PROGRAM INFORMATION

Cover

Type of Information:	Program Information
Date of Filing:	11 October 2012
Company Name:	SK Telecom Co., Ltd. (the "**Issuer**")
Name and Title of Representative:	Sung Min Ha, President & Chief Executive Officer
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Type of Securities:	Bonds (the "**Bonds**")
Expected Issuance Period:	5 October 2012 to 27 September 2013
Maximum Outstanding Issuance Amount:	JPY 70,000,000,000
Stabilization:	As specified in the Specified Securities Information
Address of Publication Website:	http://www.tse.or.jp/rules/probond
Submission Status of Annual Securities Reports or Issuer Filing Information:	None

Notes to Investors

1. The TOKYO PRO-BOND Market is a market for professional investors (or *tokutei toshika*) etc., and bonds and other instruments listed on the market ("**Listed Bonds**") may involve a higher investment risk. Investors should act with responsibility and be aware of the listing qualification and timely disclosure requirements that apply to issuers of Listed Bonds in the TOKYO PRO-BOND Market, as well as associated risks such as the fluctuation of market prices. Prospective investors should make an investment judgment only after having carefully considered the contents of this Program Information.

2. The regulatory framework for the TOKYO PRO-BOND Market is different in certain fundamental respects from the regulatory framework applicable to existing exchange markets in Japan. Investors should be aware of the Rules and Regulations of Tokyo Stock Exchange, Inc. (the "**TSE**"), which are available on its website.

3. TSE does not represent or warrant any part of the Program Information (including, but not limited to, whether the Program Information (a) contains a false statement on important matters or (b) lacks a statement on: (i) important matters that should be stated; or (ii) a material fact that is necessary for avoiding misunderstanding) and will not be liable for any damages for any other liabilities.

4. This Program Information shall constitute and form the Specified Securities Information (set forth in Article 27-31, Paragraph 1 of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**FIEA**")) when information in relation to matters described in this form is described in the Program Information (pursuant to the provisions of Article 206, Paragraph 2 of the Special Regulations of the Listing Regulations regarding Specified Listed Securities of the TSE) as information set forth in Specified Exchange Regulations (as defined in Article 2, Paragraph 1, Item 1 of the Cabinet Office Ordinance on Providing and Publishing of Securities Information, Etc. (Cabinet Office Ordinance No. 78 of 2008, as amended)).

5. All prospective investors who purchase the Bonds upon issuance thereof should be aware that when they offer to purchase the Bonds, they shall be required to enter into and agree the terms of a transfer restriction agreement with the Issuer as well as those with the relevant financial instrument firms. The terms of such transfer restriction agreement provide that prospective investors agree not to sell, transfer or otherwise dispose of the Bonds to be held by them to any person other than the Professional Investors, Etc. (*Tokutei Toushika tou*), as defined in Article 2, paragraph 3, Item 2 (b) (2) of the FIEA, except for the transfer of the Bonds to the following:

   (a) the Issuer, or the Officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the "**Voting Rights Held by All the Shareholders, Etc.**" (*SouKabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, paragraph 2 of the FIEA; the same shall apply hereinafter) of the Issuer under his/her own name or another person's name (hereinafter such Officer shall be referred to as the "Specified Officer" (*Tokutei Yakuin*) in this Paragraph), or to a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50 % of the Voting Rights Held by All the Shareholders, Etc. are held by the Specified Officer (the "Controlled Juridical Person, Etc.") (*Hi-Shihai Houjin Tou*) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. are jointly held by the Specified Officer and the Controlled Juridical Person, Etc. (as prescribed in Article 11-2, Paragraph 1, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No.14 of 1993, as amended)); or

   (b) a company that holds shares or equity pertaining to voting rights exceeding 50 % of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.

6. When a holder of the Bonds makes (i) a solicitation of offer to acquire the Bonds or (ii) an offers to sell or a solicitation of offer to buy the Bonds (collectively, "**Solicitation of the Bond Trade**"), the following matters shall be notified from the holder of the Bonds who makes such Solicitation of the Bond Trade to the person to whom such Solicitation of the Bond Trade is made:

   (a) no securities registration statement (pursuant to Article 4, paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Bond Trade;

   (b) the Bonds fall, or will fall, under the Securities for Professional Investors (*Tokutei Toushika Muke Yukashoken*) (as defined in Article 4, paragraph 3 of the FIEA);

   (c) any acquisition or purchase of the Bonds by such person pursuant to any Solicitation of the Bond Trade is conditional upon such person entering into an agreement providing for the restriction of transferability of the Bonds as set forth in 5 above with each of the Issuer and the person making such Solicitation of the Bond Trade, or the person making such Solicitation of the Bond Trade, as the case may be;

   (d) Article 4, paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Bonds as provided in Article 4, paragraph 2 of the FIEA;

(e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-33 of the FIEA) with respect to the Bonds and the Issuer Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-34 of the FIEA) with respect to the Issuer will be made public by way of such information being posted on (i) the web-site maintained by the TOKYO PRO-BOND Market (http://promarket.tse.or.jp/probond/ or any successor website), or (ii) the Issuer's web-site that discloses the information concerning the Issuer (http://www.sktelecom.com/ or any successor website), in accordance with Articles 210 and 217 of the Special Regulations of the Listing Regulations regarding Specified Listed Securities of Tokyo Stock Exchange, Inc.; and

(f) the Issuer Information, Etc. will be provided directly to the holders of the Bonds or made public pursuant to Article 27-32 of the FIEA.

7. In this document, unless otherwise specified, references to a "Member State" are references to a Member State of the European Economic Area, and references to "won" or "₩" are to the lawful currency of Korea, and references to "yen" or "¥" are to lawful currency of Japan.

PART I. SECURITIES INFORMATION

I. TERMS AND CONDITIONS OF PRIMARY OFFERING FOR SUBSCRIPTION TO PROFESSIONAL INVESTORS

Information other than that listed below will be included in the Specified Securities Information issued each time a primary offering for subscription of the Bonds is made to professional investors.

I-1 Bonds to be newly Issued

(1) Conditions of Bonds

The Bonds will be issued based on this program under the Conditions of the Bonds (the "**Conditions of Bonds**") substantially in the form as set forth in Annex A (*Conditions of Bonds*) attached hereto (save as modified in the Specified Securities Information). All undetermined items in the Conditions of Bonds will be determined before subscription by the investors and set out in the Supplemental Specified Securities Information to be subsequently disclosed.

(2) Credit ratings for the Bonds

The Issuer will obtain ratings with respect to the Bonds to be listed on TOKYO PRO-BOND Market from Moody's Investors Service, Inc. ("**Moody's**") and Fitch Ratings Limited ("**Fitch**"). Such ratings will be set out in the Supplemental Specified Securities Information to be subsequently disclosed.

I-2 Underwriting of Bonds and Appointment of Commissioned Companies for Bondholders

Name of the main financial instrument firms (each a "**Dealer**", and together the "**Dealers**") that are expected to conclude a wholesale underwriting contract in connection with the Bonds:

Barclays Capital Japan Limited and any other Dealer specified in the Specified Securities Information

No commissioned companies for bondholders or *shasai kanrisha* will be appointed in respect of the Bonds.

The Issuer will appoint a fiscal agent and issuing and paying agent (collectively, the "**Fiscal Agent**") of the Issuer in connection with the Bonds. The identities of such agents will be set out in the Specified Securities Information to be subsequently disclosed. For more information regarding duties and functions of the Fiscal Agent, please refer to the Conditions of Bonds.

I-3 Use of Proceeds from New Issuance

(1) Amount of Proceeds from New Issuance

Undetermined.

(2) Use of Proceeds

Unless specified otherwise in the applicable Specified Securities Information, the net proceeds from each issue of the Bonds will be applied by the Issuer for its general corporate purposes. If in respect of any particular issue of the Bonds, there is a particular identified use of proceeds, this will be stated in the applicable Specified Securities Information.

I-4 Other

(1) Taxation

Introduction

The following summary does not purport to be a comprehensive description of all Korean and Japanese tax considerations that could be relevant for holders of the Bonds. This summary is intended as general information only. Each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Bonds. This summary is based on Korean and Japanese tax legislation and published case law in force as of the date of this document. It does not take into account any developments or amendments thereof after that date, whether or not such developments or amendments have retroactive effect.

Korean taxation

Interest or premium (if any) on the Bonds paid to non-resident individuals and non-Korean corporations (the "**Non-Residents**") (other than to their permanent establishments in Korea) is exempt from income tax and corporation tax (whether payable by withholding or otherwise) pursuant to the Special Tax Treatment Control Law (the "**STTCL**"), provided that the Bonds are foreign currency denominated bonds issued outside of Korea under the STTCL. If not exempt under the STTCL, the rate of income tax or corporation tax applicable to interest or any premium on the Bonds, for a Non-Resident without a permanent establishment in Korea, is currently 15.4% (including local income tax). The tax rates may be reduced by an applicable tax treaty between Korea and the country of the recipient of the income.

The Korean tax laws currently exclude from Korean taxation gains made by a Non-Resident without a permanent establishment in Korea from the sale of the Bonds to other Non-Residents (other than to their permanent establishments in Korea). In addition, capital gains earned by a Non-Resident with or without a permanent establishment in Korea from the transfer outside Korea of the Bonds are currently exempt from taxation by virtue of the STTCL, provided that the issuance of the Bonds is deemed to be an overseas issuance under the STTCL. In the absence of an applicable tax treaty or any other special tax laws reducing or eliminating the capital gains tax, the applicable rate of tax is the lower of 11% (including local income tax) of the gross realization proceeds and (subject to the production of satisfactory evidence of the acquisition cost and certain direct transfer cost of the relevant Bonds) 22% (including local income tax) of the gain made.

Further, the Korean inheritance and gift taxes may be imposed on transfers of the Bonds by inheritance or gift. Prospective purchasers should consult their personal tax advisors regarding the consequences of the imposition of the Korean inheritance or gift tax.

Japanese taxation

Interest on the Bonds and a difference arising from an amount received due to redemption of the Bonds exceeding the issue price thereof (the "**Premium**") received by individual residents of Japan and Japanese corporations will be generally subject to Japanese taxation in accordance with the existing Japanese tax laws and regulations. Gains derived from the sale of the Bonds will be added to gross receipt if the seller is a Japanese corporation, while if the seller is an individual resident of Japan, such gains will not be subject to Japanese taxation except for certain exceptional cases.

Interest and the Premium on the Bonds received by individual nonresidents of Japan and foreign corporations are not generally subject to Japanese taxation. If the sale of the Bonds is made by individual nonresidents of Japan and foreign corporations within Japan, any gains derived from such sale are not generally subject to Japanese taxation, except if such seller is a foreign corporation which has a permanent establishment in Japan, provided, however, that the tax liability of such foreign corporation may be limited or exempted under applicable tax convention.

(2) Risk factors

This document identifies in a general way the information that a prospective investor should consider prior to making an investment in the Bonds. However, a prospective investor should conduct its own thorough analysis (including its own accounting, legal and tax analysis) prior to deciding whether to invest in the Bonds as any evaluation of the suitability for an investor of an investment in the Bonds depends upon a prospective investor's particular financial and other circumstances, as well as on specific terms of the Bonds. If a prospective investor does not have experience in financial, business and investment matters sufficient to permit it to make such a determination, the investor should consult with its financial adviser prior to deciding to make an investment on the suitability of the Bonds. Investors risk losing their entire investment or part of it.

Each prospective investor in Bonds should also refer to the section headed "Risk Factors" in our annual report on Form 20-F attached to this document for a description of those factors which could affect the financial performance of the Issuer and thereby affect the Issuer's ability to fulfil their obligations in respect of Bonds issued under this program.

RISK FACTORS RELATING TO THE BONDS

The Bonds may not be a suitable investment for all investors

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this document (including any amendment thereto) or the Specified Securities Information (including any amendment or attachment thereto);

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including Bonds with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant financial markets;

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks; and

(vi) consult its legal advisers to determine whether and to what extent (1) the Bonds are legal investments for it, (2) the Bonds can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any of the Bonds.

Limited liquidity of the Bonds

Even if application is made to list the Bonds on TOKYO PRO-BOND Market, there can be no assurance that a secondary market for any of the Bonds will develop, or, if a secondary market does develop, that it will provide the holders of the Bonds with liquidity or that it will continue for the life of the Bonds. A decrease in the liquidity of an issue of Bonds may cause, in turn, an increase in the volatility associated with the price of such issue of Bonds. Any investor in the Bonds must be prepared to hold such Bonds for an indefinite period of time or until redemption of the Bonds. If any person begins making a market for the Bonds, it is under no obligation to continue to do so and may stop making a market at any time. Illiquidity may have a severely adverse effect on the market value of the Bonds.

Credit ratings may not reflect all risks

As of the date of filing of this document, the Issuer has a rating of A- from Standard & Poor's Ratings Services LLC and, A3 from Moody's and A- from Fitch.

Each series of Bonds issued under this program may be rated or unrated and one or more independent credit rating agencies may assign additional credit ratings to the Bonds or the Issuer. Where a series of Bonds is rated, such rating will not necessarily be the same as the ratings assigned to this program.

The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Bonds and the ability of the Issuer to make payments under the Bonds (including but not limited to market conditions and funding related and operational risks inherent to the business of the Issuer). A credit rating is not a recommendation to buy, sell or hold securities. There is no assurance that a rating will remain for any given period of time or that a rating will not be suspended, lowered or withdrawn by the relevant rating agency if, in its judgement, circumstances in the future so warrant.

In the event that a rating assigned to the Bonds or the Issuer is subsequently suspended, lowered or withdrawn for any reason, no person or entity is obliged to provide any additional support or credit enhancement with respect to the Bonds, the market value of the Bonds is likely to be adversely affected and the ability of the Issuer to make payments under the Bonds may be adversely affected.

Interest rate risks

Investment in fixed rate Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the fixed rate Bonds.

(3) Selling Restrictions

Detailed below is a description of certain restrictions on offers and sales of the Bonds. Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer, resale or other transfer of the Bonds.

US

The Bonds have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S ("**Regulation S**") under the Securities Act or pursuant to an exemption from the registration requirements of the Securities Act. Each Dealer severally represents that it has offered and sold the Bonds, and agrees that it will offer and sell the Bonds (i) as part of their distribution at any time, and (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the "**restricted period**"), only in accordance with Regulation S. Accordingly, neither it or its affiliates (as defined in Rule 405 under the Securities Act) nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts (as defined in Rule 902(c) under the Securities Act) with respect to the Bonds, and it and they have complied and will comply with the offering restriction requirements of Regulation S. Each Dealer severally agrees that, at or prior to confirmation of sale of the Bonds, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases the Bonds from it during the restricted period a confirmation or notice to substantially the following effect:

"The Bonds covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, except in either case in accordance with Regulation S ("**Regulation S**") under the Securities Act. Terms used above have the meanings given to them by Regulation S."

Terms used in this Paragraph have the meanings given to them by Regulation S.

Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has severally represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Bonds which are the subject of the offering contemplated by this Agreement to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Bonds to the public in that Relevant Member State:

(a) if the conditions of Bonds specify that an offer of those Bonds may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Bonds which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Conditions of Bonds contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Bonds referred to in (b) to (d) above shall require the Issuer or the Dealers to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Bonds to the public**" in relation to any Bonds in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Bonds to be offered so as to enable an investor to decide to purchase or subscribe the Bonds, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

Korea

The Bonds have not been, and will not be, registered with the Financial Services Commission of Korea under the Financial Investment Services and Capital Markets Act of Korea. Accordingly, the Bonds may not be offered, delivered, sold, pledged or otherwise transferred, directly or indirectly, in Korea or to, or for the account or benefit of, any resident of

Korea (as defined in the Foreign Exchange Transaction Law of Korea and the regulations thereunder) or to others for reoffering or resale directly or indirectly in Korea or to, or for the account or benefit of, any resident of Korea except as otherwise permitted under applicable Korean laws and regulations.

In addition, until the expiration of one year after the issuance of the Bonds, the Bonds may not be re-sold or otherwise transferred to any resident of Korea who is not a professional investor as set forth in Article 11, Paragraph 1, Item 1, sub-items ka and na of the Enforcement Decree of the Financial Investment Services and Capital Markets Act of Korea (except for the investors specified in Article 10, Paragraph 2, Item 11, Item 14, 15, 16, and 17, and Article 10, Paragraph 3, Item 5, 6, 7, and 8 of the Enforcement Decree of the Financial Investment Services and Capital Markets Act of Korea).

Japan

The Bonds have not been and will not be registered under Article 4, paragraph 1 of the FIEA in reliance upon the exemption from the registration requirements since the offering constitutes the private placement to professional investors only under Article 2, paragraph 3, Item 2 (b) of the FIEA. Accordingly, Bonds will be initially offered to Professional Investors (*Tokutei Toushika*) (as defined in Article 2, paragraph 31 and subject to Articles 34-2 to 34-4 of the FIEA) only. Secondarily, the Bonds shall not be sold, transferred or otherwise disposed to any person other than Professional Investors, Etc. (*Tokutei Toushika tou*), as defined in Article 2, paragraph 3, Item 2 (b) (2) of the FIEA, except for the transfer of the Bonds to the following:

(a) the Issuer, or the Officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. (*Sou Kabunushi Tou no Giketsuken*) (as prescribed in Article 29-4, paragraph 2 of the FIEA; the same shall apply hereinafter) of the Issuer under his/her own name or another person's name (hereinafter such Officer shall be referred to as the "**Specified Officer**" (*Tokutei Yakuin*) in this Paragraph), or to a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. are held by the Specified Officer (the "**Controlled Juridical Person, Etc**." (*Hi-Shihai Houjin Tou*) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. are jointly held by the Specified Officer and the Controlled Juridical Person, Etc. (as prescribed in Article 11-2, paragraph 1, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No. 14 of 1993, as amended)); or

(b) a company that holds shares or equity pertaining to voting rights exceeding 50 % of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.

II. TERMS AND CONDITIONS OF SECONDARY DISTRIBUTION TO PROFESSIONAL INVESTORS

Not Applicable.

III. OTHER MATTERS

Credit Ratings for the Program

As of the date of filing of this document, in respect of the program under which the Bonds are to be issued by the Issuer, a rating of (P)A3 from Moody's and a rating of A- from Fitch, have been assigned, which are firms that have not been registered under Article 66-27 of the FIEA.

Unregistered credit rating firms are not subject to any supervision of the Financial Services Agency of Japan or regulations applicable to credit rating firms, including obligations to disclose information, nor obligated to publicize information regarding such matters as listed in Article 313, Paragraph 3, Item 3 of the Ordinance of the Cabinet Office Concerning Financial Instruments Business, etc. (the "**Cabinet Office Ordinance**").

Moody's has Moody's Japan Co., Ltd. (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 2) and Fitch has Fitch Ratings Japan Ltd. (registration number: Commissioner of Financial Services Agency (*kakuzuke*) No. 7) within their respective groups as registered credit rating firms under Article 66-27 of the FIEA, and Moody's and Fitch are specified affiliated corporations (as defined in Article 116-3, Paragraph 2 of the Cabinet Office Ordinance) of the respective registered credit rating firms above. The assumptions, significance and limitations of the credit ratings given by Moody's and Fitch are made available on the respective websites of (i) Moody's Japan Co., Ltd., at "Assumptions, Significance and Limitations of Credit Ratings" posted under "Related to Explanations of Unregistered Credit Ratings" in the column titled "Use of Ratings by Unregistered Firm" on the page appearing after clicking "Credit Rating Business" on Moody's website in the Japanese language (http://www.moodys.co.jp), and (ii) Fitch Ratings Japan Ltd., at "Assumptions, Significance and Limitations of Credit Ratings" posted under "Overview of Policies etc for Credit Rating" in the "Regulatory Affairs" section in the column titled "About Fitch" on the left bar on its website (http://www.fitchratings.co.jp), respectively, which are made available for the public on the Internet.

PART II. CORPORATE INFORMATION

For the outline of the Issuer and the financial conditions of the Issuer, please refer to:

(a) our annual report on Form 20-F for the fiscal year ended December 31, 2011, filed with the Securities and Exchange Commission of the United States of America on April 30, 2012; and

(b) our current report on Form 6-K relating to our semi-annual business report for the semi-annual period ended June 30, 2012, filed with the Securities and Exchange Commission of the United States of America on October 9, 2012,

attached hereto as Annex B and C, respectively.

PART III. INFORMATION ON THE OTHER SECURITIES ISSUED BY THE COMPANY

The share capital of the Issuer consists entirely of common stock with a par value of Won 500, which are not listed on the TSE. Please see Note 18 to the consolidated financial statements of the Issuer in respect of the year ended on December 31, 2011, and Note 14 to the unaudited condensed interim consolidated financial statements of the Issuer in respect of the semi-annual period ended on June 30, 2012, included in Annex B and C hereto, respectively.

There are several outstanding bonds issued by the Issuer, none of which are listed on the TSE. Please see Note 13 to the consolidated financial statements of the Issuer in respect of the year ended on December 31, 2011, and Note 20 to the unaudited condensed consolidated interim financial statements of the Issuer in respect of the semi-annual period ended on June 30, 2012, included in Annex B and C hereto, respectively.

PART IV. INFORMATION ON GUARANTOR OF THE COMPANY

Not Applicable.

Annex A

The form of the Conditions of Bonds

ANNEX A

The form of Conditions of Bonds that will apply in respect of the Bonds, subject to completion and the deletion of non-applicable provisions, is set out below.

SK Telecom Co., Ltd.

Japanese Yen TOKYO PRO-BOND Market Listed [Floating Rate] Bonds – [*Insert Series No.*] Series (20[●])

CONDITIONS OF BONDS

The below Conditions of Bonds shall apply to the issue of SK Telecom Co., Ltd. Japanese Yen TOKYO PRO-BOND Market Listed [Floating Rate] Bonds – [●] Series (20[●]) (the "**Bonds**") pursuant to lawful authorisation by SK Telecom Co., Ltd. (the "**Issuer**").

1 Aggregate principal amount, Date of Issuance, Denominations and Form

(1) The aggregate principal amount of the Bonds is ¥[●].

(2) The issue date of the Bonds is [●] 20[●].

(3) The Bonds are issued in the denomination of ¥[100,000,000] each.

(4) The Act Concerning Book-Entry Transfer of Corporate Bonds, Stocks, Etc. of Japan (Act No. 75, 2001, as amended) (the "**Book-Entry Transfer Act**") shall apply to the Bonds and the transfer of and other matters relating to the Bonds shall be dealt with in accordance with the Book-Entry Transfer Act and the business regulations and other rules relating to book-entry transfer of corporate bonds, etc. (collectively, the "**Business Regulations**") from time to time adopted by JASDEC (as defined in Condition 6).

(5) The certificates for the Bonds (the "**Bond Certificates**") shall not be issued except in such exceptional cases as set forth in the Book-Entry Transfer Act where the holders of the Bonds (the "**Bondholders**") may make a request for the issue of Bond Certificates. In the event that the Bond Certificates are issued, all expenses incurred in connection with the issue of the Bond Certificates shall be borne by the Issuer, the Bond Certificates to be issued shall be only in bearer form with unmatured interest coupons and the Bondholders may not request that the Bond Certificates be exchanged for Bond Certificates in registered form or divided or consolidated.

2 Restriction of Transferability of Bonds

(1) Subject to amendment and modification in accordance with Condition 18, the Bonds shall not be sold, transferred or otherwise disposed to any person other than Professional Investors, Etc. (*Tokutei Toushika tou*), as defined in Article 2, paragraph 3, Item 2 (b) (2) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) ("**FIEA**"), except for the transfer of the Bonds to the following:

(a) the Issuer, or the Officer (meaning directors, company auditors, executive officers or persons equivalent thereto) thereof who holds shares or equity pertaining to voting rights exceeding 50% of all the voting rights in the Issuer which is calculated by excluding treasury shares or any non-voting rights shares (the "**Voting Rights Held by All the Shareholders, Etc.**" (*Sou Kabunushi Tou no Giketsuken*)) (as prescribed in Article 29-4, paragraph 2 of the FIEA; the same shall apply hereinafter) of the Issuer under his/her own name or another person's name (hereinafter such Officer shall be referred to as the "**Specified Officer**" (*Tokutei Yakuin*) in this Paragraph), or a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. are held by the Specified Officer (the "**Controlled Juridical Person, Etc.**" (*Hi-Shihai Houjin Tou*) including a juridical person (excluding the Issuer) whose shares or equity pertaining to voting rights exceeding 50% of the Voting Rights Held by All the Shareholders, Etc. are jointly held by the Specified Officer and the Controlled Juridical Person, Etc. (as prescribed in Article 11-2, paragraph 1, Item 2 (c) of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (MOF Ordinance No. 14 of 1993, as amended)); or

(b) a company that holds shares or equity pertaining to voting rights exceeding 50 % of the Voting Rights Held by All the Shareholders, Etc. of the Issuer in its own name or another person's name.

(2) The Bonds shall not be sold, transferred or otherwise disposed to any resident of Korea who is not a professional investor as defined in the Financial Investment Services and Capital Markets Act of Korea (except for the investors specified in Article 10, Paragraph 2, Item 11, Item 14, 15, 16, and 17, and Article 10, Paragraph 3, Item 5, 6, 7, and 8 of the Enforcement Decree of the Financial Investment Services and Capital Markets Act of Korea) until the expiration of one year after the issuance of the Bonds.

3 Matters Notified to the Bondholders

When a Bondholder makes (i) a solicitation of offer to acquire the Bonds or (ii) an offers to sell or a solicitation of offer to buy the Bonds (collectively, "**Solicitation of the Bond Trade**"), the following matters shall be notified from the Bondholder who makes such Solicitation of the Bond Trade to the person to whom such Solicitation of the Bond Trade is made:

(a) no securities registration statement (pursuant to Article 4, paragraphs 1 through 3 of the FIEA) has been filed with respect to the Solicitation of the Bond Trade;

(b) the Bonds fall, or will fall, under the Securities for Professional Investors (*Tokutei Toushika Muke Yukashoken*) (as defined in Article 4, paragraph 3 of the FIEA);

(c) any acquisition or purchase of the Bonds by such person pursuant to any Solicitation of the Bond Trade is conditional upon such person entering into an agreement providing for the restriction of transferability of the Bonds as set forth in Condition 2 with each of the Issuer and the person making such Solicitation of the Bond Trade, or the person making such Solicitation of the Bond Trade, as the case may be;

(d) Article 4, paragraphs 3, 5 and 6 of the FIEA will be applicable to such certain solicitation, offers and other activities with respect to the Bonds as provided in Article 4, paragraph 2 of the FIEA;

(e) the Specified Securities Information, Etc. (*Tokutei Shouken Tou Jouhou*) (as defined in Article 27-33 of the FIEA) with respect to the Bonds and the Issuer Information, Etc. (*Hakkosha Tou Jouhou*) (as defined in Article 27-34 of the FIEA) with respect to the Issuer will be made public by way of such information being posted on (i) the web-site maintained by the TOKYO PRO-BOND Market (http://promarket.tse.or.jp/probond/ or any successor website), or (ii) the Issuer's web-site that discloses the information concerning the Issuer (http://www.sktelecom.com/ or any successor website), in accordance with Articles 210 and 217 of the Special Regulations of the Listing Regulations regarding Specified Listed Securities of Tokyo Stock Exchange, Inc.; and

(f) the Issuer Information, Etc. will be provided directly to the Bondholders or made public pursuant to Article 27-32 of the FIEA.

4 Status of the Bonds and Negative Pledge

(1) Status

The Bonds constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, rank *pari passu* among themselves and with all other present or future unsecured and unsubordinated obligations of the Issuer, except for such preferences as are provided for by any mandatorily applicable provision of law.

(2) Negative Pledge

So long as any of the Bonds remain outstanding the Issuer will not, and the Issuer will procure that no Material Subsidiary (as defined below) will create any guarantee, mortgage, lien, pledge, charge or other form of encumbrance or security interest, other than a Permitted Security upon the whole or any part of its present or future assets or revenues, to secure any Relevant Debt (as defined below) or to secure any guarantee or indemnity in respect of any Relevant Debt, unless, at the same time or prior thereto, the Issuer's obligations under the Bonds:

(i) are secured equally and ratably therewith by such encumbrance or security interest or benefit from a guarantee or indemnity in substantially identical terms thereto, as the case may be, or

(ii) have the benefit of such other security, guarantee, indemnity or other arrangement as shall be approved by the Bondholders' meeting.

Material Subsidiary means, so long as any of the Bonds are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Fiscal Agent, any operating Subsidiary (as defined below) whose assets, net revenues, operating profit or profit after tax at any time, represent 10% or more of the consolidated assets, the consolidated net revenues, the consolidated operating profit or profit after tax, as the case may be, of the Issuer and its consolidated Subsidiaries at any time, and for this purpose:

(a) the assets, net revenues, operating profit and profit after tax of any such Subsidiary shall be ascertained by reference to:

(i) the financial statements of such Subsidiary at the date to which the last audited consolidated financial statements of the Issuer and its consolidated Subsidiaries have been prepared;

(ii) if such body corporate becomes a Subsidiary after that date, the latest financial statements of such Subsidiary adjusted to take into account subsequent acquisitions and disposals or other changes in circumstances;

(b) the consolidated assets, consolidated net revenues, consolidated operating profit and profit after tax of the Issuer shall be ascertained by reference to the last audited consolidated financial statements of the Issuer and its consolidated Subsidiaries; and

(c) once a Subsidiary has become a Material Subsidiary, it shall be considered as such until it has been demonstrated that it has ceased to be a Material Subsidiary by the Issuer delivering to the Fiscal Agent a written report from the Issuer's auditors to this effect.

Permitted Security means a security (and any security created in substitution for any such security) in the form of any guarantee, mortgage, charge, pledge, lien or other form of encumbrance or security interest relating to the financing, refinancing or the acquisition of any specified asset or assets, but only to the extent that such security secures obligations arising from the financing, refinancing or acquisition of such specified assets.

Relevant Debt means any present of future indebtedness of the Issuer or a Material Subsidiary represented or evidenced by, notes, bonds, debentures, loan stock or other securities which for the time being are or are capable of being, quoted, listed or ordinarily dealt with on any stock exchange, over-the-counter market or other securities market.

Subsidiary means a legal entity of the Issuer the financial statements of which are, in accordance with applicable law or generally accepted accounting principles, consolidated with those of the Issuer.

5 Appointment of Fiscal Agent and Issuing and Paying Agent and Non-appointment of Commissioned Companies for Bondholders

(1) [●] (the "**Fiscal Agent**") acts as fiscal agent and issuing and paying [and reference [*Applicable in the case of floating rate Bonds*]] agent of the Issuer in connection with the Bonds. The Fiscal Agent shall perform the duties and functions provided for in (i) these Conditions of Bonds, (ii) the [Fiscal, Issuing and Paying Agency Agreement][*Applicable in the case of fixed rate Bonds*]/[Fiscal, Issuing, Paying and Reference Agency Agreement][*Applicable in the case of floating rate Bonds*] dated [●] 20[●] by and between the Issuer and the Fiscal Agent (the "**Fiscal Agency Agreement**") and (iii) the Business Regulations. The Fiscal Agent is acting solely as agent of the Issuer and does not assume any obligation towards or relationship of agency or trust for or with the Bondholders. A copy of the Fiscal Agency Agreement, to which these Conditions of Bonds are attached, shall be kept at the head office of the Fiscal Agent up to the expiry of one year after the redemption date and shall be made available for perusal or photocopying by any Bondholder during normal business hours. All expenses incurred for such photocopying shall be borne by the applicant therefor.

(2) No commissioned companies for bondholders are appointed in respect of the Bonds.

(3) The Issuer reserves the right at any time to terminate the appointment of the Fiscal Agent and to appoint a replacement fiscal agent by giving prior public notice thereof to the Bondholders; provided the replacement fiscal agent shall be qualified to act as issuing

agent and paying agent pursuant to the Business Regulations and the appointment of the Fiscal Agent shall continue until the replacement fiscal agent is effectively appointed.

(4) The Issuer shall, without delay, appoint a replacement fiscal agent (provided that the replacement fiscal agent shall be qualified to act as issuing agent and paying agent pursuant to the Business Regulations) and give public notice in accordance with Condition 13 to that effect to the Bondholders if JASDEC (as defined in Condition 6) notifies the Issuer that the Fiscal Agent will be disqualified from a designated issuing agent or paying agent.

6 Book-Entry Transfer Institution for the Bonds

Japan Securities Depository Center, Incorporated ("**JASDEC**") acts as book-entry transfer institution (*furikae kikan*) in respect of the Bonds under the Book-Entry Transfer Act.

In these Conditions of Bonds, all references to JASDEC shall be deemed to include any successor book-entry transfer institution as designated by a competent minister pursuant to the Book-Entry Transfer Act.

7 Interest

[*The language in the following 3 paragraphs applies for the issuance of fixed rate Bonds*]

[The Bonds bear interest at the rate of [●]% per annum of their principal amount for the period from, and including, [●] 20[●] to, and including, [●] 20[●], payable in Japanese Yen semi-annually in arrears on [●] and [●] of each year in respect of the half year period to and including each such interest payment date. Whenever it is necessary to compute an amount of interest on the Bonds for a period other than a half year, such interest shall be calculated on the basis of the actual number of calendar days in a 365-day year.

The total amount of interest payable to each Bondholder shall be calculated in accordance with the Business Regulations.

The Bonds shall cease to bear interest after the date on which they become due for redemption; provided, however, that should the Issuer fail to redeem any of the Bonds when due, then the Issuer shall pay accrued interest on the unpaid principal amount in Japanese Yen for the actual number of days in the period from, but excluding, the due date to, and including, the date of the actual redemption of such Bond, computed by the method and the rate set forth in the first paragraph of this Condition 7. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Regulations, hereinafter the "**Paying Agent**") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants, which have opened their accounts with JASDEC to make book-entry transfer of the Bonds (*kikou kanyusha)* (the "**JASDEC Participants**"); provided that if such overdue allocation is not possible under the Business Regulations, such period shall not exceed 14 days commencing on the date on which the last public notice is given by the Fiscal Agent in accordance with the third paragraph of Condition 8 and Condition 13.]

[*The following alternative language in Condition 7 to the above 3 paragraphs applies for the issuance of floating rate Bonds*]

[(1) (a) The Bonds shall bear interest from and including [●] 20[●] to but excluding [●] 20[●], payable in Japanese Yen quarterly in arrears for the first time on [●], 20[●] and on each subsequent [●], [●,] [●] and [●] of each year ending on [●] 20[●] in respect of the Interest Period (as defined below) ending on but excluding each such date; provided that, if any such date would otherwise fall on a day which is not a Tokyo Business Day (as defined below), the relevant due date for payment of interest shall be postponed to the next succeeding Tokyo Business Day unless it would thereby fall into the next calendar month, in which event such due date shall be brought forward to the immediately preceding Tokyo Business Day, and the interest shall be payable in respect of the Interest Period ending on but excluding the due date as modified pursuant to this provision. Interest due for any Interest Period or any part thereof shall be payable for the actual number of days included in such Interest Period or the applicable part on the basis of a 360-day year. Each due date set for payment of interest, as provided above, is hereinafter referred to as an "Interest Payment Date".

In these Conditions of Bonds;

(i) "**Tokyo Business Day**" means a day on which banks are open for business (including dealings in foreign exchange and foreign currency deposits) in Tokyo; and

(ii) "**Interest Period**" means the period beginning on and including [●] 20[●] and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date.

(b) The Bonds shall bear interest on their principal amount at the rate per annum (the "**Rate of Interest**") from time to time determined as follows; provided that such Rate of Interest shall not be less than 0%:

(i) At or prior to 10:00 a.m. (Tokyo time) on the Tokyo Business Day immediately following the Interest Rate Quotation Date (as defined below) (an "**Interest Rate Determination Date**"), the Issuer will ascertain in respect of the relevant Interest Period the offered rate for three (3)-month Japanese Yen deposits in the London interbank market which appears on the Reuters Page LIBOR01 (as defined below) as of 11:00 a.m. (London time) on the second London Business Day (as defined below) before the first day of such Interest Period (or, in respect of the first Interest Period, on [●] 20[●]) (each such day being hereinafter referred to as an **"Interest Rate Quotation Date"**).The Rate of Interest for such Interest Period shall be the rate equal to [●]% per annum plus the above offered rate so ascertained by the Issuer.

In these Conditions of Bonds;

(x) "**London Business Day**" means a day on which banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London; and

(y) "**Reuters Page LIBOR01**" means the page designated as "**LIBOR01**" displayed on Reuters (or any successor service) which page displays the British Bankers' Association Interest Settlement

Rate for Japanese Yen deposits or such other page as may replace LIBOR01 on that service or other page on such other service as may be reasonably nominated by the Issuer as the information vendor, for the purpose of displaying rates comparable to the British Bankers' Association Interest Settlement Rates for Japanese Yen deposits, which replacement shall be promptly notified by the Issuer to the Fiscal Agent in writing.

(ii) If the above offered rate does not appear on the Reuters Page LIBOR01, or if such page is unavailable, in either case, as of 11:00 a.m. (London time) on any Interest Rate Quotation Date, the Issuer will request on the Interest Rate Determination Date the principal Tokyo office, if any, of each of the Reference Banks (as defined below) to provide the Issuer with the offered quotation (expressed as a rate per annum) for three (3)-month Japanese Yen deposits commencing on the second London Business Day following such Interest Rate Quotation Date offered by its principal London office to leading banks in the London interbank market at approximately 11:00 a.m. (London time) on such Interest Rate Quotation Date. In such case:

(x) If on such Interest Rate Determination Date six (6) or more Reference Banks provide the Issuer with such offered quotations, the Rate of Interest for such Interest Period shall be the rate equal to [●]% per annum plus the arithmetic mean (rounded, if necessary, to the nearest 5th decimal place with five or more in the 6th decimal place to be rounded upwards) of such offered quotations (disregarding two (2) of the lowest and two (2) of the highest of such quotations), as ascertained by the Issuer.

(y) If on such Interest Rate Determination Date not less than two (2) but not more than five (5) Reference Banks provide the Issuer with such offered quotations, the Rate of Interest for the relevant Interest Period shall be the rate equal to [●]% per annum plus the arithmetic mean (rounded, if necessary, to the nearest 5th decimal place with five or more in the 6th decimal place to be rounded upwards) of the quotations of those Reference Banks providing such quotations.

(z) If on such Interest Rate Determination Date only one (1) or none of the Reference Banks provides the Issuer with such offered quotations, the Issuer shall ascertain the offered rate for three (3)-month Japanese Yen deposits in the London interbank market which appears on the Reuters Page LIBOR01 as of 11:00 a.m. (London time) on the London Business Day most closely preceding the relevant Interest Rate Quotation Date (if the offered rate for three (3)-month Japanese Yen deposits in the London interbank market does not appear on the Reuters Page LIBOR01 or the Reuters Page LIBOR01 is unavailable on such day, on the preceding but closest London Business Day on which the offered rate appears). The Rate of Interest for the relevant Interest Period shall be the rate equal to [●]% per annum plus such rate so ascertained by the Issuer; provided that, if such London Business Day falls on or before the preceding Interest Rate Quotation Date, if any, the Rate of Interest shall be the Rate of Interest in effect for the last preceding Interest Period.

In these Conditions of Bonds, "**Reference Bank**" means a bank which provided its offered quotation used to calculate the offered rate for three (3)-month Japanese Yen deposits in the London interbank market which appeared on the Reuters Page LIBOR01 as of 11:00 a.m. (London time) on the London Business Day most closely preceding the Interest Rate Quotation Date in respect of the relevant Interest Rate Determination Date (if the offered rate for three (3)-month Japanese Yen deposits in the London interbank market does not appear on the Reuters Page LIBOR01 or the Reuters Page LIBOR01 is unavailable on such day, on the preceding but closest London Business Day on which the offered rate appears).

(c) The Issuer shall, at approximately 10:00 a.m. (Tokyo time) on each Interest Rate Determination Date, calculate the amount of interest per currency unit for the relevant Interest Period (the "**Interest Amount Per Currency Unit**") with respect to the Bonds for the purpose of the Business Regulations. The Interest Amount Per Currency Unit of each Interest Period shall be calculated, pursuant to the Business Regulations, by multiplying the Rate of Interest by a fraction, the numerator of which is the actual number of days in the Interest Period concerned and the denominator of which is 360. The calculation of the Interest Amount Per Currency Unit for a part of any Interest Period shall be made for the actual number of days included in such part on the basis of a 360-day year. The total amount of interest payable to each Bondholder shall be calculated in accordance with the Business Regulations.

(d) As soon as practicable after the determination of the Rate of Interest for any Interest Period, but no later than five (5) Tokyo Business Days following the commencement of any Interest Period, the Issuer shall notify the Fiscal Agent in writing of such Rate of Interest and the relevant Interest Amount Per Currency Unit and Interest Payment Date; provided that public notices for these matters for any Interest Period need not be given. As soon as practicable after receiving such notice, the Fiscal Agent shall make such matters available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours.

(e) If, after giving notice of any Rate of Interest, the relevant Interest Amount Per Currency Unit and Interest Payment Date pursuant to sub-paragraph (d) above, the relevant Interest Period is lengthened or shortened, the Issuer shall promptly determine what adjustment is appropriate. As soon as practicable after the determination of such adjustment, the Issuer shall notify the Fiscal Agent in writing of the Interest Amount Per Currency Unit and the Interest Payment Date, as amended pursuant to such adjustment; provided that public notices for such amendment need not be given. As soon as practicable after the date on which the Fiscal Agent receives such notice, the Fiscal Agent shall make such matters available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours.

(f) Any Rate of Interest, Interest Amount Per Currency Unit or Interest Payment Date determined in accordance with the provisions of this Condition 7(1) shall (in the absence of manifest error) be final and binding upon all parties, including the Bondholders.

(g) [●] acts as the Issuer's reference agent (the "**Reference Agent**") at its head office in Tokyo, Japan in respect of the Bonds. Pursuant to the Fiscal Agency Agreement, the Issuer shall entrust the Reference Agent with the performance of all of its obligations (other than those to give public notices) under this Condition 7(1) relating to the ascertainment, calculation and determination of any offered quotation or interest rate (including, but not limited to, the Rate of Interest and Interest Amount Per Currency Unit). The Reference Agent shall act solely on behalf of the Issuer and shall assume no obligation towards or relationship of agency or trust for or with the Bondholders. Any notice required to be given by the Issuer to the Fiscal Agent under this Condition 7(1) need not be given if and so long as the Fiscal Agent and the Reference Agent are one and the same bank. The Issuer may from time to time vary the appointment of the Reference Agent; provided that the appointment of the Reference Agent shall continue until the replacement reference agent is effectively appointed. In such case the Issuer shall give prior public notice thereof.

(2) The Bonds shall cease to bear interest from and including the date on which they become due for redemption; provided, however, that should the Issuer fail to redeem any of the Bonds when due in accordance with these Conditions of Bonds, then the Issuer shall pay accrued interest on the unpaid principal amount in Japanese Yen for the actual number of days in the period from, and including, the due date to, but excluding, the date of the actual redemption of such Bonds, computed on the basis of such actual number of days divided by 360 at the interest rate to be determined applying Condition 7(1) *mutatis mutandis* as if the Interest Payment Dates continued to occur after such due date. Such period, however, shall not exceed the date on which the Fiscal Agent (acting in its capacity of paying agent under the Business Regulations, hereinafter the "**Paying Agent**") allocates the necessary funds for the full redemption of the Bonds received by it among the relevant participants which have opened their accounts with JASDEC to make book-entry transfer of the Bonds (*kiko kanyusha*) (the "**JASDEC Participants**"), provided that if such overdue allocation is not possible under the Business Regulations, such period shall not exceed 14 days commencing on the date on which the last public notice is given by the Fiscal Agent in accordance with the second paragraph of Condition 8 and Condition 13. The Issuer shall notify each interest rate so determined to the Fiscal Agent in writing in accordance with the provisions of Condition 7(1)(d), whereupon, in no later than five Tokyo Business Days following a relevant due date, the Fiscal Agent shall make such interest rate available for perusal by the Bondholders at the head office of the Fiscal Agent during normal business hours. Public notice for such interest rate need not be given.]

8 Payments

Payment of principal of and interest on a Bond shall be made by the Paying Agent to the Bondholders, directly when such Bondholders are the JASDEC Participants, and in other cases through the relevant account management institution (*kouza kanri kikan*) (the "**Account Management Institution**") with which such Bondholders have opened their accounts to have the Bonds recorded in accordance with the Book-Entry Transfer Act and the Business Regulations. At the time when the Paying Agent allocates the necessary funds for the payment of principal of or interest on the Bonds received by it from the Issuer among the relevant JASDEC Participants and such amount of principal or interest is recorded under the relevant JASDEC Participants' accounts, the Issuer shall be released from its obligation in respect of such payment of principal of or interest on the Bonds.

[*The following paragraph shall apply for the issuance of fixed rate Bonds only*]

[If any due date for payment of principal of or interest on the Bonds falls on a day which is not a day on which banks are open for business in Japan (the "**Business Day**"), the Bondholders shall not be entitled to payment of the amount due until the next following Business Day, and shall not be entitled to the payment of any further or additional interest or other payment in respect of such delay.]

If the full amount of principal of or interest on the Bonds payable on any due date is received by the Paying Agent after such due date, the Fiscal Agent shall, in accordance with Condition 13, give public notice to the Bondholders of receipt of such amount, payment method and actual payment date as soon as practicable but not later than 14 days after receipt of such amount by the Paying Agent. If at the time of such receipt, either the method or the date of such payment or both is not determinable, the Fiscal Agent shall give public notice of such receipt and of the method and/or date of such payment to the extent the same has been determined. The Fiscal Agent will give, at a later date, public notice to the Bondholders of the method and/or the date of such payment, promptly upon determination thereof. All expenses incurred in connection with said public notice shall be borne by the Issuer.

9 Redemption and Purchase

(1) Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided in Condition 9(2), 9(3) or 9(4), each Bond will be redeemed on [●] at 100% of its principal amount[, provided that, if such date would otherwise fall on a day which is not a Tokyo Business Day, the due date for redemption of the Bonds shall be postponed to the next succeeding Tokyo Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Tokyo Business Day] [*Applicable in case of floating rate bonds only*]].

(2) Early Redemption

Subject to a period of not less than 30 nor more than 60 days' prior notice to the Fiscal Agent, the Issuer may redeem the Bonds at any time after the issue date and prior to the maturity date, in whole, but not in part only, at par of their aggregate principal amount plus accrued interest, if any, on the date determined by the Issuer for early redemption, if as a result of any change in, or amendment to, the laws or regulations prevailing in Korea, which change or amendment becomes effective on or after the issue date of the Bonds, or as a result of any application or official interpretation of such laws or regulations not generally known before that date, withholding taxes are or will be liable on payments by the Issuer to the Fiscal Agent of principal or interest in respect of the Bonds, which cannot be avoided and, by reason of the obligation to pay Additional Amounts as provided in Condition 10, such withholding taxes are to be borne by the Issuer.

No such notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to withhold amounts or pay withholding taxes were a payment in respect of the Bonds then made.

(3) Redemption at the Option of the Issuer

Subject to a period of not less than 30 nor more than 60 days' prior notice to the Fiscal Agent, the Issuer may redeem the Bonds at any time after the issue date and prior to the maturity date, in whole, but not in part only, at par of their aggregate principal amount plus accrued interest, if any, on the date determined by the Issuer for early redemption, if 85% or more of the aggregate principal amount have been redeemed or purchased and cancelled at the time of such notice.

(4) Purchases

The Issuer or any of its respective Subsidiaries which falls within the category of the Controlled Juridical Person, Etc. as defined in Condition 2 may, either directly or indirectly, at any time purchase Bonds at any price, in the open market or otherwise. Any purchase shall be made in accordance with applicable laws or regulations, including applicable stock exchange regulations. Such Bonds may be held, resold or, at the option of the Issuer, cancelled.

(5) Cancellation

All Bonds which are redeemed will forthwith be cancelled. All Bonds so cancelled and the Bonds purchased and cancelled pursuant to Condition 9(4) above cannot be re-issued or resold.

(6) Except as otherwise provided in these Conditions of Bonds, the Issuer may not redeem the principal of the Bonds in whole or in part prior to the maturity date thereof.

10 Taxation

All payments in respect of the Bonds by or on behalf of the Issuer to the Fiscal Agent pursuant to these Conditions of Bonds shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Korea, as the case may be, or any political sub-division thereof or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In the event that any payments by or on behalf of the Issuer to the Fiscal Agent shall be made subject to withholding, deduction or payment for any such relevant taxes, duties, assessments or governmental charges so required by law, such additional amounts (the "**Additional Amounts**") shall be payable by the Issuer as may be necessary in order that the net amounts received by the Fiscal Agent on behalf of the Bondholders after such withholding, deduction or payment shall equal the respective amounts which would otherwise have been received by the Fiscal Agent in respect of the relevant Bonds in the absence of such withholding, deduction or payment. However, no such Additional Amounts shall be payable by the Issuer on account of any taxes, duties, assessments or governmental charges which:

(a) are payable by reason of a Bondholder having, or having had, some personal or business connection with Korea other than the mere holding of the Bonds; or

(b) are payable by or on behalf of a holder who would not be liable or subject to the withholding or deduction by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or

(c) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment becomes due, or is duly provided for and notice thereof is published in accordance with Condition 13, whichever occurs later.

References in these Conditions of Bonds to the principal of or interest on the Bonds shall be deemed to include any Additional Amounts which may become payable pursuant to the foregoing provisions.

11 Prescription

The period of extinctive prescription shall be 10 years for the principal of the Bonds and 5 years for the interest on the Bonds.

12 Events of Default

If any one or more of the following events (each an "**Event of Default**") shall have occurred and be continuing:

(a) there is a failure by the Issuer to pay principal of and/or interest on any of the Bonds, if and when due and such failure continues for a period of 20 calendar days; or

(b) a default is made in the performance or observance of any material covenant, condition or provision which is to be performed by the Issuer under these Conditions of the Bonds and such default continues for a period of 20 calendar days following the service on the Issuer at the Head Office of the Fiscal Agent, of notice requiring such default to be remedied by a Bondholder (such notice shall be accompanied by the certificate (the "**Certificate**") of the Bondholder giving such written notice certifying the holding of the relevant Bond and issued by JASDEC or the relevant Account Management Institution); or

(c) any other present or future indebtedness of the Issuer or a Material Subsidiary for or in respect of monies borrowed is not paid when due (otherwise than, where permitted under the terms of the relevant indenture or agreement, at the option of the relevant debtor) or, as the case may be, within any applicable grace period, or becomes due and payable prior to its stated maturity as a result of an event of default (howsoever described), or any security in respect of any such indebtedness becomes enforceable or any guarantee of, or indemnity in respect of such indebtedness given by the Issuer or a Material Subsidiary is not honored when due and called upon or, as the case may be, within any applicable grace period, provided that no such event shall be taken into account for the purposes of this paragraph (c) unless such indebtedness, either alone or when aggregated with other indebtedness subject to such events which shall have occurred and are continuing shall at any time equals or exceeds the amount of at least USD 15,000,000 or its equivalent in any other currency or currencies; or

(d) any guarantee, mortgage, lien or other encumbrance, present or future, created or assumed by the Issuer or a Material Subsidiary becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person but not the serving of a payment order) provided that the aggregate amount of the relevant indebtedness in respect of which such guarantee, mortgage, lien or other encumbrance was created or permitted to subsist equals or exceeds USD 15,000,000 or its equivalent in any other currency or currencies, and any such steps taken are not abandoned or discontinued within 20 calendar days of being taken; or

(e) the Issuer or a Material Subsidiary is (or is deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops or suspends payment of all or a material part of its debts, proposes or makes a stay of execution, a postponement of payments, a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any such debts or a moratorium or postponement of payments is agreed or declared in respect of or affecting all or a substantial part of (or a particular type of) the debts of the Issuer or a Material Subsidiary; or

(f) the Issuer or a Material Subsidiary alters its legal or commercial structure through bankruptcy, liquidation, disposal of all or substantially all of its assets, change in the objects of the legal entity and/or commercial activities or merger, in so far as the relevant action, has a material adverse effect on the capacity of the Issuer to meet its obligations under the Conditions of Bonds, unless the situation of the Bondholders is adequately protected based on securities created or other steps taken by the Issuer; or

(g) a dissolution or merger involving the Issuer as result of which the Issuer is not the surviving legal entity, unless the successor legal entity assumes all the Issuer's liabilities in respect of the Bonds,

then any Bondholder may, by written notice addressed to the Issuer and delivered to the Fiscal Agent at its head office (such notice shall be accompanied by the Certificate, effective upon the date of receipt thereof by the Fiscal Agent, declare the Bond held by the holder to be forthwith due and payable whereupon the same shall become forthwith due and payable at a price equal to 100% of the principal amount, together with accrued interest (if any) to, [and including [*Applicable in the case of fixed rate Bonds*]] [but excluding [*Applicable in the case of floating rate Bonds*]], the date of repayment, without presentment, demand, protest or other notice of any kind, provided that the right to declare Bonds due and payable shall terminate if the situation giving rise to it has been cured before the relevant notice has become effective.

13 Public Notices

Notices to the Bondholders shall be valid if published in the Japanese Official Gazette (*kampo*), if possible, and in a daily Japanese newspaper published in both Tokyo and Osaka reporting on general affairs. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made, as provided above.

The Issuer does not need to make direct notification to individual Bondholders. Such public notices to be given by the Issuer shall, upon the request and at the expense of the Issuer, be given by the Fiscal Agent on behalf of the Issuer.

14 Bondholders' Meetings

(1) The Issuer shall convene a Bondholders' meeting to consider any matters which relate to the interests of Bondholders in the event: that Bondholders holding at least one tenth (1/10) of the aggregate principal amount of the Bonds then outstanding, acting either jointly or individually, so request in writing to the Fiscal Agent at its head office; provided that such Bondholders shall have presented to the Fiscal Agent the Certificates; or that the Issuer should deem it necessary to hold a Bondholders' meeting.

A Bondholders' meeting shall be held in Tokyo, Japan.

When a Bondholders' meeting is to be convened, the Issuer shall give public notice of the convocation of the Bondholders' meeting at least 21 days prior to the date of such meeting and give written notice to that effect at least 35 days prior to the date of such meeting to the Fiscal Agent; and ensure that the Fiscal Agent, on behalf of the Issuer, shall take the steps necessary for the convocation of the Bondholders' meeting and to expedite the proceedings thereof.

(2) The Bondholders may exercise their vote by themselves at the relevant Bondholders' meeting, by proxy, or in writing pursuant to the rules established by the Issuer or the Fiscal Agent on behalf of the Issuer. At any Bondholders' meeting, each Bondholder shall have voting rights in proportion to the aggregate principal amount of the outstanding Bonds held by him; provided, however, that the Certificates shall have been presented to the Fiscal Agent at its head office, at least 7 days prior to the date set for such meeting and to the Issuer or the Fiscal Agent at such meeting, on the date thereof; and, provided, further, that the Bondholder shall not make an application for book-entry transfer or an application for obliteration of the Bonds unless he returns the Certificate so issued to JASDEC or the relevant Account Management Institution of such Bondholder, as the case may be.

(3) Resolutions at such Bondholders' meeting shall be passed by a majority vote of the voting rights of the Bondholders present at such meeting; provided, however, that Extraordinary Resolution (as defined below) is required with respect to the following items:

(a) a grace of payment, an exemption from liabilities resulting from a default, or settlement, to be effected with respect to all the Bonds (other than the matters provided for in (b) below);

(b) a procedural act to be made with respect to all the Bonds, or all acts pertaining to bankruptcy or similar proceedings;

(c) an appointment or removal of representative(s) of the Bondholders who will be authorised to make a decision on matters to be resolved at a Bondholders' meeting (provided such representative(s) shall hold one-thousandth (1/1000) or more of the aggregate principal amount of the outstanding Bonds) (the "**Representative(s) of Bondholders**") or an executor who will be authorised to carry out a resolution passed (the "**Executor**"), or an alternation to any matters entrusted to them; and

(d) an approval of terms of a scheme of reconstruction, merger or amalgamation as described in Condition 12(d).

"**Extraordinary Resolution**" means a resolution passed at a Bondholders' meeting by one-fifth (1/5) or more of the votes representing the aggregate principal amount of the Bonds then outstanding and two-thirds (2/3) or more of the votes of the Bondholders present at such meeting.

For the purposes of calculating the number of votes exercised at a Bondholders' meeting, the Bondholders who have exercised their votes by proxy or in writing or (in the event the Issuer permits the exercise of the voting rights by electronic method) by an electronic method shall be deemed to have attended and voted at such meeting.

(4) The resolution passed pursuant to Condition 14(3) shall be binding on all the Bondholders whether present or not at such Bondholders' meeting to the extent permitted by the applicable Japanese law, and shall be carried out by the Representative(s) of Bondholders or Executor appointed by the Bondholders at the meeting pursuant to Condition 14(3)(c).

(5) For the purpose of this Condition 14, the Bonds then held by the Issuer or any of its subsidiaries shall be disregarded and deemed not to be outstanding.

(6) All expenses necessary for the procedures under this Condition 14 shall be borne by the Issuer.

15 Registration Book

The registration book for the Bonds shall be prepared and administered by the Fiscal Agent on behalf of the Issuer, and kept at the head office of the Fiscal Agent.

16 Currency Indemnity

In the event of a judgment or order being rendered by any court for the payment of the principal of or interest on the Bonds, and such judgment or order being expressed in a currency other than Japanese Yen, any amount received or recovered in such currency by any Bondholder in respect of such judgment or order shall only constitute a discharge to the Issuer to the extent of the amount received or recovered by such Bondholder in Japanese Yen and the Issuer undertakes to pay to such Bondholder the amount necessary to make up any deficiency arising or resulting from any variation in rates of exchange between (a) the date as of which any amount expressed in Japanese Yen is (or is to be treated as) converted into such currency for the purposes of any such judgment or order, and (b) the date or dates of discharge of such judgment or order (or part thereof). To the extent permitted by any applicable law, the above undertaking shall constitute a separate and independent obligation of the Issuer from its other obligations, shall give rise to a separate and independent cause of action against the Issuer, shall apply irrespective of any indulgence granted by any Bondholder from time to time and shall continue in full force and effect notwithstanding any judgment or order.

17 Governing Law and Jurisdiction

The Bonds are governed by, and shall be construed in accordance with, the laws of Japan.

Except otherwise provided in these Conditions of Bonds, the place of performance of obligations pertaining to the Bonds is Tokyo, Japan.

Any legal action or other court procedure against the Issuer arising from or relating to the Bonds or these Conditions of Bonds may be instituted in the Tokyo District Court, to the non-exclusive jurisdiction of which the Issuer hereby expressly, unconditionally and irrevocably submits.

The Issuer hereby designates the address from time to time of [●], currently at [●], Japan as the address for the purpose of accepting service of process and other court documents in Japan in connection with any such legal action or other court procedure arising from or relating to the Bonds or these Conditions of Bonds that may be instituted in Japan from time to time and appoints [●], as its authorised agent to accept such service of process.

The Issuer agrees to take, from time to time and so long as any of the Bonds shall remain outstanding, any and all action (including the execution and filing of any and all documents and instruments) that may be necessary to effect and to continue such appointment and designation in full force and effect. If at any time such agent shall not, for any reason, serve as such authorised agent, the Issuer shall immediately appoint, and it undertakes to take any and all action that may be necessary to effect the appointment of, a successor authorised agent in Tokyo, Japan. The Issuer shall promptly notify the Fiscal Agent of the appointment of such successor agent and give a public notice thereof to the Bondholders.

Nothing in this Condition 17 shall affect the right of the Bondholders to institute legal action against the Issuer in any court of competent jurisdiction under applicable laws or to serve process in any manner otherwise permitted by law.

18 Modifications and Amendments

Certain modifications and amendments to these Conditions of Bonds may be made without the consent of any Bondholder, only for the purpose of curing any ambiguity, or of correcting or supplementing any defective provisions contained therein, adding covenants for the benefit of the Bondholders, removing, or expanding the exemptions in the transfer restrictions in Condition 2, surrendering rights or powers conferred on the Issuer, effecting succession or assumption as a result of a merger or similar transaction, or in any other manner which the Issuer may deem necessary and desirable and which will not materially adversely affect the interest of the Bondholders or the Fiscal Agent. Any such modifications or amendments shall be notified to the Bondholders and Fiscal Agent at the expense of the Issuer and in accordance with Condition 13 as soon as practicable thereafter.

Annex B

Annual Report on Form 20-F for the fiscal year ended December 31, 2011

As filed with the Securities and Exchange Commission on April 30, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 1-14418

SK Telecom Co., Ltd.

(Exact name of Registrant as specified in its charter)

SK Telecom Co., Ltd.

(Translation of Registrant's name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

SK T-Tower

11, Euljiro 2-Ga, Jung-gu, Seoul, Korea

(Address of principal executive offices)

Mr. Won Tuh Chung

11, Euljiro 2-Ga, Jung-gu, Seoul, Korea

Telephone No.: 82-2-6100-2114

Facsimile No.: 82-2-6100-7830

(Name, telephone, email and/or facsimile number and address of company contact person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of Each Class	Name of Each Exchange on Which Registered
American Depositary Shares, each representing one-ninth of one share of Common Stock	New York Stock Exchange
Common Stock, par value ₩ 500 per share	New York Stock Exchange*

* Not for trading, but only in connection with the registration of the American Depositary Shares.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

69,694,999 shares of common stock, par value ₩500 per share (not including 11,050,712 shares of common stock held by the company as treasury shares)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. **Yes** ☑ **No** ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. **Yes** ☐ **No** ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes** ☑ **No** ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). **Yes** ☐ **No** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☑ **Accelerated filer** ☐ **Non-accelerated filer** ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐ **IFRS** ☑ **Other** ☐

Indicate by check mark which financial statement item the registrant has elected to follow. **Item 17** ☐ **Item 18** ☑

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). **Yes** ☐ **No** ☑

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CERTAIN DEFINED TERMS AND CONVENTIONS USED IN THIS REPORT

All references to "Korea" contained in this report shall mean The Republic of Korea. All references to the "Government" shall mean the government of The Republic of Korea. All references to "we", "us", "our" or the "Company" 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. All references to "U.S." shall mean the United States of America.

All references to "KHz" contained in this report shall mean kilohertz, a unit of frequency denoting one thousand cycles per second, used to measure band and bandwidth. All references to "MHz" shall mean megahertz, a unit of frequency denoting one million cycles per second. All references to "GHz" shall mean gigahertz, a unit of frequency denoting one billion cycles per second. All references to "Kbps" shall mean one thousand binary digits, or bits, of information per second. All references to "Mbps" shall mean one million bits of information per second. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

In this report, we refer to the latest generation technologies as "3G" technology, "3.5G" technology and "4G" technology. Second generation, or 2G, technology was designed primarily with voice communications in mind. On the other hand, 3G and 3.5G technologies are designed to transfer both voice data and non-voice, or multimedia, data, generally at faster transmission speeds than was previously possible. 4G technology is designed to transfer both voice data and non-voice data at faster transmission speeds than 3G or 3.5G technology.

All references to "Won", "(Won)" or "₩" in this report are to the currency of Korea, all references to "Dollars", "$" or "US$" are to the currency of the United States of America, all references to "Yen" or "¥" are to the currency of Japan and all references to "SGD" or "SG$" are to the currency of Singapore.

Pursuant to an amendment to the Government Organization Act, effective as of February 29, 2008, the Ministry of Information and Communication, or "MIC", has become the Ministry of Knowledge Economy and functions formerly performed by the MIC are now performed separately by the Ministry of Knowledge Economy, the Ministry of Culture, Sports and Tourism, the Ministry of Public Administration and Security, and, particularly, the Korea Communications Commission, or the "KCC". In this report, we refer to the MIC as the relevant governmental authority in connection with any approval granted or action taken by the MIC prior to such amendment to the Government Organization Act and to such other relevant governmental authority in connection with any approval granted or action taken by such other relevant governmental authority subsequent to such amendment.

The financial statements included in this annual report are prepared in accordance with International Financial Reporting Standards, or "IFRS", as issued by the International Accounting Standards Board, or "IASB". As such, we make an explicit and unreserved statement of compliance with IFRS, as issued by the IASB, with respect to our consolidated financial statements as of and for the years ended December 31, 2010 and 2011 included in this annual report. Unless indicated otherwise, the financial information in this annual report as of and for the years ended December 31, 2010 and 2011 has been prepared in accordance with IFRS as issued by the IASB.

In accordance with rule amendments adopted by the U.S. Securities and Exchange Commission, or the "SEC", which became effective on March 4, 2008, we are not required to provide a reconciliation to U.S. GAAP. Furthermore, pursuant to the transitional relief granted by the SEC in respect of the first-time application of IFRS, no audited financial statements and financial information prepared under IFRS for the year ended December 31, 2009 have been included in this annual report.

The consolidated financial statements included in our annual reports on Form 20-F previously filed with the SEC in respect of the years ended December 31, 2001 to December 31, 2010 were prepared in accordance with generally accepted accounting principles in Korea, or "Korean GAAP", which is not comparable to information prepared in accordance with IFRS. For additional information, please refer to our annual reports on Form 20-F previously filed with the SEC. For an explanation of how the transition to IFRS has affected our consolidated financial statements, see note 3 of the notes to our financial statements.

Unless expressly stated otherwise, all financial data included in this annual report are presented on a consolidated basis.

Unless otherwise indicated, translations of Won amounts into Dollars in this report were made at the noon buying rate in The City of New York for cable transfers in Won per US$1.00 as certified for customs purposes by the Federal Reserve Bank of New York (the "noon buying rate") in effect on December 30, 2011, which was Won 1,158.5 to US$1.00. On April 20, 2012, the noon buying rate was Won 1,138.1 to US$1.00. See "Item 3.A. Selected Financial Data — Exchange Rates".

FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements", as defined in Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "considering", "depends", "estimate", "expect", "intend", "plan", "planning", "planned", "project" and similar expressions, or that certain events, actions or results "may", "might", "should" or "could" occur, be taken or be achieved.

Forward-looking statements in this annual report include, but are not limited to, statements about the following:

- our ability to anticipate and respond to various competitive factors affecting the wireless telecommunications industry, including new services that may be introduced, changes in consumer preferences, economic conditions and discount pricing strategies by competitors;
- our implementation of high-speed downlink packet access, or HSDPA, technology, high-speed uplink packet access, or HSUPA, technology, evolved high-speed uplink packet access, or HSPA+, technology, wireless broadband Internet, or WiBro, technology and long term evolution, or LTE, technology;
- our plans for capital expenditures in 2012 for a range of projects, including investments in our backbone networks, investments to improve our WCDMA network-based products and services, investments to build our LTE network, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course;
- our efforts to make significant investments to build, develop and broaden our businesses, including developing and providing wireless data, multimedia, mobile commerce and Internet services;
- our ability to comply with governmental rules and regulations, including the regulations of the KCC related to telecommunications providers, rules related to our status as a "market-dominating business entity" under the Korean Monopoly Regulation and Fair Trade Act, or the Fair Trade Act, and the effectiveness of steps we have taken to comply with such regulations;
- our ability to manage effectively our bandwidth and to implement timely and efficiently new bandwidth-efficient technologies;
- our expectations and estimates related to interconnection fees, tariffs charged by our competitors, regulatory fees, operating costs and expenditures, working capital requirements, principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases, and research and development expenditures and other financial estimates;
- the success of our various joint ventures and investments in other telecommunications service providers;
- our ability to successfully manage our acquisition in 2008 and 2009 of a majority stake in SK Broadband Co., Ltd. (formerly, Hanarotelecom Incorporated), a fixed-line telecommunications operator and broadband Internet service provider;
- our ability to successfully manage our acquisition in 2009 of the leased-line business of SK Networks Co., Ltd., which provides a substantial portion of the transmission lines we use;

- our ability to successfully manage our acquisition in 2012 of a stake in Hynix Semiconductor Inc., a memory-chip maker;
- our ability to successfully manage our investment in Packet One Networks (Malaysia) Sdn. Bhd., a Malaysian wireless broadband company;
- our ability to successfully attract and retain subscribers under the KCC's new guideline on the marketing expenses of the telecommunication service providers; and
- the growth of the telecommunications industry in Korea and other markets in which we do business and the effect that economic, political or social conditions have on our number of subscribers, call volumes and results of operations.

We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. Risks and uncertainties associated with our business include, but are not limited to, risks related to changes in the regulatory environment, technology changes, potential litigation and governmental actions, changes in the competitive environment, political changes, foreign exchange currency risks, foreign ownership limitations, credit risks and other risks and uncertainties that are more fully described under the heading "Item 3. Key Information — Risk Factors" and elsewhere in this report. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

PART I

Item 1. *IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS*

Item 1.A. *Directors and Senior Management*

Not applicable.

Item 1.B. *Advisers*

Not applicable.

Item 1.C. *Auditors*

Not applicable.

Item 2. *OFFER STATISTICS AND EXPECTED TIMETABLE*

Not applicable.

Item 3. *KEY INFORMATION*

Item 3.A. *Selected Financial Data*

You should read the selected consolidated financial and operating data below in conjunction with the consolidated financial statements and the related notes included elsewhere in this report. The selected consolidated financial data set forth below as of and for the years ended December 31, 2010 and 2011 have been derived from our audited consolidated financial statements and related notes thereto, which have been prepared in accordance with IFRS as issued by the IASB.

Pursuant to the transitional relief granted by the U.S. Securities and Exchange Commission in respect of the first-time application of IFRS, financial data as of and for the three years ended December 31, 2007, 2008 and 2009 derived from our consolidated financial statements prepared in accordance with Korean GAAP have not been included below.

	As of or for the Year Ended December 31,		
	2010	2011	2011*
	(In billions of Won and millions of dollars, except per share and percentage data)		
INCOME STATEMENT DATA			
Operating Revenue	₩ 15,599.2	₩ 15,988.3	$ 13,800.8
Operating Expenses	13,313.3	13,856.8	11,961.0
Operating Income	2,285.9	2,131.5	1,839.8
Income from Continuing Operation before Income Tax	2,318.1	2,182.9	1,884.2
Income from Continuing Operation	1,773.6	1,583.8	1,367.1
Net Income	1,766.8	1,582.1	1,365.6
Net Income per Share from Continuing Operation(1)	25,653	22,864	19.74
Net Income per Share(1)	25,598	22,848	19.72
Diluted Net Income per Share from Continuing Operation(2)	24,995	22,238	19.20
Diluted Net Income per Share(2)	24,942	22,223	19.18
Dividends Declared per Share	9,400	9,400	8.11
Weighted Average Number of Shares	71,942,387	70,591,937	70,591,937

	As of or for the Year Ended December 31,		
	2010	2011	2011*
	(In billions of Won and millions of dollars, except per share and percentage data)		
BALANCE SHEET DATA			
Working Capital (Deficit)(3)	₩ 451.8	₩ (556.1)	$ (480.0)
Property and Equipment, Net	8,153.4	9,031.0	7,795.4
Total Assets	23,132,4	24,366.0	21,032.4
Non-current Liabilities(4)	4,522.2	4,959.7	4,281.2
Capital Stock	44.6	44.6	38.5
Total Shareholders' Equity	12,408.0	12,732.7	10,990.7

	As of or for the Year Ended December 31,		
	2010	2011	2011*
	(In billions of Won and millions of dollars, except per share and percentage data)		
OTHER FINANCIAL DATA			
Capital Expenditures(5)	₩ 2,142.3	₩ 2,960.6	$ 2,555.5
R&D Expenses(6)	352.0	291.4	251.5
Internal R&D	270.4	271.4	234.3
External R&D	81.6	20.0	17.3
Depreciation and Amortization	2,302.3	2,482.7	2,143.0
Cash Flow from Operating Activities	4,343.4	6,306.4	5,443.6
Cash Flow from Investing Activities	(2,339.0)	(4,239.1)	(3,659.1)
Cash Flow from Financing Activities	(2,246.1)	(1,079.3)	(931.6)
Margins (% of total sales):			
Operating Margin(7)	14.7%	13.3%	13.3%
Net Margin(7)	11.3%	9.9%	9.9%

	As of or for the Year Ended December 31,					
	2007	2008	2009	2010	2011	2011*
SELECTED OPERATING DATA						
Population of Korea (millions)(8)	48.5	48.6	48.7	49.4	49.8	49.8
Our Wireless Penetration(9)	45.3%	47.4%	49.8%	52.0 %	53.2%	53.2%
Number of Employees(10)	9,485	10,626	10,714	20,143	20,955	20,955
Wireless Subscribers(11)	21,968,169	23,032,045	24,269,553	25,705,049	26,497,267	26,497,267
Average Monthly Outgoing Voice Minutes per Subscriber(12)	201	200	197	199	193	193
Average Monthly Churn Rate(13)	2.6%	2.7%	2.7%	2.7%	2.7%	2.7%
Digital Cell Sites	16,099	17,213	15,979	17,483	21,999	21,999

* The translation into Dollars was made at the rate of Won 1,158.5 to US$1.00, the noon buying rate in effect on December 30, 2011.

(1) Net income per share from continuing operation is calculated by dividing net income from continuing operation attributable to SK Telecom by the weighted average number of common shares outstanding during the period. Net income per share is calculated by dividing net income attributable to SK Telecom by the weighted average number of common shares outstanding during the period.

(2) Diluted net income per share from continuing operation is calculated by dividing net income from continuing operation attributable to SK Telecom adjusted for dilution by the potential dilutive weighted average number of common shares outstanding during the period, taking into account the conversion of outstanding convertible bonds. Diluted net income per share is calculated by dividing net income attributable to SK Telecom adjusted for dilution by the potential dilutive weighted average number of common shares outstanding during the period, taking into account the conversion of outstanding of convertible bonds.

(3) Working capital means current assets minus current liabilities.

(4) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rates prevailing at the end of each reporting period. See note 2.c. of the notes to our consolidated financial statements.

(5) Consists of investments in property, plant and equipment.

(6) Includes donations to Korean research institutes and educational organizations. See "Item 5.C. Research and Development, Patents and Licenses, etc.".

(7) Operating revenue and operating income used in the calculation of these ratios exclude the operating revenue and operating income from discontinued operations.

(8) Population estimates based on historical data published by the National Statistical Office of Korea.

(9) Wireless penetration is determined by dividing our subscribers by total estimated population, as of the end of the period.

(10) Includes regular employees and temporary employees. The number of employees as of December 31, 2010 and 2011 includes employees of Service Ace Co., Ltd., Service Top Co., Ltd., and Network O&S Co., Ltd., our wholly-owned subsidiaries established in 2010, who were previously employed by third-party outsourcing companies. See "Item 6.D. Employees".

(11) Wireless subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history.

(12) The average monthly outgoing voice minutes per subscriber is derived by dividing the total minutes of outgoing voice usage for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period. The monthly average number of subscribers is derived by dividing (i) the sum of the average number of subscribers for each month in the period, calculated as the average of the number of subscribers on the first and last days of the relevant month, by (ii) the number of months in the period.

(13) The average monthly churn rate for a period is the number calculated by dividing the sum of voluntary and involuntary deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period, then dividing that number by the number of months in the period. Churn includes subscribers who upgrade to the next generation service, such as CDMA 1xEV/ DO, WCDMA or LTE, by terminating their service and opening a new subscriber account.

Exchange Rates

The following table sets forth, for the periods and dates indicated, certain information concerning the noon buying rate for translations of Won amounts into Dollars. We make no representation that the Won or Dollar amounts we refer to in this report could have been or could be converted into Dollars or Won, as the case may be, at any particular rate or at all.

Year Ended December 31,	At End of Period	Average Rate(1)	High	Low
	(Won per US$1.00)			
2007	935.8	929.0	950.2	903.2
2008	1,262.0	1,098.7	1,507.9	935.2
2009	1,163.7	1,274.6	1,570.1	1,149.0
2010	1,130.6	1,155.7	1,253.2	1,104.0
2011	1,158.5	1,106.9	1,197.5	1,049.2

	Past Six Months	
	High	Low
	(Won per US$1.00)	
October 2011	1,197.5	1,102.5
November 2011	1,162.0	1,110.6
December 2011	1,175.5	1,124.5
January 2012	1,160.0	1,120.1
February 2012	1,128.9	1,115.7
March 2012	1,139.8	1,116.0
April 2012 (through April 20)	1,143.4	1,122.4

Source: Federal Reserve Bank of New York.

(1) The average rates for the annual periods were calculated based on daily noon buying rates for cable transfers in New York City certified for customs purposes by the Federal Reserve Bank of New York.

On April 20, 2012, the noon buying rate was Won 1,138.1 to US$1.00.

Item 3.B. ***Capitalization and Indebtedness***

Not applicable.

Item 3.C. ***Reasons for the Offer and Use of Proceeds***

Not applicable.

Item 3.D. ***Risk Factors***

Risks Relating to Our Business

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

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

Prior to April 1996, we were the only wireless telecommunications service provider in Korea. Since then, several new providers have entered the market, offering wireless voice and data services that compete directly with our business. The collective market share of these providers amounts to approximately 49.5%, in terms of numbers of wireless service subscribers, as of December 31, 2011. Since 2000, there has also been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors, including the merger of KT Freetel Co., Ltd., or KTF, one of our principal wireless competitors before the merger, into KT Corporation, or KT, Korea's principal fixed-line operator, in June 2009 and the merger in January 2010 of LG DACOM Corporation and LG Powercomm Co., Ltd. into LG Telecom Co., Ltd., which subsequently changed its name to LG Uplus Corp., or LG U+. Such consolidation has created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings. In addition, our broadband Internet access service provided through SK Broadband competes with other providers of Internet access services, including KT, LG U+ and cable companies, and our fixed-line telephone service provided through SK Broadband competes with KT, as well as providers of voice over Internet protocol, or VoIP, services. Future business combinations and alliances in the telecommunications industry may also create significant new competitors or enhance the abilities of our current competitors to offer more competitive services and could harm our business and results of operations.

Continued competition from the other wireless and fixed-line service providers has also resulted in, and may continue to result in, a substantial level of deactivations among our subscribers. Subscriber deactivations, or churn, may significantly harm our business and results of operations. In 2011, the churn rate in our wireless business ranged from 2.5% to 3.0%, with an average churn rate of 2.7%, unchanged from the average churn rate of 2.7% in 2010. Intensification of competition in the future may cause our churn rates to increase. The increased competition may cause us to increase our marketing expenses as a percentage of sales to attract and retain subscribers.

However, on May 13, 2010, the KCC announced a guideline recommending that telecommunication service providers limit their marketing expenses to 22% of their annual sales, which was lowered to 20% of annual sales with respect to fiscal years 2011 and 2012. Such marketing expenses include initial commissions, monthly commissions and retention commissions paid to our authorized dealers and subscribers, including handset subsidies, but do not include advertising expenses. While the guideline is not binding, we, as well as our competitors, nonetheless try to adhere to such guideline when feasible, which may have a material adverse effect on our businesses and results of operations.

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

In 2007, the KCC introduced certain regulations to allow telecommunication service providers to bundle their services as well as allow our competitors to employ services provided by us so that they can offer similar discounted package services. Competition intensified as licensed transmission service providers were permitted to offer local, domestic long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses. Moreover, beginning in September 2010, we are required to lease our networks to a mobile virtual network operator, or MVNO, at such MVNO's request, at a rate mutually agreed upon that complies with the standards set by the KCC. To date, four MVNOs have commenced providing wireless telecommunications services using the networks leased from us. Furthermore, CJ HelloVision Co., Ltd. commenced providing wireless voice and data services as an MVNO using the networks leased from KT in January 2012. In addition, Korea Mobile Internet, or KMI, and Internet Space Time Co., Ltd., or IST, applied in 2011 for a license to provide wireless Internet and mobile VoIP services based on the wireless broadband Internet, or WiBro, technologies. While the KCC rejected KMI's and IST's applications in December 2011 based on their insufficient technological and financial capabilities, among other factors, they may reapply after amending their applications. We believe the introduction of bundled services and the entrance of MVNOs or another wireless service provider into the wireless telecommunications market may further increase competition in the telecommunications sector, as well as cause downward price pressure on the fees we charge for our services, which, in turn, may have a material adverse effect on our results of operations, financial position and cash flows.

Increasingly, our wireless and fixed-line voice and text message services also face competition from companies that provide voice and text message services over the fixed-line or mobile Internet, such as Skype and Kakao Talk, some without charging a fee for such services. This trend could negatively impact customer demand for our voice and text message services and may have a material adverse effect on our results of operations, financial position and cash flows.

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

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

The telecommunications industry has been characterized by continual improvement and advances in technology, and this trend is expected to continue. We and our competitors have continually implemented technology upgrades from basic code division multiple access, or CDMA, network to wide-band code division multiple access, or WCDMA, which is the 3G technology implemented by us, and to long term evolution, or LTE, technology, which is generally referred to as a 4G technology. Our WCDMA network currently supports more advanced high-speed uplink packet access, or HSUPA, technology, as well as evolved high speed packet access, or HSPA+, technology. We commenced commercial LTE services in July 2011 at the same time with LG U+, while KT commenced its commercial LTE services in January 2012. The more successful introduction of a 4G network by a competitor, including better market acceptance of a competitor's 4G-based services, could materially and adversely affect our existing wireless businesses as well as the returns on future investments we may make in our 4G network or our other businesses.

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

For a more detailed description of our backbone networks, see “Item 4.B. Business Overview — Digital Cellular Network”.

Our business could also be harmed if we fail to implement, or adapt to, future technological advancements in the telecommunications sector in a timely manner. In addition to introducing new technologies and offerings, we must phase out outdated and unprofitable technologies and services. If we are unable to do so on a cost-effective basis, our results of operations could be adversely affected.

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

We have made, and intend to continue to make, capital investments to develop and launch our LTE service. In 2011, we spent Won 233.7 billion in capital expenditures to build and expand our LTE network. We plan to make further capital investments related to our LTE service in the future. Our LTE-related investment plans are subject to change, and will depend, in part, on market demand for LTE service, the competitive landscape for provision of such service and the development of competing technologies. There may not be sufficient demand for our LTE service, as a result of competition or otherwise, to permit us to recoup or profit from our LTE-related capital investments. KT commercially launched its LTE service in January 2012, while LG U+ commenced its commercial LTE service in July 2011. The more successful operation of LTE networks by KT, LG U+ or another competitor, including better market acceptance of a competitor’s LTE service, could also materially and adversely affect our business.

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

As a part of our growth strategy, we plan to selectively seek business opportunities abroad. In May 2006 our subsidiary, HELIO, LLC, launched cellular voice and data services across the United States. In August 2008, together with EarthLink Inc., our joint venture partner in HELIO, we sold our equity interest in HELIO to Virgin Mobile USA, Inc., in exchange for an equity stake in Virgin Mobile USA, Inc. In November 2009, we sold our equity interest in Virgin Mobile USA, Inc. to Sprint Nextel Corporation in connection with the merger of Virgin Mobile USA, Inc. with and into Sprint Nextel Corporation, in exchange for a 0.6% equity interest in Sprint Nextel Corporation. In 2010, we sold all of the shares of Sprint Nextel Corporation held by us. In connection with our investment in HELIO, we have recognized a substantial loss through the end of 2010. See “Item 4.B. Business Overview — Our Business Strategy — Global Business — United States” for more information regarding our investments in HELIO and Virgin Mobile USA, Inc. We continue to seek other opportunities to expand our business abroad, as such opportunities present themselves. For example, in November 2010, we invested approximately $60 million to LightSquared Inc., which plans to build a wholesale wireless broadband network in the United States, but the Federal Communications Commission has recently proposed to suspend its license due to signal interference with the global positioning system. These global businesses may require further investment from us. For a more detailed description of our investments in our global business, see “Item 4.B. Business Overview — Our Services — Global Business”.

We also seek growth through investments in new businesses. In February 2012, we acquired a 21.05% equity stake in Hynix Semiconductor Inc., or Hynix, the world's second-largest memory-chip maker by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder.

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

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

We have pursued convergence growth opportunities. For example, in 2008 and 2009, we acquired an additional equity stake in SK Broadband, Korea's second-largest fixed-line operator, for an aggregate purchase price of approximately Won 1.45 trillion and currently hold a 50.6% equity stake in the company. In February 2010, we acquired a 49% equity stake in Hana SK Card Co., Ltd. for the purchase price of Won 400 billion in order to provide cross-over services between telecommunication and finance. In September 2009, we also acquired the leased-line business and related ancillary businesses of SK Networks Co., Ltd. for Won 892.8 billion and assumed Won 611.4 billion of debt as part of the transaction. While we are hoping to benefit from a range of synergies from the acquisitions, including by offering our customers bundled fixed-line and mobile telecommunications services, we may not be able to integrate our new businesses and may fail to realize the expected benefits in the near term, or at all.

In particular, we may experience difficulties in operating SK Broadband's fixed-line telecommunications and broadband Internet services with our existing products and services, and we may be unsuccessful in retaining SK Broadband's existing customers. Since April 2008, customers of SK Broadband have filed lawsuits against SK Broadband in the Seoul Central District Court, alleging that SK Broadband had violated customers' privacy, and an investigation against SK Broadband was initiated by the Seoul Central Prosecutor's Office, the KCC and the Korea Trade Commission. In connection with its investigation, the KCC suspended SK Broadband from soliciting new subscribers for its broadband Internet services for a period of 40 days from July 1, 2008 and, in addition, imposed an administrative fine of Won 178 million. As of March 31, 2012, the number of plaintiffs was approximately 22,000 and the aggregate amount of damages claimed by such plaintiffs was approximately Won 24.1 billion. For more information regarding this lawsuit, see "Item 8.A. Consolidated Statements and Other Financial Information — Legal Proceedings — SK Broadband Litigation".

In February 2012, we acquired a 21.05% equity stake in Hynix and became its largest shareholder. Our business and financial condition may be adversely affected if we fail to manage our investment in Hynix successfully. Since the memory semiconductor industry in which Hynix operates is subject to cyclical fluctuations, our financial condition and results of operations may be adversely affected by a downturn in the memory semiconductor industry. From time to time, the memory semiconductor industry has experienced significant and sometimes prolonged downturns, which often occur in connection with a deterioration of global economic conditions. For example, Hynix recorded net losses of Won 4,744.7 billion and Won 332.6 billion in 2008 and 2009, respectively, due to a severe downturn in the memory semiconductor industry. In addition, the memory semiconductor industry is experiencing intense competition and the average selling prices of semiconductor products have generally declined in recent years and are expected to continue to decline with time irrespective of industry-wide cyclicality and fluctuations as a result of, among other factors, technological advancements and cost reductions. Accordingly, Hynix's operating results would be adversely affected if it fails to compete successfully or decrease manufacturing costs at an adequate level. Since our share of Hynix's net losses will be reflected in our income statement as equity in losses of affiliates, any significant loss of Hynix could have a material adverse effect on our results of operations.

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

According to data published by the KCC and our population estimates based on historical data published by the National Statistical Office of Korea, the penetration rate for the Korean wireless telecommunications service industry as of December 31, 2011 was approximately 105.5%, which is high compared to many industrialized countries. Therefore, the penetration rates for wireless telecommunications service in Korea will not grow significantly. As a result of the already high penetration rates in Korea for wireless services coupled with our leading market share, we expect our subscriber growth rate to decrease. Slowed growth in penetration rates without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition, results of operations and cash flows.

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

One of the principal limitations on a wireless network's subscriber capacity is the amount of spectrum available for use by the system. According to the KCC's final plan announced in February 2010, the amount of spectrum in the 800 MHz band allocated to us was reduced to 2 x 15 MHz of spectrum beginning in July 2011 from the previous 2 x 22.5 MHz. Instead, we have been allocated an additional 2 x 10 MHz of spectrum in the 2.1 GHz band for our use until December 2016, which we have been using for our 3G services since October 2010. In August 2011, the KCC auctioned the right to use 20 MHz of bandwidth in the 1.8 GHz spectrum, 20 MHz of bandwidth in the 2.1 GHz spectrum and 10 MHz of bandwidth in the 800 MHz spectrum. We acquired the right to use the 20 MHz of bandwidth in the 1.8 GHz spectrum at a price of Won 995.0 billion. We are obligated to pay the license fee in installments during the license period of 10 years. KT acquired the right to use the 10 MHz of bandwidth in the 800 MHz spectrum for Won 261.0 billion and LG U+ acquired the right to use the 20 MHz of bandwidth in the 2.1 GHz spectrum for Won 445.5 billion. We currently use 10 MHz of bandwidth in the 800 MHz spectrum for our 2G services, 60 MHz of bandwidth in the 2.1 GHz spectrum for our 3G services and 20 MHz of bandwidth in the 800 MHz spectrum for our LTE services, as well as 27 MHz of spectrum in the 2.3 GHz band for our WiBro services. We plan to use the 20 MHz of bandwidth in the 1.8 GHz spectrum for our LTE services.

The growth of our wireless data businesses has been a significant factor in the increased utilization of our bandwidth, since wireless data applications are generally more bandwidth-intensive than voice services. In particular, the increasing popularity of smartphones and data intensive applications among smartphone users has recently been a major factor for the high utilization of our bandwidth. This trend has been offset in part by the implementation of new technologies, such as the CDMA 1xEV-DO upgrades to our CDMA network and the completion of our HSDPA-capable WCDMA network and LTE network, which enables more efficient usage of our bandwidth than was possible on our basic CDMA network. However, if the current trend of increased data transmission use by our subscribers continues, or the volume of the multimedia content we offer through our wireless data services substantially grows, our bandwidth capacity requirements are likely to increase. While we believe that we can address the capacity constraint issue through system upgrades and efficient allocation of bandwidth, inability to address such capacity constraints in a timely manner may adversely affect our business, results of operations, financial position and cash flows. In the event we are unable to maintain sufficient bandwidth capacity, our subscribers may perceive a general slowdown of wireless services. Growth of our wireless business will depend in part upon our ability to manage effectively our bandwidth capacity and to implement efficiently and in a timely manner new bandwidth-efficient technologies if they become available. We cannot assure you that bandwidth constraints will not adversely affect the growth of our wireless business. Furthermore, we may be required to pay a substantial amount of purchase price to acquire bandwidth capacity in order to meet increasing bandwidth demand, which may adversely affect our financial condition and results of operations.

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

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

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

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

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

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

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

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

As a network-based wireless telecommunications provider, we have had, and expect to continue to have, significant capital expenditure requirements as we continue to build out, maintain and upgrade our networks. We spent Won 2,960.6 billion for capital expenditures in 2011 and we expect to spend a similar amount for capital expenditures in 2012 for a range of projects, including investments in our backbone networks, investments to improve our WCDMA network-based products and services, investments to build our LTE network, investments in our wireless Internet-related and convergence businesses and funding for mid-to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course. In 2012, we plan to continue HSUPA and HSPA+ upgrades to our WCDMA network and expand our WiBro service to more extensive “hot zone” areas in 84 cities, as well as expand our LTE service introduced in July 2011.

In particular, we continue to make significant capital investments to expand and upgrade our wireless networks in response to growing bandwidth demand by our subscribers. Bandwidth usage by our subscribers has rapidly increased in recent years primarily due to the increasing popularity of smartphones and data intensive applications among smartphone users. If heavy usage of bandwidth-intensive services grows beyond our current expectations, we may need to invest more capital than currently anticipated to expand the bandwidth capacity of our network or our customers may have a suboptimal experience when using our services. Any of these events could adversely affect our competitive position and have a material adverse effect on our business, financial condition, results of operation and cash flow.

In addition, our recent acquisition of shares of Hynix may result in a substantial increase in our capital requirements in the coming years. In order to finance the purchase of Hynix shares, we borrowed from a syndicate of Korean banks Won 2.5 trillion of loans, of which Won 2 trillion matures in three years and Won 0.5 trillion matures in one year. We will likely need to make financing arrangements to repay such loans. For a more detailed discussion of our capital expenditure plans and a discussion of other factors that may affect our future capital expenditures, see “Item 5.B. Liquidity and Capital Resources”

As of December 31, 2011, we had approximately Won 2,220.9 billion in contractual payment obligations due in 2012, almost all of which involve repayment of debt obligations. See “Item 5.F. Tabular Disclosure of Contractual Obligations”.

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

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

We purchase wireless network equipment from a small number of suppliers. To date, we have purchased substantially all of the equipment for our CDMA network from Samsung Electronics and substantially all of the equipment for our WCDMA network, including the software and firmware used to upgrade our WCDMA network, from Samsung Electronics and LG Ericsson. In addition, to date, we have purchased substantially all of the equipment for our WiBro network from Samsung Electronics. To date, we have purchased substantially all of the equipment for our LTE network from Samsung Electronics, LG Ericsson and Nokia Siemens Networks. We believe Samsung Electronics currently manufactures approximately half of the wireless handsets sold to our subscribers. Although other manufacturers sell the equipment we require, sourcing such equipment from other manufacturers could result in unanticipated costs in maintenance and upkeep of the CDMA and WCDMA networks, as well as unanticipated increased costs in the planned expansion of our LTE and WiBro networks. Inability to obtain the equipment needed for our networks in a timely manner may have an adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

Malicious and abusive Internet practices could impair our services.

Our wireless and fixed-line subscribers increasingly utilize our network to access the Internet and, as a consequence, we or they may become victim to common malicious and abusive Internet activities, such as unsolicited mass advertising (i.e., "spam"), hacking of personal information and dissemination of viruses, worms and other destructive or disruptive software. These activities could have adverse consequences on our network and our customers, including degradation of service, excessive call volume to call centers and damage to our or our customers' equipment and data. Significant incidents could lead to customer dissatisfaction and, ultimately, loss of customers or revenue, in addition to increased costs to us to service our customers and protect our network. For example, in July 2011, a leak of personal information of subscribers of Nate and Cyworld websites operated by SK Communications Co., Ltd., our consolidated subsidiary, occurred. As of December 31, 2011, seven lawsuits were filed on behalf of approximately 4,000 plaintiffs against SK Communications, alleging that the leak was caused by its poor management of subscribers' personal information and seeking damages of approximately Won 4.0 billion. On April 26, 2012, Gumi City Court rendered a judgment that accepted a plaintiff's claim in part, ordering a payment of Won 1 million to him, while other cases remain pending at various district courts in Korea. SK Communications is considering an appeal of Gumi City Court's judgment. Any significant loss of our subscribers or revenue due to incidents of malicious and abusive Internet practices or significant increase in costs of serving those subscribers could adversely affect our business, financial condition and results of operations.

Labor disputes may disrupt our operations.

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

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

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

Most of our businesses are subject to extensive governmental supervision and regulation. The KCC has periodically reviewed the tariffs charged by wireless operators and has, from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some tariff reductions in response to KCC recommendations. After discussions with the KCC, in November 2009, we adopted various tariff reduction measures, including a reduction of the initial subscription fee by 27% and an increase in discounts for long-term subscribers. In March 2010, we also began to charge voice calls on a per-second basis, which has the effect of reducing the usage charges compared with the previous system of charging per ten seconds. After discussions with the KCC, in June 2011, we announced further tariff reduction measures, including a reduction of the monthly fee by Won 1,000 for every subscriber, an exemption of usage charges for short text message service, or SMS, up to 50 messages per month and the introduction of customized fixed rate plans for smartphone users, which were implemented in the second half of 2011.

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

Furthermore, the Government sets the policies regarding the use of frequencies and allocates the spectrum of frequencies used for wireless telecommunications. In February 2010, the KCC announced its final plan to reallocate the spectrum of frequencies among us, KT and LG U+. In addition, in August 2011 the KCC auctioned the right to use 20 MHz of bandwidth in the 1.8 GHz spectrum, 20 MHz of bandwidth in the 2.1 GHz spectrum and 10 MHz of bandwidth in the 800 MHz spectrum. In the auction, we acquired the right to use the 20 MHz of bandwidth in the 1.8 GHz spectrum at a price of Won 995.0 billion, KT acquired the right to use the 10 MHz of bandwidth in the 800

MHz spectrum for Won 261.0 billion and LG U+ acquired the right to use the 20 MHz of bandwidth in the 2.1 GHz spectrum for Won 445.5 billion. See "Item 4.B. Business Overview — Law and Regulation — Competition Regulation". While we do not believe the reallocation of spectrum will materially impact our ability to maintain sufficient bandwidth capacity, the reallocation and new allocation of the spectrum to our existing or new competitors could increase competition among wireless service providers, which may have an adverse effect on our business.

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

Our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Our interconnection arrangements, including the interconnection rates we pay and interconnection rates we charge, affect our revenues and operating results. The KCC determines the basic framework for interconnection arrangements, including interconnection policies relating to interconnection rates in Korea, and the KCC has changed this framework several times in the past. We cannot assure you that we will not be adversely affected by future changes in the KCC's interconnection policies. See "Item 4.B. Business Overview — Interconnection — Domestic Calls".

In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. In addition, the MIC has also required all new subscribers to be given numbers with the '010' prefix starting January 2004, and it has been gradually retracting the mobile service identification numbers which had been unique to each wireless telecommunications service provider, including '011' for our cellular services. The KCC plans to continue to pursue the integration process and complete the process by around 2018, when all mobile telephone numbers would have the prefix identification number "010". Historically, '011' has had high brand recognition in Korea as the premium wireless telecommunications service. The Government's adoption of the number portability system and the consolidation of the prefix numbers have resulted in and may continue to result in weakened customer loyalty, increased competition among wireless service providers and higher costs of marketing, increased subscriber deactivations and increased churn rate, all of which had, and may continue to have, an adverse effect on our results of operations. See "Item 5. Operating and Financial Review and Prospects" and "Item 4.B. Business Overview — Subscribers — Number Portability".

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

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

The KCC endeavors to promote competition in the Korean telecommunications markets through measures designed to prevent a dominant service provider from exercising its market power and deterring the emergence and development of viable competitors. We are currently designated by the KCC as the "market dominant service provider" in respect of our wireless telecommunications business. As such, we are subject to additional regulations to which certain of our competitors are not subject. For example, under current Government regulations, we must obtain prior approval from the KCC to raise our existing rates or introduce new rates. See "Item 4.B. Business Overview — Law and Regulation — Competition Regulation — Rate Regulation". We could also be required by the KCC to charge higher usage rates than our competitors for future services. In addition, we were required to introduce number portability earlier than our competitors, KT and LG U+.

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

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

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

In the past, allegations that serious health risks may result from the use of wireless telecommunications devices or other transmission equipment have adversely affected share prices of some wireless telecommunications companies in the United States. In May 2011, the International Agency for Research on Cancer ("IARC") announced that it has classified radiofrequency electromagnetic fields associated with wireless phone use as possibly carcinogenic to humans, based on an increased risk for glioma, a malignant type of brain cancer. The IARC is part of the World Health Organization that conducts research on the causes of human cancer and the mechanisms of carcinogenesis, and aims to develop scientific strategies for cancer control. We cannot assure you that these health concerns will not adversely affect our business. Several class action and personal injury lawsuits have been filed in the United States against several wireless phone manufacturers and carriers, asserting product liability, breach of warranty and other claims relating to radio transmissions to and from wireless phones. Certain of these lawsuits have been dismissed. We could be subject to liability or incur significant costs defending lawsuits brought by our subscribers or other parties who claim to have been harmed by or as a result of our services. In addition, the actual or perceived risk of wireless telecommunications devices could have an adverse effect on our business by reducing our number of subscribers or our usage per subscriber.

Our ability to deliver services may be disrupted due to a systems failure, shutdown in our networks or natural disasters.

Our services are currently carried through our wireless and fixed-line networks, which could be vulnerable to damage or interruptions in operations due to fires, floods, earthquakes, power losses, telecommunication failures, network software flaws, unauthorized access, computer viruses and similar events. The occurrence of any of these events could impact our ability to deliver services and have a negative effect on our results of operations.

A global or Korean economic downturn may have a material adverse impact on our business and the ability to meet our funding needs, and could cause the market value of the common shares and American Depositary Shares ("ADSs") to decline.

In recent years, difficulties affecting the global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. The legislators and financial regulators in the United States and other jurisdictions, including Korea, have implemented a number of policy measures designed to add stability to financial markets. The overall impact of these legislative and regulatory efforts on the global financial markets continues to be uncertain, and they may not have the intended stabilizing effects. While the rate of deterioration of the global economy has slowed since the second half of 2009, with some signs of stabilization and improvement, the overall prospects for the Korean and global economy in 2012 and beyond remain uncertain. For example, commencing in the second half of 2011, the global financial markets have experienced significant volatility as a result of, among other things, the downgrading by Standard & Poor's Rating Services of the long-term sovereign credit rating of the

United States to "AA+" from "AAA" in August 2011 and the financial difficulties affecting many other governments worldwide, in particular in Greece, Spain, Italy and other countries in Europe. In addition, measures adopted by the international community to sanction Iran for its nuclear weapons program, as well as political instability in various countries in the Middle East and Northern Africa, including in Egypt, Tunisia, Libya, Syria and Yemen, have resulted in volatility and uncertainty in the global energy markets. These or other developments could potentially trigger another financial and economic crisis.

We are exposed to risks related to changes in the global and Korean economic environments, changes in interest rates and instability in the global financial markets. Adverse global and Korean economic conditions may lead to overall decline and volatility in securities prices of Korean companies, including ours, which may result in trading and valuation losses on our trading and investment securities portfolio. Increases in credit spreads, as well as limitations on the availability of credit resulting from heightened concerns about the stability of the markets generally and the strength of counterparties specifically may lead many lenders and institutional investors to reduce or cease providing funding to borrowers, which may negatively impact our liquidity and results of operations. Major market disruptions and adverse changes in economic conditions and regulatory climate may further impair our ability to meet our desired funding needs. We cannot predict future changes in economic conditions. Adverse developments in the global or Korean economies or financial markets may have a material adverse effect on our business and the ability to meet our funding needs, as well as negatively affect the market prices of the common shares and ADSs.

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

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

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

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

- the amounts a registered holder or beneficial owner of ADSs will receive from the American Depositary Receipt ("ADR") depositary in respect of dividends, which will be paid in Won to the ADR depositary and converted by the ADR depositary into Dollars;
- the Dollar value of the proceeds that a holder will receive upon sale in Korea of the common shares; and
- the secondary market price of the ADSs.

For historical exchange rate information, see "Item 3.A. Selected Financial Data — Exchange Rates".

Risks Relating to Korea

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

We are incorporated in Korea, and a significant portion of our operations is based in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond our control.

Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have increased the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. Due to liquidity and credit concerns and volatility in the global financial markets, the value of the Won relative to the U.S. dollar has also fluctuated significantly in recent years. Furthermore, as a result of adverse global and Korean economic conditions, there has been continuing volatility in the stock prices of Korean companies. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition, results of operations and cash flows.

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

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

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

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events.

In particular, since the death of Kim Jong-il, the former North Korean ruler, in mid-December 2011, there has been increased uncertainty with respect to the future of North Korea's political leadership and concern regarding its implications for political and economic stability in the region. Although before his death, Kim Jong-il designated his third son, Kim Jong-eun, as his successor and also named him as the vice chairman of the Central Military Commission and a general of the North Korean army, the eventual outcome of such leadership transition remains uncertain. Furthermore, as only limited information is available outside of North Korea about Kim Jong-eun, who is reported to be in his late twenties, and it is unclear which individuals or factions, if any, will share political power with Kim Jong-eun or assume the leadership if the transition is not successful, there is significant uncertainty regarding the policies, actions and initiatives that North Korea might pursue in the future.

In addition, in recent years, there have been heightened security concerns stemming from North Korea's nuclear weapon and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, China, Japan and Russia have held numerous rounds of six-party multi-lateral talks in an effort to resolve issues relating to North Korea's nuclear weapons program.

North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In May 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution that condemned North Korea for the nuclear test and decided to expand and tighten sanctions against North Korea. In March 2010, a Korean warship was destroyed by an underwater explosion, killing many of the crewmen on board. The Korean government formally accused North Korea of causing the sinking, while North Korea has denied responsibility and has threatened retaliation for any attempt to punish it over the incident. In November 2010, North Korea reportedly fired more than one hundred artillery shells that hit Korea's Yeonpyeong Island near the maritime border between Korea and North Korea on the west coast of Korea, killing two Korean soldiers and two civilians, wounding many others and causing significant property damage. Korea responded by firing artillery shells back and putting the military on its highest level of alert. The Government condemned North Korea for the attack and vowed stern retaliation should there be further provocation. On April 13, 2012, North Korea launched a long-range rocket over the Yellow Sea. Korea, Japan and the United States condemned the launch and the United Nations Security Council adopted a chairman's statement condemning North Korea for the launch.

North Korea's economy also faces severe challenges. For example, in November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. In tandem with the currency redenomination, the North Korean government banned the use or possession of foreign currency by its residents and closed down privately run markets, which led to severe inflation and food shortages. Such developments may further aggravate social and political tensions within North Korea.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts between Korea and North Korea break down or military hostilities occur, could have a material adverse effect on the Korean economy or the economies of other countries in Asia, in general, and on our business, financial condition and results of operations and the market value of our common stock and ADSs.

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

The Securities-related Class Action Act of Korea enacted in January 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX KOSPI Market for losses incurred in connection with purchases and sales of securities and other securities transactions arising from (i) false or inaccurate statements provided in the registration statements, prospectuses, business reports, audit reports, semi-annual or quarterly reports and material fact reports and omission of material information in such documents, (ii) insider trading, (iii) market manipulation and (iv) unfair trading. This law permits 50 or more shareholders who collectively hold 0.01% of the shares of a company to bring a class action suit against, among others, the issuer and its directors and officers. Because of the relatively recent enactment of the act, there is not enough judicial precedent to predict how the courts will apply the law. Litigation can be time-consuming and expensive to resolve, and can divert management time and attention from the operation of a business. We are not aware of any basis upon which such suit may be brought against us, nor are any such suits pending or threatened. Any such litigation brought against us could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Securities

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

The Telecommunications Business Act currently sets a 49% limit on the aggregate foreign ownership of our issued shares. Under the Telecommunications Business Act, as amended, a Korean entity, such as SK Holdings, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the issued voting stock of the Korean entity. As of December 31, 2011, SK Holdings owned 20,363,452 shares of our common stock, or approximately 25.22%, of our issued shares. If SK Holdings were considered to be a foreign shareholder, then its shareholding in us would be included in the calculation of our aggregate foreign shareholding and our aggregate foreign shareholding (based on our foreign ownership level as of December 31, 2011, which we believe was 40.3%) would exceed the 49% ceiling on foreign shareholding. As of December 31, 2011, a foreign investment fund and its related parties collectively held a 3.1% stake in SK Holdings. We could breach the foreign ownership limitations if the number of shares of our common stock or ADSs owned by other foreign persons significantly increases.

If our aggregate foreign shareholding limit is exceeded, the KCC may issue a corrective order to us, the breaching shareholder (including SK Holdings if the breach is caused by an increase in foreign ownership of SK Holdings) and the foreign investment fund and its related parties who own in the aggregate 15% or more of SK Holdings. Furthermore, if SK Holdings is considered a foreign shareholder, it may not exercise its voting rights with respect to the shares held in excess of the 49% ceiling, which may result in a change in control of us. In addition, the KCC may refuse to grant us licenses or permits necessary for entering into new telecommunications businesses until our aggregate foreign shareholding is reduced to below 49%. For a description of further actions that the KCC could take, see "Item 4.B. Business Overview — Law and Regulation — Foreign Ownership and Investment Restrictions and Requirements".

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

In April 2009, we sold US$332.5 million in 1.75% convertible notes due 2014, all of which currently remain outstanding. As of March 31, 2012, these convertible notes were convertible by the holders into shares of our common stock at the rate of Won 199,280 per share. These notes are held principally by foreign holders. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock or ADSs upon conversion of these notes would result in a violation of applicable Korean law or (2) we do not have a sufficient number of shares of our common stock to satisfy the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we may sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Business Act or other legal restrictions. The number of shares sold in these circumstances might be substantial. We cannot assure you that such sales would not adversely affect the market prices of our common stock or ADSs.

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

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

As of December 31, 2011, SK Holdings owned 25.22% of our total issued common stock and has not agreed to any restrictions on its ability to dispose of our shares. See "Item 7.A. Major Shareholders". We can make no prediction as to the timing or amount of any sales of our common stock. We cannot assure you that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will not adversely affect the market prices of the shares of our common stock or ADSs prevailing from time to time.

If an investor surrenders his or her ADSs to withdraw the underlying shares, he or she may not be allowed to deposit the shares again to obtain ADSs.

