on current plans, estimates and projections of the Company and the political and economic environment in which the Company will operate in the future, and therefore you should not place undue reliance on them.

Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update publicly any of them in light of new information or future events.

2. Overview

The Company had many meaningful achievements in 2012. The Company expanded the coverage area of its LTE services to nationwide and became the first telecommunications service operator globally to commercialize LTE multi-carrier technology. With these achievements, the Company increased its quality-oriented competitiveness and continued to maintain its leadership position in the LTE market. The Company attracted 7.53 million LTE subscribers by the end of 2012 amid intense competition.

In addition, through the spin-off of SK Planet and the acquisition of SK Hynix, the Company has established its future direction through its transformation towards a comprehensive ICT company. The Company has set forth its future growth strategy "Vision 2020" and is actively responding to the current trend towards a more data-focused industry and to the changes in its competitive environment.

The Company's operating revenue, on a consolidated basis, was Won 16,300.5 billion for the year ended December 31, 2012, a 2.3% increase from 2011 due to an increase in the number of LTE subscribers. The Company's operating income, on a consolidated basis, was Won 1,760.2 billion for the year ended December 31, 2012, which primarily resulted from an increase in marketing expenses in connection with a rapid increase in LTE subscribers and an increase in depreciation and amortization expenses, which was attributable mainly to an increase in the Company's investments in wireless networks in response to an increase in data transmission. For the year ended December 31, 2012, the Company's EBITDA (as further explained below) and profit for the year were Won 4,338.8 billion and Won 1,115.7 billion, respectively.

In 2012, the Company's capital expenditures, on a separate basis, were Won 2,858.4 billion, which exceeded the capital expenditure budget set at the beginning of the year. The Company expects that the capital expenditure amount in the mid- to long-term future will decrease and stabilize due to better technology and its efforts to invest more efficiently.

Cash dividends for 2012 were Won 9,400 per common share, which include interim dividends of Won 1,000 per common share paid during the year.

3. Analysis of Consolidated Financial Position

(Unit: in billions of Won, other than percentages)

| | As of December 31, 2012 | As of December 31, 2011 | Change from 2011 to 2012 | Percentage Change from 2011 to 2012 |
|--------------------------------------------------------------------------------------------------------|----------------------------|----------------------------|-----------------------------|-------------------------------------------|
| Total Assets | 25,596 | 24,366 | 1,230 | 5.0% |
| Current Assets | 5,294 | 6,117 | (823) | 13.5% |
| - Cash and marketable securities ⁽¹⁾ | 1,445 | 2,705 | (1,261) | 46.6% |
| Non-Current Assets | 20,301 | 18,249 | 2,053 | 11.2% |
| - Property and Equipment and Investment Property | 9,740 | 9,302 | 438 | 4.7% |
| - Intangible Assets and Goodwill | 4,434 | 4,746 | (312) | 6.6% |
| - Long-term Financial Instruments, Long-term Investment Securities and Investments in Associates | 5,586 | 2,930 | 2,656 | 90.6% |
| Total Liabilities | 12,741 | 11,633 | 1,107 | 9.5% |
| Current Liabilities | 6,175 | 6,674 | (499) | 7.5% |

| | As of December 31, 2012 | As of December 31, 2011 | Change from 2011 to 2012 | Percentage Change from 2011 to 2012 |
|---------------------------------------------------------------------|-------------------------------|-------------------------------|-----------------------------------|-------------------------------------------------|
| - Short-Term Borrowings | 600 | 701 | (100) | 14.3% |
| - Current Portion of Long-Term Debt | 893 | 1,663 | (770) | 46.3% |
| Non-Current Liabilities | 6,566 | 4,960 | 1,606 | 32.4% |
| - Debentures and Long-Term Borrowings, Excluding Current Portion | 5,348 | 3,553 | 1,796 | 50.5% |
| Total Equity | 12,855 | 12,733 | 122 | 1.0% |
| Interest-Bearing Financial Debt ⁽²⁾ | 6,684 | 5,827 | 856 | 14.7% |
| Debt-to-Equity Ratio ⁽³⁾ | 52.0% | 45.8% | 6.2%p | |

(1) Cash & marketable securities includes cash & cash equivalents, marketable securities and short-term financial instruments.

(2) Interest-bearing financial debt: Total of short-term borrowings, current portion of long-term debt and debentures and long-term borrowings

(3) Debt-to-equity ratio: Interest-bearing financial debt / Total Equity

A. Assets

As of December 31, 2012, SK Telecom's assets comprised 87% of the Company's assets, on a consolidated basis.

The Company's current assets as of December 31, 2012 decreased 13.5% from the end of the previous year, primarily due to a decrease in other accounts receivable which primarily consisted of accounts receivable related to sales of handsets on installment payment plans and a decrease in cash and cash equivalents due to the repayment of outstanding debt. Non-current assets as of December 31, 2012 increased 11.2% from the end of the previous year, primarily due to the increase in investments in associates following the acquisition of shares in SK Hynix.

B. Liabilities

As of December 31, 2012, SK Telecom's liabilities comprised 74% of the Company's liabilities, on a consolidated basis.

The Company's current liabilities as of December 31, 2012 decreased 7.5% from the end of the previous year primarily due to the repayment of outstanding debt of SK Telecom and SK Broadband. Non-current liabilities as of December 31, 2012 increased 32.4% from the end of the previous year mainly due to increases in long-term borrowings and issuance of debentures by SK Telecom.

4. Analysis of Consolidated Financial Information

(Unit: in billions of Won, other than percentages)

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 | Change from 2011 to 2012 | Percentage Change from 2011 to 2012 |
|---------------------------------------------------------------------|--------------------------------------------------|--------------------------------------------------|-----------------------------------|-------------------------------------------------|
| Operating Revenue | 16,300 | 15,926 | 374 | 2.3% |
| Operating Expense | 14,540 | 13,631 | 909 | 6.7% |
| Operating Income | 1,760 | 2,296 | (535) | 23.3% |
| Operating Margin | 10.8% | 14.4% | 3.6%p | |
| Net Other Income (Loss) | (209) | (55) | (154) | 281.0% |
| Profit before Income Tax | 1,551 | 2,241 | (690) | 30.8% |
| Profit for the Year | 1,116 | 1,582 | (466) | 29.5% |
| Profit Margin | 6.8% | 9.9% | 3.1%p | |
| Profit for the Year Attributable to Owners of the Parent Company | 1,152 | 1,613 | (461) | 28.6% |
| Profit for the Year Attributable to Non-controlling Interests | (36) | (31) | (5) | 17.0% |
| EBITDA ⁽¹⁾ | 4,339 | 4,707 | (368) | 7.8% |
| EBITDA margin | 26.6% | 29.6% | 2.9%p | |

(1) EBITDA: Sum of operating income and depreciation and amortization expenses (including depreciation and amortization expenses related to research and development)

A. Operating Revenue

The Company's operating revenue for the year ended December 31, 2012 increased 2.3% from the previous year, primarily due to an increase in LTE subscribers and improved revenues of its subsidiaries, including SK Planet, SK Broadband and PS&Marketing.

B. Operating Profit

The Company's operating income for the year ended December 31, 2012 decreased 23.3% from the previous year, primarily due to a reduction of the monthly fee for every subscriber effective from September 2011 and an increase in marketing expenses due to increased competition to acquire new LTE subscribers.

C. Operating Expense

(Unit: in billions of Won, other than percentages)

| (Unit: in billions of Won) | For the year ended December 31, 2012 | For the year ended December 31, 2011 | Change from 2011 to 2012 | Percentage Change from 2011 to 2012 |
|----------------------------------------------|--------------------------------------------------|--------------------------------------------------|-----------------------------------|-------------------------------------------------|
| Labor cost | 1,283 | 1,173 | 110 | 9.4% |
| Commissions paid | 6,025 | 5,611 | 414 | 7.4% |
| Advertising | 400 | 374 | 26 | 6.9% |
| Depreciation and amortization ⁽¹⁾ | 2,579 | 2,411 | 167 | 6.9% |
| Network interconnection | 1,057 | 1,264 | (207) | 16.4% |
| Leased line fees | 265 | 270 | (5) | 1.9% |
| Frequency license fees | 204 | 204 | 0 | 0% |
| Cost of products that have been resold | 1,297 | 959 | 338 | 35.2% |
| Others | 1,430 | 1,349 | 82 | 6.0% |
| Total Operating Expense | 14,540 | 13,631 | 909 | 6.7% |

(1) Includes depreciation and amortization expenses related to research and development

Commissions paid for the year ended December 31, 2012 increased 7.4% from the previous year primarily due to increased marketing expenses in response to increased competition to acquire new LTE subscribers and an increase in sales commissions from increased sales of LTE smartphones by PS&Marketing. Depreciation and amortization expenses increased 6.9% from the previous year mainly due to an increase in the Company's investment in wireless networks, including its LTE multi-carrier technology, and the amortization of its frequency license for the 1.8 GHz spectrum which it started using in 2012. The cost of products that have been resold increased 35.2% from the previous year primarily due to an increase in LTE smartphone sales by PS&Marketing.

5. Analysis of SK Telecom's Non-Consolidated Operating Information**A. Number of Subscribers**

| | As of or for the year ended December 31, 2012 | As of or for the year ended December 31, 2011 | Change from 2011 to 2012 | Percentage Change from 2011 to 2012 |
|---------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----------------------------------|----------------------------------------------|
| Subscribers (thousands) | 26,961 | 26,553 | 408 | 1.5% |
| Net Increase | 409 | 848 | (439) | 51.7% |
| Activations | 8,644 | 9,468 | (824) | 8.7% |
| Deactivations | 8,235 | 8,619 | (384) | 4.5% |
| Monthly Churn Rate (%) | 2.6% | 2.7% | 0.1%p | |
| Average Subscribers (thousands) | 26,680 | 26,199 | 481 | 1.8% |
| Smartphone Subscribers | 15,979 | 11,085 | 4,894 | 44.1% |
| LTE Subscribers | 7,530 | 634 | 6,896 | 1,087.1% |

The number of LTE subscribers as of December 31, 2012 was 7.53 million. The growth in LTE subscribers is expected to be the basis for long-term future growth. The proportion of LTE subscribers at the end of 2012 was 28% of all SK Telecom subscribers and the Company expects this proportion will reach approximately 50% by the end of 2013. The number of smartphone subscribers as of December 31, 2012 was 16 million and constituted 59.3% of all SK Telecom subscribers.

B. Average Monthly Revenue per Subscriber

| | For the year ended December 31, 2012 | For the year ended December 31, 2011 | Change from 2011 to 2012 | Percentage Change from 2011 to 2012 |
|------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------------------------|-------------------------------------------------|
| Billing Average Monthly Revenue Per Subscriber (Won) | 33,016 | 33,178 | (161) | 0.5% |

* The billing average monthly revenue per subscriber (ARPU) is derived by dividing the sum of total SK Telecom and SK Planet revenues from voice service and data service (but excluding revenue from MVNO subscribers) for the period by the monthly average number of subscribers that are not MVNO subscribers for the period, then dividing that number by the number of months in the period. Although the definition of ARPU may vary by company, it is a measure that is widely used in the telecommunications industry for revenue comparison purposes.

In 2012, the increase in LTE subscribers offset, to a large extent, the effects of the reduction of the monthly fee for every subscriber effective from September 2011.

6. Guidance for Fiscal Year 2013

The Company announced the following guidance for fiscal year 2013 during its earnings release conference call on February 5, 2013.

1. Operating revenue (consolidated): Won 17.2 trillion
2. SK Telecom's capital expenditures (separate): Won 2.1 trillion
3. Cash dividends: Similar level as cash dividends paid for fiscal year 2012

7. Liquidity

As of December 31, 2012, the Company's debt-to-equity ratio (as calculated based on the interest-bearing financial debt) was 52.0% compared to 45.8% as of December 31, 2011. The net debt-to-equity ratio (as calculated based on the interest-bearing financial debt minus cash and marketable securities) was 40.8% and 24.5% at the end of 2012 and 2011, respectively. Interest coverage ratio (EBITDA / interest expense) was 11.3 and 13.4 at the end of 2012 and 2011, respectively. The Company continues to have sufficient liquidity.

8. Financing

As of December 31, 2012, the Company's aggregate debt amounted to Won 6,684 billion, comprising long-term and short-term borrowings, debentures and current portion of long-term borrowings, which increased by 14.7% from Won 5,827 billion as of December 31, 2011. The increase was primarily due to the borrowing of Won 2.5 trillion in a syndicated loan from a syndicate of Korean banks, including Kookmin Bank and Woori Bank, pursuant to a resolution of SK Telecom's board of directors on November 10, 2011, to fund part of the payment of the Company's acquisition of shares of SK Hynix on February 14, 2012.

9. Investments

The Company acquired 146,100,000 shares (21.05% equity interest) in SK Hynix for Won 3,375 billion in cash.

V. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS AND AFFILIATED COMPANIES

1. Board of Directors

A. Overview of the Composition of the Board of Directors

The Company's board of directors (the Board of Directors) is composed 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.

(As of March 25, 2013)

| | | |
|------------------------------|------------------------------------------------|------------------------------------------------------------------------|
| The number of persons | Inside directors | Independent directors |
| 8 | Sung Min Ha, Dae Sik Cho, Dong Seob Jee | Rak Yong Uhm, Dae Shick Oh, Hyun Chin Lim, Jay Young Chung, Jae Ho Cho |

At the 29th General Shareholders Meeting held on March 22, 2013, Dae Sik Cho was elected as an inside director and Dae Shick Oh was elected as an independent director and a member of the audit committee.

B. Significant Activities of the Board of Directors

| Meeting | Date | Agenda | Approval |
|----------------------------------------|-------------------|-----------------------------------------------------------------------|----------------------|
| | | Financial statements as of and for the year ended December 31, 2011 | Approved as proposed |
| | | Annual business report as of and for the year ended December 31, 2011 | Approved as proposed |
| 339th (the 1st meeting of 2012) | February 9, 2012 | Management plan for 2012 | Approved as proposed |
| | | Transaction of goods, services and assets with SK Planet | Approved as proposed |
| | | Report for internal accounting management System | - |
| | | Report for subsequent events following 4Q 2011 | - |
| 340th (the 2nd meeting of 2012) | February 23, 2012 | Convocation of the 28th annual general meeting of shareholders | Approved as proposed |
| | | Result of internal accounting management system evaluation | - |

| | | | |
|------------------------------------|----------------|----------------------------------------------------------------------|----------------------|
| 341th (the 3rd meeting of 2012) | March 23, 2012 | Election of chairman of the board of directors | Approved as proposed |
| | | Amendment to the Company's internal rules | Approved as proposed |
| | | Election of committee members | Approved as proposed |
| | | Asset management transaction with affiliated company (SK Securities) | Approved as proposed |
| | | Donation to Happiness Sharing Institute | Approved as proposed |

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| Meeting | Date | Agenda | Approval |
|------------------------------------|--------------------|---------------------------------------------------------------------------------------|----------------------|
| | | Adoption of internal compliance rules and the appointment of chief compliance officer | Approved as proposed |
| 342th (the 4th meeting of 2012) | April 26, 2012 | Amendment of board regulations | Approved as proposed |
| | | Issuance of overseas bonds | Approved as proposed |
| | | Report for the period after the first quarter of 2012 | - |
| 343th (the 5th meeting of 2012) | June 21, 2012 | Asset management transaction with affiliated company (SK Securities) | Approved as proposed |
| | | Compliance support operating plan | - |
| | | Interim dividend | Approved as proposed |
| | | Bond offering | Approved as proposed |
| 344th (the 6th meeting of 2012) | July 25, 2012 | Agreement on the operation of Voluntary Responsible Management Support Group | Approved as proposed |
| | | Financial results for the first half of 2012 | - |
| | | Report for the period after the second quarter of 2012 | - |
| 345th (the 7th meeting of 2012) | September 26, 2012 | Sale of equity stake in POSCO | Approved as proposed |
| 346th (the 8th meeting of 2012) | September 27, 2012 | Bond offering | Approved as proposed |
| | | Financial transactions with affiliated company (SK Securities) | Approved as proposed |
| 347th (the 9th meeting of 2012) | October 25, 2012 | Amendment of investment amount in 2012 LTE network investment plan | Approved as proposed |
| | | Report for the period after the third quarter of 2012 | - |
| 348th | November 22, 2012 | | |

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| | | |
|----------------------------|-----------------------------------------------------|----------------------|
| (the 10th meeting of 2012) | Amendment to agreement between affiliated companies | Approved as proposed |
| | 2013 transaction plan with SK Forest Co., Ltd. | Approved as proposed |
| | Base station maintenance service contract | Approved as proposed |
| | Customer center management service contract | Approved as proposed |

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| Meeting | Date | Agenda | Approval |
|-------------------------------------|-------------------|-----------------------------------------------------------------------|----------------------|
| 349th (the 11th meeting of 2012) | December 13, 2012 | Management plan for 2013 | Approved as proposed |
| | | Resale of fixed-line services of SK Broadband | Approved as proposed |
| | | Lease transaction of SUPEX Center | Approved as proposed |
| | | Financial transactions with affiliated company (SK Securities) | Approved as proposed |
| 350th (the 12th meeting of 2012) | December 21, 2012 | Sale of equity stake in Sky Property Mgmt., Ltd. | Approved as proposed |
| | | Purchase of equity stake in SK Marketing & Company | Approved as proposed |
| 351th (the 1st meeting of 2013) | February 7, 2013 | Financial statement as of and for the year ended December 31, 2012 | Approved as proposed |
| | | Annual business report as of and for the year ended December 31, 2012 | Approved as proposed |
| | | Bond offering | Approved as proposed |
| | | Report of internal accounting management | - |
| | | Report for subsequent events following 4Q 2012 | - |
| 352th (the 2nd meeting of 2013) | February 21, 2013 | 2013 transaction of goods, services and assets with SK Planet | Approved as proposed |
| | | Convocation of the 29th annual general meeting of shareholders | Approved as proposed |
| | | Result of internal accounting management system evaluation | - |
| 353th (the 3rd meeting of 2013) | March 22, 2013 | | Approved as proposed |

| | |
|----------------------------------------------------------------|----------------------|
| Election of chairman of the board of directors | |
| Election of committee members | Approved as proposed |
| Financial transactions with affiliated company (SK Securities) | Approved as proposed |

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

C. Committees within Board of Directors

(1) Committee Structure (As of March 25, 2013)

a) Compensation Review Committee

| Number of Persons | Members | | Task |
|-------------------|------------------|------------------------------------------------------------------------|--------------------------------------------|
| | Inside Directors | Independent Directors | |
| 5 | - | Rak Yong Uhm, Dae Shick Oh, 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.

b) Capex Review Committee

| | | | Members | |
|--------------------------|-------------------------|---------------------------------------------------------|----------------|----------------------------------------------------|
| Number of Persons | Inside Directors | Independent Directors | | Task |
| 5 | Dong Seob Jee | Rak Yong Uhm, Dae Shick Oh, Jay Young Chung, Jae Ho Cho | | Review major investment plans and changes thereto. |

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

c) Corporate Citizenship Committee

| | | | Members | |
|--------------------------|-------------------------|----------------------------------------------------------|----------------|-----------------------------------------------------------------------------|
| Number of Persons | Inside Directors | Independent Directors | | Task |
| 5 | Dong Seob Jee | Rak Yong Uhm, Hyun Chin Lim, Jay Young Chung, Jae Ho Cho | | Review guidelines on Corporate Social Responsibility (CSR) programs, etc. |

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

d) Independent Director Nomination Committee

| | | | Members | |
|--------------------------|-------------------------|------------------------------|----------------|-------------------------------------|
| Number of Persons | Inside Directors | Independent Directors | | Task |
| 3 | Sung Min Ha | Dae Shick Oh, Hyun Chin Lim | | Nomination of independent directors |

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

e) Audit Committee

| | | | Members | |
|--------------------------|-------------------------|----------------------------------------------------------|----------------|---------------------------------------------------------------------------|
| Number of Persons | Inside Directors | Independent Directors | | Task |
| 4 | - | Dae Shick Oh, 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.

2. Audit System

The Company's Audit Committee consists of four independent directors, Dae Shick Oh, Hyun Chin Lim, Jae Ho Cho and Jay Young Chung.

Major activities of the Audit Committee are as follows.

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| Meeting | Date | Agenda | Approval | Remarks |
|----------------------------|------------------|-------------------------------------------------------------------------------------------------------|----------------------|---------|
| The first meeting of 2012 | February 1, 2012 | Preparation for audit report for the 28th annual general meeting of shareholders | - | |
| | | Business-to-business contract with SK Telink | Approved as proposed | |
| | | Construction of mobile phone facilities for 2012 | Approved as proposed | |
| The second meeting of 2012 | February 8, 2012 | Construction of network facilities for 2012 | Approved as proposed | |
| | | Evaluation of internal accounting controls based on the opinion of the members of the audit committee | Approved as proposed | |
| | | 2nd half 2011 management audit results and management audit plan for 2012 | - | |
| | | Reports on internal accounting management system | - | |

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| Meeting | Date | Agenda | Approval | Remarks |
|--------------------------------|--------------------|---------------------------------------------------------------------------------|----------------------|---------|
| The third meeting of 2012 | February 22, 2012 | Reports on 2011 IFRS Audit | - | |
| | | Report on review of 2011 internal accounting management system | - | |
| | | Evaluation of internal accounting management system operation | Approved as proposed | |
| | | Auditor s report for fiscal year 2011 | Approved as proposed | |
| | | Agenda and document review for the 28th annual general meeting of shareholders | Approved as proposed | |
| | | Purchase of mobile phone relay devices for 2012 | Approved as proposed | |
| The fourth meeting of 2012 | March 22, 2012 | Purchase of mobile phone transmission Devices for 2012 | Approved as proposed | |
| | | 2012 IT SM contract | Approved as proposed | |
| | | Engagement of independent auditing firm for 2012 to 2014 | Approved as proposed | |
| | | Transactions with SK C&C in the second quarter of 2012 | Approved as proposed | |
| | | Asset management transaction with affiliated company (SK Securities) | - | |
| The fifth meeting of 2012 | April 26, 2012 | Election of chairman - Jae Ho Cho | Approved as proposed | |
| | | Remuneration of outside auditor for the fiscal year 2012 | Approved as proposed | |
| | | Outside auditor service plan for the fiscal year 2012 | Approved as proposed | |
| | | Audit plan for the fiscal year 2012 | - | |
| | | Purchase of maintenance, repair and operations items from Happy Narae Co., Ltd. | Approved as proposed | |
| The sixth meeting of 2012 | May 23, 2012 | Construction of mobile phone facilities for 2012 | Approved as proposed | |
| | | Construction of network facilities for 2012 | Approved as proposed | |
| | | Service contract for handset customer service for 2012 | Approved as proposed | |
| The seventh meeting of 2012 | June 20, 2012 | Transaction with SK C&C in the third quarter of 2012 | Approved as proposed | |
| | | Plans for asset management transaction with affiliated company (SK Securities) | - | |
| The eighth meeting of 2012 | July 24, 2012 | Financial results for the first half of 2012 | - | |
| | | Results of operation for the first half of 2012 | - | |
| | | Results of fiscal year 2012 IFRS half year review | - | |
| The ninth meeting of 2012 | August 22, 2012 | Plans for the construction of mobile phone facilities in 2012 | Approved as proposed | |
| | | Plans for the construction of transmission facilities in 2012 | Approved as proposed | |
| | | Results of management audit in the first half of 2012 | - | |
| The tenth meeting of 2012 | September 26, 2012 | Transactions with SK C&C in the fourth quarter of 2012 | Approved as proposed | |
| | | Plans for financial transactions with affiliate (SK Securities) | - | |
| The eleventh meeting of 2012 | October 24, 2012 | Agency contract for billboard advertising | Approved as proposed | |
| | | Agency contract for 2013 integrated loyalty marketing | Approved as proposed | |
| | | Leases of electricity and transmission facilities | Approved as proposed | |
| The twelfth meeting of 2012 | November 21, 2012 | Service contract for fixed-line network services | Approved as proposed | |
| | | Construction of mobile phone facilities | Approved as proposed | |
| | | Construction of transmission network facilities | Approved as proposed | |
| The thirteenth meeting of 2012 | December 12, 2012 | Plans for financial transactions with affiliate (SK Securities) | - | |
| | | Transactions with SK C&C in the first quarter of 2013 | Re-proposed | |
| | | Transaction of goods and services with SK Planet | | |

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| | | | |
|--------------------------------|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|
| | | Agency contract for collection of accounts receivable | Approved as proposed Approved as proposed |
| The fourteenth meeting of 2012 | December 21, 2012 | Transactions with SK C&C in the first quarter of 2013 | Approved as proposed |
| The first meeting of 2013 | February 6, 2012 | Construction of mobile phone facilities for 2013 Construction of transmission network facilities for 2013 Evaluation of internal accounting controls based on the opinion of the members of the audit committee Review business and audit results for the second half of 2012 and business and audit plan for 2013 Report of internal accounting management system | Approved as proposed Approved as proposed Approved as proposed - |
| The second meeting of 2013 | February 20, 2012 | Report on 2012 IFRS audit Report on review of 2012 internal accounting management system Evaluation of internal accounting management system operation Agenda and document review for the 29th annual general meeting of shareholders Auditor's report for fiscal year 2012 2013 IT SM contract | - - - Approved as proposed Approved as proposed Approved as proposed Approved as proposed |
| The third meeting of 2013 | March 21, 2012 | Transactions with SK C&C in the second quarter of 2013 Plans for financial transactions with affiliated company (SK Securities) | Approved as proposed - |

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

3. Shareholders Exercise 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, 2012)

| Investing company | Invested companies | | | | | | | | | |
|----------------------------|--------------------|---------------|-----------|--------------------|------------|-------------|-------|--------|-------------|---------------|
| | SK Corporation | SK Innovation | SK Energy | SK Global Chemical | SK Telecom | SK Networks | SKC | SK E&C | SK Shipping | SK Securities |
| SK Holdings | | 33.4% | | | 25.2% | 39.1% | 42.5% | 40.0% | 83.1% | |
| SK Innovation | | | 100.0% | 100.0% | | | | | | |
| SK Energy | | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | |
| SK Networks | | | | | | | | | | 5.0% |
| SK Telecom | | | | | | | | | | |
| SK Chemicals | | | | | | 0.02% | | 25.4% | | |
| SKC | | | | | | | | | | |
| SK E&C | | | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | 31.8% | | | | | | | | | 10.0% |
| SK E&S | | | | | | | | | | |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | | | | | | | | | |
| SK Marketing & Company | | | | | | | | | | |
| SK Lubricant | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | | | | | | | | | | |
| SK Hynix | | | | | | | | | | |
| Ko-one Energy | | | | | | | | | | |
| SK Seentec | | | | | | | | | | |
| Total affiliated companies | 31.8% | 33.4% | 100.0% | 100.0% | 25.2% | 39.2% | 42.5% | 65.4% | 83.1% | 15.0% |

| Investing company | Invested companies | | | | | | | | | |
|------------------------|--------------------|--------|-------|--------|-----------|---------------------------------------------------|-------------|-----------|----------------|------------------|
| | SK E&S | SK Gas | DOPCO | CCE | YN Energy | Ko-one Energy Service (formerly, Daehan City Gas) | SK Sci-tech | SK Telink | Busan City Gas | Jeonnam City Gas |
| SK Holdings | 94.1% | | | | | | | | | |
| SK Innovation | | | 41.0% | | | | | | | |
| SK Energy | | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | |
| SK Networks | | | | | | | | | | |
| SK Telecom | | | | | | | | 83.5% | | |
| SK Chemicals | | 45.5% | | | | | 50.0% | | | |
| SK C | | | | | | | | | | |
| SK E&C | | | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | 5.9% | | | | | | | | | |
| SK E&S | | | | 100.0% | 100.0% | 99.5% | | | 40.0% | 100.0% |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | | | | | | | | | |
| SK Marketing & Company | | | | | | | | | | |
| SK Lubricant | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | | | | | | | | | | |
| SK Hynix | | | | | | | | | | |

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| | | | | | | | | | | |
|----------------------------|--------|-------|-------|--------|--------|-------|-------|-------|-------|--------|
| Ko-one Energy Service | | | | | | | | | | |
| SK Seentec | | 10.0% | | | | | | | | |
| Total affiliated companies | 100.0% | 55.5% | 41.0% | 100.0% | 100.0% | 99.5% | 50.0% | 83.5% | 40.0% | 100.0% |

Invested companies

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

Invested companies

| Investing company | Invested companies | | | | | | | | | |
|----------------------------|--------------------|---------|-----------------------|--------------|------------------------|---------------------|----------------------|--------------|-------------------|----------------|
| | SK D&D | Natruck | Loen Entertainment | Independence | SK Mobile Energy | SK Petrochemical | SK Communications | SK Planet | SKC Air Gas | SKN service |
| SK Holdings | | | | | | | | | | |
| SK Innovation | | | | | 100.0% | | | | | |
| SK Energy | | 100.0% | | | | | | | | |
| SK Global Chemical | | | | | | 100.0% | | | | |
| SK Networks | | | | | | | | | | 86.5% |
| SK Telecom | | | | | | | | 100.0% | | |
| SK Chemicals | | | | | | | | | | |
| SK C | | | | | | | | | 80.0% | |
| SK E&C | 40.4% | | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | | | | 100.0% | | | | | | |
| SK E&S | | | | | | | | | | |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | | | | | | | | | |
| SK Marketing & Company | | | | | | | | | | |
| SK Lubricant | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | | | 67.6% | | | | 64.6% | | | |
| SK Hynix | | | | | | | | | | |
| Ko-one Energy Service | | | | | | | | | | |
| SK Seentec | | | | | | | | | | |
| Total affiliated companies | 40.4% | 100.0% | 67.6% | 100.0% | 100.0% | 100.0% | 64.6% | 100.0% | 80.0% | 86.5% |

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| Investing company | Invested companies | | | | | | | | | |
|----------------------------|--------------------|-----------|-----------------------|--------------|--------|-----------------|--------------|--------|--------------------------|----------------------|
| | Commerce Planet | Real Vest | SKC Solmics Co., Ltd. | SK Broadband | SK M&C | Broadband Media | PS&Marketing | UBcare | PyongTaek Energy Service | Wirye Energy Service |
| SK Holdings | | | | | | | | | | |
| SK Innovation | | | | | 50.0% | | | | | |
| SK Energy | | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | |
| SK Networks | | | | | | | | | | |
| SK Telecom | | | | 50.6% | 50.0% | | 100.0% | | | |
| SK Chemicals | | | | | | | | 44.0% | | |
| SK C | | | 46.3% | | | | | | | |
| SK E&C | | 100.0% | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | | | | | | | | | | |
| SK E&S | | | | | | | | | 100.0% | 71.0% |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | 100.0% | | | | |
| SK D&D | | | | | | | | | | |
| SK Marketing & Company | | | | | | | | | | |
| SK Lubricant | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | 100.0% | | | | | | | | | |
| SK Hynix | | | | | | | | | | |
| Ko-one Energy Service | | | | | | | | | | |
| SK Seentec | | | | | | | | | | |
| Total affiliated companies | 100.0% | 100.0% | 46.3% | 50.6% | 100.0% | 100.0% | 100.0% | 44.0% | 100.0% | 71.0% |

| Investing company | Invested companies | | | | | | | | | |
|----------------------------|--------------------|---------------|-----------|---------------|-----------|-------|-----------|--------|--------------|-----------|
| | Jeju United FC | MKS Guarantee | SK Forest | SK Lubricants | MAD Smart | Bizen | SK HY ENG | HYSTEC | Silicon File | Ami Power |
| SK Holdings | | | 100.0% | | | | | | | |
| SK Innovation | | | | 100.0% | | | | | | |
| SK Energy | 100.0% | | | | | | | | | |
| SK Global Chemical | | | | | | | | | | |
| SK Networks | | | | | | | | | | |
| SK Telecom | | | | | | | | | | |
| SK Chemicals | | | | | | | | | | |
| SK C | | | | | | | | | | |
| SK E&C | | | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | | | | | | 99.0% | | | | |
| SK E&S | | | | | | | | | | |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | 100.0% | | | | | | | | |
| SK Marketing & Company | | | | | | | | | | |
| SK Lubricant | | | | | | | | | | |
| SK Shipping | | | | | | | | | | |
| SK Planet | | | | | 100.0% | | | | | |
| SK Hynix | | | | | | | 100.0% | 100.0% | 27.9% | 100.0% |
| Ko-one Energy Service | | | | | | | | | | |
| SK Seentec | | | | | | | | | | |
| Total affiliated companies | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 99.0% | 100.0% | 100.0% | 27.9% | 100.0% |

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

| Investing company | Invested companies | | | | | | | | | |
|----------------------------|--------------------|-----------------|------------|----------|--------------|-----------------|--------|--------|-------|-------------|
| | Natruck Friends | Ulsan Aromatics | SK Biofarm | SK Hynix | SKC Lighting | Gimcheon Energy | SKSM | PMP | LC&C | Speed Motor |
| SK Holdings | | | 100.0% | | | | | | | |
| SK Innovation | | | | | | | | | | |
| SK Energy | 50.0% | | | | | | | | | |
| SK Global Chemical | | 50.0% | | | | | | | | |
| SK Networks | | | | | | | | | 79.6% | 100.0% |
| SK Telecom | | | | 21.1% | | | | | | |
| SK Chemicals | | | | | | | | | | |
| SK C | | | | | 72.2% | | | | | |
| SK E&C | | | | | | | | | | |
| SK Gas | | | | | | | | | | |
| SK C&C | | | | | | | | | | |
| SK E&S | | | | | | 50.0% | | 100.0% | | |
| SK Communications | | | | | | | | | | |
| SK Broadband | | | | | | | | | | |
| SK D&D | | | | | | | | | | |
| SK Marketing & Company | | | | | | | | | | |
| SK Lubricant | | | | | | | | | | |
| SK Shipping | | | | | | | 100.0% | | | |
| SK Planet | | | | | | | | | | |
| SK Hynix | | | | | | | | | | |
| Ko-one Energy Service | | | | | | | | | | |
| SK Seentec | | | | | | | | | | |
| Total affiliated companies | 50.0% | 50.0% | 100.0% | 21.1% | 72.2% | 50.0% | 100.0% | 100.0% | 79.6% | 100.0% |

| Investing company | Invested companies Hanam Energy Service |
|-----------------------------------|--------------------------------------------------|
| SK Holdings | |
| SK Innovation | |
| SK Energy | |
| SK Global Chemical | |
| SK Networks | |
| SK Telecom | |
| SK Chemicals | |
| SK C | |
| SK E&C | |
| SK Gas | |
| SK C&C | |
| SK E&S | |
| SK Communications | |
| SK Broadband | |
| SK D&D | |
| SK Marketing & Company | |
| SK Lubricant | |
| SK Shipping | |
| SK Planet | |
| SK Hynix | |
| Ko-one Energy Service | 100.0% |
| SK Seentec | |
| Total affiliated companies | 100.0% |

* Change in company names:

Ko-one Energy Service changed its name from Daehan City Gas

Ulsan Aromatics changed its name from Arochemi

Happynarae changed its name from MRO Korea

Bizen changed its name from Telsk

SK Hystec changed its name from Hystec

SK HY ENG changed its name from Hynix Engineering

VI. SHAREHOLDERS**1. Shareholdings of the Largest Shareholder and Related Persons****A. Shareholdings of the Largest Shareholder and Related Persons**

(As of December 31, 2012)

| Name | Relationship | Type of share | (Unit: Shares, %) | | | |
|-----------------------|-------------------------------|---------------|--------------------------------------------|-----------------|--------------------------------------------|-----------------|
| | | | Number of shares owned and ownership ratio | | Number of shares owned and ownership ratio | |
| | | | Beginning of Period | End of Period | Beginning of Period | End of Period |
| | | | Number of shares | Ownership ratio | Number of shares | Ownership ratio |
| SK Holdings Co., Ltd. | Largest Shareholder | Common share | 20,363,452 | 25.22 | 20,363,452 | 25.22 |
| Tae Won Chey | Officer of affiliated company | Common share | 100 | 0.00 | 100 | 0.00 |
| Shin Won Chey | Officer of affiliated company | Common share | 2,000 | 0.00 | 2,000 | 0.00 |
| Sung Min Ha | Officer of affiliated company | Common share | 738 | 0.00 | 738 | 0.00 |
| Bang Hyung Lee* | Officer of affiliated company | Common share | 200 | 0.00 | 0 | 0.00 |
| Total- | | Common share | 20,366,490 | 25.22 | 20,366,290 | 25.22 |

* Resigned on January 31, 2012.

B. Overview of the Largest Shareholder

SK Holdings Co., Ltd. (SK Holdings) is a holding company and as of December 31, 2012, has nine subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK Shipping Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd., SK Biofarm Co., Ltd. and SK Forest Co., Ltd.

Details of the subsidiaries of SK Holdings are as follows:

(Unit: in millions of Won)

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

* The above share holdings are based on common stock holdings as of December 31, 2012.

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

SK Holdings 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 Holdings is required to report key management activities of its subsidiaries in accordance with Article 8 of KOSPI Market Disclosure Regulation.

The rule is applicable to subsidiaries whose book value of the holding company's shareholding exceeds 10% of its total assets based on the financial statements as of December 31, 2011. SK Innovation Co., Ltd., SK Telecom Co., Ltd. and SK Networks Co., Ltd. are three such subsidiaries.

2. Changes in Shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(As of December 31, 2012)

(Unit: Shares, %)

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

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

3. Distribution of Shares

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

(As of December 31, 2012)

(Unit: shares, %)

| Rank | Name (title) | Common share | |
|------|----------------------------------------------------------|------------------|-----------------|
| | | Number of shares | Ownership ratio |
| 1 | Citibank ADR | 19,377,247 | 24.00 |
| 2 | SK Holdings | 20,363,452 | 25.22 |
| 3 | SK Telecom | 11,050,712 | 13.69 |
| | Shareholdings under the Employee Stock Ownership Program | 261,313 | 0.32 |

B. Shareholder Distribution

(As of December 31, 2012)

(Unit: shares, %)

| Classification | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Remarks |
|------------------------------|------------------------|-----------|------------------|-----------|---------|
| Total minority shareholders* | 23,891 | 99.78% | 25,939,500 | 32.12% | |

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

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

A. Domestic Securities Market

(Unit: Won, shares)

| Types | December 2012 | November 2012 | October 2012 | September 2012 | August 2012 | July 2012 |
|-----------------------------------|---------------|---------------|--------------|----------------|-------------|-----------|
| Common stock | | | | | | |
| Highest | 161,000 | 156,500 | 159,500 | 152,000 | 153,000 | 144,500 |
| Lowest | 151,500 | 148,000 | 145,500 | 144,000 | 141,000 | 125,000 |
| Monthly transaction volume | 3,490,158 | 3,941,628 | 3,423,464 | 3,529,323 | 4,472,290 | 5,328,072 |

B. Foreign Securities Market

New York Stock Exchange

(Unit: US\$, ADR)

| Types | December 2012 | November 2012 | October 2012 | September 2012 | August 2012 | July 2012 |
|-----------------------------------|------------------|------------------|-----------------|-------------------|----------------|--------------|
| Depository Highest | 16.48 | 15.94 | 16.19 | 15.06 | 14.80 | 13.87 |
| Receipt Lowest | 15.40 | 15.09 | 14.48 | 14.39 | 13.67 | 12.23 |
| Monthly transaction volume | 26,702,427 | 34,396,407 | 24,874,194 | 25,083,680 | 43,365,272 | 46,810,072 |

VII. EMPLOYEES AND DIRECTORS**1. Employees**

(As of December 31, 2012)

(Unit: persons, in thousands of Won)

| Classification | Number of employees | | | Average service year | Aggregate wage for the year ended December 31, 2012 | Average wage per person | Remarks |
|----------------|----------------------|-----------------------|--------|----------------------------|-----------------------------------------------------------------|-------------------------------|------------------------------------------------------|
| | Regular employees | Contract employees | Others | | | | |
| Male | 3,441 | 54 | | 12.5 | 359,967,636 | 102,995 | |
| Female | 514 | 65 | | 10.5 | 42,604,807 | 73,583 | |
| Total | | | | | | | 3.3% of operating income (on a separate basis) |
| | 3,955 | 119 | | 12.2 | 402,572,443 | 98,815 | |

* Excludes retirement and severance payments to employees whose employment was terminated before the end of the respective employment periods.

2. Compensation of Directors**A. Amount Approved at the Shareholders Meeting**

| Classification | Number of Directors | (Unit: in millions of Won) |
|----------------|---------------------|----------------------------|
| | | Aggregate Amount Approved |
| Directors | 8 | 12,000 |

B. Amount Paid

(As of December 31, 2012)

(Unit: in millions of Won)

| Classification | Number of Directors | Aggregate Amount Paid | Average Amount Paid Per Director |
|-------------------------|----------------------------|------------------------------|-----------------------------------------|
| Insider Directors | 3 | 9,285 | 3,095 |
| Independent Directors* | 1 | 85 | 85 |
| Audit Committee Members | 4 | 323 | 81 |
| Total | 8 | 9,693 | |

* Excludes independent directors who are Audit Committee members.

VIII. RELATED PARTY TRANSACTIONS**1. Loans to the Largest Shareholder and Related Persons**

None

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

None.

B. Transfer of Assets

(Units: in millions of Won)

| Name (Corporate Name) | Relationship | Transferred Objects | Purpose of Transfer | Date of Transfer | Details | | Remarks |
|--------------------------------------|--------------------|-----------------------------|---------------------------|-------------------|---------------------------------------------|-------------------------------------------|---------|
| | | | | | Amount Transferred From Largest Shareholder | Amount Transferred to Largest Shareholder | |
| Encar Network Co., Ltd. | Affiliated Company | Used car sale | Sale of assets not in use | March 21, 2012 | | 60 | |
| Encar Network Co., Ltd. | Affiliated Company | Used car sale | Sale of assets not in use | December 18, 2012 | | 1 | |
| SK Networks Co., Ltd. (Seoul branch) | Affiliated Company | Distribution network assets | Sale of assets not in use | August 23, 2012 | | 9 | |
| Service Ace Co., Ltd. | Affiliated Company | Devices not in use | Sale of assets not in use | July 24, 2012 | | 2 | |
| Service Ace Co., Ltd. | Affiliated Company | Devices not in use | Sale of assets not in use | July 31, 2012 | | 6 | |
| Service Top Co., Ltd. | Affiliated Company | Devices not in use | Sale of assets not in use | July 24, 2012 | | 0.1 | |
| PS&Marketing Co., Ltd. | Affiliated Company | Distribution network assets | Sale of assets not in use | August 27, 2012 | | 0.3 | |
| PS&Marketing Co., Ltd. | Affiliated Company | Distribution network assets | Sale of assets not in use | August 27, 2012 | | 1 | |
| Total | | | | | | 79 | |

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

(Unit: in millions of Won)

| Name (Corporate name) | Relationship | Account category | Beginning | Change details | | Ending | Accrued interest | Remarks |
|-----------------------|--------------|--------------------------------|-----------|----------------|----------|--------|------------------|---------|
| | | | | Increase | Decrease | | | |
| Midus and others | Agency | Long-term and short-term loans | 118,919 | 243,515 | 272,943 | 89,491 | | |

(Unit: in millions of Won)

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

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

None.

B. Summary Minutes of the General Meeting of Shareholders

| Date | Agenda | Resolution |
|------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------|
| 26 th Fiscal Year Meeting of Shareholders (March 12, 2010) | 1. Approval of the financial statements for the year ended December 31, 2009 | Approved (Cash dividend, Won 8,400 per share) |
| | 2. Amendment to Articles of Incorporation | Approved |
| | 3. Approval of Remuneration Limit for Directors | Approved (Won 12 billion) |
| | 4. Election of Directors | Approved (Ki Haeng Cho) |
| | Election of inside directors | Approved (Dal Sup Shim) |
| | Election of independent directors | Approved (Dal Sup Shim, Jay Young Chung) |
| | Election of independent directors as Audit Committee member | |

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

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| Date | Agenda | Resolution |
|--------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------|
| | 1. Approval of the financial statements for the year ended December 31, 2011 | Approved (Cash dividend, Won 8,400 per share) |
| | 2. Amendment to Articles of Incorporation | Approved |
| | 3. Election of Directors | Approved (Young Tae Kim) |
| 28 th Fiscal Year Meeting of Shareholders (March 23, 2012) | Election of inside directors | Approved (Dong Seob Jee) |
| | Election of inside directors | Approved (Hyun Chin Lim) |
| | Election of independent directors | |
| | 4. Election of an independent director as Audit Committee member | Approved (Hyun Chin Lim) |
| | 5. Approval of Remuneration Limit for Directors | Approved (Won 12 billion) |
| | 1. Approval of the financial statements for the year ended December 31, 2012 | Approved (Cash dividend, Won 8,400 per share) |
| | 2. Amendments to Articles of Incorporation | Approved |
| | 3. Election of Directors | Approved (Dae Sik Cho) |
| 29 th Fiscal Year Meeting of Shareholders (March 22, 2013) | Election of an inside director | Approved (Dae Shick Oh) |
| | Election of an independent director | |
| | 4. Election of an independent director as Audit Committee member | Approved (Dae Shick Oh) |
| | 5. Approval of Remuneration Limit for Directors | Approved (Won 12 billion) |

2. Contingent Liabilities
[SK Telecom]

A. Material Legal Proceedings

(1) Claim for Copyright License Fees regarding Coloring Services

On May 7, 2010, Korea Music Copyright Association (KOMCA) filed a lawsuit with the court demanding that the Company pay KOMCA license fees for the Company s Coloring services. The court rendered a judgment against the Company ordering the Company to pay Won 570 million to KOMCA, which was affirmed by the appellate court on October 26, 2011. The Company appealed to the Supreme Court on November 8, 2011. The Company plans to vigorously defend itself in the Supreme Court by supplementing legal analysis relating to the interpretation of legal actions. While the Company does not expect this litigation to have an immediate impact on its business or results of operation 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 increased on-going license fees in the future if the final judgment is rendered against it.

* 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

(1) Pledged Assets and Covenants

In 2012, SK Broadband has entered into a loan agreement with two banks, including Hana Bank, to borrow up to Won 100 billion.

In 2012, SK Broadband pledged its real estate and short term financial instruments as collateral for one year in connection with the borrowing by Broadband Media, another consolidated subsidiary. As of December 31, 2012, the amount of real estate provided as collateral was as follows: Won 65 billion to Hana Bank, Won 65 billion to IBK Capital and Won 52 billion to Kookmin Bank; the amount of short term financial instruments provided as collateral was as follows: Won 60 billion to Korea Exchange Bank, Won 35 billion to Hana Bank, Won 34 billion to National Agricultural Cooperative Federation and Won 20 billion to Woori Bank.

In addition, SK Broadband has entered into an agreement with Cisco Systems Capital Korea to acquire a financial lease contract of Broadband Media Co., Ltd., another consolidated subsidiary of the Company, for Won 18.5 billion.

Pursuant to the resolution of its board of directors, SK Broadband has pledged its financial instruments (Won 3.7 billion as of December 31, 2012) as collateral in connection with its employee stock ownership program members' cash contributions to its employee stock ownership program.

SK Broadband has also provided geun mortgage amounting to Won 15.2 billion to others, including Ilsan Guksa, on a part of its buildings in connection with the leasing of the buildings.

SK Broadband and SK Telecom have entered into a contract relating to fixed-line operations and telecommunications services using leased lines.

In connection with the discontinuation of SK Telink's satellite DMB service, SK Telink expects that there is a high probability that it will need to pay damages to DMB subscribers who were using its DMB service at the time the DMB service was discontinued. However, SK Telink did not recognize any contingent liability for such damages as the amount of damages cannot be reasonably estimated.

In 2011, PS&Marketing, a consolidated subsidiary of the Company, entered into a loan agreement to borrow up to Won 40 billion of working capital from Shinhan Bank. In connection with the loan agreement, it pledged Won 52 billion of its inventories to Shinhan Bank as collateral.

(2) Payment Guarantee by the Company

The Company is participating in the tactical aeronautics project of the Defense Acquisition Program Administration of Korea (the DAPA), together with the Joint Defense Corporation. The Company has guaranteed the payment of US\$3,992,522 that the DAPA has prepaid to the Joint Defense Corporation.

[SK Broadband]

A. Material Legal Proceedings

(1) SK Broadband as the Plaintiff

(Unit: in thousands of Won)

| Description of Proceedings | Date of Commencement of Proceedings | Amount of Claim | Status |
|------------------------------------------------------------------------------|-------------------------------------|------------------|-------------------------------------|
| Claim for Cancellation of Korea Fair Trade Commission's Penalty Reassessment | September 2009 | 1,810,000 | Pending before Supreme Court |
| Claim relating to Gangnamgu District Office Cable-Burying Project | March 2010 | 345,271 | Pending before Supreme Court |
| Administrative Proceeding relating to Gangnamgu District Office | April 2010 | 703,440 | Pending before Administrative Court |
| Damages Claims against Golden Young and Others | April 2011 | 454,267 | Pending before District Court |
| Damages Claim relating to Hyundai Construction | December 2010 | 561,282 | Pending before Appellate Court |
| Other claims and proceedings | - | 22,261 | |
| Total | - | 3,896,521 | - |

(2) SK Broadband as the Defendant

(Unit: in thousands of Won)

| Description of Proceedings | Date of Commencement of Proceedings | Amount of Claim | Status |
|-------------------------------------------------------------|-------------------------------------|-----------------|--------------------------------|
| Damage Claim by Sun Technology and One Other | October 2011 | 1,223,778 | Pending before Supreme Court |
| Damages Claim from Jin Man Cho and One Other | January 2011 | 200,000 | Pending before Appellate Court |
| Damages Claim by Mac Telecom and Five Other Companies | January 2012 | 606,000 | Pending before District Court |
| Claim from Harmonynet relating to Commissions | August 2012 | 135,253 | Pending before District Court |
| Damages Claim by On-nuri Co., Ltd. | December 2011 | 101,000 | Pending before District Court |
| Damages Claim by the Seoul Metropolitan Office of Education | March 2012 | 100,000 | Pending before District Court |
| Other claims and proceedings | - | 69,442 | - |
| Total | - | 2,435,473 | - |

The management believes that the final results of the litigations listed above would not have a material impact on the company's financial statements. In addition, in 2011, SK Broadband partly lost in a litigation relating to the leak of personal information at the district court, which ordered SK Broadband to pay damages of Won 5,459 million (out of the plaintiffs' claims of Won 24,689 million), and recognized such damage order as other accounts payable.

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

As of December 31, 2012, the aggregate amount of claims was Won 5.5 billion. The management cannot reasonably forecast the outcome of the pending cases.

B. Other Contingent Liabilities

The material payment guarantees provided by third parties to SK Communications as of December 31, 2012 are set forth in the table below.

(Unit: in thousands of Won)

| Financial Institution | Guarantee | Amount |
|-----------------------------------|---------------------------------------------------|-----------|
| Seoul Guarantee Insurance Company | Prepaid coverage payment guarantee | 700,000 |
| Seoul Guarantee Insurance Company | Provisional deposit guarantee insurance for bonds | 1,068,051 |
| Seoul Guarantee Insurance Company | Contractual payment guarantee | 514,161 |

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

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

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

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

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

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

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

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

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

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

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

On June 21, 2012, the Company received a correctional order from the Korea Communications Commission in connection with its decision on whether the Company had violated regulations related to the safeguarding of location information. The Company completed the improvement of the procedures in consultation with the Korea Communications Commission by December 2012.

On July 4, 2012, the Company received a correctional order and a fine of Won 24,987 million from the Fair Trade Commission of Korea for alleged violation of Article 23 of the Fair Trade Act relating to the payment of system management and operation fees. The Company appealed the order and filed a suit with the administrative court. On September 12, 2012, the Company received a formal written letter from the Fair Trade Commission of Korea with a corrected fine of Won 25,042 million, which also includes the fine for transactions in the first half of 2012.

On December 24, 2012, the Korea Communications Commission imposed on the Company a fine of Won 6.89 billion, imposed a suspension on acquiring new subscribers from January 31, 2013 to February 21, 2013 and issued a correctional order for providing discriminatory subsidiaries to subscribers. The Company paid the fine and expects to complete the improvement of the procedures in consultation with the Korea Communications Commission by March 2013.

On January 11, 2013, the Company received a correctional order and a fine of Won 100 million from the Fair Trade Commission of Korea for alleged violation of Article 23 of the Fair Trade Act relating to the Company's transactions with its distribution network. The Company will consider whether to appeal after receipt of the formal written letter from the Fair Trade Commission of Korea.

On March 14, 2013, the Korea Communications Commission imposed on the Company a fine of Won 3.14 billion and issued a correctional order in a case for providing discriminatory subsidiaries to subscribers. The Company expects to pay the fine and complete the improvement of the procedures in consultation with the Korea Communications Commission by April 2013.

Certain former executive officers of the Company were acquitted in district court with respect to certain of the Company's past transactions. An appeal has been filed at the applicable high court, where the case is currently pending.

[SK Broadband]

(1) Violation of the Telecommunications Business Act

Date: May 18, 2012

Subject Company: SK Broadband

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

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

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

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

(2) Violation of Accounting Rules

Date: January 20, 2012

Subject Company: SK Broadband

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

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

Status of Implementation: Paid the fine.

Company's Plan: Will improve accounting management system.

(3) Violation of the Telecommunication Business Act

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Date: November 23, 2011

Subject Company: SK Broadband

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

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

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

Company's Plan: Will improve operating procedures.

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

Date: July 14, 2011

Subject: SK Broadband and a former officer of SK Broadband

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

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

Status of Implementation: Paid the fine.

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

(5) Violation of the Telecommunication Business Act

Date: February 21, 2011

Subject Company: SK Broadband

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

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

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

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

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

Date: June 10, 2010

Subject Company: SK Broadband

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

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

Status of Implementation: Paid the fine.

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

4. Important Matters That Occurred After December 31, 2012

[SK Telecom]

(1) Disposition and acquisition of shares of consolidated subsidiaries

On January 11, 2013, the Company sold its 27% equity interest in SKY Property Mgmt., Ltd., which was accounted for as non-current assets and liabilities held for sale as of December 31, 2012, to SK Innovation Co., Ltd., an affiliate of the Company. On the same date, the Company acquired a 50% equity interest in SK Marketing & Company Co., Ltd. from SK Innovation and SK Marketing & Company Co., Ltd. became a consolidated subsidiary of the Company.

(2) Bond offering

On January 17, 2013, the Company issued fixed rate unsecured bonds in the principal amount of AUD 300 million. The annual interest rate of the bonds is 4.75% and the bonds mature on November 17, 2017.

[SK Broadband]

(1) Merger

On February 20, 2013, the board of directors of SK Broadband resolved to merge Broadband Media Co., Ltd., its wholly-owned subsidiary, into SK Broadband. The merger was effective as of March 22, 2013. In connection with this merger, SK Broadband did not issue any new shares.

[SK Planet]

(1) Merger

On December 21, 2012, the board of directors of SK Planet resolved to merge SK Marketing & Company Co., Ltd. into SK Planet to strengthen its competitiveness and produce synergies with its existing business. The merger was effective as of February 1, 2013. In connection with this merger, 12,927,317 new shares were issued by SK Planet pursuant to a merger ratio of 1.2927317:1.

(2) Disposition of shares of PAXNet

On January 16, 2013, SK Planet sold all of its equity interest (5,590,442 shares) in PAXNet Co., Ltd. for Won 14.3 billion (Won 2,558 per share).

5. Use of Proceeds

A. Use of Proceeds from Public Offerings

Not applicable.

B. Use of Proceeds from Private Offerings

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(Unit: In millions of Won)

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

SK TELECOM CO., LTD. AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2012

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

We have audited the accompanying consolidated statement of financial position of SK Telecom Co., Ltd. and its subsidiaries (the "Group") as of December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We did not audit the financial statements of three domestic subsidiaries and a 21.1% owned domestic associate. The financial statements of the three domestic subsidiaries reflect total assets constituting 18.6% and total revenues constituting 15.1% in 2012 of the related consolidated totals. The Group's investment in the domestic associate at December 31, 2012 was 3,374,726 million and the Group's equity in profits of the domestic associate was 6,865 million. The financial statements of the three domestic subsidiaries and the 21.1% owned domestic associate were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the three domestic subsidiaries and the 21.1% owned domestic associate, is based solely on the reports of the other auditors. Additionally, the consolidated financial statements as of and for the year ended December 31, 2011, presented for comparative purposes, were audited by other auditors and their report thereon, dated March 13, 2012, expressed an unqualified opinion.

We conducted our audit 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, based on our audit and results of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Group as of December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 35, during 2012 the Group decided to cease the broadcasting business due to the accumulating losses resulting from the continuing decline in satellite digital multimedia broadcasting subscribers. The Group has presented the loss from the cessation of the broadcasting business as loss from discontinued operation for the year ended December 31, 2012, classified the assets and liabilities as held for sale, and accordingly restated the comparative information of the statements of income, comprehensive income, and cash flows for the year ended December 31, 2011.

As discussed in note 2, the Group adopted amendments to K-IFRS No.1001, *Presentation of Financial Statements* from the annual period ended December 31, 2012. The amendment requires operating income, which is calculated as operating revenue less operating expense, to be separately presented on the consolidated statement of income. Operating expense represents expense incurred from the Group's main operating activities and includes cost of products that have been resold, and selling, general and administrative expenses. The Group applied this change in accounting policies retrospectively, and accordingly restated the comparative information of the consolidated statement of income for the year ended December 31, 2011.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

February 22, 2013

This report is effective as of February 22, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying consolidated financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | December 31, 2012 | December 31, 2011 |
|--------------------------------------------|---------------|----------------------|----------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 31,32 | 920,125 | 1,650,794 |
| Short-term financial instruments | 5,31,32,33,34 | 514,417 | 979,564 |
| Short-term investment securities | 8,31,32 | 60,127 | 94,829 |
| Accounts receivable - trade, net | 6,31,32,33 | 1,954,920 | 1,823,170 |
| Short-term loans, net | 6,31,32,33 | 84,908 | 100,429 |
| Accounts receivable - other, net | 6,31,32,33 | 582,098 | 908,836 |
| Prepaid expenses | | 102,572 | 118,200 |
| Derivative financial assets | 20,31,32 | 9,656 | 148,038 |
| Inventories, net | 7,34 | 242,146 | 219,590 |
| Assets classified as held for sale | 9,34 | 775,556 | |
| Advanced payments and other | 6,8,31,32,33 | 47,896 | 74,029 |
| Total Current Assets | | 5,294,421 | 6,117,479 |
| Non-Current Assets: | | | |
| Long-term financial instruments | 5,31,32,34 | 144 | 7,628 |
| Long-term investment securities | 8,31,32 | 953,712 | 1,537,945 |
| Investments in associates | 10 | 4,632,477 | 1,384,605 |
| Property and equipment, net | 11,33,34 | 9,712,719 | 9,030,998 |
| Investment property, net | 12 | 27,479 | 271,086 |
| Goodwill | 13 | 1,744,483 | 1,749,933 |
| Intangible assets, net | 14 | 2,689,658 | 2,995,803 |
| Long-term loans, net | 6,31,32,33 | 69,299 | 95,565 |
| Long-term accounts receivable - other, net | 6,31,32 | | 5,393 |
| Long-term prepaid expenses | | 31,341 | 567,762 |
| Guarantee deposits | 5,6,31,32,33 | 236,242 | 245,218 |
| Long-term derivative financial assets | 20,31,32 | 52,992 | 105,915 |
| Deferred tax assets | 28 | 124,098 | 227,578 |
| Other non-current assets | 6,31,32 | 26,494 | 23,128 |
| Total Non-Current Assets | | 20,301,138 | 18,248,557 |
| Total Assets | | 25,595,559 | 24,366,036 |

See accompanying notes to the consolidated financial statements.

SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Financial Position, Continued

As of December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | December 31, 2012 | December 31, 2011 |
|------------------------------------------------------------|----------------|----------------------|----------------------|
| Liabilities and Equity | | | |
| Current Liabilities: | | | |
| Short-term borrowings | 15,31,32 | 600,245 | 700,713 |
| Current portion of long-term debt, net | 15,16,18,31,32 | 892,867 | 1,662,841 |
| Accounts payable - trade | 31,32,33 | 253,884 | 195,391 |
| Accounts payable - other | 31,32,33 | 1,811,038 | 1,507,877 |
| Withholdings | 31,32,33 | 717,170 | 496,860 |
| Accrued expenses | 31,32 | 890,863 | 744,673 |
| Income tax payable | | 60,253 | 293,725 |
| Unearned revenue | | 258,691 | 290,791 |
| Derivative financial liabilities | 20,31,32 | | 4,645 |
| Provisions | 17 | 287,307 | 657,198 |
| Advanced receipts and other | 31,32 | 108,272 | 118,876 |
| Liabilities classified as held for sale | 9 | 294,305 | |
| Total Current Liabilities | | 6,174,895 | 6,673,590 |
| Non-Current Liabilities: | | | |
| Debentures, net, excluding current portion | 15,31,32 | 4,979,220 | 3,229,009 |
| Long-term borrowings, excluding current portion | 15,31,32 | 369,237 | 323,852 |
| Long-term payables - other | 16,31,32 | 715,508 | 847,496 |
| Long-term unearned revenue | | 160,821 | 212,172 |
| Finance lease liabilities | 18,31,32 | 22,036 | 41,940 |
| Defined benefit obligation | 19 | 86,521 | 85,941 |
| Long-term derivative financial liabilities | 20,31,32 | 63,599 | |
| Long-term provisions | 17 | 106,561 | 142,361 |
| Other non-current liabilities | 31,32,33 | 62,379 | 76,966 |
| Total Non-Current Liabilities | | 6,565,882 | 4,959,737 |
| Total Liabilities | | 12,740,777 | 11,633,327 |
| Equity | | | |
| Share capital | 21 | 44,639 | 44,639 |
| Capital deficit and other capital adjustments | 21,22 | (288,883) | (285,347) |
| Retained earnings | 23 | 12,124,657 | 11,642,525 |
| Reserves | 24 | (25,636) | 260,064 |
| Equity attributable to owners of the Parent Company | | 11,854,777 | 11,661,881 |
| Non-controlling interests | | 1,000,005 | 1,070,828 |
| Total Equity | | 12,854,782 | 12,732,709 |
| Total Liabilities and Equity | | 25,595,559 | 24,366,036 |

See accompanying notes to the consolidated financial statements.

SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Income

For the years ended December 31, 2012 and 2011

| <i>(In millions of won except for per share data)</i> | Note | 2012 | 2011 |
|-------------------------------------------------------------------|-------|------------------|------------------|
| Continuing operations | | | |
| Operating revenue: | 4,33 | | |
| Revenue | | 16,300,479 | 15,926,468 |
| Operating expense: | 33 | | |
| Labor cost | | 1,283,305 | 1,173,247 |
| Commissions paid | | 6,025,091 | 5,611,325 |
| Depreciation and amortization | 4 | 2,432,287 | 2,296,479 |
| Network interconnection | | 1,057,145 | 1,264,109 |
| Leased line | | 468,785 | 474,018 |
| Advertising | | 400,076 | 374,269 |
| Rent | | 424,476 | 401,706 |
| Cost of products that have been resold | | 1,297,205 | 959,276 |
| Other operating expenses | 25 | 1,151,938 | 1,076,426 |
| Sub-total | | 14,540,308 | 13,630,855 |
| Operating income | 4 | 1,760,171 | 2,295,613 |
| Finance income | 4,27 | 447,210 | 442,325 |
| Finance costs | 4,27 | (638,297) | (343,776) |
| Losses related to investments in subsidiaries and associates, net | 4,10 | (24,279) | (47,149) |
| Other non-operating income | 18,26 | 196,034 | 47,428 |
| Other non-operating expenses | 26 | (189,952) | (153,752) |
| Profit before income tax | | 1,550,887 | 2,240,689 |
| Income tax expense from continuing operations | 4,28 | 295,887 | 608,955 |
| Profit from continuing operations | | 1,255,000 | 1,631,734 |
| Discontinued operation | | | |
| Loss from discontinued operation, net of income taxes | 35 | (139,337) | (49,661) |
| Profit for the year | 4 | 1,115,663 | 1,582,073 |
| Attributable to : | | | |
| Owners of the Parent Company | | 1,151,705 | 1,612,889 |
| Non-controlling interests | | (36,042) | (30,816) |
| Earnings per share | 29 | | |
| Basic earnings per share | | 16,525 | 22,848 |
| Diluted earnings per share | | 16,141 | 22,223 |
| Earnings per share - Continuing operations | 29 | | |
| Basic earnings per share | | 18,246 | 23,544 |
| Diluted earnings per share | | 17,806 | 22,898 |

See accompanying notes to the consolidated financial statements.

SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | 2012 | 2011 |
|----------------------------------------------------------------------------|-------|------------------|------------------|
| Profit for the year | | 1,115,663 | 1,582,073 |
| Other comprehensive income (loss) | | | |
| Net change in unrealized fair value of available-for-sale financial assets | 24 | (149,082) | (433,546) |
| Net change in other comprehensive income of investments in associates | 10,24 | (82,513) | (2,173) |
| Net change in unrealized fair value of derivatives | 20,24 | (23,361) | 29,236 |
| Foreign currency translation differences for foreign operations | 24 | (49,538) | 40,673 |
| Actuarial losses on defined benefit obligations, net | 19 | (15,048) | (25,275) |
| | | (319,542) | (391,085) |
| Total comprehensive income | | 796,121 | 1,190,988 |
| Total comprehensive income attributable to: | | | |
| Owners of the Parent Company | | 851,565 | 1,206,577 |
| Non-controlling interests | | (55,444) | (15,589) |
| <i>See accompanying notes to the consolidated financial statements.</i> | | | |

SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

(In millions of won)

| | Controlling interest | | | | | | Total equity |
|--------------------------------------|----------------------|-----------------------------------------------|-------------------|-----------------|-------------------|---------------------------|-------------------|
| | Share capital | Capital deficit and other capital adjustments | Retained earnings | Reserves | Sub-total | Non-controlling interests | |
| Balance, January 1, 2011 | 44,639 | (78,953) | 10,721,249 | 643,056 | 11,329,991 | 1,078,008 | 12,407,999 |
| Cash dividends | | | (668,293) | | (668,293) | (2,226) | (670,519) |
| Treasury stock | | (208,012) | | | (208,012) | | (208,012) |
| Total comprehensive income | | | | | | | |
| Profit (loss) | | | 1,612,889 | | 1,612,889 | (30,816) | 1,582,073 |
| Other comprehensive income (loss) | | | (23,320) | (382,992) | (406,312) | 15,227 | (391,085) |
| Effect of change in income tax rate | | (2,980) | | | (2,980) | | (2,980) |
| Changes in ownership in subsidiaries | | 4,598 | | | 4,598 | 10,635 | 15,233 |
| Balance, December 31, 2011 | 44,639 | (285,347) | 11,642,525 | 260,064 | 11,661,881 | 1,070,828 | 12,732,709 |
| Balance, January 1, 2012 | 44,639 | (285,347) | 11,642,525 | 260,064 | 11,661,881 | 1,070,828 | 12,732,709 |
| Cash dividends | | | (655,133) | | (655,133) | (2,133) | (657,266) |
| Total comprehensive income | | | | | | | |
| Profit (loss) | | | 1,151,705 | | 1,151,705 | (36,042) | 1,115,663 |
| Other comprehensive loss | | | (14,440) | (285,700) | (300,140) | (19,402) | (319,542) |
| Changes in ownership in subsidiaries | | (3,536) | | | (3,536) | (13,246) | (16,782) |
| Balance, December 31, 2012 | 44,639 | (288,883) | 12,124,657 | (25,636) | 11,854,777 | 1,000,005 | 12,854,782 |

See accompanying notes to the consolidated financial statements.

SK TELECOM CO., LTD. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | 2012 | 2011 |
|-------------------------------------------------------------------|------|------------------|------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operating activities | | | |
| Profit for the year | | 1,115,663 | 1,582,073 |
| Adjustments for income and expenses | 36 | 3,289,861 | 3,225,682 |
| Changes in assets and liabilities related to operating activities | 36 | 204,308 | 2,180,223 |
| Sub-total | | 4,609,832 | 6,987,978 |
| Interest received | | 88,711 | 156,745 |
| Dividends received | | 27,732 | 34,521 |
| Interest paid | | (363,685) | (301,632) |
| Income tax paid | | (362,926) | (571,217) |
| Net cash provided by operating activities | | 3,999,664 | 6,306,395 |
| Cash flows from investing activities: | | | |
| Cash inflows from investing activities: | | | |
| Decrease in short-term financial instruments, net | | 464,531 | |
| Decrease in short-term investment securities, net | | 65,000 | 125,000 |
| Collection of short-term loans | | 282,658 | 194,561 |
| Proceeds from disposal of long-term financial instruments | | 23 | 5 |
| Proceeds from disposal of long-term investment securities | | 511,417 | 256,666 |
| Proceeds from disposal of investments in associates | | 1,518 | 6,381 |
| Proceeds from disposal of property and equipment | | 271,122 | 35,197 |
| Proceeds from disposal of investment property | | 43,093 | |
| Proceeds from disposal of intangible assets | | 21,048 | 3,833 |
| Collection of long-term loans | | 11,525 | 33,824 |
| Decrease of deposits | | 41,785 | |
| Proceeds from disposal of other non-current assets | | 1,853 | 4,122 |
| Proceeds from disposal of a subsidiary | | 89,002 | |
| Increase in cash due to acquisition of a subsidiary | | 26,651 | 66,277 |
| Sub-total | | 1,831,226 | 725,866 |
| Cash outflows for investing activities: | | | |
| Increase in short-term financial instruments, net | | | (412,256) |
| Increase in short-term loans | | (245,465) | (233,189) |
| Increase in long-term loans | | (3,464) | (13,856) |
| Increase in long-term financial instruments | | (16) | (7,516) |
| Acquisition of long-term investment securities | | (92,929) | (323,246) |
| Acquisition of investments in associates | | (3,098,833) | (239,975) |
| Acquisition of property and equipment | | (3,394,349) | (2,960,556) |
| Acquisition of investment property | | (129) | (86,285) |
| Acquisition of intangible assets | | (146,249) | (598,437) |
| Increase in asset held for sale | | (51,831) | |
| Increase in deposits | | (43,534) | |
| Increase in other non-current assets | | (8,619) | (3,071) |
| Acquisition of business, net of cash acquired | | (43,389) | |
| Decrease in cash due to disposal of a subsidiary | | (12,003) | (82,533) |
| Cash outflows from transaction of derivatives | | | (4,007) |

| | | |
|----------------------------------------------|--------------------|--------------------|
| Sub-total | (7,140,810) | (4,964,927) |
| Net cash used in investing activities | (5,309,584) | (4,239,061) |

See accompanying notes to the consolidated financial statements.

| <i>(In millions of won)</i> | Note | 2012 | 2011 |
|---------------------------------------------------------------|------|------------------|--------------------|
| Cash flows from financing activities: | | | |
| Cash inflows from financing activities: | | | |
| Proceeds from short-term borrowings | | | 174,222 |
| Issuance of debentures | | 2,098,351 | 1,129,533 |
| Proceeds from long-term borrowings | | 2,059,004 | 92,367 |
| Cash inflows from transaction of derivatives | | 87,899 | |
| Increase in cash from the consolidated capital transaction | | | 5,769 |
| Sub-total | | 4,245,254 | 1,401,891 |
| Cash outflows for financing activities: | | | |
| Repayment of short-term borrowings | | (61,401) | |
| Repayment of current portion of long-term debt | | (102,672) | (224,581) |
| Repayment of debentures | | (1,145,691) | (842,160) |
| Repayment of long-term borrowings | | (1,660,509) | (512,377) |
| Cash outflows from transaction of derivatives | | (5,415) | (25,783) |
| Payment of finance lease liabilities | | (20,794) | |
| Payment of dividends | | (655,133) | (668,293) |
| Acquisition of treasury stock | | | (208,012) |
| Decrease in cash from the consolidated capital transaction | | (8,372) | |
| Sub-total | | (3,659,987) | (2,481,206) |
| Net cash provided by (used in) financing activities | | 585,267 | (1,079,315) |
| Net increase (decrease) in cash and cash equivalents | | (724,653) | 988,019 |
| Cash and cash equivalents at beginning of the year | | 1,650,794 | 659,405 |
| Effects of exchange rate changes on cash and cash equivalents | | (6,016) | 3,370 |
| Cash and cash equivalents at end of the year | | 920,125 | 1,650,794 |

See accompanying notes to the consolidated financial statements.

1. Reporting Entity**(1) General**

SK Telecom Co., Ltd. (the Parent Company) was incorporated in March 1984 under the laws of Republic of Korea (Korea) to engage in providing cellular telephone communication services in Korea. The Parent Company mainly provides wireless telecommunications in Korea. The Parent Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of December 31, 2012, the Parent Company s total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|---------------------------------------------------------|---------------------|---------------------------------------------|
| SK Holdings Co., Ltd. | 20,363,452 | 25.22 |
| Institutional investors and other minority stockholders | 49,331,547 | 61.09 |
| Treasury stock | 11,050,712 | 13.69 |
| Total number of shares | 80,745,711 | 100.00 |

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

(2) List of subsidiaries

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

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

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

| Subsidiary | Location | Primary business | Ownership (%) | |
|----------------------------------------------|-----------|--------------------------------------------------|---------------|---------------|
| | | | Dec. 31, 2012 | Dec. 31, 2011 |
| Service Top Co., Ltd. | Korea | Customer center management service | 100.0 | 100.0 |
| Network O&S Co., Ltd. | Korea | Base station maintenance service | 100.0 | 100.0 |
| BNCP Co., Ltd. | Korea | Internet website services | 100.0 | 100.0 |
| Service-In Co., Ltd.(*) | Korea | Database & on-line information service | | 100.0 |
| SK Planet Co., Ltd. | Korea | Telecommunication service and new media business | 100.0 | 100.0 |
| Madsmart, Inc.(*) | Korea | Application software production | 100.0 | |
| SK Telecom China Holdings Co., Ltd. | China | Investment association | 100.0 | 100.0 |
| SKY Property Mgmt. Ltd. | China | Real estate investment | 60.0 | 60.0 |
| Shenzhen E-eye High Tech Co., Ltd. | China | Manufacturing | 65.5 | 65.5 |
| SK Global Healthcare Business Group, Ltd.(*) | China | Investment association | 100.0 | |
| SK China Real Estate Co., Ltd. | Hong Kong | Real estate investment | 99.4 | 99.4 |
| SK Planet Japan(*) | Japan | Digital contents sourcing service | 100.0 | |
| SKT Vietnam PTE. Ltd. | Singapore | Telecommunication service | 73.3 | 73.3 |
| SK Planet Global PTE. Ltd.(*) | Singapore | Digital contents sourcing service | 100.0 | |
| SKT Americas, Inc. | USA | Information gathering and consulting | 100.0 | 100.0 |
| SKP America LLC.(*) | USA | Digital contents sourcing service | 100.0 | |
| YTK Investment Ltd. | Cayman | Investment association | 100.0 | 100.0 |
| Atlas Investment | Cayman | Investment association | 100.0 | 100.0 |
| Technology Innovation Partners, L.P. | Cayman | Investment association | 100.0 | 100.0 |
| SK Telecom China Fund I L.P. | Cayman | Investment association | 100.0 | 100.0 |

(*) Changes in subsidiaries are explained in note 1-(4).

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

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries

Condensed financial information of subsidiaries as of and for the year ended December 31, 2012 is as follows:

(In millions of won)

| Subsidiary | Total assets | Total liabilities | Total equity | Revenue | Profit (loss) |
|------------------------------------------------|---------------------|--------------------------|---------------------|----------------|----------------------|
| SK Telink Co., Ltd. | 241,977 | 128,191 | 113,786 | 341,084 | (74,951) |
| SK Communications Co., Ltd. | 265,819 | 70,483 | 195,336 | 197,153 | (35,334) |
| PAXNet Co., Ltd. | 31,400 | 9,173 | 22,227 | 34,237 | (156) |
| Loen Entertainment, Inc. | 173,079 | 44,998 | 128,081 | 185,016 | 23,839 |
| Stonebridge Cinema Fund | 10,965 | 903 | 10,062 | 509 | 5,707 |
| Commerce Planet Co., Ltd. | 34,007 | 35,351 | (1,344) | 52,507 | 655 |
| SK Broadband Co., Ltd. | 3,035,657 | 1,656,923 | 1,378,734 | 2,486,317 | 26,412 |
| Broadband media Co., Ltd. | 50,574 | 320,727 | (270,153) | 90,602 | (3,396) |
| K-net Culture and Contents Venture Fund | 43,779 | 15 | 43,764 | | (1,778) |
| Fitech Focus Limited Partnership II | 22,547 | | 22,547 | | (3,934) |
| Open Innovation Fund | 43,394 | | 43,394 | | (788) |
| PS&Marketing Corporation | 317,613 | 181,737 | 135,876 | 1,484,492 | (9,662) |
| Service Ace Co., Ltd. | 48,956 | 24,461 | 24,495 | 146,554 | 3,418 |
| Service Top Co., Ltd. | 43,332 | 25,963 | 17,369 | 133,705 | 4,198 |
| Network O&S Co., Ltd. | 165,818 | 140,853 | 24,965 | 377,909 | 7,970 |
| BNCP Co., Ltd. | 24,000 | 9,367 | 14,633 | 26,167 | (2,463) |
| SK Planet Co., Ltd. | 1,647,965 | 381,620 | 1,266,345 | 1,034,697 | 11,977 |
| Madmart, Inc.(*1) | 1,591 | 724 | 867 | 635 | (2,756) |
| SK Telecom China Holdings Co., Ltd. | 35,233 | 1,782 | 33,451 | 25,755 | (151) |
| SKY Property Mgmt. Ltd.(*2) | 773,413 | 294,305 | 479,108 | 70,808 | 10,390 |
| Shenzhen E-eye High Tech Co., Ltd. | 18,915 | 1,788 | 17,127 | 9,590 | (1,068) |
| SK Global Healthcare Business Group., Ltd.(*1) | 25,784 | | 25,784 | | |
| SK Planet Japan(*1) | 47 | 4 | 43 | | (63) |
| SKT Vietnam PTE. Ltd. | 38,331 | 7,904 | 30,427 | 990 | (8) |
| SK Planet Global PTE. Ltd.(*1) | 636 | 130 | 506 | | (526) |
| SKT Americas, Inc. | 36,378 | 784 | 35,594 | 10,712 | (10,837) |
| SKP America LLC.(*1) | 6,669 | 2,431 | 4,238 | 109 | (3,301) |
| YTK Investment Ltd. | 64,036 | | 64,036 | | |
| Atlas Investment(*3) | 51,065 | 205 | 50,860 | | (4,324) |

(*1) Changes in subsidiaries are explained in note 1-(4).

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

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

1. Reporting Entity, Continued

(3) Condensed financial information of subsidiaries, Continued

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

(In millions of won)

| Subsidiary | Total assets | Total liabilities | Total equity | Revenue | Profit (loss) |
|-----------------------------------------|-------------------------|------------------------------|---------------------|----------------|----------------------|
| SK Telink Co., Ltd. | 420,829 | 228,687 | 192,142 | 416,545 | 35,269 |
| SK Communications Co., Ltd. | 319,948 | 84,282 | 235,666 | 260,573 | (5,041) |
| PAXNet Co., Ltd. | 33,949 | 11,461 | 22,488 | 32,770 | (2,347) |
| Loen Entertainment, Inc. | 157,104 | 48,386 | 108,718 | 167,176 | 21,398 |
| Stonebridge Cinema Fund | 18,506 | 196 | 18,310 | 3 | 1,069 |
| Ntreev Soft Co., Ltd. | 37,529 | 17,304 | 20,225 | 54,725 | 8,707 |
| Commerce Planet Co., Ltd. | 49,729 | 51,057 | (1,328) | 74,982 | (556) |
| SK Broadband Co., Ltd. | 3,318,699 | 1,945,825 | 1,372,874 | 2,285,845 | 19,272 |
| Broadband D&M Co., Ltd. | 11,872 | 7,399 | 4,473 | 46,418 | (49) |
| Broadband media Co., Ltd. | 89,915 | 356,816 | (266,901) | 64,867 | (32,214) |
| Broadband CS Co., Ltd. | 6,948 | 18,744 | (11,796) | 73,935 | 63 |
| K-net Culture and Contents Venture Fund | 48,057 | 16 | 48,041 | | (113) |
| Fitech Focus Limited Partnership II | 21,663 | 285 | 21,378 | | (10,358) |
| Open Innovation Fund | 44,716 | 432 | 44,284 | | (427) |
| PS&Marketing Corporation | 289,062 | 143,883 | 145,179 | 1,078,668 | (31,820) |
| Service Ace Co., Ltd. | 43,447 | 21,669 | 21,778 | 129,350 | 1,365 |
| Service Top Co., Ltd. | 37,165 | 23,255 | 13,910 | 122,580 | 1,829 |
| Network O&S Co., Ltd. | 80,249 | 61,555 | 18,694 | 199,642 | 5,646 |
| BNCP Co., Ltd. | 28,631 | 11,397 | 17,234 | 17,846 | 1,877 |
| Service-In Co., Ltd. | 3,247 | 759 | 2,488 | 6,225 | (12) |
| SK Planet Co., Ltd. | 1,677,730 | 423,903 | 1,253,827 | 279,466 | 11,014 |
| SK Telecom China Holdings Co., Ltd. | 36,810 | 2,442 | 34,368 | 26,939 | (232) |
| SKY Property Mgmt. Ltd.(*1) | 820,639 | 317,038 | 503,601 | 51,204 | 6,386 |
| Shenzhen E-eye High Tech Co., Ltd. | 23,569 | 3,744 | 19,825 | 13,740 | 2,007 |
| SKT Vietnam PTE. Ltd. | 42,539 | 9,769 | 32,770 | 5,519 | 205 |
| SKT Americas, Inc. | 42,681 | 1,280 | 41,401 | 18,468 | (14,604) |
| YTK Investment Ltd. | 51,218 | | 51,218 | | |
| Atlas Investment(*2) | 50,643 | 530 | 50,113 | | (2,056) |

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

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

1. Reporting Entity, Continued

(4) Changes in subsidiaries

The list of subsidiaries that were newly included or excluded from consolidation during the year ended December 31, 2012 is as follows:

1) Newly included subsidiaries

| Subsidiary | Reason |
|--------------------------------------------|------------------------------------------------------------------------|
| Madsmart, Inc. | The Group acquired ownership interest in Madsmart, Inc. |
| SK Global Healthcare Business Group., Ltd. | The Group newly invested in SK Global Healthcare Business Group., Ltd. |
| SK Planet Japan | The Group newly invested in SK Planet Japan. |
| SK Planet Global PTE. Ltd. | The Group newly invested in SK Planet Global PTE. Ltd. |
| SKP America LLC. | The Group newly invested in SKP America LLC. |

2) Excluded subsidiaries

| Subsidiary | Reason |
|--------------------------|------------------------------------------------------------------|
| Ntreev Soft Co., Ltd.(*) | The Parent Company sold its investment during the year. |
| Broadband D&M Co., Ltd. | Merged into SK Broadband Co., Ltd. during the year. |
| Broadband CS Co., Ltd. | Merged into SK Broadband Co., Ltd. during the year. |
| Service-In Co., Ltd. | SK Communications Co., Ltd. sold its investment during the year. |

(*) The Parent Company sold 2,064,970 shares (ownership interest of 63.7%) of its investment to NCsoft Corporation and recognized a gain on the disposal of 66,006 million during the year ended December 31, 2012, which is included in gains (losses) related to investments in subsidiaries and associates, net, in the accompanying consolidated statements of income.

2. Basis of Presentation

(1) Statement of compliance

These consolidated financial statements were prepared in accordance with K-IFRS, as prescribed in *the Act on External Audits of Corporations in the Republic of Korea*.

(2) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

derivative financial instruments are measured at fair value

financial instruments at fair value through profit or loss are measured at fair value

available-for-sale financial assets are measured at fair value

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liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

2. Basis of Presentation, Continued

(3) Functional and presentation currency

Financial statements of Group entities within the Group are presented in functional currency and the currency of the primary economic environment in which each entity operates. Consolidated financial statements of the Group are presented in Korean won, which is the Parent Company's functional and presentation currency.

(4) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes: revenue, classification of investment property, and lease classification.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes: allowance for doubtful accounts, estimated useful lives of property and equipments, and intangible assets, impairment of goodwill, measurement of defined benefit obligation, utilization of tax losses, and commitments and contingencies.

(5) Changes in accounting policies

1) Changes in accounting policies

(i) Financial Instruments: Disclosures

The Group has applied the amendments to K-IFRS No.1107, "Financial Instruments: Disclosures" since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Group derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

(ii) Presentation of financial statements

The Group adopted the amendments pursuant to the amended K-IFRS No. 1001, "Presentation of Financial Statements" from the annual period ended December 31, 2012. The Group's operating income is calculated as operating revenue less operating expense. Operating expense represents expense incurred from the Group's main operating activities and includes cost of products that have been resold, and selling, general and administrative expenses.

2. Basis of Presentation, Continued

(5) Changes in accounting policies, Continued

2) Impact of changes in accounting policies

The Group retrospectively applied the amendment to K-IFRS No. 1001, for which the impact is as follows:

(In millions of won)

| | 2012 | 2011 |
|--------------------------------------------------------------------|-----------|-----------|
| Operating income before adoption of the amendment | 1,766,253 | 2,189,289 |
| Differences: | | |
| Other non-operating income | | |
| Fees revenues | (3,982) | (5,264) |
| Gain on disposal of property and equipment and intangible assets | (162,590) | (6,275) |
| Others | (29,462) | (35,889) |
| | (196,034) | (47,428) |
| Other non-operating expense | | |
| Loss on impairment of property and equipment and intangible assets | 38,623 | 2,580 |
| Loss on disposal of property and equipment and intangible assets | 11,398 | 16,372 |
| Donations | 81,357 | 90,115 |
| Bad debt for accounts receivable other | 30,107 | 12,847 |
| Others | 28,467 | 31,838 |
| | 189,952 | 153,752 |
| Operating income after adoption of the amendment | 1,760,171 | 2,295,613 |

(6) Common control transactions

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

(7) Authorization for issuance of the consolidated financial statements

The consolidated financial statements were authorized for issue by the Board of Directors on February 7, 2013, which will be submitted for approval to the shareholders meeting to be held on March 22, 2013.

3. Significant Accounting Policies

The significant accounting policies applied by the Group in preparation of its consolidated financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for those as described in note 2-(5).

(1) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. The Group's operating segments have been determined to be each business unit, for which the Group generates separately identifiable financial information that is regularly reported to the

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chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The Group has three reportable segments which consist of cellular services, fixed-line telecommunication services and others, as described in note 4. Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(2) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of the other entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

If a member of the Group uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

(ii) Intra-group transactions

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Non-controlling interests

Non-controlling interests in a subsidiary are accounted for separately from the parent's ownership interests in a subsidiary. Each component of net profit or loss and other comprehensive income is attributed to the owners of the parent and non-controlling interest holders, even when the allocation reduces the non-controlling interest balance below zero.