Under the deposit agreement, holders of shares of our common stock may deposit those shares with the ADR depositary's custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the ADR depositary and receive shares of our common stock. However, under the terms of the deposit agreement, as amended, the depositary bank is required to obtain our prior consent to any such deposit if, after giving effect to such deposit, the total number of shares of our common stock represented by ADSs, which was 22,223,578 shares as of March 31, 2012, exceeds a specified maximum, subject to adjustment under certain circumstances. In addition, the depositary bank or the custodian may not accept deposits of our common shares for issuance of ADSs under certain circumstances, including (1) if it has been determined by us that we should block the deposit to prevent a violation of applicable Korean laws and regulations or our articles of incorporation or (2) if a person intending to make a deposit has been identified as a holder of at least 3% of our common stock. See "Item 10.B. Memorandum and Articles of Incorporation — Description of American Depositary Shares". It is possible that we may not give the consent. Consequently, an investor who has surrendered his or her ADSs and withdrawn the underlying shares may not be allowed to deposit the shares again to obtain ADSs.

An investor in our ADSs may not be able to exercise preemptive rights for additional new shares and may suffer dilution of his or her equity interest in us.

The Korean Commercial Code and our articles of incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we offer a right to subscribe for additional new shares of our common stock or any other rights of similar nature, the ADR depositary, after consultation with us, may make the rights available to an ADS holder or use reasonable efforts to dispose of the rights on behalf of the ADS holder and make the net proceeds available to the ADS holder. The ADR depositary, however, is not required to make available to an ADS holder any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

- a registration statement filed by us under the Securities Act is in effect with respect to those shares; or
- the offering and sale of those shares is exempt from, or is not subject to, the registration requirements of the Securities Act.

We are under no obligation to file any registration statement with respect to any ADSs. If a registration statement is required for an ADS holder to exercise preemptive rights but is not filed by us, the ADS holder will not be able to exercise his or her preemptive rights for additional shares. As a result, ADS holders may suffer dilution of their equity interest in us.

Short selling of our ADSs by purchasers of securities convertible or exchangeable into our ADSs could materially adversely affect the market price of our ADSs.

SK Holdings, through one or more special purpose vehicles, has engaged and may in the future engage in monetization transactions relating to its ownership interest in us. These transactions have included and may include offerings of securities that are convertible or exchangeable into our ADSs. Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or similar transactions. Since a monetization transaction could involve debt securities linked to a significant number of our ADSs, we expect that a sufficient quantity of ADSs may not be immediately available for borrowing in the market to facilitate settlement of the likely volume of short selling activity that would accompany the commencement of a monetization transaction. This short selling and similar hedging activity could place significant downward pressure on the market price of our ADSs, thereby having a material adverse effect on the market value of ADSs owned by you.

A holder of our ADSs may not be able to enforce a judgment of a foreign court against us.

We are a corporation with limited liability organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this document reside in Korea, and all or a significant portion of the assets of our directors and officers and other persons named in this document and substantially all of our assets are located in Korea. As a result, it may not be possible for holders of our ADSs to effect service of process within the United States, or to enforce against us any judgments obtained from the United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

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

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

Item 4. *INFORMATION ON THE COMPANY*

Item 4.A. *History and Development of the Company*

As Korea's first wireless telecommunications service provider, we have a recognized history of leadership and innovation in the domestic telecommunications sector. Today, we remain Korea's leading wireless telecommunications services provider and have continued to pioneer the commercial development and implementation of state-of-the-art wireless technologies. We have also strengthened our global competitiveness by expanding into key overseas markets, and we continue to look outside Korea for investment and growth opportunities. We believe we are also a leader in developing new products and services that reflect the increasing convergence of telecommunications technologies, as well as the growing synergies between the telecommunications sector and other industries.

We provide our wireless telecommunications services principally through backbone networks using CDMA, WCDMA and LTE technologies. Collectively, these networks can access approximately 99% of the Korean population. In addition, we also provide wireless broadband Internet access through our WiBro service. For a more detailed description of our backbone network infrastructure, see "— Digital Cellular Network" below. Our advanced and extensive wireless telecommunications infrastructure has enabled us to offer high-quality cellular voice transmission services at competitive prices, as well as to develop and deploy an increasingly sophisticated range of wireless data and multimedia products and services, including wireless Internet services, in step with technological advancements and growing consumer demand. We believe our network infrastructure also provides us with a competitive advantage in pioneering new business opportunities created by digital convergence.

As of December 31, 2011, we had approximately 26.5 million wireless subscribers throughout Korea, of which 22.3 million owned Internet-enabled handsets capable of accessing our wireless Internet services. As of December 31, 2011, our share of the Korean wireless market was approximately 50.5%, based on number of subscribers, according to the KCC.

In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. In September 2009, we acquired additional shares of SK Broadband's common stock, increasing our equity stake to 50.6%. Through SK Broadband, we currently provide broadband Internet access service and other Internet-related services, including video-on-demand and Internet protocol TV, or IP TV, services, as well as fixed-line telephone services. As of December 31, 2011, we had approximately 4.2 million broadband Internet access subscribers and 4.2 million fixed-line telephone subscribers (including subscribers to VoIP services).

In September 2009, we completed the acquisition of the leased-line business and related ancillary businesses of SK Networks for approximately Won 892.8 billion and assumed Won 611.4 billion of debt as part of the transaction. Historically, we have relied on KT and SK Networks to provide a substantial majority of the transmission lines we lease. In February 2012, we acquired a 21.05% equity stake in Hynix, the world's second-largest memory-chip maker by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder.

On March 31, 2012, we had a market capitalization of approximately Won 11.3 trillion (US$10.0 billion, as translated at the noon buying rate of March 30, 2012) or approximately 0.97% of the total market capitalization on the KRX KOSPI Market, making us the 20th largest company listed on the KRX KOSPI Market based on market capitalization on that date. Our ADSs, each representing one-ninth of one share of our common stock, have traded on the New York Stock Exchange since June 27, 1996.

We established our telecommunications business in March 1984 under the name of Korea Mobile Telecommunications Co., Ltd. We changed our name to SK Telecom Co., Ltd., effective March 21, 1997. In January 2002, we merged with Shinsegi, which was then the third-largest wireless telecommunications service provider in Korea. Our registered office is at SK T-Tower, 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea and our telephone number is 82-2-6100-2114.

Korean Telecommunications Industry

Established in March 1984, we became the first wireless telecommunications service provider in Korea. We remained the sole provider of wireless telecommunications services until April 1996, when Shinsegi commenced cellular service. The Government began to introduce competition into the fixed-line and wireless telecommunications services markets in the early 1990's. During this period, the Government allowed new competitors to enter the fixed-line sector, sold a controlling stake in us to the SK Group, and granted a cellular license to our first competitor, Shinsegi. In October 1997, three additional companies, KTF, LG Telecom and Hansol PCS, began providing wireless services under Government licenses to provide wireless telecommunications services.

In 2000 and 2001, the Korean wireless telecommunications market experienced significant consolidation. In January 2002, Shinsegi was merged into us. Additionally, two of the other wireless telecommunications services operators merged. See "Item 4.B. Business Overview — Competition".

There are currently three providers of wireless voice telecommunications services in Korea: our company, KT (into which KTF merged) and LG U+ (formerly, LG Telecom). According to the KCC, as of December 31, 2011, the market share of the Korean wireless telecommunications market in terms of number of subscribers of KT and LG U+ was approximately 30.9% and 17.8%, respectively (compared to our market share of 50.5%). MVNOs had a combined market share of 0.8%.

In December 2000, the MIC awarded to two companies the right to receive a license to provide 3G services using WCDMA, an extension of the Global System for Mobile Communication standard for wireless telecommunications, which is globally the most widely used wireless technology. These rights were awarded to two consortia of companies, one led by our former subsidiary, SK IMT Co., Ltd., and the other to a consortium that included KT. SK IMT Co., Ltd. was merged into us on May 1, 2004. The right to acquire an additional license to operate a network using CDMA2000 technology was awarded to LG Telecom in August 2001, but was later revoked in July 2006.

A one-way mobile number portability, or MNP, system was first implemented in the beginning of January 2004 when our subscribers were allowed to transfer to KTF and LG Telecom. From July 2004, a two-way MNP system was implemented so that KTF subscribers could transfer to us and LG Telecom. A three-way MNP system has been in effect since January 2005 so that subscribers from each of the wireless service providers may transfer to any other wireless service provider. During 2009, 2010 and 2011, approximately 3.0 million, 3.6 million and 4.0 million, respectively, of our subscribers migrated to our competitors. Approximately 1.1 million, 1.3 million and 1.4 million of LG U+'s subscribers in 2009, 2010 and 2011, respectively, and approximately 2.0 million, 2.4 million and 2.5 million of KT's subscribers in 2009, 2010 and 2011, respectively, migrated to our service.

In January 2005, the Government granted each of KT and us a license to offer WiBro service. Both KT and we are currently expanding the coverage area of WiBro services.

Telecommunications industry growth in Korea has been among the most rapid in the world, with fixed-line penetration increasing from under five lines per 100 population in 1978 to 37.4 lines per 100 population as of December 31, 2011, and wireless penetration increasing from 7.0 subscribers per 100 population in 1996 to 105.5 subscribers per 100 population as of December 31, 2011. The table below sets forth certain subscription and penetration information regarding the Korean telecommunications industry as of the dates indicated:

	As of December 31,				
	2007	2008	2009	2010	2011
	(In thousands, except for per population amounts)				
Population of Korea(1)	48,456	48,607	48,747	48,875	49,779
Wireless Subscribers(2)	43,498	45,607	47,944	50,767	52,507
Wireless Subscribers per 100 Population	89.8	93.8	98.4	103.9	105.5
Telephone Lines in Service(2)	23,130	22,132	20,090	19,273	18,633
Telephone Lines per 100 Population	47.7	45.5	41.2	39.4	37.4

(1) Source: National Statistical Office of Korea.

(2) Source: KCC.

The Korean telecommunications industry is one of the most developed in the world in terms of wireless penetration and in terms of the growth of wireless data services, including wireless Internet services. The wireless penetration rate, which is calculated by dividing the number of wireless subscribers by the population, was 105.5 % as of December 31, 2011 and the number of wireless subscribers has increased from approximately 3.2 million in 1996 to approximately 52.5 million as of December 31, 2011.

Since the introduction of short text messaging in 1998, Korea's wireless data market has grown rapidly. This growth has been driven, in part, by the rapid development of wireless Internet service since its introduction in the second half of 1999. All of the Korean wireless operators have developed extensive wireless Internet service portals.

As of December 31, 2011, approximately 47.6 million of Korean wireless subscribers owned Internet-enabled handsets capable of accessing wireless Internet services. The table below sets forth certain penetration information regarding the number of Internet-enabled handsets and wireless subscribers in Korea as of the dates indicated:

	As of December 31,				
	2007	2008	2009	2010	2011
	(In thousands, except for percentages)				
Number of Wireless Internet Enabled Handsets	41,598	42,740	46,301	48,085	47,599
Total Number of Wireless Subscribers	43,498	45,607	47,944	50,767	52,507
Penetration of Wireless Internet Enabled Handsets	95.6%	93.7%	96.6%	94.7%	90.7%

Source: KCC.

In addition to its well-developed wireless telecommunications sector, Korea has one of the largest Internet markets in the Asia Pacific region. According to Korea Internet & Security Agency, or KISA, the number of Internet subscribers in Korea increased from approximately 3.1 million at the end of 1998 to approximately 37.2 million as of the end of July 2011, representing a 22.0% compound annual growth rate. From the end of 2005 to the end of 2011, the number of broadband Internet access subscribers increased from approximately 12.2 million to approximately 17.9 million, representing a 6.6% compound annual growth rate. The table below sets forth certain information regarding Internet users and broadband subscribers as of the dates indicated:

	As of December 31,				
	2007	2008	2009	2010	2011
	(In thousands)				
Number of Internet Users(1)	34,820	35,360	36,580	37,010	37,180(2)
Number of Broadband Subscribers(3)	14,709	15,475	16,349	17,224	17,860

(1) Source: KISA.

(2) As of July 31, 2011.

(3) Source: KCC. Includes subscribers accessing Internet service using digital subscriber line, or xDSL, connections; cable modem connections; local area network, or LAN, connections; fiber-to-the-home, or FTTH, connections; and satellite connections.

Item 4.B. ***Business Overview***

Overview

We are Korea's leading wireless telecommunications services provider and continue to pioneer the commercial development and implementation of state-of-the-art wireless technologies. We provide the following core services:

- *Cellular voice services.* We provide wireless voice transmission services to our subscribers through our backbone cellular networks and also offer wireless global roaming services through service agreements with various foreign wireless telecommunications service providers. (Accordingly, while "cellular voice services" principally refer to our core wireless voice transmission services, they also comprise our wireless voice and data global roaming services.)

- *Wireless data services.* We also provide wireless data transmission services, including wireless Internet access services, which allow subscribers to access a wide range of online digital contents and services, as well as to send and receive text and multimedia messages, using their mobile phones.

- *Broadband Internet and fixed-line telephone services.* Through our consolidated subsidiary, SK Broadband, we provide broadband Internet access service and other Internet-related services, including video-on-demand and IP TV services. Through SK Broadband, we also provide local, domestic long-distance and international long-distance fixed-line telephone services to residential and commercial subscribers. We currently own a 50.6% equity interest in SK Broadband following our acquisition of a 7.2% equity stake in the company in September 2009.

- *Digital convergence and new businesses.* We have pioneered new services that reflect the growing convergence within the telecommunications sector, as well as between the telecommunications sector and other industries, including 11th Street, an online shopping mall, and T Store, an online open marketplace for mobile applications, as well as "Telematics" service, which makes use of global positioning system, or GPS, technology. In addition, we engage in the industry productivity enhancement, or IPE, business that provides customized business solutions and applications to corporate customers. In October 2011, in order to develop a management system and corporate culture that is more suitable for the platform business and facilitate the expeditious execution of business strategies, we spun off our platform business, including 11th Street and T Store, to a new wholly-owned subsidiary, SK Planet Co., Ltd.

We provide our wireless services through our proprietary backbone networks based on CDMA, WCDMA and LTE technologies. We also offer wireless data transmission and wireless Internet access services through our WiBro network. For more information on our backbone networks, see "— Digital Cellular Network".

Our Business Strategy

We believe that trends in the Korean telecommunications industry during the next decade will mirror those in the global market and will be characterized by rapid technological change, reduced regulatory barriers and increased competition. Against the backdrop of these industry trends, we aim to enhance shareholder value by maintaining and consolidating our leading position in the Korean market for wireless services, including wireless voice and data transmission services, as well as by leveraging our competitive strengths to exploit new opportunities arising from increasing digital convergence and the globalization of the telecommunications market.

Our principal strategies are to:

- *Enhance the technical capabilities of our wireless networks to improve data transmission speed and service quality and to offer an increased range of services, including in connection with our development of new and advanced wireless technologies.* We believe we have the most extensive and advanced wireless telecommunications network in Korea, and we are committed to ensuring that our delivery platforms keep pace with the latest technological advancements. In March 2007, we completed the nationwide build-out of our HSDPA-capable WCDMA network. In 2011, we further upgraded our WCDMA network to support HSUPA and HSPA+ technology and expanded the coverage area of our WiBro service. We commenced commercial LTE services in July 2011 and LTE smartphone services in September 2011, and expanded the coverage area of our LTE services to nationwide by April 2012. We plan to continue upgrading and expanding our backbone network infrastructure in line with new developments in wireless telecommunications technology. We believe that ensuring the quality and technical sophistication of our wireless networks will, among other things, allow us to provide our subscribers with top-quality service, to introduce the latest wireless telecommunications products and services more quickly and to efficiently implement new wireless technologies as market opportunities arise.

- *Drive the growth of wireless Internet in Korea.* In recent years, the Korean telecommunications industry has experienced significant growth in wireless Internet services as the number of smartphone users has increased rapidly. We plan to establish and maintain our leadership among smartphone users by securing a competitive smartphone line-up and streamlining the subscription process and pricing structures to enable subscribers to easily access their mobile content from multiple devices. We also intend to focus on developing differentiated services and various platforms in order to achieve our goal of leading the Korean smartphone market.

- *Offer a broad range of new and innovative wireless data contents and services.* We plan to improve the service quality and expand the range of our wireless data contents and services, through NATE, with a view to increasing revenues from these services to complement our core cellular revenues. In particular, we believe demand for wireless access to entertainment-related digital contents and services, wireless access to community and social networking platforms and wireless access to financial-related contents and services, or “m-commerce” services, will continue to grow. We continue to actively seek partnerships with, as well as strategic investments in, digital media content providers, financial services providers and wireless application developers to improve the breadth and quality of the wireless data contents and services we offer to our subscribers. We also intend to expand the operation of T Store, our online application store operated by SK Planet, our consolidated subsidiary, by constructing an environment where outstanding developers can be nurtured and high-quality content can be produced.

- *Leverage our extensive network infrastructure, technical know-how and leading market position to exploit opportunities that arise from an increasingly convergent era in telecommunications and to pioneer new businesses.* We believe that increasing convergence among communications technologies, as well as between the telecommunications sector and other industries, creates growth opportunities for incumbent telecommunications service providers, like us, whose existing infrastructure, know-how and extensive subscriber base provide a competitive advantage. We further believe that digital convergence will support demand for increasingly integrated products and services. We hope to create greater convergence opportunities across our various network platforms through various acquisitions, such as the acquisition of an equity stake in SK Broadband, Korea’s second largest fixed-line operator, or the acquisition of a leased-line business from SK Networks. We also plan to continue to improve our new convergence services, such as 11th Street, an online shopping mall, and T Store, an online open marketplace for mobile applications.

- *Pursue platform business and industry productivity enhancement business.* We plan to grow our platform business by sharing our telecommunication infrastructure with other service providers and application developers. To better respond to the increased demand in the platform industry to connect content providers with smartphone and tablet users, we spun off our platform business into a new wholly-owned subsidiary, SK Planet Co., Ltd., in October 2011. SK Planet operates our platform business in the marketplace for digital content, T Store, and in the open marketplace for online shopping and m-commerce, 11th Street. We also plan to enhance our enterprise value by expanding into media platforms and advertising platforms. In addition, we plan to grow our industry productivity enhancement, or IPE, business division to generate greater value and growth for both us and our customers and partners around the globe. IPE is a concept that endeavors to provide customized value-added services such as applications and solutions to clients in different businesses based on the existing network infrastructure. Building on existing infrastructures, we anticipate that value-added services to business clients will generate greater revenues compared to the current B2B business model. Once we establish prototypes categorized by business and size of the business, we intend to expand and apply such IPE models to other businesses in the same field. We are in the process of working with various clients in finance, education, health, shopping and other areas.

- *Pursue diversification and growth through our investment in the semiconductor business.* In February 2012, we acquired a 21.05% equity stake in Hynix, the world's second-largest memory-chip maker by revenue, and became its largest shareholder. By investing in the export-driven semiconductor business, we plan to achieve a more diversified business portfolio, as well as seek global growth opportunities utilizing Hynix's overseas network.
- *Continue global expansion by seeking opportunities in overseas markets.* We participate in various overseas markets and continue to seek opportunities to expand our global business. In light of the highly penetrated Korean wireless market, we believe that strategic expansion into overseas markets offers important opportunities for future growth.

Digital Cellular Network

We offer wireless voice and data telecommunications services throughout Korea using digital wireless networks, including a CDMA network, a WCDMA network, an LTE network, a WiBro network and a Wi-Fi network. We commenced commercial LTE services in Seoul on July 1, 2011 and expanded the coverage area of our LTE services to 28 cities as of January 1, 2012. We further expanded the coverage area of our LTE services to nationwide by the end of April 2012. As of December 31, 2011, we had 634,311 LTE subscribers.

CDMA Network

CDMA technology is a continuous digital transmission technology that accommodates higher throughput than analog technology by using various coding sequences to allow concurrent transmission of voice and data signals for wireless communication. In January 1996, we launched our first wireless network based on CDMA technology and became the world's first to commercialize CDMA cellular service. Our CDMA-based network infrastructure has been the core platform for our wireless telecommunications business. CDMA technology is currently in commercial operation in several countries including Korea, Hong Kong and the United States.

In October 2000, we began offering wireless voice and data services on our CDMA2000 1X network. CDMA2000 1X is an advanced CDMA-based technology that allows transmission of data at speeds of up to 153.6 Kbps (compared to a maximum of 64 Kbps for our basic CDMA network). In the first half of 2002, we launched an upgrade of our CDMA2000 1X network to a more advanced technology called CDMA 1xEV-DO. CDMA 1xEV-DO is a CDMA-based technology, similar to CDMA2000 1X, but enables data to be transmitted at speeds of up to 2.4 Mbps. This higher transmission speed permits interactive transmission of data required for videophone services, a high-speed wireless Internet connection, as well as a multitude of multimedia services. In 2004, we completed the full upgrade of our CDMA2000 1X network to CDMA 1xEV-DO technology.

WCDMA Network

WCDMA is a 3G, high capacity wireless communication system that enables us to offer an even wider range of telecommunications services, including cellular voice communications, video telephony, data communications, multimedia services, wireless Internet connection, and automatic roaming. We commenced provision of our 3G services using our HSDPA-upgraded WCDMA network on a limited basis in Seoul at the end of 2003. In March 2005, we developed and launched dual band/dual mode handsets, to offer seamless nationwide 3G service, an important factor for nationwide deployment of WCDMA services.

In 2005, we completed commercial development of HSDPA technology and integrated this technology in the subsequent build-out of our WCDMA network. HSDPA, which represents an evolution of the WCDMA standard, is a more advanced 3G technology than the initial WCDMA technology we implemented and is sometimes referred to as "3.5G" technology. In March 2007, we completed nationwide expansion of our HSDPA-capable WCDMA network, which currently reaches approximately 99% of the Korean population. Our WCDMA network enables significantly faster and higher-quality voice and data transmission and supports more sophisticated wireless data transmission services, including video telephony and other multimedia communications, than is possible through our 2G networks. In June 2007, we began HSUPA upgrades to our WCDMA network, which is currently in progress. HSUPA technology represents the next stage in the evolution of the WCDMA standard. In particular, while HSDPA enables significantly improved downlink data transmission speeds, HSUPA permits faster uplink speeds. We are also currently implementing upgrades to enable more evolved high speed packet access, or HSPA+, service. Our implementation of HSDPA, HSUPA and HSPA+ technology will allow us to offer significantly improved, and a wider range of, wireless data transmission services, including more sophisticated multimedia digital contents and products. We also plan to continue enhancing our 3G service quality, including through the installation of additional small cell sites or cellular repeaters to improve reception quality in subterranean areas, buildings or any remaining "blind spots" where reception quality may not be optimal. For more information about our capital expenditures relating to our WCDMA-based network, see "Item 5.B. Liquidity and Capital Resources".

WiBro Network

We received a license from the MIC in 2005 to provide wireless broadband, or WiBro services, which we believe will complement our existing networks and technologies. WiBro is a data-only transmission technology that enables high-speed wireless broadband access to portable computers, mobile phones and other portable devices. We conducted initial pilot testing of WiBro service in limited areas of metropolitan Seoul in May 2006 and currently service "hot zone" areas in 84 cities.

Wi-Fi Network

Wi-Fi technology enables our subscribers with Wi-Fi-capable devices such as smartphones, laptops and tablet computers to access mobile Internet at a speed faster than WCDMA or WiBro networks, while the service range of each Wi-Fi hot zone is smaller than that of WCDMA or WiBro networks. We started to build our Wi-Fi hot zones from 2010 and, as of December 31, 2011, we had more than 64,000 Wi-Fi hot zones in public areas such as shopping malls, restaurants, coffee shops, subways and airports where, generally, the demand for high-speed wireless Internet service is high. While each Wi-Fi hot zone typically has a radius of approximately 20-30 meters, some of our Wi-Fi hot zones, including those installed at public transportation facilities and amusement parks, have much wider service areas. We plan to increase the number of Wi-Fi hot zones to approximately 90,000 by the end of 2012.

LTE Network

We commenced commercial wireless services based on LTE technology, which is generally referred to as a 4G technology, on July 1, 2011 and expanded our LTE coverage to 28 cities as of January 1, 2012. Several wireless carriers in the United States, Europe and Asia commenced LTE services in 2010 and 2011 and LTE technology is expected to be widely accepted globally as the standard 4G technology. LTE technology enables data to be transmitted at a speed faster than WCDMA or WiBro networks, up to 75 Mbps for downloading and up to 37.5 Mbps for uploading. The faster data transmission speed of the LTE network has allowed us to offer significantly improved wireless data transmission services, providing our subscribers with faster wireless access to multimedia content. We have been building new access networks and evolved packet cores for our LTE network, while we utilize our existing WCDMA network for other parts of our LTE network.

Network infrastructure

The principal components of our wireless networks are:

- *Cell sites,* which are physical locations equipped with transmitters, receivers and other equipment that communicate by radio signals with wireless handsets within range of the cell (typically a 3 to 40 kilometer radius);
- *Switching stations,* which switch voice and data transmissions to their proper destinations, which may be, for instance, a mobile phone of one of our subscribers (for which transmissions would originate and terminate on our wireless networks), a mobile phone of a KT or LG U+ subscriber (for which transmissions would be routed to KT's or LG U+'s wireless networks, as applicable), a fixed-line telephone number (for which calls would be routed to the public switched telephone network of a fixed-line network operator), an international number (for which calls would be routed to the network of a long distance service provider) or an Internet site; and

- *Transmission lines,* which link cell sites to switching stations and switching stations with other switching stations.

As of December 31, 2011, our CDMA, WCDMA, LTE and WiBro networks had an aggregate of 21,999 cell sites.

We have purchased substantially all of the equipment for our CDMA network from Samsung Electronics and have purchased substantially all of the equipment for our WCDMA network, including the software and firmware used to upgrade our WCDMA network, from Samsung Electronics and LG Ericsson. We have purchased substantially all of the equipment for our WiBro network from Samsung Electronics. We have purchased substantially all of the equipment for our LTE network from Samsung Electronics, LG Ericsson and Nokia Siemens Networks.

Most of the transmission lines we use, including virtually all of the lines linking switching stations, as well as a portion of the lines linking cell sites to switching stations, comprise optical fiber lines that we own and operate directly. However, we have not undertaken to install optical fiber lines to link every cell site and switching station. In places where we have not installed our own transmission lines, we have leased lines from SK Networks, KT and, to a lesser extent, SK Broadband and LG U+. In September 2009, we acquired the leased-line business and related ancillary businesses of SK Networks for Won 892.8 billion and assumed Won 611.4 billion of debt as part of the transaction. We intend to increase the efficiency of our network utilization and provide optimal services by internalizing transmission lines.

We use a cellular network surveillance system. This system oversees the operation of cell sites and allows us to monitor our main equipment located throughout the country from one monitoring station. The automatic inspection and testing provided to the cell sites lets the system immediately rebalance to the most suitable setting, and the surveillance system provides automatic dispatch of repair teams and quick recovery in emergency situations.

Our Services

We offer wireless digital voice and data transmission services via networks that collectively can access approximately 99% of the Korean population. We continually upgrade and increase the capacity of our wireless networks to keep pace with advancements in technology, the growth of our subscriber base and the increased usage of voice and wireless data services by our subscribers.

For a discussion of our backbone networks, see "— Digital Cellular Network" above.

Cellular Voice Services

Our cellular voice services, which comprise basic wireless voice transmission services and related "value-added" services, as well as global roaming services, remain our core business area. We derive revenues from our cellular voice services principally through initial subscription fees, plan-specific monthly fees, usage fees and value-added service fees. For a more complete description of the fees we charge, see "— Revenues and Rates" below.

To complement our basic voice transmission services, in recent years, we have begun to offer increasingly sophisticated and differentiated subscriber-oriented value-added services made possible due to rapid advancements in network technology. Our most popular value-added voice-related services in 2011 included services that provide a record of missed calls in the event a subscriber's mobile phone is engaged or switched off, known as our "Call Keeper" service; services that play a "ring back" melody in lieu of a conventional dial tone when callers dial a subscriber's mobile phone, known as "COLORing" service, as well as COLORing services that periodically change the default ring-back melody according to the subscriber's music category selection, known as "Auto COLORing" service; and services that alert subscribers when a dialed number that was engaged when first dialed is no longer engaged.

We also offer cellular global roaming services, branded as our "T-Roaming" service, through service agreements with various foreign wireless telecommunications service providers. Global roaming services allow subscribers traveling abroad to make and receive calls, often using their regular mobile phone numbers. Subscribers using EV-DO- and WCDMA-capable handsets are able to make and receive calls using their regular mobile phone number without changing their handsets. In addition, we provide global roaming service to foreigners traveling to Korea. In such cases, we generally receive a fee from the traveler's local wireless service provider.

Our global roaming service is offered in three technologies, in part depending on which mobile phone standards are available in a particular region: CDMA, GSM and WCDMA roaming. We currently offer CDMA voice roaming services in 18 countries, GSM voice roaming services in 183 countries and WCDMA voice roaming services in 74 countries. In addition, we offer CDMA data roaming services in 9 countries, GSM data roaming services in 91 countries and WCDMA data roaming services in 80 countries. In 2011, approximately 8.9 million subscribers utilized our global roaming services.

In addition, we provide interconnection service to connect our networks to domestic and international fixed-line and other wireless networks. See "— Interconnection" below.

Wireless Data Services (including Wireless Internet Services)

Our wireless data transmission services represent a key and growing business area. We currently offer our subscribers wireless data communications services, as well as wireless access to a wide variety of digital content and services, including Internet-based content and services. We intend to continue to build our wireless data services as a platform for growth, extending our portfolio of wireless data services and developing new content for our subscribers.

We plan to take advantage of the efficiency of our wireless network in order to enable our clients to easily access the Internet. We are in the process of expanding and upgrading our main 3G network and our LTE network. We commenced commercial LTE services in July 2011, which is capable of supporting data transmission at a speed substantially faster than that of our 3G services. We also continue to invest in our Wi-Fi network by, among other things, utilizing WiBro as a backhaul. We plan to increase the number of Wi-Fi hot zones to approximately 90,000 by the end of 2012.

Wireless Data, SMS and MMS Services. We provide wireless data communication services, including our basic short text message service, or SMS, which allows subscribers to send and receive short text messages to and from their mobile phones and other devices. SMS, which is also known as our "phone mail" service, continues to be one of our most popular data transmission services. In addition to text-only SMS, we also offer a multimedia message service, or MMS. MMS allows subscribers to send and receive multimedia messages containing graphic, audio and video clips to and from their mobile phones. While MMS is possible through our CDMA network, the implementation of WCDMA and LTE technologies has significantly increased the quality, speed and range of our multimedia message services.

Wireless Internet Services. In addition to our wireless data communications services, we also offer our subscribers wireless access to the Internet, primarily through our "NATE" portal, which is our integrated wired and wireless Internet platform that utilizes wireless application protocol, or WAP, technology, to provide a gateway between our cellular network and the Internet. We also provide our smartphone subscribers with direct access to the Internet using mobile Internet technology. Through our NATE portal, subscribers can access a wide variety of multimedia contents and interactive services, as well as send and receive email and instant text and multimedia messages, using their mobile phones and other wireless devices. As of December 31, 2011, approximately 22.3 million, or 84.1%, of our subscribers owned Internet-enabled handsets capable of accessing our wireless Internet services.

- *Wireless Entertainment and Community Services* : We offer our subscribers a wide range of wireless entertainment-related contents and services, primarily through content-specific portal sites that we operate, including:

  - *MelOn,* a music portal operated by our consolidated subsidiary, Loen Entertainment, Inc., that provides wireless access to a wide range of digital music contents. To aggregate and manage our digital music contents offerings, we also operate an integrated wireless and fixed-line MelOn website, which subscribers can access using wireless devices, such as their mobile phones, smartphones, tablet computers and MP3 players, as well as fixed-line devices, such as personal computers. As of December 31, 2011, we had approximately 16.0 million subscribers to our MelOn service;

- *Gaming Services,* which we offer subscribers through our NATE portal. For example, we offer a variety of multi-player, interactive mobile games, as well as animation-based mobile games. In addition, we also offer 3D mobile games that subscribers can download to mobile phones and other wireless devices equipped with a mobile gaming-specific chip;
- *Nate Movie,* a movie portal, which provides subscribers access to a broad range of movie-related contents. As with our MelOn service, we operate an integrated wireless and fixed-line website, which subscribers can access using both wireless and fixed-line devices. Subscribers can also purchase movie tickets, check theater schedules and purchase video-on-demand contents through our Nate portal;
- *Hoppin,* a network-based personalized media platform through which we provide various video contents that can be viewed from multiple devices, including smartphones, tablets and personal computers. We provide more than 10,000 titles of movies, television programs and music videos through Hoppin; and
- *Mobile Cyworld,* a wireless web community portal site, which is a mobile version of the Cyworld community site operated by our consolidated subsidiary, SK Communications Co., Ltd. For a more detailed description of the fixed-line Cyworld portal, see "— Other Products and Services — Other Portal Services — Community Portal Service".

- Wireless Financial and Commercial Services : We also offer our subscribers a range of wireless finance-related contents and m-commerce services. Our wireless financial and commercial businesses include:
  - *Moneta,* a financial portal that allows subscribers to use their mobile phones to access an array of financial contents and services relating to securities trading, insurance, real estate and personal asset management;
  - *T-Money,* a mobile payment technology that allows subscribers to use their mobile phones to pay for public transportation fares in lieu of cash payment or pre-paid transportation cards and to make payments at certain affiliated stores. T-cash requires a WCDMA- or LTE-capable handset with a built-in universal subscriber identity module, or USIM, card;
  - *M-Banking,* a banking portal, which provides access to certain electronic banking services operated by participating commercial banks, and, accordingly, enables subscribers to perform certain banking transactions, such as account inquiries, wire transfers and credit card payments, through their mobile phones;
  - *11th Street,* an online shopping mall operated by our consolidated subsidiary, SK Planet Co., Ltd., that links wired and wireless shopping services. As of December 31, 2011, 11th Street had strengthened its position as one of the three biggest enterprises in its field. In 2012, we intend to continue to expand and reinforce our new businesses to capitalize on future commerce markets such as m-commerce markets;
  - *T Store*, an online open marketplace for mobile applications operated by our consolidated subsidiary, SK Planet Co., Ltd. T Store is open to, and operates with, other open markets such as the Android market and manufacturers' open markets. We plan to construct an environment where outstanding developers of mobile applications can be nurtured and high-quality content can be produced; and
  - *Gifticon,* a service that allows users to pay for and give gifts using their mobile phone. Payments are settled wirelessly and recipients are notified of their gifts by instant messaging or via our NATE data service.
- Wireless News and Search Services : We offer our subscribers a range of wireless news and search services, including access to domestic and international news content, dictionary resources and real-time weather information. Subscribers can also search for and purchase books, DVD's, CDs and lottery tickets, as well as download discount coupons for use at offline stores.

Broadband Internet and Fixed-line Telephone Services

In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. In 2009, we purchased additional shares of SK Broadband's common stock, further increasing our equity interest to 50.6%.

Through SK Broadband, we currently provide broadband Internet access service and other Internet-related services, including video-on-demand and IP TV services, as well as fixed-line telephone services and corporate data services.

SK Broadband is the second largest provider of broadband Internet access services in Korea in terms of both revenue and subscribers, and its network covers 85% of households in Korea as of December 31, 2011. Its fixed-line telephone services comprise local, domestic long distance, international long distance and voice over Internet Protocol, or VoIP, services. VoIP is a technology that transmits voice data through an Internet Protocol network. SK Broadband has offered video-on-demand services since 2006 and has rolled out real-time IP TV services since January 2009. For the year ended December 31, 2011, SK Broadband and its subsidiaries had revenues of Won 2,312.6 billion and net loss of Won 14.2 billion, compared to revenues of Won 2,137.5 billion and net loss of Won 119.8 billion in 2010.

As of December 31, 2011, SK Broadband had approximately 4.2 million broadband Internet access subscribers. According to the KCC, its market share of Korean broadband Internet access subscribers was approximately 23.5%. Broadband Internet access services (including revenues from video-on-demand services) accounted for 49.0% of SK Broadband's revenues for the year ended December 31, 2011.

As of December 31, 2011, SK Broadband had approximately 4.2 million fixed-line telephone subscribers (including subscribers to VoIP services). Since the nationwide implementation of fixed line number portability on August 1, 2004, SK Broadband has been expanding the coverage and subscriber base with its integrated services of long distance and international telephony as well as VoIP services. Fixed-line telephone services accounted for 25.3% of SK Broadband's revenues for the year ended December 31, 2011.

In addition, through our 83.5% owned subsidiary, SK Telink Co., Ltd., we provide international telecommunications services, including direct-dial as well as pre- and post-paid card calling services, bundled services for corporate customers, voice services using Internet protocol, Web-to-phone services, and data services. SK Telink provides affordable international call services under the brand name "00700" and has been offering commercial long-distance telephony service since February 2005. SK Telink also operates certain value-added domestic telephone services, including a "080" service that allows companies to establish "toll-free" customer service telephone hotlines, for which all call charges are paid by the company, as well as a "general corporate number" service that automatically routes calls made to a company's general telephone number to the caller's nearest local branch. SK Telink also provides satellite DMB service after its merger with TU Media in November 2010.

Digital Convergence and New Businesses

We believe that digital convergence is the new paradigm in telecommunications. While we acknowledge as a potential threat the increasing equivocation of conventional industry boundaries and the entrance of non-traditional players into the mobile communications space, we also view convergence as a significant growth opportunity. We believe that incumbent telecommunications service providers, like us, with existing advanced infrastructure, technical know-how and a large subscriber base, are especially well positioned to pioneer new "convergent" businesses. In recent years, we have focused on developing cross-over services that provide synergies with our existing business.

One of our recent efforts to pursue new opportunities in the convergence business area is our acquisition of an equity stake in SK Broadband, as described above. In order to solidify our presence in the fixed-mobile convergence marketplace, in September 2009, we also acquired the leased line business of SK Networks. We are hoping to continue to benefit from a range of synergies from these acquisitions, including by offering our customers bundled fixed-line, mobile telecommunications, broadband Internet and IP TV services. We also believe the acquisitions create opportunities to aggregate and broadcast digital content across various media platforms.

In February 2010, we purchased shares newly issued by Hana SK Card Co., Ltd., a credit card and related services provider, for a total purchase price of Won 400 billion. As a result, we currently hold 49.0% of the total outstanding shares of Hana SK Card. We expect that this acquisition of shares will enable us to provide cross-over services between telecommunication and finance.

Our other convergence and new businesses include:

Platform Business. Our platform business provides business platforms and technological support systems for third-party content developers and merchants. These platforms include T Store, our online marketplace for mobile applications, 11th Street, our online shopping mall, and MelOn music services, among others. We plan to grow our platform business by sharing our telecommunication infrastructure with other service providers and application developers. In addition, we plan to grow our industry productivity enhancement, or IPE, business division to generate greater value and growth for both us and our customers and partners around the globe. For a discussion of IPE, see "— Our Business Strategy."

In October 2011, in order to develop a management system and corporate culture that is more suitable for the platform business and facilitate the expeditious execution of business strategies, we spun off our platform business into a new wholly-owned subsidiary, SK Planet Co., Ltd. SK Planet operates our platform business in the marketplace for digital content, T Store, and in the open marketplace for online shopping and m-commerce, 11th Street. It also plans to enhance its enterprise value by expanding its business into media and advertising platforms.

Satellite DMB Business. Digital multimedia broadcasting, or DMB, technology allows broadcasting of multimedia content through transmission by satellite to various mobile devices. For example, DMB technology allows users to view satellite television broadcasts on mobile phones, portable handsets or vehicle-mounted televisions that are enabled to receive DMB transmission. We believe that this business will enable us to improve the breadth of wireless multimedia services that we already offer and to remain competitive in the face of increasing convergence in the telecommunications and broadcasting industries.

We launched a satellite DMB in March 2004. In October 2004, we granted the right to use the satellite DMB to our then-affiliate, TU Media, which began to provide commercial satellite DMB services in May 2005. In November 2010, TU Media merged with and into SK Telink Co., Ltd., our consolidated subsidiary. SK Telink is currently Korea's sole operator of satellite DMB services. SK Telink currently offers a range of broadcast content including education, games, drama, music, news and culture over more than 40 channels, including TUBOX, a pay-per-view movie channel that broadcasts movies before their DVD release. As of December 31, 2011, SK Telink had more than 1.17 million subscribers to its satellite DMB services.

Telematics Service. In February 2002, we introduced a Telematics service called T-Map Navigation, which is currently operated by our consolidated subsidiary, SK Planet. T-Map Navigation is an interactive navigation service that uses GPS technology and our NATE platform to transmit driving directions, real-time traffic updates and emergency rescue assistance to wireless devices, including vehicle-mounted devices and portable handsets.

We believe that Telematics also creates opportunities for synergy between mobile telecommunications and other industries. Under an agreement entered into in October 2010 with Renault Samsung Motors and Samsung Electronics, we are co-developing a customized Telematics system to provide T-Map Navigation service in Renault Samsung vehicles. We have also agreed with Fine Digital Inc., the second largest producer of navigation devices in Korea, to provide T-Map Navigation services through navigation devices manufactured by it. The implementation of more advanced 3G and 4G transmission technologies has also facilitated the increased integration of our wireless platforms customized for vehicular use and, in particular, created synergies between our Telematics services and satellite DMB broadcasting services. We offer bundled Telematics and satellite DMB broadcasting services through a single, integrated vehicle-mounted device.

Advertising Service. In July 2011, we launched our mobile "in-app" advertising service called T Ad, which uses various smartphone applications as advertising media. T Ad can provide more efficient advertising service by specifically targeting a desired audience based on the user information we have. We plan to develop our T Ad service into a growing business model by collaborating with application developers and advertisers.

Portal Services.

- *Fixed-line NATE portal service.* Our subsidiary, SK Communications, offers a fixed-line portal service under our "NATE" brand name and at the website *www.NATE.com*. NATE.com offers a wide variety of content and services, including an Internet search engine, as well as access to free e-mail accounts.

SK Communications also operates NATE-ON, an instant messaging service available to NATE users. NATE-ON allows users to chat online using a variety of wireless, as well as wired, devices, such as mobile phones, personal digital assistants and portable computers.

- *Community Portal Service.* "Cyworld", also operated by SK Communications, is one of the most popular online community portal services in Korea. Cyworld is a social networking site that encompasses an ever-expanding virtual forum where users can meet to exchange information and ideas and share multimedia contents, including through the publication of personal homepages and blog sites. As of December 31, 2011, our Cyworld portal service had over 26 million registered users in Korea. In March 2004, we launched "Mobile Cyworld", allowing wireless subscribers to access the Cyworld portal community site through their cellular phones.

In November 2007, SK Communications merged with Empas Corp., an Internet search engine and portal site. We believe the merger created valuable convergence synergies among our NATE, Cyworld and Empas services. In 2009, we integrated the Cyworld website into Nate.com, and the search traffic on Nate.com has grown substantially following the integration.

Global Business

We participate in various overseas markets and continue to seek opportunities to expand our global business.

United States. On March 24, 2005, we entered into a joint venture with EarthLink Inc., a major Internet services provider in the United States, and formed HELIO, LLC to provide wireless voice and data services in the United States. We and EarthLink Inc. made a combined investment in HELIO of US$440 million in cash and non-cash assets. In 2007 and the first half of 2008, we made additional equity contributions of US$160 million in aggregate to HELIO. In August 2008, together with EarthLink, we sold our equity interest in HELIO to Virgin Mobile USA, Inc. in exchange for limited partnership units of Virgin Mobile USA, L.P. (Virgin Mobile USA, Inc.'s operating company), which were valued at approximately US$31 million at the time of sale. In December 2008, we exchanged all of our limited partnership units of Virgin Mobile USA for approximately 11 million shares of Virgin Mobile USA, Inc.'s Class A common stock. In November 2009, Virgin Mobile USA, Inc. merged with Sprint Nextel Corporation and our shares of Virgin Mobile USA, Inc. were exchanged into shares of Sprint Nextel Corporation in connection with the merger. In 2010, we sold all of the shares of Sprint Nextel Corporation held by us.

In November 2010, we acquired a 3.3% equity interest in LightSquared Inc. for approximately $60 million. LightSquared Inc. plans to build a wholesale wireless broadband network in the United States but the Federal Communications Commission has recently proposed to suspend its license due to signal interference with the global positioning system.

China. On July 5, 2006, we purchased US$1 billion in aggregate principal amount of zero coupon convertible bonds issued by China Unicom, convertible into common shares of China Unicom. In August 2007, we converted such bonds into shares representing a 6.6% equity interest in China Unicom to become China Unicom's second-largest shareholder. In October 2008, China Unicom merged with China Netcom Group Corporation (Hong Kong) Limited, a leading broadband communications and fixed-line telecommunications operator in China. As a result of the merger, our equity interest in China Unicom, which is the surviving entity after the merger, decreased to 3.8% from 6.6%. On November 5, 2009, we sold all of the shares of the common stock of China Unicom held by us to China Unicom.

In February 2008, through our wholly-owned Chinese subsidiary, SK Telecom China Holding Company, we invested US$15.6 million to acquire a 65.5% equity interest in Shenzhen E-eye High Tech Co., Ltd., a global positioning system service company in China. In 2009, Shenzhen E-eye High Tech and SK Marketing & Company established a joint venture to provide telematics services in Beijing, Shanghai and Shenzhen. We believe the acquisition of Shenzhen E-eye High Tech allows us to leverage opportunities created by the rapidly growing telematics market in China.

In March 2008, we acquired a 42.2% equity interest in TR Music, a major record label in China, for US$10.7 million. In addition, in May 2008 we invested US$7.8 million to acquire a 30.0% equity interest in Magic Tech Network, a Hong Kong company that develops and publishes online games in China.

In August 2010, we set up a joint venture with China Railway No. 2 Engineering Group to build and run a smart city system at Jinma Smart City Project in Chengdu, China. The joint venture was funded with Won 2.8 billion of capital, with 60% and 40% of its shares owned by us and China Railway No. 2 Engineering Group, respectively.

Malaysia. In July 2010, we acquired a 27.2% equity interest in Packet One Network, or P1, a Malaysian 4G WiMAX Telecommunications company and subsidiary of Green Packet Berhad, for US$101 million. In connection with P1's plan to increase its capital, we made an additional investment of MYR50 million (approximately US$16.3 million) in 2011, which increased our ownership interest to 28.2%. In March 2012, we made an additional investment of MYR 50.5 million by purchasing P1's convertible preferred shares. P1 is the first WiMAX service provider in the country which has established itself as the market leader in high-speed wireless broadband services. We also consider such investment in P1 as groundwork for our IPE business expansion abroad and expect the strategic relationship with P1 to create powerful synergies, attracting potential IPE customers and business partners in the process.

Indonesia. In May 2010, we agreed with PT. Telekomunikasi Indonesia Tbk, or TELKOM, the largest telecommunication company in Indonesia, to establish a joint venture to launch and operate a digital content exchange hub, or DCEH, in Indonesia. DCEH is a new type of content distribution system to distribute digital content like music, games and video clips for access not only by consumers but also by online music stores and telephone operators. We will provide management expertise in building the DCEH business platform and digital content, while TELKOM will provide its knowledge of the Indonesian market utilizing its position as a key player in the Indonesian telecommunication industry. We consider this joint venture as another example of our IPE business expansion abroad.

Regional and International Strategic Alliances. We have also entered into various strategic alliances with leading companies in the Asian and European wireless telecommunications markets. For instance, we are a member of the Bridge Alliance, the largest pan-Asian alliance of its kind, which includes eleven of the region's leading wireless service providers. In June 2007, we also signed a memorandum of understanding with the Freemove Alliance, an alliance of leading European wireless service providers, including Orange SA of France, Telecom Italia Mobile S.p.A. of Italy, T-Mobile International AG & Co. AG of Germany and Teliasonera Mobile Networks AB of Sweden, for the development of expanded WCDMA-based roaming service in Europe. We plan to continue to improve customer service as well as service quality, by developing co-marketing programs and other joint projects with our regional and global partners and by further fostering our regional and international alliances.

Provision of Wireless Internet Platforms and Cellular Network Solutions to Foreign Cellular Network Operators. We have also sought to expand our global business through sales of our wireless Internet platforms and cellular network solutions, as well as provision of consulting services in the field of mobile communications. In addition, we have also been successful in exporting to other Asian countries and the United States the technological solutions underlying certain value-added and other wireless services, such as our color mail solution, which is a messaging service that allows subscribers to send messages containing multimedia files including graphic, audio and video clips.

Revenues and Rates

Our cellular revenues are generated principally from initial subscription fees, monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services, value-added-service fees and interconnection revenue. The following table sets forth information regarding our cellular revenues (net of taxes) and facility deposits for the periods indicated:

	As of or for the Year Ended December 31,	
	2010	2011
	(In billions of Won)	
Initial Subscription Fees	₩ 386.4	₩ 369.4
Monthly Fees	4,693.4	4,635.2
Usage Charges(1)	5,554.7	5,455.0
Interconnection Revenue	1,168.7	1,090.9
Revenue from Sales of Digital Handsets	534.5	787.5
Other Cellular Revenue(2)	582.6	763.9
Total	₩12,920.3	₩13,101.9

(1) Usage charges principally include revenues from monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services, value-added-service fees, as well as international charges and interest on overdue subscriber accounts (net of telephone tax).

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

We charge our new customers an initial subscription fee for initial connection and service activation. In addition to the initial subscription fee, we require our customers to pay monthly plan-based fees, usage charges for outgoing voice calls and usage charges for wireless data services. We do not charge our customers for incoming calls, although we do receive interconnection charges from KT and other companies for calls from the fixed-line network terminating on our networks and interconnection revenues from other wireless network operators. See "— Interconnection". Monthly plan-based fees for some plans include free airtime and/or discounts for designated calling numbers. We bill subscribers on a monthly basis and subscribers may make payment at a bank, post office or at any of our authorized dealers.

We offer a variety of differentiated Standard Rate Plans that are designed to meet a wide range of subscriber needs and interests. Popular Standard Rate Plans include our couples discount plan, region discount plan and friends and family discount plan. The basic monthly fee for our Standard Rate Plans ranges from Won 10,000 to Won 110,000. We also offer fixed rate plans to smartphone users with flat rates ranging from Won 34,000 to Won 100,000 per month.

In addition, we offer optional "add-on" service plans, which may supplement the basic service plan a subscriber has chosen, including:

- *Data Plans,* which target subscribers with high usage patterns for wireless data transmission and wireless Internet services. We offer various Data Plans that provide wireless data services for monthly fees ranging from Won 3,500 to Won 22,500.
- *Videoconferencing Plans*, for subscribers to our 3G and 4G services. The basic monthly fee for our Videoconferencing Plans ranges between Won 5,000 and Won 30,000.

The KCC has periodically reviewed the tariffs charged by wireless operators and has, from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some tariff reductions in response to KCC recommendations. We began to provide Caller ID service to customers free of charge commencing January 1, 2006. In January 2007, we reduced our usage fees for wireless Internet services by 30% and in October 2007 we began providing a 50% discount on usage fees between our subscribers for a fixed payment of Won 2,500 per month. In addition, in January 2008 we reduced our SMS usage charges from Won 30 per message to Won 20 per message. In March 2008, we reduced usage charges for voice calls between family members by 50%. In November 2009, we also adopted various tariff reduction measures, including a reduction of the initial subscription fee from Won 50,000 to Won 36,000 and an increase in discounts for long-term subscribers.

In March 2010, we began to charge voice calls on a per-second basis, rather than per ten seconds as previously charged, and effectively reduced the usage charges. In June 2011, we announced further tariff reduction measures, including a reduction of the monthly fee by Won 1,000 for every subscriber, an exemption of SMS usage charges up to 50 messages per month and the introduction of flexible service plans for smartphone users, which were implemented in the second half of 2011. See "Item 5.A. Operating Results — Overview".

For all calls made from our subscribers' handsets in Korea to any destination in Korea, we charge usage fees based on a subscriber's cellular rate plan. The fees are the same whether the call is local or long distance. With respect to international calls placed by a subscriber, we bill the subscriber the international rate charged by the Korean international telephone service provider through which the call is routed. We remit to that provider the international charge less our usage charges. See "— Interconnection".

We offer a variety of value-added services, including our ring back tone (COLORing), Auto COLORing, Call Keeper and Perfect Call services. Depending on the rate plan selected by the subscriber, the monthly fee may or may not include these value-added services, except Caller ID and call waiting services, which are offered free of charge to all beginning subscribers.

We offer wireless Internet access services to our subscribers through NATE or, in the case of smartphone users, directly using mobile Internet technology. Our subscribers may elect to pay a monthly fee, which includes a fixed amount of airtime or data packets or unlimited amount of data for certain monthly plans with higher monthly fees, or may elect to pay on a variable, usage basis. The data transmitted is measured in packets of 512 bytes. We charge Won 4.55 per text packet, Won 0.9 per multimedia packet for large volume data transfers, and Won 1.75 per multimedia packet for smaller volume data transfers. In addition, we charge subscribers for purchases of certain digital contents and for certain wireless services, such as m-commerce transaction services.

Because we have been designated by the KCC as a "market dominant service provider", any modification to our fees, charges or the terms and condition of our service, including promotional rates, requires prior approval by the KCC; provided, however, that such pre-approval of the KCC is not required, if we are planning to reduce the rates for each type of services that we provide under the KCC-approved contractual terms.

We also charge our customers a 10.0% value-added tax. We can offset the value-added tax we collect from our customers against value-added tax refundable to us by the Korean tax authorities. We remit taxes we collect from our customers to the Korean tax authorities. We record revenues in our financial statements net of such taxes.

Subscribers

We had 26.5 million wireless subscribers as of January 31, 2012, representing a market share of 50.4%, the largest market share among Korean wireless service providers. We believe that, historically, our subscriber growth has been affected by many factors, including:

- our expansion and technical enhancement of our networks, including with high-speed data capabilities;
- increasing consumer awareness of the benefits of wireless telecommunications;
- an effective marketing strategy;
- our focus on customer service;
- the introduction of new, value-added services, such as COLORing, wireless Internet services and various mobile applications; and
- the negative impact from highly saturated and competitive wireless market conditions.

The following table sets forth selected historical information about our subscriber base for the periods indicated:

	As of or for the Year Ended December 31,		
	2009	2010	2011
Wireless:			
Subscribers	24,269,553	25,705,049	26,497,267(1)
Subscribers Growth Rate	5.4%	5.9%	3.1%
Activations	8,821,695	9,651,343	9,412,166
Deactivations	7,284,187	8,215,847	8,619,271
Average Monthly Churn Rate(2)	2.7%	2.7%	2.7%
Broadband Internet:			
Subscribers	3,846,597	4,001,907	4,191,892
Subscribers Growth Rate	8.5%	4.0%	4.7%
Fixed-line Telephone (including VoIP):			
Subscribers	3,023,068	3,845,650	4,203,567
Subscribers Growth Rate	47.0%	27.2%	9.3%

(1) Does not include 55,449 subscribers of MVNOs that lease our wireless networks.

(2) Average monthly churn rate for a period is the number calculated by dividing the sum of deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period and dividing the quotient by the number of months in the period. Churn includes subscribers who upgrade to the next generation service, such as CDMA 1xEV/ DO, WCDMA or LTE, by terminating their service and opening a new subscriber account.

We had 26.5 million wireless subscribers as of December 31, 2011. For the year ended December 31, 2011, we had 9.4 million activations and 8.6 million deactivations, representing an average monthly churn rate of 2.7% during the same period. Our subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history.

Number Portability

Prior to January 2003, Korea’s wireless telecommunications system was based on a network-specific prefix system, in which a unique prefix was assigned to all the phone numbers of a specific network operator. We were assigned the “011” prefix, and all of our subscriber’s mobile phone numbers began with “011” (former Shinsegi subscribers use the “017” prefix) and our subscribers could not change their wireless phone service to another wireless operator and keep their existing numbers. In January 2003, the MIC announced a plan to implement number portability with respect to wireless telecommunications services in Korea, allowing wireless subscribers to switch wireless service operators while retaining the same mobile phone number. As mandated by the MIC, we were the first wireless telecommunications provider to introduce number portability in January 1, 2004, allowing our customers to transfer their numbers to our competitors. Our competitors’ customers were not able to transfer their number to our service, however, until KT and LG Telecom introduced number portability beginning July 1, 2004 and January 1, 2005, respectively. Subscribers who choose to transfer to a different wireless operator have the right to return to their original service provider without paying any penalties within 14 days of their initial transfer.

In 2009, 2010 and 2011, respectively, approximately 3.0 million, 3.6 million and 4.0 million subscribers switched their wireless telecommunications service provider from us to KT or LG U+, and approximately 3.1 million, 3.7 million and 3.9 million subscribers switched from KT or LG U+ to us.

In 2009, 2010 and 2011, respectively, we gained approximately 1.2 million, 1.4 million and 0.8 million new subscribers, which represented approximately 52.9%, 50.8% and 59.3% of the aggregate number of new wireless subscribers gained by us, KT and LG U+ in each year.

In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the services, the Government has begun to integrate mobile telephone identification numbers into a common prefix identification number "010" and to gradually retract the current mobile service identification numbers which had been unique to each wireless telecommunications service provider, including "011" for our cellular services, starting from 2004. All new subscribers are given the "010" prefix starting January 2004. The KCC plans to continue to pursue the integration process and complete the integration process by around 2018, when all mobile telephone numbers would have the prefix identification number "010".

For 2011, our churn rate ranged from 2.5% to 3.0%, with an average churn rate of 2.7% for 2011, which remained unchanged from 2010. For details regarding certain fines imposed on us by the MIC in connection with our marketing efforts related to the number portability system, see "Item 8.A. Consolidated Statements and Other Financial Information — Legal Proceedings — MIC and KCC Proceedings".

Interconnection

Our networks interconnect with the public switched telephone networks operated by KT and SK Broadband and, through their networks, with the international gateways of KT, LG U+ and Onse Telecom Corporation, as well as the networks of the other wireless telecommunications service providers in Korea. These connections enable our subscribers to make and receive calls from telephones outside our networks. Under Korean law, service providers are required to permit other service providers to interconnect to their networks. If a new service provider desires interconnection with the networks of an existing service provider but the parties are unable to reach an agreement within 90 days, the new service provider can appeal to the KCC.

For 2010, our total interconnection revenues were Won 1,257.5 billion and our total interconnection expenses were Won 1,316.3 billion. For 2011, our total interconnection revenues were Won 1,174.7 billion, and our total interconnection expenses were Won 1,264.1 billion.

Our interconnection revenue decreased in 2011 by Won 82.8 billion, primarily due to decreases in interconnection rates and a decrease in land-to-mobile call volume, which more than offset an increase in mobile-to-mobile call volume. Our interconnection expenses decreased in 2011 by Won 52.2 billion, primarily due to a decrease in SMS usage by our subscribers, as well as a decrease in interconnection rates.

Domestic Calls

Guidelines issued by the KCC require that all interconnection charges levied by a regulated carrier take into account (i) the actual costs to that carrier of carrying a call or (ii) imputed costs. The KCC determines interconnection rates applicable to each carrier based on the increase or decrease in costs caused by changes in long-term traffic volume, taking into account other factors such as research results and trends in technology development.

Wireless-to-Fixed-line. According to our interconnection arrangement with KT, for a call from our wireless network to KT's fixed-line network, we collect the usage rate from our wireless subscriber and in turn pay KT the interconnection charges. Similarly, KT pays interconnection charges to SK Broadband for a call from KT's wireless network to SK Broadband's fixed-line network. The interconnection rate applicable to both KT and SK Broadband was Won 19.31 per minute, Won 19.15 per minute and Won 18.57 per minute for 2009, 2010 and 2011, respectively.

Fixed-line-to-Wireless. The KCC determines interconnection arrangements for calls from a fixed-line network to a wireless network. For a call initiated by a fixed-line user to one of our wireless service subscribers, the fixed-line network operator collects our usage fee from the fixed-line user and remits to us an interconnection charge. Interconnection with KT accounts for substantially all of our fixed-line-to-wireless interconnection revenue and expenses.

The interconnection rates paid by fixed-line network service providers to each wireless network service provider are set out below. In December 2010, the KCC announced that a single interconnection rate will apply to all wireless service providers starting from 2013, which will eliminate the cost benefit that KT and LG U+ currently derive from the differences in interconnection rates.

	Rate per Minute		
Applicable Year	**SK Telecom**	**KT**	**LG U+**
2007	₩32.78	₩39.60	₩45.13
2008	33.41	38.71	39.09
2009	32.93	37.96	38.53
2010	31.41	33.35	33.64
2011	30.50	31.75	31.93

Wireless-to-Wireless. The MIC implemented interconnection charges for calls between wireless telephone networks in Korea starting in January 2000. Under these arrangements, the operator originating the call pays an interconnection charge to the operator terminating the call. The applicable interconnection rate is the same as the fixed-line-to-wireless interconnection rate set out in the table above.

Our revenues from the wireless-to-wireless charge were Won 775.8 billion in 2010 and Won 715.0 billion in 2011. Our expenses from these charges were Won 825.3 billion in 2010 and Won 766.5 billion in 2011. The charges above were agreed among the parties involved and confirmed by the KCC.

International Calls

With respect to international calls, if a call is initiated by a wireless subscriber, we bill the wireless subscriber for the international charges of KT, LG U+ or SK Broadband, and we receive interconnection charges from such operators. If an international call is received by our subscriber, KT, LG U+ or SK Broadband pays interconnection charges to us based on our imputed costs.

International Roaming Arrangements

To complement the services we provide to our subscribers in Korea, we offer international voice and data roaming services. We charge our subscribers usage fees for global roaming service and, in turn, pay foreign wireless network operators fees for the corresponding usage of their network. For a more detailed discussion of our global roaming services, see "— Our Services — Cellular Voice Services" above.

Marketing and Service Distribution

Marketing, Sales and Service Network

We market our services and provide after-sales service support to customers through 27 marketing teams, 38 branch offices and a network of 1,045 authorized exclusive dealers located throughout Korea. Our dealers are connected via computer to our database and are capable of assisting customers with account information. In addition, approximately 17,000 independent retailers assist new subscribers to complete activation formalities, including processing subscription applications.

Currently, authorized dealers are entitled to an initial commission for each new subscriber registered by the dealer, as well as an average ongoing commission calculated as a percentage of that subscriber's monthly plan-based and usage charges from domestic calls for the first four years. In order to strengthen our relationships with our exclusive dealers, we offer a dealer financing plan, pursuant to which we provide to each authorized dealer an interest-free or low-interest loan of up to Won 4.0 billion with a repayment period of up to three years. As of December 31, 2011, we had an aggregate of Won 126.7 billion in loans to authorized dealers outstanding.

In April 2009, we established a wholly-owned subsidiary to diversify our sales activities. The new subsidiary, PS & Marketing Co., Ltd., was established with an investment of Won 150 billion and began operating 13 stores in May 2009. As of December 31, 2011, PS & Marketing Co., Ltd. had 44 stores in 14 cities in Korea with

1,463 employees. In addition, we established two wholly-owned subsidiaries, Service Ace Co., Ltd. and Service Top Co., Ltd., in June 2010, in order to provide customer service directly through our subsidiaries to enhance the quality of services compared to outsourcing.

In April 2010, our authorized dealers for wireless services started to market SK Broadband's broadband Internet and fixed-line telephone services, which we believe has contributed to the increase in the number of broadband Internet and fixed-line telephone subscribers.

Over the last several years, competition in the wireless telecommunications business has caused us to increase significantly our marketing and advertising expenses. However, we expect such expenses to stabilize due to the KCC's guideline on marketing expenses recommending that telecommunication service providers limit their marketing expenses to 22% of their annual telecommunication service revenue, which was lowered to 20% of annual telecommunication service revenue with respect to fiscal years 2011 and 2012. Such marketing expenses include initial commissions, monthly commissions and retention commissions paid to our authorized dealers and subscribers, including handset subsidies, but do not include advertising expenses. In 2010 and 2011, such marketing expenses amounted to 24.0% and 23.7% of our wireless revenues, respectively. In 2010 and 2011, advertising expenditures amounted to 2.1% and 1.9% of our non-consolidated revenues, respectively.

Marketing Strategies and Marketing Information Management

Information technology improvements. We have implemented certain information technology improvements in connection with marketing strategy, including customer management systems, as well as more effective information security controls. We believe these upgrades have enhanced our ability to process and utilize marketing- and subscriber-related data, which, in turn, has helped us to develop more effective and targeted marketing strategies.

We currently operate a customer information system designed to provide us with an extensive customer database. Our customer information system includes a billing system that provides us with comprehensive account information for internal purposes and enables us to efficiently respond to customer requests. Our customers can also change their service plans, verify the charges accrued on their accounts, receive their bills online and send text messages to our other subscribers through our website at *www.tworld.co.kr*.

"T"-brand Marketing Strategy. To increase brand awareness and promote our corporate image, in August 2006, we launched our "T"-brand marketing campaign. Our "T" brand signifies the centrality of "Telecommunications" and "Technology" to our business and also seeks to emphasize our commitment to providing "Top" quality, "Trustworthy" products and services to our customers. We are marketing all our products and services under the "T" brand.

Other Investments and Relationships

We have investments in several other businesses and companies and have entered into various business arrangements with other companies. Our principal investments fall into the following categories:

Wireless Content Providers and Application Providers

As part of our strategy to develop additional applications and content for our wireless data services, we invest in companies which develop wireless applications and provide Internet content, including content accessible by users of our wireless networks.

Digital Content Providers. We hold investments in companies that develop content for use in our fixed-line and wireless Internet businesses, particularly in the entertainment sector, to better capture growth opportunities arising from the provision of varied, high-quality digital contents. As wireless data transmission services have become increasingly important in the growth of our business, we are seeking to secure valuable mobile data and digital contents by making equity investments in various content providers.

We currently hold a 67.6% stake in Loen Entertainment Inc. (formerly, Seoul Records Inc.), Korea's largest music recording company in terms of records released and revenues. We also hold a 9.4% equity interest in iHQ, Inc., an entertainment management firm that produces films, manages entertainers and operates online game services. Through our investments in companies such as Loen Entertainment and iHQ, we are able to offer customers of our MelOn, movie and gaming services access to an expanded range of music- and entertainment-related digital contents and mobile games, respectively.

In 2005 and in 2008, we and certain co-investors invested an aggregate Won 74.7 billion to establish five movie-production funds to strengthen our ability to obtain movie content. We had invested Won 35.0 billion in the funds as of December 31, 2011. In addition, in 2008 and 2010, we and certain co-investors invested an aggregate Won 148.1 billion to establish six additional funds to invest in the production of various cultural contents, including movies and television dramas. As of December 31, 2011, our contribution to these funds amounted to Won 109.0 billion. Such investments reflect our business strategy of diversification into new areas, such as media and entertainment.

Wireless Application Developers. We hold investments in companies that help enable us to further develop and improve our wireless applications and multimedia platforms. In particular, we have invested in developers of wireless financial, or m-commerce, services, including companies that provide wireless billing solutions; developers of wireless modem devices; and developers of Internet search applications.

Hynix Semiconductor Inc.

In February 2012, we acquired a 21.05% equity stake in Hynix, the world's second-largest memory-chip maker by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder. Approximately Won 1.0 trillion of the purchase price was paid to selling shareholders, who are Korean financial institutions that acquired Hynix's shares as result of debt to equity swaps in 2005. The remainder of the purchase price was paid to Hynix for issuance of new shares and is expected to be used primarily for capital expenditures. By investing in the export-driven semiconductor business, we plan to achieve a more diversified business portfolio, as well as seeking global growth opportunities utilizing Hynix's overseas network.

Hynix designs, manufactures and sells advanced memory semiconductor products, including DRAM and NAND flash products, used in various electronic devices. Hynix operates four wafer fabrication facilities in Korea and China. In 2010 and 2011, Hynix and its subsidiaries had revenues of Won 12,106.1 billion and Won 10,395.8 billion, respectively, operating income of Won 2,975.3 billion and Won 325.5 billion, respectively, and net income of Won 2,597.6 billion and net loss of Won 56.0 billion, respectively. As of December 31, 2010 and 2011, Hynix and its subsidiaries had total assets of Won 17,412.1 billion and Won 17,238.1 billion, respectively, and shareholders' equity of Won 7,907.6 billion and Won 7,875.3 billion, respectively.

Other Investments

Our other investments include:

- *POSCO.* We currently own a 2.8% interest in the outstanding capital stock of POSCO, with a book value as of December 31, 2011 of Won 942.9 billion. POSCO is the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world.
- *SKY Property Management.* We currently own a 60% equity interest in SKY Property Management Ltd., with a book value as of December 31, 2011 of Won 264.8 billion. SKY Property Management was established in 2008 to manage buildings and real estate developments in China, in which affiliated companies of the SK Group had invested or will invest.
- *SK Marketing & Company.* We currently own a 50% equity interest in SK Marketing & Company Co., Ltd., with a book value as of December 31, 2011 of Won 128.3 billion. SK Marketing & Company Co., Ltd. provides marketing-related services to corporate and individual clients.

For more information regarding our investment securities, see note 7 of the notes to our consolidated financial statements.

Competition

We were the only wireless telecommunications services provider in Korea prior to April 1996, when Shinsegi began offering its CDMA service. In 1996, the Government issued three additional licenses to KTF, LG Telecom and Hansol PCS to operate CDMA services. Each of KTF, LG Telecom and Hansol PCS commenced operation of its CDMA service in October 1997. Furthermore, in 2001, the Government awarded three companies the licenses to provide high-speed third generation, or 3G, wireless telecommunications services. In Korea, this 3G license is also known as the "IMT-2000" license. IMT-2000 is the global standard for 3G wireless communications, as defined by the International Telecommunication Union, an organization established to standardize and regulate international radio and telecommunications. One of these licenses was awarded to our former subsidiary, SK IMT Co., Ltd., which was merged into us on May 1, 2003. The other two licenses were awarded to LG Telecom, and to consortia led by or associated with KT. In addition, our wireless voice businesses compete with Korea's fixed-line operators, and our wireless Internet businesses compete with providers of fixed-line data and Internet services.

Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors. In 2000, KT acquired 47.9% of Hansol M.Com's outstanding shares and renamed the company KT M.Com. KT M.Com merged into KTF in May 2001. In June 2009, KTF merged into KT, which had held a 54.25% interest in KTF before the merger. In addition, in January 2010, LG DACOM and LG Powercomm merged into LG Telecom, which subsequently changed its name to LG Uplus Corp., or LG U+. Such consolidation has created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings.

Significant advances in technology are occurring that may affect our businesses, including the roll-out or the planned roll-out by us and our competitors of advanced high-speed wireless telecommunications networks based on technologies including CDMA, WCDMA, CDMA2000, WiBro and LTE.

As of December 31, 2011, according to the KCC, KT and LG U+ had 16.2 million and 9.4 million subscribers, respectively, representing approximately 30.9% and 17.8%, respectively, of the total number of wireless subscribers in Korea on such date. As of December 31, 2011, we had 26.5 million subscribers, representing a market share of approximately 50.5%. MVNOs had a total of 0.4 million subscribers, representing a market share of approximately 0.8%.

As of December 31, 2011, according to the KCC, LG U+ had 557,023 LTE subscribers, compared to our 634,311 LTE subscribers. KT commenced its commercial LTE service on January 1, 2012.

For a description of the risks associated with the competitive environment in which we operate, see "Item 3.D. Risk Factors — Competition may reduce our market share and harm our results of operations and financial condition".

Law and Regulation

Overview

Korea's telecommunications industry is subject to comprehensive regulation by the KCC, which is responsible for information and telecommunications policies, radio and broadcasting management. The KCC regulates and supervises a broad range of communications issues, including:

- entry into the telecommunications industry;
- scope of services provided by telecommunications service providers;
- allocation of radio spectrum;
- setting of technical standards and promotion of technical standardization;
- rates, terms and practices of telecommunications service providers;
- customer complaints;
- interconnection and revenue-sharing between telecommunications service providers;

- disputes between telecommunications service providers;
- research and development budgeting and objectives of telecommunications service providers; and
- competition among telecommunications service providers.

Pursuant to an amendment to the Government Organization Act, effective as of February 29, 2008, the Ministry of Information and Communication, or MIC, has become the Ministry of Knowledge Economy, and functions formerly performed by the MIC are now performed separately by the Ministry of Knowledge Economy, the Ministry of Culture, Sports and Tourism, the Ministry of Public Administration and Security, and, particularly, the KCC. In this report, we refer to the MIC as the relevant governmental authority in connection with any approval granted or action taken by the MIC prior to such amendment and to such other relevant governmental authority in connection with any approval granted or action taken by such other relevant governmental authority subsequent to such amendment.

Telecommunications service providers are currently classified into three categories: network service providers, value-added service providers, and specific service providers. We are classified as a network service provider because we provide telecommunications services with our own telecommunications networks and related facilities. As a network service provider, we are required to obtain a license from the KCC for the services we provide. Our licenses permit us to provide cellular services, third generation wireless services using WCDMA and WiBro technologies and fourth generation wireless services using LTE technology. Our cellular license is valid until 2021 after a 10-year extension issued in June 2011, our IMT-2000 license is valid until 2016, our WiBro license is valid until 2019 after a 7-year extension issued in March 2012 and our LTE license is valid until December 2021.

The KCC may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control and corrective orders issued in connection with any violation of rules restricting beneficial ownership and control or any violation of the conditions of our licenses. Alternatively, in lieu of suspension of our business, the KCC may levy a monetary penalty of up to 3% of the average of our annual revenue for the preceding three fiscal years. A network services provider that wants to cease its business or dissolve must obtain KCC approval.

In the past, the Government has stated that its policy was to promote competition in the Korean telecommunications market through measures designed to prevent the dominant service provider in any such market from exercising its market power in such a way as to prevent the emergence and development of viable competitors. While all network service providers are subject to KCC regulation, we are subject to increased regulation because of our position as the dominant wireless telecommunications services provider in Korea.

Competition Regulation

The KCC is charged with ensuring that network service providers engage in fair competition and has broad powers to carry out this goal. If a network service provider is found to be in violation of the fair competition requirement, the KCC may take corrective measures it deems necessary, including, but not limited to, prohibiting further violations, requiring amendments to the articles of incorporation or to service contracts with customers, requiring the execution or performance of, or amendments to, interconnection agreements with other network service providers and prohibiting advertisements to solicit new subscribers.

In addition, we qualify as a "market-dominating business entity" under the Fair Trade Act. Accordingly, we are prohibited from engaging in any act of abusing our position as a market-dominating entity, such as unreasonably determining, maintaining or altering service rates, unreasonably controlling the rendering of services, unreasonably interfering with business activities of other business entities, hindering unfairly the entry of newcomers or substantially restricting competition to the detriment of the interests of consumers.

Because we are a member company of the SK Group, which is a large business group as designated by the FTC, we are subject to the following restrictions under the Fair Trade Act:

- *Restriction on debt guarantee among affiliates.* Any affiliate within the SK Group may not guarantee the debts of another domestic affiliate, except for certain guarantees prescribed in the Fair Trade Act, such as those relating to the debts of a company acquired for purposes of industrial rationalization, bid deposits for overseas construction work or technology development funds.

- *Restriction on cross-investment.* A member company of the SK Group may not acquire or hold shares in an affiliate belonging to the SK Group that owns shares in the member company.
- *Public notice of board resolution on large-scale transactions with specially related persons.* If a member company of the SK Group engages in a transaction with a specially related person in the amount of 5% or more of the member company's capital or paid-in capital or for Won 5 billion or more, the transaction must be approved by a resolution of the member company's board of directors and the member company must publicly disclose the transaction.
- *Restrictions on equity investments in other domestic companies.* Under the Fair Trade Act, a company that is a member of a large business group as designated by the FTC was generally required to limit its total investments in other domestic companies to 40% of its non-consolidated net assets. In March 2009, an amendment to the Fair Trade Act abolished such restrictions on total investments in other domestic companies.
- *Restrictions on investments by subsidiaries and sub-subsidiaries of holding companies.* The Fair Trade Act prohibits subsidiaries of holding companies from investing in, or holding shares of common stock of, domestic affiliates that belong to the same large business group, unless such domestic affiliates are their own subsidiaries. Furthermore, any subsidiaries of a holding company's subsidiaries ("sub-subsidiaries") are prohibited from investing in, or holding shares of common stock of, domestic affiliates that belong to the same large business group, unless all shares issued by the affiliates are held by the sub-subsidiary. Therefore, we and other subsidiaries of SK Holdings may not invest in any domestic affiliate that is also a member company of the SK Group, except in the case where we invest in our own subsidiary or where another subsidiary of SK Holdings invests in its own subsidiary.
- *Public notice of the current status of a business group.* Pursuant to a recent amendment to the Enforcement Decree of the Fair Trade Act which became effective in June 2009, a member company of the SK Group must publicly disclose the general status of the SK Group, including the name, business scope and financial status of affiliates, information on the officers of affiliates, information on shareholding and cross-investments between member companies of the SK Group, information on transactions with certain related persons and, if a member company engages in a transaction with an affiliated company in the amount of 5% or more of the member company's quarterly sales or Won 5 billion or more, information on transactions with such affiliated company on a quarterly basis.

Number Portability. In January 2003, the Government announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. For details of the number of subscribers who transferred to the services of our competitors following the implementation of the number portability system, see "— Subscribers".

In addition, the Government has begun to integrate mobile telephone identification numbers into a common prefix identification number "010" and to gradually retract the current mobile service identification numbers which had been unique to each wireless telecommunications service provider, including "011" for our cellular services, starting from January 1, 2004. All new subscribers have been given the "010" prefix starting January 2004. The KCC plans to continue to pursue the integration process and complete the integration process by around 2018, when all mobile telephone numbers would have the prefix identification number "010".

For risks relating to number portability, see "Item 3.D. Risk Factors — Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations, financial condition and cash flows".

Rate Regulation. Most network service providers must report to the KCC the rates and contractual terms for each type of service they provide. However, as the dominant network services provider for specific services (based on having the largest market share in terms of number of subscribers and meeting certain revenue thresholds), we must obtain prior approval of the KCC on our rates and terms of service; provided, however, that such pre-approval of the KCC is not required, if we are planning to reduce the rates for any type of services that we provide under the KCC-approved contractual terms. In each year in which this requirement has been applicable, the KCC has designated us for wireless telecommunications service, and KT for local telephone and Internet services, as dominant network service providers that are subject to such approval requirement. As a condition to its approval of our merger with SK IMT Co., Ltd., the Government required that we submit the rates for our third generation mobile services using WCDMA technology to the Government for approval prior to the launch of such services. The KCC's policy is to approve rates if they are appropriate, fair and reasonable (that is, if the rates have been reasonably calculated, considering supply costs, profits, classification of costs and profits for each service, cost savings through changes in the way services are provided and the influence on fair competition, among others). The KCC may order changes in the submitted rates if it deems the rates to be significantly unreasonable or against public policy. In May 2007, the Government terminated the monitoring of whether we met the condition for the Government's approval of our merger with SK IMT.

Furthermore, in 2007, the Government announced a "road map" highlighting revisions in regulations to promote deregulation of the telecommunications industry. In accordance with the road map and pursuant to the Combined Sales Regulation, promulgated in May 2007, telecommunications service providers are now permitted to bundle their services, such as wireless data service, wireless voice service, broadband Internet access service, fixed-line telephone service and Internet protocol television, or IP TV, service, at a discounted rate; provided, however, that we and KT, as market-dominating business entities under the Telecommunications Business Act, allow other competitors to employ the services provided by us and KT, respectively, so that such competitors can provide similar discounted package services. In September 2007, the regulations and provisions under the Telecommunications Business Act were amended to permit licensed transmission service providers to offer local, domestic long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses.

Moreover, under the amended Telecommunications Business Act, which became effective on September 23, 2010, an MVNO (Mobile Virtual Network Operator) system was adopted. Under the system, the KCC may designate and obligate certain telecommunications services providers to allow a mobile virtual network operator, or MVNO, at such MVNO's request, to use their telecommunication facilities at a rate mutually agreed upon that complies with the standards set by the KCC. We were designated as the only telecommunications services provider obligated to allow the other telecommunications services provider to use our telecommunications facilities. To date, four MVNOs have commenced providing wireless telecommunications services using the networks leased from us.

On May 13, 2010, the KCC announced a guideline recommending that telecommunication service providers limit their marketing expenses to 22% of their annual sales, which was lowered to 20% of annual sales with respect to fiscal years 2011 and 2012. Such marketing expenses include initial commissions, monthly commissions and retention commissions paid to our authorized dealers and subscribers, including handset subsidies, but do not include advertising expenses. While the guideline is not binding, we, as well as our competitors, nonetheless try to adhere to such guideline when feasible. However, according to the KCC, we, KT and LG U+ failed to satisfy the limit on marketing expenditure in 2011. Given that the competition in the telecommunication industry continues to intensify, such limitation on our ability to expend in marketing may have a material adverse effect on our business.

Interconnection. Dominant network service providers such as ourselves that own essential infrastructure facilities or possess a certain market share are required to provide interconnection of their telecommunications network facilities to other service providers upon request. The KCC sets and announces the standards for determining the scope, procedures, compensation and other terms and conditions of such provision, interconnection or co-use. We have entered into interconnection agreements with KT, LG U+, Onse Telecom Corporation and other network service providers permitting these entities to interconnect with our network. We expect that we will be required to enter into additional agreements with new operators as the KCC grants permits to additional telecommunications service providers.

Frequency Allocation. The KCC has the discretion to allocate and adjust the frequency band for each type of service. Upon allocation of new frequency bands or adjustment of frequency bands, the KCC is required to give a public notice. The KCC also regulates the frequency to be used by each radio station, including the transmission frequency used by equipment in our cell sites. All of our frequency allocations are for a definite term. We pay fees to the KCC for our frequency usage that are determined based upon our number of subscribers, frequency usage by our networks and other factors. For 2010 and 2011, the fee amounted to Won 178.8 billion and Won 457.1 billion, respectively.

In February 2010, the KCC announced its final plan to reallocate 2 x 10 MHz of spectrum in the 800 MHz band that we were using to other service providers starting from July 2011. The KCC's plan also contemplated new allocations of 2 x 10 MHz of spectrum in the 900 MHz band and 2 x 10 MHz of spectrum in the 2.1 GHz band for wireless telecommunication services. KT and LG U+ have been allocated the spectrum in the 900 MHz and 800 MHz bands, respectively. We have been allocated an additional 2 x 10 MHz of spectrum in the 2.1 GHz band for our use until December 2016, which we have been using for our 3G services since October 2010. In addition, in August 2011 the KCC auctioned the right to use 20 MHz of bandwidth in the 1.8 GHz spectrum, 20 MHz of bandwidth in the 2.1 GHz spectrum and 10 MHz of bandwidth in the 800 MHz spectrum. In the auction, we acquired the right to use the 20 MHz of bandwidth in the 1.8 GHz spectrum at a price of Won 995.0 billion, KT acquired the right to use the 10 MHz of bandwidth in the 800 MHz spectrum for Won 261.0 billion and LG U+ acquired the right to use the 20 MHz of bandwidth in the 2.1 GHz spectrum for Won 445.5 billion. We currently use the 10 MHz of bandwidth in the 800 MHz spectrum for our 2G services, the 60 MHz of bandwidth in the 2.1 GHz spectrum for our 3G services and the 20 MHz of bandwidth in the 800 MHz spectrum for our LTE services, as well as an additional 27 MHz of spectrum in the 2.3 GHz band for our WiBro services. We plan to use the 20 MHz of bandwidth in the 1.8 GHz spectrum for our LTE services.

We paid Won 650 billion of the Won 1.3 trillion as the cost of the IMT-2000 license in March 2001 and paid the remainder of the license cost in annual installments for a five-year period from 2007 through 2011. We are required to pay the cost of our additional WCDMA license for 2 x 10 MHz of spectrum in the 2.1 GHz band that we acquired in May 2010 in annual installments of Won 17.7 billion each year from 2012 through 2014. We are also required to pay license fees for the additional frequency licenses in the 800 MHz and 1.8 GHz spectrums that we acquired in 2011. The license fee for the 10 MHz of bandwidth in the 800 MHz spectrum is Won 416.5 billion, of which Won 208.3 billion was paid in 2011 and the remainder is payable in annual installments from 2013 through 2015. The license fee for the 20 MHz of bandwidth in the 1.8 GHz spectrum is Won 995.0 billion, of which Won 248.8 billion was paid in 2011 and the remainder is payable in annual installments through the end of the license period in 2021. In addition, we were reallocated 27 MHz of spectrum in the 2.3 GHz band for our WiBro service in March 2012. The license fee for such spectrum is Won 17.3 billion, of which 8.7 billion was paid in 2012 and the remainder is payable in annual installments through the end of the license period in 2019. For more information, see notes 12 and 14 of the notes to our consolidated financial statements for the years ended December 31, 2010 and 2011.

Mandatory Contributions and Obligations

Contributions to the Fund for Development of Information Telecommunications. The Ministry of Knowledge Economy has the authority to recommend to network service providers that they provide funds for national research and development of telecommunications technology and related projects. The required annual contribution is 0.5% (0.75% for market dominant service providers like us) of revenues from wireless subscribers for the previous year, and is applicable only to those network service providers who have Won 30 billion in total sales for the previous year and have recorded no net loss in the current period. Under the policy, the maximum amount of the annual contribution to be made cannot exceed 70% of the net profit for the corresponding period of each company.

We are currently required to contribute 0.75% of budgeted revenues (calculated pursuant to the Ministry of Knowledge Economy guidelines that differ from our accounting practices) to the Fund for Development of Information Telecommunications operated by the Ministry of Knowledge Economy. Our contribution to this fund in 2010 and 2011 was Won 80.5 billion and Won 18.8 billion, respectively.

Universal Service Obligation. All telecommunications service providers other than value-added service providers, specific service providers and regional paging service providers or any telecommunications service providers whose net annual revenue is less than an amount determined by the KCC (currently set at Won 30.0 billion) are required to provide "universal" telecommunications services including local telephone services, local public telephone services, telecommunications services for remote islands and wireless communication services for ships and telephone services for the handicapped and low-income citizens, or contribute toward the supply of such universal services. The KCC designates universal services and the service provider who is required to provide each service. Currently, we are required to offer free subscription and a discount of between 35% to 50% of our monthly fee for cellular services to the handicapped and the low-income citizens.

In addition to such universal services for the handicapped and low-income citizens, we are also required to make certain monetary contributions to compensate for other service providers' costs for the universal services. The size of a service provider's contribution is based on its net annual revenue (calculated pursuant to KCC guidelines which differ from our accounting practices). In 2010, our contribution amount was Won 33.6 billion for our fiscal year 2009. In 2011, our contribution amount was Won 34.1 billion for our fiscal year 2010. As a wireless telecommunications services provider, we are not considered a provider of universal telecommunications services and do not receive funds for providing universal service. Other network service providers that do provide universal services make all or a portion of their "contribution" in the form of expenses related to the universal services they provide.

Foreign Ownership and Investment Restrictions and Requirements

Because we are a network service provider, foreign governments, individuals, and entities (including Korean entities that are deemed foreigners, as discussed below) are prohibited from owning more than 49% of our voting stock. Korean entities whose largest shareholder is a foreign government or a foreigner (together with any of its related parties) that owns 15% or more of the outstanding voting stock of such Korean entities are also deemed foreigners. If this 49% ownership limitation is violated, certain of our foreign shareholders will not be permitted to exercise voting rights in excess of the limitation, and the KCC may require other corrective action.

As of December 31, 2011, SK Holdings owned 20,363,452 shares of our common stock, or approximately 25.22% of our issued shares. As of December 31, 2011, a foreign investment fund and its related parties collectively held a 3.1% stake in SK Holdings. If the foreign investment fund and its related parties increase their shareholdings in SK Holdings to 15% or more and such foreign investment fund and its related parties collectively constitute the largest shareholder of SK Holdings, SK Holdings will be considered a foreign shareholder, and its shareholding in us would be included in the calculation of our aggregate foreign shareholding. If SK Holdings' shareholding in us is included in the calculation of our aggregate foreign shareholding, then our aggregate foreign shareholding, assuming the foreign ownership level as of December 31, 2011 (which we believe was 40.3%), would reach 65.52%, exceeding the 49% ceiling on foreign shareholding.

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

- revoke our business license;
- suspend all or part of our business; or
- if the suspension of business is deemed to result in significant inconvenience to our customers or to be detrimental to the public interest, impose a one-time administrative penalty of up to 3% of the average of our annual revenue for the preceding three fiscal years.

Additionally, the Telecommunications Business Act also authorizes the KCC to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year or a penalty of Won 50 million. See "Item 3.D. Risk Factors — If SK Holdings causes us to breach the foreign ownership limitations on shares of our common stock, we may experience a change of control".

We are required under the Foreign Exchange Transaction Act to file a report with a designated foreign exchange bank or with the Ministry of Strategy and Finance, or the MOSF, in connection with any issue of foreign currency denominated securities by us in foreign countries. Issuances of US$30 million or less require the filing of a report with a designated foreign exchange bank, and issuances that are over US$30 million in the aggregate within one year from the filing of a report with a designated foreign exchange bank require the filing of a report with the MOSF.

The Telecommunications Business Act provides for the creation of a Public Interest Review Committee under the KCC to review investments in or changes in the control of network services providers. The following events would be subject to review by the Public Interest Review Committee:

- the acquisition by an entity (and its related parties) of 15% or more of the equity of a network services provider;
- a change in the largest shareholder of a network services provider;
- agreements by a network service provider or its shareholders with foreign governments or parties regarding important business matters of such network services provider, such as the appointment of officers and directors and transfer of businesses; and
- a change in the shareholder that actually controls a network services provider.

If the Public Interest Review Committee determines that any of the foregoing transactions or events would be detrimental to the public interest, then the KCC may issue orders to stop the transaction, amend any agreements, suspend voting rights, or divest the shares of the relevant network services provider. Additionally, if a dominant network services provider (which would currently include us and KT), together with its specially related persons (as defined under the Financial Investment Services and Capital Markets Act), holds more than 5% of the equity of another dominant network services provider, the voting rights on the shares held in excess of the 5% limit may not be exercised.

Patents and Licensed Technology

Access to the latest relevant technology is critical to our ability to offer the most advanced wireless services and to design and manufacture competitive products. In addition to active internal and external research and development efforts as described in "Item 5.C. Research and Development, Patents and Licenses, etc.", our success depends in part on our ability to obtain patents, licenses and other intellectual property rights covering our products. We own numerous patents and trademarks worldwide, and have applications for patents pending in many countries, including Korea, Japan, China, the United States, and Europe. Our patents are mainly related to CDMA technology and wireless Internet applications. We have also acquired a number of patents related to WCDMA technologies.

We also license a number of patented processes and trademarks under cross-licensing, technical assistance and other agreements. The most important agreement is with Qualcomm Inc. and relates mainly to CDMA applications technology. This agreement generally grants us a non-exclusive license to manufacture handsets in return for royalty payment or a sub-license to manufacture and sell certain products both in Korea and overseas during a fixed, but usually renewable term. We consider our technical assistance and licensing agreements to be important to our business and believe that we will be able to renew this agreement on commercially reasonable terms that will not adversely affect our ability to use the relevant technologies.

We are not currently involved in any material litigation regarding patent infringement. For a description of the risks associated with our reliance on intellectual property, see "Item 3.D. Risk Factors — Our business relies on technology developed by us as well as technologies provided by third parties, and our business will suffer if we are unable to protect our proprietary rights, obtain new licensing agreements or renew existing licensing agreements with third parties".

Seasonality of the Business

Our business is not affected by seasonality.

Item 4.C. *Organizational Structure*

Organizational Structure

We are a member of the SK Group, based on the definition of "group" under the Fair Trade Act of Korea. As of December 31, 2011, SK Group members owned in aggregate 25.22% of the shares of our issued common stock. The SK Group is a diversified group of companies incorporated in Korea with interests in, among other things, telecommunications, trading, energy, chemicals, engineering and leisure industries.

Significant Subsidiaries

For information regarding our subsidiaries, see note 2.a. of the notes to our consolidated financial statements.

Item 4.D. ***Property, Plants And Equipment***

The following table sets forth certain information concerning our principal properties as of December 31, 2011:

Location	Primary Use	Approximate Area in Square Feet
Seoul Metropolitan Area	Corporate Headquarters	787,358
	Regional Headquarters	1,254,174
	Customer Service Centers	162,406
	Training Centers	434,507
	Central Research and Development Center	467,896
	Others(1)	961,095
Busan	Regional Headquarters	563,196
	Others(1)	569,177
Daegu	Regional Headquarters	281,358
	Others(1)	332,726
Cholla and Jeju Provinces	Regional Headquarters	411,652
	Others(1)	454,410
Choongchung Province	Regional Headquarters	609,468
	Others(1)	470,726

(1) Include cell sites.

In December 2004, we constructed a building with an area of approximately 82,624 square feet, of which we have full ownership, for use as our corporate headquarters. In addition, we own or lease various locations for cell sites and switching equipment. We do not anticipate that we will encounter material difficulties in meeting our future needs for any existing or prospective leased space for our cell sites. See "Item 4.B. Business Overview — Digital Cellular Network — Network Infrastructure".

We maintain a range of insurance policies to cover our assets and employees, including our directors and officers. We are insured against business interruption, fire, lightening, flooding, theft, vandalism, public liability and certain other risks that may affect our assets and employees. We believe that the types and amounts of our insurance coverage are in accordance with general business practices in Korea.

Item 4A. ***UNRESOLVED STAFF COMMENTS***

We do not have any unresolved comments from the U.S. Securities and Exchange Commission, or the SEC, staff regarding our periodic reports under the Exchange Act.

Item 5. ***OPERATING AND FINANCIAL REVIEW AND PROSPECTS***

You should read the following discussion together with our consolidated financial statements and the related notes thereto which appear elsewhere in this annual report. We prepare our financial statements in accordance with IFRS as issued by the IASB. In addition, you should read carefully the section titled "— Critical Accounting Policies, Estimates and Judgments" as well as note 2 of the notes to our consolidated financial statements which provide summaries of certain critical accounting policies that require our management to make difficult, complex or subjective judgments relating to matters which are highly uncertain and that may have a material impact on our financial conditions and results of operations.

Item 5.A. *Operating Results*

Overview

We earn revenue principally from initial subscription fees and monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services and value-added service fees paid by subscribers to our wireless services and interconnection fees paid to us by other telecommunications operators for use of our network by their customers and subscribers. Our revenue amount depends principally upon the number of our wireless subscribers, the rates we charge for our services, the frequency and volume of subscriber usage of our services and the terms of our interconnection with other telecommunications operators. Government regulation also affects our revenues.

A number of recent developments have had or are expected to have a material impact on our results of operations, financial condition and capital expenditures. These developments include:

Handset Subsidies. In March 2006, the Government partially lifted, and in March 2008 fully lifted, the prohibition on the provision of handset subsidies, which had been in place since June 2000, and began to allow mobile service providers to subsidize the purchase of new handsets by certain qualifying customers. In order to compete more effectively, we have begun providing such handset subsidies, which has increased, and may continue to increase, our marketing expenses. Since April 2008, we have also begun offering long-term installment payment plans of 24 months for new handset purchases by our new or existing subscribers, which has increased, and may continue to increase, our capital requirements. However, on May 13, 2010, the KCC announced a guideline recommending that telecommunication service providers limit their marketing expenses to 22% of their annual sales, and the limit was subsequently lowered to 20% of their annual sales for the years 2011 and 2012. Such marketing expenses include initial commissions, monthly commissions and retention commissions paid to our authorized dealers and subscribers, including handset subsidies, but do not include advertising expenses. While the guideline is not binding, we, as well as our competitors, nonetheless try to adhere to such guideline when feasible, which may have a material adverse effect on our businesses and results of operations.

Changes in Tariffs and Interconnection Fees. Under current regulations, we must obtain prior KCC approval of the rates and fees we charge subscribers for our cellular services. Generally, the rates we charge for our services have been declining. The KCC has periodically reviewed the tariffs charged by wireless operators and has, from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some tariff reductions in response to KCC recommendations. Most recently, in the second half of 2011, we reduced the monthly fee by Won 1,000 for every subscriber, exempted SMS usage charges up to 50 messages per month and introduced flexible service plans for smartphone users. For more information about the rates we charge, see “Item 4.B. Business Overview — Revenues and Rates” and “Item 4.B. Business Overview — Law and Regulation — Competition Regulation — Rate Regulation”.

In addition, our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Charges for interconnection affect our revenues and operating results. The KCC determines the basic framework for interconnection arrangements in Korea and has changed this framework several times in the past. Under our interconnection agreements, we are required to make payments in respect of calls which originate from our networks and terminate in the networks of other Korean telecommunications operators, and the other operators are required to make payments to us in respect of calls which originate in their networks and terminate in our network. For more information about our interconnection revenue and expenses, see “Item 4.B. Business Overview — Interconnection”.

Average Monthly Outgoing Voice Minutes and Revenue per Subscriber. The following table sets forth selected information concerning our wireless telecommunications network during the periods indicated:

	For the Year Ended December 31,	
	2010	2011
Outgoing voice minutes (in thousands)(1)	60,015,518	60,573,960
Average monthly outgoing voice minutes per subscriber(2)	199	193
Average monthly revenue per subscriber, excluding interconnection revenue(3)	₩ 35,771	₩ 34,350
Average monthly revenue per subscriber, including interconnection revenue(4)	₩ 39,647	₩ 37,969

(1) Does not include minutes of incoming calls or minutes of use relating to the use of SMS, MMS and other wireless data services.

(2) The average monthly outgoing voice minutes per subscriber is derived by dividing the total minutes of outgoing voice usage for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period. The monthly average number of subscribers is derived by dividing (i) the sum of the average number of subscribers for each month in the period, calculated as the average of the number of subscribers on the first and last days of the relevant month, by (ii) the number of months in the period.

(3) The average monthly revenue per subscriber, excluding interconnection revenue, is derived by dividing the sum of total revenues from voice service, data service and initial subscription fees for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period.

(4) The average monthly revenue per subscriber, including interconnection revenue, is derived by dividing the sum of total revenues from voice service, data service and initial subscription fees, as well as interconnection revenue, for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period.

Our average monthly outgoing minutes of voice traffic per subscriber decreased by 3.3% in 2011, which we believe was caused by an increase in the number of users who have multiple wireless devices, as well as an increase in the use of free text message or voice services over mobile Internet.

Our average monthly revenue per subscriber, excluding interconnection revenue, decreased by 4.0% to Won 34,350 in 2011 from Won 35,771 in 2010. The decrease in average monthly revenue per subscriber in 2011 was due to decreases in average monthly revenue per subscriber from voice service and initial subscription fees, partially offset by an increase in average monthly revenue per subscriber from data service as further described in "— Operating Results" below.

Acquisition of Hana SK Card Shares. In accordance with the resolution of our board of directors in December 2009, we purchased shares of Hana SK Card for Won 400.0 billion in February 2010. We currently hold 49% of the total outstanding shares of Hana SK Card.

Acquisition of Hynix Semiconductor Shares. In February 2012, we acquired a 21.05% equity stake in Hynix, the world's second-largest memory-chip maker by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder.

Operating Expenses and Operating Margins. Our operating expenses consist principally of commissions paid to authorized dealers and our subscribers (including handset subsidies), depreciation and amortization, network interconnection, labor costs, cost of goods sold for handset sales, leased line and frequency license fees, rent expenses and advertising expenses. Operating income represented 14.7% of our operating revenue in 2010 and 13.3% in 2011.

Operating Results

The following table sets forth selected income statement data, including data expressed as a percentage of operating revenue, for the periods indicated:

	For the Year Ended December 31,			
	2010		2011	
	(In billions of Won, except percentage data)			
Operating Revenue	₩15,599.2	100.0%	₩15,988.3	100.0%
Operating Expenses	13,313.3	85.3	13,856.8	86.7
Operating Income	2,285.9	14.7	2,131.5	13.3
Income from Continuing Operation before Income Tax	2,318.1	14.9	2,182.9	13.7
Income Tax for Continuing Operation	544.5	3.5	599.1	3.7
Income (Loss) from Discontinued Operation(1)	(6.7)	(0.0)	(1.7)	(0.0)
Net Income Attributable to:				
Controlling Interests	1,841.6	11.8	1,612.9	10.1
Non-controlling Interests	(74.8)	(0.5)	(30.8)	(0.2)
Net Income	₩ 1,766.8	11.3%	₩ 1,582.1	9.9%

(1) Relates to results of operations of SK i-Media Co., Ltd. sold in October 2011 and SK-KTB Music Investment Fund liquidated in October 2010, which have been classified as discontinued operations after such sale or liquidation.

The following table sets forth additional information about our operations during the periods indicated:

	Year Ended December 31,			
	2010		2011	
	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue
	(In billions of Won, except percentages)			
Cellular Revenue:				
Wireless Services(1)	₩10,634.5	68.2%	₩10,459.7	65.4%
Interconnection	1,168.7	7.5	1,090.9	6.8
Digital Handset Sales	534.5	3.4	787.5	4.9
Other(2)	582.7	3.7	763.9	4.8
Total Cellular Revenue	12,920.3	82.8	13,101.9	81.9
Fixed-line Telecommunication Service Revenue(3)				
Fixed-line Telephone Service	475.5	3.0	490.7	3.1
Interconnection	88.8	0.6	83.8	0.5
Broadband Internet Service	983.9	6.3	1,000.5	6.3
International Calling Service	289.1	1.9	62.8	0.4
Miscellaneous(4)	390.0	2.5	524.8	3.3
Total Fixed-line Telecommunication Service Revenue	2,227.3	14.3	2,162.6	13.5
Other Revenue:				
Portal Service(5)	239.5	1.5	235.6	1.5
Miscellaneous(6)	212.1	1.4	488.1	3.0
Total Other Revenue	451.6	2.9	723.8	4.5
Total Operating Revenue	₩15,599.2	100.0%	₩15,988.3	100.0%
Total Operating Revenue Growth	N/A		2.5%	
Operating Expenses:				
Cellular	10,603.5	68.0	11,034.6	69.0
Fixed-line Telecommunication Service	2,279.4	14.6	2,141.3	13.4
Other	430.4	2.8	680.9	4.3
Total Operating Expenses	₩13,313.3	85.3%	₩13,856.8	86.7%
Operating Income (Loss):				
Cellular	2,316.7	14.9	2,067.3	12.9
Fixed-line Telecommunication Service	(52.1)	(0.3)	21.3	0.1
Other	21.2	0.1	42.9	0.3
Total Operating Income	₩ 2,285.9	14.7%	₩ 2,131.5	13.3%

(1) Wireless services revenue includes revenue from voice service, revenue from data service and initial subscription fees. Revenue from voice service is comprised of monthly plan-based fees, usage charges for outgoing voice calls and value-added-service fees and other miscellaneous cellular revenues, including international interconnection charges.

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

(3) Includes revenues from broadband Internet service (including IP-TV service) and fixed-line telephone service provided by SK Broadband Co., Ltd. and international calling service provided by SK Telink Co. Ltd., both of which are our consolidated subsidiaries.

(4) Includes revenues from leased line, corporate data and Internet solutions businesses.

(5) Portal service revenue attributable to our subsidiaries (including SK Communications and Paxnet Co., Ltd., which operates Moneta, our financial portal site).

(6) Miscellaneous revenue attributable to our subsidiaries (including Loen Entertainment Inc., which operates MelOn music portal site that sells digital music contents, SK Telecom China Holdings Co., Ltd. and F&U Credit Information Co., Ltd.).

2011 Compared to 2010

Operating Revenue. Our operating revenue increased by 2.5% to Won 15,988.3 billion in 2011 from Won 15,599.2 billion in 2010, due to a 1.4% increase in our cellular revenue to Won 13,101.9 billion in 2011 from Won 12,920.3 billion in 2010 and a 60.3% increase in our other revenue to Won 723.8 billion in 2011 from Won 451.6 billion in 2010, partially offset by a 2.9% decrease in our fixed-line telecommunication revenue to Won 2,162.6 billion in 2011 from Won 2,227.3 billion in 2010.

Cellular Telephone Telecommunication Service Business

The operating revenue of our cellular telephone telecommunication service business, which is composed of revenues from wireless services, interconnection, digital handset sales and other services, increased by 1.4% to Won 13,101.9 billion in 2011 from Won 12,920.3 billion in 2010.

The increase in our cellular revenue was principally due to an increase in our digital handset sales, as well as an increase in our other cellular revenue, partially offset by decreases in wireless services revenue and interconnection revenue. Digital handset sales increased 47.3% to Won 787.5 billion in 2011 from Won 534.5 billion in 2010, primarily as a result of strong demand for smartphones. Our other cellular revenue increased 31.1% to Won 763.9 billion in 2011 from Won 582.7 billion in 2010, due primarily to an increase in revenue from the licensing of Internet platform solutions and other new businesses.

Wireless services revenue decreased 1.6% to Won 10,459.7 billion in 2011 from Won 10,634.5 billion in 2010, primarily as a result of decreases in voice service revenue and initial subscription fees, partially offset by an increase in data service revenue. The decrease in voice service revenue was primarily due to increased subscription by smartphone users to fixed rate all-in-one plans with no or low call charges, as well as a reduction of the monthly fee by Won 1,000 for every subscriber effective from September 16, 2011. The increase in data service revenue was primarily driven by a significant increase in the number of smartphone users, who generally tend to subscribe to more expensive data plans than other subscribers.

Our average monthly revenue per subscriber for the wireless services, excluding interconnection revenue, decreased by 4.0% to Won 34,350 in 2011 from Won 35,771 in 2010, due to decreases in average monthly revenue per subscriber from voice service and initial subscription fees, partially offset by an increase in average monthly revenue per subscriber from data service. Our average monthly revenue per subscriber from voice service decreased by 11.4% to Won 23,252 in 2011 from Won 26,243 in 2010, primarily due to increased subscription by smartphone users to fixed rate all-in-one plans with no or low call charges, as well as a reduction of the monthly fee by Won 1,000 for every subscriber effective from September 16, 2011. Our average monthly revenue per subscriber from data service, which includes usage charges for SMS and wireless Internet services, increased by 20.3% to Won 9,924 in 2011 from Won 8,248 in 2010, attributable mainly to an increase in the number of smartphone users.

Our average monthly minutes per user decreased to 193 minutes in 2011 from 199 minutes in 2010, which we believe was caused by an increase in the number of users who have multiple wireless devices, as well as an increase in the use of free text message or voice services over mobile Internet.

Interconnection revenue decreased by 6.7% to Won 1,090.9 billion in 2011 from Won 1,168.7 billion in 2010. The decrease was due to decreases in interconnection rates in 2011 and a decrease in land-to-mobile call volume, which more than offset an increase in mobile-to-mobile call volume. Our average monthly revenue per subscriber, including interconnection revenue, decreased 4.2% to Won 37,969 in 2011 from Won 39,647 in 2010.

Fixed-line Telecommunication Service Business

The operating revenue of our fixed-line telecommunication service business, which is composed of revenues from broadband Internet service (including IP-TV service), fixed-line telephone service, international calling service, interconnection revenue and miscellaneous revenue, decreased by 2.9% to Won 2,162.6 billion in 2011 from Won 2,227.3 billion in 2010, primarily due to decreases in revenue from international calling service and household fixed-line telephone service, partially offset by an increase in revenue from corporate data service.

Revenue from broadband Internet service increased 1.7% to Won 1,000.5 billion in 2011 from Won 983.9 billion in 2010, primarily as a result of an increase in the number of subscribers, as well as an increase in the purchase of pay-per-view video contents by our subscribers. Revenue from fixed-line telephone service increased 3.2% to Won 490.7 billion in 2011 from Won 475.5 billion in 2010 primarily due to an increase in the number of corporate subscribers, partially offset by a decrease in the revenue from household fixed-line telephone service. Revenue from international calling service decreased 78.3% to Won 62.8 billion in 2011 from Won 289.1 billion in 2010, primarily as a result of an increase in the use of free or low-cost international calling and text message services using the Internet network. Miscellaneous revenue, including revenues from the leased line, corporate data and Internet solutions businesses, increased 34.6% to Won 524.8 billion in 2011 from Won 390.0 billion in 2010 primarily due to an increase in revenue from corporate data service.

Other Businesses

The operating revenue of our other businesses, which is composed of revenues from portal service and certain other revenue, increased by 60.3% to Won 723.8 billion in 2011 to Won 451.6 billion in 2010.