3. Significant Accounting Policies, Continued

(2) Basis of consolidation, Continued

(iv) Changes in the Parent Company's ownership interest in a subsidiary

Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognized in profit or loss. The difference between the consideration and the adjustments made to non-controlling interest is recognized directly in equity attributable to the owners of the Parent Company.

(3) Business combination

(i) Business combination

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control.

Each identifiable asset and liability is measured at its acquisition-date fair value except for below:

Leases and insurance contracts are required to be classified on the basis of the contractual terms and other factors

Only those contingent liabilities that are a present obligation and can be measured reliably are recognized

Deferred tax assets or liabilities are recognized and measured in accordance with K-IFRS No. 1012, Income Taxes

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Employee benefit arrangements are recognized and measured in accordance with K-IFRS No.1019, Employee Benefits

Indemnification assets are recognized and measured on the same basis as the indemnified liability or asset

Reacquired rights are measured on the basis of the remaining contractual terms of the related contract

Liabilities or equity instruments related to share-based payment transactions are measured in accordance with the method in K-IFRS No.1102, Share-based Payment

Assets held for sale are measured at fair value less costs to sell in accordance with K-IFRS No. 1105, Non-current Assets Held for Sale

As of the acquisition date, non-controlling interests in the acquiree are measured as the non-controlling interests' proportionate share of the acquiree's identifiable net assets.

The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer.

3. Significant Accounting Policies, Continued

(3) Business combination, Continued

Acquisition-related costs are costs the acquirer incurs to effect a business combination. Those costs include finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department; and costs of registering and issuing debt and equity securities. Acquisition-related costs, other than those associated with the issue of debt or equity securities, are expensed in the periods in which the costs are incurred and the services are received. The costs to issue debt or equity securities are recognized in accordance with K-IFRS No.1032, Financial Instruments: Presentation and K-IFRS No.1039, Financial Instruments: Recognition and Measurement .

(ii) Goodwill

The Group measures goodwill at the acquisition date as:

the fair value of the consideration transferred; plus

the recognized amount of any non-controlling interests in the acquiree; plus

if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less

the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, bargain purchase gain is recognized immediately in profit or loss.

As part of its transition to K-IFRS, the Group elected to restate only those business combinations which occurred on or after January 1, 2010 in accordance with K-IFRS. In respect of acquisitions prior to January 1, 2010, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous GAAP, K-GAAP.

(iii) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised.

The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of share premium.

(4) Associates

An associate is an entity in which the Group has significant influence, but not control, over the entity's financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

3. Significant Accounting Policies, Continued

(4) Associates, Continued

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The investment in an associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and changes in equity of the associate after the date of acquisition. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Intra-group losses recognized as expense if intra-group losses indicate an impairment that requires recognition in the consolidated financial statements.

If an associate uses accounting policies different from those of the Group for like transactions and events in similar circumstances, appropriate adjustments are made to its financial statements in applying the equity method.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest, including any long-term investments, is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has to make payments on behalf of the investee for further losses.

(5) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(6) Inventories

Inventories are stated at the acquisition cost using the average method. During the period, a perpetual inventory system is used to value inventories, which is adjusted to the physical inventory counts performed at the period end. When the net realizable value of inventories is less than the acquisition cost, the carrying amount is reduced to the net realizable value and any difference is charged to current operations as operating expenses. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Significant Accounting Policies, Continued

(7) Non-derivative financial assets

The Group recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Group recognizes financial assets in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Group has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

(v) De-recognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability. If the Group retains substantially all the risks and rewards of ownership of the transferred financial assets, the Group continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

3. Significant Accounting Policies, Continued

(7) Non-derivative financial assets, Continued

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the consolidated statement of financial position only when the Group currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(8) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting

The Group holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Group designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship.

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the consolidated statement of income. The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

3. Significant Accounting Policies, Continued

(8) Derivative financial instruments, including hedge accounting, Continued

(ii) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

(9) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidence that a financial asset is impaired includes following loss events:

significant financial difficulty of the issuer or obligor;

a breach of contract, such as default or delinquency in interest or principal payments;

the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

the disappearance of an active market for that financial asset because of financial difficulties; or

observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

3. Significant Accounting Policies, Continued

(9) Impairment of financial assets, Continued

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Group can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(10) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

3. Significant Accounting Policies, Continued

(10) Property, plant and equipment, Continued

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of property, plant and equipment is depreciated over its separate useful life.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as other non-operating income (loss).

The estimated useful lives of the Group's property, plant and equipment are as follows:

| | Useful lives (years) |
|----------------------------------------------------|----------------------|
| Buildings and structures | 15 ~ 40 |
| Machinery | 3 ~ 15 |
| Other property, plant and equipment (Other PP&E) | 4 ~ 10 |

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Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(11) Borrowing costs

The Group capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Group borrows funds specifically for the purpose of obtaining a qualifying asset, the Group determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Group borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Group shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Group capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

3. Significant Accounting Policies, Continued**(12) Intangible assets**

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives of the Group's intangible assets are as follows:

| | Useful lives (years) |
|-----------------------|----------------------|
| Frequency use rights | 6 ~ 13 |
| Land use rights | 5 |
| Industrial rights | 5 ~ 10 |
| Development costs | 5 |
| Facility usage rights | 10 ~ 20 |
| Customer relations | 4~9 |
| Other | 3 ~ 20 |

Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3. Significant Accounting Policies, Continued

(13) Government grants

Government grants are not recognized unless there is reasonable assurance that the Group will comply with the grant's conditions and that the grant will be received.

(i) Grants related to assets

Government grants whose primary condition is that the Group purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

(ii) Grants related to expense

Government grants which are intended to compensate the Group for expenses incurred are deducted from the related expenses.

(14) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 15~40 years as estimated useful lives.

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(15) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

3. Significant Accounting Policies, Continued

(15) Impairment of non-financial assets, Continued

The Group estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Group estimates the recoverable amount of cash-generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(16) Leases

The Group classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases

At the commencement of the lease term, the Group recognizes as finance assets and finance liabilities in its consolidated statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Group reviews to determine whether the leased asset may be impaired.

3. Significant Accounting Policies, Continued

(16) Leases, Continued

(ii) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(iii) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a financial lease that it is impracticable to separate the payments reliably, the Group recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest.

(17) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The Group recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036, Impairment of Assets .

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

3. Significant Accounting Policies, Continued

(18) Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Group recognizes financial liabilities in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Group derecognizes a financial liability from the consolidated statement of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

(19) Employee benefits

(i) Short-term employee benefits

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Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Group during an accounting period, the Group recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

3. Significant Accounting Policies, Continued

(19) Employee benefits, Continued

(iii) Retirement benefits: defined contribution plans

When an employee has rendered service to the Group during a period, the Group recognizes the contribution payable to a defined contribution plan in exchange for that service as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the Group recognizes that excess as an asset (prepaid expense) to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

(iv) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method. The discount rate is the yield at the reporting date on corporate bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Group recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Group recognizes an asset, to the extent of the total of cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Group recognizes the past service cost immediately.

(v) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

3. Significant Accounting Policies, Continued

(20) Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

(21) Foreign currencies

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(ii) Foreign operations

If the presentation currency of the Group is different from a foreign operation's functional currency, the financial statements of the foreign operation are translated into the presentation currency using the following methods:

The assets and liabilities of foreign operations, whose functional currency is not the currency of a hyperinflationary economy, are translated to presentation currency at exchange rates at the reporting date. The income and expenses of foreign operations are translated to functional currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income.

3. Significant Accounting Policies, Continued

(21) Foreign currencies, Continued

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign operation is treated as assets and liabilities of the foreign operation. Thus they are expressed in the functional currency of the foreign operation and translated at the closing rate.

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When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.

(22) Equity capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

When the Group repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Group acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

(23) Revenue

Revenue from the sale of goods, rendering of services or use of the Group assets is measured at the fair value of the consideration received or receivable. Returns, trade discounts and volume rebates are recognized as a reduction of revenue.

(i) Services

Revenue from cellular services consists of revenue from basic charges, voice charges, data charges, data-roaming services and interconnection charges. Such revenues are recognized as services are performed. Revenues received for the activation of service are deferred and recognized over the average customer retention period.

Revenue from fixed-line services includes domestic short and long distance charges, international phone connection charges, and broadband internet services. Such revenues are recognized as the related services are performed.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3. Significant Accounting Policies, Continued

(23) Revenue, Continued

(ii) Goods sold

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

(iii) Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The amount allocated to the award credits is estimated by reference to the fair value of the services to be provided with respect to the redeemable award credits. The fair value of the services to be provided with respect to the redeemable portion of the award credits granted to the customers in accordance with customer loyalty programmes is estimated taking into account the expected redemption rate and timing of the expected redemption. Considerations allocated to the award credits are deferred and revenue is recognized when the award credits are recovered and the Group performs its obligation to provide the service. The amount of revenue recognized is based on the relative size of the total award credits that are expected to be redeemed and the redeemed award credits in exchange for services.

(iv) Bundled arrangements

When the Group sells both handsets and wireless services to subscribers, the Group recognizes these transactions separately as sales for handset sales and wireless telecommunication services.

(24) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest rate method. Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Interest expense on borrowings and debentures are recognized in profit or loss using the effective interest rate method.

(25) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

3. Significant Accounting Policies, Continued

(25) Income taxes, Continued

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Group recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Group recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

Income tax expense in relation to dividend payments is recognized when liabilities relating to the dividend payments are recognized.

3. Significant Accounting Policies, Continued

(26) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(27) Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. When an operation is classified as a discontinued operation, the comparative consolidated statement of comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(28) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Group for annual periods beginning after January 1, 2012, and the Group has not early adopted them.

(i) K-IFRS No.1110, Consolidated Financial Statements

The standard introduces a single control model to determine whether an investee should be consolidated. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(ii) K-IFRS No.1111, Joint Arrangements

The standard classifies joint arrangements into two types - joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

3. Significant Accounting Policies, Continued

(28) New standards and interpretations not yet adopted, Continued

(iii) K-IFRS No.1112, Disclosure of Interests in Other Entities

The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Group is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(iv) Amendments to K-IFRS No. 1019, Employee Benefits

The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation. The standard will be applied retrospectively for the Group's annual periods beginning on or after January 1, 2013.

(v) K-IFRS No. 1113, Fair Value Measurement

The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied prospectively for the Group's annual periods beginning on or after January 1, 2013.

(vi) Amendments to K-IFRS No. 1001, Presentation of Financial Statements

The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is mandatorily effective for annual periods beginning on or after July 1, 2012.

Management is in the process of evaluating the impact, if any, of applying these standards on its financial position and results of operations.

4. Operating Segments

The Group's operating segments have been determined to be each business unit, for which the Group provides independent services and merchandise. The Group's reportable segments are: 1) cellular services, which include cellular voice service, wireless data service and wireless internet services, and 2) fixed-line telecommunication services, which include telephone services, internet services, and leased line services. All other operating segments, which include the Group's Internet portal services and other operations, do not meet the quantitative thresholds to be considered reportable segments and are presented as Other.

Cellular services include cellular voice service, wireless data service and wireless internet services. Fixed-line telecommunication services include telephone services, internet services, and leased line services. Other includes the Group's Internet portal services, game manufacturing and other immaterial operations.

(1) Segment information as of and for the years ended December 31, 2012 and 2011 is as follows:

(In millions of won)

| | 2012 | | | Total segments | Consolidation adjustments | Consolidated amount |
|------------------------------------------------------------------------|-------------------|---------------------------------------|-----------|----------------|---------------------------|---------------------|
| | Cellular services | Fixed-line telecommunication services | Other | | | |
| Total sales | 14,475,379 | 3,018,156 | 1,648,142 | 19,141,677 | (2,841,198) | 16,300,479 |
| Internal sales | 1,256,475 | 824,295 | 760,428 | 2,841,198 | (2,841,198) | |
| External sales | 13,218,904 | 2,193,861 | 887,714 | 16,300,479 | | 16,300,479 |
| Operating income | 1,683,431 | 53,115 | 23,625 | 1,760,171 | | 1,760,171 |
| Interest income | 54,790 | 19,071 | 26,106 | 99,967 | | 99,967 |
| Interest expense | (320,050) | (79,935) | (12,394) | (412,379) | | (412,379) |
| Depreciation and amortization | (1,735,193) | (578,969) | (118,125) | (2,432,287) | | (2,432,287) |
| Gain (loss) related to investments in subsidiaries and associates, net | 6,007 | 1,171 | (31,457) | (24,279) | | (24,279) |
| Income tax benefit (expense) from continuing operations | (295,399) | 11,356 | (11,844) | (295,887) | | (295,887) |
| Profit (loss) | 1,280,730 | (7,352) | (18,378) | 1,255,000 | | 1,255,000 |
| Total assets | 22,860,867 | 3,349,715 | 3,298,774 | 29,509,356 | (3,913,797) | 25,595,559 |
| Total liabilities | 10,281,115 | 2,105,282 | 860,336 | 13,246,733 | (505,956) | 12,740,777 |

4. Operating Segments, Continued

(In millions of won)

| | 2011 | | | Total segments | Consolidation adjustments | Consolidated amount |
|-----------------------------------------------------------------------|-------------------|---------------------------------------|-----------|----------------|---------------------------|---------------------|
| | Cellular services | Fixed-line telecommunication services | Other | | | |
| Total sales | 14,081,496 | 2,878,139 | 1,009,636 | 17,969,271 | (2,042,803) | 15,926,468 |
| Internal sales | 1,005,229 | 746,190 | 291,384 | 2,042,803 | (2,042,803) | |
| External sales | 13,076,267 | 2,131,949 | 718,252 | 15,926,468 | | 15,926,468 |
| Operating income | 2,178,070 | 66,231 | 51,312 | 2,295,613 | | 2,295,613 |
| Interest income | 139,319 | 15,404 | 13,425 | 168,148 | | 168,148 |
| Interest expense | (197,569) | (91,298) | (8,305) | (297,172) | | (297,172) |
| Depreciation and amortization | (1,666,703) | (574,399) | (55,377) | (2,296,479) | | (2,296,479) |
| Gain(Loss) related to investments in subsidiaries and associates, net | (25,860) | (940) | (20,349) | (47,149) | | (47,149) |
| Income tax expense from continuing operations | (583,711) | (9,786) | (15,458) | (608,955) | | (608,955) |
| Profit (loss) | 1,675,393 | (62,939) | 19,280 | 1,631,734 | | 1,631,734 |
| Total assets | 20,970,450 | 3,844,042 | 3,503,663 | 28,318,155 | (3,952,119) | 24,366,036 |
| Total liabilities | 8,804,587 | 2,554,298 | 982,657 | 12,341,542 | (708,215) | 11,633,327 |

Intersegment sales and purchases are conducted on an arms-length basis and eliminated on consolidation. Since there are no intersegment sales of inventory, there is no unrealized intersegment profit to be eliminated on consolidation. The Group principally operates its business in its domestic market in Korea and the amounts outside of Korea are immaterial, therefore no entity-wide geographical information is presented.

No single customer contributed 10% or more to the Group's total sales for the years ended December 31, 2012 and 2011.

4. Operating Segments, Continued

(2) The Group's revenues are generated as follows:

(In billions of won except percentage)

| | 2012 | | 2011 | |
|------------------------------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Amount | Percentage of total revenue | Amount | Percentage of total revenue |
| Cellular revenue | | | | |
| Wireless service | 10,591,489 | 65.0% | 10,447,605 | 65.6 |
| Interconnection | 860,250 | 5.3 | 1,090,874 | 6.8 |
| Digital handset sales | 1,131,657 | 6.9 | 787,237 | 4.9 |
| Other(*1) | 635,508 | 3.9 | 750,551 | 4.7 |
| | 13,218,904 | 81.1 | 13,076,267 | 82.1 |
| Fixed-line telecommunication services revenue | | | | |
| Fixed line telephone service | 485,941 | 3.0 | 490,739 | 3.1 |
| Interconnection revenue | 98,460 | .6 | 83,804 | .5 |
| Broadband internet service | 864,955 | 5.3 | 1,000,474 | 6.3 |
| International calling service | 144,073 | .9 | 163,559 | 1.0 |
| Miscellaneous(*2) | 600,432 | 3.7 | 393,373 | 2.5 |
| | 2,193,861 | 13.5 | 2,131,949 | 13.4 |
| Other revenue | | | | |
| Commerce service(*3) | 391,894 | 2.4 | 99,891 | .6 |
| Portal service(*4) | 167,815 | 1.0 | 233,832 | 1.5 |
| Other(*5) | 328,005 | 2.0 | 384,529 | 2.4 |
| | 887,714 | 5.4 | 718,252 | 4.5 |
| Total operating revenue | 16,300,479 | 100.0 | 15,926,468 | 100.0 |

(*1) Other cellular revenue includes revenue from the sale and licensing of Internet platform solutions.

(*2) Miscellaneous includes revenues from leased line, corporate data and internet solutions businesses.

(*3) Commerce service revenue includes sales from online shopping mall, such as, 11th Street.

(*4) Portal service revenue includes revenues from Nate, an online portal service and Cyworld, a social network service.

(*5) Other includes revenue from T store, online marketplace for mobile application, and the platform businesses for the period October 1, 2011 to December 31, 2012, subsequent to spin-off.

4. Operating Segments, Continued

(3) Reconciliations of reportable segment assets and liabilities as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------|-------------|-------------|
| Assets | | |
| Total assets for reportable segments | 29,509,356 | 28,318,155 |
| Elimination of inter-segment assets | (464,152) | (708,813) |
| Investment in subsidiaries and associates | (4,047,710) | (3,865,168) |

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| | | |
|-------------------------------------------|------------|------------|
| Goodwill, PP&E FV adjustments and others | 598,065 | 621,862 |
| | 25,595,559 | 24,366,036 |
| Liabilities | | |
| Total liabilities for reportable segments | 13,246,733 | 12,341,542 |
| Elimination of inter-segment liabilities | (464,152) | (708,813) |
| PP&E FV adjustments and others | (41,804) | 598 |
| | 12,740,777 | 11,633,327 |

5. Restricted Deposits

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|---------------------------------------------------------|----------------------|----------------------|
| Short-term financial instruments | | |
| Charitable fund(*1) | 76,500 | 70,500 |
| Guarantees for loans and other similar instruments (*2) | 149,000 | 154,000 |
| Other | 16,087 | 7,962 |
| Long-term financial instruments | 106 | 7,589 |
| Guarantee deposits | 40 | |
| | 241,733 | 240,051 |

(*1) The Group established a trust fund for charitable purposes. Profits from the fund are donated to charitable institutions. As of December 31, 2012, the funds cannot be withdrawn.

(*2) SK Broadband Co., Ltd., a subsidiary, has guaranteed certain loans of Broadband Media Co., Ltd. and provided short-term financial instruments as collateral.

6. Trade and Other Receivables

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

(In millions of won)

| | December 31, 2012 | | |
|---------------------------------------|-------------------|------------------------------|--------------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |
| Accounts receivable - trade | 2,166,293 | (211,373) | 1,954,920 |
| Short-term loans | 86,789 | (1,881) | 84,908 |
| Accounts receivable - other | 639,386 | (57,288) | 582,098 |
| Accrued income | 8,857 | (142) | 8,715 |
| Others | 431 | | 431 |
| | 2,901,756 | (270,684) | 2,631,072 |
| Non-current assets: | | | |
| Long-term loans | 97,636 | (28,337) | 69,299 |
| Guarantee deposits | 236,242 | | 236,242 |
| Long-term accounts receivable - trade | 15,024 | (1,647) | 13,377 |
| | 348,902 | (29,984) | 318,918 |
| | 3,250,658 | (300,668) | 2,949,990 |

(In millions of won)

| | December 31, 2011 | | |
|-----------------|-------------------|------------------------------|--------------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |

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| | | | |
|-------------------------------------|-----------|-----------|-----------|
| Accounts receivable - trade | 2,063,611 | (240,441) | 1,823,170 |
| Short-term loans | 102,693 | (2,264) | 100,429 |
| Accounts receivable - other | 953,821 | (44,985) | 908,836 |
| Accrued income | 21,989 | (142) | 21,847 |
| Others | 462 | | 462 |
| | 3,142,576 | (287,832) | 2,854,744 |
| Non-current assets: | | | |
| Long-term loans | 126,553 | (30,988) | 95,565 |
| Long-term accounts receivable other | 5,393 | | 5,393 |
| Guarantee deposits | 245,218 | | 245,218 |
| Long-term accounts receivable trade | 12,471 | | 12,471 |
| | 389,635 | (30,988) | 358,647 |
| | 3,532,211 | (318,820) | 3,213,391 |

6. Trade and Other Receivables, Continued

- (2) The movements in allowances for doubtful accounts of trade and other receivables during the years ended December 31, 2012 and 2011 were as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------------------------|-----------|-----------|
| Balance at January 1 | 318,820 | 327,382 |
| Increase of bad debt allowances | 82,500 | 96,595 |
| Reversal of allowances for doubtful accounts | (5,902) | (2,301) |
| Write-offs | (111,611) | (121,805) |
| Collection of receivables previously written-off | 18,169 | 18,839 |
| Net exchange differences and changes in consolidation scope | (1,308) | 110 |
| Balance at December 31 | 300,668 | 318,820 |

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

(In millions of won)

| | December 31, 2012 | | December 31, 2011 | |
|----------------------------------|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | Accounts receivable - trade | Other receivables | Accounts receivable - trade | Other receivables |
| Neither overdue or impaired | 1,589,911 | 976,882 | 1,417,574 | 1,287,606 |
| Overdue but not impaired | 38,590 | 1,588 | 34,030 | 32,144 |
| Impaired | 552,816 | 90,871 | 624,478 | 136,379 |
| | 2,181,317 | 1,069,341 | 2,076,082 | 1,456,129 |
| Allowances for doubtful accounts | (213,020) | (87,648) | (240,441) | (78,379) |
| | 1,968,297 | 981,693 | 1,835,641 | 1,377,750 |

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

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

(In millions of won)

| | December 31, 2012 | | December 31, 2011 | |
|--------------------|-----------------------------------|----------------------|-----------------------------------|----------------------|
| | Accounts receivable - trade | Other receivables | Accounts receivable - trade | Other receivables |
| Less than 1 month | 4,067 | 171 | 9,125 | 15,384 |
| 1 ~ 3 months | 10,264 | 673 | 8,063 | 3,147 |
| 3 ~ 6 months | 10,507 | 101 | 4,124 | 713 |
| More than 6 months | 13,752 | 643 | 12,718 | 12,900 |

| | | | |
|--------|-------|--------|--------|
| 38,590 | 1,588 | 34,030 | 32,144 |
|--------|-------|--------|--------|

7. Inventories

Details of inventories as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | | | December 31, 2011 | | |
|----------------------------|-------------------|-------------------------|-----------------|-------------------|-------------------------|-----------------|
| | Acquisition cost | Write-down of inventory | Carrying amount | Acquisition cost | Write-down of inventory | Carrying amount |
| Merchandise | 230,640 | (1,784) | 228,856 | 216,452 | (4,551) | 211,901 |
| Finished goods | 3,525 | (962) | 2,563 | 3,371 | (547) | 2,824 |
| Work in process | 309 | | 309 | 286 | | 286 |
| Raw materials and supplies | 10,487 | (69) | 10,418 | 4,630 | (51) | 4,579 |
| | 244,961 | (2,815) | 242,146 | 224,739 | (5,149) | 219,590 |

8. Investment Securities

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------------------|----------------------|----------------------|
| Beneficiary certificates(*) | 56,160 | 91,539 |
| Current portion of long-term investment securities | 3,967 | 3,290 |
| | 60,127 | 94,829 |

(*) The distributions arising from beneficiary certificates as of December 31, 2012 were accounted for as accrued income.

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|---------------------------------------------------------|----------------------|----------------------|
| Equity securities: | | |
| Marketable equity securities | 584,035 | 1,100,847 |
| Unlisted equity securities(*1) | 99,643 | 97,397 |
| Equity investments(*2) | 223,370 | 281,877 |
| | 907,048 | 1,480,121 |
| Debt securities(*3): | | |
| Public bonds | 377 | 413 |
| Investment bonds(*4) | 50,254 | 60,701 |
| | 50,631 | 61,114 |
| Total | 957,679 | 1,541,235 |
| Less current portion of long-term investment securities | (3,967) | (3,290) |
| Long-term investment securities | 953,712 | 1,537,945 |

(*1) Unlisted equity securities whose fair value cannot be measured reliably are recorded at cost.

(*2) Equity investments are recorded at cost.

8. Investment Securities, Continued

(*3) Interest income from debt securities for the years ended December 31, 2012 and 2011 are 7,579 million and 7,660 million, respectively.

(*4) The Group classified convertible bonds of NanoEnTek, Inc. (carrying amount as of December 31, 2012: 15,356 million), which were acquired during the year ended December 31, 2011, as financial assets at fair value through profit or loss. The difference between acquisition cost and fair value is accounted for as finance income (loss).

9. Assets and Liabilities Classified as Held for Sale

(1) Subsidiary

For the year ended December 31, 2012, the Group classified assets and liabilities of a subsidiary, SKY Property Mgmt. Ltd., as held for sale as a result of the Board of Directors' December 21, 2012 decision to dispose of the Group's ownership interests of 27% in the subsidiary in order to utilize the proceeds for new business opportunities. The ownership interests were disposed as of January 11, 2013 (see note 37).

Non-current assets and liabilities held for sale as of December 31, 2012 are as follows:

(In millions of won)

| | December 31, 2012 |
|-------------------------------|------------------------------|
| Asset group held-for sale | 773,413 |
| Current assets(*1) | 69,094 |
| Non-current assets | 704,319 |
| Long-term prepaid expense | 486,439 |
| Investment property | 186,682 |
| Property and equipment | 1,566 |
| Other non-current assets | 29,632 |
| Liability group held-for-sale | 294,305 |
| Current liabilities | 51,069 |
| Non-current liabilities | 243,236 |

(*1) Cash and cash equivalents of 51,831 million which are included in current assets are recognized as cash outflows from investing activities in the statements of cashflows as the cash equivalents are expected to be recovered through the disposal of assets and liabilities held for sale.

The assets and liabilities classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

(2) Investments in associates

A disposal contract for the Group's ownership interests in SK Fans Co., Ltd., an associate, has been entered into as of December 31, 2012 and 2,143 million of the investment in the associate was reclassified to non-current assets held for sale after an impairment loss of 7,656 million was recognized.

10. Investments in Associates

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

(In millions of won, except for share data)

| | | 2012 | | 2011 | |
|-------------------------------------------------|------------------|---------------|------------------|-----------------|-----------------|
| | Number of shares | Ownership (%) | Acquisition cost | Carrying amount | Carrying amount |
| SK Marketing & Company Co., Ltd. | 5,000,000 | 50.0 | 190,000 | 145,333 | 128,320 |
| SK China Company Ltd.(*1,2) | 720,000 | 9.6 | 49,529 | 37,628 | 48,488 |
| SK USA, Inc. | 49 | 49.0 | 3,184 | 4,580 | 4,534 |
| Fitech Sector Limited Partnership IV | 2,500 | 49.7 | 25,000 | 25,488 | 24,907 |
| F&U Credit information Co., Ltd. | 300,000 | 50.0 | 2,410 | 4,011 | 3,565 |
| Korea IT Fund(*4) | 190 | 63.3 | 190,000 | 230,016 | 230,980 |
| JYP Entertainment Corporation | 691,680 | 25.5 | 4,150 | 4,232 | 4,008 |
| Konan Technology | 78,550 | 29.5 | 13,456 | 4,835 | 4,760 |
| Etoos Co., Ltd.(*1) | 701,000 | 15.6 | 18,993 | 12,037 | 13,928 |
| BMC Digital Culture Contents Fund | 100 | 39.8 | 10,000 | 6,549 | 8,415 |
| Wave City Development Co., Ltd.(*1) | 382,000 | 19.1 | 1,967 | | 1,124 |
| IBKC-bmc Cultural Contents Fund | | 25.0 | 2,500 | 1,753 | 2,326 |
| Hanhwa No.2 Daisy Entertainment Investment Fund | | 20.0 | 2,000 | 655 | 1,165 |
| BMC Korea Movie Fund | 135 | 46.6 | 13,500 | 17,114 | 13,926 |
| HanaSK Card Co., Ltd. | 57,647,058 | 49.0 | 400,000 | 378,457 | 396,553 |
| Daehan Kanggun BcN Co., Ltd. | 1,675,126 | 29.0 | 8,376 | 7,982 | 8,001 |
| Television Media Korea Ltd.(*5) | 18,564,000 | 51.0 | 18,568 | 11,757 | 15,262 |
| Candle Media Co., Ltd. | 21,620,360 | 40.9 | 33,746 | 21,935 | 11,814 |
| NanoEnTek, Inc.(*1) | 1,807,130 | 9.3 | 11,000 | 9,276 | 10,470 |
| UNISK(Beijing) Information Technology Co., Ltd. | 49 | 49.0 | 3,475 | 6,589 | 5,886 |
| SK Industrial Development China Co., Ltd. | 72,952,360 | 35.0 | 83,691 | 77,967 | 83,691 |
| PT. Melon Indonesia | 4,900,000 | 49.0 | 6,492 | 4,447 | 5,326 |
| Packet One Network | 1,151,556 | 28.2 | 140,139 | 88,389 | 103,409 |
| Mobile Money Venture, LLC | | 50.0 | 12,762 | 826 | 983 |
| SK Technology Innovation Company | 9,800 | 49.0 | 85,873 | 63,559 | 75,974 |
| LightSquared Inc.(*1) | 3,387,916 | 3.3 | 72,096 | | 49,441 |
| ViKi, Inc. | | 26.3 | 17,799 | 15,667 | 17,799 |
| HappyNarae Co., Ltd.(*3) | 680,000 | 42.5 | 12,250 | 13,113 | 12,250 |
| SK Hynix Inc.(*6) | 146,100,000 | 21.1 | 3,374,726 | 3,328,245 | |
| SK MENA Investment B.V.(*7) | | 32.1 | 14,485 | 13,666 | |
| SK Latin America Investment(*7) | | 32.1 | 14,243 | 13,685 | |
| Gemini(*7) | | 20.0 | 6,108 | 7,139 | |
| TR Entertainment and others | | | 181,151 | 75,547 | 97,300 |
| | | | 5,023,669 | 4,632,477 | 1,384,605 |

10. Investments in Associates, Continued

- (*1) Classified as an investment in associate because the Group can exercise significant influence over the associate through participation on the associate's board of directors.
- (*2) Ownership interests in SK China Company Ltd. decreased due to the disproportionate capital contribution.
- (*3) The name of the entity has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the year ended December 31, 2012.
- (*4) Classified as an investment in associate because the Group has less than 50% of the voting rights of the board of directors.
- (*5) Classified as an investment in associates because the entity is considered a joint venture.
- (*6) The Group acquired 146,100,000 shares (ownership interest of 21.1%) of SK Hynix Inc. through purchase of existing shares and subscription of new shares on February 14, 2012.
- (*7) The Group acquired a 32.1%, 32.1%, and 20.0% of ownership interest of SK MENA Investment B.V., SK Latin America Investment, and Gemini, respectively, during the year ended December 31, 2012.

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

(In millions of won, except for share and per share data)

| | December 31, 2012 | | | December 31, 2011 | | |
|------------------------|---------------------------------|------------------|--------------|---------------------------------|------------------|--------------|
| | Market value per share (In won) | Number of shares | Market price | Market value per share (In won) | Number of shares | Market price |
| Candle Media Co., Ltd. | 858 | 21,620,360 | 18,550 | 1,435 | 11,010,280 | 15,800 |
| NanoEnTek, Inc. | 3,915 | 1,807,130 | 7,075 | 4,160 | 1,807,130 | 7,518 |
| SK Hynix Inc. | 25,750 | 146,100,000 | 3,762,075 | | | |

10. Investments in Associates, Continued

(3) The financial information of the investees as of and for the years ended December 31, 2012 and 2011 is as follows:

(In millions of won)

| | As of and for the year ended December 31, 2012 | | | | |
|-------------------------------------------------|------------------------------------------------|-------------------|--------------|------------|------------------------------|
| | Total assets | Total liabilities | Total equity | Revenue | Profit (loss) for the period |
| SK Marketing & Company Co., Ltd. | 804,487 | 513,820 | 290,667 | 712,509 | 34,040 |
| SK China Company Ltd. | 429,729 | 20,314 | 409,415 | 84,744 | 3,941 |
| SK USA, Inc. | 18,385 | 9,038 | 9,347 | 9,982 | 382 |
| Fitech Sector Limited Partnership IV | 51,056 | 7 | 51,049 | 1,935 | 82 |
| F&U Credit information Co., Ltd. | 14,409 | 7,309 | 7,100 | 63,896 | 1,014 |
| Korea IT Fund | 363,346 | 6 | 363,340 | 19,444 | 5,820 |
| JYP Entertainment Corporation | 19,137 | 13,559 | 5,578 | 22,020 | 2,467 |
| Konan Technology | 14,318 | 2,258 | 12,060 | 12,009 | 175 |
| Etoos Co., Ltd. | 70,743 | 72,998 | (2,255) | 108,434 | (1,858) |
| BMC Digital Culture Contents Fund | 16,447 | 9 | 16,438 | 604 | (4,685) |
| Wave City Development Co., Ltd. | 125,892 | 135,047 | (9,155) | 179 | (1,757) |
| IBKC-bmc Cultural Contents Fund | 7,103 | 93 | 7,010 | 272 | (2,295) |
| Hanhwa No.2 Daisy Entertainment Investment Fund | 3,477 | 201 | 3,276 | 38 | (2,550) |
| BMC Korea Movie Fund | 36,842 | 78 | 36,764 | 10,949 | 6,849 |
| HanaSK Card Co., Ltd. | 8,184,015 | 7,499,799 | 684,216 | 1,012,772 | (29,571) |
| Daehan Kanggun BcN Co., Ltd. | 212,696 | 186,305 | 26,391 | 14,922 | (1,200) |
| Television Media Korea Ltd. | 28,506 | 5,923 | 22,583 | 12,115 | (6,873) |
| Candle Media Co., Ltd. | 32,566 | 4,700 | 27,866 | 14,068 | (4,386) |
| NanoEnTek, Inc. | 44,400 | 21,458 | 22,942 | 13,561 | (6,363) |
| UNISK(Beijing) Information Technology Co., Ltd. | 19,261 | 8,015 | 11,246 | 23,298 | 2,201 |
| PT. Melon Indonesia | 9,927 | 852 | 9,075 | | (1,128) |
| Packet One Network | 256,899 | 224,832 | 32,067 | 110,152 | (42,830) |
| Mobile Money Venture, LLC | 1,741 | 30 | 1,711 | | (123) |
| SK Technology Innovation Company | 151,746 | 22,033 | 129,713 | 10,992 | (13,410) |
| ViKi, Inc. | 10,581 | 921 | 9,660 | 636 | (4,011) |
| SK Industrial Development China Co., Ltd. | 309,318 | 86,556 | 222,762 | | 3,629 |
| HappyNarae Co., Ltd. | 33,271 | 22,240 | 11,031 | 153,966 | 1,075 |
| SK Hynix Inc.(*1) | 18,648,694 | 8,909,251 | 9,739,443 | 10,162,210 | (158,795) |
| SK MENA Investment B.V. | 41,854 | 29 | 41,825 | | 55 |
| SK Latin America Investment | 31,665 | 24 | 31,641 | | 67 |
| Gemini | 37,044 | 9,714 | 27,330 | | (1,785) |

(*1) Financial information of SK Hynix Inc. used when applying the equity method represents financial information after the acquisition date, February 14, 2012. Revenue and net loss from February 14, 2012 through December 31, 2012 were 9,210,298 million and 71,548 million, respectively.

10. Investments in Associates, Continued*(In millions of won)*

| | As of and for the year ended December 31, 2011 | | | | |
|-------------------------------------------------|------------------------------------------------|----------------------|-----------------|---------|---------------------------------|
| | Total assets | Total liabilities | Total equity | Revenue | Profit (loss) for the period |
| SK Marketing & Company Co., Ltd. | 753,508 | 496,867 | 256,641 | 652,749 | 21,543 |
| SK China Company, Ltd. | 281,579 | 58,124 | 223,455 | 43,526 | 4,542 |
| SK USA, Inc. | 20,184 | 10,932 | 9,252 | 10,623 | (2,133) |
| Fitech Sector Limited Partnership IV | 50,357 | 478 | 49,879 | | (1,717) |
| F&U Credit information Co., Ltd. | 13,511 | 7,303 | 6,208 | 50,554 | 110 |
| Korea IT Fund | 364,706 | | 364,706 | | 10,502 |
| JYP Entertainment Corporation | 17,467 | 14,424 | 3,043 | 17,722 | 407 |
| Konan Technology | 15,507 | 3,622 | 11,885 | 11,790 | 651 |
| Etoos Co., Ltd. | 69,994 | 67,889 | 2,105 | 107,174 | (743) |
| BMC Digital Culture Contents Fund | 21,288 | 166 | 21,122 | 187 | (621) |
| Wave City Development Co., Ltd. | 129,768 | 123,882 | 5,886 | 431 | (1,399) |
| IBKC-bmc Cultural Contents Fund | 9,387 | 81 | 9,306 | 638 | 106 |
| Hanhwa No.2 Daisy Entertainment Investment Fund | 5,877 | 51 | 5,826 | 92 | (1,518) |
| BMC Korea Movie Fund | 30,068 | 153 | 29,915 | 4,690 | 1,019 |
| HanaSK Card Co., Ltd. | 9,810,720 | 9,094,326 | 716,394 | 849,719 | 25,593 |
| Daehan Kanggun BcN Co., Ltd. | 213,896 | 186,305 | 27,591 | 12,772 | (1,132) |
| Television Media Korea Ltd. | 34,606 | 5,151 | 29,455 | 4,919 | (6,481) |
| Candle Media Co., Ltd. | 25,978 | 5,588 | 20,390 | 27,494 | (5,650) |
| NanoEnTek, Inc. | 52,649 | 20,379 | 32,270 | 13,088 | (8,809) |
| UNISK(Beijing) Information Technology Co., Ltd. | 20,401 | 8,388 | 12,013 | 16,028 | 1,202 |
| PT. Melon Indonesia | 12,112 | 1,242 | 10,870 | 803 | (1,860) |
| Packet One Network | 269,362 | 197,048 | 72,314 | 99,918 | (72,307) |
| Mobile Money Venture, LLC | 2,191 | 227 | 1,964 | 6,294 | 1,189 |
| SK Technology Innovation Company | 159,745 | 4,695 | 155,050 | | (11,556) |
| LightSquared Inc. | 4,647,136 | 3,125,885 | 1,521,251 | 33,374 | (669,558) |
| SK Industrial Development China Co., Ltd. | 245,294 | 517 | 244,777 | | 4,214 |
| HappyNarae Co., Ltd. | 31,335 | 22,095 | 9,240 | 124,986 | 1,001 |

- (4) Details of changes in investments in associates accounted for using the equity method for the years ended December 31, 2012 and 2011 are as follows:

10. Investments in Associates, Continued

(In millions of won)

| | Beginning balance | Acquisition | Disposal | 2012 | | | Ending balance | |
|----------------------------------------------------|----------------------|-------------|----------|-----------------------------------------|----------------------------------|--------------------|-------------------|-----------------------------------------|
| | | | | Share of profits (losses) (*1) | Other comprehensive income | Impairment loss | | Other increase (decrease) (*3) |
| SK Marketing & Company Co., Ltd. | 128,320 | | | 17,585 | (572) | | 145,333 | |
| SK China Company, Ltd. | 48,488 | | | 217 | (11,077) | | 37,628 | |
| SK USA, Inc. | 4,534 | | | 332 | (286) | | 4,580 | |
| Fitech Sector Limited Partnership IV | 24,907 | | | 49 | 532 | | 25,488 | |
| F&U Credit information Co., Ltd. | 3,565 | | | 446 | | | 4,011 | |
| Korea IT Fund | 230,980 | | | (1,141) | 177 | | 230,016 | |
| JYP Entertainment Corporation | 4,008 | | | 282 | (58) | | 4,232 | |
| Konan Technology | 4,760 | | | 75 | | | 4,835 | |
| Etoos Co., Ltd. | 13,928 | | | (1,891) | | | 12,037 | |
| BMC Digital Culture Contents Fund | 8,415 | | | (1,866) | | | 6,549 | |
| Wave City Development Co., Ltd. | 1,124 | | | (1,124) | | | | |
| IBKC-bmc Cultural Contents Fund | 2,326 | | | (573) | | | 1,753 | |
| Hanhwa No.2 Daisy Entertainment Investment Fund | 1,165 | | | (510) | | | 655 | |
| BMC Korea Movie Fund | 13,926 | | | 3,188 | | | 17,114 | |
| HanaSK Card Co., Ltd. | 396,553 | | | (16,842) | (1,254) | | 378,457 | |
| Daehan Kanggun BcN Co., Ltd. | 8,001 | | | (19) | | | 7,982 | |
| Television Media Korea Ltd. | 15,262 | | | (3,505) | | | 11,757 | |
| Candle Media Co., Ltd. | 11,814 | 8,000 | (2,147) | 3,619 | 361 | 288 | 21,935 | |
| NanoEnTek, Inc. | 10,470 | | | (1,290) | 96 | | 9,276 | |
| UNISK(Beijing) Information Technology Co., Ltd. | 5,886 | | | 1,294 | (591) | | 6,589 | |
| PT. Melon Indonesia | 5,326 | | | (468) | (411) | | 4,447 | |
| Packet One Network | 103,409 | 2,387 | | (18,252) | 845 | | 88,389 | |
| Mobile Money Venture, LLC | 983 | | | (91) | (66) | | 826 | |
| SK Technology Innovation Company | 75,974 | | | (7,320) | (5,095) | | 63,559 | |
| LightSquared Inc. | 49,441 | | | (10,571) | 1,513 | (40,383) | | |
| ViKi, Inc. | 17,799 | | | (2,168) | 36 | | 15,667 | |
| SK Industrial Development China Co., Ltd. | 83,691 | | | 276 | (6,000) | | 77,967 | |
| HappyNarae Co., Ltd. | 12,250 | | | 863 | | | 13,113 | |
| SK Hynix Inc. | | 3,374,726 | | 6,865 | (53,346) | | 3,328,245 | |
| SK MENA Investment B.V. | | 14,485 | | 16 | (835) | | 13,666 | |
| SK Latin America Investment | | 14,243 | | (296) | (262) | | 13,685 | |
| Gemini | | 6,108 | | 1,254 | (223) | | 7,139 | |
| TR Entertainment and others(*2) | 97,300 | 23,657 | (1,950) | (9,099) | (5,241) | (7,656) | (21,464) | 75,547 |
| | 1,384,605 | 3,443,606 | (4,097) | (40,665) | (81,757) | (48,039) | (21,176) | 4,632,477 |

10. Investments in Associates, Continued

- (*1) Includes losses on the disposal of investments in associates of 1,581 million.
- (*2) For the year ended December 31, 2012, the Group reclassified ownership interests in SK Fans Co., Ltd., a subsidiary, of 2,143 million to assets classified as held for sale after recognizing 7,656 million of an impairment loss.
- (*3) Other increase (decrease) includes reclassification from SKY Property Mgmt. Ltd.'s investments in associate, SKY Investment Co., Ltd. to non-current assets held for sale of 25,824 million as of December 31, 2012.

(In millions of won)

| | Beginning balance | Acquisition | Disposal | 2011 | | | Ending balance |
|-------------------------------------------------|-------------------|-------------|----------|--------------------------------|----------------------------|---------------------------|----------------|
| | | | | Share of profits (losses) (*1) | Other comprehensive income | Other increase (decrease) | |
| SK Marketing & Company Co., Ltd. | 117,905 | | | 9,952 | 817 | (354) | 128,320 |
| SK China Company, Ltd. | 46,573 | | | 1,022 | 893 | | 48,488 |
| SK USA, Inc. | 5,972 | | | (1,472) | 34 | | 4,534 |
| Fitech Sector Limited Partnership IV | 24,953 | | | (26) | (20) | | 24,907 |
| F&U Credit information Co., Ltd. | 4,529 | | | 36 | | (1,000) | 3,565 |
| Korea IT Fund | 226,633 | | | 11,904 | (466) | (7,091) | 230,980 |
| JYP Entertainment Corporation | 4,150 | | | (142) | | | 4,008 |
| Konan Technology | 4,410 | | | 351 | (1) | | 4,760 |
| Etoos Co., Ltd. | 14,339 | | | (710) | 299 | | 13,928 |
| BMC Digital Culture Contents Fund | 8,925 | | | (510) | | | 8,415 |
| Wave City Development Co., Ltd. | 1,392 | | | (268) | | | 1,124 |
| IBKC-bmc Cultural Contents Fund | 2,292 | | | 34 | | | 2,326 |
| Hanhwa No.2 Daisy Entertainment Investment Fund | 2,008 | | | (843) | | | 1,165 |
| BMC Korea Movie Fund | 13,977 | | | (51) | | | 13,926 |
| HanaSK Card Co., Ltd. | 386,417 | | | 10,213 | (112) | 35 | 396,553 |
| Daehan Kanggun BcN Co., Ltd. | 7,264 | 1,068 | | (331) | | | 8,001 |
| Television Media Korea Ltd. | 18,568 | | | (3,306) | | | 15,262 |
| Candle Media Co., Ltd. | 19,313 | 1,000 | | (8,743) | 244 | | 11,814 |
| NanoEnTek, Inc. | | 11,000 | | (490) | (22) | (18) | 10,470 |
| UNISK(Beijing) Information Technology Co., Ltd. | 4,714 | | | 597 | 575 | | 5,886 |
| SK Industrial Development China Co., Ltd. | | 83,691 | | | | | 83,691 |

10. Investments in Associates, Continued*(In millions of won)*

| | Beginning balance | Acquisition | Disposal | 2011 | | | Ending balance |
|----------------------------------|-------------------|-------------|----------|--------------------------------|----------------------------|---------------------------|----------------|
| | | | | Share of profits (losses) (*1) | Other comprehensive income | Other increase (decrease) | |
| HappyNarae Co., Ltd. | | 12,250 | | | | | 12,250 |
| PT. Melon Indonesia | 6,210 | | | (910) | 26 | | 5,326 |
| Packet One Network | 116,160 | 17,895 | | (32,569) | (345) | 2,268 | 103,409 |
| Mobile Money Venture, LLC | 3,206 | | | 595 | | (2,877) | 983 |
| SK Technology Innovation Company | 25,052 | 57,727 | | (5,675) | (1,130) | | 75,974 |
| Lightsquared Inc. | 72,096 | | | (21,142) | (1,513) | | 49,441 |

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| | | | | | | | | |
|--------------------------------------------------|-----------|---------|---------|----------|-------|----------|-------|-----------|
| ViKi, Inc. | | 17,799 | | | | | | 17,799 |
| SK Wyverns Baseball Club Co., Ltd. and others | 67,634 | 37,545 | (3,807) | (6,733) | 401 | | 2,260 | 97,300 |
| | 1,204,692 | 239,975 | (3,807) | (49,217) | (320) | (10,968) | 4,250 | 1,384,605 |

(*1) Includes gains on disposal of investments in associates of 2,861 million and losses on disposal of investments in associates of 793 million.

- (5) Details of changes in the differences between the acquisition cost and fair value of the Group's interest in the net assets of equity method investees at the acquisition date for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | As of and for the year ended December 31, 2012 | | | |
|--------------------------------------|------------------------------------------------|-----------|-----------------|----------------|
| | Beginning balance | Increase | Adjustments (*) | Ending balance |
| HappyNarae Co., Ltd. | 8,323 | 101 | | 8,424 |
| Fitech Sector Limited Partnership IV | 116 | | | 116 |
| F&U Credit information Co., Ltd. | 461 | | | 461 |
| JYP Entertainment Corporation | 3,479 | | (24) | 3,455 |
| Konan Technology | 1,312 | | | 1,312 |
| Etoos Co., Ltd. | 13,414 | | (1,212) | 12,202 |
| HanaSK Card Co., Ltd. | 45,520 | | (2,328) | 43,192 |
| Television Media Korea Ltd. | 240 | | | 240 |
| Candle Media Co., Ltd. | 5,928 | 3,662 | | 9,590 |
| NanoEnTek, Inc. | 7,145 | | | 7,145 |
| Packet One Network | 76,364 | 375 | (8,366) | 68,373 |
| SK Hynix Inc. | | 1,257,136 | 21,927 | 1,279,063 |
| SK MENA Investment B.V. | | 262 | | 262 |
| SK Latin America Investment | | 277 | | 277 |
| Gemini | | 1,673 | | 1,673 |
| TR Entertainment and others | 16,555 | | | 16,555 |
| | 178,857 | 1,263,486 | 9,997 | 1,452,340 |

10. Investments in Associates, Continued

(In millions of won)

| | As of and for the year ended December 31, 2011 | | | |
|--------------------------------------|------------------------------------------------|---------------------|-----------------|----------------|
| | Beginning balance | Increase (decrease) | Adjustments (*) | Ending balance |
| HappyNarae Co., Ltd. | | 8,323 | | 8,323 |
| Fitech Sector Limited Partnership IV | 116 | | | 116 |
| F&U Credit information Co., Ltd. | 461 | | | 461 |
| JYP Entertainment Corporation | 3,479 | | | 3,479 |
| Konan Technology | 1,312 | | | 1,312 |
| Etoos Co., Ltd. | 13,876 | | (462) | 13,414 |
| HanaSK Card Co., Ltd. | 47,848 | | (2,328) | 45,520 |
| Television Media Korea Ltd. | 240 | | | 240 |
| Candle Media Co., Ltd. | 5,531 | 397 | | 5,928 |
| NanoEnTek, Inc. | 7,145 | | | 7,145 |
| Packet One Network | 76,479 | | (115) | 76,364 |
| TR Entertainment and other | 14,422 | 2,133 | | 16,555 |
| | 170,909 | 10,853 | (2,905) | 178,857 |

(*) Adjustments of difference between fair value of net assets of investee and carrying amount of net assets at acquisition date.

- (6) Details of changes in unrealized intercompany gains incurred from sales of assets for the years ended December 31, 2012 and 2011 are as follows:

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(In millions of won)

| | As of and for the year ended December 31, 2012 | | | |
|---------------------------------|------------------------------------------------|----------|----------|-------------------|
| | Beginning balance | Increase | Decrease | Ending balance |
| SK China Company Ltd. | 823 | | (823) | |
| Konan Technology | 56 | | (22) | 34 |
| Etoos Co., Ltd. | (186) | | | (186) |
| ULand Company Limited and other | 2,575 | | (2,575) | |
| | 3,268 | | (3,420) | (152) |

(In millions of won)

| | As of and for the year ended December 31, 2011 | | | |
|---------------------------------|------------------------------------------------|----------|----------|---------|
| | Beginning | Increase | Decrease | Ending |
| | balance | | | balance |
| SK China Company Ltd. | 823 | | | 823 |
| Konan Technology | 79 | | (23) | 56 |
| Etoos Co., Ltd. | (186) | | | (186) |
| ULand Company Limited and other | 3,844 | | (1,269) | 2,575 |
| | 4,560 | | (1,292) | 3,268 |

10. Investments in Associates, Continued

- (7) As the Group discontinued the application of the equity method due to the carrying amount of the Group's share being reduced to zero, the unrecognized accumulated equity losses as of December 31, 2012 are as follows:

(In millions of won)

| | Unrealized loss | | Unrealized change in equity | |
|---------------------------------------|-----------------------|-------------|-----------------------------|-------------|
| | Year ended Dec. 31 | Accumulated | Year ended Dec. 31 | Accumulated |
| SK Wyverns Baseball Club Co., Ltd. | (1,099) | | | |
| ULand Company Limited | 1,207 | 1,703 | 77 | 127 |
| Wave City Development Co., Ltd. | 1,749 | 1,749 | | |
| Cyworld Holdings Hong Kong and others | | 2,937 | | 334 |
| | 1,857 | 6,389 | 77 | 461 |

11. Property and Equipment

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

(In millions of won)

| | December 31, 2012 | | | |
|--------------------------|---------------------|-----------------------------|--------------------------------|--------------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Carrying amount |
| Land | 704,908 | | | 704,908 |
| Buildings | 1,391,489 | (505,118) | | 886,371 |
| Structures | 681,905 | (318,421) | | 363,484 |
| Machinery | 22,997,148 | (16,558,093) | (122,863) | 6,316,192 |
| Other | 1,609,034 | (971,062) | (760) | 637,212 |
| Construction in progress | 804,552 | | | 804,552 |
| | 28,189,036 | (18,352,694) | (123,623) | 9,712,719 |

(In millions of won)

| | December 31, 2011 | | | |
|--------------------------|---------------------|-----------------------------|--------------------------------|--------------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment loss | Carrying amount |
| Land | 730,361 | | | 730,361 |
| Buildings | 1,514,787 | (525,709) | | 989,078 |
| Structures | 585,724 | (284,609) | | 301,115 |
| Machinery | 21,340,424 | (15,844,924) | (1,928) | 5,493,572 |
| Other | 1,617,736 | (906,263) | (12) | 711,461 |
| Construction in progress | 805,411 | | | 805,411 |
| | 26,594,443 | (17,561,505) | (1,940) | 9,030,998 |

11. Property and Equipment, Continued

(2) Changes in property and equipment for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | | | | | | | Change of consolidation scope | Ending balance |
|--------------------------|----------------------|-------------|-----------|-------------|--------------|---------------|-----------------------------------|----------------------------------------|-------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | Impairment(*) | Classified as held for sale | | |
| Land | 730,361 | 1,499 | (41,771) | 14,819 | | | | | 704,908 |
| Buildings | 989,078 | 1,369 | (62,699) | 9,491 | (50,868) | | | | 886,371 |
| Structures | 301,115 | 65,541 | (81) | 30,632 | (33,723) | | | | 363,484 |
| Machinery | 5,493,572 | 547,874 | (24,614) | 2,188,882 | (1,780,899) | (108,623) | | | 6,316,192 |
| Other | 711,461 | 1,497,412 | (4,593) | (1,438,042) | (124,426) | (748) | (1,566) | (2,286) | 637,212 |
| Construction in progress | 805,411 | 1,280,654 | (810) | (1,262,578) | | (18,125) | | | 804,552 |
| | 9,030,998 | 3,394,349 | (134,568) | (456,796) | (1,989,916) | (127,496) | (1,566) | (2,286) | 9,712,719 |

(*) The Group recognized 109,486 million of impairment loss on property and equipment in relation to the discontinuance of the digital multimedia broadcasting service and included the amount in loss from discontinued operation.

(In millions of won)

| | 2011 | | | | | | Change of consolidation scope | Ending balance |
|--------------------------|----------------------|-------------|----------|-------------|--------------|-------|-------------------------------------|-------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | | | |
| Land | 707,970 | 3,300 | (1,968) | 21,059 | | | | 730,361 |
| Buildings | 1,018,508 | 27,565 | (6,172) | 2,278 | (53,101) | | | 989,078 |
| Structures | 242,125 | 65,665 | (141) | 25,673 | (32,207) | | | 301,115 |
| Machinery | 5,167,143 | 390,376 | (26,662) | 1,640,380 | (1,677,640) | (25) | | 5,493,572 |
| Other | 570,187 | 1,289,809 | (6,347) | (1,039,030) | (104,997) | 1,839 | | 711,461 |
| Construction in progress | 447,480 | 1,183,841 | (8,322) | (817,588) | | | | 805,411 |
| | 8,153,413 | 2,960,556 | (49,612) | (167,228) | (1,867,945) | 1,814 | | 9,030,998 |

12. Investment Property

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

(In millions of won)

| | December 31, 2012 | | |
|-----------|---------------------|-----------------------------|--------------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | 12,638 | | 12,638 |
| Buildings | 20,026 | (5,185) | 14,841 |
| | 32,664 | (5,185) | 27,479 |

12. Investment Property, Continued

(In millions of won)

| | Acquisition cost | December 31, 2011 Accumulated depreciation | Carrying amount |
|-----------|-----------------------------|-----------------------------------------------------------|----------------------------|
| Land | 23,153 | | 23,153 |
| Buildings | 295,767 | (47,834) | 247,933 |
| | 318,920 | (47,834) | 271,086 |

(2) Changes in investment property for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | | | | | | Classified as held for sale | Ending balance |
|-----------|----------------------|-------------|----------|----------|--------------|-----------|--------------------------------------|-------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | | | |
| Land | 23,153 | | (10,737) | 222 | | | 12,638 | |
| Buildings | 247,933 | 129 | (22,619) | (15,797) | (8,123) | (186,682) | 14,841 | |
| | 271,086 | 129 | (33,356) | (15,575) | (8,123) | (186,682) | 27,479 | |

(In millions of won)

| | 2011 | | | | Ending balance |
|-----------|----------------------|-------------|----------|--------------|-------------------|
| | Beginning balance | Acquisition | Transfer | Depreciation | |
| Land | 19,670 | | 3,483 | | 23,153 |
| Buildings | 177,637 | 86,285 | (8,887) | (7,102) | 247,933 |
| | 197,307 | 86,285 | (5,404) | (7,102) | 271,086 |

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

(In millions of won)

| | December 31, 2012 | | December 31, 2011 | |
|-----------|--------------------|---------------|--------------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Land | 12,638 | 15,228 | 23,153 | 40,540 |
| Buildings | 14,841 | 13,949 | 247,933 | 272,794 |
| | 27,479 | 29,177 | 271,086 | 313,334 |

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

(4) Income (expense) from investment property for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------|----------|----------|
| Rent revenue | 73,755 | 54,088 |
| Operating expense | (57,049) | (42,141) |

13. Goodwill

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

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(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------------------|----------------------|----------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | 1,306,236 | 1,306,236 |
| Goodwill related to acquisition of SK Broadband Co., Ltd. | 358,443 | 358,443 |
| Other goodwill | 79,804 | 85,254 |
| | 1,744,483 | 1,749,933 |

Goodwill is allocated to the following CGUs for the purpose of the impairment test.

Shinsegi Telecom, Inc.(*1): cellular services

SK Broadband Co., Ltd.(*2): fixed-line telecommunication services

Other: other

(*1) Shinsegi Telecom, Inc.

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 6.1% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 2.0% was applied for the cash flows expected to be incurred after five years and is not expected to exceed the Group's long-term wireless business growth. Management of the Group does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to the reasonably possible changes from the major assumptions used to estimate the recoverable amount.

(*2) Goodwill related to acquisition of SK Broadband Co., Ltd.

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 6.3% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 2.4% was applied for the cash flows expected to be incurred after five years. Management of the Group does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to the reasonably possible changes from the major assumptions used to estimate the recoverable amount.

(2) Details of changes in goodwill for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|---------------------------------------|-----------|-----------|
| Beginning balance | 1,749,933 | 1,736,649 |
| Goodwill increase due to acquisitions | 10,078 | 13,242 |
| Impairment loss | (13,316) | |
| Other increase (decrease)(*) | (2,212) | 42 |
| | 1,744,483 | 1,749,933 |

(*) Other increase (decrease) represents effects of exchange rate changes in relation to the foreign subsidiaries and reclassification of assets held for sale.

No accumulated impairment losses were included in the beginning balance of goodwill and impairment loss was only recognized for the year ended December 31, 2012.

14. Intangible Assets

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

(In millions of won)

| | 2012 | | | Carrying amount |
|-----------------------|------------------|--------------------------|------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment | |
| Frequency use rights | 2,837,385 | (1,140,610) | (2,907) | 1,693,868 |
| Land use rights | 42,041 | (25,979) | | 16,062 |
| Industrial rights | 84,955 | (24,851) | | 60,104 |
| Development costs | 171,256 | (146,757) | (11,079) | 13,420 |
| Facility usage rights | 142,283 | (76,943) | | 65,340 |
| Customer relations | 52,792 | (3,906) | | 48,886 |
| Memberships(*1) | 119,686 | | (732) | 118,954 |
| Other(*2) | 2,197,856 | (1,518,585) | (6,247) | 673,024 |
| | 5,648,254 | (2,937,631) | (20,965) | 2,689,658 |

(In millions of won)

| | 2011 | | | Carrying amount |
|----------------------|------------------|--------------------------|------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Accumulated impairment | |
| Frequency use rights | 2,820,726 | (931,624) | | 1,889,102 |

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| | | | | |
|-----------------------|-----------|-------------|----------|-----------|
| Land use rights | 38,450 | (19,124) | | 19,326 |
| Industrial rights | 79,720 | (20,246) | | 59,474 |
| Development costs | 162,197 | (134,710) | (6,526) | 20,961 |
| Facility usage rights | 138,802 | (69,311) | | 69,491 |
| Customer relations | 648,035 | (506,217) | | 141,818 |
| Memberships(*1) | 117,711 | | | 117,711 |
| Other(*2) | 1,958,802 | (1,276,646) | (4,236) | 677,920 |
| | 5,964,443 | (2,957,878) | (10,762) | 2,995,803 |

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

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

14. Intangible Assets, Continued

(2) Details of changes in intangible assets for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | | | | | | | Ending balance |
|-----------------------|-------------------|-------------|----------|----------|--------------|---------------|-------------------------------|----------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Amortization | Impairment(*) | Change of consolidation scope | |
| Frequency use rights | 1,889,102 | 16,659 | | | (208,986) | (2,907) | | 1,693,868 |
| Land use rights | 19,326 | 3,830 | (142) | | (6,952) | | | 16,062 |
| Industrial rights | 59,474 | 4,313 | | 687 | (4,316) | (6) | (48) | 60,104 |
| Development costs | 20,961 | 3,019 | | 933 | (6,940) | (4,553) | | 13,420 |
| Facility usage rights | 69,491 | 3,998 | (121) | 108 | (8,136) | | | 65,340 |
| Customer relations | 141,818 | 578 | | | (93,510) | | | 48,886 |
| Memberships | 117,711 | 6,363 | (3,972) | 396 | | (732) | (812) | 118,954 |
| Other | 677,920 | 115,498 | (15,630) | 194,442 | (286,139) | (11,200) | (1,867) | 673,024 |
| | 2,995,803 | 154,258 | (19,865) | 196,566 | (614,979) | (19,398) | (2,727) | 2,689,658 |

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

(In millions of won)

| | 2011 | | | | | | | Ending balance |
|-----------------------|-------------------|-------------|----------|----------|--------------|------------|-----------------------------|----------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Amortization | Impairment | Classified as held for sale | |
| Frequency use rights | 709,043 | 1,333,796 | | | (153,737) | | | 1,889,102 |
| Land use rights | 17,551 | 7,623 | (54) | | (5,794) | | | 19,326 |
| Industrial rights | 60,740 | 1,848 | (1) | 646 | (3,759) | | | 59,474 |
| Development costs | 26,470 | 7,006 | | (609) | (8,481) | (459) | (2,966) | 20,961 |
| Facility usage rights | 73,760 | 4,544 | (110) | 44 | (7,970) | (777) | | 69,491 |
| Customer relations | 226,940 | 1,791 | | | (92,796) | | 5,883 | 141,818 |
| Memberships | 111,736 | 6,864 | (2,440) | 1,551 | | | | 117,711 |
| Other | 658,716 | 109,784 | (1,674) | 245,495 | (335,119) | (1,343) | 2,061 | 677,920 |
| | 1,884,956 | 1,473,256 | (4,279) | 247,127 | (607,656) | (2,579) | 4,978 | 2,995,803 |

14. Intangible Assets, Continued

- (3) Research and development expenditure recognized as expense for the years ended December 31, 2012 and 2011 are as follows:

| | 2012 | 2011 |
|-----------------------------------------------------|---------|---------|
| Research and development costs expensed as incurred | 304,557 | 271,382 |

- (4) The carrying amount and residual useful lives of major intangible assets as of December 31, 2012 are as follows:

(In millions of won)

| | Amount | Description | Residual useful lives |
|------------------------|-----------|-------------------------------------------------------------------------|-----------------------------|
| W-CDMA license | 389,949 | Frequency use rights relating to W-CDMA service | (*1) |
| W-CDMA license | 65,244 | Frequency use rights relating to W-CDMA service | (*2) |
| 800MHz license | 344,624 | Frequency use rights relating to CDMA and LTE service | (*3) |
| 1.8GHz license | 879,350 | Frequency use rights relating to LTE service | (*4) |
| WiBro license | 14,701 | WiBro service | (*5) |
| Customer relationships | 48,886 | Customer relationships related to acquisition of SK Broadband Co., Ltd. | 9 months |
| | 1,742,754 | | |

- (*1) The Group purchased the W-CDMA license from Korea Communication Commission (KCC) on December 4, 2001. Amortization of the W-CDMA license commenced once the Group began its commercial W-CDMA services on December 29, 2003, under a straight-line basis over the remaining useful life of the license. The W-CDMA license will expire in December 2016.
- (*2) The Group purchased the additional W-CDMA license from KCC in May 2010. Amortization of the additional W-CDMA license commenced once the Group started its related commercial W-CDMA services on October 7, 2010, under a straight-line basis over the remaining useful life of the W-CDMA license. The additional W-CDMA license will expire in December 2016.
- (*3) The Group purchased 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Group started its related commercial CDMA and LTE services on July 1, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.
- (*4) The Group purchased 1.8GHz license from KCC in December 2011. Amortization of the 1.8GHz license commenced once the Group started its related commercial LTE services in July 2012, under a straight-line basis over the remaining useful life of the 1.8GHz license. The 1.8GHz license will expire in December 2021.
- (*5) The Group additionally purchased WiBro license in March 2012. Amortization of this WiBro license commenced when the Group started its commercial WiBro services on March 30, 2012, under a straight line basis over the remaining useful life. This WiBro license will expire in March 2019.

15. Borrowings and Debentures

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

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(In millions of won and thousands of U.S. dollars)

| | Lender | Annual interest rate (%) | December 31, 2012 | December 31, 2011 |
|------------------------------------------|------------------------|-----------------------------------------|------------------------------|------------------------------|
| Commercial paper | Woori Bank, etc. | 2.98 ~ 3.10 | 130,000 | 200,000 |
| Short-term borrowings (Korean won) | Kookmin Bank, etc. | 3.65 ~ 6.20 | 470,245 | 394,033 |
| Short-term borrowings (Foreign currency) | SK China Company, Ltd. | | | 106,680 |
| | | | | (USD 92,500) |
| | | | 600,245 | 700,713 |

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

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

| Lender | Annual interest rate (%) | Maturity | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------------|--------------------------|---------------|-------------------|-------------------|
| Bank of Communications (*1,2) | 6M Libor + 0.29 | Oct. 10, 2013 | 32,133 | 34,599 |
| | | | (USD 30,000) | (USD 30,000) |
| | | | 21,422 | 23,066 |
| Bank of China(*1) | 6M Libor + 0.29 | Oct. 10, 2013 | (USD 20,000) | (USD 20,000) |
| | | | 26,778 | 28,833 |
| DBS Bank(*1) | 6M Libor + 0.29 | Oct. 10, 2013 | (USD 25,000) | (USD 25,000) |
| | | | 26,778 | 28,833 |
| SMBC(*1) | 6M Libor + 0.29 | Oct. 10, 2013 | (USD 25,000) | (USD 25,000) |
| | | | | 65,893 |
| China Merchants Bank | 6.35 | Jan. 27, 2018 | | (CNY 360,000) |
| | | | | 31,116 |
| Korea Exchange Bank | 6.11 | Jan. 28, 2015 | | (CNY 170,000) |
| | | | | 86,498 |
| Hana Bank HK | 3M Libor + 3.2 | Mar. 3, 2014 | | (USD 75,000) |
| Kookmin Bank and 13 others | 4.48 | Feb. 14, 2015 | 350,000 | |
| Kookmin Bank | 3.56 | Jun. 15, 2012 | | 1,977 |
| Korea Development Bank | 3.56 | Jun. 17, 2013 | 1,762 | 5,288 |
| Korea Development Bank | 3.56 | Jun. 16, 2014 | 4,942 | 8,237 |
| Shinhan Bank | 3.56 | Jun. 15, 2015 | 8,561 | 10,273 |
| Kookmin Bank | 3.56 | Jun. 15, 2016 | 9,749 | 9,749 |
| Kookmin Bank | 3.56 | Mar. 15, 2017 | 5,996 | |
| Sub-total | | | 488,121 | 334,362 |
| Less present value discount on long-term borrowings | | | (1,667) | |
| | | | 486,454 | 334,362 |
| Less current portion of long-term borrowings | | | (117,217) | (10,510) |
| Long-term borrowings | | | 369,237 | 323,852 |

(*1) As of December 31, 2012, 6M Libor rate is 0.51%.

(*2) Credit Agricole transferred the loans to Bank of Communications during the year ended December 31, 2012.

15. Borrowings and Debentures, Continued

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

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

| | Purpose | Maturity | Annual interest rate (%) | December 31, 2012 | December 31, 2011 |
|-----------------------------|--------------------------------|----------|--------------------------|-------------------|-------------------|
| Unsecured private bonds | Refinancing fund | 2016 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2013 | 4.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2014 | 5.00 | 200,000 | 200,000 |
| | | | | | 185,645 |
| Unsecured private bonds | | 2012 | | | (JPY 12,500,000) |
| Unsecured private bonds | Other fund | 2015 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2018 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2013 | 6.92 | 250,000 | 250,000 |
| Unsecured private bonds | | 2016 | 5.54 | 40,000 | 40,000 |
| | | | | | 44,555 |
| Unsecured private bonds | | 2012 | | | (JPY 3,000,000) |
| Unsecured private bonds | | 2016 | 5.92 | 230,000 | 230,000 |
| | | | | | 74,258 |
| Unsecured private bonds | | 2012 | | | (JPY 5,000,000) |
| Unsecured private bonds | Operating fund | 2016 | 3.95 | 110,000 | 110,000 |
| Unsecured private bonds | | 2021 | 4.22 | 190,000 | 190,000 |
| Unsecured private bonds | Operating and refinancing fund | 2019 | 3.24 | 170,000 | |
| Unsecured private bonds | | 2022 | 3.30 | 140,000 | |
| Unsecured private bonds | | 2032 | 3.45 | 90,000 | |
| Unsecured private bonds(*1) | Operating fund | 2014 | 4.86 | 20,000 | 50,000 |
| Unsecured private bonds(*1) | | 2015 | 4.62 | 10,000 | 50,000 |
| Unsecured private bonds(*2) | | 2013 | 3.99 | 150,000 | 150,000 |
| Unsecured private bonds(*2) | | 2014 | 4.53 | 290,000 | 290,000 |
| Unsecured private bonds(*2) | | 2014 | 4.40 | 100,000 | 100,000 |
| Unsecured private bonds(*2) | | 2015 | 4.09 | 110,000 | |
| Unsecured private bonds(*2) | | 2015 | 4.14 | 110,000 | |
| Unsecured private bonds(*2) | | 2017 | 4.28 | 100,000 | |
| Unsecured private bonds(*2) | | 2015 | 3.14 | 130,000 | |
| Unsecured private bonds(*2) | | 2017 | 3.27 | 120,000 | |
| | | | | 428,440 | 461,320 |
| Foreign global bonds | | 2027 | 6.63 | | |
| | | | | (USD 400,000) | (USD 400,000) |
| | | | | | 576,650 |
| Foreign global bonds | | 2012 | 7.00 | | (USD 500,000) |
| | | | | 405,678 | 397,886 |
| Exchangeable bonds(*5) | Refinancing fund | 2014 | 1.75 | | |
| | | | | (USD 332,528) | (USD 332,528) |
| | | | | | 253,726 |
| Floating rate notes(*3) | Operating fund | 2012 | | | (USD 220,000) |
| Floating rate notes(*3) | | 2014 | 3M Libor + 1.60 | 267,775 | 288,325 |

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| | | | | |
|---------------------------------------|------|-----------------|---------------|---------------|
| | | | (USD 250,000) | (USD 250,000) |
| | | | 56,906 | 57,619 |
| Floating rate notes(*4) | 2014 | SOR rate + 1.20 | (SGD 65,000) | (SGD 65,000) |
| | | | 351,930 | |
| Swiss unsecured private bonds | 2017 | 1.75 | (CHF 300,000) | |
| | | | 749,770 | |
| Foreign global bonds | 2018 | 2.13 | (USD 700,000) | |
| | | | | |
| Sub-total | | | 5,620,499 | 4,799,984 |
| Less discounts on bonds | | | (43,500) | (39,096) |
| | | | | |
| | | | 5,576,999 | 4,760,888 |
| Less current portion of bonds payable | | | (597,779) | (1,531,879) |
| | | | | |
| | | | 4,979,220 | 3,229,009 |

15. Borrowings and Debentures, Continued

- (*1) Unsecured private bonds were issued by SK Telink Co., Ltd., a subsidiary of the Parent Company.
 (*2) Unsecured private bonds were issued by SK Broadband Co., Ltd., a subsidiary of the Parent Company.
 (*3) As of December 31, 2012, 3M Libor rate is 0.31%.
 (*4) As of December 31, 2012, SOR rate is 0.35%.
 (*5) As of December 31, 2012, exchangeable bonds are classified as financial liabilities at fair value through profit or loss. As of December 31, 2011, the exchangeable bonds were classified as current as the bond holders were eligible to exercise early redemption right during the period from January 23, 2012 to March 8, 2012 and redeem their notes at 100% of the principal amount on April 7, 2012. However, as of December 31, 2012, the exchangeable bonds are reclassified as non-current liabilities as the bond holders did not exercise their now expired early redemption right.

On April 7, 2009, the Group issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%. As of December 31, 2012, fair value of the exchangeable bonds is USD 378, 749,392. The exchange price could be adjusted and the exchange price is 197,760 with the exchange rate of 1,383.40 per USD 1.

The Group may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be exchanged as of December 31, 2012 is 2,326,149 shares.

Exchanges of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Group's voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Group will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

In accordance with a resolution of the Board of Directors on February 9, 2012 and July 28, 2012, the exchange price was changed from 209,853 to 197,760 and the number of common shares that can be exchanged was changed from 2,192,102 shares to 2,326,149 shares due to the payment of periodic and interim dividends. During the year ended December 31, 2012, no exchange was made.

16. Long-term Payables - other

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------------------|------------------------------|------------------------------|
| Payables related to acquisition of W-CDMA licenses | 705,605 | 840,974 |
| Other(*) | 9,903 | 6,522 |
| | 715,508 | 847,496 |

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

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

(In millions of won)

| | 2.1GHz | 800MHz | 1.8GHz | 2.3GHz | Total |
|-------------------------------------------------------------------------|-------------|-------------|-------------|-------------|-----------|
| Period of payment | 2012 ~ 2014 | 2013 ~ 2015 | 2012 ~ 2021 | 2014 ~ 2016 | |
| Coupon rate(*1) | 3.58% | 3.51% | 3.00% | 3.00% | |
| Annual effective interest rate(*2) | 5.89% | 5.69% | 5.25% | 5.80% | |
| Nominal value | 52,600 | 208,250 | 746,250 | 8,650 | 1,015,750 |
| Present value discount on long-term payments - other | (3,237) | (11,060) | (66,797) | (641) | (81,735) |
| Present value of long-term payables - other at the time of acquisition | 49,363 | 197,190 | 679,453 | 8,009 | 934,015 |
| Nominal value | 52,600 | 208,250 | 746,250 | | 1,007,100 |
| Present value discount on long-term payables - other | (3,237) | (11,060) | (66,797) | | (81,094) |
| Current portion of long-term payables - other | (17,533) | | (74,625) | | (92,158) |
| Accumulated amortization of present value discount at December 31, 2011 | 2,065 | 1,925 | 3,136 | | 7,126 |
| Carrying amount as of December 31, 2011 | 33,895 | 199,115 | 607,964 | | 840,974 |
| Increase | | | | 8,650 | 8,650 |
| Present value discount on long-term payables - other | | | | (641) | (641) |
| Amortization of present value discount on long-term payables - other | 628 | 4,029 | 9,775 | 155 | 14,587 |
| Less current portion of long-term payables - other | (17,372) | (68,535) | (72,058) | | (157,965) |
| Carrying amount at December 31, 2012 | 17,151 | 134,609 | 545,681 | 8,164 | 705,605 |

(*1) The Group applied an annual interest rate equal to the previous year average lending rate of public funds financing account less 1%.

16. Long-term Payables - other, Continued

(*2) The Group estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term account payables-other.

(3) The repayment schedule of long-term payables - other as of December 31, 2012 is as follows:

(In millions of won)

| | Amount |
|---------------------|---------|
| 2013 | 161,575 |
| 2014 | 164,458 |
| 2015 | 146,925 |
| 2016 and thereafter | 450,633 |
| | 923,591 |

17. Provisions

(1) Changes in provisions for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | | | As of December 31, 2012 | | |
|-------------------------------|-------------------|----------|--------------|-------------------------|---------|-------------|
| | Beginning balance | Increase | Utilization, | Ending balance | Current | Non-current |
| Provision for handset subsidy | 762,238 | 272,869 | (681,724) | 353,383 | 279,977 | 73,406 |
| Provision for restoration | 36,379 | 4,896 | (1,380) | 39,895 | 7,256 | 32,639 |
| Other provisions | 942 | 43 | (395) | 590 | 74 | 516 |
| | 799,559 | 277,808 | (683,499) | 393,868 | 287,307 | 106,561 |

(In millions of won)

| | 2011 | | | As of December 31, 2011 | | |
|-------------------------------|-------------------|----------|--------------|-------------------------|---------|-------------|
| | Beginning balance | Increase | Utilization, | Ending balance | Current | Non-current |
| Provision for handset subsidy | 732,042 | 877,191 | (846,995) | 762,238 | 653,172 | 109,066 |
| Provision for restoration | 32,522 | 8,466 | (4,609) | 36,379 | 3,877 | 32,502 |
| Other provisions | 286 | 811 | (155) | 942 | 149 | 793 |
| | 764,850 | 886,468 | (851,759) | 799,559 | 657,198 | 142,361 |

The Group recognizes a provision for handset subsidies given to the subscribers who purchase handsets on an installment basis.

(2) The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period.

| | Key assumptions |
|-------------------------------|------------------------------------------------------------------------------------------|
| Provision for handset subsidy | estimation based on historical service retention period data |
| Provision for restoration | estimation based on inflation assuming demolition of the relevant assets after six years |

18. Lease**(1) Finance Lease**

The Group has leased certain telecommunication equipment under finance lease agreements with Cisco Systems Capital Korea Ltd. Finance lease liabilities as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|--------------------------------------------------------|----------------------|----------------------|
| Finance Lease Liabilities | | |
| Current portion of long-term finance lease liabilities | 19,904 | 31,308 |
| Long-term finance lease liabilities | 22,036 | 41,940 |
| | 41,940 | 73,248 |

The Group's related interest and principal as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | | December 31, 2011 | |
|--------------------------------------------------------|-----------------------------|------------------|-----------------------------|------------------|
| | Minimum lease payment | Present value | Minimum lease payment | Present value |
| Less than 1 year | 21,375 | 19,904 | 34,198 | 31,308 |
| 1 ~ 5 years | 22,744 | 22,036 | 44,119 | 41,940 |
| Subtotal | 44,119 | 41,940 | 78,317 | 73,248 |
| Current portion of long-term finance lease liabilities | | (19,904) | | (31,308) |
| Long-term finance lease liabilities | | 22,036 | | 41,940 |

(2) Operating Lease

The Group entered into operating lease and sublease agreements in relation to rented office space and the expected future lease payments and lease revenues are as follows:

(In millions of won)

| | Lease payments | Lease revenues |
|-------------------|-------------------|-------------------|
| Less than 1 year | 36,411 | 1,636 |
| 1 ~ 5 years | 108,747 | 1,074 |
| More than 5 years | 69,058 | 1,026 |
| | 214,216 | 3,736 |

(3) Sales and Leaseback

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For the year ended December 31, 2012, the Group disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is considered as an operating lease and the gain on disposal of property and equipment and investment property is recognized as other non-operating income.

19. Defined Benefit Liabilities

(1) Defined contribution plans

The Group operates a defined contribution plan for participating employees. Though the Group pays fixed contributions into a separate fund, employee benefits relating to employee service in the future is based on the contributions to the funds and the investment earnings on it. Plan assets are managed by a trustee as a separate fund from the Group's assets.

(2) Defined benefit plans

The Group also operates a defined benefit pension plan for employees and uses the projected unit credit method in the actuarial valuation of plan assets and the defined benefit obligation. The Group expects to make a contribution of 54,087 million to the defined benefit plans during the next financial year.

(3) Details of defined benefit liabilities as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------------|----------------------|----------------------|
| Present value of defined benefit obligations | 244,866 | 188,120 |
| Fair value of plan assets | (158,345) | (102,179) |
| | 86,521 | 85,941 |

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

| | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------|----------------------|----------------------|
| Discount rate for defined benefit obligations | 3.28% ~ 4.75% | 4.11% ~ 6.15% |
| Inflation rate | 3.00% | 3.00% |
| Expected rate of return on plan assets | 3.28% ~ 5.34% | 2.00% ~ 8.11% |
| Expected rate of salary increase | 3.00% ~ 5.81% | 3.50% ~ 5.10% |

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

19. Defined Benefit Liabilities, Continued

(5) Changes in defined benefit obligations for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|----------------------|----------|----------|
| Beginning balance | 188,120 | 160,363 |
| Current service cost | 77,060 | 63,925 |
| Interest cost | 8,119 | 9,086 |
| Actuarial loss | 19,942 | 30,503 |
| Benefits paid | (46,066) | (77,754) |
| Others(*) | (2,309) | 1,997 |
| Ending balance | 244,866 | 188,120 |

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(*) Others include effects of changes in consolidation scope of () 4,185 million in relation to the disposal of Ntreev Soft Co., Ltd. and transfers to construction in progress during the year ended December 31, 2012.

(6) Changes in plan assets for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|---------------------------------------------------|-------------|-------------|
| Beginning balance | 102,179 | 92,493 |
| Expected return on plan assets | 4,314 | 4,059 |
| Actuarial gain (loss) | 447 | (1,048) |
| Contributions by employer directly to plan assets | 60,533 | 44,961 |
| Benefits paid | (9,108) | (38,343) |
| Others | (20) | 57 |
| Ending balance | 158,345 | 102,179 |

- (7) Expenses recognized in profit and loss and capitalized into construction-in-progress for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|--------------------------------|---------|---------|
| Current service cost | 77,060 | 63,925 |
| Interest cost | 8,119 | 9,086 |
| Expected return on plan assets | (4,314) | (4,059) |
| | 80,865 | 68,952 |

The above costs are recognized in labor cost, research and development, or capitalized into construction-in-progress.

19. Defined Benefit Liabilities, Continued

- (8) Details of plan assets as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------|----------------------|----------------------|
| Equity instruments | 1,221 | |
| Debt instruments | 34,269 | 12,455 |
| Short-term financial instruments, etc. | 122,855 | 89,724 |
| | 158,345 | 102,179 |

Actual return on plan assets for the years ended December 31, 2012 and 2011 amounted to 4,761 million and 3,011 million, respectively.

20. Derivative Instruments

- (1) Currency swap contracts under cash flow hedge accounting

The Group has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling USD 100,000,000 borrowed on October 10, 2006. As of December 31, 2012, in connection with unsettled cross currency interest rate swap contracts to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to 2,391 million (net of tax effect totaling 263 million and foreign currency translation loss arising from U.S. dollar denominated long-term borrowings totaling 12,310 million) is accounted for as accumulated other comprehensive loss.

In addition, the Group has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and five other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of December 31, 2012, in connection with unsettled foreign currency swap contracts to which cash flow hedge accounting is applied since May 12, 2010, an accumulated loss on valuation of derivatives amounting to 37,047 million (net of tax effect totaling 11,828 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 28,628 million) is accounted for as accumulated other comprehensive loss. In connection with the currency swap contract, a gain on valuation of the currency swap contract which was incurred before application of hedge accounting amounting to 129,806 million was recognized in profit or loss.

In addition, the Group has entered into a floating-to-fixed cross currency swap contract with DBS Bank and Citi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 250,000,000 issued on December 15, 2011. As of December 31, 2012, in connection with the unsettled cross currency interest rate swap contract, an accumulated gain

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on valuation of derivatives amounting to 6,152 million (net of tax effect totaling 1,964 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 21,668 million) is accounted for as other comprehensive income.

20. Derivative Instruments, Continued

In addition, the Group has entered into a floating-to-fixed cross currency swap contract with United Overseas Bank to hedge the foreign currency risk and the interest rate risk of its Singapore dollar denominated bonds with face amounts totaling SGD 65,000,000 issued on December 15, 2011. As of December 31, 2012, in connection with the unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 121 million (net of tax effect totaling 39 million and foreign currency translation gain arising from unguaranteed Singapore dollar denominated bonds totaling 554 million) is accounted for as accumulated other comprehensive loss.

In addition, the Group has entered into a fixed-to-fixed cross currency swap contract with Citi Bank and five other banks to hedge the foreign currency risk of its Swiss Franc denominated bonds with face amounts totaling CHF 300,000,000 issued on June 12, 2012. As of December 31, 2012, in connection with the unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 5,999 million (net of tax effect totaling 1,915 million and foreign currency translation gain arising from unguaranteed Swiss Franc denominated bonds totaling 11,550 million) is accounted for as accumulated other comprehensive loss.

In addition, the Group has entered into a fixed-to-fixed cross currency swap contract with Barclays and nine other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 700,000,000 issued on November 1, 2012. As of December 31, 2012, in connection with the unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 12,419 million (net of tax effect totaling 3,965 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 13,485 million) is accounted for as accumulated other comprehensive loss.

(2) Convertible options not designated as hedged items

The Group sold its entire amount of ownership interests in Etoos Co., Ltd. which have been held by a subsidiary, SK Communications Co., Ltd. for the period prior to 2011, to Etoos Academy. With respect to this transaction, the Group received convertible bonds including convertible options as consideration and recognized losses on the valuation of derivatives of 286 million and 943 million for the years ended December 31, 2012 and 2011, respectively, in profit or loss.