Portal service revenues decreased 1.6% to Won 235.6 billion in 2011 from Won 239.5 billion in 2010. Miscellaneous revenue increased by 130.1% to Won 488.1 billion in 2011 from Won 212.1 billion in 2010 due primarily to an increase in digital music sales at our MelOn music portal.

Operating Expenses. Our operating expenses in 2011 increased by 4.1% to Won 13,856.8 billion from Won 13,313.3 billion in 2010, primarily due to a 49.7% increase in cost of goods sold to Won 959.3 billion in 2011 from Won 640.9 billion in 2010 resulting from increased sale of smartphones and an 8.1% increase in depreciation and amortization expenses to Won 2,331.3 billion in 2011 from Won 2,155.8 in 2010 as we increased our investment in wireless networks and acquired additional frequency licenses.

Cellular Telephone Telecommunication Service Business

The operating expenses of our cellular telephone telecommunication service business increased by 4.1% to Won 11,034.6 billion in 2011 from Won 10,603.5 billion in 2010, primarily due to increases in cost of goods sold and depreciation and amortization expenses, partially offset by a decrease in network interconnection expenses. The cost of goods sold increased primarily due to an increase in digital handset sales in 2011, which was driven by strong demand for smartphones. The increase in depreciation and amortization expenses was primarily attributable to an increase in our investment in wireless networks and our acquisition of additional frequency licenses. The decrease in network interconnection expenses resulted primarily from a decrease in outgoing SMS volume and decreases in interconnection rates.

Fixed-line Telecommunication Service Business

The operating expenses of our fixed-line telecommunication service business decreased by 6.1% to Won 2,141.3 billion in 2011 from Won 2,279.4 billion in 2010, primarily due to decreases in labor costs and marketing expenses, partially offset by an increase in license fees paid to the providers of broadcasting programs for our IP TV services.

Other Businesses

The operating expenses of our other businesses increased by 58.2% to Won 680.9 billion in 2011 from Won 430.4 billion in 2010, in line with the 60.3% increase in the operating revenue of our other businesses.

Operating Income. Our operating income decreased by 6.8% to Won 2,131.5 billion in 2011 from Won 2,285.9 billion in 2010. Due to the factors discussed above, the operating income of our cellular telephone telecommunication service business decreased by 10.8% to Won 2,067.3 billion in 2011 from Won 2,316.7 billion in 2010 and the operating income of our other businesses increased by 102.4% to Won 42.9 billion in 2011 from Won 21.2 billion in 2010. Our fixed-line telecommunication service business recorded operating income of Won 21.3 billion in 2011 compared to operating loss of Won 52.1 billion in 2010.

Other Income and Expenses. Other income consists of financial income and equity in earnings of affiliates. Our financial income decreased by 7.3% to Won 442.3 billion in 2011 from Won 477.2 billion in 2010, due primarily to a 29.2% decrease in interest income to Won 168.1 billion in 2011 from Won 237.4 billion in 2010 as a result of a decrease in accounts receivable related to sales of handsets on installment payment plans. The accounts receivable related to sales of handsets on installment payment plans have decreased since September 2010, when Hana SK Card took over this financing from us. Equity in earnings of affiliates decreased by 6.5% to Won 39.1 billion in 2011 from Won 41.8 billion in 2010.

Other expenses consist of financial expenses and equity in losses of affiliates. Our financial expenses decreased by 22.1% to Won 343.8 billion in 2011 from Won 441.6 billion in 2010, due primarily to a 21.6% decrease in interest expenses to Won 297.2 billion in 2011 from Won 379.3 billion in 2010 as a result of a decrease in the average outstanding balance of our borrowings. Equity in losses of affiliates increased 90.9% to Won 86.3 billion in 2011 from Won 45.2 billion in 2010, primarily due to losses of Packet One Network, in which we hold a 28.2% interest, and LightSquared Inc., in which we hold a 3.3% interest.

We recorded net other income of Won 51.4 billion in 2011 compared to net other income of Won 32.2 billion in 2010, representing an increase of 59.6%.

Income Tax. Income tax for continuing operation increased by 10.0% to Won 599.1 billion in 2011 from Won 544.5 billion in 2010. Our effective tax rate in 2011 increased to 27.4% from an effective tax rate of 23.5% in 2010. Our income tax expenses and effective tax rate increased in 2011 compared to 2010 primarily due to a reduction in tax exemptions for capital expenditures in 2011.

Net Income. Principally as a result of the factors discussed above, our net income, after adjusting for non-controlling interests, decreased by 10.5% to Won 1,582.1 billion in 2011 from Won 1,766.8 billion in 2010. Net income as a percentage of operating revenues was 9.9% in 2011 compared to 11.3% in 2010.

Inflation

We do not consider that inflation in Korea has had a material impact on our results of operations in recent years. According to data published by The Bank of Korea, annual inflation in Korea was 2.8% in 2009, 3.0% in 2010 and 4.0% in 2011.

Item 5.B. Liquidity and Capital Resources

Liquidity

We had a working capital (current assets minus current liabilities) surplus of Won 451.8 billion and deficit of Won 556.1 billion as of December 31, 2010 and 2011, respectively. The working capital deficit as of December 31, 2011 was primarily caused by our acquisition of additional frequency licenses in 2011. We plan to fund our current liabilities with the cash flow generated by our operations and by refinancing short-term borrowings.

We had cash, cash equivalents, short-term financial instruments and short-term investment securities of Won 1,627.1 billion as of December 31, 2010 and Won 2,725.2 billion as of December 31, 2011. We had outstanding short-term borrowings of Won 523.7 billion as of December 31, 2010 and Won 700.7 billion as of December 31, 2011. As of December 31, 2011, we had credit lines with several local banks that provided for borrowing of up to Won 666.6 billion, of which Won 239.0 billion was outstanding and Won 427.6 billion was available for borrowing.

Operating cash flow and debt financing have been our principal sources of liquidity. We had cash and cash equivalents of Won 1,650.8 billion as of December 31, 2011 and Won 659.4 billion as of December 31, 2010. We believe that we have sufficient working capital available to us for our current requirements and that we have a variety of alternatives available to us to satisfy our financial requirements to the extent that they are not met by funds generated by operations, including the issuance of debt securities and bank borrowings.

	Year Ended December 31,		Change	
	2010	2011	2010 to 2011	
	(In billions of Won, except percentages)			
Net Cash Provided by Operating Activities	₩ 4,343.4	₩ 6,306.4	₩ 1,963.0	45.2%
Net Cash Used in Investing Activities	(2,339.0)	(4,239.1)	(1,900.1)	81.2
Net Cash Used in Financing Activities	(2,246.1)	(1,079.3)	1,166.8	(51.9)
Effect of Exchange Rate Changes on Cash and Cash Equivalents Held in Foreign Currencies	(4.4)	3.4	7.8	N/A
Net Increase (Decrease) in Cash and Cash Equivalents	(241.7)	988.0	1,229.7	N/A
Cash and Cash Equivalents at Beginning of Period	905.6	659.4	(246.2)	(27.2)
Cash and Cash Equivalents at End of Period	659.4	1,650.8	991.4	150.3%

N/A = Not applicable.

Net Cash Flow from Operating Activities. Net cash flow provided by operations was Won 4,343.4 billion in 2010 and Won 6,306.4 billion in 2011. Net income was Won 1,766.8 billion in 2010 and Won 1,582.1 billion in 2011. Net cash flow provided by operating activities in 2011 increased by 45.2% from 2010 despite a 10.5% decrease in net income, primarily due to a decrease of Won 1,618 billion in other accounts receivable and a decrease of Won 521.7 billion in other long-term accounts receivable in 2011, which resulted from a decrease in accounts receivable related to sales of handsets on installment payment plans. The accounts receivable related to sales of handsets on installment payment plans have decreased since September 2010, when Hana SK Card took over this financing from us.

Net Cash from Investing Activities. Net cash used in investing activities was Won 2,339.0 billion in 2010 and Won 4,239.1 billion in 2011. Cash inflows from investing activities were Won 1,239.3 billion in 2010 and Won 725.9 billion in 2011. The primary contributor to such inflows in 2010 largely related to proceeds from sales of long-term investment securities of Won 630.0 billion, mostly relating to the sale of our investments in bond funds. Cash inflows in 2011 largely related to proceeds from sales of long-term investment securities of Won 256.7 billion, including shares of SK C&C, and the collection of short-term loans of Won 194.6 billion.

Cash outflows from investing activities were Won 3,578.3 billion in 2010 and Won 4,964.9 billion in 2011. The primary contributors to such outflows in 2010 were expenditures related to the acquisition of property and equipment of Won 2,142.3 billion, primarily relating to expenditures in connection upgrades to and expansion of our WCDMA network, as well as initial build-out and expansion of our WiBro network, and acquisition of shares of associated companies of Won 736.1 billion, including shares of Hana SK Card and Packet One Network. Cash outflows in 2011 largely related to expenditures related to the acquisition of property and equipment of Won 2,960.6 billion, primarily relating to expenditures in connection with upgrades to and expansion of our WCDMA network, as well as initial build-out and expansion of our LTE and WiBro networks, as well as an increase in intangible assets of Won 596.5 billion primarily as a result of our acquisition of additional frequency licenses.

Net Cash from Financing Activities. Net cash used in financing activities was Won 2,246.1 billion in 2010 and Won 1,079.3 billion in 2011. Cash inflows from financing activities were Won 263.8 billion in 2010 and Won 1,401.9 billion in 2011. Such inflows were primarily driven by issuance of bonds, which provided cash of Won 149.3 billion in 2010 and Won 1,129.5 billion in 2011. Proceeds from long-term borrowings of Won 108.0 billion in

2010 and Won 92.4 billion in 2011 and, in 2011, net increase in short-term borrowings of Won 174.2 billion also contributed to cash inflows from financing activities.

Cash outflows for financing activities included payment of dividends, repayments of current portion of long-term debt, repayment of long-term borrowings, repayment of bonds payable, acquisition of treasury stock and repayment of short-term borrowings, among other items. Payment of dividends were Won 682.3 billion in 2010 and Won 668.3 billion in 2011. Repayments of current portion of long-term debt were Won 739.3 billion in 2010 and Won 224.6 billion in 2011. Repayment of long-term borrowings were Won 200.0 billion in 2010 and Won 512.4 billion in 2011. Repayment of bonds payable were Won 605.1 billion in 2010 and Won 842.2 billion in 2011. Acquisition of treasury shares accounted for Won 252.3 billion and Won 208.0 billion of cash outflows for financing activities in 2010 and 2011, respectively.

As of December 31, 2010, we had total long-term debt (excluding current portion) outstanding of Won 3,894.5 billion, which included bonds in the amount of Won 3,658.5 billion and bank and institutional borrowings in the amount of Won 236.0 billion. As of December 31, 2011, we had total long-term debt (excluding current portion) outstanding of Won 3,552.9 billion, which included bonds in the amount of Won 3,229.0 billion and bank and institutional borrowings in the amount of Won 323.9 billion. The decrease in our long-term debt as of December 31, 2011 was primarily due to our repayment of maturing bonds. For a description of our long-term liabilities, see notes 13 and 14 of the notes to our consolidated financial statements.

As of December 31, 2011, substantially all of our foreign currency-denominated long-term borrowings, which amounted to approximately 51.4% of our total outstanding long-term debt, including current portion as of such date, was denominated in Dollars. Appreciation of the Won against the Dollar will result in net foreign exchange and translation gains, while depreciation of the Won against the Dollar will result in net foreign exchange and translation losses. Changes in foreign currency exchange rates will also affect our liquidity because of the effect of such changes on the amount of funds required for us to make interest and principal payments on our foreign currency-denominated debt.

On April 7, 2009, we issued convertible notes in the principal amount of US$332,528,000 with a maturity of five years and an annual interest rate of 1.75%. The aggregate net proceeds from the offering was US$326,397,463. We are required to redeem the convertible notes held by the holders thereof who exercise their put option, at their principal amount on the date of the third anniversary from the issuance date. After the third anniversary of the issuance date, we may redeem the convertible notes at our option if the price of the shares of our common stock during a pre-determined period (translated into Dollars at the then prevailing exchange rate) exceeds the conversion price (translated into Dollars at the exchange rate of Won 1,383.40 to US$1.00) by 30%. As of March 31, 2012, the conversion price was Won 199,280 per share of our common stock at the exchange rate of Won 1,383.40 to US$1.00. If the conversion of convertible notes into shares would exceed the 49% limit on aggregate foreign ownership of our shares, we intend to make cash payments to the holders of the convertible notes in lieu of the shares of our common stock. See “Item 4.B. Business Overview — Law and Regulation — Foreign Ownership and Investment Restrictions and Requirements” for a more detailed discussion of foreign share ownership restrictions. As of March 31, 2012, a total of 2,308,406 shares would be issued upon the exercise of the conversion rights by all of the holders of the convertible notes.

In September and November 2006, we issued Korean Won-denominated corporate bonds, in each case, in an aggregate principal amount of Won 200 billion. These bonds will mature in September 2016 and November 2013, respectively, and have annual interest rates of 5.0% and 4.0%, respectively. In October 2006, we also made long-term borrowings in aggregate principal amount of US$100 million with a maturity of seven years and an annual interest rate based on six-month LIBOR plus 0.29%.

In July 2007, we issued U.S. dollar-denominated bonds in the principal amount of US$400,000,000 with a maturity of twenty years and an annual interest rate of 6.625%. In November 2007, we issued Japanese Yen-denominated notes in the principal amount of Japanese Yen 12,500,000,000 with a maturity of five years and an annual interest rate based on Yen LIBOR plus 0.55%. In November 2007, we issued Korean Won-denominated bonds in the principal amount of Won 200 billion with a maturity of seven years and an annual interest rate of 5.00%.

In March 2008, we issued two tranches of Korean Won-denominated bonds, each tranche in the principal amount of Won 200 billion with an annual interest rate of 5.00%, maturing in seven and ten years, respectively. In October 2008, we issued Korean Won-denominated bonds in the principal amount of Won 250 billion with a maturity of five years and an annual interest rate of 6.92%.

In January 2009, we issued notes in the principal amounts of Won 40 billion and Yen 3 billion with maturities of four and three years, respectively, and annual interest rates of 5.54% and 3-month Euro Yen LIBOR plus 2.50%, respectively. In March 2009, we issued notes in the principal amounts of Won 230 billion and Yen 5 billion with maturities of seven and three years, respectively, and annual interest rates of 5.92% and 3-month Euro Yen TIBOR plus 2.50%, respectively. In April 2009, we issued floating rate notes in the principal amounts of US$220,000,000 with a maturity of three years and an annual interest rate based on LIBOR plus 3.15%.

In December 2011, we issued floating rate notes in the principal amount of US$250,000,000 with a maturity of three years and an annual interest rate based on LIBOR plus 1.60% and SG$65,000,000 with a maturity of three years and an annual interest rate based on Singapore Swap Offered Rate, or SOR, plus 1.20%. In December 2011, we issued two tranches of Korean Won-denominated bonds in the principal amounts of Won 110 billion and Won 190 billion with maturities of five and ten years, respectively, and annual interest rates of 3.95% and 4.22%, respectively.

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

In February 2011, SK Telink, our consolidated subsidiary, issued Korean Won-denominated bonds in the principal amount of Won 50 billion with a maturity of three years and an annual interest rate of 4.86%. In November 2011, SK Telink issued Korean Won-denominated bonds in the principal amount of Won 50 billion with a maturity of three years and an annual interest rate of 4.62%. In April 2011, SK Broadband, our consolidated subsidiary, issued Korean Won-denominated bonds in the principal amount of Won 290 billion with a maturity of three years and an annual interest rate of 4.53%. In September 2011, SK Broadband issued Korean Won-denominated bonds in the principal amount of Won 100 billion with a maturity of three years and an annual interest rate of 4.40%.

Substantially all of our revenue and operating expenses are denominated in Won. We generally pay for imported capital equipment in Dollars. For a description of swap or derivative transactions we have entered into, see "Item 11. Quantitative and Qualitative Disclosures about Market Risk".

Capital Requirements

Historically, capital expenditures, repayment of outstanding debt and research and development expenditures have represented our most significant use of funds. In recent years, we have also increasingly dedicated capital resources to develop and invest in new and growing business areas, including our broadband Internet and fixed-line telephone business, wireless Internet business, convergence businesses and overseas operations, including through acquisitions and strategic alliances, as well as our investment in Hynix. In addition, we have used funds for the acquisition of treasury shares, financing of our subscribers' handset purchases on installment payment plans and payment of retirement and severance benefits, as well as for the acquisition of additional frequency licenses.

To fund our scheduled debt repayment and planned capital expenditures over the next several years, we intend to rely primarily on funds provided by operations, as well as bank and institutional borrowings, and offerings of debt or equity in the domestic or international markets. We believe that these sources will be sufficient to fund our planned capital expenditures for 2012. Our ability to rely on these alternatives could be affected by the liquidity of the Korean financial markets or by Government policies regarding Won and foreign currency borrowings and the issuance of equity and debt. Our failure to make needed expenditures would adversely affect our ability to sustain subscriber growth and provide quality services and, consequently, our results of operations.

Capital Expenditures. The following table sets forth our actual capital expenditures for 2010 and 2011:

	Year Ended December 31,	
	2010	2011
	(In billions of Won)	
CDMA Network(1)	₩ 63.8	₩ 46.4
WCDMA Network	800.0	989.4
LTE Network(2)	—	233.7
WiBro Network(3)	124.9	28.2
Others(4)	1,153.6	1,662.9
Total	₩2,142.3	₩2,960.6

(1) Includes our basic CDMA and CDMA EV-DO networks.

(2) We commenced LTE service in July 2011.

(3) We commenced WiBro service in May 2006.

(4) Includes investments in infrastructure consisting of equipment necessary for the provision of data services and marketing, as well as investments in SK Broadband's fixed-line networks.

We set our capital expenditure budget for an upcoming year on an annual basis. Our actual capital expenditures in 2010 were Won 2,142.3 billion. Of such amount, we spent approximately Won 800.0 billion on capital expenditures related to upgrade and expansion of our WCDMA network, Won 124.9 billion related to development and expansion of our WiBro network, Won 465.0 billion related to general upkeep of our CDMA network and Won 752.4 billion on other capital expenditures and projects. Our actual capital expenditures in 2011 were Won 2,960.6 billion. Of such amount, we spent approximately 989.4 billion on capital expenditures related to upgrade and expansion of our WCDMA network, Won 233.7 billion related to building of our LTE network, Won 28.2 billion related to development and expansion of our WiBro network, Won 590.8 billion related to general upkeep of our CDMA network and Won 1,118.5 billion on other capital expenditures and projects.

We paid Won 650 billion of the Won 1.3 trillion as the cost of the IMT-2000 license in March 2001 and paid the remainder of the license cost in annual installments for a five-year period from 2007 through 2011. We are required to pay the cost of our additional WCDMA license for 2 x 10 MHz of spectrum in the 2.1 GHz band that we acquired in May 2010 in annual installments of Won 17.7 billion each year from 2012 through 2014. We are also required to pay license fees for the additional frequency licenses in the 800 MHz and 1.8 GHz spectrums that we acquired in 2011. The license fee for the 30 MHz bandwidth in the 800 MHz spectrum is Won 416.5 billion, of which Won 208.3 billion was paid in 2011 and the remainder is payable in annual installments from 2013 through 2015. The license fee for the 20 MHz bandwidth in the 1.8 GHz spectrum is Won 995.0 billion, of which Won 248.8 billion was paid in 2011 and the remainder is payable in annual installments through the end of the license period in 2021. For more information, see note 12 of the notes to our consolidated financial statements for the years ended December 31, 2010 and 2011.

In March 2005, we obtained a license from the Government to provide WiBro services and paid the related Won 117.0 billion WiBro license fee. We currently provide WiBro service to "hot zone" areas in 84 cities. We are planning to make additional capital expenditures in 2012 to build and expand our WiBro network to more extensive hot zone areas in the 84 cities. Our investment plans are subject to change depending on the market demand for WiBro services, the competitive landscape for similar services and development of competing technologies.

In addition, we have been making capital expenditures to build more advanced networks based on long term evolution, or LTE, technology, and commenced commercial LTE services in July 2011. We plan to make further capital investments to develop and expand LTE services in the future.

We expect that our capital expenditure amount in 2012 will be similar to that of 2011. Our expenditures will be for a range of projects, including investments in our backbone networks, investments to improve our WCDMA network-based products and services, investments to expand the coverage of our LTE network, investments in our wireless Internet-related and convergence businesses and funding for mid-to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course. However, our overall expenditure levels and our allocation among projects remain subject to many uncertainties. We may increase, reduce or suspend our planned capital expenditures for 2012 or change the timing and area of our capital expenditure spending from the estimates described above in response to market conditions or for other reasons. We may also make additional capital expenditure investments as opportunities arise. Accordingly, we periodically review the amount of our capital expenditures and may make adjustments based on the current progress of capital expenditure projects and market conditions. No assurance can be given that we will be able to meet any such increased expenditure requirements or obtain adequate financing for such requirements, on terms acceptable to us, or at all.

Repayment of Outstanding Debt. As of December 31, 2011, our principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases outstanding were as follows for the periods indicated:

Year Ending December 31,	Total
	(In billions of Won)
2012	₩ 92.2
2013	161.6
2014	161.6
After 2014	591.8

We note that no commercial bank in Korea may extend credit (including loans, guarantees and purchase of bonds) in excess of 20% of its shareholders' equity to any one borrower. In addition, no commercial bank in Korea may extend credit exceeding 25% of the bank's shareholders' equity to any one borrower and to any person with whom the borrower shares a credit risk.

Investments in New Businesses and Global Expansion and Other Needs. We may also require capital for investments to support our development of growing businesses areas, as well as the purchase of additional treasury shares and shares of our affiliates.

For example, in March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband, Korea's second-largest fixed-line operator, for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. In July 2009, we purchased additional shares of SK Broadband's common stock, and as a result, our current equity stake increased to 50.6%. We may make additional capital investments in order to develop SK Broadband's business in line with our growth strategy.

In September 2009, we also acquired a leased-line business and related ancillary businesses of SK Networks for the acquisition price of Won 892.8 billion. In connection with such acquisition, we also assumed liabilities of the businesses in the amount of Won 611.4 billion.

In February 2010, we purchased shares of Hana SK Card Co., Ltd. for a purchase price of Won 400 billion. As a result, we are a major shareholder of Hana SK Card Co., Ltd. with a 49% equity stake.

In July 2010, we acquired a 27.2% equity interest in Packet One Network, or P1, a Malaysian 4G WiMAX Telecommunications company and subsidiary of Green Packet Berhad, for US$101 million. In connection with P1's plan to increase its capital, we made an additional investment of MYR50 million (approximately US$16.3 million) in 2011, which increased our ownership interest to 28.2%. In March 2012, we made an additional investment of MYR 50.5 million by purchasing P1's convertible preferred shares. For a more detailed description of our investments in P1, see "Item 4. Information on the Company — Item 4.B. Business Overview — Global Business — Overseas Operations".

In February 2012, we acquired a 21.05% equity stake in Hynix Semiconductor Inc., or Hynix, the world's second-largest memory-chip maker by revenue, for an aggregate purchase price of approximately Won 3.4 trillion, and became its largest shareholder.

From time to time, we may make other investments in telecommunications or other businesses, in Korea or abroad, where we perceive attractive opportunities for investment. From time to time, we may also dispose of existing investments when we believe that doing so would be in our best interest.

Acquisition of Treasury Shares. From time to time, we acquire treasury shares through open market purchases. In a series of open market purchases in the period between July 26, 2010 and October 20, 2010, we acquired 1,250,000 shares of our common stock at an aggregate purchase price of Won 210.4 billion. In a series of open market purchases in the period between July 21, 2011 and September 28, 2011, we acquired 1,400,000 shares of our common stock at an aggregate purchase price of Won 208.0 billion. As of December 31, 2011, we held 11,050,712 shares of common stock as treasury shares and 69,694,999 shares of common stock were outstanding.

Financing of Installment Payment Plans. We had offered installment payment plans for new handset purchases by our new or existing subscribers before Hana SK Card, which is 51% owned by Hana Financial Group and 49% owned by us, took over this financing from us in September 2010. Under these plans, we provide financing to our new or existing subscribers who wish to purchase new handsets on credit and, in certain cases, charge fees or interest. As of December 31, 2011, short-term and long-term accounts receivable (other), each net of allowance for doubtful accounts, amounted to Won 908.8 billion and Won 5.4 billion, respectively, compared to Won 2,531.8 billion and Won 527.1 billion, respectively, as of December 31, 2010. These decreases were primarily because Hana SK Card has taken over this financing from us since September 2010, reducing the amount of our capital resources required to finance these installment payment plans.

Severance Payments. The total accrued and unpaid retirement and severance benefits for our employees as of December 31, 2011 of Won 85.9 billion was reflected in our consolidated financial statements as a liability, which is net of deposits with insurance companies totaling Won 102.2 billion to fund a portion of the employees' severance indemnities.

Also see "Item 6.D. Employees — Employee Stock Ownership Association and Other Benefits" and note 17 of the notes to our consolidated financial statements.

Dividends. Total payments of cash dividends amounted to Won 682.3 billion in 2010 and Won 668.3 billion in 2011.

In March 2012, we distributed annual dividends at Won 8,400 per share to our shareholders for an aggregate payout amount of Won 585.4 billion.

Contractual Obligations and Commitments

The following summarizes our contractual cash obligations at December 31, 2011, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

	Payments Due by Period(1)				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(In billions of Won)				
Bonds					
Principal	₩4,799.8	₩1,134.8	₩1,983.8	₩ 830.0	₩ 851.2
Interest	977.9	176.0	280.7	145.7	375.5
Long-term borrowings					
Principal	351.7	31.3	132.2	125.9	62.3
Interest	49.3	11.0	21.3	10.0	7.0
Capital lease obligations					
Principal	73.2	31.3	38.7	3.2	—
Interest	5.1	2.9	2.1	0.1	—
Operating leases	—	—	—	—	—
Facility deposits	8.0	4.5	—	—	3.5
Derivatives	4.6	4.6	—	—	—
Other long-term payables(2)					
Principal	1,007.2	92.2	323.2	218.7	373.1
Interest	148.8	31.6	52.1	31.5	33.6
Short-term borrowings	700.7	700.7	—	—	—
Total contractual cash obligations	₩8,126.3	₩2,220.9	₩2,834.1	₩1,365.1	₩1,706.2

(1) We are contractually obligated to make severance payments to eligible employees we have employed for more than one year, upon termination of their employment, regardless of whether such termination is voluntary or involuntary. Accruals for severance indemnities are recorded based on the amount we would be required to pay in the event the employment of all our employees were to terminate at the balance date. However, we have not yet estimated cash flows for future periods. Accordingly, payments due in connection with severance indemnities have been excluded from this table.

(2) Related to acquisition of frequency licenses. See note 14 of the notes to our consolidated financial statements.

See note 29 of the notes to our consolidated financial statements for details related to our other commitments and contingencies.

Transition to IFRS Starting in 2011

In March 2007, the Government announced that all companies listed on the Korea Exchange, including us, would be required to comply with the International Financial Reporting Standards ("IFRS") adopted for use in Korea starting January 1, 2011, with a transition date of January 1, 2010. In addition, for our SEC filing requirements we are required to comply with IFRS as issued by the International Accounting Standard Board ("IASB"). Starting in the first quarter of 2011, we have prepared and reported our financial statements under IFRS as adopted for use in Korea and publish such financial statements on the website of the Financial Supervisory Service of Korea as required under the applicable regulations and listing rules of the Korea Exchange. For our continued SEC reporting obligations, we have prepared and will report our financial statements under IFRS as adopted for use in Korea and IFRS as issued by the IASB.

Critical Accounting Policies, Estimates And Judgments

Our consolidated financial statements are prepared in accordance with IFRS. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. We continually evaluate our estimates and judgments including those related to allowances for doubtful accounts, fair value measurement of financial instruments, estimated useful lives and impairment of long-lived assets, impairment of goodwill, provisions, deferred revenue relating to initial subscription fees, retirement benefit plans and income taxes. We base our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe that of our significant accounting policies, the following may involve a higher degree of judgment or complexity:

Allowances for Doubtful Accounts

An allowance for doubtful accounts is provided based on a review of the status of individual receivable accounts at the end of the year. We maintain allowances for doubtful accounts for estimated losses that result from the inability of our customers to make required payments. We base our allowances on the likelihood of recoverability of accounts receivable based on the aging of accounts receivables at the end of the period, past customer default experience and their credit status, and economic and industrial factors. If economic or specific industry trends worsen beyond our estimates, we increase our allowances for doubtful accounts by recording additional expenses.

Fair Value Measurement of Financial Instruments

Subsequent to initial recognition, available-for-sale financial assets and derivative financial assets are stated at fair value with any gains or losses arising on remeasurement recognized in net income or other comprehensive income. When measuring fair value, we use quoted prices in active markets to the extent such prices exist. The fair values of financial instruments, including derivative instruments, that are not traded in an active market is determined by using valuation techniques that require our management's judgments on the expected future cash flows and discount rates. Our management uses its judgment to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period. See note 4 of the notes to our consolidated financial statements.

Estimated Useful Lives

We estimate the useful lives of long-lived assets in order to determine the amount of depreciation and amortization expense to be recorded during any reporting period. The useful lives are estimated at the time the asset is acquired and are based on historical experience with similar assets as well as taking into account anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

Impairment of Long-lived Assets Including the Frequency Usage Rights

Long-lived assets generally consist of property, plant and equipment and intangible assets. We review our depreciation and amortization method, estimated useful lives and residual values of long-lived assets at the end of each annual reporting period. An impairment loss would be recognized when the asset's recoverable amount is less than its carrying amount. The recoverable amount of a long-lived asset is the greater of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amounts of cash-generating units are determined based on value-in-use calculations, which require the use of estimates. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the estimated recovery value.

Our intangible assets include the frequency usage rights, which have contractual lives of six to 15 years and are amortized from the date commercial service is initiated through the end of their contractual lives. Because the use of frequency usage rights presents risks and challenges to our business, any or all of which, if realized or not properly addressed, may have a material adverse effect on our financial condition, results of operations and cash flows, we review the frequency usage rights for impairment on an annual basis. In connection with our review, we utilize the estimated long-term revenue and cash flow forecasts. The use of different assumptions within our cash flow model could result in different amounts for the frequency usage rights. The results of our review using the testing method described above did not indicate any need to impair the frequency usage right for 2011. See note 12 of the notes to our consolidated financial statements.

Impairment of Goodwill

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer's previously held equity interest in the acquiree (if any), over the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not depreciated, but tested for impairment at the end of each annual reporting period or whenever there is an indication that the asset may be impaired. Goodwill is carried at cost less accumulated impairment losses and the impairment losses are not reversed. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires our management to estimate the future cash flows expected related to the respective cash-generating unit and the determination of an appropriate discount rate in order to calculate present value. See note 11 of the notes to our consolidated financial statements.

Provisions for Handset Subsidy, Point Program and Restoration

We provide handset subsidies to subscribers who purchase handsets on an installment basis. When the subscribers agree to use our services for a predetermined service period and purchase handsets on an installment basis, the subsidies are paid every month over the installment period and we estimate a provision for handset subsidies to be paid, which is recognized as commissions paid in operating expenses at the time telecommunication service contracts are made.

For our marketing purposes, we grant Rainbow Points and Point Box Points to our subscribers based on their usage of our services. We estimate a provision for such points based on the historical usage experience and our marketing policy. Such provision is recorded as provisions or long-term provisions in accordance with the expected points' usage duration from the end of the reporting period. Points expire after five years and all unused points are expired on their fifth anniversary.

We estimate restoration costs required to restore leased premises on which our cell sites and switching equipment are located after termination of the leases. These restoration costs are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on our management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the relevant liability. Forecasts of estimated future provisions are revised in light of future changes in business conditions or technological requirements. See note 15 of the notes to our consolidated financial statements.

Deferred Revenue relating to Initial Subscription Fees

We charge initial subscription fees related to activation of many of our services, which are deferred and recognized as revenue over the expected terms of customer relationships. Our estimate of expected terms of customer relationship is based on the historical rate, which may differ in the future. If the management's estimation is amended, it may cause significant differences in the timing of revenue recognition and amount recognized.

Retirement Benefit Plans

We have defined retirement benefit plans. The cost of providing benefits under the plan is determined using an actuarial valuation method that requires management assumptions on discount rates, expected rate of salary increase and expected rate of return on plan assets. These assumptions involve critical uncertainties due to the long-term nature of the retirement benefit plans. See note 17 of the notes to our consolidated financial statements.

Income Taxes

We are required to estimate the amount of tax payable or refundable for the current year and the deferred income tax liabilities and assets for the future tax consequences of events that have been reflected in our financial statements or tax returns. This process requires management to make assessments regarding the timing and probability of the tax impact. Actual income taxes could vary from these estimates due to future changes in income tax law or unpredicted results from the final determination of each year's liability by taxing authorities.

We believe that the accounting estimate related to establishing tax valuation allowances is a "critical accounting estimate" because (i) it requires management to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning opportunities, and (ii) the impact that changes in actual performance versus these estimates could have on the realization of tax benefits as reported in our results of operations could be material. Management's assumptions require significant judgment because actual performance has fluctuated in the past and may continue to do so. See note 24 of the notes to our consolidated financial statements.

Item 5.C. Research and Development, Patents and Licenses, etc.

Overview

We maintain a high level of spending on our internal research activity. We also donate funds to several Korean research institutes and educational organizations that focus on research and development activity. We believe that we must maintain a substantial in-house technology capability to achieve our strategic goals.

The following table sets forth our annual research and development expenses:

	As of and for the Year Ended December 31,	
	2010	2011
	(In billions of Won)	
Internal R&D Expenses	₩270.4	₩271.4
External R&D Expenses	81.6	20.0
Total R&D Expenses	₩352.0	₩291.4

Our total research and development expenses were approximately 2.3% in 2010 and 1.8% in 2011, respectively, of operating revenue.

Our external research and development expenses have been influenced by the Ministry of Knowledge Economy, which makes annual recommendations concerning our minimum level of contribution to the

Government-run Fund for Development of Information and Telecommunications. The minimum level of contribution recommended by the Ministry of Knowledge Economy was 0.75% for each of 2010 and 2011. We are not obligated to make donations to any other external research institutes.

Internal Research and Development

The main focus of our internal research and development activity is the development of new wireless technologies and services and value-added technologies and services for our CDMA-based, WCDMA-based, LTE-based and WiBro networks, such as wireless data communications, as well as development of new technologies that reflect the growing convergence between telecommunications and other industries. We spent approximately Won 271.4 billion on internal research and development in 2011.

Our internal research and development activity is centered at a research center with state-of-the-art facilities and equipment established in January 1999 in Bundang-gu, Sungnam-si, Kyunggi-do, Korea. To more efficiently manage our research and development resources, our research and development center is organized into three core areas:

- The *network technology R&D center,* which has pioneered the development of 3G, 3.5G and 4G technologies. This center is developing next-generation network technologies, as well as core network equipment and new services. Current projects include the improvement of LTE technology and the next generation transmission technology and the development of data femtocell and hybrid access points to improve network coverage, as well as location-based services and mobile voice blogging service.

- The *IT R&D center,* which focuses on improving the quality and operation of our core networks; building a flexible service infrastructure that will support the introduction of new products and services and enable easy maintenance; and developing new services based on customer needs.
- The *emerging technology R&D center,* which is responsible for developing industry productivity enhancement solutions and other new technologies. Current projects include the development of an intelligent video security system, intelligent audio system, smart audio technology and quantum technology.
- The *health care center,* which develops diagnostic instruments and chemicals, by combining information technology and health care technology and analyzing computer data relating to health information.

Each business unit also has its own research team that can concentrate on specific short-term research needs. Such research teams permit our research center to concentrate on long-term, technology-intensive research projects. We aim to establish strategic alliances with selected domestic and foreign companies with a view to exchanging or jointly developing technologies, products and services.

External Research and Development

In addition to conducting research in our own facilities, we have been a major financial supporter of other Korean research institutes, and we have helped coordinate the Government's effort to commercialize CDMA-based, WCDMA-based, LTE-based and WiBro technology. We do not independently own intellectual property rights in the technologies or products developed by any external research institute.

Item 5.D. *Trend Information*

These matters are discussed under Item 5.A. and Item 5.B. above where relevant.

Item 5.E. *Off-Balance Sheet Arrangements*

None.

Item 5.F. *Tabular Disclosure of Contractual Obligations*

These matters are discussed under Item 5.B. above where relevant.

Item 5.G. *Safe Harbor*

These matters are discussed under "Forward-Looking Statements."

Item 6. *DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES*

Item 6.A. *Directors and Senior Management*

Our board of directors has ultimate responsibility for the management of our affairs. Under our articles of incorporation, our board is to consist of at least three but no more than twelve directors, more than half of whom must be independent non-executive directors. We currently have a total of eight directors, five of whom are independent non-executive directors. We elect our directors at a general meeting of shareholders with the approval of at least a majority of those shares present or represented at such meeting. Such majority must represent at least one-fourth of our total issued and outstanding shares with voting rights.

As required under relevant Korean laws and our articles of incorporation, we have a committee for recommendation of independent non-executive directors within the board of directors, the Independent Director Nomination Committee. Independent non-executive directors are appointed from among those candidates recommended by the Independent Director Nomination Committee.

The term of offices for directors is until the close of the third annual general shareholders meeting convened after he or she commences his or her term. Our directors may serve consecutive terms. Our shareholders may remove them from office by a resolution at a general meeting of shareholders adopted by the holders of at least two-thirds of the voting shares present or represented at the meeting, and such affirmative votes also represent at least one-third of our total voting shares then issued and outstanding.

Representative directors are directors elected by the board of directors with the statutory power to represent our company.

The following are the names and positions of our standing and non-standing directors. The business address of all of our directors is the address of our registered office at SK T-Tower, 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea.

Standing directors are our full-time employees and executive officers, and they also comprise the senior management, or the key personnel who manage us. Their names, dates of birth and positions at our company and other positions are set forth below:

Name	Date of Birth	Director Since	Expiration of Term	Position	Other Principal Directorships and Positions	Business Experience
Sung Min Ha	Mar. 24, 1957	2011	2014	President & Chief Executive Officer	—	Head of Mobile Network Operator Business, SK Telecom; CFO & Head of Strategic Planning Office, SK Telecom
Young Tae Kim . . .	Nov. 17, 1955	2012	2015	Executive Director	Chief Executive Officer, SK Holdings	Head of Labor Relations, SK Holdings; Head of Ulsan CLX, SK Energy; Head of Corporate Culture, SK Holdings
Dong Seob Jee	Jul. 7, 1963	2012	2015	Head of Corporate Vision Department	—	Head of Corporate Strategy Department, Head of Marketing Strategy Department, and Head of MNO Strategy Department, SK Telecom

Our current non-standing directors are as set forth below:

Name	Date of Birth	Director Since	Expiration of Term	Position	Other Principal Directorships and Positions	Business Experience
Hyun Chin Lim	Apr. 26, 1949	2012	2015	Independent Non-executive Director	Professor, College of Social Science, Seoul National University	President, Korea Sociological Association; Dean, College of Social Science, Seoul National University; President, Korean Association of NGO Studies
Dal Sup Shim	Jun. 27, 1950	2010	2013	Independent Non-executive Director	Senior Visiting Research Fellow, Institute for Global Economics	Auditor, Korea Technology Investment Corp.; Auditor, Korea Credit Guarantee Fund; Financial Attaché, Korean Embassy in the United States; Audit Officer, Korea Customs Service; Director General for Customs & Tariff, Ministry of Finance and Economy
Rak Young Uhm	Jun. 23, 1948	2011	2014	Independent Non-executive Director	Visiting Professor Chung-Ang University	Independent Non-executive Director, Tong Yang Insurance Co., Ltd., Non-Standing Director KOTRA; President, Korea Development Bank; Vice Minister, Ministry of Finance and Economy
Jay Young Chung	Oct. 15, 1944	2011	2014	Independent Non-executive Director	Honorary Professor, Sung Kyun Kwan University	Chief, Asia-Pacific Economic Association; Vice President, Sung Kyun Kwan University; Independent Non-executive Director, POSCO
Jae Ho Cho	Jan. 18, 1955	2011	2014	Independent Non-executive Director	Professor, College of Business Administration, Seoul National University	Director, Kyung Hee Foundation; Chair, Sub-committee for Capital Market Development, Financial Services Commission; Visiting Professor, Graduate School of Economics, University of Tokyo

Involvement in Certain Legal Proceedings

In January 2012, Seoul Central Prosecutors' Office indicted Mr. Jae Won Chey, our director at the time, and Mr. Tae Won Chey, the Chairman and Chief Executive Officer of SK Holdings, on charges of embezzlement and criminal breach of fiduciary duty alleging that they misappropriated Won 46.85 billion of our corporate funds and additional funds of our affiliates. The case is currently pending at Seoul Central District Court.

Item 6.B. *Compensation*

The aggregate of the remuneration paid and in-kind benefits granted to the directors (both standing directors, who also serve as our executive officers, and non-standing directors) during the year ended December 31, 2011 totaled approximately Won 10.48 billion.

Remuneration for the directors is determined by shareholder resolution. Severance allowances for directors are determined by the board of directors in accordance with our regulation on severance allowances for officers, which was adopted by shareholder resolution. The regulation provides for monthly salary, performance bonus, severance payment and fringe benefits. The amount of performance bonuses is independently decided by a resolution of the board of directors.

In March 2002, pursuant to resolutions of the shareholders, and in accordance with our articles of incorporation, certain of our directors and officers were granted options to purchase our common shares, which have all expired without being exercised. Since 2003, none of our directors and officers have been granted options to purchase our common shares.

Item 6.C. *Board Practices*

For information regarding the expiration of each director's term of appointment, as well as the period from which each director has served in such capacity, see the table set out under "Item 6.A. Directors and Senior Management", above.

Termination of Directors, Services

Directors are given a retirement and severance payment upon termination of employment in accordance with our internal regulations on severance payments. Upon retirement, directors who have made significant contributions to our company during their term may be appointed to serve either as an advisor to us or as an officer of an affiliate company.

Audit Committee

Under relevant Korean laws and our articles of incorporation, we are required to have an audit committee under the board of directors. The committee is composed of at least three members, two-thirds of whom must be independent non-executive directors in accordance with applicable rules. The members of the audit committee are appointed annually by a resolution of the general meeting of shareholders. They are required to:

- examine the agenda for the general meeting of shareholders;
- examine financial statements and other reports to be submitted by the board of directors to the general meeting of shareholders;
- review the administration by the board of directors of our affairs; and
- examine the operations and asset status of us and our subsidiaries.

In addition, the audit committee must appoint independent auditors to examine our financial statements. An audit and review of our financial statements by independent auditors is required for the purposes of a securities report. Listed companies must provide such report on an annual, semi-annual and quarterly basis to the Financial Services Commission of Korea, or the FSC, and the KRX KOSPI Market.

Our audit committee is composed of four independent non-executive directors: Dal Sup Shim, Hyun Chin Lim, Jae Ho Cho and Jay Young Chung, each of whom is financially literate and independent under the rules of the New York Stock Exchange as applicable. The board of directors has determined that Jae Ho Cho is an "audit committee financial expert" as defined under the applicable rules of the SEC. See "Item 16A. Audit Committee Financial Expert".

Independent Director Nomination Committee

This committee is devoted to recommending independent non-executive directors for the board of directors. The objective of the committee is to help promote fairness and transparency in the nomination of candidates for these positions. The board of directors decides from time to time who will comprise the members of this committee. The committee is comprised of two executive directors and two independent directors.

Capex Review Committee

This committee is responsible for reviewing our business plan (including the budget). It also examines major capital expenditure revisions, and routinely monitors capital expenditure decisions that have already been executed. The committee is comprised of one executive director and three independent directors.

Compensation Review Committee

This committee oversees our overall compensation scheme for top-level executives and directors. It is responsible for reviewing both the criteria for and level of compensation. It is comprised of all independent directors, Hyun Chin Lim, Dal Sup Shim, Rak Young Uhm, Jay Young Chung and Jae Ho Cho.

Corporate Citizenship Committee

This committee was established to help us achieve world-class sustainable growth and to help us fulfill our corporate social responsibilities. It is comprised of one executive director and three independent directors.

Item 6.D. Employees

The following table sets forth the numbers of our regular employees, temporary employees and total employees as of the dates indicated:

	Regular Employees	Temporary Employees	Total
December 31, 2009	9,298	1,416	10,714
December 31, 2010	15,490	4,653	20,143
December 31, 2011	15,480	5,475	20,955

The number of our employees increased in 2010 primarily due to the establishment in 2010 of Service Ace Co., Ltd., Service Top Co., Ltd. and Network O&S Co., Ltd., our wholly-owned subsidiaries engaged in customer service and network maintenance. Employees of these subsidiaries were previously employed by third-party outsourcing companies.

Labor Relations

As of December 31, 2011, we had a company union comprised of 15,480 regular employees. We have never experienced a work stoppage of a serious nature. Every two years, the union and management negotiate and enter into a new collective bargaining agreement that has a two-year duration, which is focused on employee benefits and welfare. Employee wages are separately negotiated on an annual basis. Our wage negotiations completed in June 2009 resulted in a wage freeze for 2009. Our wage negotiations completed in December 2010 resulted in an average wage increase of 2.5% for 2010 from 2009. Our wage negotiations for 2011 completed in September 2011 resulted in an average wage increase of 3%. Our wage negotiations for 2012 have not commenced yet. We consider our relations with our employees to be good.

Employee Stock Ownership Association and Other Benefits

Since April 1999, we have been required to contribute an amount equal to 4.5% of employee wages toward a national pension plan. Employees are eligible to participate in an employee stock ownership association. We are not required to, and we do not, make any contributions to the employee stock ownership association, although we subsidize the employee stock ownership association through the Employee Welfare Fund by providing low interest rate loans to employees who desire to purchase our stock through the plan in the event of a capitalization by the association. On December 26, 2007 and January 23, 2008, we loaned Won 31.0 billion and Won 29.7 billion, respectively, to our employee stock ownership association to help fund the employee stock ownership association's acquisition of our treasury shares. Such loans are repaid over a period of five years, beginning on the second anniversary of each loan date. As of March 31, 2012, the employee stock ownership association owned approximately 0.37% of our issued common stock.

We are required to pay a severance amount to eligible employees who voluntarily or involuntarily cease employment with us, including through retirement. This severance amount is based upon the employee's length of service with us and the employee's salary level at the time of severance. As of December 31, 2011, the accrued and unpaid retirement and severance benefits of Won 188.1 billion for all of our employees are reflected in our consolidated financial statements as a liability, of which a total of Won 102.2 billion was funded. Under Korean laws and regulations, we are prevented from involuntarily terminating a full-time employee except under certain limited circumstances. In September 2002, we entered into an employment stabilization agreement with the union. Among other things, this agreement provides for a one-year guarantee of the same wage level in the event that we reorganize a department into a separate entity or we outsource an employee to a separate entity where the wage is lower.

Under the Basic Labor Welfare Act, we may also contribute up to 5% of our annual earnings before tax for employee welfare. Contribution amounts are determined annually following negotiation with the union. The contribution amount for 2010, which was decided in December 2010, was set at 1.09% of our earnings before tax, or Won 27.2 billion. The contribution amount for 2011, which was decided in December 2011, was set at 0.4% of our earnings before tax, or Won 10.0 billion.

In addition, we provide our employees with miscellaneous other fringe benefits including housing loans, free medical examinations, subsidized on-site child care facilities and sabbatical programs for long-term employees.

Item 6.E. *Share Ownership*

The following table sets forth the share ownership by our standing and non-standing directors as of March 31, 2012:

Name	Position	Number of Shares Owned	Percentage of Total Shares Outstanding	Special Voting Rights	Options
Standing Directors:					
Sung Min Ha	President & Chief Executive Officer	738	0	None	None
Young Tae Kim	Executive Director	0	0	None	None
Dong Seob Jee	Head of Corporate Vision Department	0	0	None	None
Non-Standing Directors:					
Hyun Chin Lim	Independent Non-executive Director	0	0	None	None
Dal Sup Shim	Independent Non-executive Director	0	0	None	None
Rak Young Uhm	Independent Non-executive Director	0	0	None	None
Jay Young Chung	Independent Non-executive Director	0	0	None	None
Jae Ho Cho	Independent Non-executive Director	0	0	None	None

Item 7. *MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS*

Item 7.A. *Major Shareholders*

As of the close of our shareholders' registry on December 31, 2011, approximately 59.7% of our issued shares were held in Korea by approximately 39,652 shareholders. According to Citibank, N.A., depositary for our American Depositary Receipts, as of December 31, 2011, there were 19,353 U.S. holders of record of our American Depositary Receipts evidencing ADSs, and 21,711,446 shares of our common stock were held in the form of ADSs. As of such date, outstanding ADSs represented approximately 26.89% of our outstanding common stock.

The following table sets forth certain information as of March 31, 2012 with respect to any person known to us to be the beneficial owner of more than 5.0% of the shares of our common stock and with respect to the total amount of such shares owned by our employees and our officers and directors, as a group:

Shareholder/Category	Number of Shares	Percentage Total Shares Issued	Percentage Total Shares Outstanding
Domestic Shareholders			
SK Holdings	20,363,452	25.22%	29.22%
Employees(1)	299,241	0.37	0.43
Treasury shares(2)	11,050,712	13.69	N/A
Officers and Directors	7,417	0.01	0.01
Other Domestic Shareholders	14,176,382	17.56	20.34
Foreign Shareholders(3)			
Tradewinds Global Investors, LLC	3,804,257	4.71	5.46
Other Foreign Shareholders	31,044,250	38.45	44.54
Total Issued Shares(4)	80,745,711	100%	—%
Total Outstanding Shares(5)	69,694,999	—	100%

(1) Represents shares owned by our employee stock ownership association. See "Item 6.D. Employees".

(2) Treasury shares do not have any voting rights; includes 2,308,406 treasury shares that were deposited with Korea Securities Depository to be reserved and used to satisfy the conversion rights of the holders of US$332.5 million in 1.75% convertible notes that were sold in April 2009.

(3) Based on the data collected by the KRX KOSPI Market under the Foreign Exchange Transaction Laws.

(4) On January 9, 2009, the Company purchased (using retained earnings) and cancelled 448,000 common shares. As a result of such retirement of common shares, the total number of shares decreased to 80,745,711 from 89,278,946 which is the total number of shares issued to date.

(5) Represents total issued shares excluding treasury shares.

The following table sets forth significant changes in the percentage ownership held by our major shareholders during the past three years:

Shareholder	As of December 31, 2010	As of December 31, 2011
	(As a percentage of total issued shares)(1)	
SK Group(2)	23.22%	25.22%
SK Holdings	23.22	25.22
POSCO(3)	2.90	2.90

(1) Includes 9,650,712 and 11,050,712 shares held in treasury as of December 31, 2010 and 2011, respectively.

(2) SK Group's ownership interest as of December 31, 2010 and 2011 consisted of the ownership interest of SK Holdings only.

(3) POSCO acquired these shares in connection with our acquisition of a 27.7% equity interest in Shinsegi.

Except as described above, other than companies in the SK Group and POSCO, no other persons or entities known by us to be acting in concert, directly or indirectly, jointly or severally, own in excess of 5.0% of our total shares outstanding or exercise control or could exercise control over our business.

On July 1, 2007, the company formerly known as SK Corporation underwent a corporate reorganization, pursuant to which SK Corporation spun off substantially all of its operating business divisions into a newly established corporation named SK Energy Co., Ltd. The surviving company currently operates as a holding company, renamed SK Holdings Co., Ltd. Ownership of all our shares held by SK Corporation immediately preceding the reorganization passed to SK Holdings as of July 1, 2007.

As of March 31, 2012, SK Holdings held 25.22% of our shares of common stock. For a description of our foreign ownership limitation, see "Item 3.D. Risk Factors — If SK Holdings causes us to breach the foreign ownership limitations on shares of our common stock, we may experience a change of control" and "Item 4.B. Business Overview — Law and Regulation — Foreign Ownership and Investment Restrictions and Requirements". In the event that SK Holdings announces plans of a sale of our shares, we expect to be able to discuss the details of such sale with them in advance and will endeavor to minimize any adverse effects on our share prices as a result of such sale.

As of March 31, 2012, the total number of shares of our common stock outstanding was 69,694,999.

Other than as disclosed herein, there are no other arrangements, to the best of our knowledge, which would result in a material change in the control of us. Our major shareholders do not have different voting rights.

Item 7.B. *Related Party Transactions*

SK Networks

In September 2009, we acquired the leased-line business and related ancillary businesses from SK Networks for Won 892.76 billion and assumed Won 611.44 billion of debt as part of the transaction. Prior to such acquisition, KT and SK Networks provided a substantial majority of our leased lines. For a more detailed discussion of the lines we lease from fixed-line operators, see "Item 4.B. Business Overview — Digital Cellular Network — Network Infrastructure".

As of December 31, 2011, we had Won 24.4 billion of accounts receivables from SK Networks. As of the same date, we had Won 158.9 billion of accounts payable to SK Networks, mainly consisting of commissions to dealers owned by SK Networks.

Other Related Parties

On July 22, 2003, we acquired 2,481,310 shares of POSCO common stock held by SK Holdings at a price of Won 134,000 per share in accordance with a resolution of our board of directors dated July 22, 2003. We decided to purchase the shares for strategic reasons in order to address overhang concerns arising from POSCO's ownership of our shares. As of December 31, 2011, POSCO owned 2.9% of our shares.

We are a party to an agreement with SK C&C pursuant to which SK C&C provides us with system maintenance services. This agreement will expire on December 31, 2013. We also enter into agreements with SK C&C from time to time for specific information technology-related projects. The aggregate fees we paid to SK C&C for information technology services amounted to Won 316.4 billion in 2010 and Won 321.4 billion in 2011. We also purchase various information technology-related equipment from SK C&C from time to time. The total amount of such purchases was Won 270.9 billion in 2010 and Won 299.2 billion for 2011. We are a party to several service agreements with SK C&C relating to the development and maintenance of our information technologies systems.

We are part of the SK Group of affiliated companies. See "Item 7.A. Major Shareholders" As disclosed in note 28 of the notes to our consolidated financial statements, we had related party transactions with a number of affiliated companies of the SK Group during the year ended December 31, 2011.

Item 7.C. *Interests of Experts and Counsel*

Not applicable.

Item 8. *FINANCIAL INFORMATION*

Item 8.A. *Consolidated Statements and Other Financial Information*

See "Item 18. Financial Statements" and pages F-1 through F-94.

Legal Proceedings

FTC Proceedings

In December 2006, the FTC fined us Won 330 million in respect of certain allegedly anti-competitive tactics we employed in connection with MelOn, our digital music portal. We paid such fine in April 2007 and filed an appeal at the Seoul High Court, an appellate court. The Seoul High Court entered a judgment in our favor, which was affirmed by the Supreme Court of Korea in October 2011. Pursuant to the court's judgment, we were refunded the fine amount.

In January 2009, the FTC fined us Won 1.3 billion for our activities allegedly restricting competition in markets for wireless Internet services. We paid such fine in March 2009.

In February 2009, the FTC fined us Won 500 million for our activities allegedly restricting competition in markets for personal digital assistant, or PDA, devices. We paid such fine in April 2009 and filed an appeal at the Seoul High Court. The Seoul High Court entered a judgment in our favor in April 2010, which was affirmed by the Supreme Court of Korea in August 2010. Pursuant to the court's judgment, we were refunded the fine amount.

In June 2011, the FTC fined us Won 2.0 billion and Loen Entertainment Inc., our consolidated subsidiary, Won 8.7 billion for activities allegedly restricting competition in markets for digital music services. We and Loen Entertainment paid such fine in August 2011 and filed an appeal at the Seoul High Court, where the case is currently pending.

In March 2012, the FTC fined us Won 20.3 billion for allegedly colluding with KT, LG U+, Samsung Electronics, LG Electronics and Pantech (which were also assessed separate fines) to inflate the prices of handsets while advertising that the handsets are offered at a discount through subsidy plans. We currently plan to file an appeal.

MIC and KCC Proceedings

On December 30, 2008, we were fined in the amount of Won 50 million for a violation of Telecommunications Law involving the mismanagement of privacy policy. We paid such fine in January 2010.

On October 13, 2009, the KCC ordered us to pay Won 140 million and publish a newspaper notice in a case relating to the subscription for mobile telephone services using national identification numbers of the deceased and our failure to verify the required documents. We paid such fine in November 2009.

On December 2, 2010, the KCC ordered us to pay a fine of Won 6.2 billion alleging that we had improperly charged subscribers for wireless data transmitted without their request. We paid such fine in March 2011.

On September 19, 2011, the KCC ordered us to pay a fine of Won 6.9 billion and issued a correction order for providing discriminatory subsidies to subscribers. We paid such fine in October 2011 and completed the improvement of the relevant procedures in January 2012.

SK Broadband Litigation

Since April 2008, customers of SK Broadband (then Hanarotelecom Incorporated) have filed lawsuits against SK Broadband in the Seoul Central District Court, alleging that subscribers' personal information was leaked due to the company's poor data protection policies. The plaintiffs also alleged that current and former employees were involved in the sale of subscribers' personal information, including resident registration identification numbers, telephone numbers and mailing addresses. In July 2011, the Seoul Central District Court rendered a judgment that accepted the plaintiffs' claims in part, ordering a payment of Won 100,000 to Won 200,000 to each plaintiff who did not consent to the sale of personal information, which amounted to an aggregate of approximately Won 4.5 billion compared to the plaintiffs' claims of approximately Won 24.7 billion. As of March 31, 2012, the case was pending at the appellate court after appeals by both SK Broadband and the plaintiffs.

SK Communications Litigation

In July 2011, a leak of personal information of subscribers of Nate and Cyworld websites operated by SK Communications Co., Ltd., our consolidated subsidiary, occurred. As of December 31, 2011, seven lawsuits were filed on behalf of approximately 4,000 plaintiffs against SK Communications, alleging that the leak was caused by its poor management of subscribers' personal information and seeking damages of approximately Won 4.0 billion. On April 26, 2012, Gumi City Court rendered a judgment that accepted a plaintiff's claim in part, ordering a payment of Won 1 million to him, while other cases remain pending at various district courts in Korea. SK Communications is considering an appeal of Gumi City Court's judgment.

ColoRing Litigation

In May 2010, Korea Music Copyright Association ("KOMCA") filed a lawsuit against us seeking license fees for our "ColoRing" service that plays music as ring tones. In February 2011, the court rendered a judgment against us ordering us to pay Won 570 million to KOMCA, which was affirmed by the appellate court in October 2011. We appealed the decision to the Supreme Court of Korea in November 2011. While we do not expect that the outcome of the litigation would have a material adverse impact on our business or results of operations, we may be required to pay on-going license fees to KOMCA if the final judgment is rendered against us.

Except as described above, neither we nor any of our subsidiaries are involved in any litigation, arbitration or administrative proceedings relating to claims which may have, or have had during the twelve months preceding the date hereof, a significant effect on our financial position or the financial position of our subsidiaries taken as a whole, and, so far as we are aware, no such litigation, arbitration or administrative proceedings are pending or threatened.

Dividends

Annual dividends, if any, on our outstanding shares must be approved at the annual general meeting of shareholders. This meeting is generally held in March of the following year, and the annual dividend is generally paid shortly after the meeting. Since our shareholders have discretion to declare annual dividends, we cannot give any assurance as to the amount of dividends per share or that any dividends will be declared at all. Interim dividends, if any, can be approved by a resolution of our board of directors. Once declared, dividends must be claimed within five years, after which the right to receive the dividends is extinguished and reverted to us.

We pay cash dividends to the ADR depositary in Won. Under the terms of the deposit agreement, cash dividends received by the ADR depositary generally are to be converted by the ADR depositary into Dollars and distributed to the holders of the ADSs, less withholding tax, other governmental charges and the ADR depositary's fees and expenses. The ADR depositary's designated bank in Korea must approve this conversion and remittance of cash dividends. See "Item 10.B. Memorandum and Articles of Incorporation — Description of American Depositary Shares" and "Item 10.D. Exchange Controls — Korean Foreign Exchange Controls and Securities Regulations".

The following table sets forth the dividend per share and the aggregate total amount of dividends declared (including any interim dividends), as well as the number of outstanding shares entitled to dividends, with respect to the years indicated. The dividends set out for each of the years below were paid in the immediately following year.

Year Ended December 31,	Dividend per Share	Total Amount of Dividends	Number of Shares Entitled to Dividend
	(In Won)	(In billions of Won)	
2007	₩9,400	₩682.4	72,584,677
2008	9,400	682.0	72,524,203
2009	9,400	680.0	72,344,999
2010	9,400	669.5	71,094,999
2011	9,400	656.5	69,694,999

We distribute dividends to our shareholders in proportion to the number of shares owned by each shareholder. The common shares represented by the ADSs have the same dividend rights as other outstanding common shares.

Holders of non-voting shares are entitled to receive dividends in priority to the holders of common shares. The dividend on the non-voting shares is between 9.0% and 25.0% of the par value as determined by the board of directors at the time of their issuance. If the dividends for common shares exceed the dividends for non-voting shares, the holders of non-voting shares will be entitled to participate in the distribution of such excess amount with the holders of common shares. If the amount available for dividends is less than the aggregate amount of the minimum required dividend, holders of non-voting shares will be entitled to receive such accumulated unpaid dividend from dividends payable in the next fiscal year before holders of common shares. There are no non-voting shares issued or outstanding.

We declare dividends annually at the annual general meeting of shareholders which is generally held within three months after the end of the fiscal year. We pay the annual dividend shortly after the annual general meeting to the shareholders of record or registered pledges as of the end of the preceding fiscal year. We may distribute the annual dividend in cash or in shares. However, a dividend of shares must be distributed at par value. Dividends in shares may not exceed one-half of the annual dividend. Our obligation to pay dividend expires if no claim to dividend is made for five years from the payment date.

Under the Korean Commercial Code, we may pay an annual dividend only out of the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital and (2) the total amount of our capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period. In addition, we may not pay an annual dividend unless we have set aside as a legal reserve an amount equal to at least 10% of the cash portion of the annual dividend or until we have accumulated a legal reserve of not less than one-half of our stated capital. We may not use our legal reserve to pay cash dividends but may transfer amounts from our legal reserve to capital stock or use our legal reserve to reduce an accumulated deficit.

In addition, the Korean Commercial Code and our articles of incorporation provide that, in addition to annual dividends, we may pay interim dividends once during each fiscal year. Unlike annual dividends, the decision to pay interim dividends can be made by a resolution of the board of directors and is not subject to shareholder approval. Any interim dividends must be paid in cash to the shareholders of record as of June 30 of the relevant fiscal year. In August 2011, we distributed such interim dividends at Won 1,000 per share to our shareholders for a total amount of approximately Won 71.1 billion.

Under the Korean Commercial Code, the total amount of interim dividends payable in a fiscal year shall not be more than the net assets on the balance sheet of the immediately preceding fiscal year, after deducting (1) a company's capital in the immediately preceding fiscal year, (2) the aggregate amount of its capital reserves and legal reserves accumulated up to the immediately preceding fiscal year, (3) the amount of earnings for dividend payments confirmed at the general shareholders' meeting with respect to the immediately preceding fiscal year and (4) the amount of legal reserve that should be set aside for the current fiscal year following the interim dividend payment. Furthermore, the rate of interim dividends for non-voting shares must be the same as that for our common shares.

Our obligation to pay interim dividends expires if no claims to such dividends are made for a period of five years from the payment date.

Item 8.B. *Significant Changes*

Not applicable.

Item 9. *THE OFFER AND LISTING*

Item 9.A. *Offering and Listing Details*

These matters are described under Item 9.C. below where relevant.

Item 9.B. *Plan of Distribution*

Not applicable.

Item 9.C. *Markets*

The principal trading market for our common stock is the KRX KOSPI Market. As of March 31, 2012, 69,694,999 shares of our common stock were outstanding.

The ADSs are traded on the New York Stock Exchange and the London Stock Exchange. The ADSs have been issued by the ADR depositary and are traded on the New York Stock Exchange under the ticker symbol "SKM". Each ADS represents one-ninth of one share of our common stock. As of March 31, 2012, ADSs representing 22,223,578 shares of our common stock were outstanding.

Shares of Common Stock

The following table sets forth the high, low and closing prices and the average daily trading volume of the shares of common stock on the KRX KOSPI Market since January 1, 2007:

Calendar Year	Prices High(1)	Prices Low(1)	Prices Close	Average Daily Trading Volume
	(Won per shares)			(Number of shares)
2007	274,000	188,500	249,000	244,056
First Quarter	223,000	190,500	191,500	206,155
Second Quarter	215,000	188,500	213,000	220,091
Third Quarter	221,000	192,000	210,000	198,816
Fourth Quarter	274,000	204,500	249,000	349,701
2008	232,000	178,000	209,000	322,706
First Quarter	232,000	178,500	186,500	330,196
Second Quarter	212,000	180,000	190,500	265,973
Third Quarter	210,500	178,000	205,500	317,506
Fourth Quarter	227,500	187,500	209,000	374,768
2009	218,000	166,000	169,500	332,913
First Quarter	218,000	180,500	192,000	231,340
Second Quarter	183,500	170,500	174,000	278,545
Third Quarter	185,500	166,000	182,500	242,112
Fourth Quarter	190,500	169,500	169,500	171,571
2010	188,000	158,500	173,500	193,937
First Quarter	188,000	168,500	173,500	306,532
Second Quarter	178,000	158,500	160,500	202,245
Third Quarter	171,500	158,500	171,500	145,561
Fourth Quarter	180,500	168,500	173,500	127,235
2011				
First Quarter	172,500	156,000	163,500	124,796
Second Quarter	169,000	152,500	161,500	160,839
Third Quarter	161,500	131,000	149,500	324,018
Fourth Quarter	165,000	141,500	141,500	249,500
2012 (through April 27)				
First Quarter				
January	143,000	134,500	142,500	211,072
February	145,500	136,000	145,500	192,518
March	146,000	136,500	139,500	176,890
Second Quarter (through April 27)				
April (through April 27)	142,500	134,500	137,000	402,864

Source: Korea Exchange

(1) Both high and low prices are based on the daily closing prices for the period.

American Depositary Shares

The following table sets forth the high, low and closing prices and the average daily trading volume of the ADSs on the New York Stock Exchange since January 1, 2007:

Calendar Year	Prices High	Prices Low	Prices Close	Average Daily Trading Volume
	(US$ per ADS)			(Number of ADSs)
2007	33.33	22.46	29.84	1,379,370
First Quarter	26.41	22.46	23.42	1,046,780
Second Quarter	28.02	23.41	27.35	1,498,295
Third Quarter	30.30	26.15	29.70	1,498,032
Fourth Quarter	33.33	29.00	29.84	1,462,495
2008	27.96	14.63	18.18	1,762,329
First Quarter	27.96	19.90	21.61	1,992,134
Second Quarter	23.47	20.67	20.77	1,106,308
Third Quarter	22.29	18.68	18.82	1,663,854
Fourth Quarter	19.51	14.63	18.18	2,297,794
2009	18.64	12.59	16.26	1,246,873
First Quarter	18.35	12.59	15.45	1,280,533
Second Quarter	16.73	14.84	15.15	1,161,833
Third Quarter	17.50	14.82	17.45	990,400
Fourth Quarter	18.64	15.97	16.26	1,788,667
2010	19.13	14.73	18.63	1,288,546
First Quarter	18.33	16.32	17.26	1,422,379
Second Quarter	18.51	14.73	14.73	1,486,937
Third Quarter	17.48	14.84	17.47	1,294,034
Fourth Quarter	19.13	17.74	18.63	960,206
2011				
First Quarter	19.02	16.83	18.81	1,639,731
Second Quarter	19.80	17.36	18.70	1,640,469
Third Quarter	18.77	13.47	14.07	2,125,730
Fourth Quarter	15.89	13.49	13.61	2,060,180
2012 (through April 27)				
First Quarter				
January	14.08	12.90	14.01	1,501,615
February	14.45	13.40	14.45	1,542,437
March	14.60	13.51	13.91	1,862,616
Second Quarter (through April 27)				
April (through April 27)	14.13	13.25	13.50	2,418,768

The Korean Securities Market

The Korea Exchange Inc.

With the enactment of the Korea Stock and Futures Exchange Act, which came into effect on January 27, 2005, the three existing spot and futures exchanges (which were the Korea Stock Exchange, Korean Futures Exchange, and KOSDAQ) and KOSDAQ Committee, a sub-organization of Korea Securities Dealers Association, were merged and integrated into the Korea Exchange Inc. as a joint stock company. There are three different markets run by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market (the "KRX KOSDAQ Market") and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a limited liability company, the shares of which are held by (i) securities companies and futures companies that were formerly members of the Korea Stock Exchange or the Korea Futures Exchange, (ii) the Small Business Corporation, (iii) the Korea Securities Finance Corporation and

(iv) the Korea Securities Dealers Association. Currently, the Korea Exchange is the only stock exchange in Korea and is run by membership, having most of Korean securities companies and some Korean branches of foreign securities companies as its members.

As of December 31, 2011, the aggregate market value of equity securities listed on the KRX KOSPI Market was approximately Won 1,042.0 trillion. For the year ended December 31, 2010, the average daily trading volume of equity securities was approximately 380.9 million shares with an average transaction value of Won 5,619.7 billion. For the year ended December 31, 2011, the average daily trading volume of equity securities was approximately 353.8 million shares with an average trading value of Won 6,863.1 billion.

The Korea Exchange has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security. The Korea Exchange also restricts share price movements. All listed companies are required to file accounting reports annually, semi-annually and quarterly and to release immediately all information that may affect trading in a security.

The Government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector business community that can have the intention or effect of depressing or boosting the market. In the past, the Government has informally both encouraged and restricted the declaration and payment of dividends, induced mergers to reduce what it considers an excess capacity in a particular industry and induced private companies to publicly offer their securities.

The Korea Exchange publishes the Korea Composite Stock Price Index, or KOSPI, every ten seconds, which is an index of all equity securities listed on the KRX KOSPI Market. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

Movements in KOSPI are set out in the following table together with the associated dividend yields and price to earnings ratios:

					Period Average	
Year	Opening	High	Low	Closing	Dividend Yield(1) (%)	Price Earnings
1980	100.00	119.36	100.00	106.87	20.9	2.6
1981	97.95	165.95	93.14	131.37	13.2	3.1
1982	123.60	134.49	106.00	127.31	10.5	3.4
1983	122.52	134.46	115.59	121.21	6.9	3.8
1984	116.73	142.46	114.37	142.46	5.1	4.5
1985	139.53	163.37	131.40	163.37	5.3	5.2
1986	161.40	279.67	153.85	272.61	4.3	7.6
1987	264.82	525.11	264.82	525.11	2.6	10.9
1988	532.04	922.56	527.89	907.20	2.4	11.2
1989	919.61	1,007.77	844.75	909.72	2.0	13.9
1990	908.59	928.77	566.27	696.11	2.2	12.8
1991	679.75	763.10	586.51	610.92	2.6	11.2
1992	624.23	691.48	459.07	678.44	2.2	10.9
1993	697.41	874.10	605.93	866.18	1.6	12.7
1994	879.32	1,138.75	860.47	1,027.37	1.2	16.2
1995	1,013.57	1,016.77	847.09	882.94	1.2	16.4
1996	888.85	986.84	651.22	651.22	1.3	17.8
1997	653.79	792.29	350.68	376.31	1.5	17.0
1998	385.49	579.86	280.00	562.46	1.9	10.8
1999	587.57	1,028.07	498.42	1,028.07	1.1	13.5
2000	1,059.04	1,059.04	500.60	504.62	2.4	15.3
2001	520.95	704.50	468.76	693.70	1.7	29.3
2002	724.95	937.61	584.04	829.44	1.8	15.6

Year	Opening	High	Low	Closing	Period Average	
					Dividend Yield(1) (%)	Price Earnings
2003	635.17	822.16	515.24	810.71	2.1	10.1
2004	821.26	936.06	719.59	895.92	2.1	15.8
2005	893.71	1,379.37	870.84	1,379.37	1.7	11.0
2006	1,389.27	1,464.70	1,192.09	1,434.46	1.7	11.4
2007	1,435.26	2,064.85	1,355.79	1,897.13	1.4	16.8
2008	1,853.45	1,888.88	938.75	1,124.47	2.6	9.0
2009	1,157.4	1,718.88	1,018.81	1,682.77	1.2	23.7
2010	1,696.14	2,052.97	1,532.68	2,051.00	1.1	17.8
2011	2,070.08	2,228.96	1,652.71	1,825.74	1.5	10.9
2012 (through April 27)	1,826.37	2,049.28	1,826.37	1,975.35	1.4	12.1

Source: Korea Exchange

(1) Dividend yields are based on daily figures. Before 1983, dividend yields were calculated at the end of each month. Dividend yields after January 3, 1984 include cash dividends only.

(2) The price to earnings ratio is based on figures for companies that record a profit in the preceding year.

KOSPI closed at 1.975.35 on April 27, 2012.

Shares are quoted "ex-dividend" on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

With certain exceptions, principally to take account of a share being quoted "ex-dividend" and "ex-rights", upward and downward movements in share prices of any category of shares on any day are limited under the rules of the Korea Exchange to 15.0% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price ₩	Rounded Down to ₩
Less than 5,000	₩ 5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to a recent deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange by the securities companies. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. A special agricultural and fishery tax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the KRX KOSPI Market. See "Item 10.E. Taxation — Korean Taxation".

The following table sets forth the number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization and the average daily trading volume at the end of the periods indicated:

		Market Capitalization on the Last Day of Each Period		Average Daily Trading Volume, Value		
Year	Number of Listed Companies	(Billions of Won)	(Millions of US$)(1)	Thousands of Shares	(Millions of Won)	(Thousands of US$)(1)
1981	343	₩ 2,959	US$ 4,223	10,565	₩ 8,708	US$ 12,427
1982	334	3,001	4,012	9,704	6,667	8,914
1983	328	3,490	4,361	9,325	5,941	7,425
1984	336	5,149	6,207	14,847	10,642	12,829
1985	342	6,570	7,362	18,925	12,315	13,798
1986	355	11,994	13,863	31,755	32,870	37,991
1987	389	26,172	32,884	20,353	70,185	88,183
1988	502	64,544	93,895	10,367	198,364	288,571
1989	626	95,477	140,119	11,757	280,967	412,338
1990	669	79,020	109,872	10,866	183,692	255,412
1991	686	73,118	95,541	14,022	214,263	279,973
1992	688	84,712	107,027	24,028	308,246	389,445
1993	693	112,665	138,870	35,130	574,048	707,566
1994	699	151,217	190,762	36,862	776,257	979,257
1995	721	141,151	181,943	26,130	487,762	628,721
1996	760	117,370	138,490	26,571	486,834	928,418
1997	776	70,989	41,881	41,525	555,759	327,881
1998	748	137,799	114,261	97,716	660,429	547,619
1999	725	349,504	307,662	278,551	3,481,620	3,064,806
2000	704	188,042	148,415	306,163	2,602,211	2,053,837
2001	689	255,850	194,785	473,241	1,997,420	1,520,685
2002	683	258,681	216,071	857,245	3,041,598	2,540,590
2003	684	355,363	298,624	542,010	2,216,636	1,862,719
2004	683	412,588	398,597	372,895	2,232,109	2,156,419
2005	702	655,075	648,589	467,629	3,157,662	3,126,398
2006	731	704,588	757,622	279,096	3,435,180	3,693,742
2007	746	951,900	1,017,205	363,732	5,539,588	5,919,697
2008	765	576,888	457,122	355,205	5,189,644	4,112,238
2009	770	887,316	762,528	485,657	5,795,552	4,980,494
2010	777	1,114,882	1,260,486	379,171	5,607,749	6,340,121
2011	791	1,041,999	899,438	353,759	6,863,146	5,924,166
2012 (through April 27)	788	1,137,650	999,605	519,041	5,652,173	4,966,324

Source: Korea Exchange

(1) Converted at the noon buying rate on the last business day of the period indicated.

The Korean securities markets are principally regulated by the Financial Services Commission of Korea and became subject to the Financial Investment Services and Capital Markets Act beginning in February 2009. The law imposes restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests.

Further Opening of the Korean Securities Market

Stock index futures market was opened on May 3, 1996 and a stock index option market was opened on July 7, 1997, in each case at the Korea Stock Exchange. Remittance and repatriation of funds in connection with investment in stock index futures and options are subject to regulations similar to those that govern remittance and repatriation in the context of foreign investment in Korean stocks.

In addition, the Korea Stock Exchange opened new option markets for stocks of seven companies including our shares of common stock and common stock of six other companies on January 28, 2002. Foreigners will be permitted to invest in such options for individual stocks subject to certain procedural requirements.

Starting from May 1, 1996, foreign investors were permitted to invest in warrants representing the right to subscribe for shares of a company listed on the Korea Stock Exchange or registered on the KOSDAQ, subject to certain investment limitations. A foreign investor may not acquire such warrants with respect to shares of a class of a company for which the ceiling on aggregate investment by foreigners has been reached or exceeded.

As of December 30, 1997, foreign investors were permitted to invest in all types of corporate bonds, bonds issued by national or local governments and bonds issued in accordance with certain special laws without being subject to any aggregate or individual investment ceiling. The Financial Services Commission of Korea sets forth procedural requirements for such investments. The Government announced on February 8, 1998 its plans for the liberalization of the money market with respect to investment in money market instruments by foreigners in 1998. According to the plan, foreigners have been permitted to invest in money market instruments issued by corporations, including commercial paper, starting February 16, 1998 with no restrictions as to the amount. Starting May 25, 1998, foreigners have been permitted to invest in certificates of deposit and repurchase agreements.

Currently, foreigners are permitted to invest in securities including shares of most Korean companies that are not listed on the KRX KOSPI Market or the KRX KOSDAQ Market and in bonds that are not listed.

Protection of Customer's Interest in Case of Insolvency of Financial Investment Companies with a Brokerage License

Under Korean law, the relationship between a customer and a financial investment company with a brokerage license in connection with a securities sell or buy order is deemed to be consignment and the securities acquired by a consignment agent (i.e., the financial investment company with a brokerage license) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or rehabilitation procedure involving a financial investment company with a brokerage license, the customer of such financial investment company is entitled to the proceeds of the securities sold by such financial investment company.

When a customer places a sell order with a financial investment company with a brokerage license which is not a member of the Korea Exchange and this financial investment company places a sell order with another financial investment company with a brokerage license which is a member of the Korea Exchange, the customer is still entitled to the proceeds of the securities sold received by the non-member company from the member company regardless of the bankruptcy or rehabilitation of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a financial investment company with a brokerage license which is a member of the Korea Exchange breaches its obligation in connection with a buy order, the Korea Exchange is obliged to pay the purchase price on behalf of the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with a financial investment company with a brokerage license is regarded as belonging to such financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the financial investment company with a brokerage license if a bankruptcy or rehabilitation procedure is instituted against such financial investment company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that Korea Deposit Insurance Corporation will, upon the request of the investors, pay investors up to Won 50 million per investor in case of such financial investment company's bankruptcy, liquidation, cancellation of securities business license or other insolvency events. Pursuant to the Financial Investment Services and Capital Markets Act, subject to certain exceptions, financial investment companies with a brokerage license are required to deposit the cash received from their customers with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by financial investment companies with a brokerage license is prohibited. The premiums related to this insurance under the Depositor Protection Act are paid by financial investment companies with a brokerage license.

Item 9.D *Selling Shareholders*

Not Applicable.

Item 9.E. *Dilution*

Not Applicable.

Item 9.F. *Expenses of the Issue*

Not Applicable.

Item 10. *ADDITIONAL INFORMATION*

Item 10.A. *Share Capital*

Not Applicable.

Item 10.B. *Memorandum and Articles of Incorporation*

Description of Capital Stock

This section provides information relating to our capital stock, including brief summaries of material provisions of our articles of incorporation, the Financial Investment Services and Capital Markets Act, the Korean Commercial Code, the Telecommunications Business Act and related laws of Korea, all as currently in effect. The following summaries are subject to, and are qualified in their entirety by reference to, our articles of incorporation and the applicable provisions of the Financial Investment Services and Capital Markets Act, the Korean Commercial Code and the Telecommunications Business Act. We have filed copies of our articles of incorporation and the Telecommunications Business Act as exhibits to our annual reports on Form 20-F.

General

The name of our company is SK Telecom Co., Ltd. We are registered under the laws of Korea under the commercial registry number of 110111-0371346. As specified in Article 2 (Objectives) of our articles of incorporation, as amended and approved at our general shareholders meeting held on August 31, 2011, the company's objectives are the rational management of the telecommunications business, development of telecommunications technology, and contribution to public welfare and convenience. In order to achieve these objectives, we are engaged in the following:

- information and communication business;
- sale and lease of subscriber handsets;
- new media business;
- advertising business;
- mail order business;

- development, management and leasing of real estate properties;
- research and technology development relating to the first four items above;
- overseas and import/export business relating to the first four items above;
- manufacture and distribution business relating to the first four items above;
- tourism;
- electronic financial services business;
- film business (production, import, distribution and screening);
- lifetime education and management of lifetime educational facilities;
- electric engineering business;
- information- and communication-related engineering and construction business;
- ubiquitous city construction and related service business;
- any related business through investment, management and operation of our Korean or offshore subsidiaries and investment companies; and
- any business or undertaking incidental or conducive to the attainment of the objectives stated above.

Currently, our authorized share capital is 220,000,000 shares, which consists of shares of common stock, par value Won 500 per share, and shares of non-voting stock, par value Won 500 per share (common shares and non-voting shares together are referred to as "shares"). Under our articles of incorporation, we are authorized to issue up to 5,500,000 non-voting preferred shares. As of March 31, 2012, 80,745,711 common shares were issued, of which 11,050,712 shares were held by us in treasury. We have never issued any non-voting preferred shares. All of the issued and outstanding common shares are fully-paid and non-assessable and are in registered form. We issue share certificates in denominations of 1, 5, 10, 50, 100, 500, 1,000 and 10,000 shares.

Board of Directors

Meetings of the board of directors are convened by the representative director as he or she deems necessary or upon the request of three or more directors. The board of directors determines all important matters relating to our business. In addition, the prior approval of the majority of the independent non-executive directors is required for certain matters, which include:

- investment by us or any of our subsidiaries in a foreign company in equity or acquisition of such foreign company's other overseas assets in an amount equal to 5.0% or more of our shareholders' equity under our most recent balance sheet; and
- contribution of capital, loans or guarantees, acquisition of our subsidiaries' assets or similar transactions with our affiliated companies in excess of Won 10 billion through one or a series of transactions.

Resolutions of the board are adopted in the presence of a majority of the directors in office and by the affirmative vote of a majority of the directors present. No director who has an interest in a matter for resolution may exercise his or her vote upon such matter.

There are no specific shareholding requirements for director's qualification. Directors are elected at a general meeting of shareholders if the approval of the holders of the majority of the voting shares present at such meeting is obtained and if such majority also represents at least one-fourth of the total number of shares outstanding. Under the Korean Commercial Code, unless otherwise stated in the articles of incorporation, holders of an aggregate of 1% or more of the outstanding shares with voting rights may request cumulative voting in any election for two or more directors. Our articles of incorporation do not permit cumulative voting for the election of directors.

The term of office for directors is until the close of the third annual general shareholders meeting convened after he or she commences his or her term. Our directors may serve consecutive terms and our shareholders may remove them from office at any time by a special resolution adopted at a general meeting of shareholders.

Dividends

We distribute dividends to our shareholders in proportion to the number of shares owned by each shareholder. The common shares represented by the ADSs have the same dividend rights as other outstanding common shares. For a detailed discussion of our dividend policy, see "Item 8.A. Consolidated Statements and Other Financial Information — Dividends.

Distribution of Free Shares

In addition to paying dividends in shares out of our retained or current earnings, we may also distribute to our shareholders an amount transferred from our capital surplus or legal reserve to our stated capital in the form of free shares. We must distribute such free shares to all our shareholders in proportion to their existing shareholdings.

Preemptive Rights and Issuance of Additional Shares

We may at times issue authorized but unissued shares, unless otherwise provided in the Korean Commercial Code, on terms determined by our board of directors. All our shareholders are generally entitled to subscribe to any newly-issued shares in proportion to their existing shareholdings. We must offer new shares on uniform terms to all shareholders who have preemptive rights and are listed on our shareholders' registry as of the relevant record date. We must give public notice of the preemptive rights regarding new shares and their transferability at least two weeks before the relevant record date. Our board of directors may determine how to distribute shares for which preemptive rights have not been exercised or where fractions of shares occur.

Under the Korean Commercial Code and our articles of incorporation, we may issue new shares pursuant to a board resolution to persons other than existing shareholders only if (1) the new shares are issued for the purpose of issuing depositary receipts in accordance with the relevant regulations or through an offering to public investors and (2) the purpose of such issuance is deemed necessary by us to achieve a business purpose, including, but not limited to, the introduction of new technology or the improvement of our financial condition. Under our articles of incorporation, only our board of directors is authorized to set the terms and conditions with respect to such issuance of new shares.

In addition, under our articles of incorporation, we may issue convertible bonds or bonds with warrants, each up to an aggregate principal amount of Won 400 billion, to persons other than existing shareholders, where such issuance is deemed necessary by us to achieve a business purpose, including, but not limited to, the introduction of new technology or the improvement of our financial condition.

Members of our employee stock ownership association, whether or not they are our shareholders, generally have a preemptive right to subscribe for up to 20.0% of the shares publicly offered pursuant to the Financial Investment Services and Capital Markets Act. This right is exercisable only to the extent that the total number of shares so acquired and held by members of our employee stock ownership association does not exceed 20.0% of the sum of the number of shares then outstanding and the number of newly-issued shares. As of March 31, 2012, approximately 0.37% of the issued shares were held by members of our employee stock ownership association.

General Meeting of Shareholders

We generally hold the annual general meeting of shareholders within three months after the end of each fiscal year. Subject to a board resolution or court approval, we may hold an extraordinary general meeting of shareholders:

- as necessary;
- at the request of holders of an aggregate of 3.0% or more of our outstanding common shares;
- at the request of shareholders holding an aggregate of 1.5% or more of our outstanding shares and preferred shares for at least six months; or
- at the request of our audit committee.

Holders of non-voting preferred shares may request a general meeting of shareholders only after the non-voting shares become entitled to vote or "enfranchised," as described under "— Voting Rights" below.

We must give shareholders written notice setting out the date, place and agenda of the meeting at least two weeks before the date of the general meeting of shareholders. However, for holders of less than 1.0% of the total number of issued and outstanding voting shares, we may give notice by placing at least two public notices in at least two daily newspapers at least two weeks in advance of the meeting. Currently, we use The Korea Economic Daily News and Mail Business Newspaper, both published in Seoul, for this purpose. Shareholders who are not on the shareholders' registry as of the record date are not entitled to receive notice of the general meeting of shareholders or attend or vote at the meeting. Holders of non-voting preferred shares, unless enfranchised, are not entitled to receive notice of or vote at general meetings of shareholders.

Our general meetings of shareholders have historically been held in or near Seoul.

Voting Rights

Holders of our common shares are entitled to one vote for each common share, except that voting rights of common shares held by us (including treasury shares and shares held by bank trust funds controlled by us), or by a corporate shareholder in which we own more than 10% equity interest, either directly or indirectly, may not be exercised. The Korean Commercial Code, unless otherwise stated in the articles of incorporation, permits cumulative voting, which would allow each shareholder to have multiple voting rights corresponding to the number of directors to be appointed in the voting and to exercise all voting rights cumulatively to elect one director. Our articles of incorporation do not permit cumulative voting for the election of directors.

Our shareholders may adopt resolutions at a general meeting by an affirmative majority vote of the voting shares present or represented at the meeting if such affirmative votes also represent at least one-fourth of our total voting shares then issued and outstanding. However, under the Korean Commercial Code and our articles of incorporation, the following matters, among others, require approval by the holders of at least two-thirds of the voting shares present or represented at a meeting, and such affirmative votes must also represent at least one-third of our total voting shares then issued and outstanding:

- amending our articles of incorporation;
- removing a director;
- effecting any dissolution, merger or consolidation of us;
- transferring the whole or any significant part of our business;
- effecting our acquisition of all of the business of any other company or a part of the business of any other company having a material effect on our business;
- reducing our capital; or
- issuing any new shares at a price lower than their par value.

In general, holders of non-voting preferred shares are not entitled to vote on any resolution or receive notice of any general meeting of shareholders.

However, in case of amendments to our articles of incorporation, or any merger or consolidation of us, or in some other cases which affect the rights or interests of the non-voting preferred shares, approval of the holders of non-voting preferred shares is required. We may obtain the approval by a resolution of holders of at least two-thirds of the non-voting preferred shares present or represented at a class meeting of the holders of non-voting preferred shares, where the affirmative votes also represent at least one-third of our total issued and outstanding non-voting shares. In addition, if we are unable to pay dividends on non-voting preferred shares as provided in our articles of incorporation, the holders of non-voting shares will become enfranchised and will be entitled to exercise voting rights beginning at the next general meeting of shareholders to be held after the declaration of non-payment of dividends is made until such dividends are paid. The holders of enfranchised non-voting preferred shares will have the same rights as holders of common shares to request, receive notice of, attend and vote at a general meeting of shareholders.

Shareholders may exercise their voting rights by proxy. A shareholder may give proxies only to another shareholder, except that a corporate shareholder may give proxies to its officers or employees.

Holders of ADRs exercise their voting rights through the ADR depositary, an agent of which is the record holder of the underlying common shares. Subject to the provisions of the deposit agreement, ADR holders are entitled to instruct the ADR depositary how to vote the common shares underlying their ADSs.

Limitation on Shareholdings

The Telecommunications Business Act prohibits foreign governments, individuals, and entities (including Korean entities that are deemed foreigners, as discussed below) from owning more than 49% of our voting stock. Korean entities whose largest shareholder is a foreign government or a foreigner (together with any of its related parties) that owns 15% or more of such Korean entities' outstanding voting stock are deemed foreigners. A foreigner who has acquired shares of our voting stock in excess of such limitation may not exercise the voting rights with respect to the shares exceeding such limitation and may be subject to the KCC's corrective orders.

Rights of Dissenting Shareholders

Under Financial Investment Services and Capital Market Act, in some limited circumstances, including the transfer of all or a significant part of our business or our merger or consolidation with another company (with certain exceptions), dissenting shareholders have the right to require us to purchase their shares. To exercise this right, shareholders, including holders of non-voting shares, must submit to us a written notice of their intention to dissent before the general meeting of shareholders. Then, within 20 days after the relevant resolution is passed at a meeting, the dissenting shareholders must request us in writing to purchase their shares. We are obligated to purchase the shares of such dissenting shareholders within one month after the expiration of the 20-day period. The purchase price for the shares is required to be determined through negotiation between the dissenting shareholders and us. If we cannot agree on a price through negotiation, the purchase price will be the average of (1) the weighted average of the daily share prices on the KRX KOSPI Market for the two-month period before the date of the adoption of the relevant board resolution, (2) the weighted average of the daily share price on the KRX KOSPI Market for the one month period before the date of the adoption of the relevant resolution and (3) the weighted average of the daily share price on the KRX KOSPI Market for the one week period before the date of the adoption of the relevant resolution. However, a court may determine the purchase price if we or dissenting shareholders do not accept the purchase price.

Registry of Shareholders and Record Dates

Our transfer agent, Kookmin Bank, maintains the register of our shareholders at its office in Seoul, Korea. It records and registers transfers of shares on the register of shareholders upon presentation of the share certificates.

The record date for annual dividends is December 31. For the purpose of determining the shareholders entitled to annual dividends, the registry of shareholders is closed for the period from January 1 to January 31 of the following year. Further, for the purpose of determining the shareholders entitled to some other rights pertaining to the shares, we may, on at least two weeks' public notice, set a record date and/or close the register of shareholders for not more than three months. The trading of shares and the delivery of share certificates may continue while the register of shareholders is closed.

Annual Report

At least one week before the annual general meeting of shareholders, we must make our annual reports and audited non-consolidated financial statements available for inspection at our principal office and at all of our branch offices. In addition, copies of annual reports, the audited non-consolidated financial statements and any resolutions adopted at the general meeting of shareholders will be available to our shareholders.

Under the Financial Investment Services and Capital Markets Act, we must file with the Financial Services Commission of Korea and the Korea Exchange (1) an annual securities report within 90 days after the end of our fiscal year, (2) a mid-year report within 45 days after the end of the first six months of our fiscal year, and (3) quarterly reports within 45 days after the end of the third month and the ninth month of our fiscal year. Copies of these reports are or will be available for public inspection at the Financial Services Commission of Korea and the Korea Exchange.

Transfer of Shares

Under the Korean Commercial Code, the transfer of shares is effected by the delivery of share certificates. However, to assert shareholders' rights against us, the transferee must have his or her name, seal and address registered on our registry of shareholders, maintained by our transfer agent. A non-Korean shareholder may file a sample signature in place of a seal, unless he or she is a citizen of a country with a sealing system similar to that of Korea. In addition, a non-resident shareholder must appoint an agent in Korea authorized to receive notices on his or her behalf and file his or her mailing address in Korea.

Under current Korean regulations, the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians may act as agents and provide related services for foreign shareholders. Certain foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Korean citizens. See "Item 10.D. Exchange Controls — Korean Foreign Exchange Controls and Securities Regulations".

Our transfer agent is Kookmin Bank, located at 24-3, Yoido-dong, Yongdungpo-ku, Seoul, Korea.

Restrictions Applicable to Shares

Pursuant to the Telecommunications Business Act, the maximum aggregate foreign shareholding in us is limited to 49.0%. See "Item 4.B. Business Overview — Law and Regulation — Foreign Ownership and Investment Restrictions and Requirements". In addition, certain foreign exchange controls and securities regulations apply to the acquisition of securities by non-residents or non-Korean citizens. See "Item 10.D. Exchange Controls — Korean Foreign Exchange Controls and Securities Regulations".

Acquisition of Shares by Us

We may acquire our own shares pursuant to an approval at the general meeting of shareholders, through purchases on the Korea Exchange or a tender offer, or by acquiring the interests in a trust account holding our own shares through agreements with trust companies and asset management companies. The aggregate purchase price for the shares may not exceed the total amount available for distribution as dividends as of the end of the preceding fiscal year less the amount of dividends and mandatory reserves required to be set aside for that fiscal year, subject to certain procedural requirements.

Under the Korean Commercial Code, we may resell or transfer any shares acquired by us to a third party pursuant to an approval by the Board of Directors. In general, corporate entities in which we own a 50% or more equity interest may not acquire our common stock. Under the Financial Investment Services and Capital Markets Act, we are subject to certain selling restrictions with respect to the shares acquired by us. In October 2001, in accordance with the approval of our board of directors, we established trust funds with four Korean banks with a total funding of Won 1.3 trillion for the purpose of acquiring our shares at market prices or within a range of five percent of market prices. In October 2007, in accordance with the approval of our board of directors, we extended the terms of such trust funds until October 2010, but the total amount of funding was reduced to Won 982 billion. In October 2010, upon expiration of the terms of the trust funds, our shares held by the trust funds were transferred to us and are currently held by us as treasury shares. For more details on the trust funds, see "Item 5.B. Liquidity and Capital Resources".

Liquidation Rights

In the event of our liquidation, remaining assets after payment of all debts, liquidation expenses and taxes will be distributed among shareholders in proportion to their shareholdings. Holders of non-voting preferred shares have no preference in liquidation. Holders of debt securities have no preference over other creditors in the event of liquidation.

Description of American Depositary Shares

The following is a summary of the deposit agreement dated as of May 31, 1996, as amended by amendment no. 1 dated as of March 15, 1999, amendment no. 2 dated as of April 24, 2000 and amendment no. 3 dated as of

July 24, 2002, among us, Citibank, N.A., as ADR depositary, and all holders and beneficial owners of ADSs, as supplemented by side letters dated as of July 25, 2002, October 1, 2002 and October 1, 2007. The deposit agreement is governed by the laws of the State of New York. Because it is a summary, this description does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the ADR. The deposit agreement has been filed as an exhibit to our registration statement on Form F-3 (File No. 333-91304) filed with the SEC. Copies of the deposit agreement are available for inspection at the principal New York office of the ADR depositary, currently located at 388 Greenwich Street, 14th Floor, New York, New York 10013, United States of America, and at the principal London office of the ADR depositary, currently located at Canada Square, Canary Wharf, London, E14 5LB, England.

American Depositary Receipts

The ADR depositary may execute and deliver ADRs evidencing the ADSs. Each ADR evidences a specified number of ADSs, each ADS representing one-ninth of one share of our common stock to be deposited with the ADR depositary's custodian in Seoul. Korea Securities Depository is the institution authorized under applicable law to effect book-entry transfers of our common shares, known as the "Custodian". The Custodian is located at 1328 Paeksok-Dong, Ilsan-Ku, Koyang, 411-770, Kyunggi-Do, Seoul, 150-884, Korea. An ADR may represent any number of ADSs. We and the ADR depositary will treat only persons in whose names ADRs are registered on the books of the registrar as holders of ADRs.

Deposit and Withdrawal of Shares of Common Stock

Notwithstanding the provisions described below, under the terms of the deposit agreement, the deposit of shares and issuance of ADSs may only be made if the total number of shares represented by ADSs after such deposit does not exceed a specified maximum, 24,321,893 shares as of March 31, 2012. This limit will be adjusted in certain circumstances, including (1) upon the cancellation of existing ADSs, (2) upon future offerings of ADSs by us or our shareholders, (3) rights offerings and (4) adjustments for share reclassifications. The limit also may be decreased in certain circumstances. As of March 31, 2012, the outstanding ADSs represented 22,223,578 shares of our common stock. Notwithstanding the foregoing, the ADR depositary and the Custodian may not accept deposits of shares of common stock for issuance of ADSs if it has been notified by us in writing that we block deposits to prevent a violation of applicable Korean laws or regulations or a violation of our articles of incorporation. In addition, the ADR depositary may not accept deposits of shares of common stock for issuance of ADSs from a person who identifies him-, her- or itself to the depositary, and has been identified in writing by us, as a holder of at least 3% of our shares of common stock.

The shares of common stock underlying the ADSs are delivered to the ADR depositary's Custodian in book-entry form. Accordingly, no share certificates will be issued but the ADR depositary will hold the shares of common stock through the book-entry settlement system of the Custodian. The delivery of the shares of common stock pursuant to the deposit agreement will take place through the facilities of the Custodian in accordance with its applicable settlement procedures. The ADR depositary will execute and deliver ADSs if you or your broker deposit shares or evidence of rights to receive shares of common stock with the Custodian. Upon payment of fees and expenses and any taxes or charges, such as stamp taxes or stock transfer taxes, the ADR depositary will register the appropriate number of ADSs in the names you designate. The ADR depositary and the ADR depositary's Custodian will refuse to accept shares of common stock for deposit whenever we restrict transfer of shares of common stock to comply with ownership restrictions under applicable law or our articles of incorporation or whenever the deposit would cause the total number of shares of common stock deposited to exceed a level we determine from time to time. We may instruct the ADR depositary to take certain actions with respect to a holder of ADSs who holds in excess of the ownership limitation set forth in the deposit agreement, including the mandatory sale or disposition of the shares represented by the ADSs in excess of such ownership limitations if, and to the extent, permitted by applicable law.

You may surrender your ADRs to the ADR depositary to withdraw the underlying shares of our common stock. Upon payment of the fees and any governmental charges and taxes provided in the deposit agreement, and subject to applicable laws and regulations of Korea and our articles of incorporation, you will be entitled to physical delivery or electronic delivery to an account in Korea or, if permissible under applicable Korean law, outside the

United States, of the shares of common stock evidenced by the ADRs and any other property at the time represented by ADR you surrendered. If you surrender an ADR evidencing a number of ADSs not evenly divisible by nine, the ADR depositary will deliver the appropriate whole number of shares of common stock represented by the surrendered ADSs and will execute and deliver to you a new ADR evidencing ADSs representing any remaining fractional shares of common stock.

If you request withdrawal of shares of common stock, you must deliver to the ADR depositary a written order directing the ADR depositary to cause the shares of common stock being withdrawn to be delivered or to cause such delivery upon the written order of the person designated in your order, subject to applicable Korean laws and the provisions of the deposit agreement.

Under the provisions of the deposit agreement, the ADR depositary may not lend shares of common stock or ADSs. However, subject to the provisions of the deposit agreement and limitations established by the ADR depositary, the ADR depositary may execute and deliver ADSs before deposit of the underlying shares of common stock. This is called a pre-release of the ADS. The ADR depositary may also deliver shares of common stock upon cancellation of pre-released ADSs (even if the cancellation occurs before the termination of the pre-release). The ADR depositary may pre-release ADSs only under the following circumstances:

- before or at the time of the pre-release, the person to whom the pre-release is being made must represent to the ADR depositary in writing that the person, or, in case of an institution its customer, owns the shares of common stock or ADSs to be deposited and show evidence of the ownership to the ADR depositary's satisfaction;
- before or at the time of such pre-release, the person to whom the pre-release is being made must agree in writing that he or she will hold the shares of common stock or ADSs in trust for the ADR depositary until their delivery to the ADR depositary or Custodian, reflect on his or her records the ADR depositary as owner of such shares of common stock or ADSs and deliver such shares of common stock upon the ADR depositary's request;
- the pre-release must be fully collateralized with cash or U.S. government securities;
- the ADR depositary must be able to terminate the pre-release on not more than five business day's notice; and
- the pre-release is subject to further indemnities and credit regulations as the ADR depositary deems appropriate.

The ADR depositary may retain for its own account any compensation received by it in connection with the pre-release, such as earnings on the collateral.

If you want to withdraw the shares of common stock from the depositary facility, you must register your identity with the Financial Supervisory Service of Korea before you acquire the shares of common stock unless you intend to sell the shares of common stock within three months. See "Item 10.D. Exchange Controls — Korean Foreign Exchange Controls and Securities Regulations — Restrictions Applicable to Shares".

Dividends, Other Distributions and Rights

If the ADR depositary can, in its judgment and pursuant to applicable law, convert Won (or any other foreign currency) into Dollars on a reasonable basis and transfer the resulting Dollars to the United States, the ADR depositary will as promptly as practicable convert all cash dividends and other cash distributions received by it on the deposited shares of common stock into Dollars and distribute the Dollars to you in proportion to the number of ADSs representing shares of common stock held by you, after deduction of the fees and expenses of the ADR depositary. If the ADR depositary determines that in its judgment any currency other than Dollars it receives from us cannot be converted and distributed on a reasonable basis, the ADR depositary may distribute the currency it receives to the extent permitted under applicable law or hold the currency for your account if you are entitled to receive the distribution. The ADR depositary will not be liable for any interest. Before making a distribution, the ADR depositary will deduct any withholding taxes that must be paid.

In the event that the ADR depositary or the ADR depositary's Custodian receives any distribution upon any deposited shares of common stock in property or securities (other than shares of common stock, non-voting preferred stock or rights to receive shares of common stock or non-voting preferred stock), the ADR depositary will distribute the property or securities to you in proportion to your holdings in any manner that the ADR depositary deems, after consultation with us, equitable and practicable. If the ADR depositary determines that any distribution of property or securities (other than shares of common stock, non-voting preferred stock or rights to receive shares of common stock or non-voting preferred stock) cannot be made proportionally, or if for any other reason the ADR depositary deems the distribution not to be feasible, the ADR depositary may, after consultation with us, dispose of all or a portion of the property or securities in such amounts and in such manner, including by public or private sale, as the ADR depositary deems equitable or practicable. The ADR depositary will distribute to you the net proceeds of any such sale, or the balance of the property or securities, after the deduction of the fees and expenses of the ADR depositary.

If a distribution by us consists of a dividend in, or free distribution of, our shares of common stock, the ADR depositary may, with our approval, and will, if we request, deposit the shares of common stock and either (1) distribute to you, in proportion to your holdings, additional ADSs representing those shares of common stock, or (2) reflect on the records of the ADR depositary the increase in the aggregate number of ADSs representing those number of shares of common stock, in both cases, after the deduction of the fees and expenses of the ADR depositary. If the ADR depositary deems that such distribution for any reason is not feasible, the ADR depositary may adopt, after consultation with us, any method as it may deem equitable and practicable, including by public or private sale of all or part of the shares of common stock received. The ADR depositary will distribute to you the net proceeds of any such sale in the same way as it does with cash. The ADR depositary will only distribute whole ADSs. If the ADR depositary does not distribute additional ADSs, then each outstanding ADS will also represent the new shares so distributed.

If a distribution by us consists of a dividend in, or free distribution of, shares of non-voting preferred stock, the ADR depositary will deposit such shares of non-voting preferred stock under a non-voting preferred stock deposit agreement to be entered into among us, the ADR depositary and all holders and beneficial owners of depositary shares. The ADR depositary will deliver to you, in proportion to your holdings of ADSs, depositary shares issued under the non-voting preferred stock deposit agreement representing the number of non-voting shares received as such dividend or distribution. If the ADR depositary deems such distribution for any reason is not feasible, the ADR depositary may adopt, after consultation with us, any method as it may deem equitable and practicable, including by public or private sale of all or part of the nonvoting shares received. The ADR depositary will distribute to you the net proceeds of any such sale in the same way as it does with cash. The ADR depositary will only distribute whole depositary shares. We are not obligated to list depositary shares representing non-voting shares on any exchange.

If we offer holders of our securities any rights to subscribe for additional shares of common stock or any other rights, the ADR depositary may make these rights available to you. The ADR depositary must first determine whether it is lawful and feasible to do so. If the ADR depositary determines that it is not lawful or feasible to make these rights available to you, then upon our request, the ADR depositary will sell the rights and distribute the proceeds in the same way as it would do with cash. The ADR depositary may allow these rights that are not distributed or sold to lapse. In that case, you will receive no value for these rights.

If we issue any rights with respect to non-voting shares, the securities issuable upon any exercise of such rights by holders or beneficial owners will be depositary shares representing those non-voting shares issued under the provisions of a non-voting preferred stock deposit agreement.

If a registration statement under the Securities Act is required with respect to the securities to which any rights relate in order for us to offer the rights to you and to sell the securities represented by these rights, the ADR depositary will not offer such rights to you until such a registration is in effect, or unless the offering and sale of such securities and such rights to you are exempt from the registration requirements of the Securities Act or any required filing, report, approval or consent has been submitted, obtained or granted. We or the ADR depositary will not be obligated to register the rights or securities under the Securities Act or to submit, obtain or request any filing, report, approval or consent.

The ADR depositary may not be able to convert any currency or to sell or dispose of any distributed or offered property or rights in a timely manner or at a specified price, or at all.

Record Dates

The ADR depositary will fix a record date, after consultation with us, in each of the following situations:

- any cash dividend or other cash distribution becomes payable;
- any distribution other than cash is made;
- rights are issued with respect to deposited shares of common stock;
- the ADR depositary causes a change in the number of shares of common stock that are represented by each ADS; or
- the ADR depositary receives notice of any shareholders' meeting.

The record date will, to the extent practicable, be as near as the record date fixed by us for the shares of common stock. The record date will determine (1) the ADR holders who are entitled to receive the dividend, distribution or rights, or the net proceeds of the sale of the rights; or (2) the ADR holders who are entitled to receive notices or exercise rights.

Voting of the Underlying Shares of Common Stock

We will give the ADR depositary a notice of any meeting or solicitation of shareholder proxies immediately after we finalize the form and substance of such notice but not less than 14 days before the meeting. As soon as practicable after it receives our notice, the ADR depositary will fix a record date, and upon our written request, the ADR depositary will mail to you a notice that will contain the following:

- the information contained in our notice to the ADR depositary including an English translation, or, if requested by us, a summary of the information provided by us;
- a statement that the ADR holders as of the close of business on a specified record date will be entitled to instruct the ADR depositary as to how to exercise their voting rights for the number of shares of deposited shares of common stock, subject to the provisions of applicable Korean law and our articles of incorporation, which provisions, if any, will be summarized in the notice to the extent that they are material; and
- a statement as to the manner in which the ADR holders may give their instructions.