20. Derivative Instruments, Continued

As of December 31, 2012, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

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

| | Hedged item | Amount | Duration of Contract | Fair value | | Total |
|---------------------------------------|------------------------------------|-------------|-------------------------------|-------------------------------|----------------|--------|
| | | | | Designated as Cash Flow Hedge | Not Designated | |
| Current assets: | | | | | | |
| Floating-to-fixed cross currency swap | U.S. dollar denominated bonds | USD 100,000 | Oct. 10, 2006 ~ Oct. 10, 2013 | 9,656 | | 9,656 |
| Non-current assets: | | | | | | |
| Fix-to-fixed cross currency swap | U.S. dollar denominated bonds | USD 400,000 | Jul. 20, 2007 ~ Jul. 20, 2027 | 52,303 | | 52,303 |
| Convertible option | Convertible bonds | KRW 50,000 | Sep. 01, 2009 ~ Aug. 31, 2014 | | 689 | 689 |
| Total assets | | | | 61,959 | 689 | 62,648 |
| Non-current liabilities: | | | | | | |
| Floating-to-fixed cross currency swap | U.S. dollar denominated bonds | USD 250,000 | Dec. 15, 2011 ~ Dec. 12, 2014 | 13,552 | | 13,552 |
| Floating-to-fixed cross currency swap | Singapore dollar denominated bonds | SGD 65,000 | Dec. 15, 2011 ~ Dec. 12, 2014 | 714 | | 714 |
| | | CHF 300,000 | | 19,464 | | 19,464 |

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| | | | | | |
|------------------------------------|-------------------------------|-------------|-------------------------------|--------|--------|
| Fixed-to-fixed cross currency swap | Swiss Franc denominated bonds | | Jun. 12, 2012 ~ Jun. 12, 2017 | | |
| Fixed-to-fixed cross currency swap | U.S. dollar denominated bonds | USD 700,000 | Nov. 1, 2012 ~ May. 1, 2018 | 29,869 | 29,869 |
| Total liabilities | | | | 63,599 | 63,599 |

21. Share Capital and Capital Surplus (Deficit) and Other Capital Adjustments

The Parent Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus (deficit) and other capital adjustments as of December 31, 2012 and 2011 are as follows:

(In millions of won, except for share data)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------------------------|------------------------------|------------------------------|
| Authorized shares | 220,000,000 | 220,000,000 |
| Issued shares(*1) | 80,745,711 | 80,745,711 |
| Share capital | | |
| Common stock | 44,639 | 44,639 |
| Capital surplus (deficit) and other capital adjustments: | | |
| Paid-in surplus | 2,915,887 | 2,915,887 |
| Treasury stock | (2,410,451) | (2,410,451) |
| Loss on disposal of treasury stock | (18,855) | (18,855) |
| Others(*2) | (775,464) | (771,928) |
| | (288,883) | (285,347) |

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

(*2) Others primarily consist of net losses on disposals of businesses and the excess of the consideration paid by the Group over the carrying values of net assets acquired from common control transactions with entities within the control of the Ultimate Controlling Entity.

There were no changes in share capital for the years ended December 31, 2012 and 2011.

22. Treasury Stock

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

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

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

23. Retained Earnings

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|---------------------------------------------|----------------------|----------------------|
| Appropriated: | | |
| Legal reserve | 22,320 | 22,320 |
| Reserve for research & manpower development | 220,000 | 535,595 |
| Reserve for business expansion | 9,106,138 | 8,009,138 |
| Reserve for technology development | 1,901,300 | 1,524,000 |
| | 11,249,758 | 10,091,053 |
| Unappropriated | 874,899 | 1,551,472 |
| | 12,124,657 | 11,642,525 |

(2) Legal reserve

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

(3) Reserve for research & manpower development

The reserve for research and manpower development was appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures 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.

24. Reserves

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------------------------|----------------------|----------------------|
| Unrealized fair value of available-for-sale financial assets | 207,063 | 354,951 |
| Other comprehensive income of investments in associates | (175,044) | (93,599) |
| Unrealized fair value of derivatives | (46,652) | (25,100) |
| Foreign currency translation differences for foreign operations | (11,003) | 23,812 |
| | (25,636) | 260,064 |

24. Reserves, Continued

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(2) Changes in reserves for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | | | | |
|------------------------------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------|--------------|
| | Unrealized fair value of available-for- sale financial assets | Other comprehensive income of investments in associates | Unrealized fair value of derivatives | Foreign currency translation differences for foreign operations | Total |
| Balance at January 1, 2012 | 354,951 | (93,599) | (25,100) | 23,812 | 260,064 |
| Changes | (194,929) | (75,448) | (26,114) | (34,815) | (331,306) |
| Tax effect | 47,041 | (5,997) | 4,562 | | 45,606 |
| Balance at December 31, 2012 | 207,063 | (175,044) | (46,652) | (11,003) | (25,636) |

(In millions of won)

| | 2011 | | | | |
|------------------------------|--------------------------------------------------------------|---------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------|-----------|
| | Unrealized fair value of available-for-sale financial assets | Other comprehensive income of investments in associates | Unrealized fair value of derivatives | Foreign currency translation differences for foreign operations | Total |
| Balance at January 1, 2011 | 793,645 | (91,413) | (56,862) | (2,314) | 643,056 |
| Changes | (555,612) | (906) | 40,865 | 26,126 | (489,527) |
| Tax effect | 116,918 | (1,280) | (9,103) | | 106,535 |
| Balance at December 31, 2011 | 354,951 | (93,599) | (25,100) | 23,812 | 260,064 |

(3) Details of changes in fair value of available-for-sale financial assets for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | | |
|-----------------------------------------------------------------|--------------|-------------------|-------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2012 | 467,846 | (112,895) | 354,951 |
| Amount recognized as other comprehensive income during the year | (43,135) | 10,249 | (32,886) |
| Amount reclassified through profit or loss | (151,794) | 36,792 | (115,002) |
| Balance at December 31, 2012 | 272,917 | (65,854) | 207,063 |

(In millions of won)

| | 2011 | | |
|-----------------------------------------------------------------|--------------|-------------------|-------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2011 | 1,023,458 | (229,813) | 793,645 |
| Amount recognized as other comprehensive income during the year | (418,349) | 84,227 | (334,122) |
| Amount reclassified through profit or loss | (137,263) | 32,691 | (104,572) |
| Balance at December 31, 2011 | 467,846 | (112,895) | 354,951 |

24. Reserves, Continued

(4) Details of changes in valuation of derivatives for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | | |
|-----------------------------------------------------------------|--------------|-------------------|-------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2012 | (36,583) | 11,483 | (25,100) |
| Amount recognized as other comprehensive income during the year | (29,883) | 4,327 | (25,556) |
| Amount reclassified through profit or loss | 3,768 | 236 | 4,004 |
| Balance at December 31, 2012 | (62,698) | 16,046 | (46,652) |

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(In millions of won)

| | | 2011 | |
|-----------------------------------------------------------------|-------------------------|------------------------------|------------------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2011 | (77,448) | 20,586 | (56,862) |
| Amount recognized as other comprehensive income during the year | 55,158 | (13,023) | 42,135 |
| Amount reclassified through profit or loss | (14,293) | 3,920 | (10,373) |
| Balance at December 31, 2011 | (36,583) | 11,483 | (25,100) |

25. Other Operating Expenses

Details of other operating expenses for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|---------------------------------------------|-----------|-----------|
| Other Operating Expenses: | | |
| Communication expenses | 69,985 | 58,438 |
| Utilities | 197,734 | 168,288 |
| Taxes and dues(*) | 91,847 | 47,467 |
| Repair | 223,247 | 250,801 |
| Research and development | 304,557 | 271,382 |
| Training | 39,596 | 38,139 |
| Bad debt for accounts receivables - trade | 52,351 | 83,748 |
| Reversal of allowance for doubtful accounts | (5,343) | (2,301) |
| Travel | 31,642 | 32,973 |
| Supplies | 32,546 | 41,035 |
| Vehicle maintenance | 17,839 | 15,428 |
| Conference | 13,884 | 14,023 |
| Other | 82,053 | 57,005 |
| | 1,151,938 | 1,076,426 |

(*) Taxes and dues for the year ended December 31, 2012 includes 20.3 billion fined against the Group for allegedly colluding with other third parties to inflate the prices of handsets while advertising that the handsets are offered at a discount through subsidy plans. The Group's appeal of the case is currently pending.

26. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|---------------------------------------------------------------------|---------|---------|
| Other Non-operating Income: | | |
| Fees revenues | 3,982 | 5,264 |
| Gain on disposal of property and equipment and intangible assets | 162,590 | 6,275 |
| Others | 29,462 | 35,889 |
| | 196,034 | 47,428 |
| Other Non-operating Expenses: | | |
| Loss on impairment of property and equipment, and intangible assets | 38,623 | 2,580 |
| Loss on disposal of property and equipment and intangible assets | 11,398 | 16,372 |
| Donations | 81,357 | 90,115 |
| Bad debt for accounts receivable - other | 30,107 | 12,847 |
| Others | 28,467 | 31,838 |
| | 189,952 | 153,752 |

27. Finance Income and Costs

(1) Details of finance income and costs for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------------------------------------------|---------|---------|
| Finance Income: | | |
| Interest income | 99,967 | 168,148 |
| Dividends | 27,732 | 26,433 |
| Gain on foreign currency transactions | 6,738 | 11,134 |
| Gain on foreign currency translation | 4,065 | 1,985 |
| Gain on disposal of long-term investment securities | 282,605 | 164,454 |
| Gain on valuation of derivatives | | 3,785 |
| Gain on settlement of derivatives | 26,103 | |
| Gain on valuation of financial asset at fair value through profit or loss | | 2,617 |
| Gain on valuation of financial liability at fair value through profit or loss | | 63,769 |
| | 447,210 | 442,325 |

27. Finance Income and Costs, Continued

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------------------------------------------|---------|---------|
| Finance Costs: | | |
| Interest expense | 412,379 | 297,172 |
| Loss on foreign currency transactions | 7,216 | 10,382 |
| Loss on foreign currency translation | 4,608 | 6,409 |
| Loss on disposal of long-term investment securities | 10,802 | 447 |
| Loss on valuation of derivatives | 286 | 943 |
| Loss on settlement of derivatives | 1,232 | 15,577 |
| Loss on valuation of financial asset at fair value through profit or loss | 1,262 | |
| Loss on valuation of financial liability at fair value through profit or loss | 7,793 | |
| Loss on redemption of debentures | 2,099 | |
| Other finance costs | 190,620 | 12,846 |
| | 638,297 | 343,776 |

(2) Details of interest income included in finance income for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------------------|--------|---------|
| Interest income on cash equivalents and deposits | 57,029 | 61,577 |
| Interest income on installment receivables and others | 42,938 | 106,571 |
| | 99,967 | 168,148 |

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(3) Details of interest expense included in finance costs for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|----------------------------------------------------|----------------|----------------|
| Interest expense on bank overdrafts and borrowings | 147,727 | 60,271 |
| Interest expense on debentures | 209,545 | 208,403 |
| Interest on finance lease liabilities | 2,621 | 4,422 |
| Others | 52,486 | 24,076 |
| | 412,379 | 297,172 |

27. Finance Income and Costs, Continued

(4) Finance income and costs by categories of financial instruments for the years ended December 31, 2012 and 2011 are as follows. Bad debt expenses (reversal of allowance for doubtful accounts) for accounts receivable trade, loans and receivables are excluded and are explained in note 6.

(i) Finance income and costs

(In millions of won)

| | 2012 | | 2011 | |
|------------------------------------------------------------|----------------|---------------|----------------|---------------|
| | Finance income | Finance costs | Finance income | Finance costs |
| Financial Assets: | | | | |
| Financial assets at fair value through profit or loss | | 1,262 | 3,013 | 943 |
| Available-for-sale financial assets | 317,915 | 201,423 | 198,547 | 13,293 |
| Loans and receivables | 102,799 | 11,824 | 173,498 | 12,603 |
| Derivative financial instruments designated as hedged item | 26,103 | 1,516 | | 8,088 |
| | 446,817 | 216,025 | 375,058 | 34,927 |
| Financial Liabilities: | | | | |
| Financial liabilities at fair value through profit or loss | | 7,793 | 67,158 | 2,353 |
| Financial liabilities measured at amortized cost | 393 | 414,479 | 109 | 301,360 |
| Derivative financial instruments designated as hedged item | | | | 5,136 |
| | 393 | 422,272 | 67,267 | 308,849 |
| | 447,210 | 638,297 | 442,325 | 343,776 |

(ii) Other comprehensive income

(In millions of won)

| | 2012 | 2011 |
|------------------------------------------------------------|-----------|-----------|
| Financial Assets: | | |
| Available-for-sale financial assets | (149,082) | (433,546) |
| Derivative financial instruments designated as hedged item | (23,527) | 20,890 |
| | (172,609) | (412,656) |
| Financial Liabilities: | | |
| Derivative financial instruments designated as hedged item | 166 | 8,346 |
| | 166 | 8,346 |
| | (172,443) | (404,310) |

27. Finance Income and Costs, Continued

(5) Details of impairment losses for financial assets for the years ended December 31, 2012 and 2011 are as follows.

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(In millions of won)

| | 2012 | 2011 |
|------------------------------------------|-------------|-------------|
| Available-for-sale financial assets | 190,621 | 12,846 |
| Bad debt for accounts receivable - trade | 52,351 | 83,748 |
| Bad debt for accounts receivable - other | 30,107 | 12,847 |
| | 273,079 | 109,441 |

28. Income Tax Expense for Continuing Operations

- (1) Income tax expenses for continuing operations for the years ended December 31, 2012 and 2011 consist of the following:

(In millions of won)

| | 2012 | 2011 |
|-----------------------------------------------------------------------|----------|-----------|
| Current tax expense | | |
| Current tax payable | 207,623 | 530,232 |
| Adjustments recognized in the period for current tax of prior periods | (68,741) | 90,389 |
| | 138,882 | 620,621 |
| Deferred tax expense | | |
| Changes in net deferred tax assets | 103,480 | (120,718) |
| Tax directly charged to equity | 50,053 | 108,563 |
| Changes in scope of consolidation | (3,611) | 330 |
| Others (exchange rate differences, etc.) | 7,083 | 159 |
| | 157,005 | (11,666) |
| Income tax for continuing operation | 295,887 | 608,955 |

- (2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2012 and 2011 is attributable to the following:

(In millions of won)

| | 2012 | 2011 |
|----------------------------------------------------------------------------------------------------------------------|----------|----------|
| Income taxes at statutory income tax rate | 374,853 | 538,087 |
| Non-taxable income | (5,039) | (10,230) |
| Non-deductible expenses | 19,410 | 7,994 |
| Tax credit and tax reduction | (72,947) | (42,572) |
| Tax effects of temporary differences, unused tax losses and unused tax credits not recognized in deferred tax assets | 5,723 | 33,170 |
| Additional income tax (refund) for prior periods | (32,071) | 90,389 |
| Deferred tax effect from statutory tax rate change for future periods | 5,958 | (7,883) |
| Income tax for continuing operation | 295,887 | 608,955 |

28. Income Tax Expense for Continuing Operations, Continued

For the year ended December 31, 2011, additional income tax for prior periods is recognized as a result of the resolution of various tax matters during the finalization of Tax Authorities audits of the Parent Company's tax returns from 2005 to 2009.

- (3) Deferred taxes directly charged to (credited to) equity for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|--|------|------|
|--|------|------|

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| | | |
|-----------------------------------------------------------------|---------|---------|
| Net change in fair value of available-for-sale financial assets | 47,041 | 116,918 |
| Share of other comprehensive income of associates | (5,997) | (1,280) |
| Gain or loss on valuation of derivatives | 4,562 | (9,103) |
| Actuarial gain or loss | 4,447 | 6,276 |
| Loss on disposal of treasury stock | | (2,980) |
| Others | | (1,268) |
| | 50,053 | 108,563 |

(4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | Beginning | Changes in scope of consolidation | 2012 Deferred tax expense (income) | Directly added to (deducted from) equity | Other | Ending |
|--------------------------------------------------------------------------------------------------|-----------|-----------------------------------|---------------------------------------|------------------------------------------|-------|-----------|
| Deferred tax assets (liabilities) related to temporary differences | | | | | | |
| Allowance for doubtful accounts | 41,451 | (126) | 10,657 | | (10) | 51,972 |
| Accrued interest income | (1,400) | 29 | (411) | | | (1,782) |
| Available-for-sale financial assets | (79,778) | (154) | 46,310 | 47,041 | | 13,419 |
| Investments in subsidiaries and associates | 33,439 | | 39,549 | (5,997) | (22) | 66,969 |
| Property and equipment (depreciation) | (210,720) | | (62,220) | | | (272,940) |
| Provisions | 185,266 | (31) | (98,667) | | (1) | 86,567 |
| Retirement benefit obligation | 19,245 | (801) | (6,042) | 4,447 | | 16,849 |
| Gain or loss on valuation of derivatives | 11,216 | | 116 | 4,562 | | 15,894 |
| Gain or loss on foreign currency translation | 9,210 | 6 | 10,436 | | | 19,652 |
| Tax free reserve for research and manpower development | (53,460) | 220 | 22,147 | | | (31,093) |
| Goodwill relevant to leased line | 116,287 | | (47,612) | | | 68,675 |
| Unearned revenue (activation fees) | 116,512 | | (19,402) | | | 97,110 |
| Others | 35,117 | (1,981) | (64,056) | | 7,116 | (23,804) |
| | 222,385 | (2,838) | (169,195) | 50,053 | 7,083 | 107,488 |
| Deferred tax assets related to unused tax loss carryforwards and unused tax credit carryforwards | | | | | | |
| Tax loss carryforwards | 4,419 | | 12,190 | | | 16,609 |
| Tax credit carryforwards | 774 | (773) | | | | 1 |
| | 5,193 | (773) | 12,190 | | | 16,610 |
| | 227,578 | (3,611) | (157,005) | 50,053 | 7,083 | 124,098 |

28. Income Tax Expense for Continuing Operations, Continued*(In millions of won)*

| | 2011 | | | | | |
|--------------------------------------------------------------------------------------------------|-----------|--------------------------------------------|-------------------------------------|------------------------------------------------|-------|-----------|
| | Beginning | Changes in scope of consolidation | Deferred tax expense (income) | Directly added to (deducted from) equity | Other | Ending |
| Deferred tax assets (liabilities) related to temporary differences | | | | | | |
| Allowance for doubtful accounts | 51,748 | | (10,300) | | 3 | 41,451 |
| Accrued interest income | (716) | | (684) | | | (1,400) |
| Available-for-sale financial assets | (241,325) | | 44,629 | 116,918 | | (79,778) |
| Investments in subsidiaries and associates | 18,941 | | 15,610 | (1,280) | 168 | 33,439 |
| Property and equipment (depreciation) | (196,282) | | (14,438) | | | (210,720) |
| Provisions | 180,965 | | 4,300 | | 1 | 185,266 |
| Retirement benefit obligation | 10,027 | | 2,942 | 6,276 | | 19,245 |
| Gain or loss on valuation of derivatives | (5,727) | | 26,046 | (9,103) | | 11,216 |
| Gain or loss on foreign currency translation | 7,634 | | 1,576 | | | 9,210 |
| Tax free reserve for research and manpower development | (80,740) | | 27,280 | | | (53,460) |
| Goodwill relevant to leased line | 140,809 | | (24,522) | | | 116,287 |
| Unearned revenue (activation fees) | 117,432 | | (920) | | | 116,512 |
| Others | 103,584 | 330 | (64,536) | (4,248) | (13) | 35,117 |
| | 106,350 | 330 | 6,983 | 108,563 | 159 | 222,385 |
| Deferred tax assets related to unused tax loss carryforwards and unused tax credit carryforwards | | | | | | |
| Tax loss carryforwards | 78 | | 4,341 | | | 4,419 |
| Tax credit carryforwards | 432 | | 342 | | | 774 |
| | 510 | | 4,683 | | | 5,193 |
| | 106,860 | 330 | 11,666 | 108,563 | 159 | 227,578 |

- (5) Details of temporary differences, unused tax losses and unused tax credits which are not recognized as deferred tax assets (liabilities), as the Group does not believe it is probable that the deferred tax assets will be realizable in the future, in the consolidated statements of financial position as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|--------------------------------------------|----------------------|----------------------|
| Allowance for doubtful accounts | 145,053 | 140,010 |
| Investments in subsidiaries and associates | 869,486 | 797,955 |
| Other temporary differences | 157,664 | 210,616 |
| Unused tax loss carryforwards | 792,796 | 836,752 |
| Unused tax credit carryforwards | 141 | 899 |
| | 1,965,140 | 1,986,232 |

28. Income Tax Expense for Continuing Operations, Continued

- (6) The expirations of the tax loss carryforwards and tax credit carryforwards of the Group related to certain subsidiaries which are expected to be utilized, as of December 31, 2012 are as follows:

(In millions of won)

| | Tax loss carryforwards | Tax credit carryforwards |
|-------------------|-----------------------------------|-------------------------------------|
| Less than 1 year | 188,467 | |
| 1 ~ 2 years | 15,344 | 138 |
| 2 ~ 3 years | 3,305 | 3 |
| More than 3 years | 585,680 | |
| | 792,796 | 141 |

29. Earnings per Share

(1) Basic earnings per share

- 1) Basic earnings per share for the years ended December 31, 2012 and 2011 are calculated as follows:

(In millions of won, shares)

| | 2012 | 2011 |
|---------------------------------------------------------------------------------------------------------|------------|------------|
| Basic earnings per share attributable to owners of the Parent Company from continuing operation: | | |
| Profit attributable to owners of the Parent Company from continuing operations | 1,271,632 | 1,661,984 |
| Weighted average number of common shares outstanding | 69,694,999 | 70,591,937 |
| Basic earnings per share from continuing operations (In won) | 18,246 | 23,544 |
| Basic earnings per share attributable to owners of the Parent Company: | | |
| Profit attributable to owners of the Parent Company | 1,151,705 | 1,612,889 |
| Weighted average number of common shares outstanding | 69,694,999 | 70,591,937 |
| Basic earnings per share (In won) | 16,525 | 22,848 |

29. Earnings per Share, Continued

- 2) Profit attributable to owners of the Parent Company from continuing operation for the years ended December 31, 2012 and 2011 are calculated as follows:

(In millions of won)

| | 2012 | 2011 |
|--------------------------------------------------------------------------------|-----------|-----------|
| Profit attributable to owners of the Parent Company | 1,151,705 | 1,612,889 |
| Results of discontinued operation attributable to owners of the Parent Company | 119,927 | 49,095 |
| Profit attributable to owners of the Parent Company from continuing operation | 1,271,632 | 1,661,984 |

- 3) The weighted average number of common shares outstanding for the years ended December 31, 2012 and 2011 are calculated as follows:

(In shares)

| | Number of shares | Weighted number of days | Weighted number of shares |
|----------------------------------------------|------------------|-------------------------|---------------------------|
| Outstanding common shares at January 1, 2012 | 80,745,711 | 366/366 | 80,745,711 |

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| | | | |
|----------------------------------------------|-------------------|---------|-------------------|
| Effect of treasury stock | (11,050,712) | 366/366 | (11,050,712) |
| Number of shares at December 31, 2012 | 69,694,999 | | 69,694,999 |

(In shares)

| | Number of shares | Weighted number of days | Weighted number of shares |
|----------------------------------------------|-------------------------|--------------------------------|----------------------------------|
| Outstanding common shares at January 1, 2011 | 80,745,711 | 365/365 | 80,745,711 |
| Beginning treasury stock | (9,650,712) | 365/365 | (9,650,712) |
| Acquisition of treasury stock | (1,400,000) | 131/365 | (503,062) |
| Number of shares at December 31, 2011 | 69,694,999 | | 70,591,937 |

29. Earnings per Share, Continued

(2) Diluted earnings per share

- 1) Diluted earnings per share for the years ended December 31, 2012 and 2011 are calculated as follows:

(In millions of won, shares)

| | 2012 | 2011 |
|------------------------------------------------------------------------------------------------------------|------------|------------|
| Diluted earnings per share attributable to owners of the Parent Company from continuing operations: | | |
| Diluted profit attributable to owners of the Parent Company from continuing operations | 1,282,431 | 1,666,604 |
| Weighted average number of common shares outstanding | 72,021,148 | 72,784,039 |
| Diluted earnings per share from continuing operations (In won) | 17,806 | 22,898 |
| Diluted earnings per share attributable to owners of the Parent Company: | | |
| Diluted profit attributable to owners of the Parent Company | 1,162,504 | 1,617,509 |
| Weighted average number of common shares outstanding | 72,021,148 | 72,784,039 |
| Diluted earnings per share (In won) | 16,141 | 22,223 |

- 2) Diluted profit attributable to owners of the Parent Company for the years ended December 31, 2012 and 2011 are calculated as follows:

(In millions of won)

| | Continuing operations | 2012 Discontinued operation | Total |
|-------------------------------------------------------------|--------------------------|-----------------------------------|-----------|
| Profit attributable to owners of the Parent Company | 1,271,632 | (119,927) | 1,151,705 |
| Effect of exchangeable bonds | 10,799 | | 10,799 |
| Diluted profit attributable to owners of the Parent Company | 1,282,431 | (119,927) | 1,162,504 |

(In millions of won)

| | Continuing operations | 2011 Discontinued operation | Total |
|-------------------------------------------------------------|--------------------------|-----------------------------------|-----------|
| Profit attributable to owners of the Parent Company | 1,661,984 | (49,095) | 1,612,889 |
| Effect of exchangeable bonds | 4,620 | | 4,620 |
| Diluted profit attributable to owners of the Parent Company | 1,666,604 | (49,095) | 1,617,509 |

29. Earnings per Share, Continued

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- 3) Adjusted weighted average number of common shares outstanding for the years ended December 31, 2012 and 2011 are calculated as follows:

(In shares)

| | 2012 | 2011 |
|---------------------------------------------------------------|-------------|-------------|
| Weighted average number of common shares outstanding | 69,694,999 | 70,591,937 |
| Effect of exchangeable bonds(*) | 2,326,149 | 2,192,102 |
| Adjusted weighted average number of common shares outstanding | 72,021,148 | 72,784,039 |

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

(3) Basic loss per share from discontinued operation

(In millions of won, shares)

| | 2012 | 2011 |
|-------------------------------------------------------------------------------|--------------|------------|
| Loss from discontinued operation attributable to owners of the Parent Company | 119,927 | 49,095 |
| Weighted average number of common shares outstanding | 69,694,999 | 70,591,937 |
| Basic loss per share (In won) | 1,721 | 695 |

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

30. Dividends

(1) Details of dividends declared

Details of dividend declared for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won, except for face value and share data)

| Year | Dividend type | Number of shares outstanding | Face value (In won) | Dividend ratio | Dividends |
|------|---------------------------|------------------------------|---------------------|----------------|-----------|
| 2012 | Cash dividends (Interim) | 69,694,999 | 500 | 200% | 69,695 |
| | Cash dividends (Year-end) | 69,694,999 | 500 | 1,680% | 585,438 |
| | | | | | 655,133 |
| 2011 | Cash dividends (Interim) | 71,094,999 | 500 | 200% | 71,095 |
| | Cash dividends (Year-end) | 69,694,999 | 500 | 1,680% | 585,438 |
| | | | | | 656,533 |

30. Dividends, Continued

(2) Dividends payout ratio

Dividends payout ratios for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| Year | Dividends calculated | Profit | Dividends payout ratio |
|------|----------------------|-----------|------------------------|
| 2012 | 655,133 | 1,151,705 | 56.88% |
| 2011 | 656,533 | 1,612,889 | 40.71% |

(3) Dividends yield ratio

Dividends yield ratios for the years ended December 31, 2012 and 2011 are as follows:

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(In won)

| Year | Dividend type | Dividend per share | Closing price at settlement | Dividend yield ratio |
|-------------|----------------------|---------------------------|--------------------------------------------|-------------------------------------|
| 2012 | Cash dividend | 9,400 | 152,500 | 6.16% |
| 2011 | Cash dividend | 9,400 | 141,500 | 6.64% |

31. Categories of Financial Instruments

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

(In millions of won)

| | December 31, 2012 | | | | |
|-------------------------------------|----------------------------------------------------------------------|-----------------------------------------------|--------------------------|------------------------------------------------------------------------|-----------|
| | Financial assets at fair value through profit or loss | Available- for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | Total |
| Cash and cash equivalents | | | 920,125 | | 920,125 |
| Financial instruments | | | 514,561 | | 514,561 |
| Short-term investment securities | | 60,127 | | | 60,127 |
| Long-term investment securities(*1) | 15,356 | 938,356 | | | 953,712 |
| Accounts receivable - trade | | | 1,968,297 | | 1,968,297 |
| Loans and other receivables(*2) | | | 981,693 | | 981,693 |
| Derivative financial assets(*3) | 689 | | | 61,959 | 62,648 |
| | 16,045 | 998,483 | 4,384,676 | 61,959 | 5,461,163 |

31. Categories of Financial Instruments, Continued

(In millions of won)

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

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

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|-----------------------------|----------------------|----------------------|
| Short-term loans | 84,908 | 100,429 |
| Accounts receivable - other | 582,098 | 908,836 |

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| | | |
|---------------------------------------|---------|-----------|
| Accrued income | 8,715 | 21,847 |
| Other current assets | 431 | 462 |
| Long-term loans | 69,299 | 95,565 |
| Long-term accounts receivable - other | | 5,393 |
| Guarantee deposits | 236,242 | 245,218 |
| | 981,693 | 1,377,750 |

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

31. Categories of Financial Instruments, Continued

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

(In millions of won)

| | December 31, 2012 | | | Total |
|-----------------------------------------|------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------|------------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | |
| Accounts payable - trade | | 253,884 | | 253,884 |
| Derivative financial liabilities | | | 63,599 | 63,599 |
| Borrowings | | 1,086,699 | | 1,086,699 |
| Debentures(*1) | 405,678 | 5,171,322 | | 5,577,000 |
| Accounts payable - other and others(*2) | | 3,646,486 | | 3,646,486 |
| | 405,678 | 10,158,391 | 63,599 | 10,627,668 |

(In millions of won)

| | December 31, 2011 | | | Total |
|-----------------------------------------|------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------|-----------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | |
| Accounts payable - trade | | 195,391 | | 195,391 |
| Derivative financial liabilities | | | 4,645 | 4,645 |
| Borrowings | | 1,035,075 | | 1,035,075 |
| Debentures(*1) | 397,886 | 4,363,002 | | 4,760,888 |
| Accounts payable - other and others(*2) | | 3,312,642 | | 3,312,642 |
| | 397,886 | 8,906,110 | 4,645 | 9,308,641 |

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

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------|-------------------|-------------------|
| Accounts payable - other | 1,811,038 | 1,507,877 |
| Withholdings | 1,840 | 10,416 |
| Accrued expenses | 890,863 | 744,673 |
| Current portion of long-term payables - other | 177,870 | 120,452 |
| Long-term payables - other | 715,508 | 847,496 |
| Finance lease liabilities | 22,036 | 41,940 |
| Other non-current liabilities | 27,331 | 39,788 |
| | 3,646,486 | 3,312,642 |

32. Financial Risk Management

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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

Monetary foreign currency assets and liabilities as of December 31, 2012 are as follows:

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

| | Assets | | Liabilities | |
|--------|--------------------|-----------------|--------------------|-----------------|
| | Foreign currencies | Won translation | Foreign currencies | Won translation |
| USD | 127,122 | 136,161 | 1,859,170 | 1,991,357 |
| EUR | 8,573 | 12,142 | 3,890 | 5,509 |
| JPY | 141,818 | 1,769 | 26,701 | 333 |
| SGD | | | 64,629 | 56,581 |
| CHF | | | 298,137 | 349,744 |
| Others | 65 | 36 | 3,104 | 5,157 |
| | | 150,108 | | 2,408,681 |

In addition, the Group has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 20)

As of December 31, 2012, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

| <i>(In millions of won)</i> | If increased by 10% | If decreased by 10% |
|-----------------------------|---------------------|---------------------|
| USD | (32,007) | 32,007 |
| EUR | 663 | (663) |
| JPY | 144 | (144) |
| SGD | (1) | 1 |
| Others | (512) | 512 |
| | (31,713) | 31,713 |

32. Financial Risk Management, Continued

(ii) Equity price risk

The Group has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of December 31, 2012, available-for-sale equity instruments measured at fair value amount to 765,760 million.

(iii) Interest rate risk

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

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

The Group's interest rate risk arises from floating-rate borrowings and payables. As of December 31, 2012, floating-rate debentures and borrowings amount to 324,681 million and 107,110 million, respectively, and the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures. (Refer to Note 20) If interest rate only increases (decreases) by 1%, income before income taxes for the year ended December 31, 2012 would not have been changed due to the interest expense from floating-rate borrowings and debentures.

2) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------------------|-----------|-----------|
| Cash and cash equivalents | 920,125 | 1,650,794 |
| Financial instruments | 514,561 | 987,191 |
| Available-for-sale financial assets | 998,483 | 1,616,157 |
| Accounts receivable - trade | 1,968,297 | 1,835,641 |
| Loans and receivables | 981,693 | 1,377,750 |
| Derivative financial assets | 61,959 | 252,935 |
| Financial assets at fair value through profit or loss | 16,045 | 17,635 |
| | 5,461,163 | 7,738,103 |

To manage credit risk, the Group evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information, the Group establishes credit limits for each customer or counterparty.

32. Financial Risk Management, Continued

For the year ended December 31, 2012, the Group has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Group believes that the possibility of default is remote. Also, the Group's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Group has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Group is the carrying amount of financial assets as of December 31, 2012.

In addition, the aging of trade and other receivables that are over due at the end of the reporting period but not impaired is stated in Note 6 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 27.

3) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always maintain sufficient cash and cash equivalents balances and have enough liquidity through various committed credit lines. The Group maintains flexibly enough liquidity under credit lines through active operating activities.

Contractual maturities of financial liabilities as of December 31, 2012 are as follows:

(In millions of won)

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 5 years | More than 5 years |
|----------------------------------|-----------------|------------------------|------------------|-------------|-------------------|
| Accounts payable - trade | 253,884 | 253,884 | 253,871 | 13 | |
| Derivative financial liabilities | 63,599 | 66,786 | 19,872 | 45,708 | 1,206 |
| Borrowings | 1,086,699 | 1,129,345 | 738,006 | 391,339 | |

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| | | | | | |
|-----------------------------------------|------------|------------|-----------|-----------|-----------|
| Debentures(*1) | 5,577,000 | 6,716,105 | 808,973 | 3,534,945 | 2,372,187 |
| Accounts payable - other and others(*2) | 3,646,486 | 4,173,222 | 3,261,146 | 606,868 | 305,208 |
| | 10,627,668 | 12,339,342 | 5,081,868 | 4,578,873 | 2,678,601 |

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

- (*1) Includes estimated interest to be paid and excludes discounts on bonds.
 (*2) Excludes discounts on accounts payable-other and others.

(2) Capital management

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

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

32. Financial Risk Management, Continued

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

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|-----------------------------|------------------------------|------------------------------|
| Liabilities | 12,740,777 | 11,633,327 |
| Equity | 12,854,782 | 12,732,709 |
| Debt-equity ratio | 99.11% | 91.37% |

(3) Fair value

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

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

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

Interest rates used by the Group for the fair value measurement as of December 31, 2012 are as follows:

| | Interest rate |
|---------------------------|----------------------|
| Derivative instruments | 2.86% ~ 4.04% |
| Borrowings and debentures | 3.12% ~ 3.20% |

32. Financial Risk Management, Continued

1) Fair value and carrying amount

Carrying amount and fair value of financial assets and liabilities as December 31, 2012, and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | | December 31, 2011 | |
|------------------------------------------------------------|-------------------|------------|-------------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets carried at fair value | | | | |
| Financial assets at fair value through profit or loss | 16,045 | 16,045 | 17,635 | 17,635 |
| Derivative financial assets | 61,959 | 61,959 | 252,935 | 252,935 |
| Available-for-sale financial assets | 765,759 | 765,759 | 1,129,928 | 1,129,928 |
| | 843,763 | 843,763 | 1,400,498 | 1,400,498 |
| Assets carried at amortized cost | | | | |
| Cash and cash equivalents | 920,125 | 920,125 | 1,650,794 | 1,650,794 |
| Available-for-sale financial assets | 232,724 | 232,724 | 486,229 | 486,229 |
| Accounts receivable - trade and others | 2,949,990 | 2,949,990 | 3,213,391 | 3,213,391 |
| Financial instruments | 514,561 | 514,561 | 987,191 | 987,191 |
| | 4,617,400 | 4,617,400 | 6,337,605 | 6,337,605 |
| Liabilities carried at fair value | | | | |
| Financial liabilities at fair value through profit or loss | 405,678 | 405,678 | 397,886 | 397,886 |
| Derivative financial liabilities | 63,599 | 63,599 | 4,645 | 4,645 |
| | 469,277 | 469,277 | 402,531 | 402,531 |
| Liabilities carried at amortized cost | | | | |
| Accounts payable - trade | 253,884 | 253,884 | 195,391 | 195,391 |
| Borrowings | 1,086,699 | 1,100,464 | 1,035,075 | 1,035,075 |
| Debentures | 5,171,321 | 5,461,142 | 4,363,002 | 4,562,156 |
| Accounts payable - other and others | 3,646,486 | 3,646,486 | 3,312,642 | 3,312,642 |
| | 10,158,390 | 10,461,976 | 8,906,110 | 9,105,264 |

2) Fair value hierarchy

The different levels have been defined as follows:

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

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

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

32. Financial Risk Management, Continued

The table below analyzes financial instruments carried at fair value, by fair value hierarchy as of December 31, 2012.

(In millions of won)

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------------------------------|----------------|----------------|----------------|--------------|
| Financial assets at fair value through profit or loss | | 15,356 | 689 | 16,045 |
| Derivative financial assets | | 61,959 | | 61,959 |
| Available-for-sale financial assets | 584,028 | 56,159 | 125,572 | 765,759 |
| Financial liabilities at fair value through profit or loss | 405,678 | | | 405,678 |
| Derivative financial liabilities | | 63,599 | | 63,599 |

There have been no transfers from Level 2 to Level 1 in 2012 and changes of financial assets classified as Level 3 for the year ended December 31, 2012 are as follows:

(In millions of won)

| | Balance at Jan. 1 | Acquisition | Loss for the period | Other comprehensive income | Disposal | Balance at Dec. 31 |
|-------------------------------------------------------|----------------------|-------------|---------------------------|----------------------------------|----------|-----------------------|
| Financial assets at fair value through profit or loss | 1,018 | | (329) | | | 689 |
| Available-for-sale financial assets | 197,019 | 3,980 | (47,349) | 5,985 | (34,063) | 125,572 |

33. Transactions with Related Parties

Transactions among consolidated entities have been eliminated upon the consolidation and significant related party transactions of the Group for the years ended December 31, 2012 and 2011, and account balances as of December 31, 2012 and 2011 are as follows:

(1) Transactions

(In millions of won)

| | Operating revenue and others | | Operating expense and others | |
|----------------|------------------------------|---------|------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Parent Company | 1,339 | 1,068 | 224,667 | 207,264 |
| Associates | 686,335 | 184,836 | 523,910 | 564,695 |
| Others | 70,553 | 125,613 | 3,672,146 | 2,774,333 |
| | 758,227 | 311,517 | 4,420,723 | 3,546,292 |

Operating revenue include commission received in relation to the interconnection charges and satellite lease. Operating expense include commission paid in relation to the service provided by related parties.

33. Transactions with Related Parties, Continued

(2) Account balances

(In millions of won)

| | Accounts receivable and others | | Accounts payable and others | |
|----------------|--------------------------------|----------------------|-----------------------------|----------------------|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Parent Company | 310 | 147 | | |
| Associates | 68,768 | 81,427 | 164,783 | 46,534 |
| Others | 55,757 | 41,983 | 520,487 | 461,144 |
| | 124,835 | 123,557 | 685,270 | 507,678 |

(3) Compensation for the key management

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The Parent Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-----------------------------------|-------------|-------------|
| Salaries | 8,893 | 9,643 |
| Provision for retirement benefits | 799 | 837 |
| | 9,692 | 10,480 |

34. Commitments and Contingencies

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, agreed to provide guarantees for Broadband Media Co., Ltd.'s loans during the year ended December 31, 2011. As of December 31, 2012, SK Broadband Co., Ltd. has provided its properties as collateral as follows: 65,000 million to Hana Bank, 65,000 million to IBK Capital and 52,000 million to Kookmin Bank, respectively. SK Broadband Co., Ltd., has also provided its short-term financial instruments as collateral as follows: 60,000 million to Korea Exchange Bank, 35,000 million to Hana Bank, 34,000 million to NH Bank and 20,000 million to Woori Bank, respectively.

SK Broadband Co., Ltd. has pledged its properties as collateral for leases on buildings in the amount of 15,200 million as of December 31, 2012.

PS & Marketing Corporation, a subsidiary of the Parent Company, has obtained a line of credit for 40,000 million from Shinhan Bank for operational purposes. In relation to the line of credit, PS & Marketing Corporation pledged 52,000 million of inventory as collateral to Shinhan Bank as of December 31, 2012.

(2) Guarantee provided

As of December 31, 2012, the Parent Company has participated in Tactical Airship program of the Defense Acquisition Program Administration with Joint Defense Corporation. For an advance receipt amounting to USD 3,992,522, which Joint Defense Corporation received from the Defense Acquisition Program Administration, the Parent Company provides payment guarantees to the Defense Acquisition Program Administration.

34. Commitments and Contingencies, Continued

(3) Contingencies

As of December 31, 2012, the Group recorded 5,459 million of indemnities as accrued expense as SK Broadband Co., Ltd., a subsidiary, has partially lost the first trial relating to the violation of customer's privacy (plaintiff's claims of 24,689 million) during the year ended December 31, 2011.

As of December 31, 2012, the claim amount of pending litigations of SK Communications Co., Ltd., a subsidiary, amounts to 3,384 million. The ultimate outcome of such litigation is not expected to have a material effect on the Group's financial position or performance results.

35. Discontinued Operation

(1) Discontinued operation

During the year ended December 31, 2012, SK Telink Co., Ltd., a subsidiary ceased its broadcasting business due to the rapid decrease in satellite digital multimedia broadcasting subscribers along with the effects from smart phones, etc.

In addition, the Group separately presented loss from the disposal of its entire ownership interests in SK i-media Co., Ltd., a subsidiary which operates a game software production business during the year ended December 31, 2011.

(2) Results of discontinued operation

Results of discontinued operation included in the consolidated statements of income for the years ended December 31, 2012 and 2011 are as follows. The consolidated statement of income presented for comparative purposes was restated in order to present discontinued operation segregated from the continuing operation.

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(In millions of won)

| | 2012 | 2011 |
|-----------------------------------------------------------|-----------|----------|
| Results of discontinued operation: | | |
| Operating revenue | 1,163 | 12,677 |
| Operating expense | (38,257) | (72,760) |
| Operating loss generated by discontinued operation | (37,094) | (60,083) |
| Finance income and costs | | (145) |
| Other non-operating income and expenses | (120,913) | 705 |
| Income tax benefit | 18,670 | 9,862 |
| Loss generated by discontinued operation | (139,337) | (49,661) |
| Attributable to : | | |
| Owners of the Parent Company | (119,927) | (49,095) |
| Non-controlling interests | (19,410) | (566) |

35. Discontinued Operation, Continued

(3) Cash flows from (used in) discontinued operation

Cash flows from (used in) discontinued operation for the years ended December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|-----------------------------------------------------|-----------------|-----------------|
| Cash flow used in discontinued operation: | | |
| Net cash used in operating activities | (4,858) | (11,937) |
| Net cash provided by (used in) investing activities | (303) | 4 |
| Net cash used in financing activities | (9,475) | (8,227) |
| Net cash used in discontinued operation | (14,636) | (20,160) |

36. Statements of Cash Flows

(1) Adjustments for income and expenses from operating activities for the years ended December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|---------------------------------------------------------------------------------|-------------|-------------|
| Interest income | (99,967) | (168,148) |
| Dividend | (27,732) | (26,433) |
| Gain on foreign currency translation | (4,065) | (1,985) |
| Gain on disposal of long-term investment securities | (282,605) | (164,454) |
| Gain on valuation of derivatives | | (3,785) |
| Gain on settlement of derivatives | (26,103) | |
| Losses related to investments in subsidiaries and associates, net | 24,279 | 47,149 |
| Gain on disposal of property, equipment and intangible assets | (162,590) | (6,275) |
| Reversal of allowance for doubtful accounts | (5,902) | (2,301) |
| Gain on valuation of financial assets at fair value through profit or loss | | (2,617) |
| Gain on valuation of financial liabilities at fair value through profit or loss | | (63,769) |
| Other income | (2,558) | (1,732) |
| Interest expenses | 412,379 | 297,172 |
| Loss on foreign currency translation | 4,608 | 6,409 |
| Loss on disposal of long-term investment securities | 10,802 | 447 |
| Other finance costs | 190,621 | 12,846 |
| Loss on valuation of derivatives | 286 | 943 |
| Loss on settlement of derivatives | 1,232 | 15,577 |
| Loss on redemption of debentures | 2,099 | |
| Income tax expense | 277,217 | 599,093 |
| Provision for retirement benefits | 80,865 | 68,814 |
| Depreciation and amortization | 2,613,018 | 2,482,703 |
| Bad debt expenses | 52,393 | 83,748 |
| Loss on disposal of property, equipment and intangible assets | 15,117 | 21,136 |
| Impairment loss on property, equipment and intangible assets | 160,210 | 2,580 |
| Loss on valuation of financial assets at fair value through profit or loss | 1,262 | |
| Loss on valuation of financial liabilities at fair value through profit or loss | 7,793 | |
| Bad debt for accounts receivable - other | 30,107 | 12,847 |
| Impairment loss on other investment securities | 1,307 | 434 |
| Other expenses | 15,788 | 15,283 |

3,289,861

3,225,682

36. Statements of Cash Flows, Continued

(2) Changes in assets and liabilities from operating activities for the years ended December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|----------------------------------------|----------------|------------------|
| Accounts receivable - trade | (183,238) | 61,728 |
| Accounts receivable - other | 288,739 | 1,617,947 |
| Accrued income | 9,530 | 12,570 |
| Advance payments | 40,664 | 30,734 |
| Prepaid expenses | 18,525 | 64,165 |
| Proxy paid V.A.T. | (963) | |
| Inventories | (108,904) | (132,223) |
| Other current assets | | (12,270) |
| Long-term accounts receivables - other | 5,393 | 521,691 |
| Guarantee deposits | 19,460 | |
| Accounts payable - trade | 74,923 | 4,528 |
| Accounts payable - other | 260,158 | 66,048 |
| Advanced receipts | (7,977) | (4,721) |
| Withholdings | 234,048 | 97,380 |
| Deposits received | (6,089) | |
| Accrued expenses | 153,641 | (24,961) |
| Advanced V.A.T. | (3,955) | |
| Unearned revenue | (83,436) | (55,799) |
| Provisions | (373,213) | |
| Long-term provisions | (33,254) | |
| Plan assets | (51,422) | (6,618) |
| Retirement benefit payment | (46,066) | (77,754) |
| Other non-current liabilities | | 4,697 |
| Others | (2,256) | 13,081 |
| | 204,308 | 2,180,223 |

(3) Significant non-cash transactions for the years ended December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|-------------------------------------------------------------------------------|-------------|-------------|
| Accounts payable - other related to acquisition of tangible assets and others | 8,010 | 876,796 |
| Transfer from available-for-sale financial assets to investment in associates | 8,130 | |

37. Subsequent Events

(1) Disposal of subsidiary and acquisition of subsidiary

As described in note 9, the Group disposed ownership interests in SKY Property Mgmt. Ltd. of 27%, which were accounted for as non-current assets and liabilities held for sale as of December 31, 2012, to SK Innovation Co., Ltd., a related party on January 11, 2013. In addition, SK Marketing & Company Co. Ltd. became a subsidiary of the Group as the Group acquired 50% of ownership interests in SK Marketing & Company Co. Ltd. from SK Innovation Co., Ltd. on January 11, 2013.

(2) Issuance of note

At January 17, 2013, the Group issued unsecured private bonds of AUD 300 million with fixed interest rate of 4.75% and maturity of November 17, 2017.

SK TELECOM CO., LTD.

Separate Financial Statements

December 31, 2012

(With Independent Auditors' Report Thereon)

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Independent Auditors' Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders

SK Telecom Co., Ltd.:

We have audited the accompanying separate statement of financial position of SK Telecom Co., Ltd. (the Company), as of December 31, 2012, and the related separate statements of income, comprehensive income, changes in equity and cash flows for the year then ended. Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Korean International Financial Reporting Standards. Our responsibility is to express an opinion on these separate financial statements based on our audit. Separate financial statements as of and for the year ended December 31, 2011, presented for comparative purposes, are audited by Deloitte Anjin LLC and their report thereon, dated March 13, 2012, stated that the separate financial statements present fairly, in all material respects, in accordance with Korean International Financial Reporting Standards.

We conducted our audit 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 separate financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the separate 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

In our opinion, the separate financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2012 and its financial performance and its cash flows for the year then ended in accordance with Korean International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to the following:

As discussed in note 2, the Company adopted amendments to K-IFRS No.1001, *Presentation of Financial Statements* from the annual period ended December 31, 2012. The amendment requires operating income, which is calculated as operating revenue less operating expense, to be separately presented on the separate statement of income. Operating expense represents expense incurred from the Company's main operating activities and includes cost of products that have been resold, and selling, general and administrative expenses. The Company applied this change in accounting policies retrospectively, and accordingly restated the comparative information of the separate statement of income for the year ended December 31, 2011.

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

KPMG Samjong Accounting Corp.

Seoul, Korea

February 22, 2013

This report is effective as of February 22, 2013, the audit report date. Certain subsequent events or circumstances, which may occur between the audit report date and the time of reading this report, could have a material impact on the accompanying separate financial statements and notes thereto. Accordingly, the readers of the audit report should understand that the above audit report has not been updated to reflect the impact of such subsequent events or circumstances, if any.

SK TELECOM CO., LTD.

Separate Statements of Financial Position

As of December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | December 31, 2012 | December 31, 2011 |
|--------------------------------------------|--------------|----------------------|----------------------|
| Assets | | | |
| Current Assets: | | | |
| Cash and cash equivalents | 29,30 | 256,577 | 895,558 |
| Short-term financial instruments | 4,29,30 | 179,300 | 627,500 |
| Short-term investment securities | 6,29,30 | 56,401 | 90,573 |
| Accounts receivable - trade, net | 5,29,30,31 | 1,407,206 | 1,282,234 |
| Short-term loans, net | 5,29,30,31 | 75,449 | 88,236 |
| Accounts receivable - other, net | 5,29,30,31 | 383,048 | 774,221 |
| Prepaid expenses | | 76,016 | 79,668 |
| Derivative financial assets | 17,29,30 | 9,656 | 83,708 |
| Inventories, net | | 15,995 | 8,407 |
| Non-current assets held for sale | 7 | 121,337 | |
| Advanced payments and other | 5,29,30 | 8,714 | 17,972 |
| Total Current Assets | | 2,589,699 | 3,948,077 |
| Non-Current Assets: | | | |
| Long-term financial instruments | 4,29,30 | 69 | 7,569 |
| Long-term investment securities | 6,29,30 | 733,893 | 1,312,438 |
| Investments in subsidiaries and associates | 8 | 7,915,547 | 4,647,506 |
| Property and equipment, net | 9,31 | 7,119,090 | 6,260,169 |
| Investment property, net | 10 | | 30,699 |
| Goodwill | 11 | 1,306,236 | 1,306,236 |
| Intangible assets, net | 12 | 2,187,872 | 2,364,795 |
| Long-term loans, net | 5,29,30,31 | 49,672 | 75,282 |
| Long-term accounts receivable - other, net | 5,29,30 | | 5,393 |
| Long-term prepaid expenses | | 21,582 | 20,939 |
| Guarantee deposits | 4,5,29,30,31 | 149,373 | 155,389 |
| Long-term derivative financial assets | 17,29,30 | 52,303 | 104,897 |
| Deferred tax assets | 26 | 123,723 | 280,380 |
| Other non-current assets | | 443 | 758 |
| Total Non-Current Assets | | 19,659,803 | 16,572,450 |
| Total Assets | | 22,249,502 | 20,520,527 |

See accompanying notes to the separate financial statements.

SK TELECOM CO., LTD.

Separate Statements of Financial Position, Continued

As of December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | December 31, 2012 | December 31, 2011 |
|-------------------------------------------------|-------------|----------------------|----------------------|
| Liabilities and Equity | | | |
| Current Liabilities: | | | |
| Short-term borrowings | 13,29,30 | 330,000 | |
| Current portion of long-term debt, net | 13,14,29,30 | 713,072 | 1,044,519 |
| Accounts payable - other | 29,30,31 | 1,509,456 | 1,361,473 |
| Withholdings | 29,30 | 552,380 | 330,674 |
| Accrued expenses | 29,30 | 600,101 | 468,313 |
| Income tax payable | | 52,267 | 277,836 |
| Unearned revenue | | 252,298 | 282,891 |
| Derivative financial liabilities | 17,29,30 | | 4,645 |
| Provisions | 15 | 286,819 | 656,597 |
| Advanced receipts and other | | 46,693 | 40,058 |
| Total Current Liabilities | | 4,343,086 | 4,467,006 |
| Non-Current Liabilities: | | | |
| Debentures, net, excluding current portion | 13,29,30 | 3,992,111 | 2,590,630 |
| Long-term borrowings, excluding current portion | 13,29,30 | 348,333 | 115,330 |
| Long-term payables - other | 14,29,30 | 705,605 | 840,974 |
| Long-term unearned revenue | | 160,820 | 212,172 |
| Defined benefit obligation | 16 | 34,951 | 26,740 |
| Long-term derivative financial liabilities | 17,29,30 | 63,599 | |
| Long-term provisions | 15 | 99,355 | 134,264 |
| Other non-current liabilities | 29,30,31 | 124,594 | 167,109 |
| Total Non-Current Liabilities | | 5,529,368 | 4,087,219 |
| Total Liabilities | | 9,872,454 | 8,554,225 |
| Equity | | | |
| Share capital | 1,18 | 44,639 | 44,639 |
| Capital deficit and other capital adjustments | 18,19 | (236,160) | (236,016) |
| Retained earnings | 20,21 | 12,413,981 | 11,837,185 |
| Reserves | 22 | 154,588 | 320,494 |
| Total Equity | | 12,377,048 | 11,966,302 |
| Total Liabilities and Equity | | 22,249,502 | 20,520,527 |

See accompanying notes to the separate financial statements.

SK TELECOM CO., LTD.

Separate Statements of Income

For the years ended December 31, 2012 and 2011

| <i>(In millions of won except for per share data)</i> | Note | 2012 | 2011 (Restated) |
|----------------------------------------------------------------|-----------|-------------------|--------------------|
| Operating revenue: | <i>31</i> | | |
| Revenue | | 12,332,719 | 12,551,255 |
| Operating expense: | <i>31</i> | | |
| Labor cost | | 508,226 | 528,073 |
| Commissions paid | | 5,576,763 | 5,226,570 |
| Depreciation and amortization | | 1,724,707 | 1,658,808 |
| Network interconnection | | 796,580 | 967,046 |
| Leased line | | 431,522 | 415,585 |
| Advertising | | 209,804 | 241,252 |
| Rent | | 330,611 | 315,280 |
| Cost of products that have been resold | | 295,757 | 194,507 |
| Other operating expenses | 23 | 783,361 | 819,636 |
| Sub-total | | 10,657,331 | 10,366,757 |
| Operating income | | 1,675,388 | 2,184,498 |
| Finance income | 25 | 381,930 | 415,912 |
| Finance costs | 25 | (533,198) | (223,656) |
| Other non-operating income | 24,33 | 161,756 | 23,224 |
| Other non-operating expenses | 24 | (133,647) | (121,074) |
| Gain on disposal of investments in subsidiaries and associates | 8 | 80,483 | 1,990 |
| Loss on disposal of investments in subsidiaries and associates | 8 | (2,265) | (6,473) |
| Impairment loss on investments in associates | 7,8 | (83,728) | |
| Profit before income tax | | 1,546,719 | 2,274,421 |
| Income tax expense | 26 | 303,952 | 580,058 |
| Profit for the year | 27 | 1,242,767 | 1,694,363 |
| Earnings per share | | | |
| Basic earnings per share | | 17,832 | 24,002 |
| Diluted earnings per share | | 17,406 | 23,343 |

See accompanying notes to the separate financial statements.

SK TELECOM CO., LTD.

Separate Statements of Changes in Equity

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | 2012 | 2011 |
|----------------------------------------------------------------------------|----------|------------------|------------------|
| Profit for the year | | 1,242,767 | 1,694,363 |
| Other comprehensive loss | | | |
| Net change in unrealized fair value of available-for-sale financial assets | 22,25 | (146,203) | (450,459) |
| Net change in unrealized fair value of derivatives | 17,22,25 | (19,703) | 34,347 |
| Actuarial losses on defined benefit obligations, net | 16,21 | (10,838) | (13,241) |
| | | (176,744) | (429,353) |
| Total comprehensive income | | 1,066,023 | 1,265,010 |

See accompanying notes to the separate financial statements.

(In millions of won)

| | Capital deficit and other capital adjustments | | | | | | Retained earnings | Reserves | Total equity |
|-----------------------------------|-----------------------------------------------|-----------------|----------------|------------------------------------|-----------|------------|-------------------|------------|--------------|
| | Share capital | Paid-in surplus | Treasury stock | Loss on disposal of treasury stock | Other | Other | | | |
| Balance, January 1, 2011 | 44,639 | 2,915,887 | (2,202,439) | (15,875) | (722,216) | 10,824,356 | 736,606 | 11,580,958 | |
| Cash dividends | | | | | | (668,293) | | (668,293) | |
| Treasury stock | | | (208,012) | | | | | (208,012) | |
| Changes in subsidiaries | | | | (2,980) | (381) | | | (3,361) | |
| Total comprehensive income | | | | | | | | | |
| Profit | | | | | | 1,694,363 | | 1,694,363 | |
| Other comprehensive loss | | | | | | (13,241) | (416,112) | (429,353) | |
| Balance, December 31, 2011 | 44,639 | 2,915,887 | (2,410,451) | (18,855) | (722,597) | 11,837,185 | 320,494 | 11,966,302 | |
| Balance, January 1, 2012 | 44,639 | 2,915,887 | (2,410,451) | (18,855) | (722,597) | 11,837,185 | 320,494 | 11,966,302 | |
| Cash dividends | | | | | | (655,133) | | (655,133) | |
| Transfer of business | | | | | (144) | | | (144) | |
| Total comprehensive income | | | | | | | | | |
| Profit | | | | | | 1,242,767 | | 1,242,767 | |
| Other comprehensive loss | | | | | | (10,838) | (165,906) | (176,744) | |
| Balance, December 31, 2012 | 44,639 | 2,915,887 | (2,410,451) | (18,855) | (722,741) | 12,413,981 | 154,588 | 12,377,048 | |

See accompanying notes to the separate financial statements.

SK TELECOM CO., LTD.

Separate Statements of Cash Flows

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | 2012 | 2011 |
|----------------------------------------------------------------------|------|--------------------|--------------------|
| Cash flows from operating activities: | | | |
| Cash generated from operating activities | | | |
| Profit for the year | | 1,242,767 | 1,694,363 |
| Adjustments for income and expenses | 34 | 2,249,241 | 2,297,668 |
| Changes in assets and liabilities related to operating activities | 34 | 176,712 | 2,592,289 |
| Sub-total | | 3,668,720 | 6,584,320 |
| Interest received | | 45,748 | 131,789 |
| Dividends received | | 30,567 | 40,767 |
| Interest paid | | (265,355) | (182,831) |
| Income tax paid | | (318,164) | (539,988) |
| Net cash provided by operating activities | | 3,161,516 | 6,034,057 |
| Cash flows from investing activities: | | | |
| Cash inflows from investing activities: | | | |
| Decrease in short-term investment securities, net | | 35,416 | 125,000 |
| Decrease in short-term financial instruments, net | | 455,700 | |
| Collection of short-term loans | | 273,147 | 185,845 |
| Proceeds from disposal of long-term investment securities | | 449,720 | 215,085 |
| Proceeds from disposal of investments in subsidiaries and associates | | 88,602 | 42,955 |
| Proceeds from disposal of investment property | | 61,186 | |
| Proceeds from disposal of property and equipment | | 187,560 | 6,457 |
| Proceeds from disposal of intangible assets | | 2,811 | 3,232 |
| Collection of long-term loans | | 10,689 | 32,353 |
| Proceeds from disposal of other non-current assets | | 644 | 332 |
| Sub-total | | 1,565,475 | 611,259 |
| Cash outflows for investing activities: | | | |
| Increase in short-term financial instruments, net | | | (328,000) |
| Increase in short-term loans | | (243,494) | (226,164) |
| Increase in long-term financial instruments | | | (7,509) |
| Acquisition of long-term investment securities | | (4,425) | (242,288) |
| Acquisition of investments in subsidiaries and associates | | (3,131,483) | (257,336) |
| Acquisition of property and equipment | | (2,883,630) | (2,552,804) |
| Acquisition of intangible assets | | (72,328) | (515,813) |
| Increase in long-term loans | | (22) | (10,769) |
| Cash outflows from transfer of business | | (3,387) | |
| Increase in other non-current assets | | (328) | |
| Cash outflows from transaction of derivatives | | | (4,006) |
| Sub-total | | (6,339,097) | (4,144,689) |
| Net cash used in investing activities | | (4,773,622) | (3,533,430) |

See accompanying notes to the separate financial statements.

SK TELECOM CO., LTD.

Separate Statements of Cash Flows, Continued

For the years ended December 31, 2012 and 2011

| <i>(In millions of won)</i> | Note | 2012 | 2011 |
|---------------------------------------------------------------|------|----------------|--------------------|
| Cash flows from financing activities: | | | |
| Cash inflows from financing activities: | | | |
| Proceeds from short-term borrowings | | 330,000 | |
| Proceeds from long-term borrowings | | 1,986,800 | |
| Issuance of debentures | | 1,530,714 | 641,700 |
| Cash inflows from transaction of derivatives | | 86,537 | |
| Sub-total | | 3,934,051 | 641,700 |
| Cash outflows for financing activities: | | | |
| Repayment of long-term borrowings | | (1,650,000) | (500,000) |
| Acquisition of treasury stock | | | (208,012) |
| Repayment of current portion of long-term debt | | (92,158) | (170,000) |
| Repayment of debentures | | (558,184) | (532,160) |
| Payment of dividends | | (655,133) | (668,293) |
| Cash outflows from transaction of derivatives | | (5,415) | (25,783) |
| Sub-total | | (2,960,890) | (2,104,248) |
| Net cash provided by (used in) financing activities | | 973,161 | (1,462,548) |
| Net increase (decrease) in cash and cash equivalents | | | |
| Cash and cash equivalents at beginning of the year | | 895,558 | 357,470 |
| Effects of exchange rate changes on cash and cash equivalents | | (36) | |
| Decrease in cash and cash equivalents due to spin-off | | | (499,991) |
| Cash and cash equivalents at end of the year | | 256,577 | 895,558 |

See accompanying notes to the separate financial statements.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

1. Reporting Entity

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of Republic of Korea (Korea) to engage in providing cellular telephone communication services in Korea. The Company mainly provides wireless telecommunications in Korea. The Company s common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of December 31, 2012, the Company s total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|---------------------------------------------------------|---------------------|------------------------------------------|
| SK Holdings, Co., Ltd. | 20,363,452 | 25.22 |
| Institutional investors and other minority stockholders | 49,331,547 | 61.09 |
| Treasury stock | 11,050,712 | 13.69 |
| Total number of shares | 80,745,711 | 100.00 |

2. Basis of Presentation

(1) Statement of compliance

These separate financial statements were prepared in accordance with K-IFRS, as prescribed in *the Act on External Audits of Corporations in the Republic of Korea*.

These financial statements are separate financial statements prepared in accordance with K-IFRS No.1027, Consolidated and Separate Financial Statements presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

(2) Basis of measurement

The separate financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position:

- derivative financial instruments are measured at fair value
- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value
- liabilities for defined benefit plans are recognized at the net of the total present value of defined benefit obligations less the fair value of plan assets and unrecognized past service costs

(3) Functional and presentation currency

These separate financial statements are presented in Korean won, which is the Company s functional currency and the currency of the primary economic environment in which the Company operates.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

2. Basis of Presentation, Continued

(4) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the separate financial statements is included in the following notes: revenue, classification of investment property, and lease classification.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes: allowance for doubtful accounts, estimated useful lives of property and equipments, and intangible assets, impairment of goodwill, measurement of defined benefit obligation, utilization of tax losses, and commitments and contingencies.

(5) Changes in accounting policies

1) Changes in accounting policies

(i) Financial Instruments: Disclosures

The Company has applied the amendments to K-IFRS No.1107, *Financial Instruments: Disclosures* since January 1, 2012. The amendments require disclosing the nature of transferred assets, their carrying amount, and the description of risks and rewards for each class of transferred financial assets that are not derecognized in their entirety. If the Company derecognizes transferred financial assets but still retains their specific risks and rewards, the amendments require additional disclosures of their risks.

(ii) Presentation of financial statements

The Company adopted the amendments pursuant to the amended K-IFRS No. 1001, *Presentation of Financial Statements* from the annual period ended December 31, 2012. The Company's operating income is calculated as operating revenue less operating expense. Operating expense represents expense incurred from the Company's main operating activities and includes cost of products that have been resold, and selling, general and administrative expenses.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

2. Basis of Presentation, Continued

(5) Changes in accounting policies, Continued

2) Impact of change in accounting policies

The Company retrospectively applied the amendment to K-IFRS No. 1001, for which the impact is as follows:

(In millions of won)

| | 2012 | 2011 |
|------------------------------------------------------------------|-----------|-----------|
| Operating income before adoption of the amendment | 1,703,497 | 2,086,648 |
| Differences: | | |
| Other non-operating income | | |
| Fees revenues | 6,617 | 6,173 |
| Gain on disposal of property and equipment and intangible assets | 142,988 | 1,760 |
| Others | 12,151 | 15,291 |
| | (161,756) | (23,224) |
| Other non-operating expense | | |
| Impairment loss on property and equipment and intangible assets | 15,438 | |
| Loss on disposal of property and equipment and intangible assets | 9,628 | 15,752 |
| Donations | 77,357 | 88,652 |
| Bad debt for accounts receivable - other | 21,845 | 7,815 |
| Others | 9,379 | 8,855 |
| | 133,647 | 121,074 |
| Operating income after adoption of the amendment | 1,675,388 | 2,184,498 |

(6) Common control transactions

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

(7) Authorization for issuance of the separate financial statements

The separate financial statements were authorized for issue by the Board of Directors on February 7, 2013, which will be submitted for approval to the shareholders meeting to be held on March 22, 2013.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies

The significant accounting policies applied by the Company in preparation of its separate financial statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements except for those as described in note 2-(5).

(1) Operating segments

The Company presents disclosures relating to operating segments on its separate financial statements in accordance with K-IFRS No. 1108, *Operating Segments* and such disclosures are not separately disclosed on these separate financial statements.

(2) Associates and jointly controlled entities in the separate financial statements

These separate financial statements are prepared and presented in accordance with K-IFRS No. 1027, *Consolidated and Separate Financial Statements*. The Company applied the cost method to investments in subsidiaries and associates in accordance with K-IFRS No. 1027. The carrying amount under previous K-GAAP on the date of transition to K-IFRS is considered to be the deemed cost of investments in subsidiaries and associates on the date of transition. Dividends from a subsidiary or associate are recognized in profit or loss when the right to receive the dividend is established.

(3) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(4) Inventories

Inventories are stated at the acquisition cost using the average method. During the period, a perpetual inventory systems is used to value inventories, which is adjusted to the physical inventory counts performed at the period end. When the net realizable value of inventories is less than the acquisition cost, the carrying amount is reduced to the net realizable value and any difference is charged to current operations as operating expenses. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets

The Company recognizes and measures non-derivative financial assets by the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. The Company recognizes financial assets in the separate statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Upon initial recognition, non-derivative financial assets are measured at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the asset's acquisition or issuance.

(i) Financial assets at fair value through profit or loss

A financial asset is classified as financial assets are classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition, transaction costs are recognized in profit or loss when incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

(ii) Held-to-maturity investments

A non-derivative financial asset with a fixed or determinable payment and fixed maturity, for which the Company has the positive intention and ability to hold to maturity, are classified as held-to-maturity investments. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method.

(iii) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method except for loans and receivables of which the effect of discounting is immaterial.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, they are measured at fair value, which changes in fair value, net of any tax effect, recorded in other comprehensive income in equity. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost.

3. Significant Accounting Policies, Continued

(5) Non-derivative financial assets, Continued

(v) De-recognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate

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asset or liability. If the Company retains substantially all the risks and rewards of ownership of the transferred financial assets, the Company continues to recognize the transferred financial assets and recognizes financial liabilities for the consideration received.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

(vi) Offsetting between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when the Company currently has a legally enforceable right to offset the recognized amounts, and there is the intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

(6) Derivative financial instruments, including hedge accounting

Derivatives are initially recognized at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(i) Hedge accounting

The Company holds forward exchange contracts, interest rate swaps, currency swaps and other derivative contracts to manage interest rate risk and foreign exchange risk. The Company designated derivatives as hedging instruments to hedge the risk of changes in the fair value of assets, liabilities or firm commitments (a fair value hedge) and foreign currency risk of highly probable forecasted transactions or firm commitments (a cash flow hedge).

On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship

Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The gain or loss from remeasuring the hedging instrument at fair value for a derivative hedging instrument and the gain or loss on the hedged item attributable to the hedged risk are recognized in profit or loss in the same line item of the statement of income. The Company discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, or if the hedge no longer meets the criteria for hedge accounting. Any adjustment arising from gain or loss on the hedged item attributable to the hedged risk is amortized to profit or loss from the date the hedge accounting is discontinued.

3. Significant Accounting Policies, Continued

(6) Derivative financial instruments, including hedge accounting, Continued

Cash flow hedge

When a derivative is designated to hedge the variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income, net of tax, and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognized immediately in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income is reclassified to profit or loss in the periods during which the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognized immediately in profit or loss.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

(ii) Separable embedded derivatives

Embedded derivatives are separated from the host contract and accounted for separately only if the following criteria have been met:

(a) the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

(iii) Other derivative financial instruments

Changes in the fair value of other derivative financial instrument not designated as a hedging instrument are recognized immediately in profit or loss.

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. However, losses expected as a result of future events, regardless of likelihood, are not recognized.

Objective evidence that a financial asset is impaired includes following loss events:

significant financial difficulty of the issuer or obligor;

a breach of contract, such as default or delinquency in interest or principal payments;

the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

it becoming probable that the borrower will enter bankruptcy or other financial reorganization;

the disappearance of an active market for that financial asset because of financial difficulties; or

observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If financial assets have objective evidence that they are impaired, impairment losses should be measured and recognized.

(i) Financial assets measured at amortized cost

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its estimated future cash flows discounted at the asset's original effective interest rate. If it is not practicable to obtain the instrument's estimated future cash flows, impairment losses would be measured by using prices from any observable current market transactions. The Company can recognize impairment losses directly or establish a provision to cover impairment losses. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss shall be reversed either directly or by adjusting an allowance account.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

3. Significant Accounting Policies, Continued

(7) Impairment of financial assets, Continued

(ii) Financial assets carried at cost

If there is objective evidence that an impairment loss has occurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

(iii) Available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in other comprehensive income shall be reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available-for-sale shall not be reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognized in profit or loss.

(8) Property, plant and equipment

Property, plant and equipment are initially measured at cost and after initial recognition, are carried at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes expenditures arising directly from the construction or acquisition of the asset, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent to initial recognition, an item of property, plant and equipment shall be carried at its cost less any accumulated depreciation and any accumulated impairment losses.

3. Significant Accounting Policies, Continued

(8) Property, plant and equipment, Continued

Subsequent costs are recognized in the carrying amount of property, plant and equipment at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Property, plant and equipment, except for land, are depreciated on a straight-line basis over estimated useful lives that appropriately reflect the pattern in which the asset's future economic benefits are expected to be consumed. A component that is significant compared to the total cost of

property, plant and equipment is depreciated over its separate useful life.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized as other non-operating income (loss).

The estimated useful lives of the Company's property, plant and equipment are as follows:

| | Useful lives (years) |
|----------------------------------------------------|----------------------|
| Buildings and structures | 15, 30 |
| Machinery | 3 ~ 6 |
| Other property, plant and equipment (Other PP&E) | 4 ~ 10 |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(9) Borrowing costs

The Company capitalizes borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Other borrowing costs are recognized in expense as incurred. A qualifying asset is an asset that requires a substantial period of time to get ready for its intended use or sale. Financial assets and inventories that are manufactured or otherwise produced over a short period of time are not qualifying assets. Assets that are ready for their intended use or sale when acquired are not qualifying assets.

To the extent that the Company borrows funds specifically for the purpose of obtaining a qualifying asset, the Company determines the amount of borrowing costs eligible for capitalization as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that the Company borrows funds generally and uses them for the purpose of obtaining a qualifying asset, the Company shall determine the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs that the Company capitalizes during a period shall not exceed the amount of borrowing costs incurred during that period.

3. Significant Accounting Policies, Continued

(10) Intangible assets

Intangible assets are measured initially at cost and, subsequently, are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization of intangible assets except for goodwill is calculated on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The residual value of intangible assets is zero. However, as there are no foreseeable limits to the periods over which club memberships are expected to be available for use, this intangible asset is determined as having indefinite useful lives and not amortized.

The estimated useful lives of the Company's intangible assets are as follows:

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| | Useful lives (years) |
|-----------------------|----------------------|
| Frequency use rights | 6 ~ 13 |
| Land use rights | 5 |
| Industrial rights | 5, 10 |
| Development costs | 5 |
| Facility usage rights | 10, 20 |
| Other | 3, 5 |

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Amortization periods and the amortization methods for intangible assets with finite useful lives are reviewed at the end of each reporting period. The useful lives of intangible assets that are not being amortized are reviewed at the end of each reporting period to determine whether events and circumstances continue to support indefinite useful life assessments for those assets. Changes are accounted for as changes in accounting estimates.

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in profit or loss as incurred. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Other development expenditures are recognized in profit or loss as incurred.

Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated goodwill and brands, are recognized in profit or loss as incurred.

3. Significant Accounting Policies, Continued

(11) Government grants

Government grants are not recognized unless there is reasonable assurance that the Company will comply with the grant's conditions and that the grant will be received.

(i) Grants related to assets

Government grants whose primary condition is that the Company purchase, construct or otherwise acquire long-term assets are deducted in calculating the carrying amount of the asset. The grant is recognized in profit or loss over the life of a depreciable asset as a reduction to depreciation expense.

(ii) Grants related to expense

Government grants which are intended to compensate the Company for expenses incurred are deducted from the related expenses.

(12) Investment property

Property held for the purpose of earning rentals or benefiting from capital appreciation is classified as investment property. Investment property is initially measured at its cost. Transaction costs are included in the initial measurement. Subsequently, investment property is carried at depreciated cost less any accumulated impairment losses.

Subsequent costs are recognized in the carrying amount of investment property at cost or, if appropriate, as separate items if it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing are recognized in profit or loss as incurred.

Investment property except for land, are depreciated on a straight-line basis over 30 years as estimated useful lives.

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Depreciation methods, useful lives and residual values are reviewed at the end of each reporting date and adjusted, if appropriate. The change is accounted for as a change in an accounting estimate.

(13) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than assets arising from employee benefits, inventories, deferred tax assets and non-current assets held for sale, are reviewed at the end of the reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, irrespective of whether there is any indication of impairment, are tested for impairment annually by comparing their recoverable amount to their carrying amount.

3. Significant Accounting Policies, Continued

(13) Impairment of non-financial assets, Continued

The Company estimates the recoverable amount of an individual asset, if it is impossible to measure the individual recoverable amount of an asset, then the Company estimates the recoverable amount of cash-generating unit (CGU). A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. The value in use is estimated by applying a pre-tax discount rate that reflect current market assessments of the time value of money and the risks specific to the asset or CGU for which estimated future cash flows have not been adjusted, to the estimated future cash flows expected to be generated by the asset or CGU.

An impairment loss is recognized in profit or loss if the carrying amount of an asset or a CGU exceeds its recoverable amount.

Goodwill acquired in a business combination is allocated to each CGU that is expected to benefit from the synergies arising from the goodwill acquired. Any impairment identified at the CGU level will first reduce the carrying value of goodwill and then be used to reduce the carrying amount of the other assets in the CGU on a pro rata basis. Except for impairment losses in respect of goodwill which are never reversed, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(14) Leases

The Company classifies and accounts for leases as either a finance or operating lease, depending on the terms. Leases where the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

(i) Finance leases

At the commencement of the lease term, the Company recognizes as finance assets and finance liabilities in its separate statements of financial position, the lower amount of the fair value of the leased property and the present value of the minimum lease payments, each determined at the inception of the lease. Any initial direct costs are added to the amount recognized as an asset.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they are incurred.

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The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life. The Company reviews to determine whether the leased asset may be impaired.

3. Significant Accounting Policies, Continued

(14) Leases, Continued

(ii) Operating leases

Leases where the lessor retains a significant portion of the risks and rewards of ownership are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in profit or loss on a straight-line basis over the period of the lease.

(iii) Determining whether an arrangement contains a lease

Determining whether an arrangement is, or contains, a lease shall be based on the substance of the arrangement and requires an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset) and the arrangement conveys a right to use the asset.

At inception or reassessment of the arrangement, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a financial lease that it is impracticable to separate the payments reliably, the Company recognizes an asset and a liability at an amount equal to the fair value of the underlying asset that was identified as the subject of the lease. Subsequently, the liability shall be reduced as payments are made and an imputed finance charge on the liability recognized using the purchaser's incremental borrowing rate of interest.

3. Significant Accounting Policies, Continued

(15) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. In order to be classified as held for sale, the asset (or disposal group) must be available for immediate sale in its present condition and its sale must be highly probable. The assets or disposal group that are classified as non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell. The Company recognizes an impairment loss for any initial or subsequent write-down of an asset (or disposal group) to fair value less costs to sell, and a gain for any subsequent increase in fair value less costs to sell, up to the cumulative impairment loss previously recognized in accordance with K-IFRS No. 1036, Impairment of Assets.

A non-current asset that is classified as held for sale or part of a disposal group classified as held for sale is not depreciated (or amortized).

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(16) Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into financial liabilities at fair value through profit or loss or other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the separate statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or designated as such upon initial recognition. Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss. Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred.

(ii) Other financial liabilities

Non-derivative financial liabilities other than financial liabilities at fair value through profit or loss are classified as other financial liabilities. At the date of initial recognition, other financial liabilities are measured at fair value minus transaction costs that are directly attributable to the acquisition. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company derecognizes a financial liability from the separate statements of financial position when it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

3. Significant Accounting Policies, Continued

(17) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the employees render the related service. When an employee has rendered service to the Company during an accounting period, the Company recognizes the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

(ii) Other long-term employee benefits

Other long-term employee benefits include employee benefits that are settled beyond 12 months after the end of the period in which the employees render the related service, and are calculated at the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, less the fair value of any related assets. The present value is determined by discounting the expected future cash flows using the interest rate of corporate bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. Any actuarial gains and losses are recognized in profit or loss in the period in which they arise.

(iii) Retirement benefits: defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of plan assets is deducted. The calculation is performed annually by an independent actuary using the projected unit credit method. The discount rate is the yield at the reporting date on corporate bonds

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that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid. The Company recognizes all actuarial gains and losses arising from actuarial assumption changes and experiential adjustments in other comprehensive income when incurred.

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When the fair value of plan assets exceeds the present value of the defined benefit obligation, the Company recognizes an asset, to the extent of the total of cumulative unrecognized past service cost and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Past service costs which are the change in the present value of the defined benefits obligation for employee service in prior periods, resulting in the current period from the introduction of, or change to post-employment benefits, is recognized as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the Company recognizes the past service cost immediately.

3. Significant Accounting Policies, Continued

(18) Provisions

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

The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision. Where the effect of the time value of money is material, provisions are determined at the present value of the expected future cash flows.

Where some or all of the expenditures required to settle a provision are expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

A provision shall be used only for expenditures for which the provision was originally recognized.

(19) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of Company entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency using the reporting date's exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges, which are recognized in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(20) Equity capital

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Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

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For the years ended December 31, 2012 and 2011

When the Company repurchases its share capital, the amount of the consideration paid is recognized as a deduction from equity and classified as treasury shares. The profits or losses from the purchase, disposal, reissue, or retirement of treasury shares are not recognized as current profit or loss. If the Company acquires and retains treasury shares, the consideration paid or received is directly recognized in equity.

3. Significant Accounting Policies, Continued

(21) Revenue

Revenue from the sale of goods, rendering of services or use of assets is measured at the fair value of the consideration received or receivable. Returns, trade discounts and volume rebates, and are recognized as a reduction of revenue.

(i) Services

Revenue from cellular services consists of revenue from basic charges, voice charges, data charges, data-roaming services and interconnection charges. Such revenues are recognized as services are performed. Revenues received for the activation of service are deferred and recognized over the average customer retention period.

Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

(ii) Goods sold

Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

When two or more revenue generating activities or deliverables are sold under a single arrangement, each deliverable that is considered to be a separate unit of account is accounted for separately. The allocation of consideration from a revenue arrangement to its separate units of account is based on the relative fair values of each unit.

(iii) Customer loyalty programmes

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The amount allocated to the award credits is estimated by reference to the fair value of the services to be provided with respect to the redeemable award credits. The fair value of the services to be provided with respect to the redeemable portion of the award credits granted to the customers in accordance with customer loyalty programmes is estimated taking into account the expected redemption rate and timing of the expected redemption. Considerations allocated to the award credits are deferred and revenue is recognized when the award credits are recovered and the Company performs its obligation to provide the service. The amount of revenue recognized is based on the relative size of the total award credits that are expected to be redeemed and the redeemed award credits in exchange for services.

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3. Significant Accounting Policies, Continued

(22) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognized in profit or loss. Interest income is recognized as it accrues in profit or loss, using the effective interest method. Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognized in profit or loss. Interest expense on borrowings and debentures are recognized in profit or loss using the effective interest rate method.

(23) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax is the expected tax payable or receivable on the taxable profit or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period and any adjustment to tax payable in respect of previous years. The taxable profit is different from the accounting profit for the period since the taxable profit is calculated excluding the temporary differences, which will be taxable or deductible in determining taxable profit (tax loss) of future periods, and non-taxable or non-deductible items from the accounting profit.

(ii) Deferred tax

Deferred tax is recognized, using the asset-liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which they can be utilized. However, deferred tax is not recognized for the following temporary differences: taxable temporary differences arising on the initial recognition of goodwill, or the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit or loss nor taxable income.

The Company recognizes a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, except to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The Company recognizes a deferred tax asset for all deductible temporary differences arising from investments in subsidiaries and associates, to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilized.

3. Significant Accounting Policies, Continued

(23) Income taxes, Continued

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized.

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

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset the related current tax liabilities and assets, and they relate to income taxes levied by the same tax authority and they intend to settle current tax liabilities and assets on a net basis.

If there are any additional income tax expense incurred in accordance with dividend payments, such income tax expense is recognized when liabilities relating to the dividend payments are recognized.

(24) Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(25) New standards and interpretations not yet adopted

The following new standards, interpretations and amendments to existing standards have been published and are mandatory for the Company for annual periods beginning after January 1, 2012, and the Company has not early adopted them.

(i) K-IFRS No.1110, Consolidated Financial Statements

The standard introduces a single control model to determine whether an investee should be consolidated. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

3. Significant Accounting Policies, Continued

(25) New standards and interpretations not yet adopted, Continued

(ii) K-IFRS No.1111, Joint Arrangements

The standard classifies joint arrangements into two types - joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. The standard requires a joint operator to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. The standard requires a joint venturer to recognize an investment and to account for that investment using the equity method. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

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(iii) K-IFRS No.1112, Disclosure of Interests in Other Entities

The standard brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company is currently assessing the disclosure requirements for interests in subsidiaries, interests in joint arrangements and associates and unconsolidated structured entities in comparison with the existing disclosures. The standard requires the disclosure of information about the nature, risks and financial effects of these interests. The standards are effective for annual periods beginning on or after January 1, 2013 with early adoption permitted.

(iv) Amendments to K-IFRS No. 1019, Employee Benefits

The standard requires recognition of actuarial gains and losses immediately in other comprehensive income and to calculate expected return on plan assets based on the rate used to discount the defined benefit obligation. The standard will be applied retrospectively for the Company's annual periods beginning on or after January 1, 2013.

(v) K-IFRS No. 1113, Fair Value Measurement

The standard defines fair value and a single framework for fair value, and requires disclosures about fair value measurements. The standard will be applied prospectively for the Company's annual periods beginning on or after January 1, 2013.

(vi) Amendments to K-IFRS No. 1001, Presentation of Financial Statements

The amendments require presenting in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment is mandatorily effective for annual periods beginning on or after July 1, 2012.

Management is in the process of evaluating the impact, if any, of applying these standards on its financial position and results of operations.

4. Restricted Deposits

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

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|----------------------------------|--------------------------|--------------------------|
| Short-term financial instruments | | |
| Charitable fund(*) | 76,000 | 70,000 |
| Other | 7,500 | |
| Long-term financial instruments | 69 | 7,569 |
| Guarantee deposits | 40 | |
| | 83,609 | 77,569 |

(*) The Company established a trust fund for charitable purposes. Profits from the fund are donated to charitable institutions. As of December 31, 2012, the funds cannot be withdrawn.

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For the years ended December 31, 2012 and 2011

5. Trade and Other Receivables

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

(In millions of won)

| | December 31, 2012 | | |
|-----------------------------|--------------------------|--------------------------------------|----------------------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |
| Accounts receivable - trade | 1,497,745 | (90,539) | 1,407,206 |
| Short-term loans | 76,471 | (1,022) | 75,449 |
| Accounts receivable - other | 421,695 | (38,647) | 383,048 |
| Accrued income | 4,147 | | 4,147 |
| | 2,000,058 | (130,208) | 1,869,850 |
| Non-current assets: | | | |
| Long-term loans | 72,801 | (23,129) | 49,672 |
| Guarantee deposits | 149,373 | | 149,373 |
| | 222,174 | (23,129) | 199,045 |
| | 2,222,232 | (153,337) | 2,068,895 |

(In millions of won)

| | December 31, 2011 | | |
|---------------------------------------|--------------------------|--------------------------------------|----------------------------|
| | Gross amount | Allowances for impairment | Carrying amount |
| Current assets: | | | |
| Accounts receivable - trade | 1,400,758 | (118,524) | 1,282,234 |
| Short-term loans | 89,387 | (1,151) | 88,236 |
| Accounts receivable - other | 802,580 | (28,359) | 774,221 |
| Accrued income | 5,278 | | 5,278 |
| | 2,298,003 | (148,034) | 2,149,969 |
| Non-current assets: | | | |
| Long-term loans | 98,886 | (23,604) | 75,282 |
| Long-term accounts receivable - other | 5,393 | | 5,393 |
| Guarantee deposits | 155,389 | | 155,389 |
| | 259,668 | (23,604) | 236,064 |
| | 2,557,671 | (171,638) | 2,386,033 |

5. Trade and Other Receivables, Continued

- (2) The movement in allowance for doubtful accounts of trade and other receivables during the years ended December 31, 2012 and 2011 were as follows:

(In millions of won)

| | 2012 | 2011 |
|--------------------------------------------------|----------------|----------------|
| Balance at January 1 | 171,638 | 210,996 |
| Increase of bad debt allowances | 44,347 | 59,992 |
| Reversal of allowances for doubtful accounts | (4,846) | (649) |
| Write-offs | (77,608) | (88,427) |
| Collection of receivables previously written-off | 19,806 | 18,834 |
| Transfer by spin off | | (29,108) |
| Balance at December 31 | 153,337 | 171,638 |

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For the years ended December 31, 2012 and 2011

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

(In millions of won)

| | December 31, 2012 | | December 31, 2011 | |
|----------------------------------|-----------------------------|-------------------|-----------------------------|-------------------|
| | Accounts receivable - trade | Other receivables | Accounts receivable - trade | Other receivables |
| Neither overdue or impaired | 1,093,481 | 636,292 | 944,178 | 1,072,199 |
| Overdue but not impaired | 25,502 | | 24,880 | |
| Impaired | 378,762 | 88,196 | 431,700 | 84,715 |
| | 1,497,745 | 724,488 | 1,400,758 | 1,156,914 |
| Allowances for doubtful accounts | (90,539) | (62,798) | (118,524) | (53,115) |
| | 1,407,206 | 661,690 | 1,282,234 | 1,103,799 |

The Company establishes allowances for doubtful accounts based on the likelihood of recoverability of trade and other receivables based on their aging at the end of the period, past customer default experience, customer credit status, and economic and industrial factors.