Upon your written request received on or before the date set by the ADR depositary for this purpose, the ADR depositary will endeavor, in so far as practicable, to vote or cause to be voted the deposited shares of common stock in accordance with the instructions set forth in your written requests. The ADR depositary may not itself exercise any voting discretion over any deposited shares of common stock. You may only exercise the voting rights in respect of nine ADSs or multiples of nine ADSs. ADR holders may not be entitled to give instruction to vote the shares represented by the ADSs if, and to the extent, the total number of shares represented by the ADSs of an ADR holder exceeds the limit set under applicable law. We can give no assurance to you, however, that we will notify the ADR depositary sufficiently in advance of the scheduled date of a meeting or solicitation of consents or proxies to enable the ADR depositary to make a timely mailing of notices to you, or that you will receive the notices sufficiently in advance of a meeting or solicitation of consents or proxies to give instructions to the ADR depositary.

Inspection of Transfer Books

The ADR depositary will keep books at its principal New York office, which is currently located at 388 Greenwich Street, 14th Floor, New York, New York 10013, for the registration and transfer of ADRs. You may inspect the books of the ADR depositary as long as the inspection is not for the purpose of communicating with holders in the interest of a business or object other than our business or a matter related to the deposit agreement or the ADRs.

Reports and Notices

On or before the first date on which we give notice, by publication or otherwise, of any meeting of shareholders, or of any adjourned meeting of shareholders, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of the shares of common stock, we will transmit to the Custodian and the ADR depositary sufficient copies of the notice in English in the form given or to be given to shareholders. We will furnish to the ADR depositary English language versions of any reports, notices and other communications that we generally transmit to holders of our common stock, including our annual reports, with annual audited consolidated financial statements prepared in conformity with IFRS and unaudited non-consolidated semiannual financial statements prepared in conformity with IFRS. The ADR depositary will arrange for the prompt mailing of copies of these documents, or, if we request, a summary of any such notice provided by us to you or, at our request, make notices, reports (other than the annual reports and semiannual financial statements) and other communications available to you on a basis similar to that for the holders of our common stock or on such other basis as we may advise the ADR depositary according to any applicable law, regulation or stock exchange requirement.

Notices to you under the deposit agreement will be deemed to have been duly given if personally delivered or sent by mail or cable, telegraph or facsimile transmission, confirmed by letter, addressed to you at your address as it appears on the transfer books of the ADR depositary or at such other address as you have notified the ADR depositary.

In addition, the ADR depositary will make available for inspection by holders at its principal New York office and its principal London office any notices, reports or communications, including any proxy soliciting materials, received from us that we generally transmit to the holders of our common stock or other deposited securities, including the ADR depositary. The ADR depositary will also send to you copies of reports and communications we will provide as provided in the deposit agreement.

Changes Affecting Deposited Shares of Common Stock

In case of a change in the par value, or a split-up, consolidation or any other reclassification of shares of our common stock or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting us, any securities received by the ADR depositary or the Custodian in exchange for, in conversion of or in respect of deposited shares of our common stock will be treated as new deposited shares of common stock under the deposit agreement. In that case, ADSs will, subject to the terms of the deposit agreement and applicable laws and regulations, including any registration requirements under the Securities Act, represent the right to receive the new deposited shares of common stock, unless additional ADRs are issued, as in the case of a stock dividend, or unless the ADR depositary calls for the surrender of outstanding ADRs to be exchanged for new ADRs.

Amendment and Termination of the Deposit Agreement

We may agree with the ADR depositary to amend the deposit agreement and the ADSs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges or certain expenses of the ADR depositary, or prejudices any substantial existing right of ADR holders, it will only become effective 30 days after the ADR depositary notifies you of the amendment. If you continue to hold your ADSs at the time an amendment becomes effective, you will be considered to have agreed to the amendment and to be bound by the deposit agreement as amended. Except as otherwise required by any mandatory provisions of applicable law, no amendment may impair your right to surrender your ADSs and to receive the underlying deposited securities.

The ADR depositary will terminate the deposit agreement if we ask it to do so with 90 days' prior written notice. The ADR depositary may also terminate the deposit agreement if the ADR depositary has notified us at least 90 days in advance that it would like to resign and we have not appointed a new depositary. In both cases, the ADR depositary must notify you at least 30 days before the termination date.

If any ADRs remain outstanding after the date of termination, the ADR depositary will stop performing any further acts under the deposit agreement, except:

- to collect dividends and other distributions pertaining to the deposited shares of common stock;
- to sell property and rights and the conversion of deposited shares of common stock into cash as provided in the deposit agreement; and
- to deliver deposited shares of common stock, together with any dividends or other distributions received with respect to the deposited shares of common stock and the net proceeds of the sale of any rights or other property represented by those ADSs in exchange for surrendered ADRs.

At any time after the expiration of six months from the date of termination, the ADR depositary may sell any remaining deposited shares of common stock and hold uninvested the net proceeds in an unsegregated account, together with any other cash or property then held, without liability for interest, for the pro rata benefit of the holders of ADSs that have not been surrendered by then.

Charges of ADR Depositary

The fees and expenses of the ADR depositary as agreed between us and the ADR depositary include:

- taxes and other governmental charges;
- registration fees applicable to transfers of shares of common stock on our shareholders' register, or that of any entity acting as registrar for the shares, to the name of the ADR depositary or its nominee, or the Custodian or its nominee, when making deposits or withdrawals under the deposit agreement;
- cable, telegraph and facsimile transmission expenses that are expressly provided in the deposit agreement;
- expenses incurred by the ADR depositary in the conversion of foreign currency into Dollars under the deposit agreement;
- a fee of up to US$5.00 per 100 ADSs, or portion thereof, for execution and delivery of ADSs and the surrender of ADRs under the deposit agreement; and
- a fee of up to US$0.02 per ADS held for cash distributions, a sale or exercise of rights or the taking of any other corporate action involving distributions to shareholders.

For a detailed description of fees and charges payable by the holders of ADSs under the deposit agreement, see "Item 12.D. American Depositary Shares — Fees and Charges under the Deposit Agreement".

General

Neither we nor the ADR depositary will be liable to you if prevented or delayed by law, governmental authority, any provision of our articles of incorporation or any circumstances beyond our or its control in performing our or its obligations under the deposit agreement. The deposit agreement provides that the ADR depositary will hold the shares of common stock for your sole benefit. Our obligations and those of the ADR depositary under the deposit agreement are expressly limited to performing, in good faith and without negligence, our and its respective duties specified in the deposit agreement.

The ADSs are transferable on the books of the ADR depositary, provided that the ADR depositary may, after consultation with us, close the transfer books at any time or from time to time, when deemed expedient by it in connection with the performance of its duties. As a condition precedent to the execution and delivery of any ADSs, registration of transfer, split-up, combination of any ADR or surrender of any ADS for the purpose of withdrawal of deposited shares of common stock, the ADR depositary or the Custodian may require payment from the depositor of the shares of common stock or a holder of ADSs of a sum sufficient to reimburse the ADR depositary for any tax or other governmental charge and any stock transfer or registration fee and payment of any applicable fees payable by the holders of ADSs.

Any person depositing shares of common stock, any holder of an ADS or any beneficial owner may be required from time to time to file with the ADR depositary or the Custodian a proof of citizenship, residence, exchange control approval, payment of applicable Korean or other taxes or governmental charges, or legal or beneficial ownership and the nature of their interest, to provide information relating to the registration on our shareholders' register (or our appointed agent for the transfer and registration of shares of common stock) of the shares of common stock presented for deposit or other information, to execute certificates and to make representations and warranties as we or the ADR depositary may deem necessary or proper or to enable us or the ADR depositary to perform our and its obligations under the deposit agreement. The ADR depositary may withhold the execution or delivery or registration of transfer of all or part of any ADR or the distribution or sale of any dividend or other distribution of rights or of the proceeds from their sale or the delivery of any shares deposited under the deposit agreement and any other securities, property and cash received by the ADR depositary or the Custodian until the proof or other information is filed or the certificates are executed or the representations and warranties are made. The ADR depositary shall provide us, unless otherwise instructed by us, in a timely manner, with copies of any of these proofs and certificates and these written representations and warranties.

The delivery and surrender of ADSs and transfer of ADSs generally may be suspended during any period when our or the ADR depositary's transfer books are closed or, if that action is deemed necessary or advisable by us or the ADR depositary, at any time or from time to time in accordance with the deposit agreement. We may restrict, in a manner as we deem appropriate, transfers of shares of common stock where the transfers may result in ownership of shares of common stock in excess of limits under applicable law. Except as described in "Deposit and Withdrawal of Shares of Common Stock" above, notwithstanding any other provision of the deposit agreement, the surrender of outstanding ADRs and withdrawal of Deposited Securities (as defined in the deposit agreement) represented by the ADRs may be suspended, but only as required in connection with (1) temporary delays caused by closing the transfer books of the ADR depositary or the issuer of any Deposited Securities (or the appointed agent or agents for such issuer for the transfer and registration of such Deposited Securities) in connection with voting at a shareholders' meeting or the payment of dividends, (2) payment of fees, taxes and similar charges, or (3) compliance with any United States or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of the Deposited Securities.

Governing Law

The deposit agreement and the ADRs will be interpreted under, and all rights under the deposit agreement or the ADRs are governed by, the laws of the State of New York.

We have irrevocably submitted to the non-exclusive jurisdiction of New York State or United States Federal Courts located in New York City and waived any objection to legal actions or proceedings in these courts whether on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum.

This submission was made for the benefit of the ADR depositary and the holders and will not limit the right of any of them to take legal actions or proceedings in any other court of competent jurisdiction nor will the taking of legal actions or proceedings in one or more jurisdictions preclude the taking of legal actions or proceedings in any other jurisdiction (whether concurrently or not), to the extent permitted under applicable law.

Information Relating to the ADR Depositary

Citibank, N.A. has been appointed as ADR depositary pursuant to the deposit agreement. Citibank is an indirect wholly-owned subsidiary of Citigroup Inc., a Delaware corporation whose principal office is located in New York, New York. Citibank is a global financial services organization serving individuals, businesses, governments and financial institutions in approximately 100 countries around the world.

Citibank was originally organized on June 16, 1812, and now is a national banking association organized under the National Bank Act of 1864 of the United States of America. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal office is at 399 Park Avenue, New York, NY 10022.

The consolidated balance sheets of Citibank are set forth in Citigroup's most recent annual report on Form 10-K and quarterly report on Form 10-Q, each on file with the SEC.

Citibank's Articles of Association and By-laws, each as currently in effect, together with Citigroup's most recent annual and quarterly reports will be available for inspection at the Depositary Receipt office of Citibank, N.A., 388 Greenwich Street, 14th Floor, New York, New York 10013.

Item 10.C. *Material Contracts*

We have not entered into any material contracts since January 1, 2009, other than in the ordinary course of our business. For information regarding our agreements and transactions with entities affiliated with the SK Group, see "Item 7.B. Related Party Transactions" and note 28 of the notes to our consolidated financial statements. For a description of certain agreements entered into during the past three years related to our capital commitments and obligations, see "Item 5B. Liquidity and Capital Resources".

Item 10.D. *Exchange Controls*

Korean Foreign Exchange Controls and Securities Regulations

General

The Foreign Exchange Transaction Act and the Presidential Decree and regulations under that Act and Decree, collectively referred to as the Foreign Exchange Transaction Laws, regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Non-residents may invest in Korean securities pursuant to the Foreign Exchange Transaction Laws. The Financial Services Commission of Korea has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets Act, regulations that restrict investment by foreigners in Korean securities and regulate issuance of securities outside Korea by Korean companies.

Subject to certain limitations, the MOSF has authority to take the following actions under the Foreign Exchange Transaction Laws:

- if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the MOSF may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea, a foreign exchange stabilization fund, certain other governmental agencies or financial companies; and
- if the Government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries are likely to adversely affect the Won, exchange rate or other macroeconomic policies, the MOSF may take action to require any person who intends to effect or effects a capital transaction to deposit all or a portion of the means of payment acquired in such transactions with The Bank of Korea, a foreign exchange stabilization fund, certain other governmental agencies or financial companies.

Under the regulations of the Financial Services Commission amended on February 4, 2009, (i) if a company listed on the KRX KOSPI Market or a company listed on the KRX KOSDAQ Market has submitted a public disclosure of material matters to a foreign financial investment supervisory authority pursuant to the laws of the foreign jurisdiction, then it must submit a copy of the public disclosure and a Korean translation thereof to the Financial Services Commission of Korea and the Korea Exchange, and (ii) if a KRX KOSPI Market-listed company or KRX KOSDAQ Market-listed company is approved for listing on a foreign stock market or determined to be de-listed from the foreign stock market or actually listed on, or de-listed from a foreign stock market, then it must submit a copy of any document, which it submitted to or received from the relevant foreign government, foreign financial investment supervisory authority or the foreign stock market, and a Korean translation thereof to the Financial Services Commission of Korea and the Korea Exchange.

Government Review of Issuances of ADSs

In order for us to issue ADSs in excess of US$30 million, we are required to submit a report to the MOSF with respect to the issuance of the ADSs prior to and after such issuance; provided that such US$30 million threshold amount would be reduced by the aggregate principal amount of any foreign currency loans borrowed, and any securities offered and issued, outside Korea during the one-year period immediately preceding the report's submission date. The MOSF may at its discretion direct us to take necessary measures to avoid exchange rate fluctuation in connection with its acceptance of report of the issuance of the ADSs.

- Under current Korean laws and regulations, the depositary is required to obtain our prior consent for any proposed deposit of common shares if the number of shares to be deposited in such proposed deposit exceeds the number of common shares initially deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent issuances of ADSs by us or with our consent and stock dividends or other distributions related to the ADSs).
- In addition to such restrictions under Korean laws and regulations, there are also restrictions on the deposits of our common shares for issuance of ADSs. See "Item 10.B. Memorandum and Articles of Incorporation — Description of American Depositary Shares". Therefore, a holder of ADRs who surrenders ADRs and withdraws shares may not be permitted subsequently to deposit those shares and obtain ADRs.

We submitted a report to and obtained acceptance thereof by the MOSF for the issuance of ADSs up to an amount corresponding to 24,321,893 common shares. No additional Korean governmental approval is necessary for the issuance of ADSs except that if the total number of our common shares on deposit for conversion into ADSs exceeds 24,321,893 common shares, we may be required to file a report to and obtain acceptance thereof by the MOSF with respect to the increase of such limit and the issuance of additional ADSs.

Reporting Requirements for Holders of Substantial Interests

Under the Financial Investment Services and Capital Markets Act, any person whose direct or beneficial ownership of shares with voting rights, certificates representing the rights to subscribe for shares and equity-related debt securities including convertible bonds and bonds with warrants (collectively referred to as "equity securities"), together with the equity securities beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5.0% or more of the total outstanding equity securities is required to report the status and purpose (in terms of whether the purpose of shareholding is to affect control over management of the issuer) of the holdings to the Financial Services Commission of Korea and the Korea Exchange within five business days after reaching the 5.0% ownership interest threshold and promptly deliver a copy of such report to the issuer. In addition, any change (i) in the ownership interest subsequent to the report which equals or exceeds 1.0% of the total outstanding equity securities, or (ii) in the shareholding purpose is required to be reported to the Financial Services Commission of Korea and the Korea Exchange within five business days from the date of the change. However, reporting deadline of such reporting requirement is extended to (i) certain professional investors, as specified under the Financial Investment Services and Capital Markets Act, or (ii) persons who hold shares for purposes other than management control by the tenth day of the month immediately following the month of share acquisition or change in their shareholding. Those who reported the purpose of shareholding is to affect control over management of the issuer are prohibited from exercising their voting rights and acquiring additional shares for five days subsequent to the report under the Financial Investment Services and Capital Markets Act.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment and may result in a loss of voting rights with respect to the ownership of unreported equity securities exceeding 5.0%. Furthermore, the Financial Services Commission of Korea may issue an order to dispose of such non-reported equity securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our common shares accounts for 10% or more of the total issued and outstanding shares with voting rights (a "major shareholder") must report the status of his or her shareholding to the Securities and Futures Commission and the Korea Exchange within five business days after he or she becomes a major shareholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Securities and Futures Commission and the Korea Exchange by the fifth business day of any changes in his or her shareholding. Violations of these reporting requirements may subject a person to criminal sanctions, such as fines or imprisonment.

Restrictions Applicable to ADSs

No Korean governmental approval is necessary for the sale and purchase of ADSs in the secondary market outside Korea or for the withdrawal of shares underlying ADSs and the delivery of shares in Korea in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service, as described below. The acquisition of the shares by a foreigner must be reported by the foreigner or his or her standing proxy in Korea immediately to the Governor of the Financial Supervisory Service.

Persons who have acquired shares as a result of the withdrawal of shares underlying the ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further governmental approval.

In addition, we are required to file a securities registration statement with the Financial Services Commission and such securities registration statement has to become effective pursuant to the Financial Investment Services and Capital Markets Act in order for us to issue shares represented by ADSs, except in certain limited circumstances.

Restrictions Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Laws and the regulations of Financial Services Commission of Korea, together referred to as the Investment Rules, adopted in connection with the stock market opening from January 1992 and after that date, foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or the KRX KOSDAQ Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market or the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances, including, among others:

- odd-lot trading of shares;
- acquisition of shares by a foreign company as a result of a merger;
- acquisition or disposal of shares in connection with a tender offer;
- acquisition of shares by exercise of warrant, conversion right under convertible bonds, exchange right under exchangeable bonds or withdrawal right under depositary receipts issued outside of Korea by a Korean company ("converted shares");
- acquisition of shares through exercise of rights under securities issued outside of Korea;
- acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders' rights, including preemptive rights or rights to participate in free distributions and receive dividends;
- over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded;
- acquisition of shares by direct investment under the Foreign Investment Promotion Law;
- acquisition and disposal of shares on an overseas stock exchange market, if such shares are simultaneously listed on the KRX KOSPI Market or KRX KOSDAQ Market and such overseas stock exchange; and
- arm's length transactions between foreigners in the event all such foreigners belong to an investment group managed by the same person.

For over-the-counter transactions of shares between foreigners outside the KRX KOSPI Market or the KRX KOSDAQ Market for shares with respect to which the limit on aggregate foreign ownership has been reached or exceeded, a financial investment company with a brokerage license in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve a financial investment company with a dealing license in Korea as the other party. Foreign investors are prohibited from engaging in margin transactions through borrowing shares from financial investment companies with respect to shares which are subject to a foreign ownership limit.

The Investment Rules require a foreign investor who wishes to invest in shares for the first time on the KRX KOSPI Market or the KRX KOSDAQ Market (including converted shares) and shares being publicly offered for initial listing on the KRX KOSPI Market or the KRX KOSDAQ Market to register its identity with the Financial Supervisory Service prior to making any such investment; however, the registration requirement does not apply to foreign investors who acquire converted shares with the intention of selling such converted shares within three months from the date of acquisition of the converted shares or who acquire the shares in an over-the-counter transaction or dispose of shares where such acquisition or disposal is deemed to be a foreign direct investment pursuant to the Foreign Investment Promotion Law. Upon registration, the Financial Supervisory Service will issue to the foreign investor an investment registration card which must be presented each time the foreign investor opens a brokerage account with a financial investment company or financial institution in Korea. Foreigners eligible to obtain an investment registration card include foreign nationals who have not been residing in Korea for a consecutive period of six months or longer, foreign governments, foreign municipal authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by decree promulgated under the Financial Investment Services and Capital Markets Act. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea for the purpose of investment registration. However, a foreign corporation or depositary issuing depositary receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the KRX KOSPI Market or the KRX KOSDAQ Market, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, where a foreign investor acquires or sells shares outside the KRX KOSPI Market and the KRX KOSDAQ Market, such acquisition or sale of shares must be reported by the foreign investor or such foreign investor's standing proxy to the Governor of the Financial Supervisory Service, or the Governor, at the time of each such acquisition or sale; provided, however, that a foreign investor must ensure that any acquisition or sale of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market in the case of trades in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the Governor by the Korea Securities Depository, financial investment companies with a dealing or brokerage license or securities finance companies engaged to facilitate such transaction. In the event a foreign investor desires to acquire or sell shares outside the KRX KOSPI Market or the KRX KOSDAQ Market and the circumstances in connection with such sale or acquisition do not fall within the exceptions made for certain limited circumstances described above, then the foreign investor must obtain the prior approval of the Governor. In addition, in the event a foreign investor acquires or sells shares outside the KRX KOSPI Market or the KRX KOSDAQ Market, a prior report to the Bank of Korea may also be required in certain circumstances. A foreign investor must appoint one or more standing proxies among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and certain eligible foreign custodians which will act as a standing proxy to exercise shareholders' rights, or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. Generally, a foreign investor may not permit any person, other than his, her or its standing proxy, to exercise rights relating to its shares or perform any tasks related thereto on his, her or its behalf. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the Governor in cases deemed inevitable by reason of conflict between laws of Korea and the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in custody with an eligible custodian in Korea. The Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and certain eligible foreign custodians are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that his, her or its custodian deposits the shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the Governor in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40.0% ceiling on the acquisition of shares by foreigners in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single person within 3.0% of the total number of shares in their articles of incorporation. Currently, Korea Electric Power Corporation is the only designated public corporation which has set such a ceiling. Furthermore, an investment by a foreign investor of not less than 10.0% of the outstanding shares with voting rights of a Korean company is defined as a direct foreign investment under the Foreign Investment Promotion Law, which is, in general, subject to the report to, and acceptance by, the Ministry of Knowledge Economy of Korea, which delegates its authority to foreign exchange banks or the Korea Trade-Investment Promotion Agency under the relevant regulations. The acquisition of our shares by a foreign investor is also subject to the restrictions prescribed in the Telecommunications Business Act. The Telecommunications Business Act generally limits the maximum aggregate foreign shareholdings in us to 49.0% of the outstanding shares. A foreigner who has acquired shares in excess of such restriction described above may not exercise the voting rights with respect to the shares exceeding such limitations and may be subject to corrective orders.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to make a portfolio investment in shares of a Korean company listed on the KRX KOSPI Market or the KRX KOSDAQ Market must designate a foreign exchange bank at which he, she or it must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a securities company. Funds in the foreign currency account may be remitted abroad without any governmental approval.

Dividends on shares are paid in Won. No governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any such shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any such shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment companies with a securities dealing, brokerage or collective investment license or the investor's Won account. Funds in the investor's Won account may be transferred to such investor's foreign currency account or withdrawn for local living expenses, provided that any withdrawal of local living expenses in excess of a certain amount is reported to the tax authorities by the foreign exchange bank at which the Won account is maintained. Funds in the investor's Won account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with a securities dealing, brokerage or collective investment license are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, these financial investment companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10.E. *Taxation*

United States Taxation

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;

- a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;
- a person whose functional currency for tax purposes is not the U.S. dollar; or
- a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

For purposes of this summary, you are a "U.S. holder" if you are the beneficial owner of a common share or an ADS and are:

- a citizen or resident of the United States;
- a U.S. domestic corporation; or
- otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your receipt of the dividend, in the case of common shares, or the depositary's receipt, in the case of ADSs, regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2013 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are "qualified dividends". Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company as defined for U.S. federal income tax purposes ("PFIC"). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, as well as relevant market and shareholder data, we believe that we were not a PFIC with respect to our 2011 taxable year. In addition, based on our audited financial statements and current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2012 taxable year.

Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax.

Sale or Other Disposition

For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Korean taxes withheld from a distribution of additional shares that is not subject to U.S. tax may be treated for U.S. federal income tax purposes as imposed on "general limitation" income. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is insubstantial.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient and demonstrates this when required or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Korean Taxation

The following is a summary of the principal Korean tax consequences to owners of the common shares or ADSs, as the case may be, who are non-resident individuals or non-Korean corporations without a permanent establishment in Korea to which the relevant income is attributable or with which the relevant income is effectively connected ("Non-resident Holders"). The statements regarding Korean tax laws set forth below are based on the laws in force and as interpreted by the Korean taxation authorities as of the date hereof. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the common shares or ADSs, including specifically the tax consequences under Korean law, the laws of the jurisdiction of which they are resident, and any tax treaty between Korea and their country of residence, by consulting their own tax advisors.

Tax on Dividends

Dividends on the common shares or ADSs paid (whether in cash or in shares) to a Non-resident Holder will be subject to Korean withholding taxes at the rate of 22% (including local income tax) or such lower rate as is applicable under a treaty between Korea and such Non-resident Holder's country of tax residence. Free distributions of shares representing a capitalization of certain capital surplus reserves may be subject to Korean withholding taxes.

The tax is withheld by the payer of the dividend. Since the payer is required to withhold the tax, Korean law does not entitle the person who was subject to the withholding of Korean tax to recover from the Government any part of the Korean tax withheld, even if it subsequently produces evidence that it was entitled to have tax withheld at a lower rate, except in certain limited circumstances.

Tax on Capital Gains

As a general rule, capital gains earned by Non-resident Holders upon transfer of the common shares or ADSs are subject to Korean withholding tax at the lower of (i) 11% (including local income tax) of the gross proceeds realized or (ii) 22% (including local income tax) of the net realized gains (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs), unless exempt from Korean income taxation under the effective Korean tax treaty with the Non-resident Holder's country of tax residence.

However, a Non-resident Holder will not be subject to Korean income taxation on capital gains realized upon the sale of the common shares through the KRX KOSPI Market if the Non-resident Holder (i) has no permanent establishment in Korea and (ii) did not or has not owned (together with any shares owned by any entity with certain special relationship with such Non-resident Holder) 25% or more of the total issued and outstanding shares of us at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

It should be noted that capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside Korea will generally be exempt from Korean income taxation, provided that the ADSs are deemed to have been issued overseas. If and when an owner of the underlying common shares transfers the ADSs following the conversion of the underlying shares for ADSs, such person will not be exempt from Korean income taxation.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (1) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea and (2) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and vary according to the identity of the parties involved.

Under Korean inheritance and gift tax laws, securities issued by a Korean corporation are deemed to be located in Korea irrespective of where they are physically located or by whom they are owned.

Securities Transaction Tax

Securities transaction tax is imposed on the transfer of shares issued by a Korean corporation or the right to subscribe for such shares generally at the rate of 0.5% of the sales price. In the case of the transfer of shares listed on the KRX KOSPI Market (such as the common shares), the securities transaction tax is imposed generally at the rate of (i) 0.3% of the sales price of such shares (including agricultural and fishery special surtax thereon) if traded on the KRX KOSPI Market or (ii) subject to certain exceptions, 0.5% of the sales price of such shares if traded outside the KRX KOSPI Market.

Securities transaction tax or the agricultural and fishery special surtax is not applicable if (i) the shares or rights to subscribe for shares are listed on a designated foreign stock exchange and (ii) the sale of the shares takes place on such exchange.

Securities transaction tax, if applicable, must be paid by the transferor of the shares or rights, in principle. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay (to the tax authority) the tax, and when such transfer is made through a financial investment company with a brokerage license only, such company is required to withhold and pay the tax. Where the transfer is effected by a Non-resident Holder without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company with a brokerage license, the transferee is required to withhold the securities transaction tax. Failure to do so will result in the imposition of penalties equal to the sum of (i) between 10% to 40% of the tax amount due, depending on the nature of the improper reporting, and (ii) 10.95% per annum on the tax amount due for the default period.

Tax Treaties

Currently, Korea has income tax treaties with a number of countries, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Ireland, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on dividend and interest is reduced, generally to between 5% and 16.5% (including local income tax), and the tax on capital gains derived by a non-resident from the transfer of securities issued by a Korean company is often eliminated.

Each Non-resident Holder of common shares should inquire for itself whether it is entitled to the benefits of a tax treaty with Korea. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest, dividend, capital gains or "other income" to submit to us (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, prior to or at the time of payment, such evidence of tax residence of the party claiming the treaty benefit as the Korean tax authorities may require in support of its claim for treaty protection. In the absence of sufficient proof, we (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, must withhold tax at the normal rates.

Furthermore, in order for a non-resident of Korea to obtain the benefits of tax exemption on certain Korean source income (e.g., capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agent) to submit to the payer of such Korean source income an application for a tax exemption along with a certificate of tax residency of such non-resident issued by a competent authority of the non-resident's country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income.

For a non-resident of Korea to obtain the benefits of treaty-reduced tax rates on certain Korean source income (e.g, capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agents) to submit to the payer of such Korean source income an application for treaty-reduced tax rates prior to receipt of such Korean source income; provided, however, that an owner of ADSs who is a non-resident of Korea is not required to submit such application, if the Korean source income on the ADSs is paid through an account opened at the Korea Securities Depository by a foreign depository.

At present, Korea has not entered into any tax treaty relating to inheritance or gift tax.

Item 10.F. ***Dividends and Paying Agents***

Not applicable.

Item 10.G. ***Statements by Experts***

Not applicable.

Item 10.H. ***Documents on Display***

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's Website at *http://www.sec.gov*.

Documents filed with annual reports and documents filed or submitted to the SEC are also available for inspection at our principal business office during normal business hours. Our principal business office is located at SK T-Tower, 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea.

Item 10.I. ***Subsidiary Information***

Not applicable.

Item 11. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Exchange Rate and Interest Rate Risks

We are exposed to foreign exchange rate and interest rate risk primarily associated with underlying liabilities. We have entered into floating-to-fixed cross currency swap contracts to hedge foreign currency and interest rate risks with respect to long-term borrowings of US$100 million borrowed in October 2006, Yen 12.5 billion of bonds issued in November 2007, Yen 3 billion of bonds issued in January 2009, Yen 5 billion of bonds issued in March 2009, US$220 million of bonds issued in April 2009, US$250 million of bonds issued in December 2011 and SG$65 million of bonds issued in December 2011. In addition, we have entered into fixed-to-fixed cross currency swap contracts to hedge the foreign currency risks of US$400 million of bonds issued in July 2007. In addition, SK Broadband, one of our subsidiaries, has entered into a fixed-to-fixed cross currency swap contract to hedge the foreign currency risks of US$500 million of bonds issued in February 2005. See note 30 of the notes to our consolidated financial statements. We may consider in the future entering into other such transactions solely for hedging purposes.

The following discussion and tables, which constitute "forward looking statements" that involve risks and uncertainties, summarize our market-sensitive financial instruments including fair value, maturity and contract terms. These tables address market risk only and do not present other risks which we face in the normal course of business, including country risk, credit risk and legal risk.

Exchange Rate Risk

Korea is our main market and, therefore, substantially all of our cash flow is denominated in Won. We are exposed to foreign exchange risk related to foreign currency denominated liabilities. These liabilities relate primarily to foreign currency denominated debt, primarily in Dollars and Yen. A 10% change in the exchange rate between the Won and all foreign currencies would result in a change in net liabilities (total monetary liabilities minus total monetary assets) of approximately 3.0% or Won 77.4 billion as of December 31, 2011. For a further discussion of our exchange rate risk exposures, see note 34.a.(1) of the notes to our consolidated financial statements.

Interest Rate Risk

We are also subject to market risk exposure arising from changing interest rates. The following table summarizes the carrying amounts and fair values, maturity and contract terms of our exchange rate and interest sensitive short-term and long-term liabilities as of December 31, 2011:

	Maturities							
	2012	2013	2014	2015	2016	Thereafter	Total	Fair Value
	(In billions of Won, except for percentage data)							
Local currency:								
Fixed rate	₩ 606.7	₩ 606.0	₩ 640.8	₩ 249.6	₩ 578.4	₩ 381.1	₩ 3,062.7	₩ 3,072.2
Average weighted rate(1)	0.08%	5.23%	4.72%	4.99%	5.22%	4.73%		
Variable rate	—	—	—	—	—	—	—	—
Average weighted rate(1)	—	—	—	—	—	—		
Sub-total	606.7	606.0	640.8	249.6	578.4	381.1	3,062.7	3,072.2
Foreign currency:								
Fixed rate	683.3	—	397.9	—	—	516.2	1,597.4	1,974.3
Average weighted rate(1)	5.91%	—	1.75%	—	—	6.57%		
Variable rate	557.5	—	457.3	86.5	34.6	—	1,135.9	1,135.9
Average weighted rate(1)	2.54%	—	1.87%	3.78%	5.31%	—		
Sub-total	1,240.8	—	855.2	86.5	34.6	516.2	2,733.3	3,110.2
Total	₩ 1,847.5	₩ 606.0	₩ 1,496.0	₩ 336.1	₩ 613.1	₩ 897.2	₩ 5,796.0	₩ 6,182.5

(1) Weighted average rates of the portfolio at the period end.

A 1.0% point change in interest rates would result in a change of approximately 3.6% in the fair value of our liabilities resulting in a Won 154.1 billion change in their value as of December 31, 2011 and a Won 12.4 billion annualized change in interest expenses. For a further discussion of our interest rate risk exposures, see note 34.a.(3) of the notes to our consolidated financial statements.

Item 12. *DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES*

Item 12.A. *Debt Securities*

Not applicable.

Item 12.B. *Warrants and Rights*

Not applicable.

Item 12.C. *Other Securities*

Not applicable.

Item 12.D. *American Depositary Shares*

Fees and Charges under Deposit Agreement

The ADR depositary will charge the party receiving ADSs up to $5.00 per 100 ADSs (or fraction thereof), provided that the ADR depositary has agreed to waive such fee as would have been payable by us in the case of (i) an offering of ADSs by us or (ii) any distribution of shares of common stock or any rights to subscribe for additional shares of common stock. The ADR depositary will not charge the party to whom ADSs are delivered against deposits. The ADR depositary will charge the party surrendering ADSs for delivery of deposited securities up to $5.00 per 100 ADSs (or fraction thereof) surrendered. The ADR depositary will also charge the party to whom any cash distribution, or for whom the sale or exercise of rights or other corporate action involving distributions to shareholders, is made with respect to ADSs up to $0.02 per ADS held plus the expenses of the ADR depositary on a per-ADS basis. We will pay the expenses of the ADR depositary and any entity acting as registrar for the shares only as specified in the deposit agreement. The ADR depositary will pay any other charges and expenses of the ADR depositary and the entity acting as registrar for the shares.

Holders of ADRs must pay (i) taxes and other governmental charges, (ii) share transfer registration fees on deposits of shares of common stock, (iii) such cable, telex, facsimile transmission and delivery expenses as are expressly provided in the deposit agreement to be at the expense of persons depositing shares of common stock or holders of ADRs and (iv) such reasonable expenses as are incurred by the ADR depositary in the conversion of foreign currency into United States dollars.

Notwithstanding any other provision of the deposit agreement, in the event that the ADR depositary determines that any distribution in property (including shares or rights to subscribe therefor or other securities) is subject to any tax or governmental charges which the ADR depositary is obligated to withhold, the ADR depositary may dispose of all or a portion of such property (including shares and rights to subscribe therefor) in such amounts and in such manner as the ADR depositary deems necessary and practicable to pay such taxes or governmental charges, including by public or private sale, and the ADR depositary will distribute the net proceeds of any such sale or the balance of any such property after deduction of such taxes or governmental charges to the holders of ADSs entitled thereto in proportion to the number of ADSs held by them respectively.

All such charges may be changed by agreement between the ADR depositary and us at any time and from time to time, subject to the deposit agreement. The right of the ADR depositary to receive payment of fees, charges and expenses shall survive the termination of this deposit agreement and, as to any depositary, the resignation or removal of such depositary pursuant to the deposit agreement.

For a detailed summary of the deposit agreement, see "Item 10.B. Memorandum and Articles of Incorporation — Description of American Depositary Shares".

Payments made by ADS Depositary

All fees and other direct and indirect payments reimbursed by the depositary are as following:

	Year Ended December 31, 2011
	(In dollars)
Expenses for preparation of SEC filing and submission	$1,114,026
Listing Fees	$ 326,453
Education/Training	$ 311,702
Corporate Action	$ 558,281
Miscellaneous	$ 884,238
Total	$3,194,701

PART II

Item 13. *DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES*

None.

Item 14. *MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS*

None.

Item 15. *CONTROLS AND PROCEDURES*

Our management has evaluated, with the participation of our Chief Executive Officers and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2011. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officers and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officers and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness 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. Under the supervision and with the participation of our management, including our Chief Executive Officers and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea and IFRS as issued by the IASB. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2011. The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by Deloitte Anjin LLC, an independent registered public accounting firm, as stated in its report which is included herein.

Attestation Report of the Independent Registered Public Accounting Firm

The attestation report of our independent registered public accounting firm is furnished in Item 18 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [*RESERVED*]

Item 16A. *AUDIT COMMITTEE FINANCIAL EXPERT*

At our annual shareholders' meeting in March 2011, our shareholders re-elected the following two members of the Audit Committee: Jay Young Chung and Jae Ho Cho. In addition, they determined and designated that Jae Ho Cho is an "audit committee financial expert" within the meaning of this Item 16A. The board of directors have approved this re-elected Audit Committee, and reaffirmed the determination by our shareholders that Jae Ho Cho is an audit committee financial expert and further determined that he is independent within the meaning of applicable SEC rules and the listing standards of the New York Stock Exchange. See "Item 6.C. Board Practices — Audit Committee" for additional information regarding our Audit Committee.

Item 16B. *CODE OF ETHICS*

Code of Ethics for Chief Executive Officer, Chief Financial Officer and Controller

We have a code of ethics that applies to our Chief Executive Officers, senior accounting officers and employees. We also have internal control and disclosure policy designed to promote full, fair, accurate, timely and understandable disclosure in all of our reports and publicly filed documents. A copy of our code of ethics is available on our website at *www.sktelecom.com*. If we amend the provisions of our code of ethics that apply to our Chief Executive Officers, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website.

Item 16C. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The table sets forth the fees we paid to our independent registered public accounting firm Deloitte Anjin LLC for the year ended December 31, 2010 and 2011, respectively:

	Year Ended December 31,	
	2010	2011
	(In millions of Won)	
Audit Fees	₩2,256.8	₩2,389.5
Audit-Related Fees	360.8	60.0
Tax Fees	177.7	315.0
All Other Fees	—	—
Total	₩2,795.3	₩2,764.5

"Audit Fees" are the aggregate fees billed by Deloitte Anjin LLC in 2010 and 2011, respectively, for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

"Audit-Related Fees" are fees charged by Deloitte Anjin LLC in 2010 and 2011, respectively, for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees". This category comprises fees billed for advisory services associated with our financial reporting.

"Tax Fees" are fees for professional services rendered by Deloitte Anjin LLC in 2010 and 2011, respectively, for tax compliance, tax advice on actual or contemplated transactions and tax planning services.

Fees disclosed under the category "*All Other Fees*" are fees for professional services rendered by Deloitte Anjin LLC in 2010 and 2011, respectively, primarily for business consulting.

Pre-Approval of Audit and Non-Audit Services Provided by Independent Registered Public Accounting Firm

Our audit committee pre-approves all audit services to be provided by Deloitte Anjin LLC, our independent registered public accounting firm. Our audit committee's policy regarding the pre-approval of non-audit services to be provided to us by our independent auditors is that all such services shall be pre-approved by the Audit Committee. Non-audit services that are prohibited to be provided to us by our independent auditors under the rules of the SEC and applicable law may not be pre-approved. In addition, prior to the granting of any pre-approval, our audit committee must be satisfied that the performance of the services in question will not compromise the independence of our independent registered public accounting firm.

Our audit committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2-01 (c)(7)(i)(C) of Regulation S-X as promulgated by the SEC.

Item 16D. *EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES*

Not applicable.

Item 16E. *PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS*

The following table sets forth the repurchases of common shares by us or any "affiliated purchasers" (as defined in Rule 10b-18(a)(3) of the Exchange Act) during the fiscal year ended December 31, 2011:

Period 2011	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program(2)	Maximum Number of Shares That May Yet be Purchased Under the Plans or Program(2)
January	—	—	—	—
February	—	—	—	—
March	—	—	—	—
April	—	—	—	—
May	—	—	—	—
June	—	—	—	—
July	165,000	₩145,269	165,000	1,235,000
August	739,775	146,526	739,775	495,225
September	495,225	151,912	495,225	—
October	—	—	—	—
November	—	—	—	—
December	—	—	—	—
Total	1,400,000	₩148,283	1,400,000	—

(1) Purchased through open market transactions.

(2) On July 20, 2011, we announced a plan to repurchase up to 1,400,000 common shares during the period between July 21, 2011 and October 10, 2011, and completed such repurchase by September 30, 2011.

Item 16F. *CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT*

Not applicable.

Item 16G. *CORPORATE GOVERNANCE*

The following is a summary of the significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law.

NYSE Corporate Governance Standards	Our Corporate Governance Practice
Director Independence Listed companies must have a majority of independent directors.	Of the eight members of our board of directors, five are independent directors.
Executive Session Listed companies must hold meetings solely attended by independent directors to more effectively check and balance management directors.	Our Audit Committee, which is comprised solely of four independent directors, holds meetings whenever there are matters related to management directors, and such meetings are generally held once every month.
Nomination/Corporate Governance Committee Listed companies must have a nomination/corporate governance committee composed entirely of independent directors.	Although we do not have a separate nomination/ corporate governance committee, we maintain an Independent Director Nomination Committee composed of independent directors and management directors.
Audit Committee Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.	We maintain an Audit Committee comprised solely of four independent directors.
Audit Committee Additional Requirements Listed companies must have an audit committee that is composed of more than three directors.	Our Audit Committee has four independent directors.
Shareholder Approval of Equity Compensation Plan Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan.	We currently have two equity compensation plans: a stock option plan for officers and directors and employee stock ownership plan for employees ("ESOP"). We manage such compensation plans in compliance with the applicable laws and our articles of incorporation, provided that, under certain limited circumstances, the grant of stock options or matters relating to ESOP are not subject to shareholders' approval under Korean law.
Corporate Governance Guidelines Listed companies must adopt and disclose corporate governance guidelines.	Although we do not maintain separate corporate governance guidelines, we are in compliance with the Korean Commercial Code in connection with such matters, including the governance of the board of directors.
Code of Business Conduct and Ethics Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers.	We have adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees, and such code is also available on our website at *www.sktelecom.com.*

Item 16H. *MINE SAFETY DISCLOSURE*

Not applicable.

PART III

Item 17. *FINANCIAL STATEMENTS*

Not applicable.

Item 18. *FINANCIAL STATEMENTS*

Item 19. *EXHIBITS*

Number	Description
1.1	Articles of Incorporation
2.1	Deposit Agreement dated as of May 31, 1996, as amended by Amendment No. 1 dated as of March 15, 1999, Amendment No. 2 dated as of April 24, 2000 and Amendment No. 3 dated as of July 24, 2002, entered into among SK Telecom Co., Ltd., Citibank, N.A., as Depositary, and all Holders and Beneficial Owners of American Depositary Shares (incorporated by reference to Exhibit 2.1 to the Registrant's Annual Report on Form 20-F filed on June 30, 2006)
8.1	List of Subsidiaries of SK Telecom Co., Ltd.
12.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Framework Act on Telecommunications, as amended (English translation) (incorporated by reference to Exhibit 15.1 to the Registrant's Annual Report on Form 20-F filed on June 30, 2011)
15.2	Enforcement Decree of the Framework Act on Telecommunications, as amended (English translation) (incorporated by reference to Exhibit 15.2 to the Registrant's Annual Report on Form 20-F filed on June 30, 2011)
15.3	Telecommunications Business Act, as amended (English translation)
15.4	Enforcement Decree of the Telecommunications Business Act, as amended (English translation)
15.5	Amendment to the Government Organization Act (incorporated by reference to Exhibit 15.5 to the Registrant's Annual Report on Form 20-F filed on June 30, 2008)

INDEX OF FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated statements of financial position of SK Telecom Co., Ltd. and subsidiaries (the "Company") as of December 31, 2011, December 31, 2010 and January 1, 2010, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of SK Telecom Co. Ltd. And subsidiaries as of December 31, 2011, December 31, 2010 and January 1, 2010, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2011, in conformity with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2012, expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte Anjin LLC

Deloitte Anjin LLC

Seoul, Korea
March 13, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of SK Telecom Co., Ltd. and subsidiaries (the "Company") as of December 31, 2011, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011 (all expressed in Korean won) of the Company and our report dated March 13, 2012, expressed an unqualified opinion on those financial statements, and included an explanatory paragraph relating to the transition of Korean won amounts to United States dollar amounts.

/s/ Deloitte Anjin LLC

Deloitte Anjin LLC

Seoul, Korea
March 13, 2012

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011, 2010 AND JANUARY 1, 2010

		Korean won			Translation into U.S. dollars (Note 2)
	Notes	January 1, 2010	December 31, 2010	December 31, 2011	December 31, 2011
			(In millions)		(In thousands)
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	*4,29*	₩ 905,561	₩ 659,405	₩ 1,650,794	$ 1,424,941
Short-term financial instruments	*4,29*	471,970	567,152	979,564	845,545
Short-term investment securities	*4,7*	376,722	400,531	94,829	81,855
Accounts receivable — trade, net	*4,5,28*	1,832,967	1,949,397	1,823,170	1,573,733
Short-term loans, net	*4,5,28*	75,941	94,924	100,429	86,689
Accounts receivable — other, net	*4,5,28*	2,421,874	2,531,847	908,836	784,494
Prepaid expenses		172,225	182,091	118,200	102,028
Derivative assets	*4,30*	—	—	148,038	127,784
Inventories, net	*6,29*	119,317	149,223	219,590	189,547
Advanced payments and other	*4,5,7*	65,391	119,422	74,029	63,902
Total Current Assets		6,441,968	6,653,992	6,117,479	5,280,518
NON-CURRENT ASSETS:					
Long-term financial instruments	*4,29*	6,565	117	7,628	6,584
Long-term investment securities	*4,7*	2,443,978	1,680,582	1,537,945	1,327,531
Investments in associates	*8*	549,913	1,204,692	1,384,605	1,195,170
Property and equipment, net	*9,28,29*	8,027,678	8,153,413	9,030,998	7,795,423
Investment property	*10*	212,742	197,307	271,086	233,997
Goodwill	*11*	1,736,733	1,736,649	1,749,933	1,510,516
Intangible assets	*12*	2,004,218	1,884,956	2,995,803	2,585,933
Long-term loans, net	*4,5,28*	81,109	84,323	95,565	82,490
Long-term accounts receivable — other	*4,5*	761,735	527,106	5,393	4,655
Long-term prepaid expenses	*29*	449,906	411,509	567,762	490,084
Guarantee deposits	*4,5,28*	232,975	250,333	245,218	211,669
Long-term derivative assets	*4,30*	314,658	203,382	105,915	91,424
Deferred income tax assets	*24*	28,646	106,860	227,578	196,442
Other	*4,5*	43,900	37,168	23,128	19,965
Total Non-current Assets		16,894,756	16,478,397	18,248,557	15,751,883
TOTAL ASSETS		₩23,336,724	₩23,132,389	₩24,366,036	$21,032,401

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION — (Continued)
DECEMBER 31, 2011, 2010 AND JANUARY 1, 2010

		Korean won			Translation into U.S. dollars (Note 2)
	Notes	January 1, 2010	December 31, 2010	December 31, 2011	December 31, 2011
			(In millions)		(In thousands)
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term borrowings	*4,13,29*	₩ 554,469	₩ 523,710	₩ 700,713	$ 604,845
Accounts payable — trade	*4,28*	164,314	195,777	195,391	168,659
Accounts payable — other	*4,28*	1,307,236	1,434,329	1,507,877	1,301,577
Withholdings	*4*	288,455	408,261	496,860	428,882
Accrued expenses	*4*	419,816	677,480	744,673	642,791
Income tax payable	*24*	395,503	259,871	293,725	253,539
Unearned revenue		341,538	311,365	290,791	251,006
Derivative liabilities	*4,30*	36,318	15,393	4,645	4,009
Provisions	*15*	516,382	652,889	657,198	567,284
Current portion of long-term debt, net	*4,13,14,16*	1,262,383	1,601,231	1,662,841	1,435,340
Advanced receipts and other		96,364	121,864	118,876	102,612
Total Current Liabilities		5,382,778	6,202,170	6,673,590	5,760,544
NON-CURRENT LIABILITIES:					
Bonds payable, net	*4,13*	4,453,300	3,658,546	3,229,009	2,787,233
Long-term borrowings	*4,13,29*	844,640	235,968	323,852	279,544
Long-term payables — other	*4,14*	170,953	54,783	847,496	731,546
Long-term unearned revenue		274,876	241,892	212,172	183,144
Finance lease liabilities	*4,16*	77,709	60,075	41,940	36,202
Retirement benefit obligation	*17*	53,659	67,870	85,941	74,183
Long-term derivative liabilities	*4,30*	34,495	14,761	—	—
Long-term provisions	*15*	121,097	112,227	142,361	122,884
Long-term advanced receipts and other	*4,28*	75,172	76,098	76,966	66,435
Total Non-current Liabilities		6,105,901	4,522,220	4,959,737	4,281,171
Total Liabilities		11,488,679	10,724,390	11,633,327	10,041,715
EQUITY:					
Share capital	*1,18*	44,639	44,639	44,639	38,532
Share premium	*18,19*	167,876	(78,953)	(285,347)	(246,307)
Retained earnings	*20*	9,563,940	10,721,249	11,642,525	10,049,655
Reserves	*21*	919,835	643,056	260,064	224,483
Non-controlling interests		1,151,755	1,078,008	1,070,828	924,323
Total Equity		11,848,045	12,407,999	12,732,709	10,990,686
TOTAL LIABILITIES AND EQUITY		₩23,336,724	₩23,132,389	₩24,366,036	$21,032,401

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Korean won 2010	Korean won 2011	Translation into U.S. dollars (Note 2) 2011
		(In millions except for per share data)		(In thousands except for per share data)
OPERATING REVENUE :				
Revenue	27,28	₩15,518,637	₩15,938,549	$13,757,919
Other	22	80,525	49,729	42,925
Sub-total		15,599,162	15,988,278	13,800,844
OPERATING EXPENSES :	27,28			
Labor cost	17	1,067,820	1,173,247	1,012,729
Commissions paid		5,598,044	5,646,448	4,873,930
Depreciation and amortization	9,10,12	2,155,815	2,331,268	2,012,316
Network interconnection		1,316,296	1,264,109	1,091,160
Leased line		437,830	474,018	409,165
Advertising		338,447	374,269	323,063
Rent		367,292	401,706	346,747
Cost of goods sold		640,933	959,276	828,033
Other	12,22	1,390,774	1,232,479	1,063,857
Sub-total		13,313,251	13,856,820	11,961,000
OPERATING INCOME	27	2,285,911	2,131,458	1,839,844
Financial income	23	477,217	442,325	381,808
Financial costs	23	(441,623)	(343,776)	(296,742)
Equity in earnings of affiliates	8	41,828	39,131	33,777
Equity in losses of affiliates	8	(45,242)	(86,280)	(74,476)
INCOME FROM CONTINUING OPERATION BEFORE INCOME TAX		2,318,091	2,182,858	1,884,211
INCOME TAX FOR CONTINUING OPERATION	24	544,530	599,093	517,128
INCOME FROM CONTINUING OPERATION		1,773,561	1,583,765	1,367,083
INCOME(LOSS) FROM DISCONTINUED OPERATION	32	(6,726)	(1,692)	(1,461)
NET INCOME	27	₩ 1,766,835	₩ 1,582,073	$ 1,365,622
ATTRIBUTABLE TO :				
Controlling interests		1,841,613	1,612,889	1,392,222
Non-controlling interests		(74,778)	(30,816)	(26,600)
		₩ 1,766,835	₩ 1,582,073	$ 1,365,622
NET INCOME PER SHARE FROM CONTINUING OPERATION (In Korean won and U.S. dollars)	25	₩ 25,653	₩ 22,864	$ 19.74
NET INCOME PER SHARE (In Korean won and U.S. dollars)	25	₩ 25,598	₩ 22,848	$ 19.72
DILUTED NET INCOME PER SHARE FROM CONTINUING OPERATION (In Korean won and U.S. dollars)	25	₩ 24,995	₩ 22,238	$ 19.20
DILUTED NET INCOME PER SHARE (In Korean won and U.S. dollars)	25	₩ 24,942	₩ 22,223	$ 19.18

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Korean won 2010	Korean won 2011	Translation into U.S. dollars (Note 2) 2011
		(In millions except for per share data)		(In thousands except for per share data)
NET INCOME		₩1,766,835	₩1,582,073	$1,365,622
OTHER COMPREHENSIVE INCOME :				
Unrealized losses on valuation of available-for-sale financial assets	*21,24*	(204,325)	(433,546)	(374,230)
Share in other comprehensive income of Investments in associates	*8,24*	(390)	(2,173)	(1,876)
Gain (loss) on valuation of derivatives	*21,24*	(76,613)	29,236	25,236
Foreign-based operations' translation adjustment		(1,459)	40,673	35,109
Actuarial gains (losses) on retirement benefit obligations	*17,24*	(4,497)	(25,275)	(21,817)
Sub-total		(287,284)	(391,085)	(337,578)
TOTAL COMPREHENSIVE INCOME		₩1,479,551	₩1,190,988	$1,028,044
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :				
Controlling interests		1,560,572	1,206,577	1,041,500
Non-controlling interests		(81,021)	(15,589)	(13,456)
		₩1,479,551	₩1,190,988	$1,028,044

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010

			Share premium								
	Notes	Common stock	Paid-in surplus	Treasury stock	Loss on disposal of treasury stock	Other	Retained earnings	Reserves	Controlling Interests	Non-controlling interests	Total stockholders' equity
						(In millions of Korean won)					
Balance, January 1, 2010		₩44,639	₩2,915,887	₩(1,992,083)	₩(15,875)	₩(740,053)	₩ 9,563,940	₩ 919,835	₩10,696,290	₩1,151,755	₩11,848,045
Cash dividends	26	—	—	—	—	—	(680,043)	—	(680,043)	—	(680,043)
Total comprehensive income (loss)		—	—	—	—	—	1,837,352	(276,779)	1,560,573	(81,022)	1,479,551
Net income		—	—	—	—	—	1,841,613	—	1,841,613	(74,778)	1,766,835
Other comprehensive income	21	—	—	—	—	—	(4,261)	(276,779)	(281,040)	(6,244)	(287,284)
Treasury stock	19	—	—	(210,356)	—	—	—	—	(210,356)	—	(210,356)
Changes in subsidiaries		—	—	—	—	(36,473)	—	—	(36,473)	7,275	(29,198)
Balance, December 31, 2010		₩44,639	₩2,915,887	₩(2,202,439)	₩(15,875)	₩(776,526)	₩10,721,249	₩ 643,056	₩11,329,991	₩1,078,008	₩12,407,999
Balance, January 1, 2011		₩44,639	₩2,915,887	₩(2,202,439)	₩(15,875)	₩(776,526)	₩10,721,249	₩ 643,056	₩11,329,991	₩1,078,008	₩12,407,999
Cash dividends	26	—	—	—	—	—	(668,293)	—	(668,293)	(2,226)	(670,519)
Total comprehensive income (loss)		—	—	—	—	—	1,589,569	(382,992)	1,206,577	(15,589)	1,190,988
Net income		—	—	—	—	—	1,612,889	—	1,612,889	(30,816)	1,582,073
Other comprehensive income	21	—	—	—	—	—	(23,320)	(382,992)	(406,312)	15,227	(391,085)
Treasury stock	19	—	—	(208,012)	—	—	—	—	(208,012)	—	(208,012)
Effect of change in income tax rate	24	—	—	—	(2,980)	—	—	—	(2,980)	—	(2,980)
Changes in subsidiaries		—	—	—	—	4,598	—	—	4,598	10,635	15,233
Balance, December 31, 2011		₩44,639	₩2,915,887	₩(2,410,451)	₩(18,855)	₩(771,928)	₩11,642,525	₩ 260,064	₩11,661,881	₩1,070,828	₩12,732,709

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY — (Continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Common stock	Share premium: Paid-in surplus	Share premium: Treasury stock	Share premium: Loss on disposal of treasury stock	Share premium: Other	Retained earnings	Reserves	Controlling interests	Non-controlling interests	Total stockholders' equity
		(In thousands of U.S. dollars)									
Balance, January 1, 2011		$38,532	$2,516,950	$(1,901,112)	$(13,703)	$(670,286)	$ 9,254,423	$ 555,076	$ 9,779,880	$930,521	$10,710,401
Cash dividends	*26*	—	—	—	—	—	(576,861)	—	(576,861)	(1,921)	(578,782)
Total comprehensive income (loss)		—	—	—	—	—	1,372,093	(330,593)	1,041,500	(13,456)	1,028,044
Net income		—	—	—	—	—	1,392,222	—	1,392,222	(26,600)	1,365,622
Other comprehensive income	*21*	—	—	—	—	—	(20,129)	(330,593)	(350,722)	13,144	(337,578)
Treasury stock	*19*	—	—	(179,553)	—	—	—	—	(179,553)	—	(179,553)
Effect of change in income tax rate	*24*	—	—	—	(2,572)	—	—	—	(2,572)	—	(2,572)
Changes in subsidiaries		—	—	—	—	3,969	—	—	3,969	9,179	13,148
Balance, December 31, 2011		$38,532	$2,516,950	$(2,080,665)	$(16,275)	$(666,317)	$10,049,655	$ 224,483	$10,066,363	$924,323	$10,990,686

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Korean won 2010	Korean won 2011	Translation into U.S. dollars (Note 2) 2011
		(In millions)		(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash generated from operating activities				
Net income		₩ 1,766,835	₩ 1,582,073	$ 1,365,622
Adjustments for income and expenses	31	3,089,520	3,225,682	2,784,361
Changes in assets and liabilities related to operating activities :	31	277,352	2,180,223	1,881,936
Sub-total		5,133,707	6,987,978	6,031,919
Interest received		208,444	156,745	135,300
Dividends received		32,394	34,521	29,798
Interest paid		(364,704)	(301,632)	(260,364)
Income tax paid		(666,436)	(571,217)	(493,066)
Net Cash Provided by Operating Activities		4,343,405	6,306,395	5,443,587
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in short-term investment securities, net		168,260	125,000	107,898
Collection of short-term loans		216,857	194,561	167,942
Decrease in long-term financial instruments		3	5	4
Proceeds from sales of long-term investment securities		630,030	256,666	221,550
Proceeds from disposal of associates		58,873	6,381	5,508
Proceeds from disposal of property and equipment		94,254	35,197	30,382
Proceeds from disposal of intangible assets		6,826	3,833	3,309
Collection of long-term loans		17,823	33,824	29,196
Decrease in other non-current assets		2,381	4,122	3,558
Cash inflows from transaction of derivatives		1,255	—	—
Cash inflows from acquisition		42,736	66,277	57,209
Sub-total		1,239,298	725,866	626,556
Cash outflows for investing activities:				
Increase in short-term financial instruments, net		88,682	412,256	355,853
Increase in short-term loans		221,308	233,189	201,285
Increase in long-term financial instruments		55	7,516	6,488
Acquisition of long-term investment securities		150,447	323,246	279,021
Acquisition of associates		736,105	239,975	207,143
Acquisition of property and equipment		2,142,309	2,960,556	2,555,508
Acquisition of investment property		1,991	86,285	74,480
Acquisition of goodwill		—	1,976	1,706
Acquisition of intangible assets		128,032	596,461	514,856
Increase in long-term loans		36,549	13,856	11,960
Increase in other non-current assets		10,778	3,071	2,651
Cash outflows from transaction of derivatives		35,260	4,007	3,459
Cash outflows from acquisition		26,814	82,533	71,241
Sub-total		3,578,330	4,964,927	4,285,651
Net Cash Used in Investing Activities		₩(2,339,032)	₩(4,239,061)	$(3,659,095)

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Korean won 2010	Korean won 2011	Translation into U.S. dollars (Note 2) 2011
		(In millions)		(In thousands)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings		₩ —	₩ 174,222	$ 150,386
Issuance of bonds payable		149,308	1,129,533	974,996
Proceeds from long-term borrowings		108,044	92,367	79,730
Increase in equity of consolidated subsidiaries		6,452	5,769	4,980
Sub-total		263,804	1,401,891	1,210,092
Cash outflows for financing activities:				
Repayment of short-term borrowings		30,910	—	—
Repayment of current portion of long-term debt		739,334	224,581	193,855
Repayment of bonds payable		605,140	842,160	726,940
Repayment of long-term borrowings		200,000	512,377	442,276
Payment of dividends		682,283	668,293	576,861
Acquisition of treasury stock		252,259	208,012	179,553
Cash outflows from transaction of derivatives		—	25,783	22,256
Sub-total		2,509,926	2,481,206	2,141,741
Net Cash Used in Financing Activities		(2,246,122)	(1,079,315)	(931,649)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		(241,749)	988,019	852,843
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		905,561	659,405	569,189
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		(4,407)	3,370	2,909
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		₩ 659,405	₩ 1,650,794	$1,424,941

See accompanying notes to consolidated financial statements.

1. GENERAL

SK Telecom Co., Ltd. ("SK Telecom") was incorporated in March 1984 under the laws of Korea to engage in providing cellular telephone communication services in the Republic of Korea. SK Telecom Co., Ltd. and its subsidiaries (the "Company") mainly provide wireless telecommunications in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and the London Stock Exchange. As of December 31, 2011, 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
Tradewinds Global Investors, LLC	4,050,518	5.02
POSCO Corp.	2,341,569	2.90
Institutional investors and other minority stockholders	42,939,460	53.17
Treasury stock	11,050,712	13.69
	80,745,711	100.00

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its official accounting records in Republic of Korean won ("Won") and prepares consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standard Board ("IASB"). The Company has adopted IFRS as issued by IASB for the annual period beginning on January 1, 2011. In accordance with IFRS 1 First-time adoption of IFRS, the Company's transition date to IFRS is January 1, 2010. Refer to Note 3, for transition adjustments to IFRS.

The accompanying consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of ₩1,158.50 to US$1.00, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the year ended December 30, 2011.

The consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or at fair values. Major accounting policies used for the preparation of the consolidated financial statements are stated below and these accounting policies have been applied consistently to the financial statements for the current period and comparative periods. Historical cost is generally based on the fair value of the consideration paid in exchange for assets. The consolidated financial statements were approved by the board of directors on February 9, 2012.

Recent Accounting Standards

Currently, enactments and amendments of the IFRSs are in progress, and the financial information presented in the financial statements may change accordingly in the future. The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Financial Instruments: Recognition and Measurement

In November 2009, as part of the International Accounting Standards Board's (IASB) project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments. It contained requirements for the classification and measurement of financial assets, and was updated in October 2010 to incorporate financial liabilities. The standard is applicable for annual periods starting on or after January 1, 2015. The full impact of this standard will not be known until the phases addressing hedging and impairments have been completed.

Fair Value Measurements

In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for all fair value measurements, clarifies the definition of fair value, and enhances the disclosures on fair value measurement. Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with early application permitted. The Company does not anticipate significant changes to its fair value measurements and related disclosures as a result of this standard.

Reporting Entity

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statement, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, and amendments to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IFRS 10 creates a single consolidation model by revising the definition of control in order to apply the same control criteria to all types of entities, including joint arrangements, associates and special purpose vehicles. IFRS 11 establishes a principle-based approach to the accounting for joint arrangements by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation accounting to arrangements that meet the definition of a joint operation. IFRS 12 is a comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles. Retrospective application of these standards with relief for certain transactions is effective for fiscal years beginning on or after January 1, 2013, with earlier application permitted if all five standards are collectively adopted. The Company is currently assessing the impact of these standards.

Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits, which revises the recognition, presentation and disclosure requirements for defined benefit plans. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income, eliminating the previous options that were available, and enhances the disclosure requirements for defined benefit plans. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with early application permitted. The Company does not anticipate significant impacts as a result of these amendments.

a. *Basis of Consolidation*

The consolidated financial statements include the accounts of SK Telecom and the following controlled subsidiaries of SK Telecom as of December 31, 2011.

Subsidiary	Primary business	Number of shares	Ownership Percentage(%)	Location
SK Telink Co., Ltd.	Telecommunication services	1,082,272	83.5	Korea
SK Communications Co., Ltd.	Internet website services	28,029,945	64.6	Korea
PAXNet Co., Ltd.	Internet website services	5,590,452	59.7	Korea
Loen Entertainment, Inc.	Release of music disc	17,088,125	67.6	Korea
Stonebridge Cinema Fund	Investment association	150	57.0	Korea
Ntreev Soft Co., Ltd.	Game software production	2,064,970	63.7	Korea
Commerce Planet Co., Ltd.	Online shopping mall operation agency	29,396	100.0	Korea
SK Broadband Co., Ltd.	Telecommunication services	149,638,354	50.6	Korea
Broadband D&M Co., Ltd.	Base station maintenance service	900,000	100.0	Korea
Broadband Media Co., Ltd.	Multimedia TV portal services	25,200,000	100.0	Korea
Broadband CS Co., Ltd.	Customer Q&A and services	1,210,596	100.0	Korea
K-net Culture and Contents Venture Fund	Investment association	295	59.0	Korea
2nd Benex Focus Investment Fund	Investment association	200	66.7	Korea
Open Innovation Fund	Investment association	450	98.9	Korea
PS&Marketing Corporation	Communications device retail business	46,000,000	100.0	Korea
Service Ace Co., Ltd.	Customer center management service	4,385,400	100.0	Korea
Service Top Co., Ltd.	Customer center management service	2,856,200	100.0	Korea
Network O&S Co., Ltd.	Base station maintenance service	3,000,000	100.0	Korea
BNCP Co., Ltd.	Internet website services	8,820,000	100.0	Korea
Service-In Co., Ltd.	Database & on-line information service	500,000	100.0	Korea
SK Planet Co., Ltd.	Telecommunication services	60,000,000	100.0	Korea
SK Telecom China Holdings Co., Ltd.	Equity Investment	—	100.0	China
Sky Property Mgmt., Ltd.	Real Estate Investment	22,980	60.0	China
Shenzhen E-eye High Tech Co., Ltd.	Manufacturing	—	65.5	China
SK China Real Estate Co., Ltd.	Real Estate Investment	70,000,000	99.4	Hong Kong
SKT Vietnam PTE., Ltd.	Telecommunication services	180,476,700	73.3	Singapore
SKT Americas, Inc.	Information gathering and consulting	109	100.0	USA
YTK Investment Ltd	Investment Association	—	100.0	Cayman
Atlas Investment	Investment Association	—	100.0	Cayman
Technology Innovation Partners, L.P	Investment Association	—	100.0	Cayman
SK Telecom China Fund I L.P.	Investment Association	—	100.0	Cayman

The condensed financial information of the Company's controlled subsidiaries as of and for the year ended December 31, 2011 is as follows (In millions of Korean won):

	Total assets	Total liabilities	Revenue	Net income (loss)
SK Telink Co., Ltd.	₩ 420,829	₩ 228,687	₩ 419,131	₩ 35,269
SK Communications Co., Ltd.	314,700	82,658	262,140	(4,366)
PAXNet Co., Ltd.	33,949	11,461	33,004	(2,347)
Loen Entertainment, Inc.	157,104	48,386	167,273	21,398
Stonebridge Cinema Fund	18,506	196	21	1,069
Ntreev Soft Co., Ltd.	37,529	17,304	56,029	8,707
Commerce Planet Co., Ltd.	49,729	51,057	75,038	(556)
SK Broadband Co., Ltd.	3,314,479	1,942,652	2,302,563	9,499
Broadband D&M Co., Ltd.	11,872	7,399	46,433	(49)
Broadband Media Co., Ltd.	89,915	356,816	66,526	(32,214)
Broadband CS Co., Ltd.	6,948	18,744	74,104	63
K-net Culture and Contents Venture Fund	48,057	16	—	(113)
2nd Benex Focus Investment Fund	21,663	285	—	(10,358)
Open Innovation Fund	44,716	432	—	(427)
PS&Marketing Corporation	289,062	143,883	1,078,925	(31,820)
Service Ace Co., Ltd.	43,447	21,669	130,102	1,365
Service Top Co., Ltd.	37,165	23,255	123,366	1,829
Network O&S Co., Ltd.	80,249	61,555	199,653	5,646
BNCP Co., Ltd.	28,631	11,397	17,860	1,877
Service-In Co., Ltd.	3,247	759	6,225	(12)
SK Planet Co., Ltd.	1,677,730	423,903	280,722	11,014
SK Telecom China Holdings Co., Ltd.	36,810	2,442	26,944	(232)
Sky Property Mgmt., Ltd. **(Note a)**	820,639	317,038	51,204	6,386
Shenzhen E-eye High Tech Co., Ltd.	23,569	3,744	14,703	2,007
SKT Vietnam PTE., Ltd.	42,539	9,769	5,519	205
SKT Americas, Inc.	42,681	1,280	18,468	(14,604)
YTK Investment Ltd	51,218	—	—	—
Atlas Investment **(Note b)**	50,643	530	—	(2,056)

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

(Note b) The financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P., Technology Venture Fund, LP, SK Telecom Global Investment B.V. and SK Telecom China Fund I L.P., all of which are also subsidiaries of the Company.

Change in scope of consolidation

For the year ended December 31, 2011, the Company newly included the following subsidiaries in its consolidation: Service-In Co., Ltd., Atlas Investment and Technology Innovation Partners, L.P. as these entities became the wholly-owned subsidiaries of the Company; SK China Real Estate Co., Ltd. and SK Telecom China Fund I L.P. as the Company obtained ownership of more than 50% of total outstanding common stock of the respective entities ; BNCP Co., Ltd. as the Company acquired a controlling equity interest in the entity; and SK Planet Co., Ltd., a newly established entity which was previously a business unit of SK Telecom.

For the year ended December 31, 2011, the Company excluded SK I Media from its consolidation as the Company disposed of all its common stock. Refer to FN 32 *Discontinued operations.*

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

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

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

All intra-group transactions, balances, income and expenses are eliminated in full during the consolidation.

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

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

b. Business Combination

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

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

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

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in income or loss.

c. Foreign Currency Exchange

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

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

Exchange differences are recognized in net income in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks (refer to Note 2.q for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal of the net investment.

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

d. Cash Equivalents

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

e. Financial Assets

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

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

1) Classification of financial assets

1-1) Financial assets at FVTPL

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

1-2) HTM investments

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

1-3) AFS financial assets

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

1-4) Loans and receivables

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

2) Impairment of financial assets

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

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

When an AFS financial asset is considered to be impaired, cumulative unrealized gains or losses previously recognized in other comprehensive income are reclassified to net income in the period. In respect of AFS equity securities, impairment losses previously recognized in net income are not reversed through net income. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In case of debt securities, in subsequent periods, if the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net income, the impairment loss shall be reversed, with the amount of the reversal recognized in net income.

For financial assets carried at amortized cost, the amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

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

3) Derecognition of financial assets

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

f. Financial Liabilities and equity Instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

1) Classification of financial liabilities and equity instruments

1-1) Equity instruments

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

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

1-2) Financial liabilities at FVTPL

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

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

1-3) Other financial liabilities

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

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

2) Derecognition of financial liabilities

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

g. *Inventories*

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

h. *Investments in Associates and Joint Ventures*

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the net income and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

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

The requirements of IFRS 39 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IFRS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IFRS 36 to the extent that the recoverable amount of the investment subsequently increases.

i. *Property and Equipment*

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

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

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

Assets	Useful lives (years)
Buildings and structures	15~50
Machinery	3~15
Office equipment, tools and misc.	4~10

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

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

For Company's policy on impairment on Property & Equipment and Intangible Assets other than Goodwill refer to Note 2.m below.

j. Investment Property

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

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

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

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

k. Goodwill

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

Goodwill is not subject to amortization but is tested for impairment annually or whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill are not reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

l. Intangible Assets

Intangible assets with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized on a straight-line basis over the estimated useful lives of the related intangible assets as follows:

Assets	Useful lives (years)
Frequency use rights	6~13
Land use right	5
Industrial right	5~10
Software development costs	5
Customer relationships	4~9
Other	5~20

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

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at the end of each annual reporting period. In the case of amortizable intangible assets, the Company reviews impairment at such time when events occur that indicate the carrying amount may not be recoverable.

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

For Company's policy on impairment on Property & Equipment and Intangible Assets other than Goodwill refer to Note 2.m below.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its plant and property and its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in income or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

n. Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to the grants and it is probable that the Company will receive such grants.

Government grants for acquiring or constructing non-current assets are recognized as a deduction of the related assets' book value in the consolidated statement of financial position, and is recognized into income or expense as a deduction to depreciation expense over the useful life of the related assets. Other government grants are recognized in income or expense when Company recognizes the related expenses for which the grants are intended to reimburse.

Government grants for specific expenditure reimbursement, losses already incurred by the Company, and immediate financial support with no future expenditure requirements are recognized in other operating revenue in the period in which they become receivable by the Company.

o. Borrowing Costs

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

p. Leases

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

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

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

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

q. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income or expense immediately, unless the derivative is designated and is effective as a hedging instrument. The Company enters into cash flow and fair value hedges.

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in income or loss.

Cash flow Hedge Accounting

For derivative instruments designated as cashflow hedges, the effective portions of the gains or losses on the hedging instruments are recorded as part of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in income or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to income or loss in the periods when the hedged item is recognized in income or loss, in the same line of the consolidated statement of income as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Fair value Hedge Accounting

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in income or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognized in the line of the statement of income relating to the hedged item.

r. Retirement Benefit Obligation

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

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

s. Provisions

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

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

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

t. Revenue Recognition

Revenue is recognized to the extent the Company has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is measured at the fair value of the consideration received, exclusive of taxes and discounts.

The Company principally obtains revenue from providing the wireless telecommunication services (which include activation charge, basic charges, voice charge, data charge, interconnection charges) and data-roaming services. The Company also provides fixed line services (which include fixed line telephone services and broadband internet services), sale of handsets, commerce services and portal services.

Wireless services including interconnection services

Revenue for basic charges, voice charge, data charge, interconnection charges and data-roaming services by contract customers is recognized as services are performed. Unbilled revenue resulting from services already provided is accrued for at the end of each period, while unearned revenue related to services to be provided for in future periods are deferred and recognized when are rendered. Revenues related to activation of service is deferred and recognized over the average customer retention period, while the related activation costs are expensed as incurred.

Fixed line services

Revenues from fixed line telephone services (which include domestic short and long distance charges, international phone connection charge) and broadband internet services are recognized as services are performed.

Sale of Handsets

Revenue for handset sales are recognized when the handsets are delivered to the end customer and the sale is considered complete. Any discounts related to the handsets are deducted from sales.

Bundled Arrangements

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

Commerce Services and Portal Services

Commerce services represent revenue obtained from the Company's on-line shopping mall. Portal services include on-line advertising and social network service provided by SK Communication, a subsidiary of the Company. Revenue for commerce services and portal services are recognized to the extent the Company has delivered goods or rendered services under an agreement. Meanwhile, when the Company acts as an agent of a supplier, the Company records its revenue on a net basis (total sales less related expenses paid to the suppliers).

Rainbow Points

For its marketing purposes, the Company grants Rainbow Points to its subscribers based on their usage of services. Points are provided based on the historical usage experience and the Company's marketing policy. These points are recorded as a deduction of revenue and deferred until the customer uses the points or the points expire. Points expire on their fifth anniversary. For the Company's Point Box Points, refer to FN 15.

u. Income Tax and Deferred Tax

Income tax consists of current tax and deferred tax.

1) Current tax

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

v. Handset Subsidies to Dealers for Long-term Mobile Subscribers

The Company provides lump-sum handset subsidies to dealers that subscribe customers who agree to use the Company's service for a predetermined service period. The subsidies are charged to commission paid expense when the customer subscribes to the service.

When customers agree to use the Company's service for a predetermined service period and purchase handsets on an installment basis, the subsidies to dealers are also charged to commission paid expense when the customers subscribe to the service, however, net of amounts expected to be forfeited due to the customer not fulfilling the customer obligation.

w. Assets Held for Sale

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

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

x. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

1) Fair value measurement of financial instruments

Subsequent to initial recognition, available-for-sale financial assets and derivative financial assets are stated at fair value with any gains or losses arising on remeasurement recognized in net income or other comprehensive income. When measuring fair value, if there is quoted price in active market, the Company uses it. But, if quoted price does not exist, the Company uses valuation techniques that require management's judgments on the expected future cash flows and discount rates. Refer to FN 4.

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

The Company estimates allowance for uncollectible receivables for the period involving judgment and estimations based on the aging of accounts receivables at the end of the period, past customer default experience and their credit status, and economic and industrial factors. Refer to FN 5.

3) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected related to the respective cash-generating unit and the determination of an appropriate discount rate in order to calculate present value. Refer to FN 11.

4) Measurement of property and equipment, intangible assets

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

5) Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Company makes judgments and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognized as goodwill and if negative, it is recognized in the income statement.

6) Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the consolidated income statement. The useful lives and residual values of the Company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Furthermore, network infrastructure is only depreciated over a period that extends beyond the expiry of the associated license under which the operator provides telecommunications services if there is a reasonable expectation of renewal or an alternative future use for the asset. Historically changes in useful lives and residual values have not resulted in material changes to the Company's depreciation charge.

7) Provisions

Determining whether the Company will be required to settle the obligation incurred as a result of past events, and estimating the reliable value of obligation requires management's judgment. Refer to FN 15.

8) Retirement benefit plans

The Company has defined retirement benefit plans. The cost of providing benefits under the plan are determined using an actuarial valuation method that requires management assumptions on discount rates, expected rate of salary increase and expected rate of return on plan assets. These assumptions involve critical uncertainties due to the long-term nature of the retirement benefit plans. Refer to FN 17.

9) Deferred tax

Recognition and measurement of deferred tax assets and liabilities requires significant management judgment. Especially, when determining if deferred tax assets will be realizable or not in the future, involves significant management assumptions and judgment on the Company's future performance. Refer to FN 24.

3. Transition to International Financial Reporting Standards ("IFRS")

The Company's financial statements are prepared in accordance with the requirements of IFRS on or after January 1, 2010, the date of transition, for IFRSs effective as of December 31, 2011. The consolidated statements of financial position as of December 31, 2010 and the consolidated statements of comprehensive income for the year ended December 31, 2010, which are comparatively presented, were previously prepared in accordance with previous GAAP("Korean GAAP") but were restated in accordance with IFRS 1, *First-time adoption of International Financial Reporting Standard*.

For the opening IFRS statement of financial position, the Company has applied the following exemptions from the requirements of IFRS and exceptions to the retrospective application of some aspects of IFRS as permitted by IFRS 1, *First-time adoption of International Financial Reporting Standard.*

a. Exemptions from IFRS

Business combinations

The Company has elected not to apply IFRS 3, *Business Combinations*, retrospectively to past business combinations that occurred before January 1, 2010, the date of transition to IFRS. The Company has recorded the value of goodwill at transition date of IFRS at its carrying value under Korean GAAP after any impairment on goodwill. No intangible assets were identified that might have been embedded in the goodwill.

Fair value or revaluation as deemed cost

The Company has elected to measure its certain property, plant and equipments at their fair value at the date of transition to IFRS and use that fair value as their deemed cost at that date.

Effect of revaluation in certain property, plant and equipment as of January 1, 2010 are as follows (in millions of Korean won)

Korean GAAP	Revaluation increase	IFRS
₩ 8,165,879	₩69,538	₩8,235,417

Leases

The Company has elected to apply the transitional provisions in International Financial Reporting Interpretations Committee ("IFRIC") 4, Determining Whether an Arrangement Contains a Lease ("IFRIC 4"); thereby determining whether the Company has any arrangements that exist at the date of transition to IFRS that contain a lease on the basis of facts and circumstances existing at January 1, 2010. No such arrangements were identified.

Borrowing costs

The Company has elected to apply the transitional provisions of IAS 23, Borrowing Costs ("IAS 23"), prospectively from the date of transition.

Cumulative translation differences

The Company has reset the cumulative currency translation adjustments for all foreign operations to zero as of the date of transition to IFRS.

b. Significant differences between IFRS and Korean GAAP in accounting policies

Korean GAAP	IFRS
(1) Scope of Consolidation	
The definition of control is similar to those in IFRS. However, some of the scope of consolidation is restricted by the Act on External Audit of Stock Companies as below. • An entity that another entity owns more than 30% of shares as the largest shareholder is included in consolidation. • A subsidiary with less than 10 billion Won in its total assets as of the previous fiscal year end is excluded from consolidation. • An unincorporated entity such as a partnership is excluded from consolidation.	Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All entities controlled by the Company are consolidated regardless of quantitative significance. As a result, at transition date to IFRS, the Company's change in scope of consolidation as compared with those of Korean GAAP. Added : Broadband D&M Co., Ltd Broadband CS Co., Ltd Excluded : F&U Credit Information Co., Ltd IHQ, Inc BMC Movie Expert Fund BMC Digital Culture and Contents Fund
(2) Employ benefits and retirement benefit obligation	
Allowances for retirement benefits accrued equal to the amounts to be paid at the end of reporting period, assuming that all entitled employees with a service year more than a year would retire at once. Retirement benefit expenses incur at the point when the payment obligation is fixed. The Company recognized allowances for long-term employee benefit at the point when the payment obligation is fixed.	The Company has defined benefit plans and the amounts of defined benefit obligation are measured based on actuarial assumptions. The Company recognizes the expected cost of long-term employee benefit when the employees render service that increases their entitlement to future long-term employee benefit.

Korean GAAP	IFRS
(3) Property and Equipment	
Under Korean GAAP, the Company uses the cost model in the measurement after initial recognition. The depreciation method is required to be applied consistently at each period and cannot be changed unless there are justified reasons. For a newly acquired asset, the same depreciation methods applied to the existing, similar assets are applied consistently.	The Company revalued its property and equipment as at January 1, 2010 and used their fair values as deemed cost in the opening IFRS statement of financial position. For the measurement after initial recognition, IAS 16, Property, Plant and Equipment allows for an entity to choose either the cost model or the revaluation model by the class of property and equipment and the Company has chosen the cost model. The residual value, the useful life and the depreciation method of property and equipment are required to be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes should be accounted for as a change in an accounting estimate in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors. The Company changed its depreciation method of equipment from a declining balance method to a straight-line method in connection with the adoption of IFRS.
(4) Goodwill	
Under Korean GAAP, the Company amortized Goodwill acquired as a result of business combination on a straight line method basis over 5~20 years.	Under IFRS, goodwill is not amortized. Impairment test was performed at the reporting date.
(5) Transfer of financial assets	
Under Korean GAAP, when the Company transferred a financial asset to a financial institution and it was determined that the control over such asset had been transferred; the Company derecognized the financial asset.	Under IFRS, if the Company substantially retains all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.
(6) Deferral of non-refundable activation fees	
Under Korean GAAP, the Company recognized non-refundable activation revenue when the activation service was performed.	Under IFRS, the Company defers such revenue and recognizes it over the expected term of the customer relationship.

Korean GAAP	IFRS
(7) Income tax	
Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities assuming that all differences from one entity are recovered or settled together. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse.	Under IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.
Under Korean GAAP, differences between the carrying value and the tax base of the investments in subsidiaries, associates and interest in joint ventures were considered as temporary differences and recognized as deferred tax assets and liabilities.	Under IFRS, the temporary differences associated with investments in subsidiaries, and associates and interest in joint ventures is recognized as deferred assets and liabilities reflecting the manner in which Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.
(8) Other reclassifications	
1) Membership	
Under Korean GAAP, facility-use memberships were classified as other non-current assets	Under IFRS, facility-use memberships are recognized as intangible assets with an indefinite useful life.
2) Investment property	
Under Korean GAAP, properties acquired for earning rental income and/or for capital appreciation were classified as property and equipment. .	Under IFRS, the properties owned to earn rentals or for capital appreciation or both is classified and accounted for as investment property in accordance with IAS 40, *Investment Property.*
(9) Effects on equity method investments	The aggregate effects of IFRS transition related to the Company's equity method investments in associates.

In connection with the opening IFRS statements of financial position, the effects on the Company's financial position, management performance and cash flows due to the adoption of IFRS are as follows:

c. Reconciliations to IFRS from Korean GAAP

(1) Reconciliations of equity at January 1, 2010 (date of transition to IFRS) (In million of Korean won)

	Note	Total assets	Total liabilities	Net equity
Based on Korean GAAP		₩23,206,256	₩10,861,631	₩12,344,625
Adjustments:				
Changes in scope of consolidation	b-(1)	(62,440)	3,735	(66,175)
Property and equipment	b-(3)	69,538	—	69,538
Employee benefits and retirement benefit obligation	b-(2)	15	25,048	(25,033)
Transfer of financial assets	b-(5)	416,242	400,753	15,489
Non-refundable activation fees	b-(6)	—	593,981	(593,981)
Other adjustments	b-(8)	(107,730)	(73,521)	(34,209)
Deferred tax and tax effect of adjustments	b-(7)	(185,157)	(322,948)	137,791
Total adjustment		130,468	627,048	(496,580)
Based on IFRS		₩23,336,724	₩11,488,679	₩11,848,045

(2) Reconciliations of equity at December 31, 2010 and total comprehensive income for the year ended December 31, 2010 (in million of Korean won):

	Note	Total assets	Total liabilities	Net equity	Total comprehensive income
Based on Korean GAAP		₩22,651,704	₩10,173,055	₩12,478,649	₩1,021,501
Adjustments:					
Changes in scope of consolidation	b-(1)	(103,743)	(13,053)	(90,690)	1,247
Property and equipment	b-(3)	477,044	—	477,044	407,811
Goodwill	b-(4)	151,900	—	151,900	142,176
Employee benefits and retirement benefit obligation	b-(2)	17	38,799	(38,782)	(5,514)
Transfer of financial assets	b-(5)	—	—	—	(15,489)
Effects on equity method investments	b-(9)	18,430	—	18,430	7,717
Nonrefundable activation fees	b-(6)	—	533,783	(533,783)	60,199
Other adjustments	b-(8)	44,507	94,943	(50,436)	598
Deferred tax and tax effect of adjustments	b-(7)	(107,470)	(103,137)	(4,333)	(140,695)
Total adjustment		480,685	551,335	(70,650)	458,050
Based on IFRS		₩23,132,389	₩10,724,390	₩12,407,999	₩1,479,551

(3) Details of cash flow adjustments

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

(4) For details on reclassification from operating to non-operating income due to the transition to IFRS from Korean GAAP, refer to FN 22 Other Operating Income and Expense.

4. FINANCIAL INSTRUMENTS

a. Details of financial assets as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011				
	Financial assets designated as FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	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 (Note a)	16,617	1,521,328	—	—	1,537,945
Trade receivables, net (Note c)	—	—	1,835,641	—	1,835,641
Loan and other receivables, net (Note b)	—	—	1,377,750	—	1,377,750
Derivatives assets	1,018	—	—	252,935	253,953
Total	₩17,635	₩1,616,157	₩5,851,377	₩252,935	₩7,738,104

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

	January 1, 2010				
	Financial assets designated as FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	₩ —	₩ —	₩ 905,561	₩ —	₩ 905,561
Financial Instruments	—	—	478,535	—	478,535
Short-term investment securities	—	376,722	—	—	376,722
Long-term investment securities (Note a)	—	2,443,978	—	—	2,443,978
Trade receivables, net (Note c)	—	—	1,865,874	—	1,865,874
Loan and other receivables, net (Note b)	—	—	3,594,065	—	3,594,065
Derivatives assets	148,569	—	—	166,089	314,658
Total	₩148,569	₩2,820,700	₩6,844,035	₩166,089	₩9,979,393

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

(Note b) Details of loan and other receivables as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Short-term loans, net	₩ 100,429	₩ 94,924	₩ 75,941
Accounts receivable — other, net	908,836	2,531,847	2,421,874
Advanced payments and other(*)	22,309	30,157	20,431
Long-term loans, net	95,565	84,323	81,109
Long-term accounts receivable — other, net	5,393	527,106	761,735
Guarantee deposits	245,218	250,333	232,975
	₩1,377,750	₩3,518,690	₩3,594,065

(*) Advanced payments and other noted above is included in the Company's statement of financial position, current assets, Advance payments and other line balance. However, the financial statement line item includes additional other balances not shown in above schedule.

(Note c) Details of Trade receivables, net as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts receivable — trade, net	₩1,823,170	₩1,949,397	₩1,832,697
Long-term trade receivables, net(*) (FN 5.b)	12,471	22,418	33,177
	₩1,835,641	₩1,971,815	₩1,865,874

(*) Long-term trade receivables, net are included in the Company's statement of financial position, non-current assets and other.

b. Details of financial liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011			
	Financial liabilities designated as FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Accounts payable-trade	₩ —	₩ 195,391	₩ —	₩ 195,391
Derivatives liabilities	—	—	4,645	4,645
Borrowings (FN 13.a, 13.b)	—	1,035,074	—	1,035,074
Bonds payable (Note a) (FN 13.c)	397,886	4,363,002	—	4,760,888
Other payables (Note b)	—	3,312,642	—	3,312,642
Total	₩397,886	₩8,906,109	₩4,645	₩9,308,640

	December 31, 2010			
	Financial liabilities designated as FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Accounts payable-trade	₩ —	₩ 195,777	₩ —	₩ 195,777
Derivatives liabilities	5,043	—	25,111	30,154
Borrowings (FN 13.a, 13.b)	—	1,272,056	—	1,272,056
Bonds payable (Note a) (FN 13.c)	461,655	4,071,328	—	4,532,983
Other payables (Note b)	—	2,485,789	—	2,485,789
Total	₩466,698	₩8,024,950	₩25,111	₩8,516,759

	January 1, 2010			
	Financial liabilities designated as FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Accounts payable-trade	₩ —	₩ 164,314	₩ —	₩ 164,314
Derivatives liabilities	3,372	—	67,441	70,813
Borrowings (FN 13.a, 13.b)	—	1,548,251	—	1,548,251
Bonds payable (Note a) (FN 13.c)	442,422	4,904,309	—	5,346,731
Other payables (Note b)	—	2,246,413	—	2,246,413
Total	₩445,794	₩8,863,287	₩67,441	₩9,376,522

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

(Note b) Details of other payables as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts payables-other	₩1,507,458	₩1,433,812	₩1,306,486
Withholdings	10,835	5,137	5,069
Accrued expenses	744,673	677,480	419,816
Current portion of LT payables and other (Note c)	120,452	214,416	219,810
Long-term payables — other	847,496	54,783	170,953
Finance lease liabilities	41,940	60,075	77,709
Other non-current liabilities	39,788	40,086	46,570
	₩3,312,642	₩2,485,789	₩2,246,413

(Note c) Details of current portion of long-term debt, net as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won);

	December 31, 2011	December 31, 2010	January 1, 2010
Current portion of LT payables (FN 14)	₩ 89,144	₩ 168,948	₩ 149,217
Current portion of finance lease liabilities (FN 16)	31,308	45,468	70,593
Current portion of LT payables and other	120,452	214,416	219,810
Current portion of LT borrowings (FN 13.b)	₩ 10,510	₩ 512,378	₩ 149,142
Current portion of bonds-payables, net (FN 13.c)	1,531,879	874,437	893,431
	₩1,662,841	₩1,601,231	₩1,262,383

c. *Financial Instruments Hierarchy*

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

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

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

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

Fair values of financial instruments by hierarchy level as of December 31, 2011 and 2010 are as follows (in millions of Korean won):

	December 31, 2011			
Type	Level 1	Level 2	Level 3	Total
Financial assets designated as FVTPL	₩ —	₩ 16,617	₩ 1,018	₩ 17,635
Available- for-sale financial assets(*)	1,192,386	532	197,019	1,389,937
Derivatives assets designated as hedging instruments	—	252,935	—	252,935
Financial liabilities designated as FVTPL	397,886	—	—	397,886
Derivatives liabilities designated as hedging instruments	—	4,645	—	4,645

(*) Certain AFS securities which the Company was not able to reasonably estimate its fair value are recognized at acquisition cost, as such, excluded from above fair value disclosure.

Type	December 31, 2010 Level 1	Level 2	Level 3	Total
Financial assets designated as FVTPL	₩ —	₩ —	₩ 1,961	₩ 1,961
Available- for-sale financial assets	1,613,857	3,097	288,951	1,905,905
Derivatives assets designated as hedging instruments	—	201,421	—	201,421
Financial liabilities designated as FVTPL	461,655	5,043	—	466,698
Derivatives liabilities designated as hedging instruments	—	25,111	—	25,111

For the year ended December 31, 2011 and 2010, there is no transfer between Level 1 and Level 2.

Details of changes in financial assets classified as Level 3 for the year ended December 31, 2011 and 2010 are as follows (In millions of Korean won):

Type	For the year ended December 31, 2011 Beginning Balance	Acquisition	Income /(loss)	Comprehensive Income	Transfer	Disposal	Ending Balance
Financial assets designated as FVTPL	₩ 1,961	₩ —	₩(943)	₩ —	₩—	₩ —	₩ 1,018
Available- for-sale financial assets	288,951	1,976	—	(93,593)	—	(315)	197,019

Type	For the year ended December 31, 2010 Beginning Balance	Acquisition	Income /(loss)	Comprehensive Income	Transfer	Disposal	Ending Balance
Financial assets designated as FVTPL	₩ 1,235	₩—	₩726	₩ —	₩ —	₩—	₩ 1,961
Available- for-sale financial assets	225,664	—	—	82,280	(18,993)	—	288,951

5. TRADE AND OTHER RECEIVABLES

a. Details of short-term trade and other receivables as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts receivable — trade	₩2,063,611	₩2,198,050	₩2,066,492
Less allowance for doubtful accounts	(240,441)	(248,653)	(233,525)
Accounts receivable — trade, net	1,823,170	1,949,397	1,832,967
Short-term loans	102,693	96,353	80,819
Less allowance for doubtful accounts	(2,264)	(1,429)	(4,878)
Short-term loans, net	100,429	94,924	75,941
Accounts receivable — other	953,821	2,577,961	2,471,992
Less allowance for doubtful accounts	(44,985)	(46,114)	(50,118)
Accounts receivable — other, net	908,836	2,531,847	2,421,874
Accrued income	21,989	29,579	13,478
Less allowance for accrued income	(142)	—	(266)
Accrued income, net	21,847	29,579	13,212
Other	462	579	7,219
	₩2,854,744	₩4,606,326	₩4,351,213

b. Details of long-term trade and other receivables as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term accounts receivable — trade	₩ 12,471	₩ 22,418	₩ 32,907
Long-term loans	126,553	115,509	113,002
Less allowance for doubtful accounts	(30,988)	(31,186)	(31,893)
Long-term loans, net	95,565	84,323	81,109
Long-term accounts receivable — other	5,393	527,106	761,735
Guarantee deposits	245,218	250,333	232,975
	₩358,647	₩884,180	₩1,108,726

c. Details of changes in allowance for doubtful accounts for the years ended December 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

	For the years ended December 31, 2011	For the years ended December 31, 2010
Beginning balance	₩ 327,382	₩320,680
Increase of bad debt	96,595	90,073
Reversal of allowance for doubtful accounts	(2,301)	(805)
Write-off	(121,805)	(97,979)
Collection of receivables written off	18,839	15,782
Change in scope of consolidation and foreign exchange differences	110	(369)
Ending balance	₩ 318,820	₩327,382

d. Details of accounts receivable-trade and other receivables, overdue but not impaired, and impaired-accounts receivable as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010		January 1, 2010	
	Accounts receivable-trade	Other receivables (Note)	Accounts receivable-trade	Other receivables (Note)	Accounts receivable-trade	Other receivables (Note)
Accounts receivable	₩1,417,574	₩1,287,606	₩1,573,968	₩3,413,129	₩1,474,817	₩3,521,278
Overdue but not impaired accounts receivable	34,030	32,144	69,105	25,035	41,475	18,269
Impaired- accounts receivable	624,478	136,379	577,395	159,256	583,107	141,673
Sub-total	2,076,082	1,456,129	2,220,468	3,597,420	2,099,399	3,681,220
Doubtful accounts	(240,441)	(78,379)	(248,653)	(78,729)	(233,525)	(87,155)
Ending balance	₩1,835,641	₩1,377,750	₩1,971,815	₩3,518,691	₩1,865,874	₩3,594,065

(Note) Consists of short-term loans, net, accounts-receivable-other, net, accrued income, net, long-term loans, net, long-term accounts receivable-other, net, guarantee deposits, and other.

The Company estimates allowance for doubtful accounts for the period based on the aging of accounts receivables at the end of the period, past customer default experience and their credit status, and economic and industrial factors.

Details of aging analysis of accounts receivable which are overdue but not impaired as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010		January 1, 2010	
	Accounts receivable-trade	Other receivable (Note)	Accounts receivable-trade	Other receivable (Note)	Accounts receivable-trade	Other receivable (Note)
Less than 1 month	₩ 9,125	₩15,384	₩ 9,070	₩ 4,823	₩ 5,445	₩ 3,355
1 ~ 3 months	8,063	3,147	6,149	3,046	1,127	1,205
3 ~ 6 months	4,124	713	3,579	1,677	25,561	1,220
More than 6 months	12,718	12,900	50,307	15,489	9,342	12,489
	₩34,030	₩32,144	₩69,105	₩25,035	₩41,475	₩18,269

(Note) Consist of short-term loans, net, accounts-receivable-other, net, accrued income, net, long-term loans, net, long-term accounts receivable-other, net, guarantee deposits, and other.

6. INVENTORIES

Inventories as of December 31, 2011, December 31, 2010 and January 1, 2010 consist of the following (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Raw materials and supplies	₩ 4,630	₩ 3,319	₩ 3,347
Work in process and semi-finished goods	286	475	—
Finished goods and merchandise	219,823	147,445	117,273
Total	224,739	151,239	120,620
Write-down of Inventory	(5,149)	(2,016)	(1,303)
Net	₩219,590	₩149,223	₩119,317

Cost of inventory recognized as an expenses for the years ended December 31, 2011 and 2010 were ₩ 959,276 million and ₩ 640,933 million, respectively.

7. INVESTMENT SECURITIES

a. Short-term Investment Securities

Short-term investment securities as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	Acquisition cost at December 31, 2011	Fair value at December 31, 2011	Carrying amount		
			December 31, 2011	December 31, 2010	January 1, 2010
Beneficiary certificate (Note)	₩94,251	₩91,539	₩91,539	₩204,716	₩370,125
Current portion of long-term investment securities	3,004	3,290	3,290	195,815	6,597
Total	₩97,255	₩94,829	₩94,829	₩400,531	₩376,722

(Note) The distributions arising from some beneficiary certificates as of December 31, 2011, are accounted for as accrued income.

b. Long-term Investment Securities

Long-term investment securities as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Equity securities:			
Marketable equity securities	₩1,100,847	₩1,409,142	₩1,821,677
Unlisted equity securities	97,397	90,368	44,081
Investment in funds	281,877	345,589	228,836
Sub-total	1,480,121	1,845,099	2,094,594
Debt securities (Note 1):			
Public bonds (Note 2)	413	417	1,481
Bond-type beneficiary certificate	—	—	305,677
Investment bonds (Note 3)	60,701	30,881	48,823
Sub-total	61,114	31,298	355,981
Total	1,541,235	1,876,397	2,450,575
Less current portion	(3,290)	(195,815)	(6,597)
Long-term portion	₩1,537,945	₩1,680,582	₩2,443,978

(Note 1) The interest income earned from public bonds for the years ended December 31, 2011 and December 31, 2010 was ₩7,660 million, ₩2,057 million, respectively.

(Note 2) Details of maturity for the public bonds as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won)

	December 31, 2011	December 31, 2010	January 1, 2010
Less than 1 year	₩ 45	₩ 4	₩1,063
1 ~ 5 years	368	413	418
Total	413	417	1,481

(Note 3) The Company acquired convertible bonds of Nano En-Tech (Book Value: 16,617 million) during the year ended December 31, 2011 which are classified as financial asset at FVTPL. The difference between acquisition cost and fair value is accounted as a gain (loss) within financial asset at FVTPL of finance income (loss).

8. INVESTMENTS IN ASSOCIATES

Investments in associates accounted for using the equity method as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won, except for share data):

	December 31, 2011			Carrying amount		
	Number of shares	Ownership percentage (%)	Acquisition Cost	December 31, 2011	December 31, 2010	January 1, 2010
SK Marketing & Company Co., Ltd.	5,000,000	50.0	₩ 190,000	₩ 128,320	₩ 117,905	₩112,531
SK China Company Ltd.	720,000	22.5	49,529	48,488	46,573	3,918
SK USA, Inc.	49	49.0	3,184	4,534	5,972	5,498
MRO Korea Inc. (Note a)	680,000	42.5	12,250	12,250	—	—
Benex Sector Limited Partnership IV	2,500	49.7	25,000	24,907	24,953	—
F&U Credit information Co., Ltd.	300,000	50.0	2,410	3,565	4,529	4,481
Korea IT Fund (Note b)	190	63.3	190,000	230,980	226,633	220,957
JYP Entertainment Corporation	691,680	25.5	4,150	4,008	4,150	—
Konan Technology	78,550	29.5	13,456	4,760	4,410	3,320
Etoos Co., Ltd (Note c)	701,000	15.6	18,993	13,928	14,339	—
BMC Digital Culture and Contents Venture Fund	100	39.8	10,000	8,415	8,925	9,824
Wave City Development Co., Ltd. (Note c)	382,000	19.1	1,967	1,124	1,392	1,532
IBKC-bmc Cultural Contents Fund	—	25.0	2,500	2,326	2,292	2,398
Hanhwa No.2 Daisy Entertainment Investment Fund	—	20.0	2,000	1,165	2,008	2,102
BMC Movie Expert Fund	135	46.6	13,500	13,926	13,977	13,261
HanaSK Card Co., Ltd.	57,647,058	49.0	400,000	396,553	386,417	—
Daehan Kanggun BcN Co., Ltd.	1,461,486	29.0	8,376	8,001	7,264	7,272
Television Media Korea Ltd. (Note d)	18,564,000	51.0	18,568	15,262	18,568	—
Candle Media Co., Ltd. (formerly PREGM Co., Ltd.)	11,010,280	28.9	26,334	11,814	19,313	15,000
NanoEnTek, Inc. (Note e)	1,807,130	9.3	11,000	10,470	—	—
UNISK(Beijing) Information Technology Co., Ltd.	49	49.0	3,475	5,886	4,714	4,247
SK Industrial Development China Co., Ltd. (Note f)	—	35.0	83,691	83,691	—	18,009
PT. Melon Indonesia	4,900,000	49.0	6,492	5,326	6,210	—
Packet One Network (Note g)	1,151,556	28.2	137,751	103,409	116,160	—
Mobile Money Ventures, LLC	—	50.0	12,762	983	3,206	5,534
SK Technology Innovation Company (Note h)	—	49.0	85,873	75,974	25,052	—
LightSquared Inc. (Note c)	3,387,916	3.3	72,096	49,441	72,096	—
ViKi, Inc. (Note i)	—	26.3	17,799	17,799	—	—
IHQ, Inc. (Note j)	—	—	—	—	—	20,178
Skytel Co., Ltd. (Note j)	—	—	—	—	—	14,958
HanaroDream Incorporated (Note j)	—	—	—	—	—	6,687
TR Entertainment and other	—	—	156,907	97,300	67,634	78,206
Total			₩1,580,063	₩1,384,605	₩1,204,692	₩549,913

(Note a) For the year ended December 31, 2011, the Company acquired 680,000 shares of MRO Korea Inc. As a result, the Company holds 42.5% ownership in MRO Korea Inc.

(Note b) Under an agreement with Korea IT Fund, the Company only has 14.3% voting rights, as such does not have control over Korea IT Fund.

(Note c) The Company classified the investments in Etoos Co., Ltd., Wave City Development Co., Ltd., and LightSquared Inc., as investments in associates as the Company can exercise significant influence on these investees through participation of their board of directors even though the Company has less than 20% of equity interests in those investees. Lightsquared plans to build a wholesale wireless broadband network in the United States, but has incurred recurring operating loss and the Federal Communications Commission has recently proposed to suspend its license due to signal interference with the global positioning system, which if not resolved may result in the Company recognizing a write-down on its investments in the near future.

(Note d) Though the Company has 51% ownership of Television Media Korea Ltd., it does not have control and the entity is considered a joint venture. Additionally, the Company accounts for joint ventures under the equity method, as such entity has been classified as investments in associates.

(Note e) For the year ended December 31, 2011, the Company acquired 1,807,130 shares of NanoEnTek, Inc. Though the Company only holds 9.3% ownership of NanoEnTek, Inc., it has the ability to exercise significant influence on NanoEnTek, Inc., through participation on their board of directors and as such the entity is considered as an equity method investee.

(Note f) For the year ended December 31, 2011, the Company additionally invested ₩83,691 million in SK Industrial Development China Co., Ltd. As a result, the Company holds 35.0% ownership in SK Industrial Development China Co., Ltd.

(Note g) For the year ended December 31, 2011, the Company additionally invested ₩17,895 million in Packet One Network and acquired additional 172,082 shares.

(Note h) For the year ended December 31, 2011, the Company additionally invested ₩57,727 million in SK Technology Innovation Company.

(Note i) For the year ended December 31, 2011, SK Planet Co., Ltd., the Company's subsidiary, invested ₩17,799 million and holds 26.3% ownership in ViKi, Inc. SK Planet acquired interest in Viki Inc., during November 2011.

(Note j) For the year ended December 31, 2010, the Company sold majority of its interest in IHQ Inc. and Skytel Co., Ltd. which subsequently are accounted for as available for sale securities, while the Company sold all of its interest in Hanaro Dream Incorporation.

Details of changes in Investments in associates accounted for using the equity method for the years ended December 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	For the year ended December 31, 2011							
	Beginning balance	Acquisition	Disposal	Equity in earnings (losses)	Other comprehensive income	Other increase (decrease)	Dividend	Ending balance
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
MRO Korea Inc.	—	12,250	—	—	—	—	—	12,250
Benex 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 and Contents Venture 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 Movie Expert 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. (formerly PREGM 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
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 Ventures, LLC	3,206	—	—	595	—	59	(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
ViKi, Inc. (Note a)	—	17,799		—	—	—	—	17,799
TR Entertainment and other	67,634	37,545	(3,807)	(6,733)	401	2,260	—	97,300
Total	₩1,204,692	₩239,975	₩(3,807)	₩(49,217)	₩ (320)	₩4,250	₩(10,968)	₩1,384,605

(Note a) SK Planet acquired interest in Viki Inc., during November 2011.

For the year ended December 31, 2011, equity in earnings (losses) of investments in associates in the statements of income includes ₩2,861 million of gain on disposal of investments in associates and ₩793 million of loss on disposal of investments in associates, which is not reflected above.

	For the year ended December 31, 2010							
	Beginning balance	Acquisition	Disposal	Equity in earnings (losses)	Other comprehensive income	Other increase (decrease)	Dividend	Ending balance
SK Marketing & Company Co., Ltd.	₩112,531	₩ —	₩ —	₩ 5,421	₩ (47)	₩ —	₩ —	₩ 117,905
SK China Company Ltd.	3,918	44,859	(947)	935	(2,192)	—	—	46,573
SK USA, Inc.	5,498	—	—	618	(144)	—	—	5,972
Benex Sector Limited Partnership IV	—	25,000	—	(264)	217	—	—	24,953
F&U Credit information Co., Ltd.	4,481	—	—	48	—	—	—	4,529
Korea IT Fund	220,957	—	—	7,680	954	—	(2,958)	226,633
JYP Entertainment Corporation	—	2,903	—	—	—	1,247	—	4,150
Konan Technology	3,320	—	—	1,090	—	—	—	4,410
Etoos Co., Ltd	—	—	—	(474)	—	14,813	—	14,339
BMC Digital Culture and Contents Venture Fund	9,824	—	—	(899)	—	—	—	8,925
Wave City Development Co., Ltd.	1,532	—	—	(140)	—	—	—	1,392
IBKC-bmc Cultural Contents Fund	2,398	—	—	(106)	—	—	—	2,292
Hanhwa No.2 Daisy Entertainment Investment Fund	2,102	—	—	(94)	—	—	—	2,008
BMC Movie Expert Fund	13,261	—	—	716	—	—	—	13,977
HanaSK Card Co., Ltd.	—	400,000	—	(13,481)	(102)	—	—	386,417
Daehan Kanggun BcN Co., Ltd.	7,272	—	—	(8)	—	—	—	7,264
Television Media Korea Ltd.	—	18,568	—	—	—	—	—	18,568
Candle Media Co., Ltd. (formerly PREGM Co., Ltd.)	15,000	—	2,959	1,394	(40)	—	—	19,313
UNISK(Beijing) Information Technology Co., Ltd.	4,247	—	—	427	40	—	—	4,714
SK Industrial Development	18,009	—	(18,009)	—	—	—	—	—
PT. Melon Indonesia	—	6,493	—	13	(296)	—	—	6,210
Packet One Network	—	119,856	—	(3,823)	127	—	—	116,160
Mobile Money Ventures, LLC	5,534	—	—	(2,225)	—	(103)	—	3,206
SK Technology Innovation	—	28,146	—	(2,836)	(258)	—	—	25,052
LightSquared Inc.	—	72,096	—	—	—	—	—	72,096
IHQ, Inc. (Note a)	20,178	—	(13,642)	(1,490)	(16)	(5,030)	—	—
Skytel Co., Ltd. (Note a)	14,958	—	(7,859)	2,833	1,337	(10,825)	(444)	—
Hanaro Dream Incorporation (Note a)	6,687	—	(6,687)	—	—	—	—	—
TR Entertainment and other	78,206	18,184	(13,120)	(10,712)	(269)	(4,655)	—	67,634
Total	₩549,913	₩736,105	₩(57,305)	₩(15,377)	₩ (689)	₩ (4,553)	₩(3,402)	₩1,204,692

(Note a) For the year ended December 31, 2010, the Company sold majority of its interest in IHQ Inc. and Skytel Co., Ltd. which subsequently are accounted for as available for sale securities, while the Company sold all of its interest in Hanaro Dream Incorporation.