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|--------------------|-------------------|-------------------|
| Less than 1 month | 3,699 | 4,229 |
| 1 ~ 3 months | 3,686 | 6,979 |
| 3 ~ 6 months | 9,175 | 3,336 |
| More than 6 months | 8,942 | 10,336 |
| | 25,502 | 24,880 |

6. Investment Securities

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

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------------------|-------------------|-------------------|
| Beneficiary certificates(*) | 56,159 | 90,287 |
| Current portion of long-term investment securities | 242 | 286 |
| | 56,401 | 90,573 |

(*) The distributions arising from beneficiary certificates as of December 31, 2012, were accounted for as accrued income.

(2) Details of long-term available-for-sale financial assets as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|---------------------------------------------------------|-------------------|-------------------|
| Equity securities: | | |
| Marketable equity securities | 584,029 | 1,095,747 |
| Unlisted equity securities(*1) | 18,814 | 15,903 |
| Equity investments(*2) | 115,120 | 175,466 |
| | 717,963 | 1,287,116 |
| Debt securities(*3): | | |
| Public bonds | 356 | 401 |
| Investment bonds(*4) | 15,816 | 25,207 |
| | 16,172 | 25,608 |
| Total | 734,135 | 1,312,724 |
| Less current portion of long-term investment securities | (242) | (286) |
| Long-term investment securities | 733,893 | 1,312,438 |

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For the years ended December 31, 2012 and 2011

- (*1) Unlisted equity securities whose fair value cannot be measured reliably are recorded at cost.
 (*2) Equity investments are recorded at cost.
 (*3) Interest income from debt securities for the years ended December 31, 2012 and 2011 are 2,245 million and 3,715 million, respectively.
 (*4) The Company classified convertible bonds of NanoEnTek, Inc. (carrying amount as of December 31, 2012: 15,356 million), which were acquired during the year ended December 31, 2011, as financial assets at fair value through profit or loss. The difference between acquisition cost and fair value is accounted for as finance income (loss).

7. Non-current Assets Held for Sale

For the year ended December 31, 2012, the Company classified investment in SKY Property Mgmt. Ltd., a subsidiary, as non-current assets held for sale as a result of the Board of Directors' December 21, 2012 decision to dispose of the ownership interests of 27% in the subsidiary in order to utilize the proceeds for new business opportunities. The ownership interests were disposed of as of January 11, 2013 (see note 35).

A disposal contract for the Company's ownership interests in SK Fans Co., Ltd., an associate, has been entered into as of December 31, 2012 and investment in the associate was reclassified to non-current assets held for sale after an impairment loss of 11,632 million was recognized.

(In millions of won)

| | December 31, 2012 |
|-----------------------------|--------------------------|
| Investments in subsidiaries | 119,194 |
| Investments in associates | 2,143 |
| | 121,337 |

The assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell.

8. Investments in Subsidiaries and Associates

- (1) Investments in subsidiaries and associates as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|-----------------------------|--------------------------|--------------------------|
| Investments in subsidiaries | 3,315,205 | 3,382,939 |
| Investments in associates | 4,600,342 | 1,264,567 |
| | 7,915,547 | 4,647,506 |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

8. Investments in Subsidiaries and Associates, Continued

(2) Details of investments in subsidiaries as of December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | Number of shares | December 31, 2012 Ownership (%) | Carrying amount | December 31, 2011 Carrying amount |
|----------------------------------------------|---------------------|---------------------------------------|--------------------|--------------------------------------------|
| SK Telink Co., Ltd. | 1,082,272 | 83.5 | 144,740 | 144,740 |
| Ntreev Soft Co., Ltd.(*1) | | | | 7,708 |
| SK Broadband Co., Ltd. | 149,638,354 | 50.6 | 1,242,247 | 1,242,247 |
| PS&Marketing Corporation | 46,000,000 | 100.0 | 213,934 | 213,934 |
| Service Ace Co., Ltd. | 4,385,400 | 100.0 | 21,927 | 21,927 |
| Service Top Co., Ltd. | 2,856,200 | 100.0 | 14,281 | 14,281 |
| Network O&S Co., Ltd. | 3,000,000 | 100.0 | 15,000 | 15,000 |
| SK Planet Co., Ltd. | 60,000,000 | 100.0 | 1,234,884 | 1,234,884 |
| SK Telecom China Holdings Co., Ltd. | | 100.0 | 29,116 | 29,116 |
| SKY Property Mgmt. Ltd.(*2) | 22,980 | 60.0 | 264,850 | 264,850 |
| SKT Vietnam PTE. Ltd. | 180,476,700 | 73.3 | 26,264 | 26,264 |
| SKT Americas, Inc.(*3) | 122 | 100.0 | 72,786 | 65,379 |
| YTK Investment Ltd.(*3) | | 100.0 | 69,464 | 52,123 |
| Atlas Investment(*3) | | 100.0 | 59,122 | 50,486 |
| SK Global Healthcare Business Group Ltd.(*4) | | 100.0 | 25,784 | |
| Sub Total | | | 3,434,399 | 3,382,939 |
| Non-current assets held for sale(*2) | | | (119,194) | |
| | | | 3,315,205 | 3,382,939 |

(*1) During the year ended December 31, 2012, the Company sold 2,064,970 shares (ownership interest of 63.7%) of investment in Ntreev Soft Co., Ltd. to NCsoft Corporation and recognized gain on disposal of 80,483 million.

(*2) During the year ended December 31, 2012, the Company decided to dispose 27% of ownership interests in SKY Property Mgmt. Ltd. and reclassified 119,194 million of ownership interests to be sold as non-current assets held for sale.

(*3) During the year ended December 31, 2012, the Company additionally invested 7,406 million, 17,341 million, 8,635 million in SKT Americas Inc, in YTK Investment Ltd. and in Atlas Investment, respectively.

(*4) During the year ended December 31, 2012, the Company acquired 100% shares of SK Global Healthcare Business Group Ltd.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

8. Investments in Subsidiaries and Associates, Continued

(3) Details of investments in associates as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | | December 31, 2011 | |
|--------------------------------------------------|-------------------|--------------------------|-------------------|-----------------|
| | Number of shares | Ownership percentage (%) | Carrying amount | Carrying amount |
| SK Marketing & Company Co., Ltd. | 5,000,000 | 50.0 | 112,531 | 112,531 |
| SK China Company Ltd.(*3,8) | 720,000 | 9.6 | 47,830 | 47,830 |
| SK USA, Inc. | 49 | 49.0 | 5,498 | 5,498 |
| HappyNarae Co., Ltd.(*1) | 680,000 | 42.5 | 12,250 | 12,250 |
| F&U Credit information Co., Ltd. | 300,000 | 50.0 | 4,482 | 4,482 |
| Korea IT Fund(*2) | 190 | 63.3 | 220,957 | 220,957 |
| Wave City Development Co., Ltd.(*3) | 382,000 | 19.1 | 1,532 | 1,532 |
| HanaSK Card Co., Ltd. | 57,647,058 | 49.0 | 400,000 | 400,000 |
| Daehan Kanggun BcN Co., Ltd. | 1,675,126 | 29.0 | 8,340 | 8,340 |
| NanoEnTek, Inc.(*3) | 1,807,130 | 9.3 | 11,000 | 11,000 |
| Health Connect Co., Ltd.(*4) | 954,000 | 49.5 | 9,540 | 1,410 |
| UNISK (Beijing) Information Technology Co., Ltd. | 49 | 49.0 | 4,247 | 4,247 |
| TR Entertainment | | 42.2 | 7,560 | 7,560 |
| SK Industrial Development China Co., Ltd. | 72,952,360 | 35.0 | 83,691 | 83,691 |
| Packet One Network | 1,151,556 | 28.2 | 140,139 | 137,751 |
| SK Technology Innovation Company | 9,800 | 49.0 | 85,873 | 85,873 |
| Lightsquared Inc.(*3,5) | 3,387,916 | 3.3 | | 72,096 |
| SK Hynix Inc.(*6) | 146,100,000 | 21.1 | 3,374,725 | |
| SK MENA Investment B.V.(*7) | | 32.1 | 14,485 | |
| SK Latin America Investment S.A.(*7) | | 32.1 | 14,243 | |
| Gemini(*7) | | 20.0 | 6,108 | |
| SK Wyverns Baseball Club Co., Ltd. and others | | | 35,311 | 47,519 |
| | | | 4,600,342 | 1,264,567 |

(*1) The name of the entity has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the year ended December 31, 2012.

(*2) Classified as an investment in associate because the Company has less than 50% of the voting rights of the board of directors.

(*3) Classified as an investment in associate because the Company can exercise significant influence over the associate through participation on the associate's board of directors.

(*4) The Company acquired additional ownership interests in Health Connect Co., Ltd. of 8,130 million by converting convertible bonds of Health Connect Co., Ltd, which were accounted for as available-for-sale securities for the year ended December 31, 2012.

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Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

8. Investments in Subsidiaries and Associates, Continued

- (*5) The Company recognized impairment loss of 72,096 million during the year ended December 31, 2012.
- (*6) The Company acquired 146,100,000 shares (ownership interest of 21.1%) of SK Hynix Inc. through purchase of existing shares and subscription of new shares at February 14, 2012.
- (*7) The Company acquired a 32.1%, 32.1%, and 20.0% of ownership interest of SK MENA Investment B.V., SK Latin America Investment, and Gemini, respectively, during the year ended December 31, 2012.
- (*8) Ownership interests in SK China Company Ltd. decreased due to the unequal capital increase.

(4) The market price of investments in listed subsidiaries as of December 31, 2012 and 2011 are as follows:

(In millions of won, except for share data)

| | December 31, 2012 | | | December 31, 2011 | | |
|------------------------|------------------------|------------------|--------------|------------------------|------------------|--------------|
| | Market value per share | Number of shares | Market price | Market value per share | Number of shares | Market price |
| | (In won) | | | (In won) | | |
| SK Broadband Co., Ltd. | 4,665 | 149,638,354 | 698,063 | 3,460 | 149,638,354 | 517,749 |

9. Property and Equipment

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

(In millions of won)

| | Acquisition cost | December 31, 2012 | | Carrying amount |
|--------------------------|------------------|--------------------------|-----------------------------|-----------------|
| | | Accumulated depreciation | Accumulated impairment loss | |
| Land | 395,968 | | | 395,968 |
| Buildings | 1,004,058 | (396,085) | | 607,973 |
| Structures | 681,748 | (318,384) | | 363,364 |
| Machinery | 17,285,731 | (12,740,389) | (12,531) | 4,532,811 |
| Other | 1,430,451 | (851,003) | | 579,448 |
| Construction in progress | 639,526 | | | 639,526 |
| | 21,437,482 | (14,305,861) | (12,531) | 7,119,090 |

(In millions of won)

| Acquisition cost | December 31, 2011 | |
|------------------|--------------------------|-----------------|
| | Accumulated depreciation | Carrying amount |

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| | | | |
|--------------------------|------------|--------------|-----------|
| Land | 409,696 | | 409,696 |
| Buildings | 1,079,947 | (403,852) | 676,095 |
| Structures | 585,566 | (284,571) | 300,995 |
| Machinery | 15,548,834 | (11,967,559) | 3,581,275 |
| Other | 1,438,767 | (798,450) | 640,317 |
| Construction in progress | 651,791 | | 651,791 |
| Total | 19,714,601 | (13,454,432) | 6,260,169 |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

(2) Changes in property and equipment for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | Beginning balance | Acquisition(*1) | Disposal | 2012 | | | Ending balance |
|--------------------------|----------------------|-----------------|----------|-------------|--------------|------------------------|-------------------|
| | | | | Transfer | Depreciation | Impairment loss(*2) | |
| Land | 409,696 | 1,499 | (28,642) | 13,415 | | | 395,968 |
| Buildings | 676,095 | 1,369 | (37,618) | 5,926 | (37,799) | | 607,973 |
| Structures | 300,995 | 65,541 | (81) | 30,632 | (33,723) | | 363,364 |
| Machinery | 3,581,275 | 233,841 | (13,749) | 2,047,902 | (1,303,927) | (12,531) | 4,532,811 |
| Other | 640,317 | 1,478,701 | (3,463) | (1,439,656) | (96,451) | | 579,448 |
| Construction in progress | 651,791 | 1,103,944 | (810) | (1,115,399) | | | 639,526 |
| | 6,260,169 | 2,884,895 | (84,363) | (457,180) | (1,471,900) | (12,531) | 7,119,090 |

(*1) Acquisition for the years ended December 31, 2012 includes assets transferred of 1,265 million in relation to the transfer of Imagine business from SK Planet Co., Ltd.

(*2) The Company recognized impairment loss on property and equipment of 12,531 million in relation to the Digital Multimedia Broadcasting service.

9. Property and Equipment, Continued

(In millions of won)

| | Beginning balance | Acquisition | Disposal | 2011 | | | Ending balance |
|--------------------------|----------------------|-------------|----------|-------------|--------------|-----------|-------------------|
| | | | | Transfer | Depreciation | Spin-off | |
| Land | 402,702 | 3,098 | (113) | 4,111 | | (102) | 409,696 |
| Buildings | 686,645 | 24,953 | (262) | 4,981 | (39,273) | (949) | 676,095 |
| Structures | 242,004 | 65,665 | (141) | 25,673 | (32,206) | | 300,995 |
| Machinery | 3,240,001 | 126,128 | (6,144) | 1,511,490 | (1,218,770) | (71,430) | 3,581,275 |
| Other | 521,499 | 1,256,340 | (5,077) | (1,042,708) | (81,484) | (8,253) | 640,317 |
| Construction in progress | 376,896 | 1,076,620 | (8,322) | (696,904) | | (96,499) | 651,791 |
| | 5,469,747 | 2,552,804 | (20,059) | (193,357) | (1,371,733) | (177,233) | 6,260,169 |

10. Investment Property

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

(In millions of won)

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| | | December 31, 2012 | |
|-----------|------------------|--------------------------|-----------------|
| | Acquisition cost | Accumulated depreciation | Carrying amount |
| Land | | | |
| Buildings | | | |
| | | | |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

(In millions of won)

| | Acquisition cost | December 31, 2011 Accumulated depreciation | Carrying amount |
|-----------|------------------|--------------------------------------------------|--------------------|
| Land | 9,001 | | 9,001 |
| Buildings | 44,251 | (22,553) | 21,698 |
| | 53,252 | (22,553) | 30,699 |

10. Investment Property, Continued

(2) Changes in investment property for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | Beginning balance | 2012 Disposal | 2012 Transfer | 2012 Depreciation | Ending balance |
|-----------|----------------------|------------------|------------------|----------------------|-------------------|
| Land | 9,001 | (9,414) | 413 | | |
| Buildings | 21,698 | (21,381) | 1,272 | (1,589) | |
| | 30,699 | (30,795) | 1,685 | (1,589) | |

During the year ended December 31, 2012, the entire amount of land and buildings of 30,795 million were disposed.

(In millions of won)

| | Beginning balance | 2011 Transfer | 2011 Depreciation | Ending balance |
|-----------|----------------------|------------------|----------------------|-------------------|
| Land | 9,508 | (507) | | 9,001 |
| Buildings | 25,291 | (1,086) | (2,507) | 21,698 |
| | 34,799 | (1,593) | (2,507) | 30,699 |

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

(In millions of won)

| | December 31, 2012 | | December 31, 2011 | |
|-----------|--------------------|------------|--------------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Land | | | 9,001 | 51,731 |
| Buildings | | | 21,698 | 21,679 |
| | | | 30,699 | 73,410 |

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

- (4) Details of rent income and operating expenses from investment property for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|--------------------|-------------|-------------|
| Rent income | 3,666 | 3,465 |
| Operating expenses | (1,589) | (2,507) |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

11. Goodwill

Goodwill as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------------------|-------------------|-------------------|
| Goodwill related to acquisition of Shinsegi Telecom, Inc. | 1,306,236 | 1,306,236 |

The recoverable amount of the CGU is based on its value in use calculated by applying the annual discount rate of 6.1% to the estimated future cash flows based on financial budgets for the next five years. An annual growth rate of 2.0% was applied for the cash flows expected to be incurred after five years and is not expected to exceed the Company's long-term wireless business growth. Management of the Company does not expect the total carrying amount of the CGU will exceed the total recoverable amount due to the reasonably possible changes from the major assumptions used to estimate the recoverable amount.

12. Intangible Assets

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

(In millions of won)

| | Acquisition cost | 2012 | | Carrying amount |
|-----------------------|------------------|--------------------------|------------------------|-----------------|
| | | Accumulated depreciation | Accumulated impairment | |
| Frequency use rights | 2,837,385 | (1,140,610) | (2,907) | 1,693,868 |
| Land use rights | 31,284 | (21,469) | | 9,815 |
| Industrial rights | 31,846 | (22,077) | | 9,769 |
| Development costs | 125,477 | (124,812) | | 665 |
| Facility usage rights | 41,806 | (25,020) | | 16,786 |
| Memberships(*1) | 81,518 | | | 81,518 |
| Other(*2) | 1,522,516 | (1,147,065) | | 375,451 |
| | 4,671,832 | (2,481,053) | (2,907) | 2,187,872 |

(In millions of won)

| | Acquisition cost | 2011 | |
|-----------------------|------------------|--------------------------|-----------------|
| | | Accumulated depreciation | Carrying amount |
| Frequency use rights | 2,820,725 | (931,623) | 1,889,102 |
| Land use rights | 29,379 | (16,640) | 12,739 |
| Industrial rights | 27,594 | (19,266) | 8,328 |
| Development costs | 124,545 | (123,359) | 1,186 |
| Facility usage rights | 38,326 | (23,268) | 15,058 |
| Memberships(*1) | 80,607 | | 80,607 |
| Other(*2) | 1,364,596 | (1,006,821) | 357,775 |

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4,485,772 (2,120,977) 2,364,795

- (*1) Memberships are classified as intangible assets with indefinite useful life and are not amortized.
- (*2) Other intangible assets consist of computer software and usage rights to a research facility which the Company built and donated to a university which in turn the Company is given rights-to-use for a definite number of years.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

12. Intangible Assets Continued

(2) Details of changes in intangible assets for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | Beginning balance | Acquisition(*1) | Disposal | 2012 | | | Impairment loss(*2) | Ending balance |
|-----------------------|----------------------|-----------------|----------|----------|--------------|---------|------------------------|-------------------|
| | | | | Transfer | Amortization | | | |
| Frequency use rights | 1,889,102 | 16,659 | | | (208,986) | (2,907) | 1,693,868 | |
| Land use rights | 12,739 | 2,080 | (80) | | (4,924) | | 9,815 | |
| Industrial rights | 8,328 | 4,252 | | | (2,811) | | 9,769 | |
| Development costs | 1,186 | | | 931 | (1,452) | | 665 | |
| Facility usage rights | 15,058 | 3,997 | (121) | 108 | (2,256) | | 16,786 | |
| Memberships | 80,607 | 2,318 | (1,407) | | | | 81,518 | |
| Other | 357,775 | 51,230 | (1,430) | 109,061 | (141,185) | | 375,451 | |
| | 2,364,795 | 80,536 | (3,038) | 110,100 | (361,614) | (2,907) | 2,187,872 | |

(*1) Acquisition for the year ended December 31, 2012 includes assets transferred of 200 million in relation to the transfer of Imagine business from SK Planet Co., Ltd.

(*2) The Company recognized impairment loss on intangible assets of 2,907 million in relation to the frequency use rights of the discontinued Digital Multimedia Broadcasting service.

(In millions of won)

| | Beginning balance | Acquisition | Disposal | 2011 | | | Decrease due to spin-off | Ending balance |
|-----------------------|----------------------|-------------|----------|----------|--------------|-----------|--------------------------------|-------------------|
| | | | | Transfer | Amortization | | | |
| Frequency use rights | 709,043 | 1,333,796 | | | (153,737) | | 1,889,102 | |
| Land use rights | 11,130 | 5,872 | (54) | | (4,209) | | 12,739 | |
| Industrial rights | 14,748 | 1,777 | | 323 | (3,138) | (5,382) | 8,328 | |
| Development costs | 4,898 | | | | (3,263) | (449) | 1,186 | |
| Facility usage rights | 16,702 | 644 | (109) | 44 | (2,223) | | 15,058 | |
| Memberships | 90,108 | 3,840 | (2,400) | | | (10,941) | 80,607 | |
| Other | 578,340 | 46,680 | (1,058) | 194,580 | (253,052) | (207,715) | 357,775 | |
| | 1,424,969 | 1,392,609 | (3,621) | 194,947 | (419,622) | (224,487) | 2,364,795 | |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

12. Intangible Assets, Continued

(3) Research and development expenditure recognized as expense for the years ended December 31, 2012 and 2011 are as follows:

| | 2012 | 2011 |
|-----------------------------------------------------|---------|---------|
| Research and development costs expensed as incurred | 213,162 | 240,168 |

(4) The carrying amount and residual useful lives of frequency usage rights as of December 31, 2012 are as follows:

(In millions of won)

| | Amount | Description | Residual useful lives |
|----------------|-----------|-------------------------------------------------------|--------------------------|
| W-CDMA license | 389,949 | Frequency use rights relating to W-CDMA service | (*1) |
| W-CDMA license | 65,244 | Frequency use rights relating to W-CDMA service | (*2) |
| 800MHz license | 344,623 | Frequency use rights relating to CDMA and LTE service | (*3) |
| 1.8GHz license | 879,350 | Frequency use rights relating to LTE service | (*4) |
| WiBro license | 14,702 | WiBro service | (*5) |
| | 1,693,868 | | |

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

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

(*3) The Company purchased 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Company started its related commercial CDMA and LTE services on July 1, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.

(*4) The Company purchased 1.8GHz license from KCC in December 2011. Amortization of the 1.8GHz license commenced when the Company starts its related commercial LTE services in July 2012, under a straight-line basis over the remaining useful life of the 1.8GHz license. The 1.8GHz license will expire in December 2021.

(*5) The Company additionally purchased WiBro license in March 2012. Amortization of this WiBro license commenced when the Company started its commercial WiBro services on March 30, 2012, under a straight line basis over the remaining useful life. This WiBro license will expire in March 2019.

SK TELECOM CO., LTD.

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13. Borrowings and Debentures

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

(In millions of won and thousands of U.S. dollars)

| Lender | Annual interest rate (%) | Maturity | December 31, 2012 | December 31, 2011 |
|--------------|--------------------------|---------------|-------------------|-------------------|
| Woori Bank | 4.20 | Jan. 10, 2013 | 100,000 | |
| Kookmin Bank | 3.98 | Jan. 10, 2013 | 100,000 | |
| CP | 2.98 | Jan. 14, 2013 | 60,000 | |
| CP | 3.05 | Jan. 25, 2013 | 20,000 | |
| CP | 3.10 | Jan. 29, 2013 | 50,000 | |
| | | | 330,000 | |

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

(In millions of won and thousands of U.S. dollars)

| Lender | Annual interest rate (%) | Maturity | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------------|--------------------------|---------------|------------------------|------------------------|
| Bank of Communications(*1,2) | 6M Libor + 0.29 | Oct. 10, 2013 | 32,133 (USD 30,000) | 34,599 (USD 30,000) |
| Bank of China(*1) | 6M Libor + 0.29 | Oct. 10, 2013 | 21,422 (USD 20,000) | 23,066 (USD 20,000) |
| DBS Bank(*1) | 6M Libor + 0.29 | Oct. 10, 2013 | 26,778 (USD 25,000) | 28,833 (USD 25,000) |
| SMBC(*1) | 6M Libor + 0.29 | Oct. 10, 2013 | 26,778 (USD 25,000) | 28,832 (USD 25,000) |
| Kookmin Bank and 13 others | 4.48 | Feb. 14, 2015 | 350,000 | |
| | | | 457,111 | 115,330 |
| Less present value discount on long-term borrowings | | | (1,668) | |
| | | | 455,443 | 115,330 |
| Less current portion of bonds | | | (107,110) | |
| | | | 348,333 | 115,330 |

(*1) As of December 31, 2012, 6M Libor rate is 0.51%.

(*2) Credit Agricole transferred the loans to Bank of Communications during the year ended December 31, 2012.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

13. Borrowings and Debentures, Continued

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

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

| Annual | | | | | |
|--------------------------|---------------|----------|-----------------|----------------------|----------------------|
| | | | interest rate | December 31, 2012 | December 31, 2011 |
| | Purpose | Maturity | (%) | | |
| Unsecured private bonds | Refinancing | 2016 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | fund | 2013 | 4.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2014 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2012 | | | 185,645 |
| | | | | | (JPY 12,500,000) |
| Unsecured private bonds | Other fund | 2015 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2018 | 5.00 | 200,000 | 200,000 |
| Unsecured private bonds | | 2013 | 6.92 | 250,000 | 250,000 |
| Unsecured private bonds | | 2016 | 5.54 | 40,000 | 40,000 |
| Unsecured private bonds | | 2012 | | | 44,555 |
| | | | | | (JPY 3,000,000) |
| Unsecured private bonds | | 2016 | 5.92 | 230,000 | 230,000 |
| Unsecured private bonds | | 2012 | | | 74,258 |
| | | | | | (JPY 5,000,000) |
| Unsecured private bonds | Operating | 2016 | 3.95 | 110,000 | 110,000 |
| Unsecured private bonds | fund | 2021 | 4.22 | 190,000 | 190,000 |
| Unsecured private bonds | Operating and | 2019 | 3.24 | 170,000 | |
| Unsecured private bonds | refinancing | 2022 | 3.30 | 140,000 | |
| Unsecured private bonds | fund | 2032 | 3.45 | 90,000 | |
| Foreign global bonds | Operating | 2027 | 6.63 | 428,440 | 461,320 |
| | fund | | | (USD 400,000) | (USD 400,000) |
| Exchangeable bonds(*3,4) | Refinancing | 2014 | 1.75 | 405,678 | 397,886 |
| | fund | | | (USD 332,528) | (USD 332,528) |
| Floating rate notes | Operating | 2012 | | | 253,726 |
| | fund | | | | (USD 220,000) |
| Floating rate notes(*1) | | 2014 | 3M Libor + 1.60 | 267,775 | 288,325 |
| | | | | (USD 250,000) | (USD 250,000) |
| Floating rate notes(*2) | | 2014 | SOR rate + 1.20 | 56,906 | 57,619 |
| | | | | (SGD 65,000) | (SGD 65,000) |

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| | | | | |
|-------------------------------|------|------|---------------|-----------|
| Swiss unsecured private bonds | 2017 | 1.75 | 351,930 | |
| | | | (CHF 300,000) | |
| Foreign global bonds | 2018 | 2.13 | 749,770 | |
| | | | (USD 700,000) | |
| Sub-total | | | 4,480,499 | 3,583,334 |
| Less discounts on bonds | | | (40,392) | (37,329) |
| | | | 4,440,107 | 3,546,005 |
| Less current portion of bonds | | | (447,996) | (955,375) |
| | | | 3,992,111 | 2,590,630 |

(*1) As of December 31, 2012, 3M Libor rate is 0.31%.

(*2) As of December 31, 2012, SOR rate is 0.35%.

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Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

13. Borrowings and Debentures, Continued

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

(*3) As of December 31, 2012, exchangeable bonds are classified as financial liabilities at fair value through profit or loss. As of December 31, 2011, the exchangeable bonds were classified as current liabilities as the bond holders were eligible to redeem their notes at 100% of the principal amount on April 7, 2012. However, as of December 31, 2012, the exchangeable bonds are reclassified as non-current liabilities as the bond holders did not exercise their now expired early redemption right.

(*4) On April 7, 2009, the Company issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%. As of December 31, 2012, fair value of the exchangeable bonds is USD 378,749,392.

The exchange price could be adjusted and the exchange price is 197,760 with the exchange rate of 1,383.40 per USD 1.

The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be exchanged as of December 31, 2012 is 2,326,149 shares.

Exchange of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock. If such 49% ownership limitation is violated due to the exercise of exchange rights, the Company will pay the bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its exchange right or the weighted average price for the following five or twenty business days. Unless either previously redeemed or exchanged, the notes are redeemable at 100% of the principal amount at maturity.

In accordance with a resolution of the Board of Directors on February 9, 2012, and July 28, 2012, the exchange price was changed from 209,853 to 197,760 and the number of common shares that can be exchanged was changed from 2,192,102 shares to 2,326,149 shares due to the payment of periodic and interim dividends. During the year ended December 31, 2012, no exchange was made.

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Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

14. Long-term Payables - other

- (1) As of December 31, 2012 and 2011, long-term payables consist of payables related to the acquisition of W-CDMA licenses for 2.1GHz, 800MHZ, 1.8GHz and 2.3GHz frequencies as follows (Refer to note 12):

(In millions of won)

| | 2.1GHz | 800MHz | 1.8GHz | 2.3GHz | Total |
|-------------------------------------------------------------------------|---------------|---------------|---------------|---------------|--------------|
| Period of repayment | 2012~2014 | 2013~2015 | 2012~2021 | 2014~2016 | |
| Coupon rate(*1) | 3.58% | 3.51% | 3.00% | 3.00% | |
| Annual effective interest rate(*2) | 5.89% | 5.69% | 5.25% | 5.80% | |
| Nominal value | 52,600 | 208,250 | 746,250 | 8,650 | 1,015,750 |
| Present value discount on long-term payables - other | (3,237) | (11,060) | (66,797) | (641) | (81,735) |
| Present value of long-term payables - other at the time of acquisition | 49,363 | 197,190 | 679,453 | 8,009 | 934,015 |
| Nominal value | 52,600 | 208,250 | 746,250 | | 1,007,100 |
| Present value discount on long-term payables - other | (3,237) | (11,060) | (66,797) | | (81,094) |
| Current portion of long-term payables - other | (17,533) | | (74,625) | | (92,158) |
| Accumulated amortization of present value discount at December 31, 2011 | 2,065 | 1,925 | 3,136 | | 7,126 |
| Carrying amount as of December 31, 2011 | 33,895 | 199,115 | 607,964 | | 840,974 |
| Increase | | | | 8,650 | 8,650 |
| Present value discount on long-term payables - other | | | | (641) | (641) |
| Amortization of present value discount on long-term payables - other | 628 | 4,029 | 9,775 | 155 | 14,587 |
| Less current portion of long-term payables - other | (17,372) | (68,535) | (72,058) | | (157,965) |
| Carrying amount at December 31, 2012 | 17,151 | 134,609 | 545,681 | 8,164 | 705,605 |

(*1) The Company applied an annual interest rate equal to the previous year average lending rate of public funds financing account less 1%.

(*2) The Company estimated the discount rate based on its credit ratings and corporate bond yield rate as there is no market interest rate available for long-term accounts payables-other.

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For the years ended December 31, 2012 and 2011

14. Long-term Payables - other, Continued

(2) The repayment schedule of long-term payables - other as of December 31, 2012 is as follows:

| <i>(In millions of won)</i> | Amount |
|-----------------------------|----------------|
| 2013 | 161,575 |
| 2014 | 164,458 |
| 2015 | 146,925 |
| 2016 and thereafter | 450,634 |
| | 923,592 |

15. Provisions

Change in provisions for the years ended December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012 | | | As of Dec. 31, 2012 | | |
|-------------------------------|------------------------------|-----------------|--------------------|----------------------------|----------------|-------------------------|
| | Beginning balance | Increase | Utilization | Ending balance | Current | Non- current |
| Provision for handset subsidy | 762,238 | 272,869 | (681,724) | 353,383 | 279,977 | 73,406 |
| Provision for restoration | 28,623 | 4,508 | (340) | 32,791 | 6,842 | 25,949 |
| | 790,861 | 277,377 | (682,064) | 386,174 | 286,819 | 99,355 |

| <i>(In millions of won)</i> | 2011 | | | As of Dec. 31, 2011 | | |
|-------------------------------|------------------------------|-----------------|--------------------|----------------------------|----------------|-------------------------|
| | Beginning balance | Increase | Utilization | Ending balance | Current | Non- current |
| Provision for handset subsidy | 732,042 | 877,191 | (846,995) | 762,238 | 653,172 | 109,066 |
| Provision for restoration | 27,740 | 4,814 | (3,931) | 28,623 | 3,425 | 25,198 |
| | 759,782 | 882,005 | (850,926) | 790,861 | 656,597 | 134,264 |

The Company recognizes a provision for handset subsidies given to the subscribers who purchase handsets on an installment basis.

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For the years ended December 31, 2012 and 2011

16. Defined Benefit Liabilities**(1) Defined benefit plans**

The Company also operates a defined benefit pension plan for employees and uses the projected unit credit method in the actuarial valuation of plan assets and the defined benefit obligation. The Company expects to make a contribution of 32,197 million to the defined benefit plans during the next financial year.

(2) Details of defined benefit liabilities as of December 31, 2012 and 2011 are as follows:*(In millions of won)*

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------------|--------------------------|--------------------------|
| Present value of defined benefit obligations | 133,098 | 95,359 |
| Fair value of plan assets | (98,147) | (68,619) |
| | 34,951 | 26,740 |

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

| | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------|--------------------------|--------------------------|
| Discount rate for defined benefit obligations | 3.56% | 4.53% |
| Inflation rate | 3.00% | 3.00% |
| Expected rate of return on plan assets | 3.56% | 4.74% |
| Expected rate of salary increase | 5.20% | 5.62% |

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

(4) Changes in defined benefit obligations for the years ended December 31, 2012 and 2011 are as follows:*(In millions of won)*

| | 2012 | 2011 |
|----------------------|-------------|-------------|
| Beginning balance | 95,359 | 105,966 |
| Current service cost | 29,605 | 29,890 |
| Interest cost | 4,663 | 5,919 |
| Actuarial loss | 14,975 | 16,685 |
| Benefit paid | (12,965) | (48,771) |

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| | | |
|----------------|---------|----------|
| Others(*) | 1,461 | (14,330) |
| Ending balance | 133,098 | 95,359 |

(*) Others for the year ended December 31, 2012 include transfer to construction in progress and transfer from SK Planet Co., Ltd. in relation to the transfer of Imagine Business. In addition, others for the year ended December 31, 2011 include decrease in defined benefit obligation of 15,555 million in relation to the spin-off of SK Planet Co., Ltd.

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Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

16. Defined Benefit Liabilities, Continued

- (5) Changes in plan assets for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|--------------------------------|-------------|-------------|
| Beginning balance | 68,619 | 84,584 |
| Expected return on plan assets | 2,464 | 3,568 |
| Actuarial gain(loss) | 677 | (783) |
| Contributions to the plan | 29,000 | 20,170 |
| Benefit paid | (2,802) | (28,587) |
| Others(*) | 189 | (10,333) |
| Ending balance | 98,147 | 68,619 |

- (*) Others for the year ended December 31, 2012 include transfer from SK Planet Co., Ltd. in relation to the transfer of Imaging business. In addition, others for the year ended December 31, 2011 include decrease in plan assets of 10,332 million in relation to the spin-off of SK Planet Co., Ltd.

- (6) Expenses recognized in profit and loss and capitalized into construction-in-progress for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|--------------------------------|-------------|-------------|
| Current service cost | 29,605 | 29,890 |
| Interest cost | 4,663 | 5,919 |
| Expected return on plan assets | (2,464) | (3,568) |
| | 31,804 | 32,241 |

The above costs are recognized in labor cost, research and development, or capitalized into construction-in-progress.

- (7) Details of plan assets as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------|--------------------------|--------------------------|
| Equity instruments | 55 | |
| Debt instruments | 24,199 | |
| Short-term financial instruments, etc. | 73,893 | 68,619 |

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98,147

68,619

Actual return on plan assets for the years ended December 31, 2012 and 2011 amounted to 3,141 million and 2,785 million, respectively.

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Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

17. Derivative Instruments

(1) Currency swap contracts under cash flow hedge accounting

The Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling USD 100,000,000 borrowed on October 10, 2006. As of December 31, 2012, in connection with unsettled cross currency interest rate swap contracts to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to 2,391 million (net of tax effect totaling 263 million and foreign currency translation loss arising from U.S. dollar denominated long-term borrowings totaling 12,310 million) is accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and five other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of December 31, 2012, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied since May 12, 2010, an accumulated loss on valuation of derivatives amounting to 37,047 million (net of tax effect totaling 11,828 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 28,628 million) is accounted for as accumulated other comprehensive loss. In connection with the currency swap contract, a gain on valuation of the currency swap contract which was incurred before application of hedge accounting, amounting to 129,806 million was recognized in profit or loss.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with United Overseas Bank to hedge the foreign currency risk and the interest rate risk of its Singapore dollar denominated bonds with face amounts totaling SGD 65,000,000 issued on December 15, 2011. As of December 31, 2012, in connection with the unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 121 million (net of tax effect totaling 39 million and foreign currency translation gain arising from unguaranteed Singapore dollar denominated bonds totaling 554 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 DBS Bank and Citi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 250,000,000 issued on December 15, 2011. As of December 31, 2012, in connection with the unsettled cross currency interest rate swap contract, an accumulated gain on valuation of derivatives amounting to 6,152 million (net of tax effect totaling 1,964 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 21,668 million) is accounted for as other comprehensive income.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Citi Bank and five other banks to hedge the foreign currency risk of its Swiss Franc denominated bonds with face amounts totaling CHF 300,000,000 issued on June 12, 2012. As of December 31, 2012, in connection with the unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 5,999 million (net of tax effect totaling 1,915 million and foreign currency translation gain arising from unguaranteed Swiss Franc denominated bonds totaling 11,550 million) is accounted for as accumulated other comprehensive loss.

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For the years ended December 31, 2012 and 2011

17. Derivative Instruments, Continued

(1) Currency swap contracts under cash flow hedge accounting, Continued

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Barclays and nine other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 700,000,000 issued on November 1, 2012. As of December 31, 2012, in connection with the unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to 12,419 million (net of tax effect totaling 3,965 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling 13,485 million) is accounted for as accumulated other comprehensive loss.

(2) As of December 31, 2012, fair values of the above derivatives recorded in assets or liabilities and details of derivative instruments are as follows:

(In millions of won, thousands of U.S. dollars, Singapore dollars, and Swiss franc)

| | Hedged item | Amount | Duration of Contract | Fair value Designated as Cash Flow Hedge |
|---------------------------------------|----------------------------------------------|-------------|-------------------------------|------------------------------------------|
| Current assets: | | | | |
| Floating-to-fixed cross currency swap | U.S. dollar denominated long-term borrowings | USD 100,000 | Oct. 10, 2006 ~ Oct. 10, 2013 | 9,656 |
| Non-current assets: | | | | |
| Fixed-to-fixed cross currency swap | U.S. dollar denominated bonds | USD 400,000 | Jul. 20, 2007 ~ Jul. 20, 2027 | 52,303 |
| Total assets | | | | 61,959 |
| Non-current liabilities: | | | | |
| Floating-to-fixed cross currency swap | U.S. dollar denominated bonds | USD 250,000 | Dec. 15, 2011 ~ Dec. 12, 2014 | 13,552 |
| Floating-to-fixed cross currency swap | Singapore dollar denominated bonds | SGD 65,000 | Dec. 15, 2011 ~ Dec. 12, 2014 | 714 |
| Fixed-to-fixed cross currency swap | Swiss Franc denominated bonds | CHF 300,000 | Jun. 12, 2012 ~ Jun. 12, 2017 | 19,464 |
| Fixed-to-fixed cross currency swap | U.S. dollar denominated bonds | USD 700,000 | Nov. 1, 2012 ~ May. 1, 2018 | 29,869 |
| Total liabilities | | | | 63,599 |

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For the years ended December 31, 2012 and 2011

18. Share Capital and Capital Surplus (Deficit) and Other Capital Adjustments

The Company's outstanding share capital consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares and capital surplus (deficit) and other capital adjustments as of December 31, 2012 and 2011 are as follows:

(In millions of won, except for share data)

| | December 31, 2012 | December 31, 2011 |
|----------------------------------------------------------|-------------------|-------------------|
| Authorized shares | 220,000,000 | 220,000,000 |
| Issued shares(*1) | 80,745,711 | 80,745,711 |
| Share capital | | |
| Common stock | 44,639 | 44,639 |
| Capital surplus (deficit) and other capital adjustments: | | |
| Paid-in surplus | 2,915,887 | 2,915,887 |
| Treasury stock | (2,410,451) | (2,410,451) |
| Loss on disposal of treasury stock | (18,855) | (18,855) |
| Others(*2) | (722,741) | (722,597) |
| | (236,160) | (236,016) |

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

(*2) Others represent the difference between net assets and considerations paid in relation to the transfer of Imagine business from SK Planet Co., Ltd., a subsidiary.

There were no changes in share capital for the years ended December 31, 2012 and 2011.

19. Treasury Stock

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

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

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

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

20. Retained Earnings

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

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|---------------------------------------------|--------------------------|--------------------------|
| Appropriated: | | |
| Legal reserve | 22,320 | 22,320 |
| Reserve for research & manpower development | 220,000 | 535,595 |
| Reserve for business expansion | 9,106,138 | 8,009,138 |
| Reserve for technology development | 1,901,300 | 1,524,000 |
| | 11,249,758 | 10,091,053 |
| Unappropriated | 1,164,223 | 1,746,132 |
| | 12,413,981 | 11,837,185 |

(2) Legal reserve

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

(3) Reserve for research & manpower development

The reserve for research and manpower development was appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures 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.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

21. Statements of Appropriation of Retained Earnings

Details of appropriations of retained earnings for the years ended December 31, 2012 and 2011 are as follows:

Date of appropriation for 2012: March 22, 2013

Date of appropriation for 2011: March 23, 2012

| <i>(In millions of won)</i> | 2012 | 2011 |
|-------------------------------------------------------------------------------|--------------|--------------|
| Unappropriated retained earnings: | | |
| Unappropriated retained earnings | 1,989 | 136,105 |
| Actuarial loss | (10,838) | (13,241) |
| Interim dividends - 1,000 per share, 200% on par value | (69,695) | (71,095) |
| Profit | 1,242,767 | 1,694,363 |
| | 1,164,223 | 1,746,132 |
| Transfer from voluntary reserves: | | |
| Reserve for research and manpower development | 64,233 | 315,595 |
| Appropriation of retained earnings: | | |
| Reserve for business expansion | 270,000 | 1,097,000 |
| Reserve for technology development | 370,000 | 377,300 |
| Cash dividends - 8,400 per share, 1,680% on par value | 585,438 | 585,438 |
| | 1,225,438 | 2,059,738 |
| Unappropriated retained earnings to be carried over to subsequent year | 3,018 | 1,989 |

22. Reserves

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

| <i>(In millions of won)</i> | December 31, 2012 | December 31, 2011 |
|--------------------------------------------------------------|--------------------------|--------------------------|
| Unrealized fair value of available-for-sale financial assets | 206,414 | 352,617 |
| Unrealized fair value of derivatives | (51,826) | (32,123) |
| | 154,588 | 320,494 |

(2) Changes in reserves for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | Net change in unrealized fair value of available- for-sale financial assets | 2012 Net change in unrealized fair value of derivatives | Total |
|------------------------------|----------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|--------------|
| Balance at January 1, 2012 | 352,616 | (32,122) | 320,494 |
| Changes | (192,879) | (24,266) | (217,145) |
| Tax effect | 46,677 | 4,562 | 51,239 |
| Balance at December 31, 2012 | 206,414 | (51,826) | 154,588 |

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For the years ended December 31, 2012 and 2011

(In millions of won)

| | 2011 | | |
|------------------------------|--------------------------------------------------------------------------------------------------|-------------------------------------------------------------|-----------|
| | Net change in unrealized fair value of available- for-sale financial assets | Net change in unrealized fair value of derivatives | Total |
| Balance at January 1, 2011 | 803,075 | (66,469) | 736,606 |
| Changes | (567,695) | 43,449 | (524,246) |
| Tax effect | 117,236 | (9,102) | 108,134 |
| Balance at December 31, 2011 | 352,616 | (32,122) | 320,494 |

22. Reserves, Continued

(3) Details of change in fair value of available-for-sale financial assets for the years ended December 31, 2012 and 2011 are as follows

(In millions of won)

| | 2012 | | |
|-----------------------------------------------------------------|-----------------|-------------------|-------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2012 | 465,193 | (112,576) | 352,617 |
| Amount recognized as other comprehensive income during the year | (37,609) | 9,101 | (28,508) |
| Amount reclassified through profit or loss | (155,270) | 37,575 | (117,695) |
| Balance at December 31, 2012 | 272,314 | (65,900) | 206,414 |

(In millions of won)

| | 2011 | | |
|-----------------------------------------------------------------|-----------------|-------------------|-------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2011 | 1,032,888 | (229,813) | 803,075 |
| Amount recognized as other comprehensive income during the year | (430,126) | 84,545 | (345,581) |
| Amount reclassified through profit or loss | (137,568) | 32,691 | (104,877) |
| Balance at December 31, 2011 | 465,194 | (112,577) | 352,617 |

(4) Details of change in valuation of derivatives for the years ended December 31, 2012 and 2011 are as follows.

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(In millions of won)

| | 2012 | | |
|-----------------------------------------------------------------|---------------------|--------------------------|--------------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2012 | (43,606) | 11,483 | (32,123) |
| Amount recognized as other comprehensive income during the year | (19,827) | 4,798 | (15,029) |
| Amount reclassified through profit or loss | (4,438) | (236) | (4,674) |
| Balance at December 31, 2012 | (67,871) | 16,045 | (51,826) |

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| <i>(In millions of won)</i> | 2011 | | |
|-----------------------------------------------------------------|---------------------|--------------------------|--------------------|
| | Before taxes | Income tax effect | After taxes |
| Balance at January 1, 2011 | (87,055) | 20,586 | (66,469) |
| Amount recognized as other comprehensive income during the year | 54,102 | (13,023) | 41,079 |
| Amount reclassified through profit or loss | (10,653) | 3,920 | (6,733) |
| Balance at December 31, 2011 | (43,606) | 11,483 | (32,123) |

23. Other Operating Expenses

Details of other operating expenses for the years ended December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|---------------------------------------------|-------------|-------------|
| Other Operating Expenses: | | |
| Communication expenses | 59,398 | 58,552 |
| Utilities | 147,442 | 123,996 |
| Taxes and dues(*) | 81,145 | 36,157 |
| Repair | 185,588 | 202,950 |
| Research and development | 213,162 | 240,168 |
| Training | 29,295 | 31,044 |
| Bad debt for accounts receivables - trade | 22,502 | 52,177 |
| Reversal of allowance for doubtful accounts | (4,846) | (649) |
| Printing | 9,399 | 15,828 |
| Travel | 15,015 | 19,762 |
| Conference | 7,856 | 8,339 |
| Other | 17,405 | 31,312 |
| | 783,361 | 819,636 |

(*) Taxes and dues for the year ended December 31, 2012 includes 20.3 billion fined against the Company for allegedly colluding with other third parties to inflate the prices of handsets while advertising that the handsets are offered at a discount through subsidy plans. The Company appeal of the case is currently pending.

24. Other Non-operating Income and Expenses

Details of other non-operating income and expenses for the years ended December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|------------------------------------|-------------|-------------|
| Other Non-operating Income: | | |

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| | | |
|------------------------------------------------------------------|---------|---------|
| Fees revenues | 6,617 | 6,173 |
| Gain on disposal of property and equipment and intangible assets | 142,988 | 1,760 |
| Others | 12,151 | 15,291 |
| | 161,756 | 23,224 |
| Other Non-operating Expenses: | | |
| Impairment loss on property and equipment, and intangible assets | 15,438 | |
| Loss on disposal of property and equipment and intangible assets | 9,628 | 15,752 |
| Donations | 77,357 | 88,652 |
| Bad debt for accounts receivable - other | 21,845 | 7,815 |
| Others | 9,379 | 8,855 |
| | 133,647 | 121,074 |

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For the years ended December 31, 2012 and 2011

25. Finance Income and Costs

(1) Details of finance income and costs for the years ended December 31, 2012 and 2011 are as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|---------------------------------------------------------------------------------|----------------|----------------|
| Finance Income: | | |
| Interest income | 52,408 | 137,808 |
| Dividends | 30,568 | 40,767 |
| Gain on foreign currency transactions | 3,341 | 8,415 |
| Gain on foreign currency translation | 158 | 182 |
| Gain on valuation of financial assets at fair value through profit or loss | | 2,617 |
| Gain on disposal of long-term investment securities | 269,352 | 158,965 |
| Gain on valuation of derivatives | | 3,389 |
| Gain on settlement of derivatives | 26,103 | |
| Gain on valuation of financial liabilities at fair value through profit or loss | | 63,769 |
| | 381,930 | 415,912 |

| <i>(In millions of won)</i> | 2012 | 2011 |
|---------------------------------------------------------------------------------|----------------|----------------|
| Finance Costs: | | |
| Interest expense | 318,183 | 195,346 |
| Loss on foreign currency transactions | 4,895 | 8,133 |
| Loss on foreign currency translation | 746 | 4,298 |
| Loss on disposal of long-term investment securities | 9,136 | 302 |
| Loss on settlement of derivatives | 1,232 | 15,577 |
| Loss on valuation of financial assets at fair value through profit or loss | 1,262 | |
| Loss on valuation of financial liabilities at fair value through profit or loss | 7,793 | |
| Others | 189,951 | |
| | 533,198 | 223,656 |

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Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

25. Finance Income and Costs, Continued

(2) Details of interest income included in finance income for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------------------|---------------|----------------|
| Interest income on cash equivalents and deposits | 29,361 | 45,987 |
| Interest income on installment receivables and others | 23,047 | 91,821 |
| | 52,408 | 137,808 |

(3) Details of interest expense included in finance costs for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|----------------------------------------------------|----------------|----------------|
| Interest expense on bank overdrafts and borrowings | 107,211 | 27,362 |
| Interest expense on debentures | 167,770 | 153,318 |
| Others | 43,202 | 14,666 |
| | 318,183 | 195,346 |

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Notes to the Separate Financial Statements

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25. Finance Income and Costs, Continued

- (4) Finance income and costs by categories of financial instruments for the years ended December 31, 2012 and 2011 are as follows. Bad debt expenses (reversal of allowance for doubtful accounts) for accounts receivable trade, loans and receivables are excluded and are explained in note 5.

- (i) Finance income and costs

(In millions of won)

| | 2012 | | 2011 | |
|----------------------------------------------------------|----------------|---------------|----------------|---------------|
| | Finance income | Finance costs | Finance income | Finance costs |
| Financial Assets: | | | | |
| Financial asset at fair value through profit or loss | | 1,262 | 2,617 | |
| Available-for-sale financial assets | 301,925 | 199,088 | 203,548 | 302 |
| loans and receivables | 53,791 | 5,637 | 142,486 | 8,133 |
| Derivative designated as hedging instrument | 26,103 | 1,231 | | 8,088 |
| Subtotal | 381,819 | 207,218 | 348,651 | 16,523 |
| Financial Liabilities: | | | | |
| Financial liability at fair value through profit or loss | | 7,793 | 67,158 | 2,353 |
| Financial liability valuate as amortised cost | 111 | 318,187 | 103 | 199,643 |
| Derivative designated as hedging instrument | | | | 5,137 |
| Subtotal | 111 | 325,980 | 67,261 | 207,133 |
| Total | 381,930 | 533,198 | 415,912 | 223,656 |

- (ii) Other comprehensive income

(In millions of won)

| | 2012 | 2011 |
|---------------------------------------------|-----------|-----------|
| Financial Assets: | | |
| Available-for-sale financial assets | (146,203) | (450,459) |
| Derivative designated as hedging instrument | (19,869) | 23,474 |
| Subtotal | (166,072) | (426,985) |
| Financial Liabilities: | | |
| Derivative designated as hedging instrument | 166 | 10,873 |
| Subtotal | 166 | 10,873 |

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Total (165,906) (416,112)

(5) Details of impairment losses for financial assets for the years ended December 31, 2012 and 2011 are as follows.

(In millions of won)

| | 2012 | 2011 |
|------------------------------------------|-------------|-------------|
| Available-for-sale financial assets | 189,951 | |
| Bad debt for accounts receivable - trade | 22,502 | 52,177 |
| Bad debt for accounts receivable - other | 21,845 | 7,815 |
| | 234,298 | 59,992 |

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For the years ended December 31, 2012 and 2011

26. Income Tax Expense

- (1) Income tax expenses for the years ended December 31, 2012 and 2011 consist of the following:

(In millions of won)

| | 2012 | 2011 |
|-----------------------------------------------------------------------|----------|-----------|
| Current tax expense | | |
| Current tax payable | 161,010 | 483,538 |
| Adjustments recognized in the period for current tax of prior periods | (68,414) | 90,702 |
| | 92,596 | 574,240 |
| Deferred tax expense | | |
| Changes in net deferred tax assets | 156,657 | (103,562) |
| Tax directly charged to equity | 54,699 | 109,380 |
| | 211,356 | 5,818 |
| Income tax for continuing operation | 303,952 | 580,058 |

- (2) The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2012 and 2011 is attributable to the following:

(In millions of won)

| | 2012 | 2011 |
|----------------------------------------------------------------------------------------------------------------------|----------|----------|
| Income taxes at statutory income tax rate | 373,844 | 550,384 |
| Non-taxable income | (4,716) | (9,884) |
| Non-deductible expenses | 16,811 | 5,065 |
| Tax credit and tax reduction | (69,515) | (39,502) |
| Tax effects of temporary differences, unused tax losses and unused tax credits not recognized in deferred tax assets | 20,798 | (4,454) |
| Others (Tax effect from statutory tax rate change, additional income tax for prior periods and etc.) | (33,270) | 78,449 |
| Income tax for continuing operation | 303,952 | 580,058 |

- (3) Deferred taxes directly charged to (credited from) equity for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

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| | 2012 | 2011 |
|-----------------------------------------------------------------|--------|---------|
| Net change in fair value of available-for-sale financial assets | 46,676 | 117,236 |
| Gain or loss on valuation of derivatives | 4,563 | (9,103) |
| Actuarial gain or loss | 3,460 | 4,228 |
| Loss on disposal of treasury stock | | (2,981) |
| | 54,699 | 109,380 |

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Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

26. Income Tax Expense, Continued

(4) Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | Beginning | 2012 Deferred tax expense (income) | 2012 Directly added to (deducted from) equity | Ending |
|--------------------------------------------------------------------|-----------|---------------------------------------------|--------------------------------------------------------|-----------|
| Deferred tax assets (liabilities) related to temporary differences | | | | |
| Allowance for doubtful accounts | 25,065 | 11,880 | | 36,945 |
| Accrued interest income | (1,277) | 273 | | (1,004) |
| Available-for-sale financial assets | (82,304) | 47,784 | 46,676 | 12,156 |
| Investments in subsidiaries and associates | 61,468 | 19,948 | | 81,416 |
| Property and equipment (depreciation) | (142,651) | (92,789) | | (235,440) |
| Provisions | 184,462 | (98,943) | | 85,519 |
| Retirement benefit obligation | 10,729 | (4,616) | 3,460 | 9,573 |
| Gain or loss on valuation of derivatives | 11,483 | | 4,563 | 16,046 |
| Gain or loss on foreign currency translation | 9,268 | 10,438 | | 19,706 |
| Tax free reserve for research and manpower development | (53,240) | 22,151 | | (31,089) |
| Goodwill relevant to leased line | 116,287 | (47,612) | | 68,675 |
| Unearned revenue (activation fees) | 116,512 | (19,402) | | 97,110 |
| Others | 24,578 | (60,468) | | (35,890) |
| | 280,380 | (211,356) | 54,699 | 123,723 |

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For the years ended December 31, 2012 and 2011

26. Income Tax Expense, Continued*(In millions of won)*

| | Beginning | Deferred tax expense (income) | 2011 Directly added to (deducted from) equity | Spin-off | Ending |
|--------------------------------------------------------------------|-----------|-------------------------------|-----------------------------------------------|----------|-----------|
| Deferred tax assets (liabilities) related to temporary differences | | | | | |
| Allowance for doubtful accounts | 42,769 | (11,258) | | (6,446) | 25,065 |
| Accrued interest income | (564) | (713) | | | (1,277) |
| Available-for-sale financial assets | (243,998) | 44,458 | 117,236 | | (82,304) |
| Investments in subsidiaries and associates | 46,357 | 15,111 | | | 61,468 |
| Property and equipment (depreciation) | (113,326) | (29,325) | | | (142,651) |
| Provisions | 180,687 | 3,775 | | | 184,462 |
| Retirement benefit obligation | 4,556 | 2,162 | 4,228 | (217) | 10,729 |
| Gain or loss on valuation of derivatives | (5,252) | 25,838 | (9,103) | | 11,483 |
| Gain or loss on foreign currency translation | 7,622 | 1,646 | | | 9,268 |
| Tax free reserve for research and manpower development | (80,520) | 27,280 | | | (53,240) |
| Goodwill relevant to leased line | 140,809 | (24,522) | | | 116,287 |
| Unearned revenue (activation fees) | 117,432 | (920) | | | 116,512 |
| Others | 86,909 | (59,350) | (2,981) | | 24,578 |
| | 183,481 | (5,818) | 109,380 | (6,663) | 280,380 |

- (5) Details of temporary differences not recognized as deferred tax assets (liabilities) in the statements of financial position as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|--------------------------------------------|-------------------|-------------------|
| Allowance for doubtful accounts | 77,405 | 77,405 |
| Investments in subsidiaries and associates | 410,313 | 324,372 |
| Other temporary differences | 51,150 | 51,150 |
| | 538,868 | 452,927 |

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Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

27. Earnings per Share

(1) Basic earnings per share

- 1) Basic earnings per share for the years ended December 31, 2012 and 2011 are calculated as follows:

(In millions of won, shares)

| | 2012 | 2011 |
|------------------------------------------------------|---------------|---------------|
| Profit for the period | 1,242,767 | 1,694,363 |
| Weighted average number of common shares outstanding | 69,694,999 | 70,591,937 |
| Basic earnings per share (In won) | 17,832 | 24,002 |

- 2) The weighted average number of common shares outstanding for the years ended December 31, 2012 and 2011 are calculated as follows:

| | Number of shares | Weighted number of days | Weighted number of shares |
|----------------------------------------------|-----------------------------|------------------------------------|--------------------------------------|
| Outstanding common shares at January 1, 2012 | 80,745,711 | 366/366 | 80,745,711 |
| Effect of treasury stock | (11,050,712) | 366/366 | (11,050,712) |
| Number of shares at December 31, 2012 | 69,694,999 | | 69,694,999 |

| | Number of shares | Weighted number of days | Weighted number of shares |
|----------------------------------------------|-----------------------------|------------------------------------|--------------------------------------|
| Outstanding common shares at January 1, 2011 | 80,745,711 | 365/365 | 80,745,711 |
| Beginning treasury stock | (9,650,712) | 365/365 | (9,650,712) |
| Acquisition of treasury stock | (1,400,000) | 131/365 | (503,062) |
| Number of shares at December 31, 2011 | 69,694,999 | | 70,591,937 |

(2) Diluted earnings per share

- 1) Diluted earnings per share for the years ended December 31, 2012 and 2011 are calculated as follows:

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| <i>(In millions of won, shares)</i> | 2012 | 2011 |
|--------------------------------------------------------------|-------------|-------------|
| Diluted profit for the period | 1,253,567 | 1,698,983 |
| Diluted weighted average number of common shares outstanding | 72,021,148 | 72,784,039 |
| Diluted earnings per share (In won) | 17,406 | 23,343 |

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For the years ended December 31, 2012 and 2011

27. Earnings per Share, Continued

- 2) Adjusted profit for the years ended December 31, 2012 and 2011 are calculated as follows:

| <i>(In millions of won)</i> | 2012 | 2011 |
|------------------------------|------------------|------------------|
| Profit | 1,242,767 | 1,694,363 |
| Effect of exchangeable bonds | 10,800 | 4,620 |
| Adjusted profit | 1,253,567 | 1,698,983 |

- 3) Adjusted weighted average number of common shares outstanding for the years ended December 31, 2012 and 2011 are calculated as follows:

| <i>(In shares)</i> | 2012 | 2011 |
|----------------------------------------------------------------------|-------------------|-------------------|
| Weighted average number of common shares outstanding | 69,694,999 | 70,591,937 |
| Effect of exchangeable bonds(*) | 2,326,149 | 2,192,102 |
| Adjusted weighted average number of common shares outstanding | 72,021,148 | 72,784,039 |

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

28. Dividends

- (1) Details of dividends declared

Details of dividend declared for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won, except for face value and share data)

| Year | Dividend type | Number of shares outstanding | Face value (In won) | Dividend ratio | Dividends |
|-------------|---------------------------|-------------------------------------|----------------------------|-----------------------|------------------|
| 2012 | Cash dividends (Interim) | 69,694,999 | 500 | 200% | 69,695 |
| | Cash dividends (Year-end) | 69,694,999 | 500 | 1,680% | 585,438 |
| | | | | | 655,133 |
| 2011 | Cash dividends (Interim) | 71,094,999 | 500 | 200% | 71,095 |

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| | | | | |
|---------------------------|------------|-----|--------|---------|
| Cash dividends (Year-end) | 69,694,999 | 500 | 1,680% | 585,438 |
| | | | | 656,533 |

(2) Dividends payout ratio

Dividends payout ratios for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| Year | Dividends calculated | Profit | Dividends payout ratio |
|-------------|-----------------------------|---------------|-------------------------------|
| 2012 | 655,133 | 1,242,767 | 52.72% |
| 2011 | 656,533 | 1,694,363 | 38.75% |

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For the years ended December 31, 2012 and 2011

28. Dividends, Continued

(3) Dividends yield ratio

Dividends yield ratios for the years ended December 31, 2012 and 2011 are as follows:

(In won)

| Year | Dividend type | Dividend per share | Closing price at settlement | Dividend yield ratio |
|------|----------------|--------------------|-----------------------------|----------------------|
| 2012 | Cash dividends | 9,400 | 152,500 | 6.16% |
| 2011 | Cash dividends | 9,400 | 141,500 | 6.64% |

29. Categories of Financial Instruments

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

(In millions of won)

| | Financial assets at fair value through profit or loss | Available-for-sale financial assets | December 31, 2012 | | Total |
|-------------------------------------|-------------------------------------------------------|-------------------------------------|-----------------------|------------------------------------------------------------|-----------|
| | | | Loans and receivables | Derivative financial instruments designated as hedged item | |
| Cash and cash equivalents | | | 256,577 | | 256,577 |
| Financial instruments | | | 179,369 | | 179,369 |
| Short-term investment securities | | 56,401 | | | 56,401 |
| Long-term investment securities(*1) | 15,356 | 718,537 | | | 733,893 |
| Accounts receivable - trade | | | 1,407,206 | | 1,407,206 |
| Loans and other receivables(*2) | | | 661,689 | | 661,689 |
| Derivative financial assets | | | | 61,959 | 61,959 |
| | 15,356 | 774,938 | 2,504,841 | 61,959 | 3,357,094 |

29. Categories of Financial Instruments, Continued

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

(In millions of won)

December 31, 2011

Total

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| | Financial assets at fair value through profit or loss | Available- for-sale financial assets | Loans and receivables | Derivative financial instruments designated as hedged item | |
|-------------------------------------|----------------------------------------------------------------------|-----------------------------------------------|--------------------------|------------------------------------------------------------------------|-----------|
| Cash and cash equivalents | | | 895,558 | | 895,558 |
| Financial instruments | | | 635,069 | | 635,069 |
| Short-term investment securities | | 90,573 | | | 90,573 |
| Long-term investment securities(*1) | 16,617 | 1,295,821 | | | 1,312,438 |
| Accounts receivable - trade | | | 1,282,234 | | 1,282,234 |
| Loans and other receivables(*2) | | | 1,103,799 | | 1,103,799 |
| Derivative financial assets | | | | 188,605 | 188,605 |
| | 16,617 | 1,386,394 | 3,916,660 | 188,605 | 5,508,276 |

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- (*1) Long-term investment securities of which the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured, were designated as financial assets at fair value through profit or loss.
- (*2) Details of loans and other receivables as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|---------------------------------------|---------|-----------|
| Short-term loans | 75,449 | 88,236 |
| Accounts receivable - other | 383,048 | 774,221 |
| Accrued income | 4,147 | 5,278 |
| Long-term loans | 49,672 | 75,282 |
| Long-term accounts receivable - other | | 5,393 |
| Guarantee deposits | 149,373 | 155,389 |
| | 661,689 | 1,103,799 |

29. Categories of Financial Instruments, Continued

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

(In millions of won)

| | December 31, 2012 | | | Total |
|-----------------------------------------|------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------|-----------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | |
| Derivative financial liabilities | | | 63,599 | 63,599 |
| Borrowings | | 785,443 | | 785,443 |
| Debentures(*1) | 405,678 | 4,034,429 | | 4,440,107 |
| Accounts payable - other and others(*2) | | 3,073,290 | | 3,073,290 |
| | 405,678 | 7,893,162 | 63,599 | 8,362,439 |

(In millions of won)

| | December 31, 2011 | | | Total |
|----------------------------------|------------------------------------------------------------|--------------------------------------------------|------------------------------------------------------------|---------|
| | Financial liabilities at fair value through profit or loss | Financial liabilities measured at amortized cost | Derivative financial instruments designated as hedged item | |
| Derivative financial liabilities | | | 4,645 | 4,645 |
| Borrowings | | 115,330 | | 115,330 |

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| | | | | |
|-----------------------------------------|---------|-----------|-------|-----------|
| Debentures(*1) | 397,887 | 3,148,118 | | 3,546,005 |
| Accounts payable - other and others(*2) | | 2,901,123 | | 2,901,123 |
| | 397,887 | 6,164,571 | 4,645 | 6,567,103 |

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For the years ended December 31, 2012 and 2011

- (*1) Debentures of which the embedded derivative (conversion right option), which should be separated from the main contract, could not be separately measured, were designated as financial liabilities at fair value through profit or loss.
- (*2) Details of accounts payable and other payables as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | December 31, 2012 | December 31, 2011 |
|-----------------------------------------------|-------------------|-------------------|
| Accounts payable - other | 1,509,456 | 1,361,473 |
| Withholdings | 18 | 18 |
| Accrued expenses | 600,101 | 468,313 |
| Current portion of long-term payables - other | 157,965 | 89,144 |
| Long-term payables - other | 705,605 | 840,974 |
| Other non-current liabilities | 100,145 | 141,201 |
| | 3,073,290 | 2,901,123 |

30. Financial Risk Management

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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

Monetary foreign currency assets and liabilities as of December 31, 2012 are as follows:

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

| | Assets | | Liabilities | |
|-----|--------------------|-----------------------|--------------------|-----------------------|
| | Foreign currencies | Korean won equivalent | Foreign currencies | Korean won equivalent |
| USD | 49,153 | 52,647 | 1,788,199 | 1,915,340 |
| EUR | 8,573 | 12,142 | 3,866 | 5,476 |
| JPY | 139,867 | 1,745 | | |

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| | | | | |
|--------|----|----|---------|-----------|
| CHF | | | 298,137 | 349,744 |
| SGD | | | 64,629 | 56,581 |
| Others | 43 | 13 | 2,886 | 4,978 |
| | | | 66,547 | 2,332,119 |

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In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 17)

30. Financial Risk Management, Continued

(1) Financial risk management, Continued

As of December 31, 2012, effects on income (loss) before income tax as a result of change in exchange rate by 10% are as follows:

| <i>(In millions of won)</i> | If increased by 10% | If decreased by 10% |
|-----------------------------|----------------------------|----------------------------|
| USD | (32,757) | 32,757 |
| EUR | 667 | (667) |
| JPY | 175 | (175) |
| CHF | | |
| SGD | (1) | 1 |
| Others | (497) | 497 |
| | (32,413) | 32,413 |

(ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of December 31, 2012, available-for-sale equity instruments measured at fair value amounts to 730,754 million.

(iii) Interest rate risk

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

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

The Company's interest rate risk arises from floating-rate borrowings and payables. As of December 31, 2012, floating-rate debentures and borrowings amount to 324,681 million and 107,110 million, respectively, and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (Refer to Note 17). If interest rate only increases (decreases) by 1%, income before income taxes for the year ended December 31, 2012 would not have been changed due to the interest expense from floating-rate borrowings and debentures.

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30. Financial Risk Management, Continued

(1) Financial risk management, Continued

2) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. The maximum credit exposure as of December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------------------|-----------|-----------|
| Cash and cash equivalents | 256,577 | 895,558 |
| Financial instruments | 179,369 | 635,069 |
| Available-for-sale financial assets | 774,938 | 1,386,394 |
| Accounts receivable - trade | 1,407,206 | 1,282,234 |
| Loans and receivables | 661,689 | 1,103,799 |
| Derivative financial assets | 61,959 | 188,605 |
| Financial assets at fair value through profit or loss | 15,356 | 16,617 |
| | 3,357,094 | 5,508,276 |

To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information, the Company establishes credit limits for each customer or counterparty.

For the year ended December 31, 2012, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue for a prolonged period. As a result, the Company believes that the possibility of default is remote. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institutions. The amount of maximum exposure to credit risk of the Company is the carrying amount of financial assets as of December 31, 2012.

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in note 25.

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

30. Financial Risk Management, Continued

(1) Financial risk management, Continued

3) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Company maintains flexibly enough liquidity under credit lines through active operating activities.

The Company's current liabilities are greater than current assets by 413.3 billion and 518.9 billion as of December 31, 2012 and 2011, respectively. This was primarily caused by the acquisition of ownership interests in SK Hynix in February 2012. The Company plans to fund current liabilities with the cash flows generated by operations and through additional borrowings, as necessary.

Contractual maturities of financial liabilities as of December 31, 2012 are as follows:

(In millions of won)

| | Carrying amount | Contractual cash flows | Less than 1 year | 1 - 5 years | More than 5 years |
|-----------------------------------------|-----------------|------------------------|------------------|-------------|-------------------|
| Derivative financial liabilities | 63,599 | 66,786 | 19,872 | 45,708 | 1,206 |
| Borrowings | 785,443 | 823,775 | 454,175 | 369,600 | |
| Debentures(*1) | 4,440,107 | 5,470,802 | 613,634 | 2,484,981 | 2,372,187 |
| Accounts payable - other and others(*2) | 3,073,290 | 3,133,311 | 2,271,150 | 563,661 | 298,500 |
| | 8,362,439 | 9,494,674 | 3,358,831 | 3,463,950 | 2,671,893 |

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

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

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

(2) Capital management

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

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

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

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(In millions of won)

| | 2012 | 2011 |
|-------------------|-------------|-------------|
| Liability | 9,872,454 | 8,554,225 |
| Equity | 12,377,048 | 11,966,302 |
| Debt-equity ratio | 79.76% | 71.49% |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

30. Financial Risk Management, Continued

(3) Fair value

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

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

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

Interest rates used by the Company for the fair value measurement as of December 31, 2012 are as follows:

| | |
|---------------------------|--------------------------------|
| Derivative instruments | Interest rate 2.86% ~ 4.04% |
| Borrowings and Debentures | 3.12% |

1) Fair value and carrying amount

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

(In millions of won)

| | 2012 | | 2011 | |
|-------------------------------------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Assets carried at fair value | | | | |
| Financial assets at fair value through profit or loss | 15,356 | 15,356 | 16,617 | 16,617 |
| Derivative financial assets | 61,959 | 61,959 | 188,605 | 188,605 |
| Available-for-sale financial assets | 730,754 | 730,754 | 1,273,132 | 1,273,132 |
| | 808,069 | 808,069 | 1,478,354 | 1,478,354 |
| Assets carried at amortized cost | | | | |
| Cash and cash equivalents | 256,577 | 256,577 | 895,558 | 895,558 |
| Available-for-sale financial assets | 44,184 | 44,184 | 113,262 | 113,262 |
| Accounts receivable - trade and others | 2,068,895 | 2,068,895 | 2,386,033 | 2,386,033 |
| Financial instruments | 179,369 | 179,369 | 635,069 | 635,069 |
| | 2,549,025 | 2,549,025 | 4,029,922 | 4,029,922 |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

30. Financial Risk Management, Continued

(3) Fair value, Continued

(In millions of won)

| | 2012 | | 2011 | |
|------------------------------------------------------------|-----------------|------------|-----------------|------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Liabilities carried at fair value | | | | |
| Financial liabilities at fair value through profit or loss | 405,678 | 405,678 | 397,887 | 397,887 |
| Derivative financial liabilities | 63,599 | 63,599 | 4,645 | 4,645 |
| | 469,277 | 469,277 | 402,532 | 402,532 |
| Liabilities carried at amortized cost | | | | |
| Borrowings | 785,443 | 798,908 | 115,330 | 115,330 |
| Debentures | 4,034,429 | 4,224,907 | 3,148,118 | 2,985,078 |
| Accounts payable - other and others | 3,073,290 | 3,073,290 | 2,901,123 | 2,901,123 |
| | 7,893,162 | 8,097,105 | 6,164,571 | 6,001,531 |

2) Fair value hierarchy

The different levels have been defined as follows:

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

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

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

The table below analyzes financial instruments carried at fair value, by fair value hierarchy as of December 31, 2012.

(In millions of won)

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------------------------------------------|---------|---------|---------|---------|
| Financial assets at fair value through profit or loss | | 15,356 | | 15,356 |
| Derivative financial assets | | 61,959 | | 61,959 |
| Available-for-sale financial assets | 584,029 | 46,159 | 100,566 | 730,754 |
| Financial liabilities at fair value through profit or loss | 405,678 | | | 405,678 |

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| | | |
|----------------------------------|--------|--------|
| Derivative financial liabilities | 63,599 | 63,599 |
|----------------------------------|--------|--------|

There have been no transfers from Level 2 to Level 1 in 2012 and changes of financial assets classified as Level 3 for the year period ended December 31, 2012 are as follows:

(In millions of won)

| | Balance at Jan. 1 | Other comprehensive loss | Disposal | Balance at Dec. 31 |
|-------------------------------------|----------------------------------|-----------------------------------------|-----------------|-------------------------------|
| Available-for-sale financial assets | 162,097 | (47,446) | (14,085) | 100,566 |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

31. Transactions with Related Parties

(1) As of December 31, 2012, the parent company and subsidiaries of the Company are as follows:

| Type | Company | Ownership percentage (%) | Types of business |
|--------------------------------------|------------------------------------------------|--------------------------------------|----------------------------------------|
| Ultimate Controlling Entity(*1) | SK Holdings Co., Ltd. | 25.2(*2) | Holding company |
| Subsidiaries | SK Telink Co., Ltd. | 83.5 | Telecommunication service |
| | SK Communications Co., Ltd. | 64.6(*3) | Internet website services |
| | PAXNet Co., Ltd. | 59.7(*3) | Internet website services |
| | Loen Entertainment, Inc. | 67.6(*3) | Release of music disc |
| | Stonebridge Cinema Fund | 57.0 | Investment association |
| | Commerce Planet Co., Ltd. | 100.0(*3) | Online shopping mall operation agency |
| | SK Broadband Co., Ltd. | 50.6 | Telecommunication services |
| | Broadband D&M Co., Ltd.(*5) | | Base station maintenance service |
| | Broadband Media Co., Ltd. | 100.0(*3) | Multimedia TV portal service |
| | Broadband CS Co., Ltd.(*5) | | Customer Q&A and Service |
| | K-net Culture and Contents Venture Fund | 59.0(*3) | Investment association |
| | Fitech Focus Limited Partnership II | 66.7(*3) | Investment association |
| | Open Innovation Fund | 98.9(*3) | Investment association |
| | PS&Marketing Corporation | 100.0 | Communications device retail business |
| | Service Ace Co., Ltd. | 100.0 | Customer center management service |
| | Service Top Co., Ltd. | 100.0 | Customer center management service |
| | Network O&S Co., Ltd. | 100.0 | Base station maintenance service |
| | BNCP Co., Ltd. | 100.0(*3) | Internet website services |
| | Service-In Co., Ltd.(*5) | | Database & on-line information service |
| | SK Planet Co., Ltd. | 100.0 | Telecommunication services |
| | Madsmart, Inc.(*6) | 100.0(*3) | Application software production |
| | SK Telecom China Holdings Co., Ltd. | 100.0 | Investment association |
| | SKY Property Mgmt. Ltd. | 60.0 | Investment association |
| | Shenzhen E-eye High Tech Co., Ltd. | 65.5(*3) | Manufacturing |
| | SK Global Healthcare Business Group., Ltd.(*6) | 100.0 | Investment |
| | SK China Real Estate Co., Ltd. | 99.4 | Investment association |
| | SK Planet Japan(*6) | 100.0(*3) | Digital contents sourcing service |
| SKT Vietnam PTE. Ltd. | 73.3 | Telecommunication service | |
| SK Planet Global PTE. Ltd.(*6) | 100.0(*3) | Digital contents sourcing service | |
| SKT Americas, Inc. | 100.0 | Information gathering and consulting | |
| SKP America LLC.(*6) | 100.0(*3) | Digital contents sourcing service | |
| YTK Investment Ltd. | 100.0 | Investment association | |
| Atlas Investment | 100.0 | Investment association | |
| Technology Innovation Partners, L.P. | 100.0(*3) | Investment association | |

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SK Telecom China Fund I L.P.

100.0(*3)

Investment association

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

31. Transactions with Related Parties, Continued

- (*1) SK Holdings Co., Ltd. is the Ultimate Controlling Entity because of its de facto control over the Company.
(*2) The ownership percentage represents parent company's ownership over the Company.
(*3) The ownership percentage represents subsidiaries' ownership over their subsidiaries, in which the Company has no direct investment.
(*4) Broadband D&M Co., Ltd. and Broadband CS Co., Ltd. have been merged into SK Broadband Co., Ltd. for the year ended December 31, 2012.
(*5) The entire ownership interests in Service-In Co., Ltd. for the year ended December 31, 2012 and Service-In Co., Ltd. is not a subsidiary of the Company as of December 31, 2012.
(*6) Newly included for the year ended December 31, 2012

(2) Transactions

| <i>(In millions of won)</i> | Operating revenue and others | | Operating expense and others | |
|-----------------------------|------------------------------|---------|------------------------------|-----------|
| | 2012 | 2011 | 2012 | 2011 |
| Parent Company | 870 | 1,042 | 217,728 | 201,791 |
| Subsidiaries | 245,081 | 221,185 | 2,312,737 | 1,539,371 |
| Associates | 72,728 | 179,015 | 441,815 | 521,262 |
| Others | 56,183 | 102,612 | 1,921,616 | 1,503,865 |
| | 374,862 | 503,854 | 4,893,896 | 3,766,289 |

Operating revenue include commission received in relation to the interconnection charges and satellite lease. Operating expense include commission paid in relation to the service provided by related parties.

(3) Account balances

| <i>(In millions of won)</i> | Accounts receivable and others | | Accounts payable and others | |
|-----------------------------|--------------------------------|-------------------|-----------------------------|-------------------|
| | December 31, 2012 | December 31, 2011 | December 31, 2012 | December 31, 2011 |
| Parent Company | 222 | 146 | | |
| Subsidiaries | 17,329 | 106,022 | 385,818 | 519,639 |
| Associates | 63,606 | 71,674 | 73,637 | 30,430 |
| Others | 15,122 | 11,857 | 189,659 | 190,434 |
| | 96,279 | 189,699 | 649,114 | 740,503 |

(4) Compensation for the key management

The Company considers registered directors who have substantial role and responsibility in planning, operating, and controlling of the business as key management. Considerations given to key management for the years ended December 31, 2012 and 2011 are as follows:

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| <i>(In millions of won)</i> | 2012 | 2011 |
|-----------------------------------|-------------|-------------|
| Salaries | 8,893 | 9,643 |
| Provision for retirement benefits | 799 | 837 |
| | 9,692 | 10,480 |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

32. Commitments and Contingencies

As of December 31, 2012, the Company has participated in Tactical Airship program of the Defense Acquisition Program Administration with Joint Defense Corporation. For an advance receipt amounting to USD 3,992,522, which Joint Defense Corporation received from the Defense Acquisition Program Administration, the Company provides payment guarantees to the Defense Acquisition Program Administration.

33. Sale and Leaseback

For the year ended December 31, 2012, the Company disposed a portion of its property and equipment and investment property, and entered into lease agreements with respect to those assets. This sale and leaseback transaction is considered as an operating lease and the gain on disposal of property and equipment and investment property is recognized as other non-operating income.

For the year ended December 31, 2012, the Company recognized lease payment of 267 million relating to the above operating lease agreement and lease revenue of 90 million through a sublease agreement. Future lease payments and lease revenue from the above operating lease agreement and sublease agreement are as follows:

| <i>(In millions of won)</i> | Lease payments | Lease revenue |
|-----------------------------|-----------------------|----------------------|
| Less than 1 year | 16,574 | 8,462 |
| 1~5 years | 87,168 | 42,310 |
| More than 5 years | 67,862 | 22,333 |
| | 171,604 | 73,105 |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

34. Statements of Cash Flows

- (1) Adjustments for income and expenses from operating activities for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|---------------------------------------------------------------------------------|-----------|-----------|
| Interest income | (52,408) | (137,808) |
| Dividends | (30,568) | (40,767) |
| Gain on foreign currency translation | (158) | (182) |
| Gain on valuation of financial assets at fair value through profit or loss | | (2,617) |
| Gain on valuation of financial liabilities at fair value through profit or loss | | (63,769) |
| Gain on disposal of long-term investment securities | (269,352) | (158,965) |
| Gain on valuation of derivatives | | (3,389) |
| Gain on settlement of derivatives | (26,103) | |
| Gain on disposal of investments in subsidiaries and associates | (80,483) | (1,990) |
| Gain on disposal of property and equipment and intangible assets | (142,988) | (1,760) |
| Reversal of allowance for doubtful accounts | (4,846) | (649) |
| Interest expenses | 318,183 | 195,346 |
| Loss on foreign currency translation | 746 | 4,298 |
| Loss on disposal of long-term investment securities | 9,136 | 302 |
| Loss on settlement of derivatives | 1,232 | 15,577 |
| Other finance costs | 189,951 | |
| Loss on valuation of financial assets at fair value through profit or loss | 1,262 | |
| Loss on valuation of financial liabilities at fair value through profit or loss | 7,793 | |
| Loss on disposal of investments in subsidiaries and associates | 2,265 | 6,473 |
| Impairment loss on investment in associates | 83,728 | |
| Income tax expense | 303,952 | 580,058 |
| Provision for retirement benefits | 31,804 | 32,241 |
| Depreciation and amortization | 1,835,104 | 1,793,862 |
| Bad debt for accounts receivable - trade | 22,502 | 52,177 |
| Loss on disposal of property and equipment and intangible assets | 9,628 | 15,752 |
| Impairment loss on property and equipment and intangible assets | 15,438 | |
| Bad debt for accounts receivable - other | 21,845 | 7,815 |
| Other expenses | 1,578 | 5,663 |
| | 2,249,241 | 2,297,668 |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

34. Statements of Cash Flows, Continued

(2) Changes in assets and liabilities from operating activities for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|----------------------------------------|-------------|-------------|
| Accounts receivable - trade | (143,431) | 63,278 |
| Accounts receivable - other | 369,045 | 1,560,663 |
| Advance payments | 47,108 | 31,177 |
| Prepaid expenses | 3,304 | 49,822 |
| Inventories | (6,635) | (10,687) |
| Long-term accounts receivables - other | 5,393 | 521,691 |
| Guarantee deposits | 14,331 | (6,487) |
| Accounts payable - other | 111,813 | 243,656 |
| Advanced receipts | 6,634 | 5,726 |
| Withholdings | 221,706 | 94,240 |
| Deposits received | (44,165) | 34,659 |
| Accrued expenses | 119,764 | 37,134 |
| Unearned revenue | (81,944) | (23,308) |
| Provisions | (373,195) | 3,767 |
| Long-term provisions | (32,776) | 27,080 |
| Plan assets | (26,198) | 8,417 |
| Retirement benefit payment | (12,965) | (48,771) |
| Others | (1,077) | 232 |
| | 176,712 | 2,592,289 |

(3) Significant non-cash transactions for the years ended December 31, 2012 and 2011 are as follows:

(In millions of won)

| | 2012 | 2011 |
|-------------------------------------------------------------------------------|-------------|-------------|
| Accounts payable - other related to acquisition of tangible assets and others | 8,009 | 876,796 |
| Transfer from available-for-sale financial assets to investment in associates | 8,130 | |

SK TELECOM CO., LTD.

Notes to the Separate Financial Statements

For the years ended December 31, 2012 and 2011

35. Subsequent Events

(1) Disposal of subsidiary and acquisition of subsidiary

As described in note 7, the Company disposed ownership interests in SKY Property Mgmt. Ltd. of 27%, which were accounted for as non-current assets and liabilities held for sale as of December 31, 2012, to SK Innovation Co., Ltd., a related party on January 11, 2013. In addition, the Company acquired 50% of ownership interests in SK Marketing & Company Co., Ltd., a subsidiary, from SK Innovation Co., Ltd. on January 11, 2013, transferred its 100% ownership interests in SK Marketing & Company Co., Ltd. to SK Planet Co., Ltd., a subsidiary, and granted new issues of SK Planet Co., Ltd., as a consideration.

(2) Merger between subsidiaries

On February 1, 2013, SK Planet Co., Ltd., a subsidiary, merged SK Marketing & Company Co., Ltd. in accordance with the resolution of Board of Directors made on December 21, 2012 for the purpose of maximization of synergy.

(3) Issuance of note

At January 17, 2013, the Company issued unsecured private bonds of AUD 300 million with fixed interest rate of 4.75% and maturity of November 17, 2017.

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

Based on 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, 2012. 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, 2012, the Company's IACS has been appropriately designed and is operating effectively As of December 31, 2012, 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 Korean International Financial Reporting Standards, 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, 2012, and we did not review its IACS subsequent to December 31, 2012. 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.

February 22, 2013

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, 2012.

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, 2012, in all material respects, in accordance with the IACS Framework.

February 7, 2013

/s/ Internal Accounting Control Officer

/s/ Chief Executive Officer

SIGNATURES

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

SK Telecom Co., Ltd.

(Registrant)

By: /s/ Soo Cheol Hwang
(Signature)

Name: Soo Cheol Hwang
Title: Senior Vice President

Date: April 30, 2013