For the year ended December 31, 2010, equity in earnings (losses) of investments in associates in the statements of income includes ₩21,895 million of gain on disposal of investments in associates and ₩9,932 million of loss on disposal of investments in associates, which is not reflected above.

Details of changes in the differences between the acquisition cost and net asset value of equity method investees at the acquisition date for the years ended December 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

	For the year ended December 31, 2011			
	Beginning Balance	Increase/ (Decrease)	Amortization	Ending balance
MRO Korea Inc.	₩ —	₩ 8,323	₩ —	₩ 8,323
Benex 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
Total	₩170,909	₩10,853	₩(2,905)	₩178,857

	For the year ended December 31, 2010			
	Beginning Balance	Increase/ (Decrease)	Amortization	Ending balance
Benex 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	—	14,112	(236)	13,876
HanaSK Card Co., Ltd.	—	48,671	(823)	47,848
Television Media Korea Ltd.	—	240	—	240
Candle Media Co., Ltd.	12,805	(7,274)	—	5,531
NanoEnTek, Inc.	—	7,145	—	7,145
Packet One Network	—	76,588	(109)	76,479
TR Entertainment and other	5,243	9,179	—	14,422
Total	₩19,937	₩152,140	₩(1,168)	₩170,909

Details of changes in unrealized intercompany gains incurred from sales of assets for the years ended December 31, 2011 and 2010 are as follows (In millions of Korean won):

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

	For the year ended December 31, 2010			
	Beginning balance	Increase	Decrease	Ending balance
SK China Company Ltd.	₩1,086	₩ —	₩ (263)	₩ 823
Konan Technology	102	—	(23)	79
Etoos Co., Ltd	—	(239)	53	(186)
ULand Company Limited and other	5,260	—	(1,416)	3,844
Total	₩6,448	₩(239)	₩(1,649)	₩4,560

As the investments in associate are written down to zero and the equity method accounting ceased, accumulated unrecorded equity in losses as of December 31, 2011 are as follows;

	Unrealized loss	Unrealized change in equity
SK Wyverns Baseball Club Co., Ltd.	₩1,099	₩ —
ULand Company Limited	496	50
Cyworld Holdings Hong Kong and other	2,937	334
Total	₩4,532	₩384

The condensed financial information of the investees as of and for the year ended December 31, 2011 and 2010 is as follows (In millions of Korean won):

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

	As of and for the year ended December 31, 2010			
	Total assets	Total liabilities	Revenue	Net income (loss)
SK Marketing & Company Co., Ltd.	₩ 659,847	₩ 422,452	₩415,270	₩ 18,751
SK China Company Ltd.	212,370	1,784	15,876	4,155
SK USA, Inc.	22,035	10,706	9,303	10,358
Benex Sector Limited Partnership IV	49,538	3	—	(644)
F&U Credit information Co., Ltd.	18,747	10,648	47,767	213
Korea IT Fund	367,721	—	28,377	22,014
JYP Entertainment Corporation	15,186	12,550	21,680	904
Konan Technology	15,590	4,814	14,596	3,620
Etoos Co., Ltd.	74,938	73,164	29,719	(3,683)
BMC Digital Culture and Contents	21,531	4	336	(2,035)
Wave City Development Co., Ltd.	126,413	119,128	693	(734)
IBKC-bmc Cultural Contents Fund	9,190	20	395	13
Hanhwa No.2 Daisy Entertainment	10,092	50	4	(203)
BMC Movie Expert Fund	28,899	3	2,385	410
HanaSK Card Co., Ltd.	3,315,740	2,684,243	492,499	(58,914)
Daehan Kanggun BcN Co., Ltd.	165,754	140,707	—	4
Television Media Korea Ltd.	36,402	465	—	(291)
Candle Media Co., Ltd.	40,191	16,109	19,613	(23,691)
UNISK(Beijing) Information	14,769	5,149	10,261	871
PT. Melon Indonesia	13,759	1,085	—	27
Packet One Network	268,617	145,422	74,893	(59,635)
Mobile Money Ventures, LLC	9,407	2,996	4,472	(3,767)
SK Technology Innovation	52,949	1,849	—	(5,934)

9. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Land	₩ 730,361	₩ 707,970	₩ 706,599
Buildings and structures	2,100,510	1,988,759	1,960,584
Machinery	21,340,424	19,742,398	19,723,401
Other	1,617,736	1,414,837	1,169,438
Construction in progress	805,410	447,480	417,028
Total	26,594,441	24,301,444	23,977,050
Less accumulated depreciation	(17,561,502)	(16,146,012)	(15,947,353)
Accumulated impairment	(1,941)	(2,019)	(2,019)
Property and equipment, net	₩ 9,030,998	₩ 8,153,413	₩ 8,027,678

Details of changes in property and equipment for the years ended December 31, 2011 and 2010 are as follows (In millions of Korean won):

	For the year ended December 31, 2011						
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Change of consolidation scope	Ending balance
Land	₩ 707,970	₩ 3,300	₩ (1,968)	₩ 21,059	₩ —	₩ —	₩ 730,361
Buildings and structures	1,260,633	93,230	(6,313)	27,952	(85,309)	—	1,290,193
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)	(1,039,031)	(104,996)	1,839	711,461
Construction in progress	447,480	1,183,841	(8,322)	(817,588)	—	—	805,411
Total	₩8,153,413	₩2,960,556	₩(49,612)	₩ (167,228)	₩(1,867,945)	₩1,814	₩9,030,998

	For the year ended December 31, 2010					
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩ 706,599	₩ 1,622	₩ (7,000)	₩ 6,749	₩ —	₩ 707,970
Buildings and structures	1,316,534	11,848	(910)	11,641	(78,480)	1,260,633
Machinery	5,211,662	318,969	(91,333)	1,282,418	(1,554,573)	5,167,143
Other	375,856	982,562	(6,028)	(691,521)	(90,682)	570,187
Construction in progress	417,027	827,308	(46,581)	(750,274)	—	447,480
Total	₩8,027,678	₩2,142,309	₩(151,852)	₩ (140,987)	₩(1,723,735)	₩8,153,413

10. INVESTMENT PROPERTY

Investment property as of December 31, 2011, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Land	₩ 23,153	₩ 29,179	₩ 23,602
Buildings	295,767	183,406	200,432
Total	318,920	212,585	224,034
Less accumulated depreciation	(47,834)	(15,278)	(11,292)
Investment property, net	₩271,086	₩197,307	₩212,742

Details of changes in investment property for the years ended December 31, 2011 and 2010 are as follows (In millions of Korean won):

	For the year ended December 31, 2011					
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩ 19,670	₩ —	₩—	₩ 3,483	₩ —	₩ 23,153
Buildings	177,637	86,285	—	(8,887)	(7,102)	247,933
Total	₩197,307	₩86,285	₩—	₩ (5,404)	₩(7,102)	₩271,086

	For the year ended December 31, 2010					
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩ 23,602	₩ —	₩—	₩ (3,932)	₩ —	₩ 19,670
Buildings	189,140	1,991	—	(8,236)	(5,258)	177,637
Total	₩212,742	₩ 1,991	₩—	₩(12,168)	₩(5,258)	₩197,307

Details of fair value of investment property as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (In millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Land	₩ 40,540	₩ 39,082	₩ 41,768
Buildings	272,794	176,465	176,669
	₩313,334	₩215,547	₩218,437

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

Details of rent income and operating expenses from investment property for the year ended December 31, 2011 and December 2010 are as follows (In millions of Korean won):

	2011	2010
Rent income	₩ 54,088	₩ 46,460
Operating expenses	(42,141)	(30,212)

11. GOODWILL

Details of goodwill as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Goodwill related to acquisition of Shinsegi Telecomm, Inc	₩1,306,236	₩1,306,236	₩1,306,236
Goodwill related to acquisition of SK Broadband Co., Ltd.	358,443	358,443	358,443
Other goodwill	82,952	80,975	80,975
Net foreign exchange differences	2,302	(9,005)	(8,921)
	₩1,749,933	₩1,736,649	₩1,736,733

Changes in the carrying amount of goodwill for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the year ended December 31, 2011	For the year ended December 31, 2010
Beginning of period	₩1,736,649	₩1,736,733
Goodwill increase due to acquisition and subsidiary change during the period	13,242	—
Effects of exchange of rate change	42	(84)
Ending of period	₩1,749,933	₩1,736,649

Impairment test of goodwill

The Company determines its recoverable amounts for its cash generating units ("CGU") as the value-in-use of its CGUs.

(1) Goodwill related to acquisition of Shinsegi Telecomm, Inc.

For its investment in Shinsegi, the Company estimated the value-in-use based on cash flows from financial forecasts. The Company based its calculation on a five year financial forecast and used a 2% annual growth rate for periods subsequent to the forecast, using a discount rate of 5.6%.

Management believes the 2% annual growth rate will not exceed the Company's long-term wireless business growth and that the total carrying amount will not exceed the total recoverable amount, even considering reasonable fluctuations in its current assumptions.

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

For its investment in SK Broadband, the Company estimated the value-in-use based on cash flows from financial forecasts. The Company based on its calculation on a five year financial forecast and used a 2.4% annual growth rate for periods subsequent to the forecast, using a discount rate of 7.6%.

Management believes the 2.4% annual growth rate will not exceed the Company's long-term wired business growth and that the total carrying amount will not exceed the total recoverable amount, even considering reasonable fluctuations in its current assumptions.

12. INTANGIBLE ASSETS

Details of changes in intangible assets for the years ended December 31, 2011 and 2010 are as follows (In millions of Korean won):

	For the year ended December 31, 2011							
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Change of Consolidation Scope	Ending balance
Frequency use rights	₩ 709,043	₩1,333,796	₩ —	₩ —	(₩153,737)	₩ —	₩ —	₩1,889,102
Land use right	17,551	7,623	(54)	—	(5,794)	—	—	19,326
Industrial right	60,740	1,848	(1)	646	(3,759)	—	—	59,474
Software development costs	26,470	7,006	—	(609)	(8,481)	(459)	(2,966)	20,961
Customer relationships	226,940	1,791	—	—	(92,796)	—	5,883	141,818
Membership (Note a)	111,736	6,864	(2,440)	1,551	—	—	—	117,711
Other (Note b)	732,476	114,328	(1,784)	245,539	(343,089)	(2,120)	2,061	747,411
Total	₩1,884,956	₩1,473,256	(₩4,279)	₩247,127	(₩607,656)	(₩2,579)	₩ 4,978	₩2,995,803

	For the year ended December 31, 2010						
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment	Ending balance
Frequency use rights	₩ 727,239	₩ —	₩ —	₩102,432	(₩120,628)	₩ —	₩ 709,043
Land use right	12,534	9,489	(189)	—	(4,283)	—	17,551
Industrial right	60,918	3,914	—	(8)	(4,084)	—	60,740
Software development costs	35,714	13,762	(243)	(2,280)	(8,945)	(11,538)	26,470
Customer relationships	317,670	—	—	—	(90,730)	—	226,940
Membership (Note a)	107,495	1,246	(359)	3,354	—	—	111,736
Other (Note b)	742,648	99,621	(7,122)	242,821	(344,601)	(891)	732,476
Total	₩2,004,218	₩128,032	(₩7,913)	₩346,319	(₩573,271)	(₩12,429)	₩1,884,956

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

(Note b) Other intangible assets consist of computer software 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.

The book value and residual useful lives of major intangible assets as of December 31, 2011 are as follows (in millions of Korean won):

	Amount	Description	Residual useful lives
W-CDMA license	₩485,652	Frequency use rights relating to W-CDMA service	(Note a)
W-CDMA license	81,555	Frequency use rights relating to W-CDMA service	(Note b)
800MHz license	385,168	Frequency use rights relating to CDMA and LTE service	(Note c)
1.8GHz license	928,203	Frequency use rights relating to LTE service	(Note d)
WiBro license	5,325	WiBro service	(Note e)
DMB license	3,120	DMB service	4 years and 6 months
Customer relationships	133,898	Customer relationships related to acquisition of SK Broadband Co., Ltd.	1 years and 9 months

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

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

(Note c) The Company purchased 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Company started its related commercial CDMA and LTE services on July 1, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.

(Note d) The Company purchased 1.8GHz license from KCC in December 2011. Amortization of the 1.8GHz license commenced once the Company started its related commercial LTE services in late 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.

(Note e) The Company purchased a WiBro license from KCC on March 30, 2005. Amortization of the WiBro license commenced when the Company started its commercial WiBro services on June 30, 2006, under a straight line basis over the remaining useful life. The WiBro license will expire in March 2012.

13. BORROWINGS AND BONDS PAYABLE

a. Short-term borrowings

Short-term borrowings as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars and thousands of Chinese yuan):

	Lender	rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Short-term borrowing (Korean won)	Hana Bank, etc.	4.49 ~ 6.87	₩ 394,033	₩328,710	₩ 235,232
Short-term borrowing (Foreign currency)	SK China Company, Ltd	—	106,680 (US$ 92,500)	—	9,237 (CNY54,000)
Commercial Paper	Shinhan Bank, etc.	3.83 ~ 3.85	200,000	195,000	310,000
Total			₩ 700,713	₩523,710	₩ 554,469

b. Long-term borrowings

Long-term borrowings as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars and thousands of Chinese yuan:

Lender	Maturity	Annual interest rate (%) (Note)	December 31, 2011	December 31, 2010	January 1, 2010
Shinhan Bank	2011	91 days CD yield + 0.25	₩ —	₩ —	₩ 200,000
Korea Development Bank	2011	91 days CD yield + 1.02	—	₩ 100,000	₩ 100,000
Citibank	2011	91 days CD yield + 1.20	—	₩ 100,000	₩ 100,000
Nonghyup	2011	91 days CD yield + 1.30	—	₩ 100,000	₩ 100,000
Hana Bank	2011	91 days CD yield + 1.50	—	₩ 150,000	₩ 150,000
Nonghyup	2011	91 days CD yield + 1.50	—	₩ 50,000	₩ 50,000
Industrial Bank of Korea	2010	2.78	—	—	₩ 128
Korea Development Bank	2011	3.22	—	₩ 3,251	₩ 9,751
Kookmin Bank	2012	3.80	₩ 1,977	₩ 5,930	₩ 9,883
Korea Development Bank	2013	”	₩ 5,288	₩ 8,814	₩ 10,577
Korea Development Bank	2014	”	₩ 8,238	₩ 9,885	₩ 9,885
Shinhan Bank	2015	”	₩ 10,273	₩ 10,273	—
Kookmin Bank	2016	”	₩ 9,749	—	—
Credit Agricole	2013	6M Libor + 0.29	US$ 30,000	US$ 30,000	US$ 30,000
Bank of China	”	”	US$ 20,000	US$ 20,000	US$ 20,000
DBS Bank	”	”	US$ 25,000	US$ 25,000	US$ 25,000
SMBC	”	”	US$ 25,000	US$ 25,000	US$ 25,000
Korea Exchange Bank	2010	5.44	—	—	US$ 117,161
China Merchants Bank	2018	5.35	CNY360,000	CNY 360,000	—
Korea Exchange Bank	2015	5.18~5.44	CNY200,000	CNY 200,000	—
Hana Bank HK	2014	3M Libor + 3.2	US$ 75,000	—	—
Total			₩ 35,525	₩ 538,153	₩ 740,224
			US$ 175,000	US$ 100,000	US$ 217,161
			CNY560,000	CNY 560,000	CNY—
Equivalent in Korean won			₩ 334,362	₩ 748,346	₩ 993,782
Less portion due within one year			(10,510)	(512,378)	(149,142)
Long-term portion			₩ 323,852	₩ 235,968	₩ 844,640

(Note) As of December 31, 2011, 3-month Libor rate is 0.58% and the 6-month Libor rate is 0.81%.

c. Bonds payable

Bonds payable as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars, thousands of Japanese yen and thousands of Singapore dollars):

	Maturity	Annual Interest rate (%)	December 31, 2011	December 31, 2010	January 1, 2010
Domestic general bonds	2010	3.20~6.77	₩ —	₩ —	₩ 510,000
”	2011	3.00~4.44		200,000	280,000
”	2013	4.00~6.92	450,000	450,000	450,000
”	2014	4.86~5.0	250,000	200,000	200,000
”	2015	4.62~5.0	250,000	200,000	200,000
”	2016	3.95~5.92	580,000	470,000	470,000
”	2018	5.0	200,000	200,000	200,000
”	2021	4.22	190,000	—	—
Unsecured private bonds	2010	6.50~7.07	—	—	20,000
Unsecured public bonds	2010	6.30~6.81	—	—	110,000
”	2011	9.08	—	25,000	25,000
Debentures	2010	8.75~9.25	—	—	80,000
”	2011	6.65~9.20	—	315,718	315,718
” (Note b)	2013	3.99	150,000	150,000	—
” (Note b)	2014	4.40~4.53	390,000	—	—
Dollar denominated bonds (US$300,000)	2011	4.25	—	341,670	350,280
Dollar denominated bonds (US$500,000)(Note c)	2012	7.0	576,650	596,951	611,301
Dollar denominated bonds (US$400,000)	2027	6.63	461,320	455,560	467,040
Yen denominated bonds (JPY 15,500,000)(Note a)	2012	3 M Euro Yen LIBOR+0.55~2.5	230,200	216,547	195,737
Yen denominated bonds (JPY 5,000,000)(Note a)	2012	3 M Euro Yen TIBOR+2.5	74,258	69,854	63,141
Floating rate notes(US$ 150,000)(Note a)	2010	3 M LIBOR+3.05	—	—	175,140
Floating rate notes(US$ 220,000)(Note a)	2012	3 M LIBOR+3.15	253,726	250,558	256,872
Floating rate notes(US$ 250,000)(Note a)	2014	3 M LIBOR+1.60	288,325	—	—
Floating rate notes(SGD 65,000)(Note a)	2014	SOR rate+1.20	57,619	—	—
Convertible bonds (US$ 332,528)(Note d)	2014	1.75	397,886	461,655	442,422
Sub total			4,799,984	4,603,513	5,422,651
Less discounts on bonds			(39,096)	(70,530)	(75,920)
Net			4,760,888	4,532,983	5,346,731
Less portion due within one year			(1,531,879)	(874,437)	(893,431)
Long-term portion			₩ 3,229,009	₩3,658,546	₩4,453,300

(Note a) The 3-months Euro Yen LIBOR rate, the 3-months Euro Yen TIBOR rate, the 3-month LIBOR rate and SOR rate as of December 31, 2011 are 0.20%, 0.33%, 0.58% and 0.55%, respectively.

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

(Note c) According to the covenants of foreign currency debentures, when a private person or other corporation except for AIG-Newbridge-TVG Consortium acquires more than 45% of ownership of SK Broadband Co., Ltd., a subsidiary of the Company, and its credit rating on the global bond (US$ 500,000 thousand) is downgraded below BB by S&P or Ba2 by Moody's, SK Broadband Co., Ltd. is required to offer a buy-back of the related foreign currency debentures at the price of 101% of the principal. If the Company does not comply with the covenant, it may be required to perform an immediate redemption.

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

On April 7, 2009, the Company issued convertible bonds with a maturity of five years in the principal amount of US$332,528,000 for US$326,397,463 with a conversion price, determined at the time, of ₩230,010 per share of the Company's common stock, which was greater than the market value at the date of issuance. Conversion price will subsequently change based on changes in the Company's common shares amount. The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The conversion right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be converted as of December 31, 2011 is 2,192,102 shares.

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

In accordance with a resolution of the Board of Directors on January 21, 2011 and on July 28, 2011, the conversion price changed from ₩220,000 to ₩209,853 and the number of common shares that can be converted changed from 2,090,996 shares to 2,192,102 shares due to the payment of periodic dividends and payment of interim dividends. During the year ended December 31, 2011, no conversion was made.

14. LONG-TERM PAYABLES

As of December 31, 2011, long-term payables consist of payables related to acquisition of W-CDMA licenses for 2.1GHz, 800MHZ and 1.8GHz frequency and other details are as follows (in millions of Korean won):

	2.1GHz	800MHz	1.8GHz	Total
Period of repayment	2012 ~ 2014	2013 ~ 2015	2012 ~ 2021	
Coupon rate (Note a)	3.58%	3.51%	3.00%	
Annual effective interest rate (Note b)	5.89%	5.69%	5.25%	
Nominal value	₩ 52,600	₩ 208,250	₩ 746,250	₩1,007,100
Present value at December 31, 2010	₩ 50,166	₩ —	₩ —	50,166
Present value at the time of acquisition in 2011	—	197,190	679,607	876,797
Amortization of present value discount in 2011	1,025	1,925	205	3,155
Less portion due within one year	(17,296)	—	(71,848)	(89,144)
Long-term portion of W-CDMA payables	₩ 33,895	₩ 199,115	₩ 607,964	₩ 840,974
Other				6,522
Long-term payables — other				₩ 847,496

(Note a) The Company applied an annual interest equal to the government's previous year public funds financing account rate less1%.

(Note b) 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 account payable-other.

As of December 31, 2010 and January 1, 2010, the Company's long-term payables — other consist of payables related to the acquisition of frequency use rights and other, in the amount of ₩54,783 million and ₩170,953 million, respectively.

The repayment schedule of long-term payables at December 31, 2011 is as follows (in millions of Korean won):

Year ending December 31,	Long-term payables
2012	92,158
2013	161,575
2014	161,575
2015 and thereafter	591,792
Total	1,007,100

15. PROVISONS

Details of change in the provisions for the years ended December 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	For the years ended December 31, 2011				As of December 31, 2011	
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for handset subsidy	₩732,041	₩877,042	(₩846,994)	₩762,089	₩653,112	₩108,977
Provision for point programs	353	1,052	(617)	788	60	728
Provision for restoration	32,522	8,466	(4,610)	36,378	3,876	32,502
Provision for warranty	140	14	—	154	—	154
Provision for sales return	49	77	(45)	81	81	—
Other provisions	11	69	(11)	69	69	—
Total	₩765,116	₩886,720	(₩852,277)	₩799,559	₩657,198	₩142,361

	For the years ended December 31, 2010				As of December 31, 2010	
	Beginning balance	Increase	Decrease	Ending balance	Current	Non-current
Provision for handset subsidy	₩609,733	₩941,586	₩ (819,278)	₩732,041	₩652,563	₩ 79,478
Provision for point programs	894	461	(1,002)	353	266	87
Provision for restoration	26,473	6,202	(153)	32,522	—	32,522
Provision for warranty	317	173	(350)	140	—	140
Provision for sales return	40	19	(10)	49	49	—
Other provisions	22	10	(21)	11	11	—
Total	₩637,479	₩948,451	(₩820,814)	₩765,116	₩652,889	₩112,227

Provision for handset subsidies

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

Provision for point programs

For marketing purposes, the Company grants points to subscribers when they enter into certain programs, such as, receiving paperless invoices or completing surveys for affiliates. The Company records a provision related to the unused and unexpired granted points, in accordance with the expected points' usage duration. All unused points expire on their fifth anniversary.

Provision for restoration

In the course of the Company's activities, base station and other assets are utilized on leased premises which are expected to have costs associated with restoring the location where these assets are situated upon ceasing their use on those premises. The associated cash outflows, which are long-term in nature, are generally expected to occur at the dates of exit of the assets to which they relate.

These restoration costs are calculated on the basis of the identified costs for the current financial year, extrapolated into the future based on management's best estimates of future trends in prices, inflation, and other factors, and are discounted to present value at a risk-adjusted rate specifically applicable to the liability. Forecasts of estimated future provisions are revised in light of future changes in business conditions or technological requirements.

The Company records these restoration costs as PP&E and subsequently allocates them to expense using a systematic and rational method over the asset's useful life, and records the accretion of the liability as a charge to finance costs.

16. FINANCIAL LEASE LIABILITIES

SK Broadband Co., Ltd., a subsidiary, has leased certain equipment related to telecommunication under the finance lease agreement with Cisco Capital Korea. The Company's financial lease liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Finance lease liabilities :			
Less due within one year (FN 4.b.Note (c))	₩31,308	₩45,468	₩70,593
Long-term portion	41,940	60,075	77,709

The Company's related interest and principal as of December 31, 2011, December 31, 2010 and January 1, are as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010		January 1, 2010	
	Minimum lease payments	Present value	Minimum lease payments	Present value	Minimum lease payments	Present value
2012	₩34,198	₩ 31,308	₩ 50,680	₩ 45,468	₩ 77,577	₩ 70,593
2013 ~ 2017	44,119	41,940	63,336	60,075	84,849	77,709
Sub-total	78,317	73,248	114,016	105,543	162,426	148,302
Less portion due within 1 year		(31,308)		(45,468)		(70,593)
Long-term portion		₩ 41,940		₩ 60,075		₩ 77,709

17. RETIREMENT BENEFIT OBLIGATION

The Company has defined benefit plans it offers to its employees. Details regarding its plans and the Company's retirement benefit obligations as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows.

a. Details of retirement benefit obligation as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Present value of defined benefit obligation	₩ 188,120	₩160,363	₩127,255
Fair value of plan assets	(102,179)	(92,493)	(73,596)
Total	₩ 85,941	₩ 67,870	₩ 53,659

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

	December 31, 2011	December 31, 2010
Discount rate for defined benefit obligations	4.11 ~ 6.15%	5.41 ~ 6.30%
Inflation rate	3.00%	3.00%
Expected rate of return on plan assets	2.00 ~ 8.11%	4.00 ~ 5.64%
Expected rate of salary increase	3.50 ~ 5.10%	4.36 ~ 8.42%

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. Meanwhile, expected rate of salary increase is determined the Company historical promotion index, inflation rate and salary increase ratio in accordance with salary agreement. Inflation rate represents target inflation rate declared by Bank of Korea.

c. Changes in defined benefit obligations before tax for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Beginning balance	₩160,363	₩127,255
Current service cost	63,925	81,754
Interest cost	9,086	8,211
Actuarial gain or loss	30,503	3,856
Benefit paid	(77,754)	(62,689)
Others	1,997	1,976
Ending balance	₩188,120	₩160,363

Changes in plan assets for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Beginning balance	₩ 92,493	₩ 73,596
Expected return on plan assets	4,059	3,292
Actuarial gain or loss	(1,048)	(676)
Contributions by employer directly to plan assets	44,961	25,628
Benefit payment	(38,343)	(11,256)
Others	57	1,909
Ending balance	₩102,179	₩ 92,493

d. Expenses recognized in statements of income for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Current service cost	₩63,925	₩81,754
Interest cost	9,086	8,211
Expected return on plan assets	(4,059)	(3,292)
Total	₩68,952	₩86,673

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

e. Details of plan assets as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Equity instruments	₩ —	₩26,247	₩ 2,027
Debt instruments	12,455	51,489	38,629
Others	89,724	14,757	32,940
Total	₩102,179	₩92,493	₩73,596

Actual return on plan assets for the years ended December 31, 2011 and December 31, 2010 is ₩3,011 million and ₩2,616 million, respectively.

18. SHARE CAPITAL AND SHARE PREMIUM

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 share premium as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won, except for share data):

	December 31, 2011	December 31, 2010	January 1, 2010
Authorized shares	220,000,000	220,000,000	220,000,000
Issued shares (Note)	80,745,711	80,745,711	80,745,711
Share capital			
Common stock	₩ 44,639	₩ 44,639	₩ 44,639
Share premium :			
Paid-in surplus	₩ 2,915,887	₩ 2,915,887	₩ 2,915,887
Treasury stock	(2,410,451)	(2,202,439)	(1,992,083)
Loss on disposal of treasury stock	(18,855)	(15,875)	(15,875)
Others	(771,928)	(776,526)	(740,053)
Total	₩ (285,347)	₩ (78,953)	₩ 167,876

There are no changes in share capital for the years ended December 31, 2011, and 2010.

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

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 use as stock dividends, to increase shareholder value, and to use for stabilizing stock prices in the market if deemed necessary.

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

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

20. RETAINED EARNINGS

Retained earnings as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Appropriated :			
Legal reserve (Note a)	₩ 22,320	₩ 22,320	₩ 22,320
Reserve for research & manpower development (Note b)	535,595	658,928	672,595
Reserve for business expansion (Note b)	8,009,138	7,519,138	7,045,138
Reserve for technology development (Note b)	1,524,000	1,150,000	1,150,000
Sub-total	10,091,053	9,350,386	8,890,053
Unappropriated	1,551,472	1,370,863	673,887
Total	₩11,642,525	₩10,721,249	₩9,563,940

(Note a) Mandatory Reserve — Legal Reserve

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

(Note b) Voluntary Reserve

Reserve for research & manpower development and reserve for technology development were originally appropriated, in order to recognize certain tax deductible benefits through the early recognition of future expenditure for tax purposes. These reserves will be reversed from appropriated and retained earnings in accordance with the relevant tax laws in taxable income in the year of reversal. However, for the years ended December 31, 2011 and 2010, all reserves are on now on a voluntary basis and there are no restrictions on these reserves. As such, the Company can utilize these if deemed necessary.

Reserve for business expansion is appropriated for on a voluntary basis, there are no restrictions on the reserve. As such, the Company can utilize these if deemed necessary.

21. RESERVES

a. Details of reserves as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Net change in fair value of available-for-sale financial assets	₩354,951	₩793,645	₩998,527
Share of other comprehensive income of associates	(93,599)	(91,413)	(91,244)
Loss on valuation of derivatives	(25,100)	(56,862)	12,552
Foreign currency translations of foreign operations	23,812	(2,314)	—
Total	₩260,064	₩643,056	₩919,835

b. Details of change in reserves for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	Net change in fair value of available-for-sale financial assets	Share of other comprehensive loss of associates	Gain (loss) on valuation of derivatives	Foreign currency differences from foreign operations	Total
Balance, January 1, 2010	₩ 998,527	₩(91,244)	₩ 12,552	₩ —	₩ 919,835
Changes	(260,479)	(133)	(87,129)	(2,314)	(350,055)
Tax effect	55,597	(36)	17,715	—	73,276
Balance, December 31, 2010	₩ 793,645	₩(91,413)	₩(56,862)	₩ (2,314)	₩ 643,056
Balance, 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, December 31, 2011	₩ 354,951	₩(93,599)	₩(25,100)	₩23,812	₩ 260,064

c. Details of change in fair value of available-for-sale financial assets for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the years ended					
	December 31, 2011			December 31, 2010		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Beginning balance	₩1,023,458	₩(229,813)	₩ 793,645	₩1,284,221	₩(285,694)	₩ 998,527
Recognized in other comprehensive income during the period	(418,349)	84,227	(334,122)	(209,631)	43,033	(166,598)
Reclassified from equity to income or expense for the period	(137,263)	32,691	(104,572)	(50,848)	12,564	(38,284)
Ending balance	₩ 467,846	₩(112,895)	₩ 354,951	₩1,023,742	₩(230,097)	₩ 793,645

d. Details of change in valuation of derivatives for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the years ended					
	December 31, 2011			December 31, 2010		
	Before tax	Tax effect	After tax	Before tax	Tax effect	After tax
Beginning balance	₩(77,448)	₩ 20,586	₩(56,862)	₩ 9,681	₩ 2,871	₩ 12,552
Recognized in other comprehensive income during the period	55,158	(13,023)	42,135	(74,674)	13,379	(61,295)
Reclassified from equity to net income for the period	(14,293)	3,920	(10,373)	(12,455)	4,336	(8,119)
Ending balance	₩(36,583)	₩ 11,483	₩(25,100)	₩(77,448)	₩20,586	₩(56,862)

22. OTHER OPERATING INCOME AND EXPENSES

Details of other operating income and expenses for the years ended December 31, 2011 and 2010 are as follows (In millions of Korean won):

	For the year ended	
	December 31, 2011	December 31, 2010
Other operating income:		
Reversal of allowance for doubtful accounts (Note)	₩ 2,301	₩ 805
Gain on disposal of property and equipment and intangible assets (Note)	6,275	11,340
Other (Note)	41,153	68,380
	₩ 49,729	₩ 80,525
Other operating expenses:		
Communication expenses	₩ 64,404	₩ 62,793
Utilities	168,288	163,145
Taxes and dues	47,467	55,353
Repair	250,801	232,557
Research and development	271,382	270,603
Training	38,139	32,590
Bad debt for account receivables — trade	83,748	77,780
Travels	32,973	29,275
Supplies and other	106,855	100,523
Loss on disposal of property and equipment and intangible assets (Note)	21,136	70,025
Loss on disposal of investment assets (Note)	434	11,329
Loss on impairment of intangible assets (Note)	2,580	7,550
Donations (Note)	104,656	204,876
Other bad debt other receivables (Note)	12,847	12,293
Other (Note)	26,769	60,082
	₩1,232,479	₩1,390,774

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

23. FINANCE INCOME AND COSTS

Details of finance income and costs for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the year ended	
	December 31, 2011	December 31, 2010
Finance income:		
Interest income	₩168,148	₩237,392
Dividends	26,433	28,680
Gain on foreign currency transactions	11,135	10,163
Gain on foreign currency translation	1,984	16,950
Gain on valuation of financial asset at FVTPL	2,617	—
Gain on disposal of long-term investment securities	164,454	174,801
Reversal of loss on impairment of investment securities	—	39
Gain on valuation of derivatives	3,785	1,241
Gain on derivative settlement	—	7,951
Gain on valuation of financial liability at FVTPL	63,769	—
	₩442,325	₩477,217
Finance costs:		
Gain on derivative settlement	₩297,172	₩379,289
Loss on foreign currency transactions	10,382	14,471
Loss on foreign currency translation	6,409	1,788
Loss on disposal of short-term investment securities	—	1,866
Loss on disposal of long-term investment securities	447	2,368
Loss on impairment of investment securities	12,846	3,404
Loss on valuation of derivatives	943	19,198
Loss on derivative settlement	15,577	—
Loss on disposal of accounts receivable	—	6
Loss on valuation of financial liability at FVTPL	—	19,233
	₩343,776	₩441,623

Details of interest income included in finance income for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Interest income on cash equivalents and deposits	₩ 61,577	₩ 27,987
Interest income on installment receivables and other interest income	106,571	209,405
	₩168,148	₩237,392

Details of interest expenses included in finance for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Interest expense on bank overdrafts and borrowings	₩ 60,271	₩ 89,178
Interest on finance lease liabilities	4,422	8,383
Interest on bonds	208,403	252,646
Other interest expenses	24,076	29,082
	₩297,172	₩379,289

Details of income and costs by type of financial assets or financial liabilities for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the year ended			
	December 31, 2011		December 31, 2010	
	Financial income	Financial Costs	Financial income	Financial costs
Financial assets:				
Financial assets designated as at FVTPL	₩ 3,013	₩ 943	₩ 1,991	₩ 21,064
Available-for-sale financial assets	198,547	13,293	223,425	5,772
Loans and receivables	173,498	12,603	228,909	16,221
Derivatives designated as hedging instruments	—	8,088	505	—
Sub-total	375,058	34,927	454,830	43,057
Financial liabilities:				
Financial liabilities designated as at FVTPL	67,158	2,353	—	19,233
Financial liabilities at amortized cost	109	301,360	15,691	379,333
Derivatives designated as hedging instruments	—	5,136	6,696	—
Sub-total	67,267	308,849	22,387	398,566
Total	₩442,325	₩343,776	₩477,217	₩441,623

Details of impairment losses for each class of financial assets for the years ended December 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Impairment loss on long-term investment securities	₩ 12,846	₩ 3,404
Bad debt	83,748	77,780
Other bad debt	12,847	12,293
	₩109,441	₩93,477

24. INCOME TAX FOR CONTINUING OPERATIONS

a. Income tax expenses for continuing operations for the years ended December 31, 2011 and 2010 consist of the following (in millions of Korean won):

	For the year ended	
	December 31, 2011	December 31, 2010
I. Current tax :		
Currently	₩ 520,370	₩532,096
Adjustments recognized in the period for current tax of prior periods	90,389	11,847
	610,759	543,943
II. Deferred tax:		
Changes in net deferred tax assets	(120,718)	(78,214)
Deferred tax assets directly added to (deducted from) equity	108,563	78,727
Changes in scope of consolidation	330	—
Others (Tax effect from statutory tax rate change)	159	74
	(11,666)	587
III. Income tax for continuing operation	₩ 599,093	₩544,530

b. The difference between income taxes computed using the statutory corporate income tax rates and the recorded income taxes for the years ended December 31, 2011 and 2010 is attributable to the following (in millions of Korean won):

	For the year ended	
	December 31, 2011	December 31, 2010
Income taxes at statutory income tax rate of 24.2% (Note)	₩528,225	₩560,952
Non-taxable income	(10,230)	(8,381)
Non-deductible expenses	7,994	43,382
Tax credit and tax reduction	(42,572)	(30,443)
Tax effects of temporary differences, unused tax losses and unused tax credits not recognized in deferred tax assets	33,170	7,666
Additional income tax(refund) for prior periods	90,389	(6,632)
Deferred tax effect from statutory tax rate change for future periods	(7,883)	(22,014)
Income tax for continuing operation	₩599,093	₩544,530

(Note) Tax rate represents statutory tax rate in Korea applied to the Company. The statutory income tax rate is 11.0% up to ₩200 million of net taxable income and 24.2% above ₩200 million of net taxable income for the years ended December 31, 2011 and 2010. Beginning for the year ended December 31, 2012, the statutory tax rate will be 11.0% up to ₩200 million of net taxable income, above ₩200 million and up to ₩20,000 million of net taxable income will be reduced to 22% and above ₩20,000 million of net taxable income will be 24.2%.

c. Deferred tax assets (liabilities) directly added to (deducted from) equity for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the year ended December 31, 2011	For the year ended December 31, 2010
Net change in fair value of available-for-sale financial assets (FN 21.b)	₩116,918	₩55,597
Share of other comprehensive income of associates (FN 21.b)	(1,280)	(36)
Gain or loss on valuation of derivatives (FN 21.b)	(9,103)	17,715
Actuarial gain or loss	6,276	35
Loss on disposal of treasury stock	(2,980)	—
Others	(1,268)	5,416
	₩108,563	₩78,727

d. Details of changes in deferred tax assets (liabilities) for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

For the year ended December 31, 2011

Account	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

For the year ended December 31, 2010

Account	Beginning	Deferred tax expense (income)	Directly added to (deducted from) equity	Other	Ending
Deferred tax assets (liabilities) related to temporary differences					
Allowance for doubtful accounts	₩ 56,413	₩ (4,665)	₩ —	₩ —	₩ 51,748
Accrued interest income	(837)	121	—	—	(716)
Available-for-sale financial assets	(247,170)	(49,752)	55,597	—	(241,325)
Investments in subsidiaries and associates	(31,915)	50,772	(36)	120	18,941
Property and equipment (depreciation)	(129,190)	(67,092)	—	—	(196,282)
Provisions	151,946	29,019	—	—	180,965
Retirement benefit obligation	7,026	2,966	35	—	10,027
Gain or loss on valuation of derivatives	(29,614)	6,172	17,715	—	(5,727)
Gain or loss on foreign currency translation	11,159	(3,525)	—	—	7,634
Tax free reserve for research and manpower development	(124,227)	43,487	—	—	(80,740)
Goodwill relevant to leased line	189,372	(48,563)	—	—	140,809
Unearned revenue (activation fees)	130,676	(13,244)	—	—	117,432
Others	43,728	54,486	5,416	(46)	103,584
	27,367	182	78,727	74	106,350
Deferred tax assets related to unused tax loss carryforwards and unused tax credit carryforwards					
Tax loss carryforwards	383	(305)	—	—	78
Tax credit carryforwards	896	(464)	—	—	432
	1,279	(769)	—	—	510
	₩ 28,646	₩ (587)	₩78,727	₩ 74	₩ 106,860

e. Details of temporary differences, unused tax losses and unused tax credits which are not recognized as deferred tax assets (liabilities), as the Company 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, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	For the year ended	
	December 31, 2011	December 31, 2010
Allowance for doubtful accounts	₩ 140,010	₩ 139,500
Investments in subsidiaries and associates	797,955	656,844
Other temporary differences	210,616	222,985
Unused tax loss carryforwards	836,752	900,394
Unused tax credit carryforwards	899	2,669
	₩1,986,232	₩1,922,392

f. The expirations of the tax loss carryforwards and tax credit carryforwards of the Company related to certain subsidiaries which are expected to be utilized, as of December 31, 2011 are as follows (in millions of Korean won):

	Tax loss carryforwards	Tax credit carryforwards
Less than 1 year	₩ 40,867	₩483
1 ~ 2 years	164,810	189
2 ~ 3 years	358,122	174
More than 3 years	272,953	53
Total	₩836,752	₩899

25. NET INCOME PER SHARE

Net income from continuing operations per share and net income per share for the years ended December 31, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

Net income per share from continuing operation

	For the year ended December 31, 2011	For the year ended December 31, 2010
Net income from continuing operation attributable to the owners of the Company	₩ 1,613,986	₩ 1,845,513
Weighted average number of common shares outstanding	70,591,937	71,942,387
Net income per share from continuing Operation (in Korean won)	₩ 22,864	₩ 25,653

Net income from continuing operation attributable to the controlling interests for the years ended December 31, 2011 and 2010 are computed as follows (in millions of Korean won):

	For the year ended December 31, 2011	For the year ended December 31, 2010
Net income attributable to the controlling interests	₩1,612,889	₩1,841,613
The controlling interests' portion of net loss (income) from discontinued operation attributable to the controlling interests (FN. 32)	1,097	3,900
Net income from continuing operation attributable to the controlling interests	₩1,613,986	₩1,845,513

Net income per share

	For the year ended December 31, 2011	For the year ended December 31, 2010
Net income attributable to the owners of the Company	₩ 1,612,889	₩ 1,841,613
Weighted average number of common shares outstanding	70,591,937	71,942,387
Net income per share (in Korean won)	₩ 22,848	₩ 25,598

The weighted average number of common shares outstanding for the years ended December 31, 2011 and 2010 are calculated as follows:

For the year ended December 31, 2011

	Number of shares	Weighted number of days	Weighted number of shares
For the years ended December 31, 2011			
Outstanding common shares at January 1, 2011	80,745,711	365 / 365	80,745,711
Treasury stocks at January 1, 2011	(9,650,712)	365 / 365	(9,650,712)
Acquisition of treasury stock	(1,400,000)	131 / 365 (Note)	(503,062)
Total	69,694,999		70,591,937

For the year ended December 31, 2010

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

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

Diluted net income from continuing operations per share and diluted net income per share amounts for the years ended December 31, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

Diluted net income per share from continuing operation

	For the year ended December 31, 2011	For the year ended December 31, 2010
Diluted net income from continuing operation attributable to the owners of the Company	₩ 1,618,606	₩ 1,850,471
Diluted weighted average number of common shares outstanding	72,784,039	74,033,383
Diluted net income per share (in Korean won)	₩ 22,238	₩ 24,995

Diluted net income from continuing operation attributable to the controlling interests for the years ended December 31, 2011 and 2010 are computed as follows (in millions of Korean won):

	For the year ended	
	December 31, 2011	December 31, 2010
Net income attributable to the controlling interests	₩1,617,509	₩1,846,571
The controlling interests' portion of net loss from discontinued operation attributable to the controlling interests	1,097	3,900
Net income from continuing operation attributable to the controlling interests	₩1,618,606	₩1,850,471

Diluted net income per share

	For the year ended	
	December 31, 2011	December 31, 2010
Adjusted net income to the owners of the Company	₩ 1,617,509	₩ 1,846,571
Adjusted weighted average number of common shares outstanding	72,784,039	74,033,383
Diluted net income per share (in Korean won)	₩ 22,223	₩ 24,942

Adjusted net income per share and the adjusted weighted average number of common shares outstanding for the years ended December 31, 2011 and 2010 are calculated as follows (In millions of Korean won, except for share data):

	For the year ended	
	December 31, 2011	December 31, 2010
Net income and ordinary income	₩ 1,612,889	₩ 1,841,613
Effect of convertible bonds (Note)	4,620	4,958
Adjusted net income and ordinary income	₩ 1,617,509	₩ 1,846,571
Weighted average number of common shares outstanding	70,591,937	71,942,387
Effect of exchangeable bonds (Note)	2,192,102	2,090,996
Adjusted weighted average number of common shares outstanding	72,784,039	74,033,383

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

Net income and diluted net income per share from discontinued operation for the years ended December 31, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

	For the year ended	
	December 31, 2011	December 31, 2010
The controlling interests' portion of		
net loss (income) from discontinued operation attributable to the controlling interests (FN. 32)	1,097	3,900
Weighted average number of common shares outstanding	70,591,937	71,942,387
Net income and diluted net income per share(in Korean won)	₩ (16)	₩ (54)

26. DIVIDEND DISCLOSURE

Details of dividends declared for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won, except for face value and share data):

Fiscal year	Dividend type	Number of shares outstanding	Face value	Dividend ratio	Dividends
2011	Cash dividends (interim)	71,094,999	₩500	200%	₩ 71,095
	Cash dividends (year-end)	69,694,999	₩500	1,680%	585,438
	Total				₩656,533
2010	Cash dividends (interim)	72,344,999	₩500	200%	₩ 72,345
	Cash dividends (year-end)	71,094,999	₩500	1,680%	597,198
	Total				₩669,543

Dividends payout ratios for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won and %):

	For the year ended	
	December 31, 2011	December 31, 2010
Dividends calculated	₩ 656,533	₩ 669,543
Net income attributable to the controlling interest	₩1,612,889	₩1,841,613
Dividends payout ratio	40.71%	36.36%

Dividends yield ratios for the years ended December 31, 2011 and December 31, 2010 are as follows (in Korean won and %):

	For the year ended	
	December 31, 2011	December 31, 2010
Dividend per share	₩ 9,400	₩ 9,400
Stock price at the year-end	141,500	173,500
Dividends yield ratio	6.64%	5.42%

27. SEGMENT INFORMATION

The Company's segments are classified at the business unit level, at which the Company generates separately identifiable revenue and costs, and the related information is reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. The Company's reportable segments under IFRS 8 *Operating Segments* are; 1) cellular services and 2) fixed-line telecommunication services. Other businesses which do not meet the quantitative thresholds are grouped and presented as Other in the following schedules.

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 Company's Internet portal services, game manufacturing and other immaterial operations.

On October 1, 2011, in accordance with the Company's Board of Directors resolution on July 19, 2011 and the shareholder's general meeting held on August 31, 2011, the Company spun off its platform business into a new wholly-owned subsidiary, SK Planet Co., Ltd.. SK Planet operates the Company's platform business such as T Store, online marketplace for mobile application, 11th Street, online shopping mall. For the years ended December 31, 2011 and 2010, the new platform business segment does not meet the quantitative thresholds for separate disclosures under IFRS 8. In addition, for periods prior to October 1, 2011, the Company did not maintain separate financial information for the platform business and it is not feasible for the Company to generate such information as of December 31, 2011.

The accounting policies of the respective reportable segments discussed below are the same as the Company's accounting policies described in FN 2. Segment information below does not include the Company's discontinued operations information. Refer to FN 32 for details on discontinued operations.

Details of the two segments and other for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the year ended December 31, 2011					
	Cellular services (Note a)	Fixed-line Telecommunication services	Other (Note a)	Sub-total	Consolidation adjustments	Consolidated amount
Total sales	₩14,107,174	₩2,908,758	₩1,015,149	₩18,031,081	₩(2,042,803)	₩15,988,278
Internal sales	1,005,229	746,190	291,384	2,042,803	(2,042,803)	—
External sales	13,101,945	2,162,568	723,765	15,988,278	—	15,988,278
Operating income	2,067,345	21,309	42,804	2,131,458	—	2,131,458
Net income (loss)	1,627,247	(62,761)	17,587	1,582,073	—	1,582,073
Total assets	20,970,450	3,844,042	3,503,663	28,318,155	(3,952,119)	24,366,036
Total liabilities	8,804,588	2,554,298	982,656	12,341,542	(708,215)	11,633,327

	For the year ended December 31, 2010					
	Cellular services (Note a)	Fixed-line Telecommunication services	Other (Note a)	Sub-total	Consolidation adjustments	Consolidated amount
Total sales	₩13,522,608	₩2,653,479	₩ 577,423	₩16,753,510	₩(1,154,348)	₩15,599,162
Internal sales	602,347	426,172	125,829	1,154,348	(1,154,348)	—
External sales	12,920,261	2,227,307	451,594	15,599,162	—	15,599,162
Operating income(loss)	2,316,740	(52,105)	21,276	2,285,911	—	2,285,911
Net income(loss)	1,882,056	(132,314)	17,093	1,766,835	—	1,766,835
Total assets	20,116,200	3,658,214	1,502,572	25,276,986	(2,144,597)	23,132,389
Total liabilities	8,307,958	2,377,101	331,044	11,016,103	(291,713)	10,724,390

(Note a) Platform business related financial information for the period October 1, 2011 (spin-off date) to December 31, 2011 is presented in Other; for the period January 1, 2011 to September 30, 2011 and the year ended December 31, 2010, the related financial information is presented in Cellular services.

No single customer contributed 10% or more to the Company's total sales for the years ended December 31, 2011 and 2010.

Though the Company is expanding into new geographic regions, as of December 31, 2011, the Company still principally operates in its domestic market in Korea.

The Company's revenues are generated as follows (in millions of Korean won).:

	2011	2010
Cellular revenue		
Wireless Service	10,459,685	10,634,402
Interconnection	1,090,874	1,168,696
Digital Handset Sales	787,493	534,544
Other (Note a)	763,893	582,619
	13,101,945	12,920,261
Fixed-line telecommunication services revenue		
Fixed-line Service	2,078,764	2,138,553
Interconnection	83,804	88,754
	2,162,568	2,227,307
Other revenue (Note a)		
Commerce service (Note b)	141,787	—
Portal Service (Note c)	235,632	239,545
Other (Note d)	346,346	212,049
	723,765	451,594
Total	15,988,278	15,599,162

(Note a) Other cellular revenue includes internet platform solutions sales and licensing for the year ended December 31, 2010 and the period January 1, 2011 to September 30, 2011.

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

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

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

28. TRANSACTIONS WITH RELATED PARTIES

Significant related party transactions for the years ended December 31, 2011 and 2010, and account balances as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (In millions of Korean won):

a. Transactions

	For the year ended December 31, 2011			For the year ended December 31, 2010		
	Purchases of property and equipment	Commissions paid and other expenses	Commissions earned and other income	Purchases of property and equipment	Commissions paid and other expenses	Commissions earned and other income
Ultimate parent company:						
SK C&C Co., Ltd.	₩ 299,170	₩ 321,437	₩ 15,607	₩ 270,865	₩ 316,361	₩ 19,500
Parent Company:						
SK Holdings Co., Ltd.	—	31,029	1,068	118	33,788	1,486
Associates:						
SK Marketing & Company Co., Ltd.	8,405	154,103	13,366	12,377	171,592	8,124
F&U Credit Information Co., Ltd.	—	45,433	1,609	—	44,299	2,132
SK Wyverns Baseball Club Co., Ltd.	—	19,612	17	—	18,000	67
HanaSK Card Co., Ltd.	33	284,111	168,234	—	95,044	3,562
MRO Korea Co., Ltd.	7,459	6,925	22	7,041	5,761	161
Others	7,667	30,947	1,587	7,220	17,639	206
Others :						
SK innovation Co., Ltd.	—	765	4,577	—	951	8,248
SK MNS Co., Ltd.	167	16,243	505	921	16,372	605
SK Engineering & Construction Co., Ltd.	386,144	55,109	6,213	357,786	29,168	10,500
SKC Co., Ltd.	—	26	1,656	—	26	1,010
SK Telesys Co., Ltd.	265,851	44,639	61,561	336,265	46,513	12,361
SK Mobile energy Co., Ltd.	1,209	—	12	3,522	—	22
SK Networks Co., Ltd.	9,647	1,216,951	17,223	9,252	1,083,796	28,494
SK Networks Service Co., Ltd.	2,215	86,564	847	663	54,049	—
SK Pinx Co., Ltd.	9,850	2,323	10	3,317	196	—
SK Shipping Co., Ltd.	—	—	3,373	—	—	3,370
Others	4,896	51,126	14,029	1,656	10,082	433
Total	₩1,002,713	₩2,367,343	₩311,516	₩1,011,003	₩1,943,637	₩100,281

b. Account balances

	As of December 31, 2011			
	Accounts receivable and loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate parent company:				
SK C&C Co., Ltd.	₩ 3,330	₩ —	₩172,047	₩3,585
Parent Company:				
SK Holdings Co., Ltd.	147	—	—	—
Associates:				
SK Marketing & Company Co., Ltd.	9,876	—	36,901	10
F&U Credit Information Co., Ltd.	—	—	3,736	—
SK Wyverns Baseball Club Co., Ltd.	3,812	—	—	—
Wave City Development Co., Ltd.	38,412	—	—	—
Daehan Kanggun BcN Co., Ltd.	8,683	14	2,358	—
HanaSK Card Co., Ltd.	20,562	—	—	—
MRO Korea Co., Ltd.	1	—	1,768	—
Others	69	—	1,539	222
Others :				
SK innovation Co., Ltd.	954	91	2	—
SK MNS Co., Ltd.	644	—	4,679	—
SK Engineering & Construction Co., Ltd.	1,271	—	39,215	82
SKC Co., Ltd.	184	—	—	—
SK Telesys Co., Ltd.	132	—	65,619	—
SK Mobile energy Co., Ltd.	1	—	71	—
SK Networks Co., Ltd.	24,403	5,513	158,884	896
SK Networks Service Co., Ltd.	6	—	4,754	—
SK Shipping Co., Ltd.	365	—	—	—
Others	5,089	—	10,876	433
Total	₩117,941	₩5,618	₩502,449	₩5,228

	As of December 31, 2010			
	Accounts receivable and loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate parent company:				
SK C&C Co., Ltd.	₩ 935	₩ —	₩203,031	₩3,585
Parent Company:				
SK Holdings Co., Ltd.	480	—	1,595	—
Associates:				
SK Marketing & Company Co., Ltd.	12,497	—	35,068	—
F&U Credit Information Co., Ltd.	47	—	7,002	—
SK Wyverns Baseball Club Co., Ltd.	3,295	—	—	—
Wave City Development Co., Ltd.	38,412	—	—	—
Daehan Kanggun BcN Co., Ltd.	30,224	—	—	—
HanaSK Card Co., Ltd.	8,478	—	19,948	—
Others	1	—	2,706	—
Others:				
SK innovation Co., Ltd.	1,204	96	—	23
SK MNS Co., Ltd.	1,591	—	4,036	—
SK Engineering & Construction Co., Ltd.	2,610	—	42,880	82
SKC Co., Ltd.	109	—	6	—
SK Telesys Co., Ltd.	14,207	—	63,350	—
SK Mobile energy Co., Ltd.	2	—	645	—
SK Networks Co., Ltd.	3,203	5,513	99,284	689
MRO Korea Co., Ltd.	6	—	1,985	—
SK Networks Service Co., Ltd.	1	—	10,585	—
SK Pinx Co., Ltd.	—	—	6	—
SK Shipping Co., Ltd.	69	—	—	—
Others	850	—	3,510	258
Total	₩118,221	₩5,609	₩495,637	₩4,637

	As of January 1, 2010			
	Accounts receivable and loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate parent company:				
SK C&C Co., Ltd.	₩ 1,070	₩ —	₩260,732	₩ 5
Parent Company:				
SK Holdings Co., Ltd.	249	—	2	23
Associates:				
SK Marketing & Company Co., Ltd.	3,542	—	31,366	248
F&U Credit Information Co., Ltd.	17	—	3,746	—
SK Wyverns Baseball Club Co., Ltd.	6,022	—	2,982	—
Wave City Development Co., Ltd.	38,412	—	—	—
Others	1,520	—	3,275	265
Others:				
SK innovation Co., Ltd.	1,712	96	177	172
SK MNS Co., Ltd.	60	—	3,196	—
SK Engineering & Construction Co., Ltd.	208	—	44,420	82
SKC Co., Ltd.	67	—	6	—
SK Telesys Co., Ltd.	242	—	55,585	—
SK Mobile energy Co., Ltd.	1	—	—	—
SK Networks Co., Ltd.	5,240	330	281,346	54,461
MRO Korea Co., Ltd.	3	—	926	—
SK Networks Service Co., Ltd.	1	—	13,028	—
SK Pinx Co., Ltd.	1,310	—	—	—
SK Shipping Co., Ltd.	504	—	—	1,657
Others	7,298	5,401	10,852	6,213
Total	₩67,478	₩5,827	₩711,639	₩63,126

c. Compensation for the key management

The Company considers registered directors who have substantial roles and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the years ended December 31, 2011 and 2010 are as follows (In millions of Korean won):

	For the year ended					
	December 31, 2011			December 31, 2010		
Payee	Payroll	Severance indemnities	Total	Payroll	Severance indemnities	Total
Eight (8) Registered directors (including outside directors)	₩9,643	₩837	₩10,480	₩2,994	₩702	₩3,696

29. COMMITMENTS AND CONTINGENCIES

Restricted deposits

a. At December 31, 2011, the Company has guarantee deposits related to its checking accounts which are restricted for use by the banks totaling ₩39 million. In addition, the Company restricts a portion of its deposits for various charitable contributions amounting to ₩78,000 million.

b. At December 31, 2011, certain short-term and long-term financial instruments totaling ₩162,012 million are secured for payment guarantee of short-term borrowings, accounts payable and others.

Collateral assets and commitments

c. As of December 31, 2011, SK Broadband Co., Ltd., a subsidiary, agreed to provide guarantees for Broadband Media Co., Ltd.'s loans. For the guarantee, SK Broadband Co., Ltd. has provided its properties as collaterals as follows: ₩65,000 million to Hana Bank, ₩78,000 million to IBK Capital and ₩52,000 million to Kookmin Bank, respectively. The Company also provided its short-term financial instruments as collaterals as follows: ₩60,000 million to Korea Exchange Bank, ₩35,000 million to Hana Bank, ₩39,000 million to Nonghyup and ₩20,000 million to Woori Bank, respectively.

d. SK Broadband Co., Ltd. has provided guarantees for loans of Broadband CS Co., Ltd. For the guarantee, SK Broadband Co., Ltd. has pledged its properties as collateral in the amount of ₩16,900 million to Kookmin Bank as of December 31, 2011.

e. SK Broadband Co., Ltd. has pledged its properties as collateral for leases in the amount of ₩18,300 million as of December 31, 2011.

f. As of December 31, 2011, SK Telink Co., Ltd., a subsidiary, pledged its machinery totaling ₩156,100 million (book value of ₩25,800 million) as collateral for borrowings to Korea Development Bank.

g. For year ended December 31, 2011, PS & Marketing Corporation, a subsidiary, borrowed ₩20,000 million from Shinhan Bank and obtained a line of credit for ₩20,000 million, for operational purposes. In relation to the borrowings and line of credit, PS & Marketing Corporation pledged ₩52,000 million of inventory as collateral to Shinhan Bank.

h. As of December 31, 2011, Sky Property Mgmt, Ltd., a subsidiary, pledged CNY800 million of building and land use right (long-term prepaid expenses) as collateral for its long-term borrowing amounting to CNY560 million to Korean Exchange Bank and China Merchants Bank.

i. As of December 31, 2011, the Company has participated in "Tactical Airship" program with Joint Defense Corporation. For an advance receipt amounting to ₩4,200 million, which Joint Defense Corporation received, the Company provides payment guarantees to the Defense Acquisition Program Administration.

Contingencies

j. Since April 2008, customers of SK Broadband (then Hanarotelecom Incorporated), a subsidiary, have filed lawsuits against SK Broadband alleging that subscribers' personal information was leaked due to the company's poor data protection policies. In July 2011, the Seoul Central District Court rendered a judgment that accepted the plaintiffs' claims in part, totaling approximately Won ₩4,500 million compared to the plaintiff's claims of approximately ₩24,700 million. As of December 31, 2011, the case is pending at the appellate court after appeals by SK Broadband and the plaintiffs; the Company has accrued a provision for this case in the amount of ₩4,500 million.

30. DERIVATIVE INSTRUMENTS

a. Currency swap contract under cash flow hedge accounting

The Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling US$100,000,000 borrowed on October 10, 2006. As of December 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩4,461 million (net of tax effect totaling ₩924 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling ₩20,530 million) is accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with HSBC and SMBC Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY12,500,000,000 issued on November 13, 2007. As of December 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩1,772 million (net of tax effect totaling ₩1,162 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling ₩81,583 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Mizuho Corporation Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY3,000,000,000 issued on January 22, 2009. As of December 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩2,344 million (net of tax effect totaling ₩748 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling ₩1,577 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Bank of Tokyo-Mitsubishi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY5,000,000,000 issued on March 5, 2009. As of December 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩957 million (net of tax effect totaling ₩305 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling ₩4,355 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and five banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling US$400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of December 31, 2011, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩53,284 million (excluding tax effect totaling ₩17,012 million and foreign exchange translation loss arising from unguaranteed U.S. dollar denominated bonds totaling ₩3,736 million) is accounted for as other comprehensive loss. Meanwhile, the gain on valuation of currency swap which was incurred before application of hedge accounting, amounting to ₩129,806 million was charged to current operations for the year ended December 31, 2011.

In addition, on October 14, 2011, the Company has entered into a floating-to-fixed cross currency swap contract with DBS and Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed U.S. dollar denominated bonds with face amounts totaling US$220,000, 000 issued on April 29, 2009. As of December 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩399 million (excluding tax effect totaling ₩127 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling ₩1,026 million) is accounted for as 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 U.S. dollar denominated bonds with face amounts totaling US$250,000,000 issued on December 15, 2011. As of December 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩18,801 million (net of tax effect totaling ₩6,003 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling ₩1,284 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with United Overseas Bank to hedge the foreign currency risk and the interest rate risk of its Singapore dollar denominated bonds with face amounts totaling S$65,000,000 issued on December 15, 2011. As of December 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩2,147 million (net of tax effect totaling ₩685 million and foreign exchange translation loss arising from unguaranteed Singapore dollar denominated bonds totaling ₩154 million) is accounted for as accumulated other comprehensive income.

In addition, SK Broadband Co., Ltd., a subsidiary of the Company, has entered into a fixed-to-fixed cross currency swap contract with Korea Development Bank and other five banks to hedge the foreign currency risk of U.S. dollar denominated bonds with face amounts totaling US$500,000,000 at annual fixed interest rate of 7.0% issued on February 1, 2005. As of December 31, 2011, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩3,657 million (excluding foreign exchange translation loss arising from U.S. dollar denominated bonds totaling ₩107,529 million) is accounted for as accumulated other comprehensive income. Meanwhile, loss on valuation of currency swap which was incurred before the application of hedge accounting, amounting to ₩46,856 million was charged to current operations for the year ended December 31, 2011.

b. Convertible option where no hedge accounting is applied

In addition, SK Communications Co., Ltd., a subsidiary of the Company, sold its shares of Etoos Co., Ltd. on October 19, 2009 and acquired convertible bonds on disposal of its shares. In connection with convertible option which is embedded in convertible bonds, loss on valuation of convertible option of ₩943 million and gain on valuation of convertible option of ₩736 million for the years ended December 31, 2011 and December 31, 2010, respectively, are charged to current operations.

As of December 31, 2011, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments are as follows (In thousands of U.S. dollars, Singapore dollars, Japanese yen and millions of Korean won):

				Fair value		
Type	Hedged item	Amount	Duration of Contract	Designated as Cash Flow Hedge	Not Designated	Total
Current assets:						
Floating-to-fixed cross currency interest swap	Japanese yen denominated bonds	JPY 3,000,000	Jan. 22, 2009 ~ Jan. 22, 2012	₩ 1,515	₩ —	₩ 1,515
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US$ 500,000	Feb. 1, 2005 ~Feb. 1, 2012	64,330	—	64,330
Floating-to-fixed cross currency swap	Japanese yen denominated bonds	JPY12,500,000	Nov. 13, 2007 ~ Nov. 13, 2012	82,193	—	82,193
Non-current assets:						
Floating-to-fixed cross currency swap	U.S. dollar denominated long-term borrowings	US$ 100,000	Oct. 10, 2006 ~ Oct. 10, 2013	15,145	—	15,145
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US$ 400,000	Jul. 20, 2007 ~ Jul. 20, 2027	63,246	—	23,520
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US$ 250,000	Dec. 15, 2011 ~ Dec. 12, 2014	23,520	—	2,986
Fix-to-fixed cross currency swap	Singapore dollar denominated bonds	S$ 65,000	Dec. 15, 2011 ~ Dec. 12, 2014	2,986		
Convertible Option	Convertible bonds securities	₩ 50,000	Sep. 1, 2009 ~Aug. 31, 2014	—	1,018	1,018
Total assets				₩252,935	₩1,018	₩253,953
Current liabilities:						
Floating-to-fixed cross currency interest swap	Japanese yen denominated bonds	JPY 5,000,000	Mar. 05, 2009 ~ Mar. 5, 2012	₩ 3,093	₩ —	₩ 3,093
Floating-to-fixed Interest rate swap	U.S. dollar denominated bonds	US$ 220,000	Oct. 14, 2011 ~ Apr.29, 2012	1,552	—	1,552
Total liabilities				₩ 4,645	₩ —	₩ 4,645

31. CONSOLIDATED STATEMENTS OF CASH FLOWS

Adjustments for income and expenses from operating activities for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Reversal of allowance for doubtful accounts	₩ (2,301)	₩ (805)
Gain on disposal of property, equipment and intangible assets	(6,275)	(11,340)
Interest income	(168,148)	(237,392)
Dividend income	(26,433)	(28,680)
Gain on foreign currency translation	(1,984)	(16,950)
Gain on valuation of short-term securities	(2,617)	—
Gain on disposal of long term investment securities	(164,454)	(174,801)
Reversal of impairment loss on long term investment securities	—	(39)
Gain on valuation of derivatives	(3,785)	(1,241)
Gain on transaction of derivatives	—	(7,951)
Gain on valuation of financial liabilities at FVTPL	(63,769)	—
Equity in earnings of investments in affiliates	(39,131)	(41,828)
Other income	(1,733)	(5,164)
Provision for retirement benefits	68,814	86,672
Depreciation and amortization	2,482,703	2,302,264
Bad debt expenses	83,748	77,780
Loss on disposal of property, equipment and intangible assets	21,136	70,025
Loss on disposal of long term investment securities	434	11,329
Loss on impairment of intangible assets	2,580	7,550
Other bad debt expenses	12,847	12,293
Interest expenses	297,172	379,289
Loss on foreign currency translation	6,409	1,788
Loss on disposal of short-term investment securities	—	1,866
Loss on disposal of long term investment securities	447	2,368
Loss on impairment of long term investment securities	12,846	3,404
Loss on valuation of derivatives	943	19,198
Loss on transaction of derivatives	15,577	—
Loss on valuation of financial liabilities at FVTPL	—	19,233
Equity in losses of investments in affiliates	86,280	45,242
Income tax expense	599,093	544,530
Other expenses	15,283	30,880
	₩3,225,682	₩3,089,520

Changes in assets and liabilities from operating activities for the years ended December 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Accounts receivable — trade	₩ 61,728	₩ (6,636)
Accounts receivable — other	1,617,947	(115,643)
Accrued income	12,570	(14,976)
Advance payments	30,734	(66,474)
Prepaid expenses	64,165	18,695
Inventories	(132,223)	(98,275)
Other current assets	(12,270)	(7,416)
Long-term accounts receivables — other	521,691	234,563
Accounts payable — trade	4,528	19,433
Accounts payable — other	66,048	138,965
Advanced receipts	(4,721)	20,549
Withholdings	97,380	133,924
Accrued expenses	(24,961)	67,678
Unearned revenue	(55,799)	(63,179)
Retirement benefit payment	(77,754)	(62,689)
Plan assets	(6,618)	(14,372)
Other non-current	4,697	(6,874)
Others	13,081	100,079
	₩2,180,223	₩ 277,352

Significant non-cash transactions for the years ended December 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Transfer of construction in progress to property and equipment	₩1,859,694	₩1,544,699
Transfer of inventories to tangible assets account	60,212	67,694
Accounts payable — other of tangible assets and others	876,795	—
Write-off of accounts receivable-trade and others	121,805	97,979
Transfer of bonds payable to current portion of long-term debt account	1,579,779	931,670
Transfer of long-term borrowings to current portion of long-term debt account	113,543	911,958

32. DISCONTINUED OPERATION

The Company's income (loss) of discontinued operation, which include financial information related to SK i-media which was sold during the year ended December 31, 2011 and SK-KTB Music Investment Fund which was liquidated during the year ended December 31, 2010, are as follows (In millions of Korean won):

	For the year ended	
	December 31, 2011	December 31, 2010
Operating loss generated by discontinued operation	₩(2,945)	₩(7,944)
Financial income (loss) generated by discontinued operation	(145)	308
Gain on disposal of discontinued operation	1,398	910
Loss generated by discontinued operation	₩(1,692)	₩(6,276)
Attributable to:		
Controlling interests	₩ (1,097)	₩ (3,900)
Non-controlling interests	₩ (595)	₩ (2,826)
	₩(1,692)	₩(6,726)

Net cash flows related to discontinued operation for the years ended December 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the year ended	
	December 31, 2011	December 31, 2010
Cash flows from operating activities	₩(1,864)	₩(1,266)
Cash flows from investing activities	207	(2,226)
Cash flows from financing activities	1,600	1,400
Net cash flows	₩ (57)	₩(2,092)

2011 Sale of SK i-media

The Company disposed of its common shares in SK i-media Co., Ltd., a game software production business, during the year ended December 31, 2011, and general information on the discontinued operation is as follows:

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

2010 Liquidation of SK-KTB Music Investment Fund

The Company liquidated SK-KTB Music Investment Fund in October 2010, SK-KTB Music Investment Fund's operation in the consolidated income statement is treated as a discontinued operation, and accordingly is presented as a single item between income tax expenses for continuing operation and net income.

33. SUBSEQUENT EVENTS

a. Resolution of acquisition of common stock in Hynix Semiconductor Inc.

On November 11, 2011, in accordance with the resolution of the Board of Directors, the Company decided to acquire 146,100,000 shares of common stock in Hynix Semiconductor Inc. for approximately ₩3,426,657 million. The acquisition was completed on February 14, 2012. The Company acquired the investee's common stock by cash settlement; the Company purchased old and new stocks issued by Hynix. As a result of the acquisition, the Company's ownership of Hynix Semiconductor Inc. is 21.05%.

b. Borrowing of bank loans

On November 10, 2011, in accordance with the resolution of the Board of Directors, the Company decided to borrow ₩2,500,000 million (classified as short term borrowing of ₩500,000 million and long term borrowing of ₩2,000,000 million) of a syndicated loan from Kookmin Bank and Woori Bank. On February 14, 2012, the Company executed the loan to pay for the acquisition of the equity interest of Hynix Semiconductor. The maturity of the short-term borrowing is one year and long-term borrowing is three years from the execution date.

c. Disposal of available-for-sale financial assets

On January 13, 2012, in accordance with the resolution of the Board of Directors, SK Communications Co., Ltd, a subsidiary of the Company, decided to dispose its ₩20,000 million of convertible securities issued by Etoos Co., Ltd. to Shinhan the 2nd Private Investment Company for ₩19,000 million. The transaction was completed on February 2, 2012.

d. Fair Trade Commission ("FTC") Proceedings (Unaudited)

In March 2012, the FTC fined the Company ₩20,300 million for allegedly colluding with KT, LG U+, Samsung Electronics, LG Electronics and Pantech to inflate the prices of handsets while advertising that the handsets are offered at a discount through subsidy plans. The Company is currently planning to file an appeal.

34. RISK MANAGEMENT

Financial Risk Management

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

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

a. Market risk

a-(1) Currency risk

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

The book value of the Company's monetary assets and liabilities denominated in foreign currencies as of December 31, 2011, is as follows (In millions of Korean won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese yen, thousands of other currencies):

	Assets		Liabilities	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
US$	91,388	₩105,440	1,876,911	₩2,164,641
EUR	8	12	6,761	10,101
JPY	166,072	2,466	20,616,595	306,189
CNY	—	—	560,002	97,010
SGD	—	—	64,423	57,107
Others	3,938	380	546	167
		₩108,298		₩2,635,215

In addition, the Company has entered into a cross currency swaps to hedge against currency risk related to foreign currency borrowings and bonds payable. (Refer to Note 30)

Effects of a 10% change in foreign currency to the Company's functional currency on income before income tax for the year ended f December 31, 2011 are as follows (In millions of Korean won, thousands of U.S. dollars, thousands of Euros, thousands of Japanese yen, thousands of other currencies):

	10% increase in KRW against foreign currency	10% decrease in KRW against foreign currency
US$	₩(37,556)	₩37,556
EUR	(1,009)	1,009
JPY	58	(58)
CNY	(9,701)	9,701
Others	21	(21)

a-(2) Equity price risk

The Company has investments in listed and non-listed equity securities for its liquidity and ongoing operational purposes. Refer to Note 7 for details on the carrying value of these investments. As of December 31, 2011, marketable equity securities are ₩1,288,348 million.

a-(3) Interest rate risk

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

As of December 31, 2011, borrowings and bonds payables with floating interest rate amounted to ₩1,146,775 million and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and bonds payables (Refer to Note 31).

For the year ended December 31, 2011, assuming an interest rate change of 1% and considering all other variables as fixed, income before income tax would change upward or downward by ₩1,320 million due to the interest expenses of borrowings and bonds payables with floating interest rate.

b. Credit risk

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

For the year ended December 31, 2011, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are significantly overdue. As a result, the Company believes that the possibility of default is low. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivates. 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 same as the book value of financial assets as of December 31, 2011.

In addition, the aging analysis of trade and other receivables that are past due at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 23.

c. Liquidity risk

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

The contractual maturity of financial liabilities of the Company as of December 31, 2011 is as follows (In millions of Korean won):

	Less than 1 year	1-5 years	More than 5 years	Total
Borrowings (Note a)	₩ 711,222	₩ 257,960	₩ 65,893	₩1,035,075
Bonds payable (Note b)	1,532,720	2,605,943	661,320	4,799,983
Derivatives liabilities	4,645	—	—	4,645
Trade payables	195,391	—	—	195,391
Other payables (Note c)	2,393,624	1,000,762	4,985	3,399,371
Total	₩4,837,602	₩3,864,665	₩732,198	₩9,434,465

(Note a) Includes both principal and debt payments

(Note b) Exclusive of bond discount.

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

Capital Management

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

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

The Company's debt-equity ratio as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (In millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Total liabilities	₩11,633,327	₩10,724,390	₩11,488,679
Equity	12,732,709	12,407,999	11,848,045
Debt-equity ratio	91.37%	86.43%	96.97%

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SK TELECOM CO., LTD.
(*Registrant*)

/s/ Sung Min Ha

Name: Sung Min Ha
Title: President and Chief Executive Officer

Date: April 30, 2012

Exhibit 1.1

ARTICLES OF INCORPORATION

PREMISE

The Company will survive in the rapidly changing world and continue to improve and develop to endure long-term benefits for its shareholders. For this purpose, the Company will establish its management philosophy as follows and carry out its management activities based thereon.

Corporate View

The Company will keep its stability and growth to continue to prosper and develop, through which the Company will create its value for its customers, members and shareholders, play a key role in the social and economic development and contribute to the happiness of human being.

Social Values

The Company will continue to satisfy its customers, obtain trust from them and ultimately develop together with the customers.

The Company will arrange environments to allow its members to voluntarily and enthusiastically engage in its activities and the members will contribute to the corporate development while they work for the Company.

The Company will heighten its values to create values for its shareholders and for this purpose, the Company will secure transparency and effectiveness in its management practices.

The Company will contribute to the society through social and cultural activities as well as to the economic development and will do its best to manage the Company in compliance with the social norms and ethics. The Company will enlarge values for its interested parties and continue to create profits sufficient for its further growth.

CHAPTER 1. GENERAL PROVISIONS

Article 1. Corporate Name

The name of the Company shall be "SK Telecom Chusik Hoesa" (hereafter "Company"), which shall be written in English as "SK Telecom Co., Ltd." (amended on March 21, 1997).

Article 2. Objectives

(1) The objectives of the Company are as follows: rational management of the telecommunications business, development of the telecommunications technology and contribution to public welfare and convenience (amended on March 20, 1992).

(2) In order to achieve the above objectives, the Company carries on the following businesses:

1. Information and communication business (amended on March 17, 2000);

2. Sale and lease of handsets business;

3. New media business;

4. Advertising business;

5. Mail order sales business;

6. Real estate business (development, management, leasing, etc.) and chattel leasing business (amended on March 12, 2010)

7. Research and technology development relating to Items 1 through 4;

8. Overseas and import/export business relating to Items 1 through 4;

9. Manufacturing and distribution business relating to Items 1 through 4;

10. Travel business (established on March 10, 2006);

11. Electronic financial business (amended on March 14, 2008);

12. Film industry (production, import, distribution and showing) (established on March 14, 2008);

13. Lifetime education and lifetime educational facilities management (established on March 12, 2010);

14. Electric engineering business (established on March 12, 2010);

15. Information and communication related engineering business (established on March 12, 2010);

16. Ubiquitous city construction and related services business (established on March 12, 2010);

17. Related businesses through investment in, management and operation of, domestic and foreign subsidiaries and invested companies (established on August 31, 2011); and

18. Any other incidental businesses relating to the foregoing activities (amended on March 12, 2010).

(3) To accomplish the above businesses effectively, parts of the businesses could be delegated in accordance with resolutions of the Board of Directors (established on August 14, 1989).

Article 3. Head Office and Other Offices

The Company shall have its head office in Seoul and may establish sub-organizations in the place as required by a resolution of the Board of Directors.

Article 4. Method of Public Notice

Public notices by the Company shall be given by publication in “Hankuk Kyungje Shinmoon”, a daily newspaper published in Seoul (amended on July 7, 1994).

CHAPTER 2. SHARES

Article 5. Total Number of Shares to be Issued

The total number of shares to be issued by the Company shall be two hundred twenty Million (220,000,000) shares (amended on March 17, 2000).

Article 6. Par Value of a Share

The par value of a share issued by the Company shall be five hundred (500) Won per share (amended on March 17, 2000).

Article 7. Classes and Types of Shares

The classes of shares to be issued by the Company shall be common shares and preferred shares, both of which shall be in registered form. Share certificates to be issued by the Company shall be in eight denominations of one (1), five (5), ten (10), fifty (50), one hundred (100), five hundred (500), one thousand (1,000) and ten thousand (10,000) shares (amended on August 14, 1989).

Article 8. Number and Characteristics of Preferred Shares

(1) The preferred shares to be issued by the Company shall be of non-voting right, and the number thereof shall be Five Million Five Hundred Thousand (5,500,000) shares (amended on March 21, 1997).

(2) The dividend on the preferred shares shall be an amount not less than 9% and not more than 25% of par value, as determined by the Board of Directors at the time of issuance of the relevant shares (amended on March 21, 1997).

(3) In case the dividend ratio of the common shares exceeds that of the preferred shares, the Shareholder of the preferred shares shall be allotted at the dividend ratio of the common shares (established on March 21, 1997).

(4) If any dividends on preferred shares cannot be paid from the profits of the fiscal year concerned, then the holders of such preferred shares shall have the right of preference to receive accumulated dividends unpaid for such year at the time of distribution of dividends on preferred shares for the succeeding fiscal year (amended on March 21, 1997).

(5) If a resolution not to pay dividends on preferred shares is adopted, then the preferred shares shall be deemed to have voting rights from the time of the General Meeting of Shareholders following the General Meeting at which such resolution not to pay dividends on preferred shares is adopted to the time of the end of the General Meeting of the Shareholders at which a resolution to pay dividends on such preferred shares is adopted (established on August 14, 1989).

(6) In case the Company issues new shares by paid-in capital increase or non-paid-in capital increase, then the new shares issued with respect to the preferred shares shall be common shares in the case of paid-in capital increase and shall be the shares of same type in the case of non-paid-in capital increase (established on March 21, 1997).

(7) The existing period of the preferred shares shall be for ten (10) years from the date of issuance, and the preferred shares shall be converted into common shares upon the expiry thereof; provided, that if the holders of the preferred shares do not receive the dividends entitled to them before the expiry date, then the existing period shall be extended until such holders.

Article 9. No Issuance of Shares Certificates

Pursuant to a Shareholder's request, the Company may not issue share certificates for all or part of the shares owned by such Shareholder.

Article10. Preemptive Right

(1) The Company's Shareholders shall have the preemptive right to subscribe to new shares in proportion to their respective shareholdings. However, in the case of abandonment or loss of the preemptive right of the Shareholders to subscribe for new shares, or if fractional shares remain at the time of allocation of new shares, such shares shall be disposed of by a resolution of the Board of Directors (amended on August 14, 1989).

(2) Notwithstanding Paragraph (1) above, if the Company issues new shares by public offering or depositary receipts in accordance with the Overseas Securities Issuance Regulation, or issues new shares to increase the Company's capital through public offerings, the decision on preemptive right and other conditions on issuance of new shares are determined by a resolution of the Board of Directors (amended on March 20, 1989).

Article10-2. Base Date for Calculation of Dividends for New Shares

When the Company issues new shares by paid-in capital increase, non-paid-in capital increase or stock dividend, with respect to the distribution of dividends on the new shares, the new shares shall be deemed to have been issued at the end of the fiscal year immediately preceding the fiscal year in which the new shares are issued (established on March 15, 1996).

Article 10-3. Stock Option

(1) The Company may grant the Stock Options up to the limit as permitted by relevant laws and regulations to its officers and employees or officers and employees of an affiliated company as defined in relevant laws and regulations (in this Article referred to as 'Officers and Employees') by a special resolution of the General Meeting of Shareholders. Provided that, the Company may grant Officers and Employees the stock option by a resolution of the Board of Directors up to the limit as permitted by relevant laws and regulations (amended on March 8, 2002).

(2) Officers and Employers who may be granted Stock Options shall be such person who has contributed to profit maximization or technical innovation of the Company or is capable of such contribution; provided, that a person who is prohibited from being granted Stock Options by relevant laws and regulations shall be excluded from the foregoing (amended on March 8, 2002).

1. (deleted on March 8, 2002)

2. (deleted on March 8, 2002)

3. (deleted on March 8, 2002)

(3) The shares to be delivered upon exercise of Stock Option shall be common shares in registered form (amended on March 17, 2000).

(4) The number of officers and employees to be granted with Stock Option shall not exceed 50% of the total number of officers and employees. The Stock Option that can be granted to each person shall not exceed 1/5000 of total issued and outstanding shares (amended on March 17, 2000).

(5) (deleted on March 17, 2000).

(6) The Stock Option may be exercised by the date set at the General Meeting of Shareholders or by the Board of Directors within a period of seven (7) years commencing from the date when the relevant officer or employee is entitled to exercise such Stock Option (amended on March 16, 2001).

(7) The Stock Option may be canceled by the resolution of Board of Directors if any of the following occurs (amended on March 17, 2000):

1. When the relevant officer or employee voluntarily retires or resign from the Company within three (3) years from the date of grant of Stock Option (amended on March 17, 2000);

2. When the relevant officer or employee causes loss to the Company due to his/her gross negligence or willful misconduct (amended on March 17, 2000); or

3. When there occur any other conditions for cancellation of Stock Option specified in the Stock Option agreement (amended on March 17, 2000).

Article 10-4. Redemption of Shares

(1) Shares may be redeemed with profits to be distributed to Shareholders by a resolution at the Board of Directors in accordance with relevant laws and regulations. (established on March 16, 2001).

(2) Details of cancellation of shares with profits including the type and numbers of shares to be cancelled, total acquisition amount, period and method of acquisition, etc. shall be determined by the resolution of the Board of Directors in accordance with relevant laws and regulations. (established on March 16, 2001).

Article 11. Issuance at Current Market Price

(1) All or a part of new shares to be issued by the Company may be issued at the then-current market price, in which case the price of new shares shall be determined by a resolution of the Board of Directors (established on August 14, 1989).

(2) In case of Paragraph (1), notwithstanding the provisions of Article 10, the Board of Directors may offer publicly or cause a person who has subscribed for new shares to underwrite new shares to be issued at the then-current market price in accordance with the relevant provisions of the Capital Market and Financial Investment Business Act (amended on March 23, 2012).

Article 12. Transfer Agent

(1) The company shall designate a transfer agent (amended on August 14, 1989).

(2) The transfer agent, the location where its services are to be rendered and the scope of its duties shall be determined by the Board of Directors of the Company and shall be publicly announced (amended on August 14, 1989).

(3) The Company shall keep the Register of Shareholders, or a duplicate thereof, at the location where the transfer agent performs its duties. The transfer agent shall handle the activities of making entries in the Registry of Shareholders, registering the creation and cancellation of pledges over shares, issuing share certificates, receiving reports and other related business (amended on August 14, 1989).

(4) The procedures for the activities referred to in Paragraph (3) above will comply with the relevant regulations on the Transfer Agent (amended March 23, 2012).

Article 13. Report of Name, Address and Seal or Signature of Shareholders, etc

(1) Shareholders and registered pledgees shall report their names, addresses and seals or signatures to the transfer agent referred to in Article 12 (amended on March 15, 1996).

(2) Shareholders and registered pledgees who reside in a foreign country shall appoint and report the place where, and an agent to whom, notices will be given in Korea (amended on August 14, 1989).

(3) The same shall apply to changes in any matters referred to in Paragraphs (l) and (2) above (amended on August 14, 1989).

(4) The Company shall not be responsible for any loss or damage attributable to the failure to comply with the above Paragraphs.

Article 14. Suspension of Alteration of Register of Shareholders

(1) The Company shall suspend entries of a change of Shareholders in the Register of Shareholders, registering the creation and cancellation of pledges over shares, indication of trust assets and cancellation thereof with respect to shares, for a period beginning on January 1 of each fiscal year and ending on January 31 of such year (amended on March 16, 2001).

(2) The Company shall cause the Shareholders whose names appear in the Register of Shareholders on the last day of each fiscal year to exercise the rights as Shareholders at the Ordinary General Meeting of Shareholders (amended on March 16, 2001).

(3) If necessary for convening of an Extraordinary General Meeting of Shareholders or any other cause, the Company may set a record date or suspend entries of a change of Shareholders for not more than three (3) months pursuant to a resolution of the Board of Directors and upon at least two week prior public notice. The Board of Directors may, when deemed necessary, both suspend the entries of a change of Shareholders and set a record date (established on August 14, 1989).

CHAPTER 3. BONDS

Article 15. Issuance of Convertible Bonds

(1) The Company may issue convertible bonds to persons other than the Shareholders of the Company to the extent that the aggregate par value of the bonds shall not exceed Four Hundred Billion (400,000,000,000) Won (amended on March 15, 1996).

(2) The convertible bonds referred to in Paragraph (1) may be issued with conversion rights to a part of the bonds by a resolution of the Board of Directors.

(3) Upon conversion, from the aggregate par value of convertible bonds, common shares may be issued up to Three Hundred Billion (300,000,000,000) Won and preferred shares may be issued up to One Hundred Billion (100,000,000,000) Won, and the conversion price, which shall not be less than the par value of each share, shall be determined by a resolution of the Board of Directors at the time of issuance of the convertible bonds (amended on March 15, 1996).

(4) The period during which conversion rights may be exercised shall commence on one (1) month after the issuance date of the relevant convertible bonds and end on the date immediately preceding the redemption date thereof. However, the Board of Directors may adjust the conversion right period within the above period by a resolution.

(5) With respect to the distribution of dividends or interest on the shares issued upon conversion of the convertible bonds described in Paragraph (1), the convertible bonds shall be deemed to have been converted into shares at the end of the fiscal year immediately preceding the fiscal year in which the relevant conversion rights are exercised (amended on March 15, 1996).

Article 16. Issuance of Bonds with Warrants

(1) The Company may issue bonds with warrants to persons other than the Shareholders of the Company to the extent that the aggregate par value of the bonds shall not exceed Four Hundred Billion (400,000,000,000) Won (amended on March 15, 1996).

(2) The aggregate value of new shares which may be subscribed for by the holders of the bonds with warrants shall be determined by the Board of Directors, provided that the amount of such new shares shall not exceed the aggregate par value of the bonds with warrants.

(3) Upon exercising preemptive rights, from the aggregate par amount of bonds with warrants, common shares may be issued up to Three Hundred Billion (300,000,000,000) Won and preferred shares may be issued up to One Hundred Billion (100,000,000,000) Won, and the issue price, which shall not be less than the par value of each share, shall be determined by a resolution of the Board of Directors at the time of issuance of the bonds with warrants (amended on March 15, 1996).

(4) The period during which preemptive rights may be exercised shall commence on one (1) month after the issuance date of the relevant bonds with warrants and end on the date immediately preceding the redemption date thereof. However, the Board of Directors may adjust the exercise period within the above period by a resolution.

(5) With respect to the distribution of dividends or interest of Shareholders who exercise the preemptive rights described in Paragraph (1), shares shall be deemed to have been issued at the end of the fiscal year immediately preceding the fiscal year in which the subscription price therefor are fully paid (amended on March 15, 1996).

Article 17. Applicable Provisions regarding Issuance of Bonds

The provisions of Articles 12 and 13 shall apply mutatis mutandis to the issuance of bonds (amended on March 15, 1996).

Article 17-2. Issuance of Bonds

(1) The Company may issue bonds in accordance with a resolution of the Board of Directors (established on March 23, 2012).

(2) Subject to the determination by the Board of Directors of the amount and classes of bonds, the Board of Directors may authorize the Representative Director to issue bonds within a period not exceeding one (1) year from the date of such determination (established on March 23, 2012).

CHAPTER 4. GENERAL MEETING OF SHAREHOLDERS

Article 18. Types of General Meeting

(1) General Meetings of the Shareholders of the Company shall be of two types: Ordinary and Extraordinary.

(2) The Ordinary General Meeting of Shareholders shall be convened within three (3) months after the end of each fiscal year and Extraordinary General Meetings of Shareholders shall be convened at any time if necessary (amended on July 7, 1994).

Article 19. Convening of General Meeting

(1) Except as otherwise provided by the relevant laws and regulations, General Meetings of Shareholders shall be convened by the Representative Director in accordance with a resolution of the Board of Directors (amended on August 14, 1989).

(2) In the absence of the Representative Director, the provision of Article 35, Paragraph (2) shall apply mutatis mutandis (amended on August 14, 1989).

Article 20. Notice and Public Notice of Convening of General Meeting

(1) In convening a General Meeting of Shareholders, a written or digital notice thereof setting forth the time, date, place and agenda of the Meeting, shall be sent to each Shareholder at least two (2) weeks prior to the date of the Meeting (amended on March 8, 2002).

(2) The written or digital notice of convening General Meeting of Shareholders to Shareholders holding not more than one (1) percent of the total number of shares with voting rights issued and outstanding shall be replaced by public notices given respectively at least twice in “Hankuk Kyungje Shinmoon” and “Maeil Kyungje Shinmoon” published in Seoul, two (2) weeks prior to the Meeting. Public notice of a Meeting shall include the statement that a General Meeting will be held and the agenda of the Meeting (amended on March 8, 2002).

Article 21. Place of General Meeting

General Meetings of Shareholders shall be held at the place where the head office of the Company is located but may be held at a near-by place if necessary (amended on August 14, 1989).

Article 22. Chairman of General Meeting

The Chairman of the General Meeting of Shareholders shall be the Representative Director. In the absence of the Representative Director, the other Directors shall preside at the Meeting in the order previously determined by the Board of Directors (amended on July 7, 1994).

Article 23. Chairman of General Meeting

(1) The chairman of a General Meeting of Shareholders may order any person who intentionally speaks or behaves obstructively or who disturb the proceedings of the Meeting to stop or retract a speech or to leave the place of Meeting, and such person shall comply with his/her order (established on August 14, 1989).

(2) The Chairman of a General Meeting of Shareholders may restrict time and number of speeches by a Shareholder as deemed necessary for the purpose of smooth proceeding (established on March 27, 1998).

Article 24. voting Rights of Shareholders

Every Shareholder shall have one (1) vote per share registered by his own name.

Article 25. Limitation to Voting Rights of Cross-Held Shares

If the Company, its parent company and its subsidiary, or its subsidiary holds shares exceeding ten (10) percent of the total number of shares issued and outstanding of another company, the shares of the Company held by such other company shall not have voting rights (amended on August 14, 1989).

Article 26. Disunitary Exercise of Voting Rights

(1) If a Shareholder who holds two (2) or more shares with voting rights wishes to exercise them in disunity, such Shareholder shall notify the Company in writing of his intention and reason for disunitary voting at least three (3) days prior to the Meeting (amended on August 14, 1989).

(2) The Company may reject an exercise of vote in disunity by a Shareholder except in the event that he/she has accepted a trust of shares or he/she holds the shares on behalf of another person (amended on August 14, 1989).

Article 27. Exercise of Voting Rights by Proxy

(1) Shareholders may exercise their voting rights by proxy.

(2) The proxy shall be a Shareholder of the Company and must present documents evidencing his power of representation prior to the opening of the General Meeting of Shareholders; provided, however, the proxy for a corporate Shareholder must be an employee of such corporation authorized by the corporation’s representative (established on July 7, 1994).

Article 28. Matters for Resolution (deleted on July 7, 1994)

Article 29. Method of Resolution of General Meeting of Shareholders

All resolutions of General Meetings of Shareholders, except as otherwise provided by the relevant laws and regulations, shall be adopted by affirmative votes of the majority of the voting rights of Shareholders present thereat and at least one-fourth (1/4) of the total number of shares issued and outstanding (amended on March 15, 1996).

Article 30. Minutes of General Meeting of Shareholders

The substance of the course and proceedings of a General Meeting of Shareholders and the results thereof shall be recorded in minutes on which the names and seals of the chairman and the Directors present at the Meeting shall be affixed or which shall be signed by such persons, and shall be kept at the head office and branches of the Company (amended on March 15, 1996).

CHAPTER 5. DIRECTORS (amended on March 17, 2000)

Article 31. Number of Directors

(1) The Company shall have a minimum of three (3) but not more than twelve (12) Directors, and more than a half of Directors shall be outside Directors (amended on March 11, 2005).

(2) (deleted on March 17, 2000).

Article 32. Appointment of Directors

(1) The Directors shall be elected at a General Meeting of Shareholders (amended on March 17, 2000).

(2) The Directors shall be appointed at a General Meeting of Shareholders by affirmative votes of the majority of the voting rights of Shareholders present and such majority also represents at least one-fourth (1/4) of the total number of shares issued and outstanding (amended on March 17, 2000).

(3) For appointment of Directors, the cumulative voting system pursuant to Article 382-2 of the Commercial Act shall not be applied (established on March 20, 1999).

(4) (deleted on July 7, 1994).

(5) The Directors shall consist of standing Director(s), non-standing Director(s) and outside Director(s) who do(es) not participate in general operation of the Company (established on March 27, 1998).

(6) (deleted on March 17, 2000).

Article 32-2. Committee for Recommendation of Outside Director

(1) The Company shall have the committee for recommendation of Outside Director (the “Recommendation Committee”) at the Board of Directors.

(2) An outside Director shall be appointed from among those candidates who were recommended by the Recommendation Committee.

(3) The Recommendation Committee shall consist of two (2) or more Directors and a half or more of such Directors shall be composed of outside Directors already appointed.

(4) All matters necessary for the constitution and operation of the Recommendation Committee shall be decided separately by the Board of Directors (established on March 17, 2000).

Article 32-3. Qualification of Director

(1) A person who falls under any of the following items shall not be a Director of the Company, and a Director who falls under any of the following items after his/her appointment shall be dismissed (amended on March 17, 2000):

1. Person who controls a company having competitive relationship with the Company, as specified in the Monopoly Regulation and Fair Trade Law (hereinafter, the “FTL”) or any person relating to such a person (amended on March 17, 2000);

2. Person who is, or has been within last two (2) years, an officer or an employee of a company having competitive relationship with the Company, or a company which belongs to the same enterprise group as such competitor under the FTL (amended on March 17, 2000); or

3. Person who is, or has been within last two (2) years, an officer or an employee of a corporation which is the largest Shareholder or the 2nd largest Shareholder of a company having competitive relationship with the Company, or a company which belongs to the same enterprise group as such corporation under the FTL (amended on March 17, 2000).

(2) The outside Director of the Company shall be such person who has expert knowledge in management, economy, accounting, law or relevant technology, or substantial experience in such areas, and who may contribute to the development of the Company and protection of interests of the Shareholders. A person who falls under any of causes for disqualification as specified in the Commercial Act or other relevant laws and regulations, shall not become an outside Director of the Company (amended on March 23, 2012).

(3) If an outside Director who falls under any of causes for disqualification in any of items specified in Paragraph (1) above or in the Paragraph (2) above, he/she shall be dismissed from his/her office when there occurs any of such causes. In such case, any vacancy in the office of the outside Director shall be filled at the Ordinary General Meeting of Shareholders following the occurrence of such causes for disqualification (amended on March 17, 2000).

Article 33. Term of office of Directors

The term of office of the Directors (including Representative Director) shall be until the close of the 3rd Ordinary General Meeting of Shareholders convened after he/she office. (amended on March 16, 2001).

Article 34. Appointment of Directors in case of Vacancy

(1) If a Director falls under one of the following items, his/her position is deemed to be vacant (amended on March 17, 2000):

1. When dead;

2. When adjudicated insolvent;

3. When declared incapacitated person or quasi- incapacitated person; and

4. When sentenced to a punishment heavier than imprisonment without prison labor.

(2) Any vacancy in the office of Director shall be filled by a resolution of an Extraordinary General Meeting of Shareholders. However, if the number of Directors required by these Articles of Incorporation or applicable laws are met and there is no difficulty in the administration of business, a appointment may be withheld temporarily or postponed until the next following Ordinary General Meeting of Shareholders (amended on March 17, 2000)

(3) The terms of office of a Director appointed to fill a vacancy or increase the number of Directors shall commence on the date of taking office (amended on March 17, 2000)

Article 35. Duties of Directors

(1) The Company shall appoint more than one (1) representative Directors among Directors by a resolution of the Board of Directors. The Representative Director shall represent the Company and manage all affairs of the Company (amended July 7, 1994).

(2) The Directors shall assist the Representative Director and shall carry out their respective responsibilities as determined by the Board of Directors. In the absence of the Representative Director, they shall perform his duty in the order determined by the provisions of the Board of Directors (amended July 7, 1994)

Article 35-2. Reporting Duty of Directors

A Director shall immediately report to the Audit Committee when such a Director finds matters which could materially cause damage to the Company (amended on March 17, 2000)

Article 35-3. Duties of Directors to be faithful

The Directors shall faithfully perform their respective duties for the benefits of the Company (amended on March 17, 2000)

Article 36. Duties of Auditors (deleted on March 17, 2000)

Article 37. Auditors' Records (deleted on March 17, 2000)

Article 38. Disqualification of Directors and Auditors (deleted on July 7, 1994)

Article 39. Assurance of Employee's Employment

The Company shall assure its employees' employment with the Company except for discharge or removal pursuant to the Company's Rules of Employment (amended on July 7, 1994)

Article 40. Restriction on the Representation Right of the Representative Director (deleted on July 7, 1994)

Article 41. Agent

Representative Director may appoint agents among employees of the Company to be delegated rights with respect to the Company's business, including any litigation involving the Company except otherwise prohibited by any laws or regulation, or the Articles of Incorporation (amended on July 7, 1994)

Article 42. Consultant

Representative Director may have consultants or advisory institutions to refer important matters on business administration (amended on July 7, 1994)

CHAPTER 6. BOARD OF DIRECTORS

Article 43. Constitution of the Board of Directors

The Board of Directors of the Company shall consist of Directors. The Board of Directors shall resolve all important matters relating to the execution of business (amended on July 7, 1994).

Article 44. Convening of the Board of Directors' Meeting

(1) Meetings of the Board of Directors shall be convened by the Representative Director as he deems necessary or upon the request of more than three (3) Directors (amended on July 7, 1994).

(2) A Director who does not have the right to convene the Meeting of Board of Directors may demand to convene the Meeting of Board of Directors to a Director with a right to convene the Meeting. If a Director with such a right rejects to the demand without reasonable cause, other Director may convene the Meeting of Board of Directors (established on March 8, 2002).

(3) In convening a Meeting of the Board of Directors, a notice thereof setting forth agenda of the Meeting shall be given to each Director two (2) days prior to the date of the Meeting (amended on March 8, 2002).

(4) The procedure of Paragraph (3) may be dispensed with upon the consent of all Directors (amended on March 8, 2002)

Article 45. Resolutions of the Board of Directors

(1) Resolutions of the Board of Directors shall be adopted by the presence of a majority of the Directors in office and by the affirmative vote of a majority of the Directors present.

(2) No Director who has an interest in a matter for resolution may exercise his or her vote upon such matter.

Article 45-2. Matters Subject to Prior Approval of Majority of the Outside Directors

Notwithstanding the provisions to the contrary in the Articles of Incorporation, the Company shall obtain approval from the majority of the outside Directors in order to effect the following acts (established on March 27, 1998)

(1) Acquisition by the Company of, or causing its subsidiary to acquire, such stock or equity of a foreign company or corporation or other overseas assets, equivalent to 5% or more of its capital under the most recent balance sheet; or

(2) Contribution of capital to, providing loan or guarantee to, acquisition of assets of, or any similar transaction with, the affiliated companies of the Company (as defined in the FTL) equivalent to 10 billion Won or more through single or more transactions.

Article 46. Function (deleted on July 7, 1994)

Article 46-2. Internal Trading

The Board of Directors shall establish and amend the regulations for internal trading in order to insure the fairness of transactions with affiliated companies (as defined in the FTL) of the Company (established on March 27, 1998)

Article 47. Management

Matters necessary for management of the Board of Directors shall be determined by the provisions of the Board of Directors

Article 47-2. Auditors' Council (deleted on March 17, 2000)

Article 47-3. Audit Committee (established on March 17, 2000)

(1) The Company shall have the Audit Committee in the Board of Directors.

(2) The Audit Committee shall consist of three (3) or more directors and two-thirds (2/3) or more of the committee members shall be composed of outside Directors.

(3) The committee members shall be appointed at a General Meeting of Shareholders and all matters necessary for the operation of the Audit Committee shall be decided separately at the Board of Directors (amended on March 23, 2012).

Article 48. Minutes of the Meeting of the Board of Directors

All agenda of the Board of Directors, the substance of the proceedings of the Board and the result thereof, name(s) of Director(s) who raise(s) an objection to the Board resolution and the reason therefor, shall be recorded in the minutes on which the names and seals of the Chairman and all Directors present shall be affixed or which shall be signed by such persons, and shall be kept at the head office (amended on March 17, 2000).

Article 49. Remuneration and Severance Allowance of Directors

(1) Remuneration for the Directors shall be determined by a resolution of the General Meeting of Shareholders (amended on March 17, 2000).

(2) Severance allowances for Directors shall be handled in accordance with the Regulation on Remuneration for Officers as adopted by a resolution of the General Meeting of Shareholders (amended on March 17, 2000).

The Company may pay to outside Directors the expense incurred during the performance of their duties (amended on March 17, 2000).

Article 49-2. Treatment for Outside Directors

The Company may pay to outside Directors the expense incurred during the performance of their duties (amended on March 17, 2000).

CHAPTER 7. ACCOUNTING

Article 50. Fiscal Year

The fiscal year of the Company shall commence on January 1 and end on December 31 of each year (amended on August 14, 1988).

Article 51. Safe (deleted on July 7, 1994)

Article 52. Preparation and Preservation of Financial Statements and Business Report

(1) The Representative Director of the Company shall prepare the following documents, supplementary documents thereto and the business report for obtaining the audit of the Audit Committee six (6) weeks prior to the day set for the Ordinary General Meeting of Shareholders, for audit by the Audit Committee, and the Representative Director shall submit the following documents and the business report to the Ordinary General Meeting of Shareholders (amended on March 17, 2000).

1. Balance sheet;

2. Profit and loss statement; and

3. Any other documents indicating the financial status and management results of the Company as defined in the Presidential Decree to implement the Commercial Act (amended on March 23, 2012).

(2) A consolidated financial statement shall be included in the documents as specified in Paragraph (1) above if the Company falls within the scope of the company which is required to prepare the consolidated financial statement as defined in the Presidential Decree to implement the Commercial Act (established on March 23, 2012).

(3) The Audit Committee shall submit the audit report on the documents described in Paragraph (1) above to the Representative Director within four (4) weeks from the day of receipt thereof (amended on March 23, 2012).

(4) The Representative Director shall keep the documents described in Items of Paragraph (1) above, together with the business report, and the audit report at the head office of the Company for five (5) years and certified copies of all of such documents at the branches of the Company for three (3) years beginning from one (1) week prior to the day of the Ordinary General Meeting of Shareholders (amended on March 23, 2012).

(5) The Representative Director shall give public notice of the balance sheet and the independent auditors' opinion immediately after the documents described in Items of Paragraph (1) above have been approved by the General Meeting of Shareholders (amended on March 23, 2012).

Article 53. Disposition of Surplus

The Company shall dispose of the earned surplus which is unappropriated as of the end of each fiscal year according to the following method (amended on March 21, 1997).

(1) Earned surplus Reserves (required to be more than one-tenth of cash dividends paid for the pertinent fiscal year);

(2) Other Statutory reserves;

(3) Dividends;

(4) Discretionary reserves;

(5) Bonus for officers;

(6) Other appropriation of retained earnings; and

(7) Earned surplus carried forward to next fiscal year.

Article 54. Dividends

(1) Dividends may be paid in cash or shares (amended on July 7, 1994).

(2) In the case of stock dividends, the classes and types of new shares to be allotted may be determined by resolution of the General Meetings of Shareholders if the Company has issued different classes and types of shares (established on March 15, 1996).

(3) Dividends under Paragraph (1) shall be paid to the Shareholders or pledgees who are registered in the Register of Shareholders as of the end of each fiscal year (established on August 14, 1989).

(4) If there is no claim for the payment of dividends for five (5) years from the date when the allotment starts, the right to claim dividends in Paragraph (1) shall be deemed to be waived and the dividend shall be deemed to be the earning of the Company (amended on August 14, 1989).

Article 54-2. Interim Dividends

(1) The Company may pay dividends in cash to the Shareholders registered in the Register of Shareholders as of June 30, by resolution of the Board of Directors, one time during each fiscal year (established on March 12, 2004).

(2) All other matters relevant to the Interim Dividends under Paragraph (1), including the limitation amount of the Interim Dividends and/or the payment time of the Interim Dividends, shall comply with the relevant laws and regulations, including the Commercial Act (amended on March 23, 2012).

(3) In case of the payment of the Interim Dividends, the rate of the Interim Dividends to common shares shall also apply to the Interim Dividends to preferred shares under Article 8 (established on March 12, 2004).

(4) The provisions of Article 10 Paragraph (2) and Article 54 Paragraph (4) shall apply mutatis mutandis to this Article (established on March 12, 2004).

CHAPTER 8. SUPPLEMENTARY PROVISIONS

Article 55. Duty of Keeping Secret

(1) The employees, or the former employees of the Company shall not disclose or embezzle secrets which are obtained on his duty (amended on March 27, 1998).

(2) If any officer or any person who was the officer of the Company discloses or misappropriates the information concerning the management of the Company, he/she shall be liable for the loss incurred to the Company (established on March 27, 1998).

Addendum No. 5 (as of August 14, 1989)

Article 1. Date of Enforcement

These Articles of Incorporation shall take effect as of August 14, 1989.

Article 2. Provisions of the Company

The provisions needed for the undertaking and management of the Company’s business shall be determined and enforced by the Board of Directors.

Article 3. Matters Not Specified in These Articles of Incorporation

Matters not specified in these Articles of Incorporation shall comply with resolutions of the General Meeting of Shareholders, the Commercial Act and other laws or regulations.

Addendum No. 6 (as of March 15, 1991)

These Articles of Incorporation shall take effect as of March 15, 1991.

Addendum No. 7 (as of March 20, 1992)

These Articles of Incorporation shall take effect as of March 20, 1992.

Addendum No. 8 (as of July 7, 1994)

These Articles of Incorporation shall take effect as of July 7, 1994.

Addendum No. 9 (as of March 15, 1996)

Article 1. Date of Enforcement

These Articles of Incorporation shall take effect as of March 15, 1996. However, the amended Articles of 10-2, 13, 17, 29,30, 32, 33, 35-2, 36, 37, 48 and 54 shall take effect as of October 1, 1996.

Article 2. Interim Measures for Terms of Office of Auditors

The terms of office of auditors who are holding office of the Company when these Articles of Incorporation become effective, shall be determined by the previous Articles of Incorporation of the Company.

Addendum No. 10 (as of March 21, 1997)

Article 1. Date of Enforcement

These Articles of Incorporation shall take effect as of March 21, 1997.

Addendum No. 11 (as of March 27, 1998)

Article 1. Effective Date

These Articles of Incorporation shall become effective from March 27, 1998.

Article 2. Interim Measures for appointing outside Director

Notwithstanding the amended provision of Article 31 Paragraph (1), the Company may appoint at most three (3) outside Director(s).

Addendum No. 12 (as of March 20, 1999)

Article 1. Effective Date

These Articles of Incorporation shall become effective from March 20, 1999.

Article 2. Issuance of New Shares

The Company shall issue 160,210 common shares by June 17, 1999.

Article 3. Manner to Issue New Shares

At the time of issuance of new shares under Article 2 of the Addendum, the Company shall, notwithstanding the provision of Article 10, paragraph (1) of the text, allocate all of such new shares to the stockholders, except foreigners who are restricted from the acquisition of securities beyond a certain limit according to Article 6, Item 3 of the Telecommunication Business Act, in proportion to stocks which the stockholder owns. Provided, however that the issue price and manner of subscription shall be determined by resolution of the Board of Directors.

Article 4. Transient Provision

The provision of Article 32, paragraph (3) of the text shall be effective to the date immediately preceding the date set for the Ordinary General Meeting of Shareholders in 2003 (amended on March 17, 2000).

Addendum No. 13 (as of March 17, 2000)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of March 17, 2000. However, the amended Article 31 shall take effect from the date of convening the Ordinary General Meeting of Shareholders following the close of the 2000 business year.

Article 2. Allocation of New Shares to a Third Party

Notwithstanding the provisions of Article 10, Paragraph (1) of the text, the Company may allocate 579,492 new shares (on the basis of 5,000 Won as par value of a share) to Pohang Iron & Steel Co., Ltd., once or more within year 2000 by a resolution of the Board of Directors in the manner of the issuance of new shares to a third party.

Addendum No. 14 (as of March 16, 2001)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of March 16, 2001.

Article 2. Transient Provision

Article 33 shall also be applied to the Directors who have been elected prior to the effective date of these Articles of Incorporation.

Addendum No. 15 (as of March 12, 2004)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of March 12, 2004.

Addendum No. 16 (as of March 11, 2005)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of March 11, 2005.

Addendum No. 17 (as of March 10, 2006)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of March 10, 2006.

Addendum No. 18 (as of March 14, 2008)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of March 14, 2008.

Addendum No. 19 (as of March 12, 2010)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of March 12, 2010.

Addendum No. 20 (as of August 31, 2011)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of October 1, 2011.

Addendum No. 21 (as of March 23, 2012)

Article 1. Date of Effectiveness

These Articles of Incorporation shall take effect as of March 23, 2012. However, the amended provisions of Article 17-2 and Article 52, Paragraph (1), Item 3 and Paragraph (2) shall take effect as of April 15, 2012.

Exhibit 8.1

List of Subsidiaries of SK Telecom Co., Ltd.
(As of December 31, 2011)

Subsidiary Name	Jurisdiction of Incorporation
SK Telink Co., Ltd.	Korea
SK Communications Co., Ltd.	Korea
PAXNet Co., Ltd.	Korea
Loen Entertainment, Inc.	Korea
Stonebridge Cinema Fund	Korea
Ntreev Soft Co., Ltd.	Korea
Commerce Planet Co., Ltd.	Korea
SK Broadband Co., Ltd.	Korea
Broadband D&M Co., Ltd.	Korea
Broadband Media Co., Ltd.	Korea
Broadband CS Co., Ltd.	Korea
K-net Culture and Contents Venture Fund	Korea
2nd Benex Focus Investment Fund	Korea
Open Innovation Fund	Korea
PS&Marketing Corporation	Korea
Service Ace Co., Ltd.	Korea
Service Top Co., Ltd.	Korea
Network O&S Co., Ltd.	Korea
BNCP Co., Ltd.	Korea
Service-In Co., Ltd.	Korea
SK Planet Co., Ltd.	Korea
SK Telecom China Holdings Co., Ltd.	China
Sky Property Mgmt., Ltd.	China
Shenzhen E-eye High Tech Co., Ltd.	China
SK China Real Estate Co., Ltd.	Hong Kong
SKT Vietnam PTE., Ltd.	Singapore
SKT Americas, Inc.	U.S.A.
YTK Investment Ltd	Cayman Islands
Atlas Investment	Cayman Islands
Technology Innovation Partners, L.P	Cayman Islands
SK Telecom China Fund I L.P.	Cayman Islands

Exhibit 12.1

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act 2002

I, Sung Min Ha, certify that:

1. I have reviewed this annual report on Form 20-F of SK Telecom Co., Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 30, 2012

/s/ Sung Min Ha

Sung Min Ha
President and Chief Executive Officer

Exhibit 12.2

CERTIFICATION

Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Seung Yun Ahn, certify that:

1. I have reviewed this annual report on Form 20-F of SK Telecom Co., Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 30, 2012

/s/ Seung Yun Ahn

Seung Yun Ahn
Chief Financial Officer

Exhibit 13.1

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsection (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of SK Telecom Co., Ltd., a corporation organized under the laws of the Republic of Korea (the "Company"), does hereby certify, to such officer's knowledge, that:

The annual report on Form 20-F for the year ended December 31, 2011 (the "Form 20-F") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: April 30, 2012

/s/ Sung Min Ha

Sung Min Ha
President and Chief Executive Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Exhibit 13.2

Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsection (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to section 906 of the Sarbanes-Oxley Act of 2002 (subsection (a) and (b) of section 1350, chapter 63 of title 18, United States Code), the undersigned officer of SK Telecom Co., Ltd., a corporation organized under the laws of the Republic of Korea (the "Company"), does hereby certify, to such officer's knowledge, that:

The annual report on Form 20-F for the year ended December 31, 2011 (the "Form 20-F") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operation of the Company.

Dated: April 30, 2012

/s/ Seung Yun Ahn

Seung Yun Ahn
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the U.S. Securities and Exchange Commission or its staff upon request.

Exhibit 15.3

TELECOMMUNICATIONS BUSINESS ACT

As amended by Act No. 10656 of May 19, 2011, effective Nov. 20, 2011

CHAPTER I GENERAL PROVISIONS

Article 1 (Purpose)

The purpose of this Act is to contribute to the promotion of public welfare by encouraging sound development of telecommunications business and ensuring convenience to the users of telecommunications service through proper management of such business.

Article 2 (Definitions)

The definitions of the terms as used in this Act shall be as follows: <Amended by Act No. 10656, May 19, 2011>

1. the term "telecommunication" means sending and receiving of sign, wording, sound or image through wired, wireless, optic or other electronic means;

2. the term "telecommunication facilities" means equipments, devices, lines and other facilities necessary for telecommunication;

3. the term "telecommunication line facilities" means telecommunication line portion of the telecommunication facilities which is necessary for sending, receiving and routing telecommunication and include exchange equipments and other annexed facilities;

4. the term "commercial telecommunication facilities" means telecommunication facilities for providing telecommunication business;

5. the term "proprietary telecommunication facilities" means telecommunication facilities other than commercial telecommunication facilities that a person installs for his own telecommunication use;

6. the term "telecommunication service" means connecting of customer's communication through the use of telecommunication facilities or providing telecommunication facilities for customer's communication;

7. the term "telecommunication business" means the business of providing telecommunication service;

8. the term "telecommunications business operator" means a person who provides telecommunications service with holding a license or making a registration or report under this Act;

9. the term "user" means a person who has made a contract for the use of any telecommunications service with the telecommunications business operator in order to receive a provision of telecommunications service;

10. the term "universal service" means the basic telecommunications service which any user may receive at reasonable fees anytime and anywhere;

11. the term "key communication service" means the telecommunication service such as telephone and internet services which transmit or receive voice, data, image, etc. without changing their content and the telecommunication service where telecommunication line facilities is lent for transmission and receipt of voice, data, image, etc., provided, however that individual telecommunication services determined and announced by the Korea Communications Commission (individual telecommunication service under Article 6) are excluded;

12. the term "value-added telecommunication service" means telecommunication services other than key communication services;

13. the term "special type of value-added communications services" means each of the following services:

A. value-added communications services provided by "special type of online service providers" as the term, "special type of online service providers," is defined in Article 104 of the Copyright Act;

B. any value-added communications services provided by and among individuals which, by using computers, store or send, or aim at sending, any information defined in Article 3(1) of the Framework Act on National Informatization.

Article 3 (Duty of Providing Services, etc.)

(1) A telecommunications business operator shall not refuse to provide any telecommunications service, without justifiable reasons.

(2) A telecommunications business operator shall guarantee the fairness, speediness and accuracy in performing his business.

(3) A fee for telecommunications service shall be reasonably fixed so as to ensure a smooth development of telecommunications business and to provide the users with convenient and diverse telecommunications services in the fair and inexpensive manner.

Article 4 (Universal Service)

(1) All telecommunications business operators shall have the obligation to provide universal service or to replenish the losses incurred by such provisions.

(2) The Communications Commission may, notwithstanding the provisions of paragraph (1), exempt the telecommunications business operator in each of the following subparagraphs from the obligation specified paragraph (1) above:

1. the telecommunications business operator determined by the Enforcement Decree as a telecommunications business operator for whom an imposition of obligation under paragraph (1) is deemed inadequate in view of the peculiarity of telecommunications service

2. the telecommunications business operator whose turnover of telecommunications service is less than the amount as determined by the Enforcement Decree within the limit of 1/100 of total turnover of the telecommunications services, from the relevant obligations.

(3) The details of universal service shall be determined by the Enforcement Decree in consideration of the following matters:

1. Level of the development of information and communications technology;

2. Level of the dissemination of telecommunications service;

3. Public interest and safety;

4. Promotion of social welfare; and

5. Acceleration of informatization.

(4) In order to provide effective, stable universal service, the Korea Communications Commission may, in consideration of size and quality of universal service, level of price and the technical capability of a telecommunications business operator, designate a telecommunications business operator through the method and procedure prescribed by the Enforcement Decree.

(5) Under the method and procedure prescribed by the Enforcement Decree, the Korea Communications Commission may have a telecommunications business operator bear compensation for losses incurred in the course of providing universal service based on the total sales.

CHAPTER II TELECOMMUNICATIONS BUSINESS

SECTION 1 General Provisions

Article 5 (Classification, etc. of Telecommunications Business)

(1) The telecommunications businesses shall be classified into a key communications business, a specific communications business and a value-added communications business.

(2) The key communications business shall be the business to install telecommunication line facilities, and thereby provide the key telecommunication service by making use of telecommunication line facilities.

(3) The specific communications business shall correspond to one of the following subparagraphs:

1. Business which provides a key communications service by making use of telecommunication line facilities, etc. of a person who has obtained a license for key communications business under Article 6 (hereinafter referred to as a “key communications business operator”); and

2. Business which installs the telecommunications facilities in the premises as determined by the Enforcement Decree, and provides a telecommunications service therein by making use of the said facilities.

(4) The value-added communications business shall be the business providing value-added communication services.

SECTION 2 Key Communications Business

Article 6 (License etc. of Key Communications Business Operator)

(1) A person who intends to run a key communications business shall obtain a license from the Korea Communications Commission.

(2) The Korea Communications Commission shall, in granting a license under paragraph (1), comprehensively examine the matters falling under each of the following subparagraphs:

1. financial capability necessary for implementing the key communication service plan;

2. technical capability necessary for implementing the key communication service plan,

3. adequacy of plans for a user protection;

4. other matters relevant to capacity for providing stable key communication services as determined under the Enforcement Decree of the Act.

(3) The Communications Commission shall set forth the detailed examination criteria by examining item under paragraph (2), period for license and outline of application for license, and make a public announcement thereof

(4) The Korea Communications Commission may, in case where it grants a license for key communications business under paragraph (1), attach the conditions necessary for the promotion of fair competition, protection of users, improvement of service quality and efficient employment of resources for information and communication, in this case such conditions shall be published on its official publication and official webpage.

(5) A person subject to a license under paragraph (1) shall be limited to a juristic person.

(6) Procedures for a license under paragraph (1) and other necessary matters shall be determined by the Enforcement Decree.

Article 7 (Reasons for Disqualification for License)

Persons falling under each of the following subparagraphs shall not be entitled to obtain the license for a key communications business as referred to in Article 6:

1. The State or local governments;

2. Foreign governments or foreign corporations; and

3. Corporations whose stocks are owned by foreign governments or foreigners in excess of the restrictions on stock possessions as referred to in Article 8 (1).

Article 8 (Restrictions on Stock Possessions of Foreign Governments or Foreigners)

(1) The stocks of a key communications business operator (excluding non-voting stocks under Article 370 of the Commercial Act, and including the stock equivalents with voting rights, such as stock depositary receipts, etc. and investment equities; hereinafter the same shall apply) shall not be owned in excess of 49/100 of the gross number of issued stocks, when adding up all of those owned by the foreign governments or foreigners.

(2) A corporation whose largest stockholder(hereinafter referred to as the "largest stockholder ") under Article 9(1)1 of the Financial Investment Services and Capital Markets Act is a foreign government or a foreigner (including, throughout this Act, a specially-related person under Article 9(1)1 of the Financial Investment Services and Capital Markets Act) and not less than 15/100 of the gross number of its issued stocks is owned by said foreign government or foreigner (hereinafter referred to as the "fictitious corporation of foreigners") shall be regarded as a foreigner.

(3) A corporation that owns less than 1/100 of the gross number of stocks issued by a key communications business operator shall not be regarded as a foreigner, even if it is equipped with the requirements as referred to in paragraph (2).

Article 9 (Grounds for Disqualifying Officers)

(1) Any person falling under each of the following subparagraphs shall be disqualified to serve as an officer of any key communications business operator:

1. A minor, an incompetent or a quasi-incompetent;

2. A person who has yet to be reinstated after having been declared bankrupt;

3. A person who has been sentenced to imprisonment without prison labor or a heavier punishment on charges of violating this Act, the Framework Act on Telecommunications, the Radio Waves Act or the Act on Promotion of Information and Communications Network Utilization and Information Protection (excluding matters not directly related to telecommunication business, hereinafter "this Act, etc."), and for whom three years have yet to pass from the date on which the execution of the sentence is terminated (including a case where the execution of the sentence is deemed to be terminated) or the execution of the sentence is exempted;

4. A person who is in a stay period after having been sentenced to a stay of the execution of the imprisonment without prison labor or a heavier punishment on charges of violating this Act, etc.;

5. A person who has been sentenced to a fine on charges of violating this Act, etc. and for whom one years have yet to pass from the date of such sentence; and

6. A person who has been subject to a disposition taken to revoke all or part of his permission in accordance with Article 20 (1), a disposition taken to revoke all or part of his registration in accordance with Article 27 (1), or an order given in accordance with paragraph (2) of the same Article to discontinue all or part of his business and for whom three years have yet to pass from the date of such disposition or order. In the case of a corporation, the person refers to the person who commits the act of causing the disposition to revoke permission, the disposition to revoke registration or the order to discontinue business, and its representative.

(2) In the event that any officer is found to fall under each subparagraph of paragraph (1) or is found to fall under each subparagraph of paragraph (1) at the time that he is selected and appointed as an officer, he shall rightly resign from the office.

(3) Any act in which any officer has been involved prior to his resignation under paragraph (2) shall not lose its legal efficacy.

Article 10 (Examination of Public Interest Nature of Stock Acquisition, etc. by Key Communications Business Operator)

(1) The Public Interest Nature Examination Committee (hereinafter referred to as the "Committee") shall be established in the Korea Communications Commission in order to make an examination regarding whether or not

what falls under each of the following subparagraphs impedes the public interests as prescribed by the Enforcement Decree (hereinafter referred to as the “examination of public interest nature”), such as the national safety guarantee and maintenance of public peace and order, etc:

1. Where the principal comes to own not less than 15/100 of the gross number of stocks issued by a key communications business operator, when adding up those owned by the specially-related person as referred to in Article 9 paragraph (1) subparagraph 1 of the Capital Market Integration Act(hereinafter referred to as the “specially-related person”);

2. Where the largest stockholder of a key communications business operator is altered;

3. Where a key communications business operator or any stockholder of a key communications business operator concludes a agreement for important management matters as prescribed by the Enforcement Decree, such as the appointment and dismissal of executives and the transfer or takeover, etc. of business of the relevant key communications business operator, with a foreign government or a foreigner; and

4. Other cases as prescribed by the Enforcement Decree, where there exists a change in the stockholders who have de facto management rights of a key communications business operator.

(2) Where a key communications business operator or any stockholder of a key communications business operator comes to fall under each of subparagraphs of paragraph (1), he shall file a report thereon with the Korea Communications Commission within thirty days from the time when such a fact took place.

(3) Where a key communications business operator or any stockholder of a key communications business operator is to come to fall under each of subparagraphs of paragraph (1), he may, prior to the said situation, request the Korea Communications Commission to make an examination as referred to in paragraph (1).

(4) Where the Korea Communications Commission has received a report as referred to in paragraph (2) or a request for examination as referred to in paragraph (3), it shall refer it to the Committee.

(5) Where the Korea Communications Commission judges that there exists a danger of impeding the public interests by the cases falling under each of subparagraphs of paragraph (1) in view of the result of examination as referred to in paragraph (1), it may order the alteration of agreement detail and suspension of its implementation, the suspension of exercise of voting rights, or the sale of relevant stocks.

(6) The report as referred to in paragraph (2) or (3), or the scope of key communications business operators to be examined of public interest nature, the procedures for reports and examinations of public interest nature and other necessary matters shall be stipulated by the Enforcement Decree.

Article 11 (Composition and Operation, etc. of Public Interest Nature Examination Committee)

(1) The Committee shall consist of not less than five but not more than ten members including one Chairman.

(2) The Chairman of the Committee shall be the Vice Chairman of the Korea Communications Commission, and the members shall be the persons commissioned by the Chairman from among the public officials ranking Grade III or higher grade of related central administrative agencies or public officials who belong to senior executive service as specified by the Enforcement Decree of the Act, and falling under each of the following subparagraphs:

1. Persons having profound knowledge and experiences in the information and communications;

2. Persons recommended by the Government-contributed research institutes relating to the national safety guarantee and maintenance of public peace and order;

3. Persons recommended by the nonprofit non-governmental organizations as referred to in Article 2 of the Assistance for Nonprofit Non-Governmental Organizations Act; and

4. Other persons deemed necessary by the Chairman.

(3) The Committee may conduct necessary investigations for the examination of public interest nature, or request the interested parties or the reference witnesses to provide the data. In such case, the relevant interested parties or the reference witnesses shall comply with it unless they have any justifiable reasons.

(4) Where the Committee deems it necessary, it may have the interested parties or the reference witnesses attend the Committee, and hear their opinions. In such case, the relevant interested parties or the reference witnesses shall comply with it unless they have any justifiable reasons.

(5) Matters necessary for the organization or operation, etc. of the Committee shall be prescribed by the Enforcement Decree.

Article 12 (Restrictions, etc. on Stockholders of Excessive Possession)

(1) Where a foreign government or a foreigner has acquired the stocks in contravention of the provisions of Article 8 (1), no voting rights shall be exercised for the stocks under the said excessive possession.

(2) The Korea Communications Commission may order the stockholder who has acquired stocks in contravention of the provisions of Article 8 (1), a key communications business operator wherein exists the said stockholder, or the stock-holder of the fictitious corporation of foreigners, to make corrections in the relevant matters, with specifying the period within the limit of six months

(3) Persons subjected to the order for corrections as referred to in paragraph (2) shall make corrections in the relevant matters within the specified period.

(4) With regard to the stockholder in contravention of the provisions of Article 8 (1), a key communications business operator may refuse any renewals for the excessive portion in the register of stockholders or of members.

Article 13 (Charge for Compelling Execution)

(1) Against the persons who were subjected to the orders as referred to in Articles 10 (5) or 12 (2) or 18 (8)(hereinafter referred to as the “corrective orders”) and has failed to comply with them within the specified period, the Communications Commission may levy the charge for compelling the execution. In such case, the charge for compelling the execution leviable per day shall be not more than 3/1,000 of purchase prices of relevant possessed stocks, but in the case not related with the stock possession, it shall be the amount not exceeding 100 million won.

(2) The period subject to a levy of the charge for compelling the execution as referred to in paragraph (1) shall be from the day next to the date of expiration of the period set in the corrective orders to the date of implementing the corrective orders. In such case, a levy of the charge for compelling the execution shall be made within 30 days from the day next to the expiration date of the period set in the corrective orders, except for the case where there exists a special reason.

(3) Provisions of Article 53 (5) shall apply mutatis mutandis to the collection of the charge for compelling the execution.

(4) Matters necessary for the levy, payment, refund, etc. of the charge for compelling the execution shall be prescribed by the Enforcement Decree.

Article 14 (Issuance of Stocks)

A key communications business operator shall, in a case of an issuance of stocks, issue the registered ones

Article 15 (Obligation of Commencing Business)

(1) A key communications business operator shall install telecommunications facilities and commence business within the period as fixed by the Korea Communications Commission.

(2) The Korea Communications Commission may, in case where the said business operator is unable to commence business within the period under paragraph (1) due to force majeure and other unavoidable reasons, extend the relevant period only once, upon an application of the key communications business operator.

Article 16 (Modification of License)

(1) Where a key communications business operator intends to modify the important matters prescribed by the Enforcement Decree from among the matters licensed under Article 6, he shall obtain a modified license from the Korea Communications Commission, under the conditions as prescribed by the Enforcement Decree.

(2) The provisions of Articles 6 (4) and Article 15 shall be applicable mutatis mutandis to a modified license for change under paragraph (1).

Article 17 (Concurrent Operation of Business)

(1) A key communications business operator shall, in case where he intends to run any of the businesses set forth in the following subparagraphs, obtain approval from the Korea Communications Commission: Provided that, this provision shall not apply to any key communications business operator with less than 30,000,000,000 Korean Won in turnover of services.

1. manufacturing of telecommunications tools

2. information and communications work pursuant to paragraph 3 of Article 2 of the Information and Communications Work Business Act (excluding renovation and consolidation work for electronic telecommunications network)

3. services pursuant to subparagraph 6 of Article 2 of the Information and Communications Work Business Act (excluding renovation and consolidation of electronic telecommunications network).

(2) The Korea Communications Commission shall grant approval under paragraph (1), in case where deemed that a key communications business operator is not likely to cause any impediments to the operation of telecommunications service by running a business under paragraph (1), and that it is required for the development of telecommunications.

Article 18 (Takeover of Business and Merger of Juristic Persons etc.)

(1) A person who belongs to any one of the categories set forth in the following paragraphs shall obtain an authorization from the Korea Communications Commission under the conditions as prescribed by the Enforcement Decree: Provided, notwithstanding subparagraph 3 below, that in case that person sells telecommunications circuit installations except the ones prescribed by the Enforcement Decree, he shall report it to the Korea Communications Commission under the conditions as determined by the Enforcement Decree

1. a person who takes or intends to take over the whole or part of a key communications business

2. a person who intends to merge with a juristic person which is a key communications business operator

3. a key communications business operator intending to sell the telecommunications circuit installations necessary for provision of key communications service

4. a person who, along with a certain related person intends to become the largest shareholder of a key communications business operator or own 15% of more of the issued shares of the key communications business operator.

5. a person seeking to acquire control over a key communication business operator by acquiring shares or entering into an agreement, as specified by the Enforcement Decree of the Act

6. a key communication business operator seeking to establish a company to provide part of the key communication services provided under authorization through such company.

(2) The Korea Communications Commission shall, in case where it intends to grant authorization under paragraph (1), comprehensively examine the matters falling under each of the following subparagraphs:

1. Appropriateness of financial and technical capability and business operational capability;

2. Appropriateness of management of resources for information and communications, such as frequencies and telecommunications numbers, etc.;

3. Impact on the competition of key communications business; and

4. Impact on the protection of users and the public interests.

5. Impact on public interests, such as the use of telecommunications facilities and communication networks, efficiency of research and development and international competitive power of the communications industry, etc.

(3) Matters necessary for the detailed examination standards by examination items and the examination procedures, etc. under paragraph (2) shall be fixed and publicly announced by the Korea Communications Commission

(4) A person falling under any of the following shall succeed to the telecommunication licensee status of the key communication business operator:

1. A person who has taken over the business of a key communications business operator by obtaining an authorization under paragraph (1)

2. a juristic person surviving a merger or that established by a merger, or that established by obtaining an authorization under paragraph (2)

3. a company incorporated to provide part of key communication services with the approval under paragraph (1)6

(5) The Korea Communications Commission may, in case where it grants authorization or authorization under paragraph (1), attach conditions under Article 6(4).

(6) The Korea Communications Commission shall, in case where it intends to grant an authorization under paragraph (1), go through a consultation with the Fair Trade Commission. <Amended by Act No. 6230, Jan. 28, 2000; Act No. 8867, Feb. 29, 2008; Act No. 9481, March 13, 2009>

(7) In regard to the criteria for rejection of authorization in paragraph (1), Article 7 shall be applicable *mutatis mutandis.*

(8) In the event any person/entity subject to Article 1(4) or (5) fails to acquire the permit pursuant thereto, the Korea Communications Commission may order suspension of its voting right or sale of the applicable shares, and if the conditions attached under paragraph (5) are not carried out, may order such performance within a specific time frame.

(9) A person seeking authorization under paragraph (1) shall not do each of the following prior to obtaining such authorization:

1. unify communications networks,

2. appoint officers,

3. transferring, consolidating, entering into contract concerning disposing of facilities or

4. take follow-up measures regarding establishment of a company.

(10) Where a person falling under each of subparagraphs of paragraph (1) is subject to the examination of public interest nature, the person may submit the documents required for the examination of public interest nature at the same time when the person applies for the authorization under paragraph (1).

Article 19 (Suspension, Closedown of Business or Dissolution of Juristic Persons, etc.)

(1) A key communications business operator shall, in case where he intends to suspend or discontinue the whole or part of a key communications business run by him, as specified by the Enforcement Decree of the Act notify the users at least 60 days prior to the date of termination and obtain approval of such suspension or discontinuation from the Korea Communications Commission.

(2) In the event separate measures of protection is deemed to be necessary for the protection of users upon suspension or discontinuance of the relevant key communications business, the Korea Communications Commission may order such measures (including assistance for membership change, bearing expenses, termination of membership) to be taken.

(3) The Korea Communications Commission shall, in case where an application for approval or authorization under paragraph (1) is made, and where deemed that suspension, discontinuance of relevant business or a dissolution of a juristic person is likely to hamper the public interests, not grant the relevant approval or authorization.

Article 20 (Cancellation of License, etc.)

(1) The Korea Communications Commission may, in case where a key communications business operator falls under any one of the following subparagraphs, cancel whole or part of the relevant license or give an order to suspend the whole or part of business with fixing a period of no more than one year, provided that the license shall be cancelled entirely or partially if paragraph 1 is applicable:

1. Where he has obtained a license by deceit and other illegal means;

2. Where he has failed to implement the conditions under Articles 6 (4) and 18 (5);

3. Where he has failed to observe the orders under Article 12 (2);

4. Where he has failed to commence business within the period under Article 15 (1) (in case of obtaining an extension of the period under Article 15 (2), the extended period);

5. Where he has failed to comply with the standardized terms and conditions, that is authorized or reported under Article 28 (1) and (2); and

6. Where he fails to comply with an order for correction under Article 52 (1) or Article 92 (1) without any justifiable reasons.

(2) Criteria and procedures for the dispositions under paragraph (1) and other necessary matters shall be determined by the Enforcement Decree.

SECTION 3 Specific Communications Business and Value-Added Communications Business

Article 21 (Registration of Specific Communications Business Operator)

(1) A person who intends to operate a specific communications service shall register the following matters with the Korea Communications Commission (including registration through information network) under the conditions as determined by the Enforcement Decree:

1. Financial and technical capability;

2. Plans for a user protection; and

3. Business plans, etc. and other matters as determined by the Enforcement Decree.

(2) The Korea Communications Commission may, upon receipt of the registration of a specific communications business under paragraph (1), attach the conditions necessary for the promotion of fair competition, protection of users, improvement of service quality and efficient employment of resources for information and communication.

(3) A person subject to the registration of specific communications business under paragraph (1) shall be limited to a juristic person.

(4) A person who registered his specific communications business under paragraph (1) (hereinafter referred to as a “specific communications business operator”) shall commence operation within 1 year from the registration date.

(5) Procedures and requirements for the registration under paragraph (1) and other necessary matters shall be determined by the Enforcement Decree.

Article 22 (Report, etc. of Value-Added Communications Business Operator)

(1) A person who intends to run a value-added communications business shall report to the Korea Communications Commission (including reports via information network), according to the requirements and procedures as prescribed by the Enforcement Decree: Provided, That this shall not apply to a case where the size of capital, etc. is a small value-added communication business matching the criteria prescribed by the Enforcement Decree.

(2) Notwithstanding the provisions of paragraph (1), a person who intends to operate a special type of value-added communications business shall register such business with the Korea Communications Commission (including registration through information network) after satisfying the following requirements: <Newly Inserted by Act No. 10656, May 19, 2011>

1. a plan for implementing technical measures in order to perform the provisions of Articles 42, 42-2, 42-3, 45 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc. and Article 104 of the Copyright Act;

2. personnel and physical facilities necessary for providing services;

3. financial soundness; and

4. any other matters as prescribed by the Enforcement Decree such as a business plan.

(3) Upon receipt of the registration of a value-added communications business pursuant to paragraph (2), the Korea Communications Commission may set conditions necessary to implement the plan referred to in subparagraph 1 of paragraph (2). <Newly Inserted by Act No. 10656, May 19, 2011>

(4) When a key communications business operator seeks to operate value-added communication services, such value-added communication services are deemed to have been reported. <Amended by Act No. 10656, May 19, 2011>

(5) A person who reported a value-added communications business under the first part of paragraph (1) or a person who registered such business under paragraph (2) shall commence operation within 1 year from the reporting date or registration date respectively. <Amended by Act No. 10656, May 19, 2011>

(6) Procedures and requirements for the report under the first part of paragraph (1) and the registration under paragraph (2), and other necessary matters shall be determined by the Enforcement Decree. <Newly Inserted by Act No. 10656, May 19, 2011>

Article 22-2 (Reasons for Disqualification for Registration)

An individual, a juristic person for whom three years have yet to pass from the date on which the registration of his/its business is canceled pursuant to Article 27(2), or the major shareholder of such juristic person at the time of such cancellation (an investor as prescribed by the Enforcement Decree) may not make a registration under Article 22(2).

[This Article Newly Inserted by Act No. 10656, May 19, 2011]

Article 23 (Modification of Registered or Reported Matters)

Specific communications business operator, a person who has made a report of a value-added communications business operator under the earlier part of Article 22(1), or a person who has made a registration of a value-added communications business under Article 22(2) shall, when he intends to modify the matters as determined by the Enforcement Decree from among the relevant registered or reported matters, make in advance a modified registration or modified report (including modified registration or modified report through information network) to the Korea Communications Commission under the conditions as prescribed by the Enforcement Decree.

<Amended by Act No. 10656, May 19, 2011>

Article 24 (Transfer or Takeover, etc. of Business)

In case where there exists a transfer or takeover of the whole or part of a specific communications business or a value-added communications business, or a merger or succession of a juristic person which is a specific communications business operator or a value-added communications business operator (a person who has reported value-added communications services pursuant to the first part of Article 22(1), a person who has made a registration of a value-added communications business under Article 22(2) or is deemed to have made such reporting under the latter part of paragraph (1) of the same Article or paragraph (4) of the same Article, hereinafter refer to the same), each of the following persons shall make the report thereon (including reports through information network) to the Korea Communications Commission, according to the requirements and procedures as prescribed by the Enforcement Decree: <Amended by Act No. 10656, May 19, 2011>

1. a person who has taken over the relevant business,

2. the juristic person surviving the merger, the juristic person founded by the merger, or

3. the successor to the business in question

Article 25 (Succession of Business)

In case where there have existed a transfer or takeover of a specific communications business or a value-added communications business, a merger of a juristic person which is a specific communications business or a value-added communications business operator, or a succession of a value-added communications business, under Article 24, each of the following persons shall succeed to the status of a former specific communications business operator or a value-added communications business operator.

1. a person who has taken over the business,

2. a juristic person surviving a merger, or a juristic person founded by a merger or

3. a successor to the business

Article 26 (Suspension or Closedown, etc. of Business)

(1) A specific communications business operator or a value-added communications business operator shall, in case where he intends to suspend or close down the whole or part of his business, in a manner determined in the Enforcement Decree of the Act, notify the relevant contents to the users of relevant services, and report thereon to the Korea Communications Commission (including reports through information network) not later than thirty days prior to the slated date of the relevant suspension or closedown. In this case, the business shall not be continually suspended for more than 1 year.

(2) Where a juristic person which is a specific communications business operator or a value-added communications business operator is dissolved for reasons other than a merger, a relevant liquidator (referred to a trustee in a bankruptcy, when it is dissolved by bankruptcy) shall report thereon without delay to the Korea Communications Commission (including reports through information network).

Article 27 (Cancellation of Registration and Order for Closedown of Business)

(1) The Korea Communications Commission may, when a specific communications business operator falls under any of the following subparagraphs, cancel his registration wholly or partially, or suspend his business wholly or partially by specifying the period of not more than one year: Provided, That when he falls under subparagraph 1, the Korea Communications Commission shall cancel whole or part of his registration: <Newly Inserted by Act No. 5385, Aug. 28, 1997; Act No. 5564, Sep. 17, 1998; Act No. 5835, Feb. 8, 1999; Act No. 5986, May 24, 1999; Act No. 6230, Jan. 28, 2000; Act No. 6360, Jan. 16, 2001, Act No. 7916, Mar. 24, 2006; Act No. 8198, Jan. 3, 2007; Act No. 8425, May 11, 2007; Act No. 8867, Feb. 29, 2008>

1. Where he makes a registration by deceit and other illegal means;

2. Where he fails to implement the conditions under Article 21 (2);

3. Where he fails to commence business within one year from the date on which a registration was made under Article 21 (4), or in violation of the latter part of Article 26(1) continually suspends business operation for not less than one year;

4. Where he fails to comply with an order under Article 52 (1) or an order for correction Article 92 (1) without any justifiable reasons;

(2) The Minister of Information and Communication may, when a value added communications business operator falls under any of the following subparagraphs, issue an order to him for a closedown of the whole or part of business (in case of a special type of value-added communications business operator, for a cancellation of the whole or part of business) or for a suspension of the whole or part of business by specifying a period of not more than one year: Provided, That when he falls under subparagraph 1,, the said Minister shall issue an order to him for a closedown of whole or part of business: <Amended by Act No. 10656, May 19, 2011>

1. Where he makes a report or registration by deceit and other illegal means;

2. Where he fails to implement the conditions under Article 22(3);

3. Where he fails to commence the business within one year from the reporting date or registration date under Article 22(5), or in violation of the latter part of Article 26(1) suspend the business operation for not less than one year;

4. Where he fails to comply with an order under Article 52 (1) or a correction order under Article 92 (1) without any justifiable reasons;

5. Where he fails to comply with an order to take corrective measures under Article 64(4) of the Act on Promotion of Information and Communications Network Utilization and Information Protection, Etc. without any justifiable reasons;

6. Where he who has been punished by a fine for negligence pursuant to Article 142(1) and Article 142(2)3 of the Copyright Act more than 3 times is subject to a fine for negligence again and such an order is requested by the Minister of Culture, Sports and Tourism after the Korea Copyright Commission's deliberation pursuant to Article 112 of the same Act.

(3) Criteria and procedures for dispositions taken under paragraph (1) or (2) and other necessary matters shall be determined by the Enforcement Decree of the Act.

CHAPTER III TELECOMMUNICATIONS SERVICE

Article 28 (Report, etc. of Standardized Terms and Conditions)

(1) A key communications business operator shall set forth the fees and other terms for use by service with respect to the telecommunications service which he intends to provide (hereinafter referred to as the "standardized terms and conditions"), and report thereon (including a modified report, hereinafter refer to the same) to the Korea Communications Commission.

(2) Notwithstanding paragraph (1), in a case of a key communications service of key communications business operator whose size of business and market share correspond to the standards as determined by the Enforcement Decree, it shall obtain an authorization of the Korea Communications Commission (including a modified authorization, hereinafter refer to the same), provided that, any decrease in the service-specific charges included the approved standard terms and conditions of usage shall be reported to the Korea Communications Commission.

(3) In regard to the main body of paragraph (2), the Korea Communications Commission shall authorize the standardized terms and conditions, if it falls under the criteria of every following subparagraph:

1. Fees for telecommunications service shall be reasonably calculated considering but not limited to costs of supply, profits, classification of costs/ profits by labor, cost savings achieved by methods of provision of labor, and effects on fair competitive environments;

2. Matters concerning the responsibility of key communications business operators and relevant users, cost-sharing methods concerning the installation work of telecommunications facilities and other works shall not be unreasonably disadvantageous to users.

3. Forms of use of telecommunication line facilities by other telecommunications business operators or users shall not be unduly restricted;

4. Undue discriminatory treatments shall not be made to specific persons; and

5. Matters on securing the important communications under Article 85 shall take into consideration matters such as achieving efficient performance of State's function.

(4) A person intending to acquire the approval under paragraph (1) and (2) or file a report with respect to the telecommunications services shall submit the supporting data for calculation of fee (including subscription fee, basic fee, usage fee, value-added service fee, and actual expense). In case of business change, a table comparing the old (before change) and new (after change) supporting data should be submitted to the Korea Communications Commission for comparison.

(5) Details necessary and not otherwise specified in paragraphs (1) through (4) in regard to the scope of and procedures of reporting and authorization shall be specified under the Enforcement Decree of the Act.

Article 29 (Reduction or Exemption of Fees)

A key communications business operator may reduce or exempt the fees for telecommunications service under the conditions prescribed by the Enforcement Decree, such as national security guarantee, disaster relief, social welfare and public interest.

Article 30 (Restriction on Use by Others)

No person shall intermediate other's communications or provide for other's communications by making use of telecommunications services provided by a telecommunications business operator: Provided, That the same shall not apply to the case falling under any of the following subparagraphs:

1. Where it is needed to ensure the prevention and rescue from disaster, traffic and communication, and the supply of electricity, and to maintain order in a national emergency situation;

2. Where telecommunications services are incidentally rendered to clients while running a business other than the telecommunications business;

3. Where it is allowed to use on a trial basis for the purpose of developing and marketing telecommunications facilities, such as terminal devices, etc. which enable to use the telecommunications services;

4. Where any user permits any third party to use to the extent that the latter does not use repeatedly; and

5. Where it is necessary for the public interests or where the business run by any telecommunications business operator is not impeded, which is prescribed by the Enforcement Decree.

Article 31 (Use of Transmission or Line Equipment, etc.)

(1) The composite cable TV business operator, transmission network business operator, or relay cable broadcasting business operator under the Broadcasting Act may provide the transmission or line equipment or the cable broadcasting equipment possessed under the methods prescribed by the Enforcement Decree to the key communications business operators.

(2) The composite cable TV business operator, transmission network business operator, or relay cable broadcasting business operator under the Broadcasting Act shall, when he intends to provide value-added communications services by making use of the transmission or line equipments or cable broadcasting equipments, make a report thereon to the Korea Communications Commission pursuant to Article 22 (1).

(3) The provisions of Articles 35 through 37 and 37 through 55 shall be applicable mutatis mutandis to the transmission or line equipment or cable broadcasting facilities under paragraph (1).

(4) The provisions of Article 28 (2) through (7) of the Framework Act on Telecommunications shall be applicable mutatis mutandis to the offer of services under paragraph (2).

Article 32 (Protection of Users)

(1) A telecommunications business operator shall take a prompt measure on the reasonable opinions or dissatisfactions raised by the users with respect to the telecommunications service. In this case, if it is difficult to take a prompt measure, he shall notify the users of the reasons thereof and the schedule for measures.

(2) Compensations for the damages incurred by the occurrence of reasons causing the opinions or dissatisfactions under paragraph (1) and by the delay of relevant measures shall be made pursuant to Article 33.

(3) A telecommunications business operator providing key communications services shall subscribe a guarantee insurance with the person designated by the Korea Communications Commission as beneficiary in an amount determined in accordance with the criteria specified under the Enforcement Decree of the Act and not exceeding the aggregate prepaid phone service charges to be received prior to providing prepaid phone services to be able to compensate losses to users arising from not being able to provide services after receiving service charges in advance. Provided, that the foregoing requirement may be waived in the case specified under the Enforcement Decree of the Act where such telecommunications business operator's financial capacity and services charges are taken in consideration

(4) The person designated as beneficiary under paragraph (3) shall distribute insurance proceeds received under the guarantee insurance under paragraph (3) to users who have not received services after paying services charges in advance.

(5) Details necessary in regard to the subscription, renewal and distribution of insurance proceeds under paragraph (3) and (4) shall be specified in the Enforcement Decree of the Act.

Article 32-2 (Notice of Excess of Maximum Limit of Fees)

(1) A telecommunications business operator utilizing frequencies assigned under the Radio Waves Act shall notify the users of any of the following facts when it occurs:

1. When a user exceeds the maximum limit of telecommunications service fees initially committed by the user;

2. When any fees incurred from using international telecommunications services such as international call are charged to a user.

(2) Any matters necessary for users subject to notice or method of notice under paragraph (1) shall be determined and publicly announced by the Korea Communications Commission.

[This Article amended by Act No. 10656, May 19, 2011]
[Enforcement date: July 18, 2012]

Article 33 (Compensation for Damages)

A telecommunications business operator shall make compensations when he inflicts any damages on the users in the course of providing telecommunications services: Provided, That if such damages are the results of force majeure, or of intent or negligence of the users, the relevant liability for compensations shall be reduced or exempted.

CHAPTER IV PROMOTION OF COMPETITION AMONG THE TELECOMMUNICATIONS BUSINESS

Article 34 (Promotion of Competition)

(1) The Korea Communications Commission shall exert efforts to construct an efficient competition system and to promote fair competitive environments, in the telecommunications services.

(2) The Korea Communications Commission shall conduct annual evaluation of competition system with respect to key communications business in order to construct an efficient competition system and to promote fair competition in the telecommunication services industry pursuant to paragraph (1)above.

(3) The specific evaluation standards, procedure and method for evaluating competition system under paragraph (2) above shall be prescribed by the Enforcement Decree.

Article 35 (Provision of Facilities, etc.)

(1) A key communications business operator or an institution constructing, operating and managing road, railroad, subway, water supply/sewage, electric poles, cables, telecommunications line facilities (“facility management institution”) may, upon receipt of a request for the provision of conduit line, common duct, electric poles, cables, operation sites and other facilities (including telecommunication facilities, hereinafter the same) or facilities (“facilities, etc.”) from other key communications business operator, provide the facilities, etc. by concluding an agreement with him.

(2) A key communications business operator falling under any of the following subparagraphs shall, upon receipt of a request under paragraph (1), provide the facilities, etc. by concluding an agreement, notwithstanding the provisions of paragraph (1), provided that the foregoing is not applicable in case there is a usage plan, etc. of the facility management institution:

1. A key communications business operator who possesses the equipments which are indispensable for other telecommunications business operators in providing the telecommunications services; and

2. Each of the following facility management institutions owning conduit line, common duct, electric pole, cable and other facilities, etc.

    A. the Korea Expressway Corporation organized under the Korea Highway Corporation Act

    B. the Korea Water Resources Corporation organized under the Korea Water Resources Corporation Act

    C. the Korea Electric Power Corporation organized under the Korea Electric Power Corporation Act

    D. the Korea Rail Network Authority organized under the Korea Rail Network Authority Act

    E. local public enterprises under Local Public Enterprise Act

    F. municipalities under Local Autonomy Act

    G. the Regional Construction Management Administration under the Road Act

3. A key communications business operator whose business scale and market shares, etc. of key communications services are equivalent to the criteria as determined by the Enforcement Decree.

(3) The Korean Communications Commission shall set forth and publicly notify the scope of facilities, etc., the conditions, procedures and methods for the provision of facilities, and the standards for calculation of prices under paragraphs (1) and (2). In this case, the scope of facilities, etc. to be provided under paragraph (2) shall be determined in view of the demand for facilities, etc. by the key communications business operators and facility management institution falling under each subparagraph of the same paragraph.

(4) A telecommunications business operator in receipt of provisions of the facilities, etc. may install the apparatus enhancing the efficiency of the relevant facilities, within the limit necessary for the provision of the licensed telecommunications services.

(5) For efficient use and management of facilities, etc., the Korea Communications Commission may request data on facilities, etc., from telecommunications business operators and facility management institutions in a manner specified under the Enforcement Decree of the Act. In this case, the pertinent telecommunications business operator or facility management institution shall honor such demand unless there are reasonable grounds for not doing so.

(6) For provision of facilities, etc. under paragraphs (1) and (2), the Korea Communications Commission may appoint an expert institution.

(7) Details necessary for appointment and operation guidelines for expert institutions under paragraph (6) shall be determined and announced by the Korea Communications Commission.

Article 36 (Joint Utilization of Subscriber's Lines)

(1) A key communications business operator shall, in case where other telecommunications business operators as determined and publicly noticed by the Korea Communications Commission have made a request for a joint utilization with respect to the lines installed in the section from the exchange facilities directly connected with the users to the users (hereafter in this Article, referred to as the "subscriber's lines"), allow it.

(2) The Korea Communications Commission shall set forth and publicly notify the scope of joint utilization of the subscriber's lines under paragraph (1), its conditions, procedures and methods, and the standards for calculation of prices.

Article 37 (Joint Utilization of Radio Communications Facilities)

(1) A key communications business operator may, upon receipt of a request for the joint utilization of radio communications facilities (hereinafter referred to as the "joint utilization") from other key communications business operators, allow it by concluding an agreement. In this case, the prices for the joint utilization among the key communications business operators as set forth and publicly notified by Korea Communications Commission shall be computed and settled accounts by a fair and reasonable means.

(2) The key communications business operators as determined and publicly notified by the Korea Communications Commission shall, upon receipt of a request for the joint utilization from other key communications business operators as determined and publicly notified by the Korea Communications Commission, allow it by concluding an agreement, notwithstanding the provisions of paragraph (1), in order to enhance the efficiency of the telecommunications business and to protect the users.

(3) The Korea Communications Commission shall set forth and publicly notify the standard for computing the prices for joint utilization under the latter part of paragraph (1) and its procedures and payment methods, etc., and the scope of joint utilization under paragraph (2), its conditions, procedures and methods, and the computation of prices, etc.

Article 38 (Wholesale Provision of Telecommunication Services)

(1) Upon request from other telecommunication business operator, a key communications business operator may enter into an agreement to allow such telecommunication business operator to resell the telecommunication services it provides to users ("resale") by providing such services to such other telecommunication business operator or permitting part or all of the telecommunication facilities necessary for such provision of telecommunication services ("wholesale provision").

(2) To encourage competition in the telecommunication industry, the Korea Communications Commission may, upon request from a telecommunication business operator, designate and announce telecommunication s services ("designated wholesale services") of a key communications business provider which would need to enter into an agreement for wholesale provision ("designated wholesale provider"). In this case, designated wholesale services of the designated wholesale provider shall be selected from telecommunication services of key communications business providers satisfying the criteria specified in the Enforcement Decree of the Act which would take into consideration business size and market share.

(3) After evaluating the competition status of the communications market each year, if the Korea Communications Commission determines that the competition in the telecommunications industry has increased to the degree where the sufficient wholesale of telecommunications services have been provided or the set criteria are not met, it may withdraw its designation of designated wholesale services of the designated wholesale provider.

(4) The Korea Communications Commission shall determine and announce the terms and conditions of the wholesale provision when the designated wholesale provider enters into an agreement about the designated wholesale services. In this case, the consideration shall be calculated on the basis of subtracting avoidable costs (costs that the key communications business operator can avoid when not providing services directly to users) from retail prices of the designated wholesale services.

(5) Upon request for wholesale provision from other telecommunications business operator, a key communications business operator shall enter into an agreement within 90 days unless there are special reasons and shall report such agreement to the Korea Communications Commission in a manner specified in the Enforcement Decree of the Act within 30 days from the execution of such agreement. The same applies in the case of a change or abolition of the agreement.

(6) An agreement under paragraph (5) shall satisfy the criteria announced by the Korea Communications Commission under paragraph (4).

[Paragraphs (2) through (4) shall be effective until September 22, 2013 under Article 2 of the Addenda to the Act No. 10166 (2010.3.22)]

Article 39 (Interconnection)

(1) A telecommunications business operator may allow the interconnection by concluding an agreement, upon a request from other telecommunications business operators for an interconnection of telecommunications facilities.

(2) The Korea Communications Commission shall set forth and publicly notify the scope of interconnections of telecommunications facilities, the conditions, procedures and methods, and the standards for calculation of prices under paragraph (1).

(3) Notwithstanding the provisions of paragraphs (1) and (2), the key communication business operators falling under any of the following subparagraphs shall allow the interconnection by concluding an agreement, upon receipt of a request under paragraph (1):

1. A key communications business operator who possesses such facilities as are indispensable for a provision of telecommunications services by other telecommunications business operators; and

2. A key communications business operator whose business size of key communications services and the ratio of market shares are compatible with the standards as determined by the Enforcement Decree.

Article 40 (Prices of Interconnection)

(1) Prices for using the interconnection shall be calculated by a fair and proper means and deducted from each other's accounts. The detailed standards for such calculation, their procedures and methods shall be governed by the standards of Article 39 (2).

(2) A telecommunications business operator may deduct the prices for interconnection from each other's accounts under the conditions as prescribed by the standards under Article 39 (2), if he suffers any disadvantages due to the causes of no liability on his part, in the method of interconnection, the quality of connected conversations, or the provision of information required for interconnection, etc.

Article 41 (Joint Use, etc. of Telecommunications Facilities)

(1) A key communications business operator may allow an access to or a joint use of the telecommunications equipment or facilities by concluding an agreement, upon receipt of a request from other telecommunications business operators for an access to or a joint use of the telecommunications equipment or facilities such as pipes, cables, poles, or stations of the relevant key communications business operator, for the establishment or operation of facilities required for interconnection of telecommunications facilities.

(2) The Korean Communications Commission shall set forth, and make a public notice of, the scope, conditions, procedures and methods for an access to or a joint use of telecommunications equipment or facilities, and the standards for computation of prices under paragraph (1).

(3) Notwithstanding the provisions of paragraph (1), a key communications business operator falling under any of the following subparagraphs shall allow an access to or a joint use of the telecommunications equipment or facilities under paragraph (1) by concluding an agreement, upon a receipt of request under paragraph (1):

1. A key communications business operator who possesses such facilities as are indispensable for a provision of telecommunications services by other telecommunications business operators; and

2. A key communications business operator whose business size of key communications services and the ratio of market shares are compatible with the standards as determined by the Enforcement Decree.

Article 42 (Provision of Information)

(1) A key communications business operator may provide requested information by concluding an agreement, upon a receipt of request from other telecommunications business operators for a provision of information related to technological information or the user’s personal matters which are required for a provision or wholesale provision of facilities, etc., interconnection, or joint use, etc. and imposition and collection of fees and a guide to the telecommunications number.

(2) The Korean Communications Commission shall set forth, and make a public notice of, the scope, conditions, procedures and methods for a provision of information, and the standards for computation of prices under paragraph (1).

(3) Notwithstanding the provisions of paragraph (1), a key communications business operator falling under any of the following subparagraphs shall provide the requested information by concluding an agreement, upon a receipt of request under paragraph (1):

1. A key communications business operator who possesses such facilities as are indispensable for a provision of telecommunications services by other telecommunications business operators; and

2. A key communications business operator whose business size of key communications services and the ratio of market shares are compatible with the standards as determined by the Enforcement Decree.

(4) A key communications business operator under paragraph (3) shall set forth the technical standards required for a use by other telecommunications business operators or users by means of a connection of a monitor and other telecommunications equipment on the relevant telecommunications facilities, the standards for use and provision, and other standards required for a creation of fair competitive environments, and make a public notice thereof by obtaining approval from the Korea Communications Commission.

Article 43 (Prohibition of Information Diversion)

(1) A telecommunications business operator shall not divulge any information concerning an individual user which has been obtained due to a provision of his own service, a provision of facilities, etc., wholesale provision, an interconnection or joint use, etc. Provided, That the same shall not apply, when there exists the consent of the principal or the case under a lawful procedure pursuant to the provisions of the Acts.

(2) A telecommunications business operator shall use the technological information or personal data of users obtained under Article 42(1) and (3) within the context of purposes thereof, and may not use it unjustly, or provide it to the third parties.

Article 44 (Report, etc. of Agreement on Interconnection, etc.)

(1) A key communications business operator and facility management institution shall conclude an agreement under Article 35 (1) and (2), the earlier part of 37 (1), 39 (1), 41 (1) or 42 (1) within ninety days unless there exist any special reasons and report it to the Korea Communications Commission in a manner specified in the Enforcement Decree of the Act within 30 days from the execution of such agreement, upon receipt of a request from

other telecommunications business operators for a provision, a joint utilization, an interconnection or a joint use, etc. of telecommunications facilities, or a provision of information. The same applies in the case of a change or abolition of the agreement.

(2) Notwithstanding the provision of paragraph (1), in case of an agreement in which a key communications business operator under the latter part of Article 37 (1) and (2), Articles 39 (3), 41 (3), and 42 (3) is a party concerned, shall enter into an agreement within 90 days upon receipt of the request, unless there is a special reason, and the key communications business operator receiving the request shall apply for authorization to the Korea Communications Commission in a manner specified in the Enforcement Decree of the Act within 30 days from the execution of the Agreement and reveal the contents of the agreement within 30 days from the authorization date. The same applies in the case of a change or abolition of the agreement

(3) The agreement under paragraphs (1) and (2) shall meet the standards which are publicly notified by the Korea Communications Commission under Articles 35 (3), 37 (3), 39 (2), 41 (2)or 42 (2).

(4) The Korea Communications Commission may, if any application for authorization referred to in paragraph (2) needs supplemented, order such application for authorization supplemented for a fixed period.

(5) The agreement under Articles 41 (1) and 42 (1) may be concluded by an inclusion in the agreement under Article 39 (1).

Article 45 (Ruling of the Korea Communications Commission)

(1) A telecommunications business operator or user may request to the Korea Communications Commission for an arbitration if they fail to agree on are not able to agree on any of the following:

1. indemnification under Article 33

2. execution of an agreement within a 90-day period regarding provision of facilities, etc. interconnection, joint use or provision of information, etc.

3. performance or indemnification under an agreement regarding provision of facilities, etc. interconnection, joint use or provision of information, etc

4. other disputes concerning telecommunications business or matters specified as subject to the Korea Communications Commission’s ruling under other bodies of law

(2) Upon receipt of the request for an arbitration under paragraph (1), the Korea Communications Commission shall notify the parties of that fact and set a timeline for providing them with a chance to make their cases, provided that the foregoing is not applicable if a relevant party does not submit to the procedures without any justifiable reason.

(3) The Korea Communications Commission shall make a ruling within 90 days from the request for arbitration provided that such period may be extended by one additional 90-days upon the resolution of the Korea Communications Commission if it is not possible to make a ruling within the original 90-day period for any unavoidable reason.

(4) If any part to the arbitration files a suit during the arbitration proceeding, the Korea Communications Commission shall suspend the arbitration proceeding and notify the other party of that fact. The same applies if it is found out that a lawsuit was filed prior to the receipt of request for arbitration.

(5) When it has made a ruling for the request made under paragraph (1), the Korea Communications Commission shall provide such written ruling to the parties without delay.

(6) Within 60 days from the date on which the originals of written ruling of the Korea Communications Commission were sent to the parties, if no lawsuit regarding the dispute between the parties to the arbitration has been filed or such lawsuit has been withdrawn or the parties clearly indicate their acceptance of the ruling to the Korea Communications Commission, an agreement equivalent to the contents of the ruling shall be deemed to have been made.

Article 46 (Solicitation for Outside Arbitration)

If the Korea Communications Commission, upon receiving request for arbitration under Article 45(1), deems that it is inappropriate to conduct arbitration or is necessary for other reasons, it may form a separate commission for each dispute and solicit for outside arbitration.

Article 47 (Demand for Attendance, Hearing, etc.)

When necessary for proceeding with the arbitration case, the Korea Communications Commission may on its own motion or upon request from a party take any of the following actions:

1. demand for attendance of a party or witness and hold a hearing

2. demand for appraisal to an appraiser

3. demand for submission of documents or objects relevant for the dispute and provisional seizure of the documents or objects so submitted.

Article 48 (Management Plan for Telecommunications Number)

(1) The Korea Communications Commission shall formulate and enforce the management plan for telecommunications number, in order to make an efficient provision of telecommunications service, and the promotion of user's convenience and of the environments of fair competition among telecommunications business operators.

(2) The Korea Communications Commission shall, when he has formulated the plans under paragraph (1), make a public notice thereof. This shall also apply to any alterations in the established plan.

(3) A telecommunications business operator shall observe the matters publicly noticed under paragraph (2).

Article 49 (Accounting Adjustment)

(1) A key communications business operator shall adjust the accounting, prepare a business report for the preceding year by the end of within 3 months after the end of each fiscal year, and submit it to the Korea Communications Commission, under the conditions as determined by the Enforcement Decree, and keep the related books and authoritative documents.

(2) The Korea Communications Commission shall, when it intends to determine the matters of accounting adjustments under paragraph (1), go in advance through a consultation with the Minister of Strategy and Finance.

(3) The Korea Communications Commission may verify contents of any business report submitted by any key communications business operator in accordance with paragraph (1).

(4) The Korea Communications Commission may, if it is necessary to conduct the verification referred to in paragraph (3), order the relevant key communications business operator to submit related material or launch inspection necessary to ascertain the facts.

(5) The Korea Communications Commission shall, when it intends to launch inspection in accordance with paragraph (4), notify the relevant key communications business operator of the plans of such inspection including inspection period, reasons, and contents of the inspection within seven (7) days prior to the scheduled date of inspection.

(6) A person verifying the contents pursuant to paragraph (4) shall present the proof of the authorization therefor and give documents indicating his name, stay period and purpose of entrance to related party at the time of his first entrance.

Article 50 (Prohibited Act)

(1) A telecommunications business operator shall not commit any of the following acts (hereinafter referred to as “prohibited act”) which undermines or is feared to undermine fair competition or users’ interests, or have other telecommunications business operators or the third parties commit such act:

1. Act of imposing unfair or unreasonable condition or restriction in a provision, a joint utilization, a joint using, an interconnection, a joint use or a wholesale provision of facilities, etc. or a provision of information, etc.;

2. Act of unfairly refusing a conclusion of agreement, or act of non-performance of the concluded agreement without any justifiable reasons in a provision, a joint utilization, a joint using, an interconnection, a joint use or a wholesale provision of facilities, etc. or a provision of information, etc.;

3. Act of unfairly diverting the information of other telecommunications business operators to his own business activities, which have been known to him in the course of a provision, a joint utilization, a joint using, an interconnection, a joint use or a wholesale provision of facilities, etc., or a provision of information, etc.;

4. Act of computing the fees, etc. for a use of telecommunications services, or the prices for a provision, a joint utilization, a joint using, an interconnection, a joint use or a wholesale provision of facilities, etc. or a provision of information, by unfairly itemizing the expenses or revenues;

5. Act of rendering the telecommunications services in a manner different from the standardized terms and conditions (the standardized terms and conditions refers to only those of which was reported or approved as pursuant to the Article 28 (1) and (2)) or act of rendering the telecommunications services in a manner which significantly undermines the profits of users;

6. Act of setting and maintaining the compensation for a provision, a joint utilization, a joint using, an interconnection, a joint use or a wholesale provision of facilities, etc. or a provision of information, unreasonably high compared to its supply costs

7. Act of refusing or restricting fair allocation of income in a transaction where telecommunications services using the radio waves assigned under the Act on Radio Waves are to be used to provide digital contents

(2) When any person acting on behalf of any telecommunications business operator under a contract therewith in executing contracts between such telecommunications business operator and its users (including making any amendment to such contracts) commits any act falling under paragraph (1)5, his act shall be deemed the act committed by such telecommunications business operator and only the provisions of Articles 52 and 53 shall apply to such act: Provided, That the same shall not apply to a case where the relevant telecommunications business operator has paid reasonable attention to the prevention of such act.

(3) Necessary matters concerning categories of and standards for the prohibited act referred to in paragraph (1) shall be prescribed by the Enforcement Decree.

Article 51 (Investigation of Fact)

(1) In the event the Korea Communications Commission believes that activities in violation of Article 50(1) have been committed, it may order the relevant public official belonging to the Korea Communications Commission to conduct investigation thereof.

(2) The Korea Communications Commission may order public officials belonging to the Korea Communications Commission to enter into the offices or workplaces of the telecommunications business operators or the workplaces of the persons entrusted with handling of the business of telecommunications business operators (limited, throughout this Article, to telecommunications business operators entrusted with work related to Article 50) and inspect books, documents and other data and objects.

(3) In the event any investigation is to be conducted pursuant to paragraph (1), the Korea Communications Commission shall notify the relevant telecommunications business operator at least seven (7) days prior to the expected date of investigation with information on the duration, purpose and content of the investigation. Provided, this provision may not apply in the event of emergency or if there is risk that the evidence will be destroyed.

(4) A person who investigates by visiting the offices or workplaces of the telecommunications business operators, or the workplaces of the persons handling, under an entrustment, the business of telecommunications business operators, under paragraph (2) shall carry a certificate indicating the authority, and present it to the persons concerned. He also should be accompanied by the person of the corresponding offices or workplaces.

(5) A public official who investigates pursuant to paragraph (2) may order telecommunications business operators or persons entrusted with handling of the business of telecommunications business operators to submit any necessary information or object. In the event there is a possibility of abandonment, concealment, or replacement of the information or object so submitted, the public official may temporarily take them into custody.

(6) The Korea Communications Commission shall immediately return the information or object under its custody if it falls under any one of the following:

1. It is deemed, after an examination of the information or object under the custody, that it has no relevance to the current investigation.

2. The purpose of investigation is fully accomplished so that keeping the information or object under its custody is no longer necessary.

Article 52 (Measures on Prohibited Acts)

(1) The Korea Communications Commission may order any telecommunication business operator to take the measures falling under each of the following subparagraphs when it is recognized that any act in violation of paragraph 1 of Article 50 has been committed:

1. Separation of the supply system of telecommunications service;

2. Change of internal accounting regulations, etc. concerning telecommunications service;

3. Disclosure of information concerning telecommunications service;

4. Conclusion, performance or change of contents of the agreement between the telecommunications business operators;

5. Change of the standardized terms and conditions and the articles of incorporation of the telecommunications business operators;

6. Suspension of prohibited acts;

7. Public announcement of a fact of receiving a correction order due to committing the prohibited acts;

8. Measures necessary for restoring the violated matters due to the prohibited acts to their original status, such as the removal of telecommunications facilities which have caused the prohibited acts;

9. Improvement of business conduct procedures regarding telecommunications service;

10 Prohibition of soliciting new users (for a period not exceeding 3 months and limited to cases where the same violation has occurred for 3 times or more despite sanctions under subparagraphs 1 through 9 or where such sanctions are deemed insufficient to prevent harm to users); and

11. Such other matters prescribed by the Enforcement Decree as may be necessary for the measures referred to in subparagraphs 1 through 10.

(2) The telecommunications business operators shall execute any order issued by the Korea Communications Commission under paragraph (1) within the period specified by the Enforcement Decree: Provided, That the Korea Communications Commission may extend the relevant period only once, if it is deemed that the telecommunications business operators are unable to carry out the order within the specified period due to natural disasters and other unavoidable causes.

(3) The Korea Communications Commission shall, before ordering the measures under paragraph (1), notify the parties concerned of the content of relevant measures, and provide them with an opportunity to make a statement within a specified period, and may hear, where deemed necessary, demand for attendance of an interest party or

witness, hearing or appraiser by an appraiser.: Provided, That this shall not apply when the parties concerned fail to respond without any justifiable reasons.

(4) In the event five (5) years have passed from the date on which any acts committed in violation of paragraph 1 of Article 50 have been terminated, the Korea Communications Commission shall not order any measures pursuant to paragraph 1 or impose a penalty surcharge pursuant to Article 53. Provided, this provision shall not apply if any measure or imposition of penalty surcharge is cancelled by court order and a new measure is to be taken pursuant to that court order.

Article 53 (Imposition, etc. of Penalty Surcharge on Prohibited Acts)

(1) The Korea Communications Commission may, in case where there exists any act in violation of paragraph 1 of Article 50, impose a penalty surcharge not exceeding 3/100 of the turnover as prescribed by the Enforcement Decree on the relevant telecommunications business operator. If the telecommunications business operator refuses to submit the data used for calculation of the amount of turnover or submits erroneous data, an estimate of the amount can be assessed based on the financial statement of those who provide similar services in the same industry (accounting documents, number of subscribers, usage fee and business operation status): Provided, That where there is no turnover or it is difficult to calculate the turnover as prescribed by the Enforcement Decree, it may impose the penalty surcharge not exceeding one billion won.

(2) The Korea Communications Commission may impose on a key communications business operator that submits a business report under Article 49 a find up to 3% of its revenue as determined in a manner specified under the Enforcement Decree of the Act if it commits any of the following:

1. failure to submit a business report under Article 49 or to abide by an order to submit relevant information

2. omission of a material item or inclusion of a false statement in a business report under Article 49

3. failure to adjust the accounting or keep the related books and authoritative documents in violation of Article 49(1)

(3) The Korea Communications Commission shall, in the event of imposing a penalty surcharge under paragraph (1) or (2), take each of the following into consideration.

1. details of violation and the extent thereof

2. duration and frequency of violation

3. amount of profit obtained in connection with the violation

4. the amount of turnover obtained as a result of the prohibited activities or adjustment of the accounting of the telecommunications business operator.

(4) A penalty surcharge under paragraph (1) or (2) shall be calculated taking paragraph (3) into consideration, provided specific calculation standard and procedure shall be set forth by the Enforcement Decree.

(5) The Korea Communications Commission shall, where a person liable to pay a penalty surcharge under paragraph (1) or (2) fails to do so by the payment deadline, collect an additional due equivalent to 6/100 per year, with respect to the penalty surcharge in arrears, from the day following the expiry of such payment deadline.

(6) The Korea Communications Commission shall, where a person liable to pay a penalty surcharge under paragraph (1) or (2) fails to do so by the payment deadline, demand him to pay it with fixing a period, and if he fails to pay the penalty surcharge and an additional due under paragraph (5) within the fixed period, collect them according to the example of a disposition taken to collect the national taxes in arrears.

(7) In the event the penalty surcharge imposed under paragraph (1) or (2) is to be returned pursuant to the court order, an additional due equivalent to 6/100 per year with respect to the penalty surcharge in arrears(accrued from the day of payment to the day of payment) shall be paid.

Article 54 (Relations with Other Acts)

In case where a measure is taken under Article 52 or a penalty surcharge is imposed under Article 53 against the acts in violation of paragraph (1) of Article 50, a corrective measure or an imposition of penalty surcharge under the Monopoly Regulation and Fair Trade Act shall not be made under the same grounds against the same acts of the relevant business operator.

Article 55 (Compensation for Damages)

In case where a correction measure has been taken under Article 52 (1), a person who is damaged by the prohibited act may claim for compensation against the telecommunications business operator who conducted the prohibited act, and the relevant telecommunications business operator may not shirk liability unless he can prove that there was no malicious intention or negligence.

Article 56 (Quality Improvement of Telecommunications Services)

(1) A telecommunications business operator shall endeavor to make a quality improvement of the telecommunications services he provides.

(2) The Korea Communications Commission shall devise the required policy measures, such as an evaluation of quality of the telecommunications services, in order to improve a quality of telecommunications services and to enhance the conveniences of users.

(3) The Korea Communications Commission may order the telecommunications business operator to furnish data necessary for an evaluation of quality of the telecommunications services, etc. under paragraph (2).

Article 57 (Prior Selection Systems)

(1) The Korea Communications Commission shall perform the systems in which the users may select in advance the telecommunications business operator from whom they desire to receive the telecommunications service (hereinafter referred to as the “prior selection systems”). In this case, the telecommunications service shall refer to the telecommunications service as determined by the Enforcement Decree from among the same telecommunications service provided by the plural number of telecommunications business operators.

(2) The telecommunications business operator shall not force the users to select in advance a specified telecommunications business operator, or commit the acts to recommend or induce by unlawful means.

(3) The Korea Communications Commission may, for the purpose of performing the prior selection systems efficiently and neutrally, designate the specialized institutes performing the registration or alteration affairs of the prior selection (hereinafter referred to as the “prior selection registration center”).

(4) The Korea Communications Commission shall determine and publicly notify the matters necessary for performing the prior selection systems and for the designation of the prior selection registration center and the method of dealing with its affairs, etc.

Article 58 (Mobility of Telecommunication Numbers)

(1) The Korea Communications Commission may, in order that the users are able to maintain their previous telecommunications numbers despite of the changes of the telecommunications business operators, etc., devise and perform the plans for mobility of telecommunications numbers (hereafter in this Article, referred to as the “plans for mobility of numbers”).

(2) The plans for mobility of numbers shall contain the contents falling under any of the following subparagraphs:

1. Kinds of services subject to the mobility of telecommunications numbers;

2. Time for introduction by service subject to the mobility of telecommunications numbers; and

3. Matters on sharing the expenses required for the performance of mobility of telecommunications numbers by telecommunications business operator.

(3) The Korea Communications Commission may, in order to perform the plans for mobility of numbers, order the relevant telecommunications business operators to take the necessary measures.

(4) The Korea Communication Commission may designate an institution specializing in the work of registration and alteration of the mobility of numbers (hereinafter referred to as the "mobility of numbers management institution") to efficiently and neutrally implement the mobility of numbers of the telecommunications.

(5) The Korea Communication Commission shall prescribe and publish necessary matters concerning the implementation of the mobility of numbers of the telecommunications, the designation of any mobility of numbers management institution and its work, etc.

Article 59 (Restrictions, etc. on Mutual Possession of Stocks)

(1) Where a key communications business operator falling under Article 39 (3) 1 or 2 (including the specially-related persons) possesses in excess of 5/100 of the gross number of voting stocks issued by the mutually different key communications business operators, shall not be allowed to exercise any voting rights with regard to the stocks in excess of the relevant ceiling.

(2) Provisions of paragraph (1) shall not apply to the relation of possessions between a key communications business operator falling under Article 39 (3) 1 or 2 and the key communications business operator established by the said key communications business operator by becoming the largest stockholder.

Article 60 (Provision of Directory Assistance Service)

(1) The telecommunications business operator shall provide an information service of guiding the general public to the telecommunications numbers of the users by means of voice, booklets or Internet, etc. (hereinafter referred to as the "directory assistance service") by obtaining a consent of the users: Provided, That the same shall not apply to the minor business determined and publicly announced by the Korea Communications Commission by taking account of the numbers of the users and the turnovers, etc.

(2) If necessary for the protection of private personal information, the Korea Communications Commission may limit the provision of the directory assistance service.

(3) Matters necessary for a provision of the directory assistance service may be stipulated by the Enforcement Decree.

CHAPTER V TELECOMUNICATIONS FACILITIES

Section 1. Commercial Telecommunication Facilities

Article 61 (Maintenance and Repair of Telecommunications Facilities)

For stable provision of its telecommunications services, a telecommunications business operator shall maintain and repair the telecommunications facilities it provides up to technical specifications specified under the Enforcement Decree of the Act for stable supply of telecommunications.

Article 62 (Report and Authorization of Telecommunications Facilities Installation)

(1) When a key communications business operator seeks to install or modify a significant telecommunications facilities, it shall report it to the Korea Communications Commission in a manner specified under the Enforcement Decree of the Act. Provided, that for the telecommunications facilities installed for the first time for new telecommunication technology, an authorization from the Korea Communications Commission shall be obtained in a manner specified in the Enforcement Decree of the Act.

(2) The scope of significant telecommunications facilities under paragraph (1) shall be determined and announced by the Korea Communications Commission.

Article 63 (Joint Installation of Telecommunications Facilities)

(1) A key communications business operator may agree with another key communications business operator to jointly install and use telecommunications facilities.

(2) When key communications business operators negotiate with each other under paragraph (1), the Korea Communications Commission may conduct a research on necessary information and provide it to them in a manner specified under the Enforcement Decree of the Act.

(3) For efficient research under paragraph (2), the Korea Communications Commission may engage an expert institution in the telecommunications area to conduct such research in a manner specified under the Enforcement Decree of the Act.

(4) The Korea Communications Commission may recommend joint installation of telecommunications facilities under paragraph (1) to key communications business operators in a manner specified under the Enforcement Decree in any of the following cases:

1. where no agreement is reached under paragraph (1) and request is made by one of the key communications business operators

2. where it is deemed necessary for the public good

(5) If a key communications business operator fails to reach an agreement on the use of land or buildings owned by the government, public agencies under the Act on the Management of Public Agencies ("public agencies" in this Article) or another key communications business operator when such use is necessary for joint installation of telecommunications facilities, it may request for help from the Korea Communications Commission on use of such land or building.

(6) Upon receiving the request for help under paragraph (5), the Korea Communications Commission may make a demand to the head of the government entities, municipalities, public agencies or the other key communications business operator for reaching an agreement with the use of relevant land or building with the key communications business operator making the request for help. in this case, the head of the government entities, municipalities, public agencies or the other key communications business operator shall make such agreement unless there is a justifiable reason.

Section 2. PROPRIETARY TELECOMMUNICATIONS FACILITIES

Article 64 (Installation of Proprietary Telecommunications Facilities)

(1) A person seeking to install proprietary telecommunications facilities shall make a report to the Korea Communications Commission in a manner specified under the Enforcement Decree of the Act. The same applies when an important aspect of reporting items as specified under the Enforcement Decree is sought to be modified.

(2) Notwithstanding paragraph (1), in case of wireless proprietary telecommunications facilities and military telecommunications facilities and others where other bodies of law are applicable, such bodies of law shall be applicable.

(3) A person who has made a report on installation or modification of proprietary telecommunications facilities under paragraph (1) shall receive confirmation from the Korea Communications Commission in a manner specified under the Enforcement Decree of the Act when such installation or modification construction is complete and before commencement of its use.

(4) Notwithstanding paragraph (1), certain proprietary telecommunications facilities specified under the Enforcement Decree of the Act may be installed without filing a report.

Article 65 (Restriction on Non-Proprietary Use)

(1) A person who has installed proprietary telecommunications facilities may not use such facilities to interconnect other's communication or operate it outside its installation purposes, provided that the foregoing is not applicable in cases where other bodies of law have special provisions of any of the following is applicable:

1. use by a person in law enforcement of disaster rescue industries for law enforcement or emergency rescue operation

2. use by a specially related person of the installer of proprietary telecommunications facilities as announced by the Korea Communications Commission

(2) A person who has installed proprietary telecommunications facilities may provide telecommunications facilities such as conduit line to a key communications business operator In a manner specified under the Enforcement Decree of the Act.

(3) Articles 35, 44 (excluding paragraph (5)) and 45 through 47 shall be applicable in case of provision of facilities under paragraph (2).

Article 66 (Securing Communication Lines in Case of Emergency)

(1) When a war, accident or natural disaster or other national emergency has happened or is likely to happen, the Korea Communications Commission may order a person who has installed proprietary telecommunications facilities to engage in telecommunications services or other important communications services or connect the telecommunications facilities to other telecommunications facilities. In this case, Articles 28 through 55 shall be applicable.

(2) When the Korea Communications Commission deems necessary for the purposes of paragraph (1), may order a key communications business operator to handle such task.

(3) The costs of performing the task or interconnecting facilities under paragraph (1) shall be borne by the government, provided that when proprietary telecommunications facilities are used for telecommunications services, the key communications business operator receiving such service shall bear its costs.

Article 67 (Order on the Person Installing Proprietary Telecommunications Facilities, Etc.)

(1) When a person who has installed proprietary telecommunications facilities fails to abide by the Act or order under this Act, the Korea Communications Commission may order a corrective measure to be carried out within a specific time frame.

(2) If a person who has installed proprietary telecommunications facilities falls under any of the following, the Korea Communications Commission may order a cessation of use for a period not exceeding one year:

1. failure to carry out the corrective order under paragraph (1)

2. use of proprietary telecommunications facilities without receiving confirmation in violation of Article 64(3)

3. interconnection of other’s communication or use of proprietary telecommunications facilities outside its installation purposes in violation of Article 65(1)

(3) When the Korea Communications Commission deems that proprietary telecommunications facilities are interfering with other’s telecommunications or likely to harm other’s telecommunications facilities, it may order the person who installed such facilities to stop using, modify, repair or take other corrective measures.

Section 3. INTEGRATED MANAGEMENT OF TELECOMMUNICATIONS FACILITIES, ETC.

Article 68 (Installation of Common Duct or Conduit Line, etc.)

(1) A person installing or arranging any of the following (hereinafter referred to as the “facility installer”) shall solicit and reflect an opinion from a key communications business operator about installing a common duct or conduit line for telecommunications facilities, provided that the forgoing obligation does not apply when there is a special reason for not being able to honor the key communications business operator’s opinion.

1. road under Article 2(1)1 of the Road Act

2. railroad under Article 2(1) of the Railroad Enterprise Act

3. urban railroad under Article 3(1) of the Urban Railroad Act

4. industrial complex under Article 2(5) of the Industrial Sites and Development Act

5. free trade zone under Article 2(1) of the Act on Designation and Management of Free Trade Zone

6. airport area under Article 2(9) of the Aviation Act

7. port area under the Harbor Act

8. other facilities or land as specified under the Enforcement Decree of the Act

(2) An opinion set forth by key communications business operator about installation of common duct or conduit line under paragraph (1) shall satisfy the installation requirements for common duct specified under the Enforcement Decree of the Act.

(3) Articles 35, 44 (excluding paragraph (5)) and 45 through 47 shall be applicable in case of provision of common duct or conduit line installed under paragraph (1).

(4) When a facility installer is unable to reflect the opinion of key communications business operator under paragraph (1), it shall notify the key communications business operator of the reason for such inability within 30 days from the receipt of such opinion.

(5) When a facility installer does not reflect the opinion of key communications business under paragraph (1), the key communications business operator may ask for reconciliation from the Korea Communications Commission.

(6) When attempting reconciliation upon receipt of the reconciliation request under paragraph (5), the Korea Communications Commission shall consult with the head of relevant administrative organization in advance.

(7) Details necessary for reconciliation under paragraphs (5) and (6) shall be specified under the Enforcement Decree of the Act.

Article 69 (Installation of Telecommunication: Line Facilities for Internal Routing, etc.)

(1) A building under Article 2(1)2 of the Building Act shall install telecommunication line facilities for internal routing and set aside a certain area for connection with telecommunication grid facilities.

(2) Details on the scope of building, standards for installing telecommunication line facilities and the setting aside of a certain area for connection with telecommunication grid facilities shall be specified under the Enforcement Decree of the Act.

Article 70 (Integrated Management of Telecommunications Facilities, Etc.)

(1) For efficient management and operation of telecommunications facilities, the Korea Communications Commission may allow a key communications business operator designated in accordance with the criteria and procedures specified under the Enforcement Decree of the Act (hereinafter referred to as the "integrated telecommunications operator") to manage telecommunications facilities installed under this Act or other bodies of law and the relevant land, building or fixtures (hereinafter referred to as the "telecommunications facilities, etc.") on an integrated basis.

(2) When the Korea Communications Commission seeks to allow for integrated management of telecommunications facilities, etc. under paragraph (1), it shall establish a telecommunications facilities integrated management plan (hereinafter referred to as the "integrated management plan"), consult with the head of relevant administrative agencies, have it approved by the President after passing the cabinet review.

(3) An integrated management plan shall have the following:

1. subject, method and procedures of integration

2. management of telecommunications facilities, etc. for the post-integration period

3. other matters specified under the Enforcement Decree of the Act

(4) When it the Korea Communications Commission seeks to establish an integrated management plan, it shall consult with the installers of the telecommunications facilities, etc. to be integrated in advance.

Article 71 (Purchase of Telecommunications Facilities, Etc.)

(1) An integrated telecommunications operator may, when necessary for integrated management of telecommunications facilities, etc., request purchase of the relevant telecommunications, etc. In this case, the owners of the telecommunications facilities may not refuse such request without any justifiable reason.

(2) When purchase request is made by an integrated telecommunications operator under paragraph (1), telecommunications facilities, etc. directly or publicly owned by the government may be sold to the integrated telecommunications operator notwithstanding Article 27 of the State Properties Act or Article 19 of the Public Property and Commodity Management Act integrated telecommunications operator. In this case, details necessary for the calculation of sales price, sales procedures, payment of sales price, etc. shall be specified under the Enforcement Decree of the Act.

(3) Articles 67(1), 70, 71, 74, 75, 75-2, 76, 77 and 78(5) through (7) of the Act on the Acquisition of Land, etc. for Public works and the Compensation Therefor shall be applicable for the calculation of sales price, sales procedures, payment of sales price, etc. of the telecommunications facilities, other than those directly or publicly owned by the government, purchased by an integrated telecommunications operator.

Section 4. Installation and Preservation of Telecommunications Facilities

Article 72 (Use of Land, etc.)

(1) A key communications business operator may, when necessary for the installation of line tracks, aerial lines and the appurtenant facilities to be available for telecommunications service (hereinafter referred to as the "line tracks, etc."), make use of others' land, or buildings and structures appurtenant thereto, and surface and bottom of the water (hereinafter referred to as the "land, etc."). In this case, a key communications business operator shall make a consultation with owners or possessors of the relevant land, etc. in advance.

(2) Where a consultation under paragraph (1) is not or cannot be made, a key communications business operator may use the land, etc. owned by others, pursuant to the Act on the Acquisition of Land, etc. for Public Works and the Compensation therefor.

Article 73 (Temporary Use of Land, etc.)

(1) A key communications business operator may, when necessary for the measurement of line tracks, etc. and the installation or preservation works of the telecommunications facilities, temporarily use the private, national or public telecommunications facilities, and the land, etc., within the limit of not substantially impeding a current use.

(2) No one may, without any justifiable reason, interfere with the temporary use of telecommunications facilities, and land, etc., for the purposes of the measurement of line tracks, etc. and the installation or preservation works of the telecommunications facilities under paragraph (1).

(3) A key communications business operator shall, when intending to temporarily use the private, national or public property under paragraph (1), notify the possessors, in advance, of the purposes and period of such use: provided, that in case where it is difficult to make a prior notification, a prompt notification shall be made during or after its use, and in case where such notification of the purposes and period of such use may not be made due to an obscurity of address and whereabouts of possessors, a public notice thereof shall be made.

(4) The temporary period of use of the land, etc. under paragraph (1) shall not exceed six months.

(5) A person who temporarily uses the private, national or public telecommunication facilities or the land, etc. under paragraph (1) shall carry the certificate indicating the authority, and present it to the persons related.

Article 74 (Entry to Land, etc.)

(1) A key communications business operator may enter others' land, etc., when necessary for a measurement, examination, etc., for the installation and preservation of his telecommunications facilities: Provided, That in case where the place intended for such entry is a residential building, a consent from residents shall be obtained.

(2) No one may, without any justifiable reason, interfere with the temporary entry of telecommunications facilities, and land, etc., for the purposes of the measurement, examination, etc., for the installation and preservation of telecommunications facilities under paragraph (1).

(3) Article 73(3) and (5) shall be applicable in regard to providing notice and showing an identification when a person doing measurement or examination under paragraph (1) enters private or public land, etc.

Article 75 (Request for Elimination of Obstacles, etc.)

(1) A key communications business operator may request the owners or possessors of gas pipes, water pipes, drain pipes, electric lamp lines, electricity lines or private telecommunications facilities, which impede or are likely to impede the installation of line tracks, etc. or telecommunications facilities themselves (hereinafter referred to as the "obstacles, etc."), for the removal, remodeling, repair and other measures with respect to the relevant obstacles, etc.

(2) A key communications business operator may request the owners or possessors to remove the plants, when they may impede or are likely to impede the installation or maintenance of line tracks, etc. or telecommunications themselves.

(3) A key communications business operator may, when the owners or possessors of the plants do not comply with the request under paragraph (2) or there exist any other unavoidable reasons, fell or transplant the relevant plants by obtaining permission from the Korea Communications Commission. In this case, a prompt notification shall be made to the owners or possessors of the relevant plants.

(4) The owners or possessors of the obstacles, etc., which impede or are likely to impede the telecommunications facilities of a key communications business operator, shall make a consultation in advance with the key communications business operator, when they are in need of a new construction, enlargement, improvement, removal or alteration of the relevant obstacles, etc.

Article 76 (Obligation for Restoration to Original State)

A key communications business operator shall restore the relevant land, etc. to its original state, when a use of the land, etc. under Articles 72 and 73 is finished or a need of providing the land, etc. for telecommunications service is gone, and in case where a restoration to the original state becomes impossible, make a proper compensation for damages suffered by the owners or possessors.

Article 77 (Compensation for Damages)

A key communications business operator shall, in case of incurring damages on others in case of Article 73 (1), 74 (1) or 75, make a proper compensation to the suffered person.

Article 78 (Procedures for Compensation for Damages on Land, etc.)

(1) When a key communications business operator compensates under Article 76 or 77 for any of the following reasons, it shall consult with the person has incurred losses.

1. temporary use of land under Article 73(1)

2. entry in land, etc. under Article 74(1)

3. moving, modifying, repairing obstacles or removal of plants under Article 75

4. inability to restore to the original state under Article 76

(2) When a consultation under paragraph (1) is not or cannot be made, an application for adjudications shall be filed with the competent Land Expropriation Commission under the Act on the Acquisition of Land, etc. for Public Works and the Compensation therefor.

(3) Except for those as otherwise prescribed by this Act, the provisions of the Act on the Acquisition of Land, etc. for Public Works and the Compensation therefor shall be applied mutatis mutandis to the criteria, methods and

procedures regarding a compensation for damages, etc. to the land, etc. under paragraph (1), and an application for adjudications under paragraph (2).

Article 79 (Protection of Telecommunications Facilities)

(1) No person shall destruct the telecommunications facilities, and obstruct the flow of telecommunications by impeding the function of telecommunications facilities by means of having other objects contact them or by any other devices.

(2) No person shall stain the telecommunications facilities or damage the measurement marks of the telecommunications facilities by means of throwing objects to the telecommunications facilities or fastening an animal, vessel or a log raft thereto.

(3) A key communications business operator may, if necessary for the protection of submarine communications cable and their peripheral equipment (hereinafter referred to as the "Submarine Cable"), file an application to the Korea Communications Commission for the designation of alert areas for the Submarine Cable.

(4) Upon receiving an application pursuant to paragraph (3), the Korea Communications Commission may consider the necessity of such designation and may designate and publicly notify the alert areas for the Submarine Cable through consultation with the relevant state administrative agency.

(5) Designation applications, methods and procedures of such designation and its public notification, and methods of alert area indication shall be determined by the Enforcement Decree.

Article 80 (Moving of Facilities, etc.)

(1) The owners or possessors of the land, etc. may, in case where the telecommunications facilities of a key communications business operator have become an obstacle to a use of the land, etc. due to changes in the purpose of use or in the methods of using the land, etc. where such facilities are located, or the land adjacent to it, request a key communications business operator to move the telecommunications facilities, and take other measures necessary for removing the obstacles.

(2) A key communications business operator shall, upon receipt of a request under paragraph (1), take necessary measures, except for the cases where such measures are difficult to be taken for a business performance or technologies.

(3) Expenses necessary for taking the measures under paragraph (2) shall be borne by the person who provided the cause for the move or taking other measures necessary for removing the obstacles after the installation of the subject telecommunication facilities: Provided, That in the event the person who bears the expenses is the owner or possessor of the land and falls under any one of the following subparagraphs, the key communication business operator may reduce or exempt the person's expenses, considering the indemnification amount paid at the time of installation of the telecommunication facilities and the amount of time it took to build the telecommunication facilities:

1. where the key communication business operator establishes and implements a plan to move the telecommunication facilities or remove other obstacles;

2. where the moving the telecommunication facilities or removal of other obstacles is beneficial to other telecommunication facilities;

3. where the state or a local autonomous entity demands such moving of telecommunication facilities or removal of other obstacles; or

4. where the telecommunication facilities within private land are being removed because they greatly obstruct the use of such land.

Article 81 (Cooperation of Other Organizations, etc.)

A key communications business operator may ask the related public agencies for a cooperation, in case where the operation of vehicles, vessels, airplanes and other carriers for the installation and preservation of his telecommunications facilities is necessary. In this case, the public agency in receipt of a request for cooperation shall comply with it, unless there exist any justifiable reasons.

Article 82 (Inspection ● Report, Etc.)

(1) When necessary for establishing telecommunication policies and other cases specified under the Enforcement Decree of the Act, the Korea Communications Commission may inspect the facility status, accounting books and documents of installers of telecommunications facilities or demand them to make a report on the facilities.

(2) When there is an installer telecommunications facilities in violation of this Act, the Korea Communications Commission may order the removal of the relevant facilities or other necessary actions.

CHAPTER VI SUPPLEMENTARY PROVISIONS

Article 83 (Protection of Communication Secrecy)

(1) No person shall infringe on or divulge the secrecy of communication dealt with by telecommunications business operator.

(2) A person who is or has been engaged in the telecommunications service shall not divulge others' secrecy obtained with respect to communication while in office.

(3) A telecommunications business operator may comply with a request for the perusal or the provision of the data falling under each of the following subparagraphs (hereinafter referred to as the "supply of communication data") from a court, a prosecutor, the head of an investigation agency (including the head of any military investigation agency, the commissioner of the National Tax Service and the commissioners of regional Tax Offices; hereinafter the same shall apply) and the head of an intelligence and investigation agency, who intends to collect information or intelligence for the purpose of the prevention of any threat to a trial, an investigation (including an investigation of any transgression taken place during commission of any crime falling under Article 10(1), (3) or (4) of the Punishment of Tax Evaders Act), the execution of a sentence or the guarantee of the national security:

1. Names of users;

2. Resident registration numbers of users;

3. Addresses of users;

4. Phone numbers of users;

5. IDs of users (referring to the identification codes of users that are used to identify the rightful users of computer systems or communications networks); and

6. Dates on which users subscribe or terminate their subscriptions.

(4) The request for supply of communication data under paragraph (3) shall be made in writing (hereinafter referred to as a "written request for data supply"), which states a reason for such request, relation with the relevant user and the scope of necessary data: Provided, That where an urgent reason exists that makes a request in writing impossible, such request may be made without resorting to writing, and when such reason disappears, a written request for data supply shall be promptly filed with the telecommunications business operator.

(5) A telecommunications business operator shall, where he has supplied the communication data pursuant to the procedures of paragraphs (3) and (4), keep the ledgers as prescribed by the Enforcement Decree, which contain necessary matters such as the facts of supplies of communication data, and the related data such as the written requests for data supply, etc.

(6) A telecommunications business operator shall report, to the Korea Communications Commission, twice a year the current status, etc. of supplying the communication data, by the methods prescribed by the Enforcement Decree, and the Korea Communications Commission may check whether the content of a report made by a telecommunications business operator is authentic and the management status of related data according to paragraph (5).

(7) A telecommunications business operator shall, by the methods prescribed by the Enforcement Decree, notify the contents entered in the ledgers according to paragraph (5) to the head of a central administrative agency whereto a person requesting supply of communications data according to paragraph (3) belongs: Provided, That in the event that a person who asks for providing the communications data is a court, the relevant telecommunications business operator shall notify the Minister of the Court Administration thereof.

(8) A telecommunications business operator shall establish and operate a setup in full charge of the affairs related to the users' communication secrets; and the matters concerning the function and composition, etc. of the relevant setup shall be prescribed by the Enforcement Decree.

(9) Matters necessary for the scope of persons holding the decisive power on written request for data supply shall be prescribed by the Enforcement Decree.

Article 84 (Notice of Transmitter's Telephone Number)

(1) The telecommunications business operator may, upon request from the recipient, notify him of the transmitter's telephone number, etc.: Provided, That this shall not apply to the case where the transmitter expresses his content to refuse the transmission of his telephone number.

(2) Notwithstanding the proviso of paragraph (1), the telecommunications business operator may, in any of the following cases notify the recipient of the transmitter's telephone number, etc.

1. in case where the recipient requests according to the requisites and procedures set by the Enforcement Decree in order to protect the recipients from the violent language, intimidations, harassments, etc.

2. Of the special telephone number services, those necessary for national security, crime prevention, disaster response, etc. as specified under the Enforcement Decree of the Act.

(3) No person shall alter the caller's telephone number or display an erroneous telephone number for profit or for the purpose of inflicting harm on others violent language, intimidations, harassments, etc.

(4) No person shall provide services that enable another to alter the caller's telephone number or display an erroneous telephone number for profit. Provided, this provision under paragraph (4) shall not apply in the event any justifiable grounds for exception exist (e.g., for public interest or recipient's convenience).

Article 85 (Restriction and Suspension of Business)

The Korea Communications Commission may order the telecommunications business operators to restrict or suspend the whole or part of telecommunications service under the conditions as prescribed by the Enforcement Decree, when there occurs or is likely to occur a national emergency of war, incident, natural calamity, or that corresponding to them, or when other unavoidable causes exist, and when necessary for securing important communications.

Article 86 (Approval for International Telecommunications Services)

(1) When there exist special provisions in the treaties or agreements on international telecommunications business joined by the Government, those provisions shall govern.

(2) A telecommunications business operator shall, where he intends to conclude international telecommunications business as prescribed by the Enforcement Decree, obtain approval from the Korea Communications Commission fulfilling the requisites prescribed by the Enforcement Decree. The same shall apply to the case where he intends to alter or abolish such agreement or contract.

(3) A telecommunications business operator providing key communications services shall, where he concludes an agreement or a contract with a foreign government or a foreigner with respect to the adjustments of fees following the handling of international telecommunications services, report such to the Korea Communications Commission, provided that the foregoing is not applicable in case the size of telecommunications facilities, paid-in capital, number assignment, etc. satisfy the standards specified under the Enforcement Decree of the Act.

(4) Notwithstanding paragraph (3), when an agreement is to be entered into for the adjustments of fees for international telecommunications through the joint use of radio telecommunications facilities, approval from the Korea Communications Commission shall be necessary.

(5) Details on the report under paragraph (3) or authorization under paragraph (4) shall be determined and publicly announced by the Korea Communications Commission.

Article 87 (Transboundary Provision of Key Communications Services)

(1) A person, who intends to provide key communications service from abroad into the homeland without establishing a domestic business place (hereinafter referred to as the "transboundary provision of key communications services"), shall conclude a contract on transboundary provision of key communications services with a domestic key communications business operator or a specific communications business operator who provides the same key communications service.

(2) The provisions of Articles 28, 32, 33, 45 through 47, 50 through 55, 83 through 85, 88 and 92 and Article 44-7 of the Act on Promotion of Information and Communications Network Utilization and Information Protection, etc. shall apply mutatis mutandis to the provision of services as determined in a contract by a key communications business operator or a specific communications business operator who has concluded the contract under paragraph (1).

(3) Where a person, who intends to provide a transboundary key communications service under paragraph (1), or a key communications business operator or a specific communications business operator, who has concluded a contract with him, violates the relevant provisions which applies mutatis mutandis under paragraph (2), the Korea Communications Commission may cancel approval under Article 86 (2), or issue an order to suspend a transboundary provision of the whole or part of key communications services as determined in the relevant contract, with fixing a period of not more than one year.

(4) Criteria and procedures, etc. for dispositions under paragraph (3) and other necessary matters shall be determined by the Enforcement Decree.

Article 88 (Report, etc. on Statistics)

(1) A telecommunications business operator shall report the statistics on a provision of telecommunications service as prescribed by the Enforcement Decree, such as a current status of facilities by telecommunications service, subscription record, current status of users, and the data related to telephone traffic required for the imposition and collection of fees, to the Korea Communications Commission under the conditions as determined by the Enforcement Decree, and keep the related data available.

(2) A key communications business operator and stockholders thereof, or the specific communications business operator and stockholders thereof shall submit the related data necessary for a verification of the facts of Article 8, pursuant to the provisions of the Enforcement Decree.

(3) The Korea Communications Commission may, in order to verify the facts under paragraph (2), or to examine the genuineness of the data submitted, request the administrative agencies and other related agencies to examine the data submitted or to submit the related data. In this case, the agencies in receipt of such request shall accede thereto unless there exist any justifiable reasons.

Article 89 (Hearing)

The Korea Communications Commission shall, in case where he intends to make a disposition falling under any of the following subparagraphs, hold a hearing:

1. Cancellation, in whole or part, of license for a key communications business operator under Article 20 (1);

2. Cancellation, in whole or part, of registration of a specific communications business under Article 27 (1);

3. Closedown, in whole or part, of a value-added communications business under Article 27 (2); and

3. Cancellation of approval under Article 87 (3).

Article 90 (Imposition of Penalty Surcharge, etc.)

(1) The Korea Communications Commission may impose a penalty surcharge equivalent to the amount of not more than 3/100 of the sales amount that is calculated under the conditions as prescribed by the Enforcement Decree in lieu of the relevant business suspension, in case where he has to order a business suspension to a telecommunications business operator who falls under subparagraphs of Article 20 (1) or subparagraphs of Article 27 (1) and (2), or a suspension of relevant business is likely to cause substantial inconveniences to the users, etc. of relevant business or to harm other public interests. If the telecommunications business operator refuses to submit the data used for calculation of turnover or submits erroneous data, an estimate of the turnover can be assessed based on the financial statement of those who provide similar services in the same industry (accounting documents, number of subscribers, usage fee and business operation status): Provided, That in the event that the sales amount is nonexistent or difficult to calculate the sales amount, as prescribed by the Enforcement Decree, the Minister of Information and Communication may impose a penalty surcharge not exceeding 1 billion won.

(2) When the Korea Communications Commission orders cessation of use in regard to proprietary telecommunications facilities under Article 67(2), it may replace such order with a penalty surcharge not exceeding 1 billion won if such order causes significant inconvenience to users of telecommunication services provided with the use of the relevant proprietary telecommunications facilities or other public harm is expected.

(3) Specific standards for the imposition of penalty surcharge under paragraph (1) and (2) shall be determined by the Enforcement Decree.

(4) Article 53(5) through (7) shall apply in regard to additional dues of penalty surcharge, demand for payment and return-additional dues of penalty surcharge under paragraph (1) and (2).

Article 91 (Extension of Time Limit of Payment of Penalty Surcharge and Payment in Installments)

(1) Where a penalty surcharge to be paid by a telecommunications business operator under Articles 53 and Article 90 exceeds the amount as prescribed by the Enforcement Decree, and where deemed that a person liable for a payment of penalty surcharge finds it difficult to pay it in a lump sum due to the reasons falling under any one of the following subparagraphs, the Korea Communications Commission may either extend the time limit of payment, or have him pay it in installments. In this case, the Korea Communications Commission may, if deemed necessary, have him put up a security therefor:

1. Where he suffers a severe loss of property due to natural disasters or fire;

2. Where his business faces a serious crisis due to an aggravation of his business environments; and

3. Where it is expected that he will be in great financial difficulty if he pays the penalty surcharge in a lump sum.

(2) Matters necessary for an extension of the deadline for payment of a penalty surcharge, the payment in installments and the laying of a security shall be prescribed by the Enforcement Decree.

Article 92 (Correction Orders, etc.)

(1) The Korea Communications Commission shall issue correction orders in case where a telecommunications business operator falls under any of the following subparagraphs:

1. Where it violates Articles 3, 4, 6, 9 through 11, 14 through 24, 26 through 28, 30 through 44, 47 through 49, 51, 56 through 62, 64 through 67, 69, 73 through 75, 79 or 82 through 88 or any order thereunder;

2. Where the procedures for business performances of telecommunications business operator are deemed to inflict significant harms on the users' interests; and

3. Where he fails to take swift measures necessary for removing obstructions such as repairs, etc. when impediments have occurred to the supply of telecommunications services.

(2) The Korea Communications Commission may order a telecommunications business operator to conduct the matters of the following subparagraphs, when necessary for development of telecommunications:

1. Integrated operation and management of telecommunications facilities, etc.;

2. Expansion of communications facilities for the enhancement of social welfare;

3. Construction and management of communications networks for important communications to achieve efficient performance of State's functions; and

4. Other matters as prescribed by the Enforcement Decree.

(3) The Korea Communications Commission may order the persons falling under any of the following subparagraphs to take measures, such as the suspension of acts to provide telecommunications service or the removal of telecommunications facilities, etc.:

1. Persons who operate a key communications business without obtaining a permit under Article 6 (1);

2. Persons who operate a specific communications business without making a registration under Article 21 (1); and

3. Persons who operate a value-added communications business without making a report under Article 22 (1).

Article 93 (Delegation and Entrustment of Authority)

The authority of the Korea Communications Commission under this Act may be delegated and entrusted in part to the head of the affiliated agencies under the conditions as prescribed by the Enforcement Decree.

CHAPTER VII PENAL PROVISIONS

Article 94 (Penal Provisions)

A person falling under any of the following subparagraphs shall be punished by imprisonment for not more than five years or by a fine not exceeding 200 million won:

1. A person who runs a key communications business without obtaining a license under Article 6 (1);

2. A person who has operated key communications services in violation of partial cancellation of license under Article 20(1);

3. A person who obstructs the flow of telecommunications by impeding a function of telecommunications facilities by means of damaging telecommunications facilities, or having the objects contacted thereon and other methods, in violation of Article 79 (1);

4. A person who divulges other's secrets with respect to communications which have been known to him while in office, in violation of Article 83 (2); and

5. A person who supplies communication data, and person who receives such supply, in violation of Article 83 (3).

Article 95 (Penal Provisions)

A person falling under any of the following subparagraphs shall be punished by imprisonment for not more than three years or by a fine not exceeding 150 million won: <Amended by Act No. 10656, May 19, 2011>

1. A person who refuses a provision of telecommunications service without any justifiable reasons, in violation of Article 3 (1);

2. A person who violates a disposition taken to suspend his business under Article 20 (1);

3. A person who operates a specific communications business without making a registration under Article 21 (1) or a person who operates a value-added communications business without making a registration under 3-2, Article 22(2);

4. A person who has operated specific communications services in violation of partial cancellation of license under Article 27(1);

5. A person who fails to implement an order under Article 52 (1);

6. A person who obstructs the measurement of line tracks, etc. and the installation and preservation activities of telecommunications facilities under Article 73 (2); and

7. A person who encroaches upon or divulges a secret of communications handled by telecommunications business operator, in violation of Article 83 (1).

Article 96 (Penal Provisions)

A person falling under any of the following subparagraphs shall be punished by imprisonment for not more than two years or by a fine not exceeding 100 million won:

1. A person who fails to obtain a modified license under Article 16;

2. A person who fails to obtain approval under Articles 17 (1) and 42 (4);

3. A person who fails to obtain an authorization under the text of Article 18 (1) other than sub-paragraphs or approval according to Article 19 (1);

4. A person who violates Article 18 (9) by unifying communication networks, appointing officers, executing any other activities such as transferring, consolidating, enforcing a facilities sales contract or taking follow-up measures relating to establishment of a company before receiving a license ;

5. A person who violates user protection measures ordered under Article 19(2);

6. A person who runs the value-added communications business without making a report under Article 22(1);

7. A person who violates a disposition taken to suspend his business under Article 27(1);

8. A person who fails to execute the order given to discontinue his business under Article 27 (2);

9. A person who fails to subscribe for a guarantee insurance in violation of Article 32(3);

10. A person who discloses, uses or provides the information, in violation of the main body of Article 43 (1) or paragraph (2) of the same Article;

11. A person who fails to implement the partial restriction or cessation measure ordered pursuant to Article 85; and

12. A person who fails to obtain approval, approval for alteration, or approval for abolition, under Article 86 (2) or (4).

Article 97 (Penal Provisions)

A person falling under any of the following subparagraphs shall be punished by imprisonment for not more than one year or by a fine not exceeding 50 million won:

1. A person who fails to execute the order given under Articles 10(5), 18 (8) or 12 (2) (including a case where the provisions are applied mutatis mutandis under Article 4 (4) of the Addenda of the Telecommunications Business Act amended by Act No. 5385);

2. A person who fails to make a report under provisos of Article 18 (1) other than sub-paragraphs;

3. A person who fails to make a modified registration or a modified report under Article 23;

4. A person who fails to make a report under Article 24;

5. A person who violates a disposition taken to suspend his business under Article 27 (2);

6. A person who provides telecommunications service without making a report or modification report under Article 28(1) and the proviso of (2) or receiving an authorization or modification approval under paragraph (2) of the same Article; and

7. A person who intermediates other person's communication or furnishes for use by other person, by making use of telecommunications services rendered by the telecommunications business operator, in contravention of the provisions of the text of Article 30 other than subparagraphs.

Article 98 (Penal Provisions)

A person falling under any of the following subparagraphs shall be punished by imprisonment for not more than one year or by a fine not exceeding 10 million won:

1. A person who installs or modifies significant telecommunications facilities without making a report under the main text of Article 62(1) or has installed telecommunications facilities without obtaining approval under the proviso of the same Article

2. A person who installs proprietary telecommunications facilities without making a report or modification report under Article 64(1)

3. A person who interconnects other's communication through proprietary telecommunication facilities or uses it outside its purpose in violation of Article 65(1)

4. A person who violates an order under Article 66(1) to handle telecommunication services or other communication services or connect the pertinent facilities to other telecommunications facilities

5. A person violates a usage cessation order under Article 67(2) or an order under paragraph (3) of the same article

6. A person violates an order for removal of telecommunications facilities or other corrective measures under Article 82(2)

Article 99 (Penal Provisions)

A person who commits any of the prohibited acts under Article 50(1) (excluding providing telecommunications services not in accordance with the standard usage terms and conditions under Article 50(1)5) shall be punished by a fine not exceeding 300 million won.

Article 100 (Penal Provisions)

A person falling under any one of the following subparagraphs shall be punished by a fine not exceeding 50 million won:

1. A person who deceives another for profit or alters his telephone number or displays a fraudulent telephone number for the purpose of inflicting harm through violent language, intimidations, harassment, etc. in contravention of Article 84 (3); and

2. A person who provides services that enable another to alter the caller's telephone number or display an erroneous telephone number for profit in violation of Article 84 (4).

Article 101 (Penal Provisions)

A person who stains the telecommunications facilities or damages the measurement marks of the telecommunications facilities, in violation of Article 79 (2) shall be punished by a fine or penalty not exceeding one million won.

Article 102 (Attempted Criminal)

An attempted criminal under subparagraphs 3 and 4 of Article 94 and subparagraph 7 of Article 95 shall be punished.

Article 103 (Joint Penal Provisions)

When a representative of a juristic person or an agent, an employee or any other employed person of the juristic person or individual commits violation under Articles 94 through 100 in connection with the business of such juristic person or individual, then a fine under the related Article shall be imposed on the juristic person or individual, in addition to the punishment of the violator except in cases where such juristic person or individual has not been lax in exercising due care and supervision in regard to the relevant business to prevent such violation.

Article 104 (Fine for Negligence)

(1) A person who falls under any one of the following subparagraphs shall be punished by a fine for negligence not exceeding 30 million won:

1. A person who refuses or impedes a temporary use of private telecommunications facilities or lands under Article 73 (2), without justifiable reasons;

2. A person who refuses or impedes an entry to the land, etc. under Article 74 (2), without justifiable reasons;

3. A person who refuses the moving, alteration, repair and other measures on the obstacles, etc. under Article 75 (1), or the request for removal of the plants under Article 75 (2), without justifiable reasons;

(2) A person who fails to apply for approval in regard to execution of an agreement in violation of Article 44(2) shall be punished by a fine not exceeding 20 million won.

(3) A person falling under any of the following shall be punished by a fine not exceeding 15 million won:

1. A person who fails to report in regard to execution of an agreement in violation of Article 44(1)

2. A person who fails to make a report under the main text of Article 86(3)

(4) A person who falls under any one of the following subparagraphs shall be punished by a fine for negligence not exceeding ten million won:

1. A person who fails to make a report as referred to in Article 10 (2) or to comply with a request for providing the data or an order to attend as referred to in Article 11 (3) or (4);

2. A person who, in violation of Article 19 (1), fails to notify the user 60 days prior to the expected date of termination;

3. A person who fails to make a report under Article 26;

4. A person who violates the obligation concerning the protection of users under Article 32 (1);

5. A person who fails to carry out request for information under Article 35(5) or submits false information

6. A person who fails to make a public announcement of the technical standards, and the standards for use and provision, or the standards for a creation of fair competitive environments, in violation of Article 42 (4);

7. A person who fails to observe the publicly announced matters under Article 48(2), in violation of Article 48 (3);

8. A person who refuses, avoids or hampers an order for submission, or an investigation, of the data or articles according to Article 51 (2);

9. A person who refuses, avoids, or intervenes with the order to submit information or object under Article 51 (5), or the temporary custody of the information or object submitted under the same Article;

10. A person who fails to execute orders given to furnish related data under the provisions of Article 56 (3);

11. A person who has used proprietary telecommunications facilities without receiving confirmation under Article 64(3)

12. A person who refuses or interferes with inspection under Article 82(1)

13. A person who fails to report under Article 82(2) or makes a false report

14. A person who fails to keep related data or makes false entries in such data, in contravention of the provisions of Article 83 (5);

15. A person who does not report the contents in the ledgers, including provision of telecommunications data, to the head of central administrative agency in violation Article 83(7)

16. A person who fails to make reports or submit the data under Article 88, or falsely do such acts; and

17. A person who fails to follow correction orders, etc., under Article 92.

(5) The fine for negligence under paragraph (1) through (4) shall be imposed and collected by the Korea Communications Commission, under the conditions as prescribed by the Enforcement Decree.

ADDENDA <Act No. 10656, May 19, 2011>

(1) (Enforcement Date) This Act shall be effective 6 months after the date of its announcement.

(2) (Grandfathering Clause for Registration of Value-added Communications Business)

A person who operates a value-added communications business at the time this Act comes into effect under the previous provisions, and is required to be registered under the amended Article 22(2) shall make a registration within 6 months after the enforcement date.

Exhibit 15.4

ENFORCEMENT DECREE OF THE TELECOMMUNICATIONS BUSINESS ACT

As amended by Enforcement Decree No. 23642 of Feb. 28, 2012, effective Feb. 28, 2012,

Chapter 1. General Provisions

Article 1 (Purpose)

The purpose of this Decree is to provide for matters delegated under the Telecommunications Business Act and matters necessary for its enforcement.

Article 2 (Contents of Universal Service)

(1) Pursuant to Article 4(3) of the Telecommunications Business Act (the "**Act**"), the contents of universal services shall be as follows.

1. Wire telephone services;
2. Telephone services for emergency communications; and
3. Services of which fees are reduced or exempted for the disabled and the low income class.

(2) The detailed contents of universal services under paragraph (1) shall be as follows.

1. Wire telephone services are telephone services within an area publicly notified by the Korea Communications Commission based on methods and conditions of use (the "**Calling Area**"), falling under any one of the following:

(a) a local telephone service which is a telephone service (excluding, throughout this Enforcement Decree, the island communication service referred to in (c) below) enabling communication through subscription telephones;

(b) a local public telephone service which is a telephone service enabling communication through public telephones; or

(c) an island communication service which is a telephone service enabling radio communication between shore and an island or between islands.

2. Telephone services for emergency communications are telephone services necessary for maintaining social order and securing human life, falling under any of the following:

(a) a special telephone number service, among the key communications services, publicly notified by the Korea Communications Commission; or

(b) a wireless telephone service for vessels which is a telephone service, among the key communications services, enabling communication between shore and a vessel or between vessels.

3. Services of which fees are reduced or exempted for the disabled and the low income class are services offered to the disabled and the low income class for the purpose of improving social welfare, falling under any of the following:

(a) a local telephone service and a telephone service between the Calling Areas (the "**Long Distance Telephone Service**");

(b) a directory assistant service which is a service incidental to a local telephone service and the Long Distance Telephone Service;

(c) a mobile telephone service, a personal communication service, IMT-2000 service or a wireless call service among the key communications services;

(d) an Internet subscriber connection service; or

(e) an Internet phone service.

(3) Any of the following shall be entitled to the services of which fees are reduced or exempted pursuant to subparagraph 3 of paragraph (2); provided, however, that the services for which fees are reduced or exempt pursuant to subparagraph 8 below shall be limited to the mobile telephone service, the personal communication service and the IMT-2000 service:

1. the disabled registered under Article 32 of the Act on Welfare of Persons with Disabilities or welfare institutions or groups for the disabled under the Act on Welfare of Persons with Disabilities;;

2. special schools under the Elementary and Secondary Education Act;

3. child welfare institutions under the Child Welfare Act;

4. recipients of assistance under the National Basic Livelihood Security Act. However, households composed of such persons in the event of a local telephone service, the Long Distance Telephone Service, an Internet subscriber connection service or an Internet phone service

5. the Korean Association of Wounded Soldiers and Police Officials or the Association Commemorating the April 19 Democratic Revolution under the Act on Establishment of Organizations for Persons, etc. of Distinguished Services to the State;

6. soldiers or policemen wounded in action, soldiers or policemen wounded on duty, wounded activists of the April 19 Revolution, public officials wounded on duty, wounded special contributor to national and social development or wounded anticommunist captive under the Act on Honorable Treatment and Support of Persons, etc. of Distinguished Services to the State; or

7. wounded activists of the May 18 Democratization Movement among the persons of distinguished services to the May 18 democratization movement under the Act on Honorable Treatment of Persons of Distinguished Services to the May 18 Democratization Movement.

8. members of a family having at least one of its members fitting any of the descriptions below qualifying as a member of the next needy class under Article 2(11) of the National Basic Livelihood Security Act; and the number of family members eligible for fee reduction or exemption for such family shall be determined by the Korea Communications Commission:

(a) a person taking part in the project required for self-support pursuant to Article 9(5) of the National Basic Livelihood Security Act;

(b) a person having a rare and serious disease as described item (d) of section 3 in Table 2 and is eligible for reduction in his or her share of fees;

(c) a person receiving necessary expenses for infant care pursuant to Article 34(1) of the Infant Care Act and a person receiving necessary expenses for fostering infants pursuant to Article 34-2(1) of the same Act;

(d) a person receiving necessary expenses for early childhood education pursuant to Article 26(1) of the Early Childhood Education Act;

(e) a person receiving disability allowances pursuant to Article 49 of the Welfare of the Disabled Persons Act and a person receiving allowances for raising and protecting disabled children pursuant to Article 50(1) of the same Act;

(f) a person requiring protection under Article 5 of the Single-Parent Family Assistance Act, including a person who has ratio of recognized income to minimum living expense of 130/100 or below; and

(g) a person receiving a disability pension pursuant to Article 10 of the Pension Act for the Disabled.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 3 (Designation of Telecommunications Business Operator who Provides Universal Services)

(1) If the Korea Communications Commission intends to designate a telecommunications business operator who provides universal services (the "**Business Operator Providing Universal Services**") under Article 4 (4) of the Act, it can do so after taking into consideration such operator's opinion.

(2) A telecommunications business operator who is designated as a Business Operator Providing Universal Services under paragraph (1) shall submit to the Korea Communications Commission, every year by no later than December 31 of the year preceding the provision of the relevant services, a written plan for provision of universal services which includes the method of, and the expenditures for, providing the relevant services.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 4 (Compensation for Losses Incurred through Provision of Universal Services)

(1) The Korea Communications Commission may have the telecommunications business operators who are not Business Operators Providing Universal Services bear part of the expenses for compensating whole or part of the losses incurred through a provision of universal services by Business Operators Providing Universal Services (the "**Compensation For Losses Incurred Through Universal Services**") in proportion to their respective sales.

(2) A Business Operator Providing Universal Services who intends to receive the Compensation For Losses Incurred Through Universal Services shall submit a report on the actual results of a provision of universal services, including expenditures for, and incomes and losses from, the provision thereof, to the Korea Communications Commission within three months after the expiration of the relevant fiscal year.

(3) The Korea Communications Commission may, if deemed necessary for the verification of the report on the actual results of a provision of universal services submitted pursuant to paragraph (2), consult a professional institution to examine it.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 5 (Universal Services Entitled To Compensation For Losses Incurred Through Universal Services)

(1) The scope of universal services entitled to the Compensation For Losses Incurred Through Universal Services shall be any of the following:

1. among local telephone services pursuant to Article 2(2)1(a) hereof, a local telephone service offered in areas where, as a result of provision of such service, the expenditures (meaning, here as well as in subparagraph 2 and Article 6(1) hereof, the expenses calculated in accordance with the method publicly notified by the Korea Communications Commission considering such factors as the population density, number of lines and efficiency of managing communication lines) exceed the incomes (including, here as well as in subparagraph 2 and Article 6(1) hereof, any indirect advantages such as improved brand value and user preference as a result of provision of universal services);

2. among local public telephone services pursuant to Article 2(2)1(b) hereof, a local public telephone service offered in areas where, as a result of provision of such service, the expenditures exceed the incomes;

3. an island communication service pursuant to Article 2(2)1(c) hereof; or

4. a wireless telephone service for vessels pursuant to Article 2(2)2(b) hereof.

(2) In Article 4 (2) 1 of the Act, "the telecommunications business operators prescribed under the Enforcement Decree of the Act" means value-added communications business operators or regional wireless call operators.

(3) In Article 4 (2) 2 of the Act, "the amount prescribed under the Enforcement Decree of the Act" means 30 billion won.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 6 (Methods for Computing the Compensation For Losses Incurred Through Universal Services)

(1) Losses incurred through provision of the universal services prescribed under each of the paragraphs in Article 5(1) hereof shall be the amount of expenses of providing the relevant service less the relevant income.

(2) The provisional Compensation For Losses Incurred Through Universal Services shall be computed by multiplying the amount obtained under paragraph (1) and the rate of compensation for losses determined and publicly notified by the Korea Communications Commission; *provided that*, with respect to a wireless telephone service for vessels under Article 5(1)4 hereof, the target amount for efficient management determined and publicly notified by the Korea Communications Commission shall be the provisional Compensation For Losses Incurred Through Universal Services.

(3) The Compensation For Losses Incurred Through Universal Services shall be the amount of the provisional Compensation For Losses Incurred Through Universal Services computed pursuant to paragraph (2) subtracted by each of the amounts described below:

1. the amount paid by telecommunications business operators providing any of the universal services prescribed under each of the subparagraphs of Article 5(1) hereof based on their sales from telecommunications services other than the relevant universal service provided (excluding value-added communications services); and
2. the amount computed by the Korea Communications Commission considering the payment capacity of telecommunications business operators paying for the Compensation For Losses Incurred Through Universal Services (the "**Business Operators Paying For Losses**").

(4) The Business Operators Paying For Losses shall pay for the Compensation For Losses Incurred Through Universal Services computed pursuant to paragraph (3) in proportion to their respective sales relating to telecommunications services (excluding value-added communications services).

(5) The Korea Communications Commission shall determine and announce all other necessary details with respect to the rates by which telephone services fees are reduced or exempted for the disabled and the low income class and the methods for computing the Compensation For Losses Incurred Through Universal Services.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Chapter 2. Telecommunications Business

Article 7

< Deleted by Enforcement Decree No. 22616 Oct. 1, 2010>

Article 8 (Scope of Premises)

The "premises determined under the Enforcement Decree of the Act" in Article 5(3)2 of the Act means any of the following:

1. a building;
2. a site (limited to that owned by one person or owned through common ownership by two or more persons) and any building located on such site;
3. two or more buildings possessed by one person and the site on which such buildings are located, limited to those buildings the distance between which is not more than 500 meters; or
4. any buildings or sites adjacent to the buildings or sites prescribed under paragraphs 1-3 and publicly notified by the Korea Communications Commission.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 9 (Permit Application, etc.)

(1) A person who wishes to obtain a permit under Article 6(1) of the Act may make an application in the name of the representative of a corporation or the representative, such as a shareholder, etc., of a corporation to be established. <Amended by Enforcement Decree No. 22616 Oct. 1, 2010>

(2) The "premises determined under the Enforcement Decree of the Act" in Article 6(2)4 of the Act means the following <Amended by Enforcement Decree No. 22616 Oct. 1, 2010>

1. matters concerning the suitability of investment plan in advancing telecommunication facilities;
2. matters concerning the stability and expertise of supply plan for key communication services; and
3. matters similar to paragraph 1 or 2 as determined and announced by the Korea Communications Commission.

Article 10 (Documents to be Attached to Permit Application)

(1) A person who wishes to obtain a permit for a key communications business under Article 6(1) of the Act shall submit to the Korea Communications Commission a key communications business permit application with each of the following documentation attached thereto:

1. articles of incorporation of the corporation (including, throughout this Article 10, the corporation to be incorporated);
2. shareholder register, or documentation relating to ownership of shares, etc. by shareholders, etc., of the corporation; and
3. a business proposal.

(2) The Korea Communications Commission receiving a permit application pursuant to paragraph (1) shall verify the commercial registry extracts by using the public administrative information made available under Article 36(1) of the E-Government Act

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 11

<Deleted by Enforcement Decree No. 22616 Oct. 1, 2010>

Article 12 (Issuance of License)

(1) When permitting a key communications business under Article 6(1) of the Act or permitting any change under Article 16(1) of the Act, the Korea Communications Commission shall issue a key communications business operator's license upon making recordation of each of the following in a license registry of key communications business operators:

1. number and date of license;
2. title or trade name of the business and name of the representative;
3. the areas where the telecommunications service is offered;
4. location of the principal office;
5. capital or asset valuation amount;
6. details of major business facilities and equipment and the locations where such facilities and equipment are installed;
7. details concerning technical personnel; and
8. any conditions upon which the license is issued.

(2) A key communications business operator whose license, issued pursuant to paragraph (1), is either lost or worn out to the extent it can no longer be used may apply for reissuance of the license to the Korea Communications Commission by writing the reason for such loss or damage in its application thereto.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 13 (Criteria for Examination of Public Interest Nature)

(1) The term "public interests as prescribed under the Enforcement Decree of the Act" in parts other than each subparagraph of Article 10 (1) of the Act means the maintenance of national security, public peace and social order.

(2) The term "important management matters, including the key communication provider's appointment and dismissal of officer, transfer or takeover business, etc., prescribed under the Enforcement Decree of the Act" in Article 10(1)3 of the Act means the matters falling under each of the following subparagraphs:

1. appointment and dismissal of the representative director of a key communications business operator, or appointment and dismissal of one third or more of the officers;
2. transfer and takeover of a key communications business; and
3. entrance by a key communications business operator into a new key communications business.

(3) The term "case prescribed under the Enforcement Decree of the Act" in Article 10(1)4 of the Act means any of the following.

1. the case where a de facto change is made in the management right of a key communications business operator by an agreement of shareholders who are not the largest shareholder of such key communications business operator to jointly exercise voting rights; or
2. the control of the holding company (as that term is defined under Article 2(1)2 of the Monopoly Regulation and Fair Trade Act) of the key communication provider has actually changed hands.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 14 (Scope of Key Communications Business Operators subject to Examination of Public Interest Nature)

The scope of key communications business operators who must file a report or who may request a screening pursuant to Article 10 of the Act shall be any of the following: <Amended by Enforcement Decree No. 22424 Oct. 1, 2010, No. 22605 Dec. 31, 2010>

1. a key communications business operator managing or supervising a significant communication under Article 64(1) hereof;
2. a key communications business operator who owns an artificial satellite with a space station under Article 29 Subparagraph 30 of the Enforcement Decree of the Radio Waves Act; or
3. a key communications business operator determined and publicly notified by the Korea Communications Commission under Article 39(3) hereof.

Article 15 (Procedures for Examination of Public Interest Nature)

(1) A person who wishes to file a report or request a screening pursuant to Article 10(2) and 10(3) of the Act shall submit to the Korea Communications Commission documentation indicating each of the following:

1. name and address of the person filing a report or requesting a screening (in the case of a corporation, the name and address of (i) such corporation and (ii) the representative of such corporation);
2. purpose of, and reason for, the report or screening request; and
3. details of any of the facts falling under each of the subparagraphs of Article 10(1) of the Act.

(2) The Korea Communications Commission may, where it deems necessary, request for the documentation already submitted to it to be supplemented within a period reasonably fixed.

(3) Except under special circumstances, with respect to any matter the Korea Communications Commission referred to the public interest nature examination committee under Article 10(1) of the Act (the "**Public Interest Nature Examination Committee**"), the Public Interest Nature Examination Committee shall notify the Korea Communications Commission of the result of its screening within 3 months of the date of such referral.

(4) The Korea Communications Commission shall notify the person filing a report or requesting a screening of the result of examination of public interest Nature under paragraph (3).

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 16 (Composition etc. of Public Interest Nature Examination Committee)

(1) The term "related central administrative agencies prescribed under the Enforcement Decree of the Act" in parts other than each subparagraph of Article 11(2) of the Act means the agencies falling under each of the following:

1. the Ministry of Strategy and Finance;

2. the Ministry of Foreign Affairs and Trade;

3. the Ministry of Justice;

4. the Ministry of National Defense;

5. the Ministry of Public Administration and Security; and

6. the Ministry of Knowledge Economy.

(2) The term of office of the members shall be two years and consecutive appointment may be permitted; *provided that*, the term of office of the members who are public officials shall be the period of service in their positions as public officials.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 17 (Operation etc. of Public Interest Nature Examination Committee)

(1) The chairman of the Public Interest Nature Examination Committee shall represent the Public Interest Nature Examination Committee and exercise an overall control of its affairs.

(2) If the chairman is inevitably unable to perform his duties, a member previously appointed by the chairman shall act on her or his behalf.

(3) The chairman shall convene and preside over a meeting of the Public Interest Nature Examination Committee.

(4) Deliberation of a meeting of the Public Interest Nature Examination Committee shall start by the attendance of a majority of all incumbent members, and its resolution shall require the consent of a majority of those present.

(5) The Public Interest Nature Examination Committee shall have one secretary general in order to deal with its affairs, but the secretary general shall be appointed by the chairman among the public officials belonging to the Korea Communications Commission.

(6) Any matters necessary for the operation of the Public Interest Nature Examination Committee other than the matters set forth in paragraphs (1) through (5) shall be determined by the chairman through a resolution of the Public Interest Nature Examination Committee.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 18 (Imposition and Payment etc. of Charges for Compelling Execution)

(1) When determining the amount of charges for compelling execution pursuant to Article 13 of the Act, the Korea Communications Commission shall take into account such factors as the reasons for failure to comply with corrective orders and the scale of benefits to be gained by such failure.

(2) The date of compliance with corrective orders pursuant to Article 13(2) of the Act shall be determined by the classifications falling under each of the following:

1. delivery date of shares in the case of disposal of shares;

2. date of executing a contract in the case of amending details of a contract;

3. date of suspending the relevant acts in the case of suspending the acts impeding public benefits; and

4. date of satisfying relevant conditions in the case of conditional performance.

(3) Where the Korea Communications Commission wishes to impose charges for compelling execution pursuant to Article 13 of the Act, it shall furnish a notification thereof in writing, indicating such matters as the amount of charges for compelling execution per day, reasons for imposition, payment term and receiving agency, methods of raising objections, and agencies to where such objections must be directed.

(4) Any person who has been notified under paragraph (3) shall pay the charges for compelling execution within 30 days of the date of receiving such notice; *provided that*, in the event such person is unable to pay the charges for compelling execution within said period due to a natural disaster or other unavoidable circumstances, such person shall pay the charges for compelling execution within 30 days of the day on which said causes have disappeared.

(5) In collecting charges for compelling execution and in the event a corrective order has not been complied with after 90 days elapsed from the date of expiration of the period set by the corrective order, the Korea Communications Commission may collect charges for compelling execution whenever every 90 day period elapses from said expiration date.

(6) Article 49 hereof shall apply *mutatis mutandis* to any reminder of charges for compelling execution.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 19 (Permit to Change)

(1) A person who wishes to obtain a permit to change to a key communications business pursuant to Articles 16 (1) of the Act shall submit to the Korea Communications Commission an application for a permit to change to a key communications business with supporting documents confirming proposed changes attached thereto:

<Amended by Enforcement Decree No. 23642 Feb. 28, 2012>

(2) The Korea Communications Commission shall issue public notice with respect to details about application guidelines, submission procedures, submission method, etc. for a permit to change to a key communications business under Article 16(1) of the Act. <Amended by Enforcement Decree No. 23642 Feb. 28, 2012>

(3) <Deleted by Enforcement Decree No. 22616 Oct. 1, 2010>.

(4) The “important matters prescribed under the Enforcement Decree of the Act” in Article 16(1) of the Act means each of the following; <Amended by Enforcement Decree No. 23642 Feb. 28, 2012>

1. matters concerning changes to key communication business permitted pursuant to Article 6(1) of the Act (including the case where services cancelled under Article 20(1) of the Act are to be resumed); and

2. matters concerning the permission criteria under Article 6(4) of the Act.

[Title of this Article Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 20 (Authorization Application for Transfer, Merger, etc.)

(1) A person who wishes to obtain authorization of the transfer of the whole or part of a key communications business pursuant to Article 18(1)1 of the Act shall submit to the Korea Communications Commission an authorization application for the transfer of a key communications business with each of the following documentation attached thereto:

1. a copy of the transfer agreement;
2. articles of incorporation of the transferor and the transferee, and documentation supporting the transfer;
3. shareholder register, or documentation related to ownership of shares, etc. by shareholders, etc., of the transferee;
4. present status of the transferor and the transferee; and
5. post-transfer business proposal.

(2) A person who wishes to obtain authorization of the merger with a corporation that is a key communications business pursuant to Article 18(1)2 of the Act shall submit to the Korea Communications Commission an authorization application for the merger with a key communications business with each of the following documentation attached thereto:

1. a copy of the merger agreement;
2. articles of incorporation of the parties to the merger agreement, and documentation supporting the merger;
3. shareholder register, or documentation related to ownership of shares, etc. by shareholders, etc., of the corporation that shall continue to exist after the merger or be incorporated through the merger;
4. present status of the parties to the merger agreement; and
5. post-merger business proposal.

(3) A key communications business operator who wishes to obtain authorization of the sale of telecommunications line facilities and equipment pursuant to Article 18(1)3 of the Act shall submit to the Korea Communications Commission an authorization application for the sale of telecommunications line facilities and equipment with each of the following documentation attached thereto:

1. a copy of the sale and purchase agreement concerning telecommunications line facilities and equipment, and other documentation supporting such agreement;
2. articles of incorporation of the seller and the purchaser, and documentation supporting the sale and purchase;
3. shareholder register, or documentation related to ownership by shareholders, etc., of the purchaser;
4. present status of the seller and the purchaser; and
5. post-sale business proposal.

(4) A person who wishes to own 15% or more of the total outstanding shares of a key communications business operator or become the largest shareholder of a key communications business operator pursuant to Article 18(1)4 of the Act shall submit to the Korea Communications Commission an authorization application for the ownership of shares, or for becoming the largest shareholder, of a key communications business with each of the following documentation attached thereto:

1. documentation supporting the share purchase, such as a copy of the share purchase agreement;
2. articles of incorporation of the share purchaser, or the person seeking to be the largest shareholder, and the counterparty to the share purchase agreement;

3. present status of the shareholders of the share purchaser, or the person seeking to be the largest shareholder, and the counterparty to the share purchase agreement;

4. present status of the share purchaser, or the person seeking to be the largest shareholder, and the counterparty to the share purchase agreement;

5. purpose of, reasons for and an analysis of the effect of acquisition of the shares;

6. proposal for dual appointment of officers (only when considering dual appointment of an officer of the counterparty); and

7. post-share acquisition business proposal (only when seeking to become the largest shareholder).

(5) A person who wishes to obtain authorization for purchase of shares or execution of an agreement under Article 18(1)5 shall attach the following to an authorization application submit them to the Korea Communications Commission.

1. documents confirming the acquisition of managerial control such as copies of share purchase agreement or other agreement, etc.

2. articles of incorporation of the purchaser or the party to the agreement and the counterparty;

3. shareholders registers of the purchaser or the party to the agreement and the counterparty

4. descriptions of businesses of the purchaser or the party to the agreement and the counterparty

5. purposes of and impact analysis of the share purchase or execution of the agreement;

6. a plan for overlapping officers and directors (applicable when such officers or directors also act as officers or directors the counterparty); and

7. a business plan for the period following the-share acquisition or execution of the agreement.

(6) The “premises determined under the Enforcement Decree of the Act” in Article 18(1)5 of the Act means any of the following.

1. where one person alone or together with his specially related persons seek to acquire shares (including shares issued by specially related persons to largest shareholders) issued by the largest shareholder of a key communications business operator and effectively exercises the voting rights of such largest shareholder;

2. where persons (including specially related persons) with the common aim of controlling a key communications business operator seek to acquire more shares than the voting rights held by the largest shareholder of such key communications business operator;

3. where the control of a key communications business operator is sought by way of business lease, delegation of managerial control or other agreements with the key communications business operator or its largest shareholder; and

4. where a shareholder of a key communications business operator seeks enter into an agreement with other shareholders, except the largest shareholder to exercise jointly more voting rights than the largest shareholder.

(7) A key communications business operator that seeks to receive an authorization to establish a corporation to provide part of the key communications services it has provided with the authorization under Article 18(1)6 shall attach the following documents to an incorporation authorization application and submit them to the Korea Communications Commission.

1. articles of incorporation of the corporation to be incorporated

2. shareholder register, or documentation relating to ownership of shares, etc. by shareholders, etc., of the corporation to be incorporated;

3. business status of the services to be provided (applicable only to the key communications business that already provides the services to be provided by the corporation to be incorporated; and

4. a business plan of the corporation to be incorporated.

(8) The authorization application and attachments under paragraphs (1) through (5) and (7) may be submitted electronically.

(9) The Korea Communications Commission receiving an authorization application for transfer, merger, sale, share acquisition or changing the largest shareholder pursuant to paragraphs (1)-(7) shall verify the commercial registry extracts of the party seeking to transfer, merge, sell, become the largest shareholder, acquire shares, execute an agreement or incorporate a corporation by using the public administrative information made available under Article 36(1) of the E-Government Act.

(10) The Korea Communications Commission shall issue a key communications business operator's license upon approving the authorization application for transfer, merger or incorporation pursuant to paragraph (1), (2) or (7).

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 21 (Criteria for Major Telecommunications Line Facilities and Equipment)

The "major telecommunications line facilities and equipment prescribed under the Enforcement Decree of the Act" in provisos other than each subparagraph of Article 18(1) of the Act means facilities and equipment for exchange, transmission and wire pursuant to Article 3(1)8-10 of the Regulations on Broadcasting Communications Facilities and Equipment of which the sum of the sales prices is not less than 5 billion won. <Amended by Enforcement Decree No. 22616 Oct. 1, 2010; No. 22616 Jan. 4, 2011>

Article 22 (Report on Sale of Telecommunications Line Facilities and Equipment)

A person who wishes to file a report on sale of telecommunications line facilities and equipment pursuant to provisos other than each subparagraph of Article 18(1) of the Act shall submit to the Korea Communications Commission a report on sale of telecommunications line facilities and equipment (including electronic application) with each of the following documentation (including electronic documentation) attached thereto:

1. documentation supporting the sale, such as a copy of the sales agreement concerning telecommunications line facilities and equipment;
2. types, details and prices of the facilities and equipment being sold; and
3. plans for service provision and user protection subsequent to the sale.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 23

<Deleted by Enforcement Decree No. 22616 Oct. 1, 2010>

Article 24 (Application for an Approval to Suspend Business, etc.)

A person who wishes to obtain approval to suspend or discontinue business pursuant to Article 19(1) of the Act shall submit to the Korea Communications Commission each of the following documentation at least 60 days prior to the expected suspension or closedown date.

1. details of the business to be suspended or discontinued, and drawings of such business's territories;
2. documentation indicating details of major telecommunications facilities and equipment relating to the business to be suspended or discontinued;
3. written permission (only where the whole business is discontinued); and
4. statement of reasons for such suspension or closedown.
5. notice about the proposed suspension or closedown; and

6. documentation stating a plan for customer protection in connection with the proposed suspension or disconsolation.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 25 (Criteria, Procedures, etc. for Revocation of Permits)

(1) The criteria for revocation of permits, cancellation of registration and suspension or closedown of business pursuant to Articles 20(2) and 27(3) of the Act are as provided in Table 1 attached hereto. <Amended by Enforcement Decree No. 23642 Feb. 28, 2012>

(2) <Deleted by Enforcement Decree No. 22616 Oct. 1, 2010>

(3) Upon revocation of permits, cancellation of registration or suspension or closedown of business under paragraph (1), the Korea Communications Commission shall issue public notification thereof without delay, and notify the relevant telecommunications business operator in writing. <Amended by Enforcement Decree No. 23642 Feb. 28, 2012>

[Title of this Article Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 26 (Application for Registration)

(1) A person who wishes to register as a specific communications business operator pursuant to Article 21(1) of the Act shall submit to the Korea Communications Commission an application (including an electronic application) to register as a specific communications business operator with each of the following documentation (including electronic documentation) attached thereto:

1. a business proposal relating to a specific communications business;
2. articles of incorporation of the corporation (including, throughout this Article, the corporation to be established);
3. details, installment locations and a network map of major business facilities and equipment;
4. standardized terms and conditions containing provisions relating to user protection, and details of, and a management proposal for, an office for user protection; and

(2) The Korea Communications Commission receiving who receives a registration application pursuant to paragraph (1) shall verify the commercial registry extracts and national technical qualification certificates of the technical personnel by using the public administrative information available pursuant to Article 36(1) of the E-Government Act; *provided that*, in the event the applicant does not consent to such verification method, such applicant shall be required to attach the relevant documentation copies thereof to its license application.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 27 (Issuance of Certificates of Registration)

(1) Upon receipt of a registration application under Article 26(1) hereof, the Korea Communications Commission shall verify whether such registration application meets the registration requirements under Article 28 hereof, make recordation of each of the following in a registration registry of specific communications business operators and issue to the applicant a certificate of registration as a specific communications business operator within 30 days of the date of application:

1. number and date of registration;
2. title or trade name of the business and name of the representative;
3. location of the principal office;
4. capital;
5. types of services provided;

6. details of major business facilities and equipment and the locations where such facilities and equipment are installed;

7. details concerning technical personnel; and

8. any conditions upon which the registration is authorized.

(2) The Korea Communications Commission may, where it deems necessary, request for a registration application already submitted to it under Article 26 hereof to be supplemented or revised by no later than 7 days thereafter; *provided that*, such period may be extended upon request of the applicant and may not count towards the processing time referred to in paragraph (1).

(3) A specific communications business operator whose certificate of registration, issued pursuant to paragraph (1), is either lost or worn out to the extent it can no longer be used may apply for reissuance of the certificate of registration to the Korea Communications Commission.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 28 (Registration Requirements for Specific Communications Business)

The registration requirements for a specific communications business pursuant to Article 21(5) of the Act are as provided in Table 2 attached hereto. [Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 29 (Reporting Procedures, etc. of Value-Added Communications Business)

(1) A person who wishes to file a report of a value-added communications business under the former part of Article 22(1) of the Act shall submit to the Korea Communications Commission a value-added communications business report (including an electronic report) and each of the following documentation (including an electronic documentation):

1. a network map diagram (applicable only where new types of value-added communications services are reported and the Korea Communications Commission deems such diagram to be necessary and requests for it); and

2. a report about the privacy protection system (applicable only when personal data are handled).

(2) A person who wishes to operate a special type of value-added communications business under Article 22(2) of the Act shall submit to the Korea Communications Commission a registration application for special type of value-added communications business (including an electronic application) and each of the following documentation (including an electronic documentation):

1. articles of incorporation of the corporation (applicable only to a corporation including the corporation to be incorporated); and

2. any document verifying whether such registration application meets the registration requirements under each of the subparagraphs of Article 22(2) of the Act.

(3) The Korea Communications Commission receiving a report pursuant to paragraph (1) and a registration application pursuant to paragraph (2) shall verify the commercial registry extracts by using the public administrative information available pursuant to Article 36(1) of the E-Government Act.

(4) When there is an error in a value-added communications business report under paragraph (1) or a registration application for special type of value-added communications business under paragraph (2), or the documentation attached to such report or application is insufficient, the Korea Communications Commission may request for such report or application to be supplemented by no later than 10 days thereafter; *provided that*, such period may be extended upon request by the person filing the report or application.

(5) Upon receipt of a value-added communications business report under paragraph (1), the Korea Communications Commission shall issue a report certificate to the person filing such report.

(6) Upon receipt of a registration application under paragraph (2), the Korea Communications Commission shall verify whether such registration application meets the registration requirements under paragraph 9 hereof,

and then, make recordation of each of the following in a registration registry of special type of value-added communications business operators and issue to the applicant a certificate of registration as a special type of value-added communications business operator within 30 days of the date of application:

1. registration number and date of registration;
2. title or trade name of the business and name of the representative;
3. location of the principal office;
4. capital;
5. types of services provided;
6. details of major business facilities and equipment and the locations where such facilities and equipment are installed; and
7. any conditions upon which the registration is authorized.

(7) A value-added communications business operator whose report certificate, issued pursuant to paragraph (5) or registration certificate issued pursuant to paragraph (6), is either lost or worn out to the extent it can no longer be used may apply for reissuance of the certificate of report or registration to the Korea Communications Commission.

(8) The term “any other matters as prescribed by the Enforcement Decree such as a business plan” in Article 22(2)4 means a business plan and a user protection plan.

(9) The registration requirements for a special type of value-added communications business pursuant to Article 22(2) of the Act are as provided in Table 3 attached hereto.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 30 (Exemption from Value-added Communications Business Operator Report)

(1) The “small-scale value-added communications business meeting the criteria prescribed under the Enforcement Decree of the Act” in the latter part of Article 22 of the Act means value-added communications business operators who provide value-added communications services using the Internet and where the capital is 100 million won or less

(2) In the event a value-added communications business operator who is exempted from filing a report pursuant to paragraph (1) comes to have more than 100 million won as its capital, such value-added communications business operator shall file a report to the Korea Communications Commission, within 1 month of the date on which it ceased to satisfy such criteria, in accordance with the former part of Article 22 (1) of the Act. [Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 30-2 (Reasons for Disqualification for Registration)

“An investor as prescribed by the Enforcement Decree” in Article 22-2 of the Act means any person falling under any of the following:

1. a person who holds the largest number of outstanding shares with voting rights and equity interests with voting rights of the concerned corporation (throughout this Article, the “Shares, etc.”), jointly with any specially related person of the person as defined in Article 8 of the Enforcement Decree of the Financial Investment Services and Capital Markets Act, on his/her own account, regardless of in whose name they are held; and.

2. a person who holds more than 10/100 of the Shares, etc. on his/her own account, regardless of in whose name they are held or a shareholder who has *de facto* control over the matters material to the concerned corporation, such as appointment and dismissal of executives and falls under any of the subparagraphs of Article 9 of Enforcement Decree of the Financial Investment Services and Capital Markets Act.

[This Article Newly Inserted by Enforcement Decree No. 23293 Nov. 14, 2011>

Article 31 (Amendment of Registration or Report)

(1) “As prescribed under the Enforcement Decree of the Act” in Article 23 of the Act means each of the following:

1. title or trade name, and address;
2. representative;
3. types of services provided;
4. capital (for specific communications business operators only);
5. expert personnel (for specific communications business operators only);
6. standardized terms and conditions (for specific communications business operators who entered into an agreement with a key communications business operators providing telecommunications services by using frequencies assigned under the Radio Waves Act; and
7. changes to specific communications business or added-value communications business under Article 21(1), the former part of Article 22(1) and Article 22(2) (includes cases where businesses which have been subject to partial cancellation of the registration or partial suspension under main bodies of Article 27(1) and (2) are sought to be resumed).

(2) In order to amend any of the information set forth in paragraph (1), an application to register amendment to the specific communications business, a report of amendment to the value-added communications business, or an application to register amendment to the special type of value-added communications business (including an electronic application or report), and documentation (including electronic documentation) supporting the relevant amendment shall be submitted to the Korea Communications Commission.

(3) Upon receipt and registration, or receipt and processing, of an application to register amendment or a report of amendment, the Korea Communications Commission shall issue either a registration certificate on which the relevant amendment is recorded or a report certificate.

(4) The Korea Communications Commission receiving an application to register amendment or a report of amendment pursuant to paragraph (2) shall verify the commercial registry extracts or business registration certificate by using the public administrative information available pursuant to Article 36(1) of the E-Government Act; *provided that*, in the event the applicant or person filing the report does not consent to such verification method, such applicant or person shall be required to attach the corporate registry or business registration certificate to its report. [Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 32 (Report on Transfer of Business)

(1) A person who wishes to file a report on transfer of a specific communications business or a value-added communications business pursuant to Article 24 of the Act shall within 30 days from the date on which a business transfer agreement is executed submit to the Korea Communications Commission a business transfer application (including an electronic application) with each of the following documentation (including electronic documentation) attached thereto:

1. a copy of the business transfer agreement;
2. documentation prescribed under each of the subparagraphs of Article 26(1) or Article 29(1) and (2) hereof; and
3. a registration certificate or a report certificate.

(2) A person who wishes to file a report on merger of a corporation that is either a specific communications business operator or a value-added communications business operator pursuant to Article 24 of the Act shall within 30 days from the date on which a merger agreement is executed submit to the Korea Communications Commission a merger application (including an electronic application) with each of the following documentation (including electronic documentation) attached thereto:

1. a copy of the merger agreement;

2. documentation prescribed under each of the subparagraphs of Article 26(1) or Article 29(1) and (2) hereof; and

3. a registration certificate or a report certificate.

(3) A person who wishes to file a report on inheritance of a value-added communications business operator pursuant to Article 24 of the Act shall within 30 days from the date on which the cause for the inheritance has occurred submit to the Korea Communications Commission an inheritance report (including an electronic application) with documentation (including electronic documentation) demonstrating that she or he is the heir attached thereto.

(4) The Korea Communications Commission receiving a report under paragraphs (1)-(3) shall verify, through the information sharing channel under Article 36(1) of the Electronic Government Act, the commercial registry extracts of the transferor or party to a merger agreement (meaning the existing or newly established corporation), national technical qualification certificates of the technical personnel or a certificate of recorded details of the heir's family relations; *provided that*, in the event the person filing the report does not consent to such verification method, such person shall be required to attach the relevant documentation (copies of national technical qualification certificates or a certificate of recorded details of the heir's family relations) to its report.

(5) Upon receipt of a report to register on transfer or merger of a specific communications business or a value-added communications business under paragraph (1) or (2), the Korea Communications Commission shall issue either a specific communications business registration certificate, a value-added communications business report certificate or a special type of value-added communications business registration certificate.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 33 (Report on Suspension or Closedown of Business)

(1) A person who wishes to file a report on suspension or closedown of a specific communications business or a value-added communications business under Article 26(1) of the Act shall at least 15 days prior to the expected suspension or closedown date submit to the Korea Communications Commission a report on suspension or closedown of a specific communications business or a value-added communications business (including an electronic report) with documentation (including electronic documentation) demonstrating that users have been notified of such suspension or closedown attached thereto; *provided that*, in the event the information contained in any of such documentation can be verified through the public administrative information available pursuant to Article 36(1) of the E-Government Act, such verification may substitute for the relevant documentation.

(2) A person who wishes to file a report on dissolution of a corporation that is a specific communications business operator or a value-added communications business operator under Article 26(2) of the Act shall immediately submit to the Korea Communications Commission a report on dissolution of a corporation (including an electronic report).

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Chapter 3. Telecommunications Operation

Article 34 (Authorization of Standardized Terms and Conditions)

(1) The services for which key communications business operators must obtain authorization (including an authorization of amendment) of standardized terms and conditions pursuant to the main body of Article 28(2) of the Act shall be any of the following:

1. among the services provided by the key communications business operator with the highest market share with respect to the aggregate national sales based on sales from each service in the preceding year, the service from which sales in the preceding year reach or exceed the amount determined and publicly notified by the Korea Communications Commission with respect to each service; or

2. if a key communications business operator providing the service prescribed under subparagraph 1 completes business consolidation with another key communications business operator pursuant to

Article 12(1)1 or 12(1)4 of the Monopoly Regulation and Fair Trade Act, the service prescribed under subparagraph 1 provided by such other key communications business operator.

(2) By 31. December each year, the Korea Communications Commission shall designate and issue public notification of the key communications business operators and services prescribed under paragraph (1); *provided that*, the Korea Communications Commission shall designate and issue public notification of the key communications business operators and services falling under subparagraph 2 of paragraph (1) immediately after the date of report on business consolidation thereunder.

(3) Notwithstanding the provisions under paragraph (1), a key communications business operator who wishes to amend minor aspects of standardized terms and conditions as prescribed by the Korea Communications Commission may file a report thereon with the Korea Communications Commission.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 35 (Application for Authorization of Standardized terms and conditions)

A person who wishes to file a report (including a report on amendment) on standardized terms and conditions with respect to telecommunications services pursuant to Article 28(1) or the proviso of Article 28(2) of the Act or obtain an authorization (including an authorization of amendment) pursuant to the main body of Article 28(2) of the Act shall submit to the Korea Communications Commission standardized terms and conditions containing each of the following with documentation demonstrating the bases for price computation pursuant to Article 28 (4) of the Act attached thereto:

1. types and details of telecommunications services;
2. areas in which telecommunications services are provided;
3. prices of telecommunications services, including fees and actual expenses;
4. details concerning the responsibilities of telecommunications business operators and users of telecommunications services; and
5. any other information necessary for the provision or use of the relevant telecommunications services.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 36 (Services Entitled to Reduction or Exemption of Fees)

Telecommunications services entitled to the reduction or exemption of fees pursuant to Article 29 of the Act shall be as follows.

1. Telecommunications services for the communications concerning the rescue of human lives and properties in danger, and the rescue from disasters or for the communications by the victims of disasters;
2. Telecommunications services for the whole or part of exclusive line communications used by such agencies, in case where the exclusive line communications of agencies which are fully responsible for military, public order and national security, and a part of self-communications network of the State, local governments or public institutions under the Act on the Management of Public Institutions are integrated into the telecommunications net-work of a key communications business;
3. Telecommunications services for the communications required for military operations in wartime;
4. Telecommunications services for the newspapers under the Act on the Promotion of Newspapers, etc., for news communications under the Act on Promotion of News Communications and for communication for news reports by the broadcasting stations under the Broadcasting Act;
5. Telecommunications services for a communication which is required for facilitating the use, and for diffusing the distribution, of information communications;
6. Telecommunications services for a communication by those who are in need of the protection for the improvement of social welfare;

7. Telecommunications services for a communication which is required for the promotion of interchange and cooperation between North and South Korea; and
8. Telecommunications services for a communication which is specially required for the operation of postal services.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 37 (Provision of Transmission or Line Facilities and Equipment, etc.)

Pursuant to Article 31(1) of the Act, the composite cable TV business operator, transmission network business operator, or relay cable broadcasting business operator under the Broadcasting Act may provide transmission or line facilities and equipment or the cable TV broadcasting facilities and equipment (the "Transmission or Line Facilities and Equipment, etc.") to key communications business operators in a manner falling under one of the following:

1. sale or lease of transmission or line facilities, etc.;
2. commissioned performance of the communications or exchange operations, etc. by making use of transmission or line facilities, etc.; or
3. manners corresponding to subparagraphs 1 and 2, which are determined by a consultation between key communications business operator and the composite cable TV business operator or transmission network business operator or relay cable broadcasting business operator

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 37-2 (Prepaid phone services and subscription of guarantee insurance)

(1) A key communications services operator that seeks to provide telecommunications services on a prepaid basis ("prepaid phone services") pursuant to the main body of Article 32(3) shall submit each of the following items to the Korea Communications Commission, provided that a specific communications business operator shall submit it to the head of the Central Radio Management Office.

1. a copy of guarantee insurance;

2. data about the aggregate service charges for the prepaid phone services for the pertinent year ("prepaid phone service charges");

3. guide for the use of the prepaid phone services;

4. other materials specified and announced by the Korea Communications Commission for prepaid phone services business standards and customer protection, etc.

(2) A telecommunications business operator seeking to provide the prepaid phone services under paragraph (1) shall abide by each of the following:

1. the prepaid phone services shall be provided within the coverage period of the guarantee insurance;

2. if additional prepaid phone services are to be provided within the coverage period of the guarantee insurance, such additional prepaid phone services shall be provided within the actually used portion of the prepaid phone service charges;

3. if the prepaid phone service charges are to be changed, the guarantee insurance shall be renewed at least 30 days prior to such change. In this case, a copy of the renewed guarantee insurance policy shall be provided to the Korea Communications Commission or the head of the Central Radio Management Office within 7 days of such renewal;

4. if the services are to be provided after the expiration of the guarantee insurance, the guarantee insurance shall be renewed at least 30 days prior to the expiration date. In this case, financial statements and other materials specified by the Korea Communications Commission shall be provided to the Korea Communications Commission or the head of the Central Radio Management Office within seven; and

5. measures to make paragraph (1)3 and 4 easily comprehensible to users shall be taken.

(3) The "amount calculated according to standards specified under the Enforcement Decree of the Act" in the main body of Article 32(3) is an amount not less than 50% of the prepaid phone service charges and determined in

accordance with the standards announced by the Korea Communications Commission, taking into consideration the prepaid phone service provider's pain-in capital and the prepaid phone service charges.

(4) The "case specified under the Enforcement Decree of the Act" in the proviso of Article 32(3) means each of the following case:

1. average annual revenue from telecommunication services provided by a telecommunications business operator for the recent 3-year period is 30 billion won or more;

2. aggregate prepaid phone service charges is less than 10% of the annual revenue from telecommunication services provided by a telecommunications business in the past year; and

3. provision of prepaid phone services in the past 3-year period without suspension or closedown.

(5) When the beneficiary receives insurance proceeds, such shall be distributed to users within 60 days from the date of receipt under Article 32(4) of the Act, provided that if the distributions payable amount exceeds the insurance proceeds, the insurance proceeds will be distributed in proportion to loss amounts.

(6) business standards and methods concerning the guarantee insurance and insurance proceeds not otherwise specified in paragraph (2) and (5) shall be determined and announced by the Korea Communications Commission.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Chapter 4. Promoting Competition In Telecommunications Business

Article 38 (Criteria and Procedures for, and Methods of, Evaluating Competition Status)

(1) When making determination concerning unit markets for the purpose of evaluating competition status pursuant to Article 34(2) of the Act, all of the following factors shall be considered:

1. demand substitutability and supply substitutability of the services;
2. geographical scope of the services provided;
3. transaction stages of the services provided such as retail (meaning transactions between telecommunications business operators and ultimate users of the services provided by such telecommunications business operators) and wholesale (meaning transactions through which telecommunications facilities and equipment, etc., installed to provide wholesale services, are offered to other telecommunications business operators); and
4. special characteristics of users such as differences in purchasing power and negotiating edge or uniqueness of demand.

(2) Evaluation of competition status with respect to the unit markets determined under paragraph (1) shall be implemented by comprehensively considering each of the following factors:

1. market structure such as market share and entrance barrier;
2. response capacity of users such as accessibility of information related to service use and ease of switching service providers;
3. activities of telecommunications business operators such as those relating to price and quality competition and technology innovation; and
4. market performances such as the level of price and quality and the size of excess profits made by telecommunications business operators.

(3) Where it deems necessary for evaluating competition status, the Korea Communications Commission may invite opinions from relevant professionals and related parties.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 39 (Criteria applicable to Key Communications Business Operators, etc.)

(1) The "key communications business operators satisfying the criteria prescribed under the Enforcement Decree of the Act" in Articles 35(2)3, 39(3)2, 41(3)2 and 42(3)2 of the Act means, where sales of certain key communications business operators in each service from the preceding year exceed the amount determined and publicly notified by the Korea Communications Commission with respect to each service, those business operators whose market share in relation to the national aggregate sales from the relevant service is 50% or higher.

(2) A facility management institution under Article 35(2)3 is a facility management institution whose the aggregate size of facilities, etc. under Article 35(1) ("facilities, etc.") owned last year or revenue from providing facilities, etc. exceeds certain thresholds announced by the Korea Communications Commission.

(3) By December 31 of each year, the Korea Communications Commission shall designate and issue public notification of the key communications business operators prescribed under Articles 35(2)1 and 3, 39(3), 41(3) and 42(3) of the Act and facilities management institution prescribed under Article 35(2)3 of the Act.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 39-2 (Submission of Data on Facilities, etc. and Procedures, etc.)

(1) Each telecommunications business operator and facilities management institution shall provide each of the following to the Korea Communications Commission by March 31 of each year.

1. status of facilities, etc., as announced by the Korea Communications Commission, about the facilities, etc. owned by the telecommunications business operator and facilities management institution; and

2. status of facilities, etc. provided to a telecommunications business operator by a key communications business operator or a facilities management institution.

(2) The Korea Communications Commission may provide financial support within its budget to expert institutions for their operation under Article 35(6).

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 39-3 (Standards for Providing Obligatory Wholesale Services)

(1) The "telecommunications services of a key communications business operator specified under Article 38(2) of the Act" means services of the key communications business operator with the highest market share of the aggregate domestic revenue on the basis of revenue per service last year that exceed thresholds specified for individual services announced by the Korea Communications Commission.

(2) The Korea Communications Commission shall designate and announce key communications business operators under paragraph (1) by December 31 of each year.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 40 (Report on Accord, etc. concerning Interconnections, etc.)

(1) A person who wishes, under Article 38(5) or 44(1) or (2) of the Act, to file a report on, or obtain an authorization of wholesale provision, provision, common use or interconnection of facilities, etc. and equipment or the execution or termination of, or an amendment to, an accord on provision of information shall submit to the Korea Communications Commission each of the following documentation to the Korea Communications Commission, provided that in case of termination, only paragraphs 1 and 6 need to be submitted and in case of nominal matters such as no change in service charges, etc. announced by the Korea Communications commission, only paragraph 5 needs to be submitted.:

1. copy of the accord;
2. documentation demonstrating the amounts due from, or payable to, the parties to the accord, the computation methods with respect to such amounts and how the accord shall be implemented;

3. documentation demonstrating wholesale provision, provision, common use or interconnection of, or conditions upon which information shall be provided on, facilities, etc. and equipment, and any other costs related to the accord;

4. drawings indicating wholesale provision, provision, facilities, etc. provision, common use or interconnection of, or a summary of the information (including outlay of connection grid and connection points) to be provided on, facilities, etc. and equipment; and

5. documentation comparing the new accord against the old (applicable only to filing of a report of amendment or applying for an authorization of amendment).

6. documentation confirming closedown (including electronic documentation)

(2) Upon receipt of documentation under paragraph (1), the Korea Communications Commission shall examine whether such documentation comply with the criteria for provision, common use, wholesale provision or interconnection of, or provision of information on, facilities, etc. and equipment pursuant to Article 35(3), 37(3), 38(4), 39(2), 41(2) or 42(2) of the Act.

(3) A key communications business operator that has received authorization for execution, amendment or termination of an agreement under Article 44(2) of the Act shall publish details of such on its website.

(4) Pursuant to Article 65(3) of the Act, upon receipt of documentation under paragraph (1), the Korea Communications Commission shall examine whether such documentation complies with the criteria for provision, common use or interconnection of, or provision of information on, telecommunications facilities and equipment pursuant to Article 35(3) of the Act, and whether the private telecommunications facilities and equipment provided were installed by an individual to be used for her or his own telecommunications.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 40-2 (Request for Arbitration)

① A person wishing to make a request for arbitration under Article 45(1) of the Act shall attach each of the following documentation to its arbitration application and submit them to the Korea Communications Commission, provided that the item under subparagraph 3 shall be submitted only in the case of the request under Article 45(1)3.

1. documents about overview of the arbitration request;

2. documents about negotiation between the parties; and

3. each of the documentation under Article 40(1).

② After reviewing the application documents under paragraph (1), the Korea Communications Commission may demand the applicant to submit additional information within a reasonable period of time for any of the following reasons:

1. in the case where any required document is missing

2. in the case where any entry in the application and attachments is vague.

③ If the applicant fails to provide additional information within the time period specified under paragraph (2), the Korea Communications Commission shall return the application along with a reason for such return.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 40-3 (Arbitration Decision)

① An arbitration decision by the Korea Communications Commission shall be made in writing.

② The arbitration decision under paragraph (1) shall state the ruling, reason and date of decision, be signed by the Commissioner of the Korea Communications Commission and commission members who attended the arbitration deliberation and be sent to the parties to the dispute.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 41 (Reporting prohibited acts)

(1) Any person recognizing any of the prohibited acts prescribed under Article 50(1) of the Act (the "**Prohibited Acts**") may report to the Korea Communications Commission of such act and request any measures prescribed under each of the subparagraphs of Article 52(1) of the Act to be taken.

(2) A person who wishes to make a report under paragraph (1) shall submit to the Korea Communications Commission documentation indicating each of the following:

1. name (if a corporation, the name of the corporation and its representative) and address of the person making the report;
2. trade name, or name (if a corporation, the name of its representative), and address of the person being reported;
3. details of the prohibited act; and
4. measures necessary for addressing the prohibited act.

(3) The Korea Communications Commission may, where it deems necessary, request that the documentation submitted to it under paragraph (2) be supplemented within a period reasonably fixed.

(4) The details of handling procedures and methods concerning application, supplementation, prohibition and violation under paragraphs (1) through (3) shall be determined and announced by the Korea Communications Commission.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 42 (Types of and Criteria for Prohibited Acts)

(1) The types of, and criteria for, the prohibited acts pursuant to Article 50(3) of the Act shall be as provided in Table 4 attached hereto.

(2) The Korea Communications Commission may, where it deems necessary for the purpose of applying to specific telecommunications fields or specific prohibited acts, determine and issue public notification of the details concerning the types of, and criteria for, the prohibited acts under paragraph (1).

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 43

<Deleted by Enforcement Decree No. 22616 Oct. 1, 2010>

Article 44 (Measures Taken, etc. on Offenses)

The term "other matters prescribed under the Enforcement Decree of the Act" in Article 52(1)11 of the Act refers to each of the following:

1. submission of a plan for implementing the provisions under Article 52(1)1-10 of the Act;
2. report on the results of the implementation of the provisions under Article 52(1)1-10 of the Act; and
3. preservation of relevant materials and notification of a fact that any damage has occurred to the users necessary for implementing of the provisions under Article 52(1)8.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 44-2 (Announcement of Corrective Order)

The details of contents and method of announcement about corrective order made under Article 52(1)8 shall be determined and announced by the Korea Communications Commission.

[This Article Newly Inserted by Enforcement Decree No. 22616 Oct. 1, 2010]

Article 45 (Implementation Period of Corrective Orders)

The period by the end of which telecommunications business operators shall implement the corrective order issued by the Korea Communications Commission pursuant to Article 52(2) of the Act shall be as provided in Table 5 attached hereto.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 46 (Offenses Subject to Imposition of Penalty surcharge and Amount of Such Penalty surcharge, etc.)

(1) The upper limit of penalty surcharge by classification of offenses subject to imposition of penalty surcharge, and the criteria for imposition of such penalty surcharge pursuant to Article 53(1) of the Act shall be as provided in Table 6 attached hereto.

(2) Maximum fine amount by type of violations subject to fine under Article 53(2) of the Act, and fine calculation method shall be as provided in Table 7. [Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 47 (Computation Methods of Penalty Surcharge)

(1) The term "sales as prescribed under the Enforcement Decree of the Act" in the former part of Article 53(1) of the Act means the average annual sales for the 3 preceding fiscal years of the telecommunications services related to the offense committed by the relevant telecommunications business operator and the "sales as prescribed under the Enforcement Decree of the Act" in Article 53(2) of the Act means the average annual sales for the 3 preceding fiscal years of the telecommunications services related to the offense committed by the relevant telecommunications business operator; *provided that*, if, as of the first day of the applicable fiscal year, less than 3 years have elapsed since the commencement of the relevant business as of the first day of the relevant fiscal year, such term shall mean the sales of the period from the commencement of the relevant business until the last day of the preceding fiscal year, converted into annual average sales, or if the relevant business has been commenced in the applicable fiscal year, such term shall mean sales of the period from the commencement date of the relevant business until the date of commission of the offense, converted into annual sales.

(2) The term "the time prescribed under the Enforcement Decree of the Act" in the provision of Article 53(1) of the Act means any of the following:

1. where there has been no sales result due to such reasons as non-commencement or suspension of business; or
2. where it is difficult to make an objective computation of sales.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 48 (Imposition and Payment of Penalty Surcharge)

(1) The Korea Communications Commission shall, where it intends to impose penalty surcharge pursuant to Article 53 of the Act and subsequent to its investigation and verification of the relevant offense, notify, in writing, the person subject to such penalty surcharge of the fact of offense, the amount thereof and the method of, and the period for, raising objection thereto.

(2) A person who receives a notification under paragraph (1) shall pay the relevant penalty surcharge to a financial company, etc. designated by the Korea Communications Commission within 20 days from the date of receiving such a notification; *provided that*, if the person is unable to pay the penalty surcharge within such period due to a natural disaster or other unavoidable circumstances, the person shall pay the penalty surcharge within 7 days from the date on which said reason ceases to exist.

(3) A financial company, etc. in receipt of a payment of penalty surcharge under paragraph (2) shall deliver a receipt thereof to the person who paid the penalty surcharge.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 49 (Demand for Penalty surcharge)

(1) A demand for penalty surcharge pursuant to Article 53(6) of the Act shall be made in writing within 7 days from the date on which the payment deadline expires.

(2) Where a demand note is issued under paragraph (1), a deadline for payment of any penalty surcharge in arrear shall be within 10 days from the date on which such demand note is issued. [Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 50 (Services Subject To Prior Selection)

The "telecommunications services prescribed under the Enforcement Decree of the Act" in the latter part of Article 57(1) of the Act means the Long Distance Telephone Service. [Title of this Article Amended by Enforcement Decree 22616 Oct. 1, 2010]

Article 51 (Provision of Directory Assistant Service)

(1) Telecommunications business operators providing a directory assistant service pursuant to Article 60(1) of the Act may furnish any of the following information:

1. name or trade name of the user;
2. telephone number of the user; or
3. address of the user up to Eup/Myeon/Dong.

(2) Telecommunications business operators shall obtain users' consent to a directory assistant service through a method that can be used to verify as to whether such consent has been indeed given by the user, such as the user's handwritten or electronic signature, and to prove at a later date that such consent has been given.

(3) Users may withdraw their consent given under paragraph (2) at any time, and telecommunications business operators shall, without any delay, take the necessary measures so that a directory assistance service shall not be provided with respect to such users who withdrew their consent; *provided that*, where the pertinent directory assistance service is provided through a written material, a user shall have to withdraw his or her consent at least 30 days prior to the print date of such written material for the withdrawal to take effect.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Chapter 5. Telecommunications Facilities and Equipment

<Amended by Enforcement Decree No. 22616 Oct. 1, 2010>

Article 51-2 (Report and Approval of Telecommunication Facilities Installation)

(1) A key communications business operator seeking to install or change material telecommunication facilities under the main body of Article 62(1) of the Act shall submit an installation or change application (including electronic application) and each of the following documentation (including electronic documentation) as attachment to the Korea Communications Commission.

1. details of installation or change of telecommunication facilities (diagram of connection grid included); and

2. security plan for telecommunication facilities.

(2) A key communications business operator seeking to receive approval for telecommunication facilities installed under the proviso of Article 62(1) of the Act shall submit an installation approval application (including

electronic application) and each of the following documentation (including electronic documentation) as attachment to the Korea Communications Commission.

1. business plan

2. security plan for telecommunication facilities

3. domestic and international specifications and technological profile of the pertinent telecommunications facilities;

4. research status of the pertinent telecommunications facilities; and

5. agreement (throughout this Article, if installed or used jointly with other domestic or international business operator).

(3) After receiving an application under paragraph (2), the Korea Communications Commission shall notify the applicant of its decision within 15 days of the submission date after reviewing each of the following:

1. feasibility of the business plan;

2. appropriateness of the security plan for telecommunication facilities;

3. conformity with the domestic and international technological standards; and

4. legality of the agreement.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-3 (Investigation of Join Installation of Telecommunication Facilities)

The Korea Communications Commission may investigate the following items required for a joint installation agreement between key communications business operators under Article 63(2) of the Act:

1. Each of the following items of the key communications business operators' installation plan

A. type and specifications of the telecommunication facilities to be installed;

B. installation area and installation interval

C. installation period;

D. technological prerequisites, etc.

2. telecommunication area and interval available for joint installation;

3. plan for efficient joint installation of telecommunication facilities; and

4. economic impacts from the join installation of telecommunication facilities,

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-4 (Appointment of Expert Reviewing Institution)

(1) When the Korea Communications Commission desires to delegate the investigation of the data required for a joint installation agreement between key communications business operators to an expert institution in the telecommunication industry under Article 63(3) of the Act, it shall appoint an expert institution that is deemed to have expertise, fairness and objectivity and make it carry out the investigation.

(2) When the Korea Communications Commission appoints an expert institution for data investigation under paragraph (1), it will notify the relevant key communications business operators.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-5 (Recommendation of Joint Installation of Telecommunication Facilities)

(1) In the event the Korea communications Commission recommends joint installation of telecommunication facilities to key communications business operator under Article 63(4) of the Act, such recommendation shall

include specific telecommunication facilities to be installed, installation area, installation interval, installation period.

(2) A key communications business operator requesting a joint installation of telecommunication under Article 63(4)1 shall submit each of the following documentation to the Korea Communications Commission:

1. plan for the joint installation of telecommunication facilities;

2. economic impact of the joint installation of telecommunication facilities

3. matters not yet agreed with the key communications business operator participating in the joint installation of telecommunication facilities and proposed solutions

(3) A key communications business operator that has received a recommendation for joint installation of telecommunication facilities shall notify the Korea Communications Commission on whether it is accepting the recommendation and, if it is being rejected, reason for such rejection within 21 days from the receipt of such recommendation.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-6 (Report of proprietary telecommunication facilities)

(1) A person desiring to install proprietary telecommunication facilities under Article 64 of the Act shall submit to the Korea Communications Commission at least 21 days prior to the start of such installation a proprietary telecommunication installation application (including electronic application) including all of the following with blueprints of the installation attached.

1. applicant

2. type of business

3. purpose of installation

4. electronic communication method

5. installation site

6. overview of telecommunication facilities

7. (expected) operation date of facilities

(2) The “material items specified in the Enforcement Decree of the Act” in the bottom text of the Article 64(1) of the Act means items under paragraphs (1)2 to (6).

(3) If a person who reported the installation of proprietary telecommunication facilities seeks to amend items in paragraph (2) shall submit to the Korea Communications Commission an modification application (including electronic application) with blue prints (including a comparison of pre- and post-modification) of installation proprietary telecommunication facilities at least 21 days prior to the effective date of such modification (in case of modification to any of paragraph (1)4 through (6), the start date of construction regarding such modification).

(4) Upon receiving an installation or installation modification application under paragraph (1) or (3), the Korea Communications Commission shall review the following:

1. whether it satisfies technological standards under Article 28(1) of the Base Act on Broadcasting Communication Advancement

2. whether the purpose and reason for installing telecommunication facilities is for the use of proprietary telecommunication

(5) The Korea Communications Commission shall issue an installation/modification certificate if it concludes, after conducting a review, that all criteria under paragraph (4) are satisfied.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-7 (Confirmation of Installation)

(1) A person who filed an installation or modification application in regard to proprietary telecommunication facilities under Article 64(3) shall receive confirmation from the Korea Communications Commission within seven days from the completion of installation or modification construction.

(2) A person desiring to receive confirmation of proprietary telecommunication facilities under paragraph (1) shall submit to the Korea Communications Commission a proprietary telecommunication facilities confirmation application (including electronic application) with each of the following documentation (including electronic documentation) as attachment.

1. documentation showing that the construction was completed in satisfaction of the technological standards under Article 28(1) of the Base Act on Broadcasting Communication Advancement

2. documentation showing that the construction was completed in accordance with blue prints under Article 28(3) of the Base Act on Broadcasting Communication Advancement

3. copy of construction firm's license

(3) After reviewing the application documents under paragraph (2), the Korea Communications Commission may demand the applicant to submit additional information within a reasonable period of time for any of the following reasons:

1. in the case where any required document is missing

2. in the case where any entry in the application and attachments is vague.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-8 (Exemption from Proprietary Telecommunication Facilities Installation Application)

Under Article 64(4) of the Act, proprietary telecommunication facilities may be installed without filing an application in any of the following cases:

1. proprietary telecommunication facilities consisting of main equipment and terminals within one building and its lot;

2. proprietary telecommunication facilities consisting of main equipment and terminals within two or more buildings and their lots owned by 1 person and whose shortest distance between them is shorter than 100 meters (excluding those buildings or lots separated by road or water stream); and

3. proprietary telecommunication facilities installed for urgent police action and is used for less than 1 month.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-9 (Supply of Proprietary Telecommunication Facilities)

(1) A person who installed proprietary telecommunication facilities may provide excess capacity provided by the proprietary telecommunication facilities installed in the interval requested by a key communications business operator under Article 65(2) of the Act over his need to the key communications business operator.

(2) If the proprietary telecommunication facilities are provided to a key communications business operator under paragraph (1), the compensation for such supply shall not exceed the sum of the installation costs, maintenance expenses and investment return and shall be determined in accordance with the criteria announced by the Korea Communications Commission.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-10 (Standards for Cessation Order)

The standards for cessation order under Article 67(2) of the Act are set forth in Table 8.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-11 (Facilities subject to Public Space Needs)

The "facilities and areas specified under the Enforcement Decree of the Act" under Article 68(1)8 of the Act means each of the following:

1. passenger car terminal under the Passenger Transport Service Act
2. logistics terminal and logistics complex under the Act on the Development and Management of Logistics Facilities
3. small and medium enterprise joint complex under the Small and Medium Enterprises Promotion Act
4. tourist site or complex under the Tourism Promotion Act
5. sewage path under the Sewerage Act [Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-12 (Adjustment for Public Space Needs)

(1) When the Korea Communications Commission drafts a corrective plan upon the request under Article 68(5) of the Act, it shall solicit opinions from the head of relevant administrative bodies and the parties involved.

(2) When the Korea Communication Commission has drafted a corrective plan under paragraph (1), it shall notify the parties of such plan and recommend their adoption of the plan within a period it specifies which shall not be shorter than 30 days.

(3) When the parties adopt the corrective plan under paragraph (2), the Korea Communications Commission shall draft a corrective agreement including the following items and have it executed by the parties.

1. case number
2. names and addresses of the parties, their representatives or agents
3. reason for corrective adjustment
4. provisions amended
5. date of the agreement

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-13 (Integrated Management of Telecommunication Facilities)

The case necessary for efficient management and operation of telecommunication facilities under Article 70(1) of the Act shall mean the case where efficiently managing and operating telecommunication facilities eliminates redundant investment in such telecommunication facilities.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-14 (Designation of Integrated Telecommunication Operator)

When the Korea Communications Commission is to designate a key telecommunication business operator who may integrate and manage telecommunication facilities under Article 70(1) of the Act, it shall make such designation out of key telecommunication business operators providing telecommunication services in the region where such telecommunication facilities are located or its nearby regions after evaluating the following matters with respect to key communications business operators:

1. human resources and organization;
2. facilities and equipments owned;
3. technological capacity; and
4. capital structure of technological capacity.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 51-15 (Items to be Covered in Integrated Management Plan)

The "other matters specified under the Enforcement Decree of the Act" in Article 70(3)3 of the Act mean the following:

1. pricing of integrated telecommunication facilities

2. managerial personnel of integrated telecommunication facilities

[This Article Newly Inserted by Enforcement Decree No. 22616 Oct. 1, 2010]

Article 51-16 (Purchase of Telecommunication Facilities).

(1) The sales price of telecommunication facilities under Article 71(2) of the Act shall be determined on the basis of a fair appraisal value provided by an appraiser under the Public Notice of Values and Appraisal of Real Estate Act, provided that such price may be determined by agreement between the parties if appraisal by an appraisal is not possible.

(2) The sales procedures of telecommunication facilities and payment mechanism under Article 71(2) of the Act shall be determined by the parties.

[This Article Newly Inserted by Enforcement Decree No. 22616 Oct. 1, 2010]

Article 52 (Designation of Alert Areas for Submarine Cable)

(1) A key communications business operator who wishes to apply for designation of alert areas for submarine cable under Article 79(3) of the Act shall submit to the Korea Communications Commission documentation demonstrating each of the following:

1. need to designate alert areas; and

2. legs and width of the alert areas indicated by using coordinates of latitude and longitude.

(2) The Korea Communications Commission may, where necessary for designation of alert areas for submarine cable, request additional information further to the documentation prescribed under paragraph (1) from any key communications business operator who applies for such designation.

(3) Upon receipt of the documentation submitted to it under paragraphs (1) and (2), the Korea Communications Commission shall send such documentation to the heads of the relevant state administrative organs prescribed under Article 79(4) of the Act for consultation.

(4) Except under ordinary circumstances, the Korea Communications Commission shall, within 60 days of the date of application for designation of an alert area for submarine cable, notify the key communications business operator making such application, and if such designation is approved, issue, without any delay, public notification of the newly designated alert area.

(5) Once the Korea Communications Commission designates and issues public notification of a new alert area under paragraph (4), the key communications business operator who applied for such designation shall disclose the location of the new alert area on its website, etc., and may place buoys, etc. in the new alert area for marking purposes.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 52-2 (Inspection and Report of Telecommunication Facilities)

① The "cases necessary for the implementation of telecommunication policies specified under the Enforcement Decree of the Act" in Article 82(1) of the Act shall mean each of the following:

1. in case where necessary for the implementation of telecommunication policies;

2. in case where necessary for verifying the suitability of installation and management of telecommunication facilities; or

3. in case where a national emergency occurs or where necessary for securing communication channels in case of disasters.

② When an inspection is made pursuant to Article 82(1) of the Act, an inspection plan specifying inspection period, purpose and items shall be sent to the person who installed the telecommunication facilities being inspected at least 7 days prior to such inspection, provided that, the foregoing requirement is waived if necessary for emergency or for the purpose of preventing destruction of evidence which would thwart the purpose of inspection.

③ A public servant carrying out the inspection under paragraph (2) shall carry evidence of his authority and show it to relevant parties and provide at the time of entrance a document stating the time and purpose of the entrance to relevant parties.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Chapter 6. Supplementary Provisions

Article 53 (Protection of Communication Secrets)

(1) Telecommunications business operators shall preserve the ledger of communications data supplied, prescribed under Article 83(5) of the Act, for a period of 1 year.

(2) Reports on, and notification of, the status of communications data supplied pursuant to Articles 83(6) and 83(7) of the Act respectively, must be provided within 30 days after the expiration of each half-year.

(3) An office dedicated to protection of communication secrets pursuant to Article 83(8) of the Act (the "**Dedicated Office**") shall undertake to perform each of the following:

1. oversee tasks related to communication secrets of users;
2. regulate illegal or undue infringement of communication secrets of users by employees of telecommunications business operators or third parties;
3. report on the present status of communications information supplied under Article 83(6) of the Act;
4. furnish notification of the recordation in the ledger of communications data supplied under Article 83(7) of the Act;
5. address complaints or opinions from users with respect to communication secrets;
6. train the employees in charge of tasks connected with communication secrets; and
7. any other matters necessary for protection of communication secrets of users.

(4) The Dedicated Office shall be based at the headquarters of each telecommunications business operator with the officers thereof in charge.

(5) An authorized signatory for written request for data supply under Article 83(9) of the Act shall be either (i) a judge, a prosecutor or an investigatory entity (including, throughout this Enforcement Decree, a military investigatory body, the National Tax Service and regional tax services) (ii) a public official of Grade 4 or higher who belongs to an intelligence agency (including a public official of Grade 5 who is the head of an investigatory body or intelligence agency) or (iii) a public official who belongs to senior executive service; *provided that*, (x) with respect to the police or marine police, such authorized signatory shall be a public officer whose position is senior superintendent or higher (including a superintendent who is the head of a district policy agency) and (y) with respect to a military investigatory body, it shall be a military prosecutor or a person whose rank is lieutenant colonel or higher (including a major with respect to a military investigatory body at which a major is the commanding officer).

(6) The written request for data supply prescribed under Article 83(9) of the Act shall clearly indicate the authorized signatory's name and rank; *provided that*, with respect to intelligence agencies prescribed under Article 2(6) of the Regulation on Planning and Coordination of Information Security, only the title of the authorized

signatory shall be indicated, and with respect to courts, the title and name of the authorized signatory shall be clearly indicated. [Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 54 (Caller Identification, etc.)

(1) Telecommunications business operators may not impose charges on users who choose, pursuant to the proviso of Article 84(1) of the Act, not to allow their telephone numbers to be identified when making telephone calls.

(2) A person who wishes to be informed of the telephone number of the caller pursuant to Article 84(2)1 of the Act shall make a written request therefor to the pertinent telecommunications business operator with any of the following documentation demonstrating in detail that the person has been subjected to abusive language, threats or harassment over the telephone attached thereto:

1. written records of the date, time and contents of threats, etc. over the telephone;
2. voice records of threats, etc. over the telephone;
3. documentation supporting that a crime report has been filed with the police in connection with threats, etc. over the telephone;
4. documentation supporting that advice has been sought from a clinic with respect to the damages incurred from threats, etc. over the telephone;
5. any other documentation equivalent or similar to those set forth in subparagraphs 1-4.

(3) “As prescribed under the Enforcement Decree of the Act” in Article 84(2)2 of the Act means where each of the following telephone services is used:

1. to report international terror-related crime (111);
2. to report crime (112);
3. to report spies (113);
4. to report cyber terror and seek advice in relation thereto (118);
5. to report fire or seek emergency rescue (119);
6. to report marine accidents or crime (122);
7. to report smuggling (125); or
8. to report drug offenders (127).

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 55 (Restriction on and Suspension of Service)

(1) Where the Korea Communications Commission issues, under Article 85 of the Act, an order to restrict or suspend the whole or part of the telecommunications business of telecommunications business operators, it may allow communications for undertaking the matter falling under each of the following in the order of their priority, in proportion to the scope and severity of the relevant restriction or suspension:

1. top priority
   - (a) national security;
   - (b) military affairs and public security;
   - (c) transmission of the civil defense alarm; and
   - (d) electronic wave control;

2. second priority

   (a) disaster relief;

   (b) telecommunications, navigation safety, weather, fire fighting, electricity, gas, water service, transportation and the press;

   (c) affairs of the State and local government, except for those mentioned in items (a) and (b); and

   (d) affairs of the foreign diplomatic missions and the organizations of the United Nations in Korea;

3. third priority

   (a) affairs of the enterprises subject to resources control and the firms of defense industry; and

   (b) affairs of public institutions under the Act on the Management of Public Institutions, and medical institutions; and

4. forth priority: matters other than those listed in subparagraphs 1 through 3.

(2) The restriction or suspension on the telecommunication services under paragraph (1) shall be the least of those required for securing the important communications.

(3) A telecommunications business operator shall, in case where he restricts or suspends the whole or part of telecommunications services under paragraph (1), report the content thereof without delay to the Korea Communications Commission.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 56 (Approval, etc. for International Telecommunications Services)

(1) The term "international telecommunications business as prescribed under the Enforcement Decree of the Act" in the earlier part of Article 86(2) of the Act means the services falling under any of the following:

1. installation and lease of a satellite for providing international telecommunications services; or

2. transboundary provision of key communications services under Article 87 of the Act.

(2) A person who intends to obtain approval under Article 86(2) of the Act shall submit the following documents to the Korea Communications Commission:

1. duplicate copy of written agreement or contract;

2. comparative table between new and old agreements or contracts (limited to the cases where an application for modified approval is filed); and

3. document certifying the fact that the agreements or contracts have been abrogated (limited to the cases where an application for approval of abrogation is filed).

(3) The "criteria specified by the Enforcement Decree of the Act" in the proviso of Article 86(3) means telecommunication business operators whose capital is less than 3 billion won and who do not have an international calling identification number issued by the Korea Communication Commission.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 57 (Revocation of Approval for Agreement to Provide Transboundary Key Communications Services)

(1) The criteria for revocation of approval for agreements to provide transboundary key communications services and for suspension of provision of transboundary key communications services pursuant to Article 87(4) of the Act shall be as follows.

1. first violation shall result in suspension of 6 months or less, or suspension of invitation of new users; and

2. second violation shall result in revocation of approval.

(2) Upon revoking approval or ordering suspension, the Korea Communications Commission shall issue public notification and notify the relevant telecommunications business operator in writing thereof.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 58 (Report on Statistics)

(1) The types of statistics telecommunications business operators must report to the Korea Communications Commission pursuant to Article 88(1) of the Act are as follows.

1. present status of telecommunications facilities, including those for exchange, transmission, wire and power per service;
2. use records of telecommunications, including sales and times of use per service, period, distance stage, time zone, country (including the use records per foreign telecommunications business operator) and Calling Area and between Calling Areas;
3. present status of telecommunications users, including the number of subscribers per service, city and province and Calling Area;
4. information related to call volume, including (i) call volume between Calling Areas and per service, period, distance stage, time zone, city and province, country (including the call volume per foreign telecommunications business operator) and Calling Area and (ii) information on provision of facilities and equipment and on interconnection;
5. information related to accounting, including a sales report prepared for each service and business provided; and
6. aggregated issue amount of prepaid calling cards and use records of the Calling Areas (applicable only to specific communications business operators).

(2) The Korea Communications Commission shall determine the format, submission method and reporting deadline of the relevant statistics under paragraph (1) and any other matters related thereto.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 59 (Submission of Documentation)

(1) Pursuant to Article 88(2) of the Act, key communications business operators and their shareholders shall submit to the Korea Communications Commission each of the following:

1. present status of the corporation’s outstanding shares (including, throughout this Article, equities);
2. present shareholding (including, throughout this Article, equity investment ratios) status of shareholders owning the corporation’s outstanding shares (including, throughout this Article, equity investors) and their related parties;
3. purpose of shareholding and reasons for the change (applicable only to shareholders of key communications business operators);
4. date of acquiring the shares and details of capital used for such acquisition (applicable only to shareholders of key communications business operators);
5. form of shareholding (applicable only to shareholders of key communications business operators); and
6. documentation supporting any of the information set forth in subparagraphs 1 through 5.

(2) Business operators obliged to submit documentation under paragraph (1) shall submit such documentation to the Korea Communications Commission by the date classified as follows:

1. if the business operator is a key communications business operator whose share certificates are listed on a stock exchange under Article 9(15)3 of the Financial Investment Services and Capital Markets Act, within 30 days from the date its shareholder registry is closed; or

2. if the key communications business operator does not fall under subparagraph 1, by January 30 of each year.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 60 (Methods for Computing Penalty surcharge)

(1) The term "sales calculated under the conditions prescribed under the Enforcement Decree of the Act" in the former part of Article 90(1) of the Act means the annual average sales for 3 fiscal years immediately preceding of the telecommunications services by the relevant telecommunications business operator; *provided that*, where 3 years have not elapsed since the start of business as of the first day of the relevant fiscal year, it shall mean sales from the period from the start of the relevant business until the end of the immediately preceding fiscal year, converted into annual average sales; and where a business was started in the relevant fiscal year, it shall mean sales from the period from the date of starting the business until the date of an offense, converted into annual sales.

(2) The term "where it is prescribed under the Enforcement Decree of the Act" in the proviso of Article 90 (1) of the Act means the case falling under any of the following:

1. where there exists no business record due to a failure of starting a business or a suspension of business, etc.;

2. where a telecommunications business operator has refused to submit the data for computing sales or has submitted false data; or

3. other cases where it is difficult to compute the amount of objective sales.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 61 (Offenses Subject to Imposition of Penalty surcharge and Amount of Penalty surcharge, etc.)

(1) Classifications of offenses subject to the imposition of a penalty surcharge and the amount of a penalty surcharge under Article 90(1) of the Act shall be as provided in Table 9 attached hereto.

(2) The types of violation subject to fine under Article 90(2) of the Act and amounts are set forth in Table 10.

(3) In determining the amount of penalty surcharge under paragraph (1) or (2), the Korea Communications Commission may increase or decrease such amount by up to 50% after taking the following items into consideration, provided that even in case of increase, the total penalty surcharge amount cannot exceed the maximum penalty surcharge amount specified under Article 90(1) or (2) of the Act.

1. the peculiarities of providing telecommunications services

2. the severity and frequency of each offense.

3. willfulness or negligence of violation

4. reason and contents of violation

5. prior penalty surcharge received for violation of law

(4) The provisions under Articles 48 and 49 hereof shall apply *mutatis mutandis* to the imposition, payment and demand of penalty surcharge under Article 90 of the Act. [Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 62 (Extension of Payment Due Date, and Installment Payment, of Penalty Surcharge)

(1) A person who intends to extend the payment due date of a penalty surcharge or pay it in installments under Article 91 of the Act shall make an application to the Korea Communications Commission along with the document certifying grounds of the extension of payment due date or the payment in installments not later than 10 days prior to the relevant due date of payment.

(2) The term "amount as prescribed under the Enforcement Decree of the Act" in Article 91(1) of the Act means either the amount equal to the sales under Article 47 multiplied by 1%, or 300 million won.

(3) The extension of the payment due date of a penalty surcharge under Article 91 of the Act shall not exceed 1 year from the day immediately following said payment due date.

(4) When making installment payments under Article 91 of the Act, the intervals between the respective installment payment due dates shall not exceed 4 months, and the frequency of installments shall not exceed three times.

(5) The Korea Communications Commission may, if a person liable for a payment of a penalty surcharge for whom the payment due date has been extended or installment payments have been permitted under Article 91 of the Act comes to fall under any of the following, revoke such extension of payment due date, or the decision to allow such installment payments, and collect it in a lump sum:

1. where the person fails to pay a penalty surcharge for which the payment in installments has been decided, within the payment due date thereof;
2. where the person fails to implement an order necessary for a change of security or other security integrity, which is given by the Korea Communications Commission; or
3. where it is deemed that the whole or remainder of a penalty surcharge is uncollectible, such as the compulsory execution, commencement of auction, adjudication of bankruptcy, dissolution of a juristic person or dispositions on national or local taxes in arrears, etc.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 63 (Classification and Appraisal, etc. of Securities)

The provisions of Articles 29 through 34 of the Framework Act on National Taxes, and of Articles 13 through 17 of its Enforcement Decree shall apply *mutatis mutandis* to the provision of security under Article 91 of the Act.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 64 (Important Communications)

(1) The term important communications in Article 92(2)3 of the Act means:

1. business telecommunications related to the national security, military affairs, public peace and order, civil defense alarm transmission and radio wave control; or
2. other communications publicly notified by the Korea Communications Commission in order to efficiently perform the State affairs.

(2) The government may grant a subsidy for the expenses required for the construction and management of the important communications in order to secure the important communications under paragraph (1).

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 65 (Delegation of Authority)

The Korea Communications Commission shall delegate the authority falling under any of the following to the Director General of the Central Radio Management Office pursuant to Article 93 of the Act:

1. registration and imposition of registration criteria of specific communications business under Article 21 of the Act;
2. acceptance of a report on the value-added communications business under the text of Article 22(1) of the Act;
3. registration and imposition of registration criteria of special type of value-added communications business under Article 22(2) and (3) of the Act;

4. acceptance of a modified registration for the specific communications business and of a modified report for value-added communications business, and a modified registration for special type of value-added communications business under Article 23 of the Act;
5. acceptance of a report on the transfer or takeover of a specific communications business or a value-added communications business, and on the merger or succession of a juristic person, under Article 24 of the Act;
6. acceptance of a report on the suspension or closedown of a specific communications business or a value-added communications business, and on the dissolution of a juristic person under Article 26 of the Act;
7. order to cancel registration of or suspend a specific communications business under Article 27(1) of the Act;
8. order to closedown a value-added communications business, or to cancel registration of or suspend a special type of value-added communications business under Article 27(2) of the Act;
9. acceptance of installation and modification applications concerning proprietary telecommunication facilities under Article 64(1) of the Act
10. confirmation of installation and amendment constructions concerning proprietary telecommunication facilities under Article 64(3)
11. order to handle telecommunications business or connect with other telecommunication facilities given to the persons who installed proprietary telecommunication facilities under Article 66(1) of the Act
12. order to correct given to the persons who installed proprietary telecommunication facilities under Article 67(1) of the Act
13. order to cease usage of, modify/repair or take other measures in regard to proprietary telecommunication facilities under Article 67(2) and (3)
14. permission for a felling or transplanting of the plants under the former part of Article 75 (3) of the Act;
15. inspection of and demand for reports from persons who have installed telecommunication facilities under Article 82(1) of the Act
16. telecommunication facilities removal or other necessary corrective order under Article 82(2) of the Act
17. acceptance of applications by specific communication business operators for agreements on settlement of charges for international telecommunication services under Article 86(3) of the Act
18. hearing on the order to cancel registration of a specific communications business or to closedown a value-added communications business under Article 89(2) and (3) of the Act;
19. imposition and collection of penalty surcharge under Article 90 of the Act and permission for extension of time limit for payment of and payment in installment of such penalty surcharge under Article 91 of the Act, except against a key communications business operator;
20. correction order under Article 92(1) of the Act, except against a key communications business operator;
21. order to suspend the provision of telecommunications service or to remove telecommunications facilities under Article 92(3) of the Act, except against a key communications business operator;
22. imposition and collection of fine for negligence under Article 104 of the Act, except against a key communications business operator.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

Article 65-2 (Handling of Unique Idenfying Information)

The Korea Communications Commission (including a person to whom the Korea Communications Commission delegates its authority under Article 65) may handle any materials containing resident registration numbers or alien registration numbers under subparagraph 1 or 4 of Article 19 of the Enforcement Decree of the Personal Information Protection Act when it is unavoidable to implement the following affairs:

1. affairs regarding license of key communications business under Article 6 of the Act;

2. affairs regarding modification of license of key communications business under Article 16 of the Act;

3. affairs regarding authorization or report of takeover of key communications business and merger of juristic persons under Article 18 of the Act;

4. affairs regarding approval of suspension or discontinuation of key communications business under Article 19 of the Act;

5. affairs regarding registration of specific communications business under Article 21 of the Act;

6. affairs regarding report and registration of value-added communications business under Article 22 of the Act;

7. affairs regarding modified registration of specific communications business, or modified report and modified registration of value-added communications business under Article 23 of the Act;

8. affairs regarding report of transfer or takeover, etc. of specific communications business or value-added communications business under Article 24 of the Act;

9. affairs regarding report of suspension or closedown of specific communications business or value-added communications business and report of dissolution of juristic person under Article 26 of the Act;

10. affairs regarding arbitration under Article 45 of the Act;

11. affairs regarding report and authorization of telecommunications facilities installation under Article 62 of the Act;

12. affairs regarding report on installation or modification of proprietary telecommunications facilities and confirmation of installation or modification construction under Article 64 of the Act; and

13. affairs regarding extension of time limit of payment of penalty surcharge and payment in installations under Article 91 of the Act.

[This Article Newly Inserted by Enforcement Decree No. 23488 Jan. 6, 2012>

Chapter 7. PENAL PROVISIONS <Newly Inserted by Enforcement Decree No. 22616 Oct. 1, 2010>

Article 66 (Imposition Criteria for Fine for Negligence)

The imposition criteria of fine for negligence imposed under Article 104(1) through (4) of the Act are set forth in Table 11.

[Wholly Amended by Enforcement Decree No. 23642 Feb. 28, 2012]

ADDENDA <Enforcement Decree No. 23642 Feb. 28, 2012>

Article 1 (Enforcement Date) This Decree shall take effect on the date of announcement.

Article 2 (Application for Modified Registration of Standardized Terms and Conditions)

The amended provisions of Article 31 hereof shall firstly apply to the case where the standardized terms and conditions are initially amended after this Enforcement Decree becomes effective.

Annex C

Current Report on Form 6-K relating to Semi-annual Business Report
for the semi-annual period ended June 30, 2012.

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

Form 6-K

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

FOR THE MONTH OF OCTOBER 2012

COMMISSION FILE NUMBER 333-04906

SK Telecom Co., Ltd.

(Translation of registrant's name into English)

11, Euljiro2-ga, Jung-gu

Seoul 100-999, Korea

(*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-__________

SEMI-ANNUAL BUSINESS REPORT

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

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

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

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

I. COMPANY OVERVIEW

1. Company Overview

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

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

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

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

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

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Major Businesses

(1) Wireless Business

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

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

(2) Fixed-line Business

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

(3) Other Businesses

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

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

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

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 Bejing, 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
February 20, 2008	Corporate bond	AAA	Korea Ratings	Current rating
February 21, 2008	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 21, 2008	Corporate bond	AAA	Korea Information Services, Inc.	Current rating
June 3, 2008	Corporate bond	AAA	Korea Ratings	Regular rating
June 17, 2008	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 30, 2008	Corporate bond	AAA	Korea Information Services, Inc.	Regular rating
October 20, 2008	Corporate bond	AAA	Korea Ratings	Current rating
October 20, 2008	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
October 20, 2008	Corporate bond	AAA	Korea Information Services, Inc.	Current rating
January 13, 2009	Corporate bond	AAA	Korea Ratings	Current rating
January 13, 2009	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
January 13, 2009	Corporate bond	AAA	Korea Information Services, Inc.	Current rating
February 23, 2009	Corporate bond	AAA	Korea Ratings	Current rating
February 23, 2009	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 23, 2009	Corporate bond	AAA	Korea Information Services, Inc.	Current rating
June 24, 2009	Corporate bond	AAA	Korea Information Services, Inc.	Regular rating
June 26, 2009	Corporate bond	AAA	Korea Ratings	Regular rating
June 30, 2009	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 22, 2010	Corporate bond	AAA	Korea Ratings	Regular rating
June 29, 2010	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 29, 2010	Corporate bond	AAA	NICE Investors Service Co, Ltd.	Regular rating
May 27, 2011	Corporate bond	AAA	Korea Ratings	Regular rating
June 13, 2011	Corporate bond	AAA	NICE Investors Service Co, Ltd.	Regular rating

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

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

(2) Commercial Paper ("CP")

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

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

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

(3) International Credit Ratings

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

2. Company History

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

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

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

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

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

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

A. Location of Headquarters

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

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

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

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

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

B. Significant Changes in Management

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

C. Change in Company Name

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

D. Mergers, Acquisitions and Restructuring

[SK Telecom Co., Ltd.]

(1) Spin-off

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

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

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

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

	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 or Inaugural Meeting of Shareholders		October 4, 2011
Registration of Spin-off		October 5, 2011
Others	Notice of closure of shareholders register	July 20, 2011
	Period of closure of shareholders register	August 5, 2011~ August 8, 2011
	Public notice of shareholders' meeting	August 10, 2011 and August 12, 2011
	Dispatch of notice of shareholders' meeting	August 12, 2011

- Changes in shareholding, including majority shareholder
  - Not applicable because the spin-off is a simple vertical spin-off.
- Appraisal rights of shareholders
  - Not applicable because the spin-off is a simple vertical spin-off.
- Protection of creditors
  - In accordance with Article 530-1 Paragraph 1, both SK Telecom and SK Planet will be jointly and severally liable for the payment of all obligations of SK Telecom incurred prior to the spin-off.
- Allocation of new shares
  - In accordance with Articles 530-2 through 530-12, the spin-off is a simple vertical spin-off and

all shares of SK Planet were allocated to SK Telecom.

(2) Acquisition of Shares of Hynix Semiconductor

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

[SK Telink Co., Ltd.]

(1) Merger

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

[SK Communications Co., Ltd.]

(1) Merger

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

(2) Spin off

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

(3) Disposition and acquisition of businesses

1. Disposition of publishing business division

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

2. Acquisition of the "KUKU" division

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

3. Disposition of the Spicus division

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

(4) Disposition of shares

1. Disposition of shares of Etoos

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

2. Disposition of shares of SK i-Media

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

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

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

E. Other Important Matters related to Management Activities

[SK Telecom Co., Ltd.]

(1) Bank loans

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

[SK Broadband Co., Ltd.]

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

[SK Communications Co., Ltd.]

(1) Leak of personal information

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

[SK Telink Co., Ltd.]

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

3. Total Number of Shares

A. Total number of shares

(As of June 30, 2012) (Unit: shares)

Classification		Share type			Remarks
		Common shares	-	Total	
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 stock. The Company repurchased 1.4 million shares of treasury stock from July 25, 2011 to September 30, 2011 through the Korea Exchange. For more information on the repurchase of treasury stock, please see public disclosures made on July 20, 2011 and October 5, 2011.

B. Treasury Stock

(1) Acquisitions and Dispositions of Treasury Stocks

(As of June 30, 2012) (Unit: Shares)

Acquisition methods			Type of shares	At the beginning of period	Changes			At the end of period
					Acquired (+)	Disposed (-)	Retired (-)	
Acquisition pursuant	Direct acquisition	Direct acquisition from	Common shares	7,086,028	-	-	-	7,086,028

to the Financial Investment Services and Capital Markets Act of Korea (“FSCMA ”)		market	Preferred shares	-	-	-	-	-
		Tender offer	Common shares	-	-	-	-	-
			Preferred shares	-	-	-	-	-
		Appraisal rights of dissenting shareholder	Common shares	-	-	-	-	-
			Preferred shares	-	-	-	-	-
		Sub-total	Common shares	7,086,028	-	-	-	7,086,028
			Preferred shares	-	-	-	-	-
	Acquisition through trust and other agreements	Held by trustee	Common shares	-	-	-	-	-
			Preferred shares	-	-	-	-	-
		Held in actual stock	Common shares	3,886,710	-	-	-	3,886,710
			Preferred shares	-	-	-	-	-
		Sub-total	Common shares	3,886,710	-	-	-	3,886,710
			Preferred shares	-	-	-	-	-
Other acquisition			Common shares	77,974	-	-	-	77,974
			Preferred shares	-	-	-	-	-
Total			Common shares	11,050,712	-	-	-	11,050,712
			Preferred shares	-	-	-	-	-

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

4. Status of Voting Rights

(As of June 30, 2012) (Unit: shares)

Classification		Number of shares	Remarks
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 right s (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.

B. Dividends for the Last 3 Fiscal Years

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

Classification	As of and for the six months ended June 30, 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	576,338	1,694,363	1,947,008

Net income per share (Won)		8,269	24,002	27,063
Total cash dividend		69,695	656,533	669,534
Total stock dividends		-	-	-
Percentage of cash dividend to available income (%)		12.1	38.7	34.4
Cash dividend yield ratio (%)	Common share	0.8	6.6	5.4
	Preferred share	-	-	-
Stock dividend yield ratio (%)	Common share	-	-	-
	Preferred share	-	-	-
Cash dividend per share (Won)	Common share	1,000	9,400	9,400
	Preferred share	-	-	-
Stock dividend per share (share)	Common share	-	-	-
	Preferred share	-	-	-

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

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

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

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

II. BUSINESS

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

1. Business Overview

[Wireless Business]

A. Industry Characteristics

As of June 30, 2012, the number of domestic mobile phone subscribers reached 53.96 million and, with more than 100% penetration rate, the Korean mobile communication market can be considered to have reached its maturation stage. However, the penetration rate is expected to increase further due to increased use of mobile phones by corporate users resulting from the rapid growth of smartphone markets, as well as the increasing popularity of high-tech mobile devices based on wireless data services such as tablet PC.

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

B. Growth Potential

(Unit: 1,000 persons)

Classification		As of June 30, 2012	As of December 31,			
			2011	2010	2009	2008
Number of subscribers	SK Telecom	26,659	26,553	25,705	24,270	23,032
	Others (KT, LGU+)	26,340	25,954	25,062	23,675	22,575
	Total	52,999	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. Business-to-business segment that creates added values by adding additional solutions and applications is also growing. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

Historical market share of the Company:

(Unit: %)

Classification	As of June 30, 2012	As of December 31,		
		2011	2010	2009
Mobile communication services	50.3	50.6	50.6	50.6

Comparative market share:

(As of June 30, 2012) (Unit: %)

Classification	SK Telecom	KT	LGU+
Market share	50.3	31.1	18.6

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

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

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

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

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

[Fixed Line Business]

A. Industry Characteristics

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

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

B. Growth Potential

(Unit: 1,000 persons)

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

(Source: Korea Communications Commission website)

C. Cyclical Nature and Seasonality

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

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

Historical market share of the Company:

(Unit: %)

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

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

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

[Other Business]

A. Industry Characteristics

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

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

B. Growth Potential

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

<Global Smartphone and Tablet Sales Forecast> (in million units)

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

(Source: Gartner, April 2011)

<Korea Smartphone and Tablet Subscriber Forecast> (in ten thousand subscribers)

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

(Source: Korea Communications Commission, December 2010)

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

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

C. Domestic and Overseas Market Conditions

(1) Competition

- Application Marketplace

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

- Commerce Markets

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

<Size of Korea Commerce Market> (unit: Won trillion)

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

(Source: National Statistical Office, 2010)

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

<Korea Advertising Market by Media> (unit: Won trillion)

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

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

- Media Contents Market

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

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

(2) Market Share

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

D. Business Overview and Competitive Strengths

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

- Digital Content Marketplace

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

- Commerce (Open Market)

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

- Location-based Service

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

- Media Platform

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

- Satellite DMB

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

- Web Search through Nate.com

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

- Mobile Social Networking Service

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

- Music industry

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

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

2. Major Products & Services

A. Updates on Major Products and Services

(Unit: in thousands of Won, %)

Business fields	Major companies	Item	Major trademarks	Sales amount (ratio)
Mobile	SK Telecom Co., Ltd., PS&Marketing Corporation, Service Ace Co., Ltd., Service Top Co. Ltd., Network O&S Co., Ltd.	Mobile Phone Service, Wireless Data Service, Information Telecommunication Service	T Store, NATE and others	6,451,734,236 (81%)
Fixed Line	SK Broadband Co., Ltd., Broadband D&M Co., Ltd., Broadband Media Co., Ltd., Broadband CS Co., Ltd., SK Telink Co., Ltd.	Fixed-line Phone, High Speed Internet, Data and Network Lease Service	B tv , 00700 international call and others	1,099,921,223 (14%)
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, Cyworld and others	448,928,677 (6%)
Total				8,000,584,136 (100%)

B. Price Fluctuation Trend of Major Products and Services

[Mobile Business]

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

[Fixed Line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. For the six months ended June 30, 2012, broadband

Internet and TV services comprised 49.2% of SK Broadband's revenue, telephony service 25.9%, corporate data services 21.2% and other telecommunications services 3.7%.

[Other Business]

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

3. Investment Status

[Mobile Business]

A. Investment in Progress

(Unit: in 100 millions of Won)

Business field	Classification	Investment period	Subject of investment	Investment effect	Total investments	Amount already invested	Future investment
Network/Common	Upgrade/ New installation	2012	Network, systems and others	Capacity increase and quality improvement; systems improvement	To be determined	10,979	To be determined
Total				-	To be determined	10,979	To be determined

B. Future Investment Plan

(Unit: in 100 millions of Won)

Business field	Expected investment amount		Expected investment for each year			Investment effect
	Asset type	Amount	2012	2013	2014	
Network/Common	Network, systems and others	23,000	23,000	To be determined	To be determined	Upgrades to the existing services and provision of new services
Total		23,000	23,000	To be determined	To be determined	Upgrades to the existing services and provision of new services

[Fixed Line Business]

A. Investment in Progress

(Unit: in 100 millions of Won)

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

4. Revenues

(Unit: in millions of Won)

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

(Unit: in thousands of Won)

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

5. Derivative Transactions

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

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

In addition, the Company has entered into a currency and interest rate swap contract with two banks including HSBC in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (56-2) with face amounts totaling JPY 12,500,000,000 issued on November 13, 2007. As of June 30, 2012, in connection with this unsettled currency and interest rate swap contracts, an accumulated gain on valuation of derivatives amounting to Won 3,223,070,000 (excluding tax effect totaling Won 699,058,000 and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling Won 77,662,639,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency swap contract with six banks including Morgan Stanley to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds (with face amounts totaling US$400,000,000) issued on July 20, 2007, and has applied cash flow risk hedge accounting to this foreign currency swap contract starting from May 12, 2010. Accordingly, as of June 30, 2012, in connection with this unsettled foreign currency swap contract, an accumulated loss on valuation of currency swap of Won 21,609,427,000 that has accrued since May 12, 2010 (excluding tax effect totaling Won 6,899,052,000 and foreign exchange translation loss arising from unguaranteed U.S. dollar denominated bonds totaling Won 3,932,602,000) was accounted for as accumulated other comprehensive loss. Meanwhile, a gain on valuation of currency swap of Won 129,806,021,000 incurred prior to the date of applying cash flow risk hedge accounting was charged to current operations.

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

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

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

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

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

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

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

6. Major Contracts

[SK Telecom]

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

[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. 2004 until terminated	Use of electricity poles
Seoul City Railway	Use of telecommunication line conduits	From Jan. 2009 to Dec. 2012	Use of railway telecommunication conduit
Seoul Metro	Use of telecommunication line conduits	From May 2010 to May 2013	Use of railway telecommunication conduit
Busan Transportation Corporation	Use of telecommunication line conduits	From July 2009 to July 2012	Use of railway telecommunication conduit
Gwangju City Railway	Use of telecommunication line conduits	From Sep. 2010 to Dec. 2012	Use of railway telecommunication conduit

[SK Planet]

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

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

[SK Communications]

Counterparty	Purpose	Contract Period	Contract Amount

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

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

7. R&D Investments

(Unit: in million Won)

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

8. Other information relating to investment decisions

[SK Telecom]

A. Trademark Policies

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

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

B. Business-related Intellectual Properties

The Company holds 4,667 Korean registered patents, 255 U.S. registered patents, 125 Chinese registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 822 Korean registered trademarks and owns intellectual property rights to the design of alphabet “T”. The designed alphabet “T” is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

[SK Broadband]

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

[SK Planet]

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

[SK Communications]

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

III. FINANCIAL INFORMATION

1. Summary Financial Information (Consolidated)

A. Summary Financial Information (Consolidated)

(Unit: in thousand Won)

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

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

2. Summary Financial Information (Non-Consolidated)

(Unit: in thousand Won)

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

Classification/Fiscal Year	For the six months ended June 30, 2012	For the six months ended June 30, 2011	For the year ended December 31, 2011	For the year ended December 31, 2010
Revenue	6,086,494,134	6,326,041,425	12,575,129,190	12,550,496,552
Operating Income (or Loss)	803,260,241	1,229,018,512	2,086,648,941	2,355,027,851
Income (or Loss) From Continuing Operation Before Income Tax	729,569,328	1,438,324,635	2,274,421,557	2,503,637,367

Net Income (or Loss)	576,337,713	1,035,058,437	1,694,363,093	1,947,007,919
Net Income Per Share (Won)	8,269	14,559	24,002	27,063
Diluted Net Income Per Share (Won)	7,978	13,811	23,343	26,366

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

- Transition to K-IFRS

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

IV. AUDITOR'S OPINION

1. Auditor (Consolidated)

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

2. Audit Opinion (Consolidated)

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

3. Auditor (Non-Consolidated)

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

4. Audit Opinion (Non-Consolidated)

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

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

A. Audit Contracts

(Unit: in thousands of Won / hour)

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

B. Non-Audit Services Contract with External Auditors

(Unit: in thousands of Won)

Term	Contract date	Service provided	Service duration	Fee
Six months ended June 30, 2012	-	-	-	-
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.

V. MANAGEMENT DISCUSSION AND ANALYSIS

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

VI. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS AND AFFILIATED COMPANIES

1. Board of Directors

A. Overview of Board of Directors Composition

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

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

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

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

Meeting	Date	Agenda	Approval
339th (the 1st meeting of 2012)	February 9, 2012	- Financial Statements as of and for the year ended December 31, 2011 - Annual Business Report as of and for the year ended December 31, 2011 - Management Plan for 2012 - Transaction of goods, services and assets with SK Planet - Report for Internal Accounting Management System - Report for Subsequent Events following 4Q 2011	Approved as proposed Approved as proposed Approved as proposed Approved as proposed - -
340th (the 2nd meeting of 2012)	February 23, 2012	- Convocation of the 28th Annual General Meeting of Shareholders - Result of Internal Accounting Management System Evaluation	Approved as proposed -

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

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

C. Committees within Board of Directors

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

a) Compensation Review Committee

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

			amount.

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

b) Capex Review Committee

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

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

c) Corporate Citizenship Committee

Number of Persons	Members		Task
	Inside Directors	Independent Directors	
5	Dong Seob Jee	Dal Sup Shim, Rak Yong Uhm, Hyun Chin Lim, Jay Young Chung	Review guidelines on "Corporate Social Responsibility" ("CSR") programs, etc.

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

d) Independent Director Nomination Committee

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

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

e) Audit Committee

Number of Persons	Members		Task
	Inside Directors	Independent Directors	
4	-	Dal Sup Shim, Hyun Chin Lim,	Review financial statements and

		Jay Young Chung, Jae Ho Cho	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, Dal Sup Shim, Hyun Chin Lim, Jae Ho Cho and Jay Young Chung.

Major activities of the Audit Committee are as follows.

Meeting	Date	Agenda	Approval	Remarks
The first meeting of 2012	February 1, 2012	o Preparation for audit report for the 28th Annual General Meeting of Shareholders	-	
The second meeting of 2012	February 8, 2012	o Business-to-business contract with SK Telink o Construction of Mobile Phone Facilities for 2012 o Construction of Network Facilities for 2012 o Evaluation of Internal Accounting Controls based on the Opinion of the Members of the Audit Committee o 2nd half 2011 Management Audit Results and Management Audit Plan for 2012 o Reports on Internal Accounting Management System	Approved as proposed Approved as proposed Approved as proposed Approved as proposed - -	
The third meeting of 2012	February 22, 2012	o Reports on 2011 IFRS Audit o Report on Review of 2011 Internal Accounting Management System o Evaluation of Internal Accounting Management System Operation o Auditor's Report for Fiscal Year 2011 o Agenda and Document Review for the 28th Annual General Meeting of Shareholders o Purchase of Mobile Phone Relay Devices for 2012 o Purchase of Mobile Phone Transmission Devices for 2012 o 2012 IT SM contract o Engagement of Independent Auditing Firm for 2012 to 2014	- - Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed Approved as proposed	
The fourth meeting of 2012	March 22, 2012	o 2012 2Q Transactions with SK C&C Co., Ltd. o Asset Management Transaction with Affiliated Company (SK Securities)	Approved as proposed -	
The fifth meeting of 2012	April 26, 2012	o Election of Chairman -- Jae Ho Cho o Remuneration of outside auditor for the Fiscal Year 2012 o Outside auditor service plan for the Fiscal Year 2012 o Audit plan for the Fiscal Year 2012 o Purchase of maintenance, repair and operations items from Happy Narae Co., Ltd.	Approved as proposed Approved as proposed Approved as proposed - Approved as proposed	
The sixth meeting of 2012	May 23, 2012	o Construction of Mobile Phone Facilities for 2012 o Construction of Network Facilities for 2012 o Service contract for handset customer service for 2012	Approved as proposed Approved as proposed Approved as proposed	
The seventh meeting of 2012	June 20, 2012	o Transaction with SK C&C in the third quarter of 2012 o Plans for asset management transaction with affiliate (SK Securities)	Approved as proposed -	

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

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

3. Shareholders' Exercises of Voting Rights

A. Voting System and Exercise of Minority Shareholders' Rights

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

Articles of Incorporation	Description
Article 32 (3) (Election of Directors)	Cumulative voting under Article 382-2 of the Korean Commercial Code will not be applied for the election of directors.
Article 4 of the 12th 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 June 30, 2012)

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

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

	Invested companies

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

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

Investing company	Invested companies									
	Commerce Planet	**Real Vest**	**SKC Solmics Co., Ltd.**	**SK Broadband**	**SK M&C**	**Broadband Media**	**Broadband D&M**	**Broadband CS**	**UBcare**	**PyongTaek Energy Service**
SK Corporation										
SK Innovation					50.0%					
SK Energy										

SK Global Chemical										
SK Networks										
SK Telecom				50.6%	50.0%					
SK Chemicals									44.0%	
SK C			53.7%							
SK E&C		100.0%								
SK Gas										
SK C&C										
SK E&S										100.0%
SK Communications										
SK Broadband						100.0%	100.0%	100.0%		
SK D&D										
SK Marketing & Company										
SK Lubricant										
SK Shipping										
SK Planet	100.0%									
SK Hynix										
Hynix Engineering										
Total affiliated companies	100.0%	100.0%	53.7%	50.6%	100.0%	100.0%	100.0%	100.0%	44.0%	100.0%

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

Investing company	**Invested companies**									
	SK Seentec	**Daejeon Pure Water**	**Gwangju Pure Water**	**SKW**	**Television Media Korea**	**Network O&S**	**Service Ace**	**Service Top**	**SK Pinx**	**U base Manufacturing Asia**
SK Corporation										
SK Innovation										
SK Energy										
SK Global Chemical										
SK Networks									100.0%	
SK Telecom						100.0%	100.0%	100.0%		
SK Chemicals	100.0%									
SK C				65.0%						
SK E&C		32.0%	42.0%							
SK Gas										

SK C&C										
SK E&S										
SK Communications										
SK Broadband										
SK D&D										
SK Marketing & Company										
SK Lubricant										100.0%
SK Shipping										
SK Planet					51.0%					
SK Hynix										
Hynix Engineering										
Total affiliated companies	100.0%	32.0%	42.0%	65.0%	51.0%	100.0%	100.0%	100.0%	100.0%	100.0%

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

Investing company	**Invested companies**									
	SK Planet	**Highway Star**	**SK Hynix**	**Hynix Engineering**	**HYSTEC**	**HYLogitec**	**Hynix Human Resources**	**QRT Semiconductor**	**Silicon File**	**Ami Power**
SK Corporation										
SK Innovation										
SK Energy		100.0%								
SK Global Chemical										
SK Networks										
SK Telecom	100.0%		21.1%							
SK Chemicals										
SK C										
SK E&C										
SK Gas										
SK C&C										
SK E&S										
SK Communications										
SK Broadband										
SK D&D										

SK Marketing & Company										
SK Lubricant										
SK Shipping										
SK Planet										
SK Hynix				99.6%	99.6%	99.6%	99.6%		28.8%	99.6%
Hynix Engineering								100.0%		
Total affiliated companies	100.0%	100.0%	21.1%	99.6%	99.6%	99.6%	99.6%	100.0%	28.8%	99.6%

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

VII. SHAREHOLDERS INFORMATION

1. Shareholdings of the Largest Shareholder and Related Persons

A. Shareholdings of the Largest Shareholder and Related Persons

(As of June 30, 2012) (Unit: Shares, %)

Name	Relationship	Type of share	Number of shares owned and ownership ratio			
			Beginning of Period		End of Period	
			Number of shares	Ownership ratio	Number of shares	Ownership ratio
SK Corporation	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 Corporation is a holding company and as of June 30, 2012, has nine subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK Shipping Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd., SK Biofarm Co., Ltd. and SK Forest Co., Ltd.

Details of SK Corporation's subsidiaries are as follows:

(Unit: in millions of Won)

Affiliates	Share Holdings	Book Value (million Won)	Industry	Description
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 June 30, 2012.

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

SK Corporation is a publicly listed company and is required to submit a report of its significant business activities in accordance with Article 161 of the Financial Investment Services and Capital Markets Act. Also as a holding company, SK Corporation is required to report key management activities of its subsidiaries in accordance with Article 8 of KOSPI Market Disclosure Regulation.

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

2. Changes in shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(As of June 30, 2012) (Unit: Shares, %)

Largest Shareholder	Date of the change in the largest shareholder/ 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 25th General Meeting of Shareholders, elected the CEO, Man Won Jung (who owned 100 shares of the Company stock)
	December 30, 2009	18,755,260	23.23	Man Won Jung, the CEO, purchased 3,900 shares.
	May 26, 2010	18,756,760	23.23	Man Won Jung, the CEO, purchased 1,500 shares
	July 20, 2010	18,756,860	23.23	Man Won Jung, the CEO, purchased 100 shares
	September 17, 2010	18,757,360	23.23	Dal Sup Shim, an Independent Director, purchased 500 shares
	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 Corporation purchased 1,615,000 shares
	January 31, 2012	20,366,290	25.22	Bang Hyung Lee, an officer of an affiliated company with 200 shares, resigned

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

3. Distribution of Shares

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

(As of June 30, 2012) (Unit: shares, %)

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

B. Shareholder Distribution

(As of June 30, 2012) (Unit: shares, %)

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

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

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

A. Domestic Securities Market

(Unit: Won, shares)

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

B. Foreign Securities Market

New York Stock Exchange (Unit: US$, ADR)

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

VIII. EMPLOYEES AND MANAGEMENT COMPENSATION

1. EMPLOYEES

(As of June 30, 2012) (Unit: persons, in millions of Won)

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

2. Management Compensation

A. Amount Approved at the Shareholders' Meeting

(Unit: Won million)

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

2. Amount Paid

(As of June 30, 3012) (Unit: Won million)

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

* Excludes Independent Directors who are Audit Committee Members.

IX. TRANSACTIONS WITH PARTIES WITH INTERESTS

1. Loans to the Largest Shareholder and Related Persons

(As of June 30, 2012) (Unit: in millions of Won)

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

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

A. Investment and Disposition of Investment

None.

B. Transfer of Assets

(Units: in millions of Won)

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

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

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

(Unit: in millions of Won)

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

(Unit: in millions of Won)

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

X. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS

1. Developments in the Items Mentioned in Prior Reports on Important Business Matters

A. Status and Progress of Major Management Events

None.

B. Summary Minutes of the General Meeting of Shareholders

Date	Agenda	Resolution
24th Fiscal Year Meeting of Shareholders (March 14, 2008)	1. Approval of the Financial Statements for the year ended December 31, 2007 2. Amendment to Articles of Incorporation 3. Approval of Remuneration Limit for Directors 4. Election of Directors - Election of inside directors - Election of independent directors - Election of independent directors as Audit Committee member	Approved (Cash dividend, Won 8,400 per share) Approved Approved (Won 12 billion) Approved (Shin Bae Kim, Young Ho Park) Approved (Rak Yong Uhm, Jay Young Chung) Approved (Jae Ho Cho)
25th Fiscal Year Meeting of Shareholders (March 13, 2009)	1. Approval of the financial statements for the year ended December 31, 2008 2. Approval of Remuneration Limit for Directors 3. Amendment to Company Regulation on Executive Compensation 4. Election of Directors - Election of inside directors - Election of independent directors - Election of independent directors as Audit Committee member	Approved (Cash dividend, Won 8,400 per share) Approved (Won 12 billion) Approved Approved (Jae Won Chey, Man Won Jung) Approved (Hyun Chin Lim) Approved (Hyun Chin Lim)
26th Fiscal Year Meeting of Shareholders (March 12, 2010)	1. Approval of the financial statements for the year ended December 31, 2009 2. Amendment to Articles of Incorporation 3. Approval of Remuneration Limit for Directors 4. Election of Directors - Election of inside directors	Approved (Cash dividend, Won 8,400 per share) Approved Approved (Won 12 billion) Approved (Ki Haeng Cho)

	- Election of independent directors - Election of independent directors as Audit Committee member	Approved (Dal Sup Shim) Approved (Dal Sup Shim, Jay Young Chung)
27th Fiscal Year Meeting of Shareholders (March 11, 2011)	1. Approval of the financial statements for the year ended December 31, 2010 2. Approval of Remuneration Limit for Directors 3. Amendment to Company Regulation on Executive Compensation 4. Election of Directors - Election of inside directors - Election of independent directors - Election of independent directors as Audit Committee member	Approved (Cash dividend, Won 8,400 per share) Approved Approved (Won 12 billion) Approved (Sung Min Ha, Jin Woo So) Approved (Rak Young Uhm, Jay Young Chung, Jae Ho Cho) Approved (Jay Young Chung, Jae Ho Cho)
1st Extraordinary Meeting of Shareholders (August 31, 2011)	1. Approval of the Spin-off Plan 2. Election of Directors	Approved (Spin-off of SK Planet) Approved (Jun Ho Kim)
28th Fiscal Year Meeting of Shareholders (March 23, 2012)	1. Approval of the financial statements for the year ended December 31, 2011 2. Amendment to Articles of Incorporation 3. Election of Directors - Election of inside directors - Election of inside directors - Election of independent directors 4. Election of an independent director as Audit Committee member 5. Approval of Remuneration Limit for Directors	Approved (Cash dividend, Won 8,400 per share) Approved Approved (Young Tae Kim) Approved (Dong Seob Jee) Approved (Hyun Chin Lim) Approved (Hyun Chin Lim) 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 immediate impact on its business and financial condition from the litigation because the judgment amount is Won 570 million and the final outcome of the litigation has not been decided, the Company may be required to pay on-going license fees in the future if it loses in the final judgment.

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

B. Other Matters

(1) Pledged Assets and Covenants

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

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

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

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

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

(2) Payment Guarantee by the Company

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

[SK Broadband]

A. Material Legal Proceedings

(1) SK Broadband as the Plaintiff

(Unit: thousand won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Claim for Cancellation of Korea Fair Trade	September 2009	1,810,000	Pending before

Commission's Penalty Reassessment			Supreme Court
Claim relating to Gangamgu District Office Cable-Burying Project	March 2010	345,271	Pending before Supreme Court
Administrative Proceeding relating to Gangnamgu District Office	April 2010	703,440	Pending before Administrative Court
Claim for Sales Price by Sambo Motors	April 2011	321,200	Pending before Appellate Court
Damages Claims against Golden Young and Others	April 2011	454,267	Pending before District Court
Damages Claim relating to Hyundai Construction	December 2010	561,283	Pending before Appellate Court
Other claims and proceedings	-	265,364	
Total	-	4,460,825	-

(2) SK Broadband as the Defendant

(Unit: thousand won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Damage Claim by Sun Technology and One Other	October 2011	1,006,429	Pending before Appellate Court
Claim for Return of Unfair Benefit from One Call	October 2010	471,302	Pending before Appellate Court
Damages Claim from Jin Man Cho and One Other	January 2011	200,000	Pending before Appellate Court
Claim for Commission by i-Media Valley and Five Other Companies	July 2010	313,764	Pending before Appellate Court
Claim for Commission by Vialty and Four Other Companies	November 2010	125,000	Pending before Appellate Court
Damage Claim by On-nuri Co., Ltd.	December 2011	101,000	Pending before District Court
Damage Claim by Mac Telecom and Five Other Companies	January 2012	606,000	Pending before District Court

Claim for damages by the Seoul Metropolitan Office of Education	March 2012	100,000	Pending before District Court
Other claims and proceedings	-	64,967	-
Total	-	2,988,462	-

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

(3) Broadband Media as the Defendant

(Unit: thousand Won)

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

[SK Communications]

A. Material Legal Proceedings

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

[Loen Entertainment]

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

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

3. Status of sanctions, etc.

[SK Telecom]

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

[SK Broadband]

(1) Violation of the Telecommunications Business Act
- Date: May 18, 2012

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

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

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

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

(2) Violation of Accounting Rules

- Date: January 20, 2012

- Subject Company: SK Broadband

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

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

- Status of Implementation: Paid the fine.

- Company's Plan: Will improve accounting management system.

(3) Violation of the Telecommunication Business Act

- Date: November 23, 2011

- Subject Company: SK Broadband

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

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

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

- Company’s Plan: Will improve operating procedures.

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

- Date: July 14, 2011

- Subject: SK Broadband and a former officer of SK Broadband

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

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

- Status of Implementation: Paid the fine.

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

(5) Violation of the Telecommunication Business Act

- Date: February 21, 2011

- Subject Company: SK Broadband

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

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

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

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

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

- Date: June 10, 2010

- Subject Company: SK Broadband

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

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

- Status of Implementation: Paid the fine.

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

[SK Communications]

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

4. Important Matters That Occurred After June 30, 2012

(1) Interim dividend

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

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

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

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

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

5. Use of Proceeds

A. Use of Proceeds from Public Offerings

- Not applicable.

B. Use of Proceeds from Private Offerings

(Unit : Won million)

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.

Condensed Consolidated Interim Financial Statements

(Unaudited)

June 30, 2012

(With Independent Auditors' Review Report Thereon)

Contents

Independent Auditors’ Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders
SK Telecom Co., Ltd.:

Reviewed financial statements

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

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

Management’s responsibility for the Condensed Interim Financial Statements

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

Auditors’ review responsibility

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

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

Conclusion

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

Other matters

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

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

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

KPMG Samjong Accounting Corp.
Seoul, Korea
August 6, 2012

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

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Financial Position

As of June 30, 2012 and December 31, 2011

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

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

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Financial Position, Continued

As of June 30, 2012 and December 31, 2011

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

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

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

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Income

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

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

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

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Income, Continued

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

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

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

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Comprehensive Income

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

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

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

SK TELECOM CO., LTD.

Unaudited Condensed Consolidated Statements of Changes in Equity

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

(In millions of won)

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

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

SK TELECOM CO., LTD.
Unaudited Condensed Consolidated Statements of Cash Flows

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

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

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

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

SK TELECOM CO., LTD.
Unaudited Condensed Consolidated Statements of Cash Flows, Continued

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

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

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

1. Reporting Entity

(1) General

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

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

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

(2) List of subsidiaries

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

Subsidiary	Location	Primary business	Ownership(%) June 30, 2012	Ownership(%) December 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	100.0

Broadband Media Co., Ltd.	Korea	Multimedia TV portal service	100.0	100.0
Broadband CS Co., Ltd.	Korea	Customer Q&A and Service	100.0	100.0
K-net Culture and Contents Venture Fund	Korea	Investment association	59.0	59.0
Fitech Focus Limited Partnership II(*)	Korea	Investment association	66.7	66.7
Open Innovation Fund	Korea	Investment association	98.9	98.9
PS&Marketing Corporation	Korea	Communications device retail business	100.0	100.0
Service Ace Co., Ltd.	Korea	Customer center management service	100.0	100.0

1. Reporting Entity, Continued

(2) List of subsidiaries, Continued

			Ownership(%)	
Subsidiary	Location	Primary business	June 30, 2012	December 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	100.0
SK Planet Co., Ltd.	Korea	Telecommunication service and new media business	100.0	100.0
SK Telecom China Holdings Co., Ltd.	China	Equity investment	100.0	100.0
SKY Property Mgmt. Ltd.	China	Real Estate Investment	60.0	60.0
Shenzhen E-eye High Tech Co., Ltd.	China	Manufacturing	65.5	65.5
SK China Real Estate Co., Ltd.	Hong Kong	Real Estate Investment	99.4	99.4
SKT Vietnam PTE. Ltd.	Singapore	Telecommunication service	73.3	73.3
SKT Americas, Inc.	USA	Information gathering and consulting	100.0	100.0
YTK Investment Ltd.	Cayman	Investment Association	100.0	100.0
Atlas Investment	Cayman	Investment Association	100.0	100.0
Technology Innovation Partners, LP	Cayman	Investment Association	100.0	100.0
SK Telecom China Fund I L.P.	Cayman	Investment Association	100.0	100.0

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

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

1. Reporting Entity, Continued

(3) Financial information of subsidiaries

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

(In millions of won)

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

SKT Americas, Inc.		34,313	510	33,803	6,244	(7,594)
YTK Investment Ltd.		51,241	-	51,241	-	-
Atlas Investment(*3)		51,116	425	50,691	-	(1,163)

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

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

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

1. Reporting Entity, Continued

(3) Financial information of subsidiaries, Continued

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

(In millions of won)

Subsidiary		Total assets	Total liabilities	Total equity	Revenue	Net income (loss)
SK Telink Co., Ltd.	₩	420,829	228,687	192,142	419,131	35,269
SK Communications Co., Ltd.		319,948	84,282	235,666	260,573	(5,041)
PAXNet Co., Ltd.		33,949	11,461	22,488	33,004	(2,347)
Loen Entertainment, Inc.		157,104	48,386	108,718	167,273	21,398
Stonebridge Cinema Fund		18,506	196	18,310	21	1,069
Ntreev Soft Co., Ltd.		37,529	17,304	20,225	56,029	8,707
Commerce Planet Co., Ltd.		49,729	51,057	(1,328)	75,038	(556)
SK Broadband Co., Ltd.		3,318,699	1,945,825	1,372,874	2,285,845	19,272
Broadband D&M Co., Ltd.		11,872	7,399	4,473	46,433	(49)
Broadband Media Co., Ltd.		89,915	356,816	(266,901)	66,526	(32,214)
Broadband CS Co., Ltd.		6,948	18,744	(11,796)	74,104	63
K-net Culture and Contents Venture Fund		48,057	16	48,041	-	(113)
Fitech Focus Limited Partnership II(*1)		21,663	285	21,378	-	(10,358)
Open Innovation Fund		44,716	432	44,284	-	(427)
PS&Marketing Corporation		289,062	143,883	145,179	1,078,925	(31,820)
Service Ace Co., Ltd.		43,447	21,669	21,778	130,102	1,365
Service Top Co., Ltd.		37,165	23,255	13,910	123,366	1,829
Network O&S Co., Ltd.		80,249	61,555	18,694	199,653	5,646

BNCP Co., Ltd.	28,631	11,397	17,234	17,860	1,877
Service-In Co., Ltd.	3,247	759	2,488	6,225	(12)
SK Planet Co., Ltd.	1,677,730	423,903	1,253,827	279,466	11,014
SK Telecom China Holdings Co., Ltd.	36,810	2,442	34,368	26,944	(232)
SKY Property Mgmt. Ltd.(*2)	820,639	317,038	503,601	51,204	6,386
Shenzhen E-eye High Tech Co., Ltd.	23,569	3,744	19,825	14,703	2,007
SKT Vietnam PTE. Ltd.	42,539	9,769	32,770	5,519	205
SKT Americas, Inc.	42,681	1,280	41,401	18,468	(14,604)
YTK Investment Ltd.	51,218	-	51,218	-	-
Atlas Investment(*3)	50,643	530	50,113	-	(2,056)

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

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

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

1. Reporting Entity, Continued

(4) Changes in subsidiaries

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

Subsidiary	**Reason**
Ntreev Soft Co., Ltd.	The Parent Company sold its investment during the period.

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

2. Basis of Preparation

(1) Statement of compliance

These condensed consolidated interim financial statements were prepared in accordance with K-IFRS No. 1034, '*Interim Financial Reporting*' as part of the period covered by the Group's K-IFRS annual financial statements.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements as of and for the year ended December 31, 2011. These unaudited condensed consolidated interim financial statements do not include all of the disclosures required for full annual financial statements.

(2) Use of estimates and judgments

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

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

(3) Common Control Transactions

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

3. Significant Accounting Policies

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

4. Operating Segments

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

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

(In millions of won)

		Cellular services	Fixed-line Telecommu-nication Services	Other	Total segments	Consolidation Adjustments	Consolidated amount
Total sales	₩	7,005,933	1,421,600	811,107	9,238,640	(1,238,056)	8,000,584

Internal sales	554,199	321,679	362,178	1,238,056	(1,238,056)	-
External sales	6,451,734	1,099,921	448,929	8,000,584	-	8,000,584
Operating income	804,009	33,389	12,402	849,800	-	849,800
Net income (loss)	523,844	(117,359)	14,452	420,937	-	420,937
Total assets	22,763,618	3,347,834	3,339,487	29,450,939	(3,677,548)	25,773,391
Total liabilities	10,662,153	2,154,859	842,107	13,659,119	(386,372)	13,272,747

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

(In millions of won)

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

4. Operating Segments, Continued

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

5. Restricted Deposits

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

(In millions of won)

		June 30, 2012	**December 31, 2011**
Short-term financial instruments(*1)	₩	233,143	232,462
Long-term financial instruments(*2)		7,589	7,589
	₩	240,732	240,051

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

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

6. Trade and Other Receivables

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

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

6. Trade and Other Receivables, Continued

(In millions of won)		December 31, 2011		
		Gross amount	**Allowances for impairment**	**Carrying amount**
Current assets:				
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
Total	₩	3,532,211	(318,820)	3,213,391

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

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

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

6. Trade and Other Receivables, Continued

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

(In millions of won)

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

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

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

(In millions of won)

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

7. Inventories

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

(In millions of won)

		June 30, 2012			December 31, 2011		
		Acquisition cost	Write-down of inventory	Carrying amount	Acquisition cost	Write-down of inventory	Carrying amount
Merchandise	₩	211,856	(3,552)	208,304	216,452	(4,551)	211,901
Finished goods		3,657	(684)	2,973	3,371	(547)	2,824
Work in process		101	-	101	286	-	286
Raw materials and supplies		15,109	(58)	15,051	4,630	(51)	4,579
Total	₩	230,723	(4,294)	226,429	224,739	(5,149)	219,590

8. Investment Securities

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

(In millions of won)

		June 30, 2012	December 31, 2011
Beneficiary certificates(*)	₩	45,792	91,539
Current portion of long-term investment securities		9,828	3,290
	₩	55,620	94,829

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

8. Investment Securities, Continued

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

(In millions of won)

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

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

(In millions of won)

		June 30, 2012	December 31, 2011
Less than 1 year	₩	45	45
1 ~ 5 years		376	368
	₩	421	413

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

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

9. Investments in Associates

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

(In millions of won, except for share data)

	June 30, 2012					December 31, 2011
	Number of shares	Ownership (%)		Acquisition cost	Carrying amount	Carrying amount
SK Marketing & Company Co., Ltd.	5,000,000	50.0	₩	190,000	132,951	128,320
SK China Company Ltd.	720,000	22.5		49,529	47,569	48,488
SK USA, Inc.	49	49.0		3,184	4,858	4,534
Fitech Sector Limited Partnership IV (*1)	2,500	49.7		25,000	24,016	24,907
F&U Credit information Co., Ltd.	300,000	50.0		2,410	4,694	3,565
Korea IT Fund(*2)	190	63.3		190,000	227,047	230,980
JYP Entertainment Corporation	691,680	25.5		4,150	4,201	4,008
Konan Technology	78,550	29.5		13,456	3,910	4,760
Etoos Co., Ltd.(*3)	701,000	15.6		18,993	12,650	13,928
BMC Digital Culture Contents Fund	100	39.8		10,000	7,549	8,415
Wave City Development Co., Ltd. (*3)	382,000	19.1		1,967	-	1,124
IBKC-bmc Cultural Contents Fund	-	25.0		2,500	2,320	2,326
Hanhwa No.2 Daisy Entertainment Investment Fund	-	20.0		2,000	1,149	1,165
BMC Korea Movie Fund	135	46.6		13,500	14,700	13,926
HanaSK Card Co., Ltd.	57,647,058	49.0		400,000	395,119	396,553
Television Media Korea Ltd.(*4)	18,564,000	51.0		18,568	13,875	15,262
Candle Media Co., Ltd.	21,620,360	44.3		33,746	18,330	11,814
NanoEnTek, Inc.(*3)	1,807,130	9.3		11,000	9,695	10,470
UNISK(Beijing) Information Technology	49	49.0		3,475	6,394	5,886

Co., Ltd.					
PT. Melon Indonesia	4,900,000	49.0	6,492	4,821	5,326
Packet One Network	1,151,556	28.2	137,751	93,429	103,408
Mobile Money Venture, LLC	-	50.0	12,762	953	982
SK Technology Innovation Company	-	49.0	85,873	72,703	75,974
LightSquared Inc.(*3)	3,387,916	3.3	72,096	-	49,441
SK Industrial Development China Co., Ltd.	-	35.0	83,691	83,635	83,691
HappyNarae Co., Ltd.(*1)	680,000	42.0	12,250	12,327	12,250
SK Hynix Inc.(*5)	146,100,000	21.1	3,374,726	3,343,788	-
SK MENA Investment B.V.(*6)	-	32.1	14,485	14,692	-
SK Latin America Investment(*7)	-	32.1	14,243	14,243	-
TR Entertainment and others	-	-	204,538	143,058	123,102
			₩ 5,012,385	4,714,676	1,384,605

9. Investments in Associates, Continued

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

(*2) Investment in Korea IT Fund was classified as investment in associates as the Group has less than 50% of voting rights under the contract, and therefore does not have control over Korea IT Fund under the agreement.

(*3) The Group classified the investments in Etoos Co., Ltd., Wave City Development Co., Ltd., NanoEnTek, Inc., and LightSquared Inc., as investments in associates as the Group can exercise significant influence on these investees through participation of their board of directors even though the Group has less than 20% of equity interests in those investees.

(*4) The Group classified the investments in Television Media Korea Ltd. as investments in associates as the entity is considered a joint venture.

(*5) The Group acquired 146,100,000 shares (ownership interest of 21.1%) of SK Hynix Inc. through purchase of existing shares and subscription of new shares at February 14, 2012.

(*6) The Group acquired 32.1% of ownership interest of SK MENA Investment B.V. during the six-month period ended June 30, 2012.

(*7) The Group acquired 32.1% of ownership interest of SK Latin America Investment during the six-month period ended June 30, 2012.

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

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

		June 30, 2012			December 31, 2011		
		Market value per share	**Number of shares**	**Market price**	**Market value per share**	**Number of shares**	**Market price**
Candle Media Co., Ltd.	₩	1,225	21,620,360	26,485	1,435	11,010,280	15,800
NanoEnTek, Inc.		4,455	1,807,130	8,051	4,160	1,807,130	7,518
SK Hynix Inc.		23,850	146,100,000	3,484,485	-	-	-

9. Investments in Associates, Continued

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

(In millions of won)

		As of and for the six-month period ended June 30, 2012				
		Total assets	**Total liabilities**	**Total equity**	**Revenue**	**Net income (loss) for the period**
SK Marketing & Company Co., Ltd.	₩	743,995	478,093	265,902	333,275	8,398
SK China Company Ltd.		229,358	11,067	218,291	32,349	(2,279)
SK USA, Inc.		21,436	11,521	9,915	6,697	(235)
Fitech Sector Limited Partnership IV(*1)		48,559	472	48,087	398	(498)
F&U Credit information Co., Ltd.		15,080	6,613	8,467	31,586	2,380
Korea IT Fund		360,444	-	360,444	-	1,969
JYP Entertainment Corporation		20,740	16,112	4,628	10,817	1,517
Konan Technology		12,598	3,634	8,964	3,200	(2,921)
Etoos Co., Ltd.		96,428	73,267	23,161	52,789	596
BMC Digital Culture Contents Fund		21,190	161	21,029	228	(94)
Wave City Development Co., Ltd.		123,588	132,150	(8,562)	-	(802)
IBKC-bmc Cultural Contents		9,337	58	9,279	93	(26)

Fund					
Hanhwa No.2 Daisy Entertainment Investment Fund	5,846	101	5,745	27	(81)
BMC Korea Movie Fund	31,725	147	31,578	1,957	1,663
HanaSK Card Co., Ltd.	10,241,729	9,525,885	715,844	512,668	(514)
Television Media Korea Ltd.	31,389	4,654	26,735	5,611	(2,700)
Candle Media Co., Ltd.	34,515	9,613	24,902	6,665	(3,185)
NanoEnTek, Inc.	46,895	19,432	27,463	6,387	(1,778)
UNISK(Beijing) Information Technology Co., Ltd.	24,183	11,218	12,965	10,000	1,085
PT. Melon Indonesia	10,912	1,073	9,839	585	(792)
Packet One Network	297,284	222,998	74,286	59,214	(24,863)
Mobile Money Venture, LLC	2,006	99	1,907	201	(57)
SK Technology Innovation Company	169,407	17,624	151,783	-	(5,098)
LightSquared Inc.	4,484,504	3,125,885	1,358,619	8,343	(162,631)
SK Industrial Development China Co., Ltd.	341,529	102,572	238,957	-	(4,453)
HappyNarae Co., Ltd.(*1)	29,634	20,451	9,183	56,951	184
SK Hynix Inc.(*2)	19,835,172	9,975,570	9,859,602	5,020,341	(324,530)
SK MENA Investment B.V.	45,235	2	45,233	-	27
SK Latin America Investment	44,437	-	44,437	-	-

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

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

(In millions of won)

	As of and for the year ended December 31, 2011				
	Total assets	**Total liabilities**	**Total equity**	**Revenue**	**Net income (loss) for the period**
SK Marketing & Company Co., Ltd.	₩ 753,508	496,867	256,641	652,749	21,543
SK China Company, Ltd.	281,579	58,124	223,455	43,526	4,542
SK USA, Inc.	20,184	10,932	9,252	10,623	(2,133)

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

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

9. Investments in Associates, Continued

(4) Details of changes in investments in associates accounted for using the equity method for the six-month periods

ended June 30, 2012 and 2011 are as follows:

(In millions of won)

	For the six-month period ended June 30, 2012							
	Beginning balance	Acquisition	Disposal	Share of profits (losses)	Other comprehensive income	Impairment loss	Other increase (decrease)	Ending balance
SK Marketing & Company Co., Ltd.	₩ 128,320	-	-	4,896	(265)	-	-	132,951
SK China Company, Ltd.	48,488	-	-	(716)	(203)	-	-	47,569
SK USA, Inc.	4,534	-	-	259	65	-	-	4,858
Fitech Sector Limited Partnership IV(*)	24,907	-	-	(239)	(652)	-	-	24,016
F&U Credit information Co., Ltd.	3,565	-	-	1,129	-	-	-	4,694
Korea IT Fund	230,980	-	-	(4,253)	320	-	-	227,047
JYP Entertainment Corporation	4,008	-	-	250	(57)	-	-	4,201
Konan Technology	4,760	-	-	(850)	-	-	-	3,910
Etoos Co., Ltd.	13,928	-	-	(1,278)	-	-	-	12,650
BMC Digital Culture Contents Fund	8,415	-	-	(866)	-	-	-	7,549
Wave City Development Co., Ltd.	1,124	-	-	(1,124)	-	-	-	-
IBKC-bmc Cultural Contents Fund	2,326	-	-	(6)	-	-	-	2,320
Hanhwa No.2 Daisy Entertainment Investment Fund	1,165	-	-	(16)	-	-	-	1,149
BMC Korea Movie Fund	13,926	-	-	774	-	-	-	14,700
HanaSK Card Co., Ltd.	396,553	-	-	(1,448)	14	-	-	395,119
Television Media Korea Ltd.	15,262	-	-	(1,387)	-	-	-	13,875
Candle Media Co., Ltd.	11,814	8,000	(588)	(1,070)	174	-	-	18,330
NanoEnTek, Inc.	10,470	-	-	(864)	89	-	-	9,695
UNISK(Beijing) Information Technology Co., Ltd.	5,886	-	-	747	(239)	-	-	6,394
PT. Melon Indonesia	5,326	-	-	(304)	(201)	-	-	4,821
Packet One Network	103,409	-	-	(9,999)	20	-	-	93,429

Mobile Money Venture, LLC	982	-	-	(18)	-	-	(11)	953
SK Technology Innovation Company	75,974	-	-	(3,246)	(25)	-	-	72,703
LightSquared Inc.	49,441	-	-	(10,571)	1,513	(40,383)	-	-
SK Industrial Development China Co., Ltd.	83,691	-	-	472	(528)	-	-	83,635
HappyNarae Co., Ltd.(*)	12,250	-	-	96	(19)	-	-	12,327
SK Hynix Inc.	-	3,374,725	-	(37,865)	6,928	-	-	3,343,788
SK MENA Investment B.V.	-	14,485	-	7	200	-	-	14,692
SK Latin America Investment	-	14,243	-	-	-	-	-	14,243
TR Entertainment and others	123,100	23,307	(1,850)	(3,141)	36	-	1,606	143,058
	₩ 1,384,605	3,434,760	(2,438)	(70,632)	7,169	(40,383)	1,595	4,714,676

9. Investments in Associates, Continued

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

(In millions of won)

	For the six-month period ended June 30, 2011						
	Beginning balance	Acquisition	Disposal	Share of profits (losses)	Other comprehensive income	Other increase (decrease)	Ending balance
SK Marketing & Company Co., Ltd.	₩ 117,905	-	-	3,972	-	(462)	121,415
SK China Company, Ltd.	46,573	-	-	65	(2,531)	-	44,107
SK USA, Inc.	5,972	-	-	(343)	(292)	-	5,337
Fitech Sector Limited Partnership IV(*)	24,953	-	-	(878)	(214)	-	23,861
F&U Credit information Co., Ltd.	4,529	-	-	27	-	-	4,556
Korea IT Fund	226,633	-	-	5,455	1,144	-	233,232
JYP Entertainment Corporation	4,150	-	-	(88)	-	-	4,062
Konan Technology	4,410	-	-	(466)	-	-	3,944

Etoos Co., Ltd.	14,339	-	-	(122)	299	-	14,516
BMC Digital Culture Contents Fund	8,925	-	-	(346)	-	-	8,579
Wave City Development Co., Ltd.	1,392	-	-	(191)	-	-	1,201
IBKC-bmc Cultural Contents Fund	2,292	-	-	15	-	-	2,307
Hanhwa No.2 Daisy Entertainment Investment Fund	2,008	-	-	(547)	-	-	1,461
BMC Korea Movie Fund	13,977	-	-	(71)	-	-	13,906
HanaSK Card Co., Ltd.	386,417	-	-	(949)	115	-	385,583
BNCP Co., Ltd.	7,264	-	-	-	-	-	7,264
Television Media Korea Ltd.	18,568	-	-	(425)	-	-	18,143
Candle Media Co., Ltd.	19,313	-	-	-	320	291	19,924
NanoEnTek, Inc.	-	11,000	-	(133)	17	-	10,884
UNISK(Beijing) Information Technology Co., Ltd.	4,714	-	-	330	(185)	-	4,859
PT. Melon Indonesia	6,210	-	-	(289)	(65)	-	5,856
Packet One Network	116,160	-	-	(15,059)	(1,489)	-	99,612
Mobile Money Venture, LLC	3,206	-	-	(1,155)	-	(146)	1,905
SK Technology Innovation Company	25,052	-	-	(2,269)	(1,282)	-	21,501
Lightsquared Inc.	72,096	-	-	(7,903)	(2,864)	-	61,329
SK Wyverns Baseball Club Co., Ltd. and others	67,634	31,338	(2,320)	(733)	(2,374)	1,407	94,952
	₩ 1,204,692	42,338	(2,320)	(22,103)	(9,401)	1,090	1,214,296

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

9. Investments in Associates, Continued

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

(In millions of won)	Unrealized loss	Unrealized change in equity

SK Wyverns Baseball Club Co., Ltd.	₩	1,099	-
ULand Company Limited		496	50
Cyworld Holdings Hong Kong and others		2,937	333
	₩	4,532	383

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

10. Property and Equipment

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

(In millions of won)

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

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

(In millions of won)

		For the six-month period ended June 30, 2012							
		Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Impairment(*)	Change of consolidation scope	Ending balance
Land	₩	730,361	2	(956)	5,232	-	-	-	734,639
Buildings		989,078	340	(1,178)	5,455	(26,558)	-	-	967,137
Structures		301,115	2,808	(4)	5,615	(17,539)	-	-	291,995
Machinery		5,493,572	112,916	(3,638)	904,156	(856,145)	(107,999)	-	5,542,862
Other		711,461	743,763	(1,422)	(714,884)	(61,228)	(448)	(1,555)	675,687
Construction in progress		805,411	353,580	(811)	(595,113)	-	(4,239)	-	558,828
	₩	9,030,998	1,213,409	(8,009)	(389,539)	(961,470)	(112,686)	(1,555)	8,771,148

10. Property and Equipment, Continued

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

(In millions of won)

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

11. Investment Property

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

(In millions of won)

		June 30, 2012			December 31, 2011
		Acquisition cost	Accumulated depreciation	Carrying amount	Carrying amount
Land	₩	23,182	-	23,182	23,153
Buildings		293,344	(51,825)	241,519	247,933
	₩	316,526	(51,825)	264,701	271,086

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

(In millions of won)

		For the six-month period ended June 30, 2012			
		Beginning balance	Transfer	Depreciation	Ending balance
Land	₩	23,153	29	-	23,182
Buildings		247,933	(2,627)	(3,787)	241,519
	₩	271,086	(2,598)	(3,787)	264,701

(In millions of won)

		For the six-month period ended June 30, 2011				
		Beginning balance	Acquisition	Transfer	Depreciation	Ending balance
Land	₩	29,179	-	2,305	-	31,484
Buildings		168,128	61,240	(4,834)	(3,002)	221,532
	₩	197,307	61,240	(2,529)	(3,002)	253,016

11. Investment Property, Continued

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

(In millions of won)

		June 30, 2012		December 31, 2011	
		Carrying amount	Fair value	Carrying amount	Fair value
Land	₩	23,182	40,590	23,153	40,540
Buildings		241,519	265,737	247,933	272,794
	₩	264,701	306,327	271,086	313,334

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

12. Goodwill

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

(In millions of won)

		June 30, 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		75,572	85,254
	₩	1,740,251	1,749,933

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

(In millions of won)

		For the six-month period ended	
		June 30, 2012	June 30, 2011
Beginning balance	₩	1,749,933	1,736,649
Goodwill increase (decrease) due to acquisition (disposal)		(9,685)	18,389
Other increase (decrease)(*)		3	(177)
	₩	1,740,251	1,754,861

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

13. Intangible Assets

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

(In millions of won)

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

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

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

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

(In millions of won)

		For the six-month period ended June 30, 2012							
		Beginning balance	Acquisition	Disposal	Transfer	Amortization	Impairment (*)	Change of consolidation scope	Ending balance
Frequency use rights	₩	1,889,102	16,659	-	-	(82,680)	(2,907)	-	1,820,174
Land use rights		19,327	2,382	(80)	-	(3,418)	-	-	18,211
Industrial rights		59,473	3,659	-	477	(2,295)	(6)	(48)	61,260
Development costs		20,961	755	-	-	(3,785)	-	-	17,931
Facility usage rights		69,491	385	(41)	13	(4,062)	-	-	65,786
Customer relations		141,819	145	-	-	(46,756)	-	-	95,208

Memberships	117,711	2,500	(2,942)	-	-	-	(784)	116,485
Other	677,919	31,747	(2,570)	84,455	(141,613)	(9,260)	(1,709)	638,969
	₩ 2,995,803	58,232	(5,633)	84,945	(284,609)	(12,173)	(2,541)	2,834,024

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

13. Intangible Assets, Continued

(In millions of won)

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

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

(In millions of won)

	Amount	**Description**	**Residual useful lives**
W-CDMA license	₩ 437,800	Frequency use rights relating to W-CDMA service	(*1)
W-CDMA license	73,399	Frequency use rights relating to W-CDMA service	(*2)
800MHz license	364,896	Frequency use rights relating to CDMA and LTE service	(*3)
1.8GHz license	928,203	Frequency use rights relating to LTE	(*4)

		service	
WiBro license	-	WiBro service	(*5)
WiBro license	15,876	WiBro service	(*6)
Customer relationships related to acquisition of SK Broadband Co., Ltd.	88,065	Customer relationships	1 year and 3 months

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

13. Intangible Assets, Continued

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

(*3) The Group purchased 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Group started its related commercial CDMA and LTE services on July 1, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.

(*4) The Group purchased 1.8GHz license from KCC in December 2011. Amortization of the 1.8GHz license will be commenced when the Group starts its related commercial LTE services in July 2012, under a straight-line basis over the remaining useful life of the 1.8GHz license. The 1.8GHz license will expire in December 2021.

(*5) The WiBro license was used for seven years from the purchase date when the Group started its commercial WiBro services on March 30, 2005. The amortization is completed during the six-month period ended June 30, 2012 as the useful life matures.

(*6) The Group additionally purchased WiBro license in March 2012. Amortization of this WiBro license commenced when the Group started its commercial WiBro services on March 30, 2012, under a straight line basis over the remaining useful life. This WiBro license will expire in March 2019.

14. Borrowings and Debentures

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

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

	Lender	Annual interest rate (%)		June 30, 2012	December 31, 2011
Commercial Paper	-	3.43~3.85	₩	400,000	200,000
Short-term borrowings (Korean won)	Kookmin Bank, etc.	4.47~6.65		346,965	394,033
Short-term borrowings (Foreign currency)	SK China Company, Ltd.	-		37,499 (USD 32,500)	106,680 (USD 92,500)
			₩	784,464	700,713

14. Borrowings and Debentures, Continued

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

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

Lender	Annual interest rate (%)	Maturity		June 30, 2012	December 31, 2011
Bank of Communications (*1,2)	6M Libor + 0.29	Oct. 10, 2013	₩	34,614 (USD 30,000)	34,599 (USD 30,000)
Bank of China(*1)	6M Libor + 0.29	Oct. 10, 2013		23,076 (USD 20,000)	23,066 (USD 20,000)
DBS Bank(*1)	6M Libor + 0.29	Oct. 10, 2013		28,845 (USD 25,000)	28,833 (USD 25,000)
SMBC(*1)	6M Libor + 0.29	Oct. 10, 2013		28,845 (USD 25,000)	28,833 (USD 25,000)
China Merchants Bank	5.35	Jan. 27, 2018		65,672 (CNY 360,000)	65,893 (CNY 360,000)
Korea Exchange Bank	5.18	Jan. 28, 2015		30,100 (CNY 170,000)	31,116 (CNY 170,000)
Hana Bank HK(*3)	3M Libor + 3.2	Mar. 3, 2014		86,535 (USD 75,000)	86,498 (USD 75,000)
SCB Bank HK(*3)	3M Libor + 3.3	Nov. 3, 2014		34,614 (USD 30,000)	-
SCB Bank HK(*3)	3M Libor + 3.3	Nov. 3, 2014		34,773 (HKD 234,000)	-
Kookmin Bank and 13 others	4.48	Feb. 14, 2015		2,000,000	-

Kookmin Bank	3.55	Jun. 15, 2012	-	1,977
Korea Development Bank	3.55	Jun. 17, 2013	3,526	5,288
Korea Development Bank	3.55	Jun. 16, 2014	6,590	8,237
Shinhan Bank	3.55	Jun. 15, 2015	10,273	10,273
Kookmin Bank	3.55	Jun. 15, 2016	9,749	9,749
Kookmin Bank	3.55	Mar. 15, 2017	5,996	-
Sub-total			2,403,207	334,362
Less present value discount on long-term borrowings			(11,637)	-
			2,391,570	334,362
Less current portion of long-term borrowings			(10,245)	(10,510)
Long-term borrowings			₩ 2,381,325	323,852

(*1) As of June 30, 2012, 6M Libor rate is 0.73%.

(*2) As of June 30, 2012, the Group's lender is Bank of Communications as Credit Agricole transferred the loans to Bank of Communications during the six-month period ended June 30, 2012.

(*3) As of June 30, 2012, 3M Libor rate is 0.46%.

14. Borrowings and Debentures, Continued

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

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

	Purpose	Maturity	Annual interest rate (%)	June 30, 2012	December 31, 2011
Unsecured private bonds	Refinancing fund	2016	5.00	₩ 200,000	200,000
Unsecured private bonds		2013	4.00	200,000	200,000
Unsecured private bonds		2014	5.00	200,000	200,000
Unsecured private bonds(*1)		2012	3M Euro Yen Libor + 0.55	181,724 (JPY 12,500,000)	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	3M Euro Yen Libor + 2.50	-	44,555 (JPY 3,000,000)
Unsecured private bonds		2016	5.92	230,000	230,000
Unsecured private bonds		2012	3M Euro Yen	-	74,258

			Tibor + 2.50		(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(*2)		2014	4.86	50,000	50,000
Unsecured private bonds(*2)		2015	4.62	50,000	50,000
Unsecured private bonds(*3)		2013	3.99	150,000	150,000
Unsecured private bonds(*3)		2014	4.53	290,000	290,000
Unsecured private bonds(*3)		2014	4.40	100,000	100,000
Unsecured private bonds(*3)		2015	4.09	110,000	-
Unsecured private bonds(*3)		2015	4.14	110,000	-
Unsecured private bonds(*3)		2017	4.28	100,000	-
Foreign global bonds		2027	6.63	461,520 (USD 400,000)	461,320 (USD 400,000)
Foreign global bonds		2012	7.00	-	576,650 (USD 500,000)
Exchangeable bonds(*6,7)	Refinancing fund	2014	1.75	392,112 (USD 332,528)	397,886 (USD 332,528)
Floating rate notes(*4)	Operating fund	2012	3M Libor + 3.15	-	253,726 (USD 220,000)
Floating rate notes(*4)		2014	3M Libor + 1.60	288,450 (USD 250,000)	288,325 (USD 250,000)
Floating rate notes(*5)		2014	SOR rate + 1.20	58,534 (SGD 65,000)	57,618 (SGD 65,000)
Swiss unsecured private bonds		2017	1.75	358,434 (CHF 300,000)	-
Sub-total				4,520,774	4,799,983
Less discounts on bonds				(37,930)	(39,095)
				4,482,844	4,760,888
Less current portion of bonds payable				(181,676)	(1,531,879)
				₩ 4,301,168	3,229,009

14. Borrowings and Debentures, Continued

(*1) As of June 30, 2012, 3M Euro Yen Libor rate is 0.19%.

(*2) Unsecured private bonds were issued by SK Telink Co., Ltd., a subsidiary of the Parent Company.

(*3) According to covenant provision of the related borrowings, SK Broadband Co., Ltd., a subsidiary of the Parent Company, is required to maintain its debt to equity ratio lower than 10 to 1 and cannot dispose of its property and equipment more than twenty times of equity or ₩ 10 trillion in any given fiscal year.

(*4) As of June 30, 2012, 3M Libor rate is 0.46%.

(*5) As of June 30, 2012, SOR rate is 0.38%.

(*6) As of June 30, 2012, exchangeable bonds are classified as financial liabilities at fair value through profit or loss. As of December 31, 2011, the exchangeable bonds were classified as current as the bond holders would be eligible to redeem their notes at 100% of the principal amount on April 7, 2012. However, as of June 30, 2012, the exchangeable bonds are reclassified as non-current liabilities as the bond holders have not exercised and have lost their early redemption right.

(*7) On April 7, 2009, the Group issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%. As of June 30, 2012, fair value of the exchangeable bonds is USD 352,978,472. The exchange price could be adjusted and the exchange price is ₩ 199,280 with the exchange rate of ₩ 1,383.40 per USD 1.

The Group may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be exchanged as of June 30, 2012 is 2,308,406 shares.

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

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

14. Borrowings and Debentures, Continued

(4) Details of issuance or repayments of borrowings and debentures for the six-month period ended June 30, 2012 are as follows:

(In millions of won, thousands of U.S. dollars, thousands of Japanese Yen, and thousands of Hong Kong dollars)

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

(*1) For the six-month period ended June 30, 2012, the Group early redeemed the short-term borrowings amounting to ₩ 500,000 million while the contractual maturity is February 14, 2013.

(*2) Foreign translation gain (loss) and others represent changes from foreign translation gain (loss) of foreign currency borrowings and debentures and amortization of bond discount.

15. Long-term Payables - other

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

(In millions of won)

		June 30, 2012	December 31, 2011
Payables related to acquisition of W-CDMA licenses	₩	702,780	840,974
Other(*)		7,951	6,522
Total	₩	710,731	847,496

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

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

(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 payments - other		(3,237)	(11,060)	(66,797)	(641)	(81,735)
Present value of long-term payables – other at the time of acquisition		49,363	197,190	679,453	8,009	934,015
Nominal value		52,600	208,250	746,250	-	1,007,100
Present value discount on long-term payables - other		(3,237)	(11,060)	(66,797)	-	(81,094)
Current portion of long-term payables - other		(17,533)	-	(74,625)	-	(92,158)
Accumulated amortization of present value discount at December 31, 2011		2,065	1,925	3,136	-	7,126

Carrying amount as of December 31, 2011		33,895	199,115	607,964	-	840,974
Increase		-	-	-	8,650	8,650
Present value discount on long-term payables - other		-	-	-	(641)	(641)
Amortization of present value discount on long-term payables - other		301	1,233	1,770	52	3,356
Less current portion of long-term payables - other		(16,998)	(66,481)	(66,080)	-	(149,559)
Carrying amount at June 30, 2012	₩	17,198	133,867	543,654	8,061	702,780

15. Long-term Payables - other, Continued

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

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

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

(In millions of won)

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

16. Provisions

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

(In millions of won)

		For the six-month period ended June 30, 2012				As of June 30, 2012	
		Beginning balance	Increase	Utilization	Ending balance	Current	Non-current
Provision for handset subsidy	₩	762,238	262,346	(374,143)	650,441	568,298	82,143
Provision for point programs		639	-	(213)	426	-	426
Provision for restoration		36,378	8,998	(360)	45,016	5,176	39,840

Provision for warranty		154	-	(39)	115	-	115
Provision for sales return		81	18	(30)	69	69	-
Other provisions		69	-	(69)	-	-	-
	₩	799,559	271,362	(374,854)	696,067	573,543	122,524

(In millions of won)

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

16. Provisions, Continued

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

17. Finance Lease Liabilities

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

(In millions of won)

		June 30, 2012	December 31, 2011
Finance Lease Liabilities			
Current portion of long-term finance lease liabilities	₩	25,302	31,308
Long-term finance lease liabilities		31,765	41,940
	₩	57,067	73,248

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

(In millions of won)

	June 30, 2012		December 31, 2011	
	Minimum lease payment	Present value	Minimum lease payment	Present value

Less than 1 year	₩	27,379	25,302	34,198	31,308
1~5 years		33,100	31,765	44,119	41,940
Subtotal		60,479	57,067	78,317	73,248
Current portion of long-term finance lease liabilities			(25,302)		(31,308)
Long-term finance lease liabilities	₩		31,765		41,940

18. Defined Benefit Liabilities

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

(In millions of won)

		June 30, 2012	December 31, 2011
Present value of defined benefit obligations	₩	206,718	188,120
Fair value of plan assets		(104,396)	(102,179)
	₩	102,322	85,941

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

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

18. Defined Benefit Liabilities, Continued

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

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

(In millions of won)

		For the six-month period ended	
		June 30, 2012	June 30, 2011
Beginning balance	₩	188,120	160,363
Current service cost		37,169	31,559
Interest cost		4,101	4,383

Actuarial gain or loss		7,160	7,875
Benefit paid		(27,410)	(21,465)
Others(*)		(2,422)	42
Ending balance	₩	206,718	182,757

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

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

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

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

(In millions of won)		**For the six-month period ended**	
		June 30, 2012	**June 30, 2011**
Current service cost	₩	37,169	31,559
Interest cost		4,101	4,383
Expected return on plan assets		(1,864)	(2,071)
	₩	39,406	33,871

18. Defined Benefit Liabilities, Continued

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

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

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

19. Derivative Instruments

(1) Currency swap contracts under cash flow hedge accounting

The Group has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling USD 100,000,000 borrowed on October 10, 2006. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contracts to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩ 3,082 million (net of tax effect totaling ₩ 484 million and foreign currency translation loss arising from U.S. dollar denominated long-term borrowings totaling ₩ 20,580 million) is accounted for as accumulated other comprehensive loss.

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

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

19. Derivative Instruments, Continued

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

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

In addition, the Group has entered into a fixed-to-fixed cross currency swap contract with Citi Bank and five other banks to hedge the foreign currency risk of its Swiss Franc denominated bonds with face amounts totaling CHF 300,000,000 issued on June 12, 2012. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to ₩ 13,983 million (net of tax effect totaling ₩ 4,464 million and foreign currency translation gain arising from unguaranteed Swiss Franc denominated bonds totaling ₩ 5,083 million) is accounted for as accumulated other comprehensive loss.

19. Derivative Instruments, Continued

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

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

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

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

20. Share Capital and Share Premium (Deficit)

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

(In millions of won, except for share data)

		June 30, 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
Share premium:			
Paid-in surplus		2,915,887	2,915,887
Treasury stock		(2,410,451)	(2,410,451)
Loss on disposal of treasury stock		(18,855)	(18,855)
Others(*2)		(777,269)	(771,928)
	₩	(290,688)	(285,347)

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

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

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

21. Treasury Stock

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

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

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

22. Retained Earnings

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

(In millions of won)

		June 30, 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		251,195	1,551,472
	₩	11,500,953	11,642,525

(2) Legal reserve

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

(3) Reserve for research & manpower development

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

23. Reserves

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

(In millions of won)

		June 30, 2012	December 31, 2011
Net change in fair value of available-for-sale financial assets	₩	305,299	354,951
Net change in other comprehensive income of associates		(86,463)	(93,598)
Losses on valuation of derivatives		(24,185)	(25,099)
Foreign currency translations differences for foreign operations		22,277	23,810

	₩ 216,928	260,064

23. Reserves, Continued

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

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

24. Other Operating Income and Expenses

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

(In millions of won)		2012		2011	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other Operating Income:					
Reversal of allowance for doubtful accounts	₩	-	5,149	634	1,939
Gain on disposal of property and equipment and intangible assets		1,822	2,832	2,834	3,935
Others		5,592	15,029	8,351	13,795
	₩	7,414	23,010	11,819	19,669
Other Operating Expenses:					
Communication expenses	₩	16,427	33,754	13,814	27,196
Utilities		44,222	88,673	38,392	77,612
Taxes and dues(*)		32,365	63,486	8,863	19,846
Repair		60,884	121,664	58,513	122,910

Research and development		70,620	137,164	58,723	118,088
Training		8,992	15,068	6,577	11,698
Bad debt for accounts receivable - trade		16,369	23,626	18,818	36,036
Travel		7,710	14,795	8,424	14,960
Supplies and others		31,801	53,695	33,572	54,640
Loss on disposal of property and equipment and intangible assets		2,962	4,956	8,097	10,108
Loss on impairment of property and equipment and intangible assets		441	3,869	621	1,559
Donations		28,101	41,008	21,399	45,380
Bad debt for accounts receivable - other		3,353	23,040	-	3,146
Others		3,977	10,014	5,004	9,738
	₩	328,224	634,812	280,817	552,917

24. Other Operating Income and Expenses, Continued

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

25. Finance Income and Costs

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

(In millions of won)		2012		2011	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Finance Income:					
Interest income	₩	24,857	57,253	41,896	90,543
Dividends		613	22,947	295	20,969
Gain on foreign currency transactions		3,527	5,480	1,493	2,867
Gain on foreign currency translation		227	714	-	16,171
Gain on valuation of financial asset at fair value through profit or loss		823	183	-	1,150
Gain on disposal of long-term investment securities		6,535	12,947	1,693	160,377
Gain on valuation of derivatives		-	-	16,125	2,088
Gain on settlement of derivatives		8,402	12,694	-	-
Gain on valuation of financial liability at fair value through profit or loss		9,507	5,774	22,056	33,249

	₩	54,491	117,992	83,558	327,414
Finance Costs:					
Interest expense	₩	102,404	199,439	71,014	151,958
Loss on foreign currency transactions		4,333	5,516	2,778	3,653
Loss on foreign currency translation		-	527	9,367	2,501
Loss on disposal of long-term investment securities		1,629	9,134	156	156
Loss on impairment of long-term investment securities		580	580	-	-
Loss on valuation of derivatives		443	443	-	397
Loss on settlement of derivatives		1,232	1,232	2,005	5,136
	₩	110,621	216,871	85,320	163,801

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

(In millions of won)		**2012**		**2011**	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Interest income on cash equivalents and deposits	₩	15,812	36,600	13,664	27,163
Interest income on installment receivables and others		9,045	20,653	28,232	63,380
	₩	24,857	57,253	41,896	90,543

25. Finance Income and Costs, Continued

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

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

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

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

26. Income Tax Expense

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

27. Earnings per Share

(1) Basic earnings per share

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

(In millions of won, shares)		2012		2011	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Basic earnings per share attributable to owners of the Parent Company from continuing operation:					
Net income attributable to owners of the Parent Company from continuing operations	₩	248,754	564,576	479,419	1,033,877
Weighted average number of common shares outstanding		69,694,999	69,694,999	71,094,999	71,094,999
Basic earnings per share from continuing operations (In won)	₩	3,569	8,101	6,743	14,542
Basic earnings per share attributable to owners of the Parent Company:					
Net income attributable to owners of the Parent Company	₩	143,396	449,820	467,794	1,010,329
Weighted average number of common shares outstanding		69,694,999	69,694,999	71,094,999	71,094,999

Basic earnings per share (In won)	₩	2,057	6,454	6,580	14,211

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

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

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

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

27. Earnings per Share, Continued

(1) Basic earnings per share, Continued

		Weighted number of days		**Weighted number of shares**	
	Number of shares	**Three-month period ended June 30**	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Outstanding common shares at January 1, 2011	80,745,711	91/91	181/181	80,745,711	80,745,711

Effect of treasury stock	(9,650,712)	91/91	181/181	(9,650,712)	(9,650,712)
Number of shares at June 30, 2011	71,094,999			71,094,999	71,094,999

(2) Diluted earnings per share

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

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

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

(In millions of won)		**2012**					
		Continuing operations		**Discontinued operation**		**Total**	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Net income attributable to owners of the Parent Company	₩	248,754	564,576	(105,358)	(114,756)	143,396	449,820
Effect of exchangeable bonds		(5,943)	(1,881)	-	-	(5,943)	(1,881)

Diluted net income attributable to owners of the Parent Company	₩ 242,811	562,695	(105,358)	(114,756)	137,453	447,939

27. Earnings per Share, Continued

(2) Diluted earnings per share, Continued

(In millions of won)

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

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

(In shares)

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

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

(3) Basic loss per share from discontinued operation

(In millions of won, shares)

	2012		2011	
	Three-month	Six-month	Three-month	Six-month

		period ended June 30	period ended June 30	period ended June 30	period ended June 30
Loss from discontinued operation attributable to owners of the Parent Company	₩	105,358	114,756	11,625	23,548
Weighted average number of common shares outstanding		69,694,999	69,694,999	71,094,999	71,094,999
Basic loss per share (In won)	₩	1,512	1,647	164	331

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

28. Categories of Financial Instruments

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

(In millions of won)

		June 30, 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	₩	-	-	1,176,948	-	1,176,948
Financial instruments		-	-	514,282	-	514,282
Short-term investment securities		-	55,620	-	-	55,620
Long-term investment securities(*1)		16,800	1,411,070	-	-	1,427,870
Accounts receivable – trade		-	-	1,856,900	-	1,856,900
Loans and receivables(*2)		-	-	1,041,531	-	1,041,531
Derivative financial assets(*3)		533	-	-	210,370	210,903
	₩	17,333	1,466,690	4,589,661	210,370	6,284,054

(In millions of won)

	December 31, 2011				
	Financial assets at fair value through profit or	Available-for-sale financial assets	Loans and receivables	Derivative financial instruments designated as hedged item	Total

	loss				
Cash and cash equivalents	₩ -	-	1,650,794	-	1,650,794
Financial instruments	-	-	987,192	-	987,192
Short-term investment securities	-	94,829	-	-	94,829
Long-term investment securities(*1)	16,617	1,521,328	-	-	1,537,945
Accounts receivable – trade	-	-	1,835,641	-	1,835,641
Loans and receivables(*2)	-	-	1,377,750	-	1,377,750
Derivative financial assets(*3)	1,018	-	-	252,935	253,953
	₩ 17,635	1,616,157	5,851,377	252,935	7,738,104

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

28. Categories of Financial Instruments, Continued

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

(In millions of won)

	June 30, 2012	December 31, 2011
Short-term loans	₩ 86,424	100,429
Accounts receivable – other	612,220	908,836
Accrued income	17,672	21,847
Other current assets	448	462
Long-term loans	84,751	95,565
Long-term accounts receivable - other	694	5,393
Guarantee deposits	239,322	245,218
	₩ 1,041,531	1,377,750

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

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

(In millions of won)

	June 30, 2012			
	Financial liabilities at	Financial liabilities	Derivative financial	Total

		fair value through profit or loss	measured at amortized cost	instruments designated as hedged item	
Accounts payable – trade	₩	-	313,129	-	313,129
Derivative financial liabilities		-	-	23,529	23,529
Borrowings		-	3,176,034	-	3,176,034
Debentures(*1)		392,112	4,090,732	-	4,482,844
Accounts payable - other and others (*2)		-	3,079,876	-	3,079,876
	₩	392,112	10,659,771	23,529	11,075,412

(In millions of won)

		December 31, 2011			
		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	Total
Accounts payable – trade	₩	-	195,391	-	195,391
Derivative financial liabilities		-	-	4,645	4,645
Borrowings		-	1,035,074	-	1,035,074
Debentures(*1)		397,886	4,363,002	-	4,760,888
Accounts payable - other and others (*2)		-	3,312,642	-	3,312,642
	₩	397,886	8,906,109	4,645	9,308,640

28. Categories of Financial Instruments, Continued

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

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

(In millions of won)

		June 30, 2012	December 31, 2011
Accounts payable – other	₩	1,192,607	1,507,458
Withholdings		10,752	10,835
Accrued expenses		921,864	744,673
Current portion of long-term payables - other		174,861	120,452
Long-term payables – other		710,731	847,496
Finance lease liabilities		31,765	41,940

Other non-current liabilities		37,296	39,788
	₩	3,079,876	3,312,642

29. Financial Risk Management

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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

29. Financial Risk Management, Continued

(1) Financial risk management, continued

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

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

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

₩	112,530	₩	1,925,652

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

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

(In millions of won)

		If increased by 10%	If decreased by 10%
USD	₩	(36,386)	36,386
EUR		(148)	148
JPY		304	(304)
CNY		-	-
Others		(5)	5
	₩	(36,235)	36,235

(ii) Equity price risk

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

(iii) Interest rate risk

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

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

29. Financial Risk Management, Continued

(1) Financial risk management, continued

The Group's interest rate risk arises from floating-rate borrowings and payables. As of June 30, 2012, floating-rate debentures and borrowings amount to ₩ 528,708 million and ₩ 317,436 million, respectively, and the Group has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures. (Refer to Note 19) If interest rate only increases (decreases) by 1%, income before income taxes for the six-month period ended June 30, 2012 would have been decreased (increased) by ₩ 2,021 million due to the interest expense from floating-rate borrowings and bonds payables.

2) Credit risk

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

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

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

3) Liquidity risk

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

29. Financial Risk Management, Continued

Contractual maturities of financial liabilities as of June 30, 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	₩	313,129	313,129	313,117	12	-
Derivative financial liabilities		23,529	23,529	-	23,529	-
Borrowings		3,176,034	3,429,382	889,201	2,474,509	65,672

Debentures(*1)	4,482,844	5,493,857	372,756	3,918,296	1,202,805
Accounts payable - other and others(*2)	3,079,876	3,101,084	2,147,599	587,138	366,347
	₩ 11,075,412	12,360,981	3,722,673	7,003,484	1,634,824

(1) Financial risk management, continued

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

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

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

(2) Capital management

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

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

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

(In millions of won)

	June 30, 2012	December 31, 2011
Liabilities	₩ 13,272,747	11,633,327
Equity	12,500,644	12,732,709
Debt-equity ratio	106.18%	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.

29. Financial Risk Management, Continued

(3) Fair value, Continued

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

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

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

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

1) Fair value and carrying amount

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

(In millions of won)

		June 30, 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	₩	17,333	17,333	17,635	17,635
Derivative financial assets		210,370	210,370	252,935	252,935
Available-for-sale financial assets		1,222,863	1,222,863	1,129,928	1,129,928
	₩	1,450,566	1,450,566	1,400,498	1,400,498
Assets carried at amortized cost					
Cash and cash equivalents	₩	1,176,948	1,176,948	1,650,794	1,650,794
Available-for-sale financial assets		243,827	243,827	486,229	486,229
Accounts receivable – trade and others		2,898,431	2,898,431	3,213,391	3,213,391
Financial instruments		514,282	514,282	987,191	987,191
	₩	4,833,488	4,833,488	6,337,605	6,337,605
Liabilities carried at fair value					
Financial liabilities at fair value through profit or loss	₩	392,112	392,112	397,886	397,886
Derivative financial liabilities		23,529	23,529	4,645	4,645

	₩	415,641	415,641	402,531	402,531
Liabilities carried at amortized cost					
Accounts payable – trade	₩	313,129	313,129	195,391	195,391
Borrowings		3,176,034	3,225,011	1,035,075	1,035,075
Debentures		4,090,732	4,330,096	4,363,002	4,562,156
Accounts payable - other and others		3,079,876	3,079,876	3,312,642	3,312,642
	₩	10,659,771	10,948,112	8,906,110	9,105,264

29. Financial Risk Management, Continued

(3) Fair value, continued

2) Fair value hierarchy

The different levels have been defined as follows:

- ✓ Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- ✓ Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- ✓ Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

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

(In millions of won)

		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	₩	-	16,800	533	17,333
Derivative financial assets		-	210,370	-	210,370
Available-for-sale financial assets		1,052,372	28,136	142,355	1,222,863
Financial liabilities at fair value through profit or loss		392,112	-	-	392,112
Derivative financial liabilities		-	23,529	-	23,529

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

(In millions of won)

	Balance at January 1	Acquisition	Profit(loss) for the period	Other comprehensive income	Disposal	Balance at June 30

Financial assets at fair value through profit or loss	₩	1,018	-	(485)	-	-	533
Available-for-sale financial assets		197,019	7,702	-	(29,481)	(32,885)	142,355

30. Transactions with Related Parties

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

(1) Transactions

(In millions of won)

		2012					
		Purchases of property and equipment		**Commissions paid and other expenses**		**Commissions earned and other income**	
		Three-month period ended June 30	**Six- month period ended June 30**	**Three-month period ended June 30**	**Six- month period ended June 30**	**Three-month period ended June 30**	**Six- month period ended June 30**
Ultimate Controlling Entity(*1):							
SK Holdings Co., Ltd.	₩	-	-	8,404	16,171	202	302
Associates:							
SK Marketing & Company Co., Ltd.		1,911	1,935	36,524	68,697	2,334	5,088
F&U Credit information Co., Ltd.		-	-	11,881	25,077	440	805
SK Wyverns Baseball Club Co., Ltd.		-	-	64	9,480	-	-
HanaSK Card Co., Ltd.		5	7	71,112	148,143	42,711	90,390
HappyNarae Co., Ltd.(*2)		2,194	2,238	4,156	5,120	6	11
SK China Company, Ltd.		-	-	-	-	432	505
Others		232	386	1,542	2,344	84	92
Others:							
SK C&C Co., Ltd.		48,488	104,716	72,077	148,619	3,514	6,879
SK Innovation Co., Ltd.		-	-	189	371	1,566	2,433
M&Service Co., Ltd.		12	27	3,429	6,883	2,988	3,517

SK Engineering and Construction Co., Ltd.		139,171	193,921	15,156	20,525	923	2,525
SKC Ltd.		-	-	-	-	176	422
SK Telesys Co., Ltd.		93,871	107,840	17,375	22,108	130	213
SK Networks Co., Ltd.		1,161	3,085	315,091	617,051	4,600	9,314
SK Networks Internet, Inc.		110	110	2,992	4,016	57	57
SK Shipping Co., Ltd.		-	-	-	-	819	1,599
SK Securities Co., Ltd.		-	-	-	600	803	1,487
Others		1,018	1,164	29,197	50,439	2,443	4,003
	₩	288,173	415,429	589,189	1,145,644	64,228	129,642

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

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

30. Transactions with Related Parties, Continued

(1) Transactions, Continued

(In millions of won)

		2011					
		Purchases of property and equipment		**Commissions paid and other expenses**		**Commissions earned and other income**	
		Three-month period ended June 30	**Six- month period ended June 30**	**Three-month period ended June 30**	**Six- month period ended June 30**	**Three-month period ended June 30**	**Six- month period ended June 30**
Ultimate Controlling Entity :							
SK Holdings Co., Ltd.	₩	-	-	10,938	18,370	305	383
Associates:							
SK Marketing & Company Co., Ltd.		2,200	2,208	35,287	65,698	2,825	5,173
F&U Credit information Co., Ltd.		-	-	11,444	21,583	426	846
SK Wyverns Baseball Club Co., Ltd.		-	-	1,200	10,994	-	13
HanaSK Card Co., Ltd.		9	10	114,189	158,503	6,168	24,041

HappyNarae Co., Ltd.(*)	2,525	2,759	2,012	2,944	5	16
Others	29	29	5,374	10,745	218	446
Others:						
SK C&C Co., Ltd.	62,821	88,826	79,123	147,520	4,145	8,154
SK Innovation Co., Ltd.	-	-	184	392	680	1,505
M&Service Co., Ltd.	3	5	4,556	7,369	1,454	1,461
SK Engineering and Construction Co., Ltd.	54,499	64,292	8,523	14,195	680	2,249
SKC Ltd.	-	-	-	-	330	682
SK Telesys Co., Ltd.	80,234	97,470	7,296	13,710	19,329	56,644
SK Mobile energy Co., Ltd.	290	561	-	-	2	3
SK Networks Co., Ltd.	3,196	3,374	308,516	588,541	3,763	8,172
SK Networks Service Co., Ltd.	591	591	25,499	36,560	62	192
SK Pinx Co., Ltd.	-	-	10	475	4	7
SK Shipping Co., Ltd.	-	-	-	-	781	1,611
Others	699	699	1,436	24,558	1,195	2,001
	₩ 207,096	260,824	615,587	1,122,157	42,372	113,599

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

30. Transactions with Related Parties, Continued

(2) Account balances

(In millions of won)

	June 30, 2012			
	Accounts receivable	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate Controlling Entity:				
SK Holdings Co., Ltd.	₩ 115	-	23	-
Associates:				
SK Marketing & Company Co., Ltd.	4,964	-	36,562	-
F&U Credit information Co., Ltd.	280	-	3,941	-
SK Wyverns Baseball Club Co., Ltd.	-	-	40	-
Wave City Development Co., Ltd.	38,412	-	-	-
HanaSK Card Co., Ltd.	7,215	14	17,504	-
SK China Company, Ltd.	-	-	37,499	-

Television Media Korea Ltd.	-	-	852	-
HappyNarae Co., Ltd.(*1)	16	-	1,828	-
Others	99	10	3,922	-
Others:				
SK C&C Co., Ltd.	448	438	60,774	3,585
SK Innovation Co., Ltd.	1,019	91	1	-
M&Service Co., Ltd.	1,516	-	1,595	-
SK Engineering and Construction Co., Ltd.	990	-	11,271	82
SKC Ltd.	73	-	-	-
SK Telesys Co., Ltd.	246	-	32,684	-
SK Networks Co., Ltd.	25,628	1,013	397,704	865
SK Networks Service Co., Ltd.	8	-	10,987	-
SK Energy Co., Ltd.	528	-	2,546	-
SK Securities Co., Ltd.	102	-	-	-
SKY Investment Co., Ltd.(*2)	14,849	-	138	-
Others	770	-	1,576	525
	₩ 97,278	1,566	621,447	5,057

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

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

30. Transactions with Related Parties, Continued

(2) Account balances, Continued

(In millions of won)

	December 31, 2011			
	Accounts receivable	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate Controlling Entity:				
SK Holdings Co., Ltd.	₩ 147	-	-	-
Associates:				
SK Marketing & Company Co., Ltd.	9,876	-	36,901	10
F&U Credit information Co., Ltd.	-	-	3,736	-
SK Wyverns Baseball Club Co., Ltd.	3,812	-	-	-
Wave City Development Co., Ltd.	38,412	-	-	-

HanaSK Card Co., Ltd.	8,683	14	2,358	-
Daehan Kanggun BcN Co., Ltd.	20,562	-	-	-
HappyNarae Co., Ltd.(*)	1	-	1,768	-
Others	69	-	1,539	222
Others:				
SK C&C Co., Ltd.	3,330	-	172,047	3,585
SK Innovation Co., Ltd.	954	91	2	-
M&Service Co., Ltd.	644	-	4,679	-
SK Engineering and Construction Co., Ltd.	1,271	-	39,215	82
SKC Ltd.	184	-	-	-
SK Telesys Co., Ltd.	132	-	65,619	-
SK Mobile energy Co., Ltd.	1	-	71	-
SK Networks Co., Ltd.	24,403	5,513	158,884	896
SK Networks Service Co., Ltd.	6	-	4,754	-
SK Shipping Co., Ltd.	365	-	-	-
Others	5,088	-	10,876	433
	₩ 117,940	5,618	502,449	5,228

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

(3) Compensation for the key management

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

(In millions of won)	2012		2011	
	Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Salaries	₩ 297	8,287	1,676	8,832
Provision for retirement benefits	77	643	107	623
	₩ 374	8,930	1,783	9,455

31. Commitments and Contingencies

(1) Collateral assets and commitments

SK Broadband Co., Ltd., a subsidiary of the Parent Company, agreed to provide guarantees for Broadband Media

Co., Ltd.'s loans as of June 30, 2012. For the guarantee, SK Broadband Co., Ltd. has provided its properties as collaterals as follows: ₩ 65,000 million to Hana Bank, ₩ 78,000 million to IBK Capital and ₩ 52,000 million to Kookmin Bank, respectively. SK Broadband Co., Ltd., has also provided its short-term financial instruments as collaterals as follows: ₩ 60,000 million to Korea Exchange Bank, ₩ 35,000 million to Hana Bank, ₩ 39,000 million to NH Bank and ₩ 20,000 million to Woori Bank, respectively.

SK Broadband Co., Ltd. has provided guarantees for loans of Broadband CS Co., Ltd. For the guarantee, SK Broadband Co., Ltd. has pledged its properties as collateral in the amount of ₩ 16,900 million to Kookmin Bank as of June 30, 2012.

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

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

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

(2) Guarantee provided

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

(3) Contingencies

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

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

32. Discontinued Operation

(1) Discontinued operation

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

(2) Results of discontinued operation

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

(In millions of won)	2012	2011

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

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

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

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

33. Statements of Cash Flows

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

(In millions of won)		2012	2011
Interest income	₩	(57,253)	(90,543)
Dividend		(22,947)	(20,969)
Gain on foreign currency translation		(714)	(16,171)
Gain on valuation of financial assets at fair value through profit or loss		(183)	(1,150)
Gain on valuation of financial liabilities at fair value through profit or loss		(5,774)	(33,249)
Gain on disposal of long-term investments securities		(12,947)	(160,377)
Gain on valuation of derivatives		-	(2,088)
Gain on settlement of derivatives		(12,694)	-
Gain on disposal of property, equipment and intangible assets		(2,832)	(3,935)
Reversal of allowance for doubtful accounts		(5,530)	(1,939)
Other income		(1,216)	(2,921)
Interest expenses		199,439	151,958

Loss on foreign currency translation	527	2,501
Loss on disposal of long-term investments securities	9,134	156
Impairment loss on long-term investment securities	580	-
Loss on valuation of derivatives	443	397
Loss on settlement of derivatives	1,232	5,136
Equity in losses of investments in affiliates	45,597	20,709
Income tax expense	138,023	414,263
Provision for retirement benefits	39,406	33,871
Depreciation and amortization	1,249,866	1,239,750
Bad debt for accounts receivable - trade	23,626	36,036
Loss on disposal of property and equipment and intangible assets	4,956	10,108
Impairment loss on property, equipment and intangible assets	124,859	1,559
Bad debt for accounts receivable - other	23,040	3,146
Other expenses	5,601	5,907
	₩ 1,744,239	1,592,155

33. Statements of Cash Flows, Continued

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

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

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

(In millions of won)		2012	2011
Accounts payable - other related to acquisition of tangible assets and others	₩	8,010	216,301

34. Subsequent Events

(1) Interim Dividends

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

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

1) Transfer of business

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

2) Merger

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

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

SK TELECOM CO., LTD.

Condensed Separate Interim Financial Statements

(Unaudited)

June 30, 2012

(With Independent Auditors' Review Report Thereon)

Contents

Independent Auditors' Review Report

Based on a report originally issued in Korean

To The Board of Directors and Shareholders
SK Telecom Co., Ltd.:

Reviewed financial statements

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

Management's responsibility for the Condensed Interim Financial Statements

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

Auditors' review responsibility

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

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

Conclusion

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

Other matters

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

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

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

KPMG Samjong Accounting Corp.
Seoul, Korea
August 6, 2012

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

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Financial Position

As of June 30, 2012 and December 31, 2011

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

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Unaudited Condensed Separate Statements of Financial Position, Continued

As of June 30, 2012 and December 31, 2011

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

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Financial Position, Continued

As of June 30, 2012 and December 31, 2011

Total Liabilities and Equity	W	**22,271,861**	**20,520,527**

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Income

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

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

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Income, Continued

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

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

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Unaudited Condensed Separate Statements of Comprehensive Income

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

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

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.

Unaudited Condensed Separate Statements of Changes in Equity

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

(In millions of won)

			Share premium						
		Share capital	Paid-in surplus	Treasury stock	Loss on disposal of treasury stock	Other	Retained earnings	Reserves	Total equity
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		-	-	-	-	-	(597,198)	-	(597,198)
Total comprehensive income									
Net income		-	-	-	-	-	1,035,058	-	1,035,058
Other comprehensive loss		-	-	-	-	-	(5,620)	(174,507)	(180,127)
Balance, June 30, 2011	₩	44,639	2,915,887	(2,202,439)	(15,875)	(722,216)	11,256,596	562,099	11,838,691
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		-	-	-	-	-	(585,438)	-	(585,438)
Transfer of business		-	-	-	-	(144)	-	-	(144)
Total comprehensive income									
Net income		-	-	-	-	-	576,338	-	576,338
Other comprehensive loss		-	-	-	-	-	(5,887)	(45,513)	(51,400)
Balance, June 30, 2012	₩	44,639	2,915,887	(2,410,451)	(18,855)	(722,741)	11,822,198	274,981	11,905,658

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Unaudited Condensed Separate Statements of Cash Flows

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

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

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

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

See accompanying notes to the condensed separate interim financial statements.

SK TELECOM CO., LTD.
Unaudited Condensed Separate Statements of Cash Flows, Continued

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

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

See accompanying notes to the condensed separate interim financial statements.

1. Reporting Entity

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

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

2. Basis of Preparation

(1) Statement of compliance

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

These condensed interim financial statements are separate interim financial statements prepared in accordance with K-IFRS No.1027, '*Consolidated and Separate Financial Statements*' presented by a parent, an investor in an associate or a venturer in a jointly controlled entity, in which the investments are accounted for on the basis of the direct equity interest rather than on the basis of the reported results and net assets of the investees.

2. Basis of Preparation, Continued

(2) Use of estimates and judgments

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

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

(3) Common Control Transactions

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

3. Significant Accounting Policies

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

4. Restricted Deposits

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

(In millions of won)

		June 30, 2012	December 31, 2011
Short-term financial instruments (*)	₩	70,000	70,000
Long-term financial instruments (*)		7,569	7,569
	₩	77,569	77,569

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

5. Trade and Other Receivables

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

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

(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		802,581	(28,360)	774,221
Accrued income		5,278	-	5,278
		2,298,004	(148,035)	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
Total	₩	2,557,672	(171,639)	2,386,033

5. Trade and Other Receivables, Continued

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

(In millions of won)		For the six-month period ended	
		June 30, 2012	June 30, 2011
Balance at January, 1	₩	171,639	210,996
Increase of bad debt		27,925	23,470
Reversal of allowance for doubtful accounts		(4,475)	-
Write-off		(51,203)	(31,008)
Collection of receivables written-off		18,669	4,573
Balance at June, 30	₩	162,555	208,031

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

(In millions of won)		June 30, 2012		December 31, 2011	
		Accounts receivable - trade	Other receivables	Accounts receivable - trade	Other receivables
Accounts receivable	₩	1,025,466	714,393	944,178	1,072,199
Overdue but not impaired accounts receivable		37,464	-	24,880	-
Impaired accounts receivable		368,647	64,352	431,700	84,715
		1,431,577	778,745	1,400,758	1,156,914
Allowance for doubtful accounts		(95,391)	(67,164)	(118,524)	(53,115)
	₩	1,336,186	711,581	1,282,234	1,103,799

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

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

(In millions of won)		June 30, 2012	December 31, 2011
Less than 1 month	₩	15,225	4,229

1 ~ 3 months		5,331	6,979
3 ~ 6 months		5,650	3,336
More than 6 months		11,258	10,336
	₩	37,464	24,880

6. Investment Securities

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

(In millions of won)

		June 30, 2012	December 31, 2011
Beneficiary certificates (*)	₩	41,069	90,287
Current portion of long-term investment securities		8,876	286
	₩	49,945	90,573

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

(2) Details of long-term available-for-sale financial assets as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

		June 30, 2012	December 31, 2011
Equity securities:			
Marketable equity securities	₩	1,052,372	1,095,747
Unlisted equity securities		18,737	15,903
Equity investments		131,622	175,466
		1,202,731	1,287,116
Debt securities:			
Public bonds (*1)		401	401
Investment bonds (*2)		25,390	25,207
		25,791	25,608
Total		1,228,522	1,312,724
Less current portion of long-term investment securities		(8,876)	(286)
Long-term investment securities	₩	1,219,646	1,312,438

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

(In millions of won)

		June 30, 2012	December 31, 2011
Less than 1 year	₩	45	45
1 ~ 5 years		356	356
	₩	401	401

(*2) The Company classified convertible bonds of NanoEnTek, Inc. (carrying amount as of June 30, 2012: ₩ 16,799 million), which were acquired during the year ended December 31, 2011, as financial assets at fair value through profit or loss. The difference between acquisition cost and fair value is accounted for as finance income (loss).

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

7. Investments in Subsidiaries and Associates

(1) Investments in subsidiaries and associates as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

		June 30, 2012	December 31, 2011
Investments in subsidiaries	₩	3,376,985	3,382,939
Investments in associates		4,595,924	1,264,567
	₩	7,972,909	4,647,506

(2) Details of investments in subsidiaries as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)

	June 30, 2012				December 31, 2011
	Number of shares	Ownership (%)		Carrying amount	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		1,242,246	1,242,247
PS&Marketing Corporation	46,000,000	100.0		213,934	213,934
Service Ace Co., Ltd.	4,385,400	100.0		21,927	21,927
Service Top Co., Ltd.	2,856,200	100.0		14,281	14,281
Network O&S Co., Ltd.	3,000,000	100.0		15,000	15,000
SK Planet Co., Ltd.	60,000,000	100.0		1,234,884	1,234,884
SK Telecom China Holdings Co., Ltd.	-	100.0		29,116	29,116
SKY Property Mgmt. Ltd.	22,980	60.0		264,850	264,850
SKT Vietnam PTE. Ltd.	180,476,700	73.3		26,264	26,264
SKT Americas, Inc.	122	100.0		65,379	65,379
YTK Investment Ltd.	-	100.0		52,123	52,123
Atlas Investment(*2)	-	100.0		52,241	50,486
			₩	3,376,985	3,382,939

(*1) During the six-month period ended June 30, 2012, the Company sold 2,064,970 shares (ownership interest of 63.7%) of investment in Ntreev Soft Co., Ltd. to NCsoft Corporation and recognized gain on disposal of ₩ 80,482 million.

(*2) During the six-month period ended June 30, 2012, the Company additionally invested ₩ 1,754 million in Atlas Investment.

7. Investments in Subsidiaries and Associates, Continued

(3) Details of investments in associates as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won)	June 30, 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.	720,000	22.5		47,830	47,830
SK USA, Inc.	49	49.0		5,498	5,498
HappyNarae Co., Ltd. (*1)	680,000	42.5		12,250	12,250
F&U Credit information Co., Ltd.	300,000	50.0		4,482	4,482
Korea IT Fund(*2)	190	63.3		220,957	220,957
Wave City Development Co., Ltd.(*3)	382,000	19.1		1,532	1,532
HanaSK Card Co., Ltd.	57,647,058	49.0		400,000	400,000
Daehan Kanggun BcN Co., Ltd.	1,461,486	29.0		8,340	8,340
NanoEnTek, Inc.(*3)	1,807,130	9.3		11,000	11,000
Health Connect Co., Ltd.	141,000	49.5		1,410	1,410
UNISK (Beijing) Information Technology Co., Ltd.	49	49.0		4,247	4,247
TR Entertainment	-	42.2		7,560	7,560
SK Industrial Development China Co., Ltd.	-	35.0		83,691	83,691
Packet One Network	1,151,556	28.2		137,751	137,751
SK Technology Innovation Company	9,800	49.0		85,873	85,873
Lightsquared Inc.(*3,4)	3,387,916	3.3		-	72,096
SK Hynix Inc.(*5)	146,100,000	21.1		3,374,726	-
SK MENA Investment B.V.(*6)	-	32.1		14,485	-
SK Latin America Investment S.A.(*7)	-	32.1		14,242	-
SK Wyverns Baseball Club Co., Ltd. and	-	-		47,519	47,519

others

₩	4,595,924	1,264,567

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

(*2) Investment in Korea IT Fund was classified as investments in associates as the Company only has less than 50% of voting rights under the contract, and therefore does not have control over Korea IT Fund under the agreement.

(*3) Investments in these associates were classified as investments in associates as the Company has the ability to exercise significant influence on these associates through participation on their board of directors.

(*4) The Company recognized impairment loss of ₩ 72,096 million during the six-month period ended June 30, 2012.

(*5) The Company acquired 146,100,000 shares (ownership interest of 21.1%) of SK Hynix Inc. through purchase of existing shares and subscription of new shares at February 14, 2012.

7. Investments in Subsidiaries and Associates, Continued

(*6) The Company acquired 32.1% of ownership interest of SK MENA Investment B.V. during the six-month period ended June 30, 2012.

(*7) The Company acquired 32.1% of ownership interest of SK Latin America Investment S.A. during the six-month period ended June 30, 2012.

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

(In millions of won, except for share data)

		June 30, 2012			December 31, 2011		
		Market value per share	Number of shares	Market price	Market value per share	Number of shares	Market price
SK Broadband Co., Ltd.	₩	2,915	149,638,354	436,196	3,460	149,638,354	517,749

8. Property and Equipment

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

(In millions of won)

		June 30, 2012				December 31, 2011
		Acquisition cost	Accumulated depreciation	Accumulated impairment	Carrying amount	Carrying amount
Land	₩	414,055	-	-	414,055	409,696
Buildings		1,083,563	(423,968)	-	659,595	676,095
Structures		594,103	(302,228)	-	291,875	300,995
Machinery		16,227,782	(12,371,809)	(12,531)	3,843,442	3,581,275
Other		1,442,737	(833,049)	-	609,688	640,317
Construction in progress		431,228	-	-	431,228	651,791
Total	₩	20,193,468	(13,931.054)	(12,531)	6,249,883	6,260,169

8. Property and Equipment, Continued

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

(In millions of won)

		For the six-month period ended June 30, 2012						
		Beginning balance	Acquisition(*1)	Disposal	Transfer	Depreciation	Impairment loss(*2)	Ending balance
Land	₩	409,696	3	(44)	4,400	-	-	414,055
Buildings		676,095	340	(23)	3,308	(20,125)	-	659,595
Structures		300,995	2,808	(4)	5,615	(17,539)	-	291,875
Machinery		3,581,275	53,844	(442)	833,129	(611,833)	(12,531)	3,843,442
Other		640,317	732,880	(1,068)	(715,880)	(46,561)	-	609,688
Construction in progress		651,791	308,886	(810)	(528,639)	-	-	431,228
	₩	6,260,169	1,098,761	(2,391)	(398,067)	(696,058)	(12,531)	6,249,883

(*1) Acquisition for the six-month period ended June 30, 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.

(In millions of won)

For the six-month period ended June 30, 2011

		Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	₩	402,702	2,109	(92)	508	-	405,227
Buildings		686,645	14,749	(48)	3,989	(19,301)	686,034
Structures		242,004	6,774	(4)	1,099	(15,805)	234,068
Machinery		3,240,001	17,059	(1,211)	605,631	(623,584)	3,237,896
Other		521,499	609,904	(992)	(454,068)	(39,084)	637,259
Construction in progress		376,896	642,601	(4,922)	(221,801)	-	792,774
	₩	5,469,747	1,293,196	(7,269)	(64,642)	(697,774)	5,993,258

9. Investment Property

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

(In millions of won)

		June 30, 2012			December 31, 2011
		Acquisition cost	Accumulated depreciation	Carrying amount	Carrying amount
Land	₩	9,259	-	9,259	9,001
Buildings		44,739	(23,297)	21,442	21,698
	₩	53,998	(23,297)	30,701	30,699

9. Investment Property, Continued

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

(In millions of won)

		For the six-month period ended June 30, 2012			
		Beginning balance	Transfer	Depreciation	Ending balance
Land	₩	9,001	258	-	9,259
Buildings		21,698	488	(744)	21,442
	₩	30,699	746	(744)	30,701

(In millions of won)

		For the six-month period ended June 30, 2011			
		Beginning balance	Transfer	Depreciation	Ending balance
Land	₩	9,508	(507)	-	9,001
Buildings		25,291	(1,086)	(1,639)	22,566
	₩	34,799	(1,593)	(1,639)	31,567

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

(In millions of won)		June 30, 2012		December 31, 2011	
		Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Land	₩	9,259	57,490	9,001	51,731
Buildings		21,442	24,092	21,698	21,679
	₩	30,701	81,582	30,699	73,410

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

10. Goodwill

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

(In millions of won)		**June 30, 2012**	**December 31, 2011**
Goodwill related to acquisition of Shinsegi Telecom, Inc.	₩	1,306,236	1,306,236

11. Intangible Assets

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

(In millions of won)		**June 30, 2012**				**December 31, 2011**
		Acquisition cost	**Accumulated amortization**	**Accumulated impairment**	**Carrying amount**	**Carrying amount**
Frequency use rights	₩	2,837,385	(1,014,304)	(2,907)	1,820,174	1,889,102
Land use rights		30,413	(19,054)	-	11,359	12,739
Industrial rights		31,217	(20,748)	-	10,469	8,328
Development costs		124,545	(124,501)	-	44	1,186
Facility usage rights		38,551	(24,258)	-	14,293	15,058
Memberships(*1)		79,865	-	-	79,865	80,607
Other(*2)		1,423,991	(1,075,082)	-	348,909	357,775
Total	₩	4,565,967	(2,277,947)	(2,907)	2,285,113	2,364,795

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

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

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

(In millions of won)

	For the six-month period ended June 30, 2012						
	Beginning balance	Acquisition(*1)	Disposal	Transfer	Amortization	Impairment loss(*2)	Ending balance
Frequency use rights	₩ 1,889,102	16,659	-	-	(82,680)	(2,907)	1,820,174
Land use rights	12,739	1,140	(80)	-	(2,440)	-	11,359
Industrial rights	8,328	3,624	-	-	(1,483)	-	10,469
Development cost	1,186	-	-	-	(1,142)	-	44
Facility usage rights	15,058	385	(41)	13	(1,122)	-	14,293
Memberships	80,607	-	(742)	-	-	-	79,865
Other	357,775	8,298	(1,430)	53,140	(68,874)	-	348,909
	₩ 2,364,795	30,106	(2,293)	53,153	(157,741)	(2,907)	2,285,113

(*1) Acquisition for the six-month period ended June 30, 2012 includes assets transferred of ₩ 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.

11. Intangible Assets, Continued

(In millions of won)

	For the six-month period ended June 30, 2011					
	Beginning balance	Acquisition	Disposal	Transfer	Amortization	Ending balance
Frequency use rights	₩ 709,043	-	-	(470)	(66,421)	642,152
Land use rights	11,130	2,547	(98)	-	(1,979)	11,600
Industrial rights	14,748	843	-	322	(1,713)	14,200
Development costs	4,898	-	-	-	(1,813)	3,085
Facility usage rights	16,702	248	(71)	31	(1,113)	15,797
Memberships	90,108	2,981	(2,383)	-	-	90,706
Other	578,340	8,967	-	66,899	(143,299)	510,907
	₩ 1,424,969	15,586	(2,552)	66,782	(216,338)	1,288,447

(3) The carrying amount and residual useful lives of frequency usage rights as of June 30, 2012 are as follows:

(In millions of won)

		Amount	Description	Residual useful lives
W-CDMA license	₩	437,800	Frequency use rights relating to W-CDMA service	(*1)
W-CDMA license		73,399	Frequency use rights relating to W-CDMA service	(*2)
800MHz license		364,896	Frequency use rights relating to CDMA and LTE service	(*3)
1.8GHz license		928,203	Frequency use rights relating to LTE service	(*4)
WiBro license		-	WiBro service	(*5)
WiBro license		15,876	WiBro service	(*6)
	₩	1,820,174		

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

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

(*3) The Company purchased 800MHz license from KCC in June 2011. Amortization of the 800MHz license commenced once the Company started its related commercial CDMA and LTE services on July 1, 2011, under a straight-line basis over the remaining useful life of the 800MHz license. The 800MHz license will expire in June 2021.

11. Intangible Assets, Continued

(*4) The Company purchased 1.8GHz license from KCC in December 2011. Amortization of the 1.8GHz license will be commenced when the Company starts its related commercial LTE services in July 2012, under a straight-line basis over the remaining useful life of the 1.8GHz license. The 1.8GHz license will expire in December 2021.

(*5) The WiBro license was used for seven years from the purchase date when the Company started its commercial WiBro services on March 30, 2005. The amortization is completed during the six-month period ended June 30, 2012 as the useful life matures.

(*6) The Company additionally purchased WiBro license in March 2012. Amortization of this WiBro license commenced when the Company started its commercial WiBro services on March 30, 2012, under a straight line basis over the remaining useful life. This WiBro license will expire in March 2019.

12. Borrowings and Debentures

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

(In millions of won)

Type	Annual interest rate (%)	Maturity		June 30, 2012	December 31, 2011
Commercial paper	3.43	Jul. 26, 2012	₩	200,000	-

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

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

Lender	Annual interest rate (%)	Maturity		June 30, 2012	December 31, 2011
Bank of Communications (*1,2)	6M Libor + 0.29	Oct. 10, 2013	₩	34,614 (USD 30,000)	34,599 (USD 30,000)
Bank of China(*1)	6M Libor + 0.29	Oct. 10, 2013		23,076 (USD 20,000)	23,066 (USD 20,000)
DBS Bank(*1)	6M Libor + 0.29	Oct. 10, 2013		28,845 (USD 25,000)	28,833 (USD 25,000)
SMBC(*1)	6M Libor + 0.29	Oct. 10, 2013		28,845 (USD 25,000)	28,832 (USD 25,000)
Kookmin Bank and 13 others	4.48	Feb. 14, 2015		2,000,000	-
				2,115,380	115,330
Less present value discount on long-term borrowings				(11,637)	-
			₩	2,103,743	115,330

(*1) As of June 30, 2012, 6M Libor rate is 0.73%.

(*2) As of June 30, 2012, the Company's lender is Bank of Communications as Credit Agricole transferred the loans to Bank of Communications during the six-month period ended June 30, 2012.

12. Borrowings and Debentures, Continued

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

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

	Purpose	Maturity	Annual interest rate (%)		June 30, 2012	December 31, 2011
Unsecured private bonds	Refinancing	2016	5.00	₩	200,000	200,000
Unsecured private bonds	fund	2013	4.00		200,000	200,000
Unsecured private bonds		2014	5.00		200,000	200,000
Unsecured private bonds (*1)		2012	3M Euro Yen Libor + 0.55		181,724 (JPY 12,500,000)	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	3M Euro Yen Libor + 2.50		-	44,555 (JPY 3,000,000)
Unsecured private bonds		2016	5.92		230,000	230,000
Unsecured private bonds		2012	3M Euro Yen Tibor + 2.50		-	74,258 (JPY 5,000,000)
Unsecured private bonds	Operating fund	2016	3.95		110,000	110,000
Unsecured private bonds		2021	4.22		190,000	190,000
Foreign global bonds		2027	6.63		461,520 (USD 400,000)	461,320 (USD 400,000)
Exchangeable bonds (*4,5)	Refinancing fund	2014	1.75		392,112 (USD 332,528)	397,886 (USD 332,528)
Floating rate notes (*2)	Operating fund	2012	3M Libor + 3.15		-	253,726 (USD 220,000)
Floating rate notes (*2)		2014	3M Libor + 1.60		288,450 (USD 250,000)	288,325 (USD 250,000)
Floating rate notes (*3)		2014	SOR rate + 1.20		58,534 (SGD 65,000)	57,619 (SGD 65,000)

Swiss unsecured private bonds	2017	1.75	358,434 (CHF 300,000)	-
Sub-total			3,560,774	3,583,334
Less discounts on bonds			(35,014)	(37,329)
			3,525,760	3,546,005
Less current portion of bonds			(181,676)	(955,375)
			₩ 3,344,084	2,590,630

(*1) As of June 30, 2012, 3M EURO Yen Libor rate is 0.19%.

(*2) As of June 30, 2012, 3M Libor rate is 0.46%.

(*3) As of June 30, 2012, SOR rate is 0.38%.

(*4) As of June 30, 2012, exchangeable bonds are classified as financial liabilities at fair value through profit or loss. As of December 31, 2011, the exchangeable bonds were classified as current liabilities as the bond holders would be eligible to redeem their notes at 100% of the principal amount on April 7, 2012. However, as of June 30, 2012, the exchangeable bonds are reclassified as non-current liabilities as the bond holders have not exercised and have lost their early redemption right.

12. Borrowings and Debentures, Continued

(*5) On April 7, 2009, the Company issued exchangeable bonds with a maturity of five years in the principal amount of USD 332,528,000 for USD 326,397,463 with a coupon rate of 1.75%. As of June 30, 2012, fair value of the exchangeable bonds is USD 352,978,472. The exchange price could be adjusted and the exchange price is ₩ 199,280 with the exchange rate of ₩ 1,383.40 per USD 1.

The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the exchange price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The exchange right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be exchanged as of June 30, 2012 is 2,308,406 shares.

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

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

12. Borrowings and Debentures, Continued

(4) Details of issuance or repayments of borrowings and debentures for the six-month period ended June 30, 2012 are as follows:

(In millions of won, thousands of Japanese yen)

Lender	Annual interest rate (%)	Maturity		Coupon value	Carrying amount
January 1, 2012			₩	3,698,663	3,661,334
Issues:					
Short-term borrowings	4.29	2013		500,000	500,000
Commercial paper	3.43	2012		200,000	200,000
Long-term borrowings	4.48	2015		2,000,000	2,000,000

Swiss unsecured private bonds	1.75	2017	363,552 (CHF 300,000)	363,552 (CHF 300,000)
Commissions and others	-	-	-	(15,201)
Redemption				
Short-term borrowings(*1)	4.29	2013	(500,000)	(500,000)
Unsecured private bonds	3M Euro Yen Libor + 2.50	2012	(44,555) (JPY 3,000,000)	(44,555) (JPY 3,000,000)
Unsecured private bonds	3M Euro Yen Tibor + 2.50	2012	(74,258) (JPY 5,000,000)	(74,258) (JPY 5,000,000)
Floating rate notes	3M Libor + 3.15	2012	(253,726) (USD 220,000)	(253,726) (USD 220,000)
Other:				
Foreign translation gain (loss) and others(*2)			(13,522)	(7,643)
June 30, 2012			₩ 5,876,154	5,829,503

(*1) For the six-month period ended June 30, 2012, the Company early redeemed the short-term borrowings while the contractual maturity is February 14, 2013.

(*2) Foreign translation gain (loss) and others represent changes from foreign translation gain (loss) of foreign currency borrowings and debentures and amortization of bond discount.

13. Long-term Payables - other

(1) As of June 30, 2012 and December 31, 2011, long-term payables consist of payables related to acquisition of W-CDMA licenses for 2.1GHz, 800MHZ, 1.8GHz and 2.3GHz frequency and other details are as follows (Refer to note 11):

(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		300	1,233	1,770	52	3,355
Less current portion of long-term payables - other		(16,997)	(66,481)	(66,080)	-	(149,558)
Carrying amount at June 30, 2012	₩	17,198	133,867	543,654	8,061	702,780

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

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

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

(In millions of won)

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

14. Provisions

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

(In millions of won)

	For the six-month period ended June 30, 2012				As of June 30, 2012	
	Beginning balance	Increase	Utilization	Ending balance	Current	Non-current

Provision for handset subsidy	₩	762,238	262,346	(374,143)	650,441	568,298	82,143
Provision for restoration		28,623	8,822	(132)	37,313	4,707	32,606
	₩	790,861	271,168	(374,275)	687,754	573,005	114,749

(In millions of won)

		For the six-month period ended June 30, 2011				As of June 30, 2011	
		Beginning balance	**Increase**	**Utilization**	**Ending balance**	**Current**	**Non-current**
Provision for handset subsidy	₩	732,042	470,235	(427,513)	774,764	657,820	116,944
Provision for restoration		27,740	1,872	-	29,612	-	29,612
	₩	759,782	472,107	(427,513)	804,376	657,820	146,556

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

15. Defined Benefit Liabilities

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

(In millions of won)

		June 30, 2012	December 31, 2011
Present value of defined benefit obligations	₩	110,003	95,359
Fair value of plan assets		(69,830)	(68,619)
	₩	40,173	26,740

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

	June 30, 2012	December 31, 2011
Discount rate for defined benefit obligations	4.53%	4.53%
Inflation rate	3.00%	3.00%
Expected rate of return on plan assets	3.67%	4.74%
Expected rate of salary increase	5.92%	5.62%

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

15. Defined Benefit Liabilities, Continued

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

(In millions of won)		**For the six-month period ended**	
		June 30, 2012	**June 30, 2011**
Beginning balance	₩	95,359	105,966
Current service cost		14,365	15,085
Interest cost		2,169	2,910
Actuarial gain or loss		8,380	4,989
Benefit paid		(11,113)	(12,996)
Others(*)		843	220
Ending balance	₩	110,003	116,174

(*) Others include transfer to construction in progress and transfer from SK Planet Co., Ltd. in relation to the transfer of Imagine business.

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

(In millions of won)		**For the six-month period ended**	
		June 30, 2012	**June 30, 2011**
Beginning balance	₩	68,619	84,584
Expected return on plan assets		1,044	1,911
Actuarial gain or loss		614	(631)
Benefit paid		(1,636)	(6,588)
Contributions to the plan		1,000	-
Others(*)		189	-
Ending balance	₩	69,830	79,276

(*) Others include transfer from SK Planet Co., Ltd. in relation to the transfer of Imagine business.

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

(In millions of won)		**For the six-month period ended**	
		June 30, 2012	**June 30, 2011**
Current service cost	₩	14,365	15,085
Interest cost		2,169	2,910

Expected return on plan assets		(1,044)	(1,911)
	₩	15,490	16,084

Expenses recognized in profit or loss are recognized in labor cost, research and development, and construction-in-progress.

15. Defined Benefit Liabilities, Continued

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

(In millions of won)

		June 30, 2012	December 31, 2011
Equity instruments	₩	27	-
Debt instruments		15,788	-
Short-term financial instruments, etc.		54,015	68,619
	₩	69,830	68,619

Actual return on plan assets for the six-month periods ended June 30, 2012 and 2011 amounted to ₩ 1,659 million and ₩ 1,281 million, respectively.

16. Derivative Instruments

(1) Currency swap contracts under cash flow hedge accounting

The Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling USD 100,000,000 borrowed on October 10, 2006. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contracts to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩ 3,082 million (net of tax effect totaling ₩ 484 million and foreign currency translation loss arising from U.S. dollar denominated long-term borrowings totaling ₩ 20,580 million) is accounted for as accumulated other comprehensive loss.

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

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and five other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling USD 400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of June 30, 2012, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied since May 12, 2010, an accumulated loss on valuation of derivatives amounting to ₩ 21,609 million (net of tax effect totaling ₩ 6,899 million and foreign currency translation gain arising from unguaranteed U.S. dollar denominated bonds totaling ₩ 3,932 million) is accounted for as accumulated other comprehensive loss. In connection with the currency swap contract, gain on valuation of currency swap which was incurred before application of hedge accounting, amounting to ₩ 129,806 million was recognized in profit or loss.

16. Derivative Instruments, Continued

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

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

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Citi Bank and five other banks to hedge the foreign currency risk of its Swiss Franc denominated bonds with face amounts totaling CHF 300,000,000 issued on June 12, 2012. As of June 30, 2012, in connection with unsettled cross currency interest rate swap contract, an accumulated loss on valuation of derivatives amounting to ₩ 13,983 million (net of tax effect totaling ₩ 4,464 million and foreign currency translation gain arising from unguaranteed Swiss Franc denominated bonds totaling ₩ 5,082 million) is accounted for as accumulated other comprehensive loss.

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

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

	Hedged item	Amount	Duration of Contract	Fair value Designated as Cash Flow Hedge
Current assets:				
Floating-to-fixed cross currency swap	Japanese yen denominated bonds	JPY 12,500,000	Nov. 13, 2007 ~ Nov. 13, 2012	₩ 80,187
Non-current assets:				
Floating-to-fixed cross currency swap	U.S. dollar denominated long-term borrowings	USD 100,000	Oct. 10, 2006 ~ Oct. 10, 2013	17,014
Fixed-to-fixed cross currency swap	U.S. dollar denominated bonds	USD 400,000	Jul. 20, 2007 ~ Jul. 20, 2027	105,230
Floating-to-fixed cross currency swap	U.S. dollar denominated bonds	USD 250,000	Dec. 15, 2011 ~ Dec. 12, 2014	7,179
Floating-to-fixed cross currency swap	Singapore dollar denominated bonds	SGD 65,000	Dec. 15, 2011 ~ Dec. 12, 2014	760
Total assets				₩ 210,370
Non-current liabilities:				

Fixed-to-fixed cross currency swap	Swiss Franc denominated bonds	CHF 300,000	Jun. 12, 2012 ~ Jun. 12, 2017	23,529
Total liabilities				₩ 23,529

17. Share Capital and Share Premium (Deficit)

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 share premium as of June 30, 2012 and December 31, 2011 are as follows:

(In millions of won, except for share data)

		June 30, 2012	December 31, 2011
Authorized shares		220,000,000	220,000,000
Issued shares(*1)		80,745,711	80,745,711
Share capital			
Common stock	₩	44,639	44,639
Share premium:			
Paid-in surplus		2,915,887	2,915,887
Treasury stock		(2,410,451)	(2,410,451)
Loss on disposal of treasury stock		(18,855)	(18,855)
Others(*2)		(722,741)	(722,597)
	₩	(236,160)	(236,016)

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

(*2) Others represent the difference between net assets and considerations paid in relation to the transfer of Imagine business from SK Planet Co., Ltd., a subsidiary.

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

18. Treasury Stock

Through 2009, the Company acquired 8,400,712 shares of treasury stock in the open market for ₩ 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 June 30, 2012 and December 31, 2011, the Company has 11,050,712 shares of treasury stock at ₩ 2,410,451 million.

19. Retained Earnings

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

(In millions of won)

		June 30, 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		572,440	1,746,132
	₩	11,822,198	11,837,185

(2) Legal reserve

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

(3) Reserve for research & manpower development

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

20. Reserves

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

(In millions of won)

		June 30, 2012	December 31, 2011
Net change in fair value of available-for-sale financial	₩	304,340	352,616

assets			
Losses on valuation of derivatives		(29,359)	(32,122)
	₩	274,981	320,494

20. Reserves, Continued

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

(In millions of won)		Loss on valuation of available-for-sale financial assets	Loss on valuation of derivatives	Total
Balance at January 1, 2011	₩	803,075	(66,469)	736,606
Changes		(235,014)	8,728	(226,286)
Tax effect		54,280	(2,501)	51,779
Balance at June 30, 2011		622,341	(60,242)	562,099
Balance at January 1, 2012		352,616	(32,122)	320,494
Changes		(63,689)	3,645	(60,044)
Tax effect		15,413	(882)	14,531
Balance at June 30, 2012	₩	304,340	(29,359)	274,981

21. Other Operating Income and Expenses

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

(In millions of won)		2012		2011	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Other Operating Income:					
Reversal of allowance for doubtful accounts	₩	173	4,475	-	-
Gain on disposal of property and equipment and intangible assets		127	358	741	856
Others		1,172	5,647	4,174	5,642
	₩	1,472	10,480	4,915	6,498
Other Operating Expenses:					
Communication expenses	₩	15,435	31,606	13,730	27,411

Utilities		33,316	65,316	28,782	56,552
Taxes and dues (*)		30,003	57,413	6,061	13,482
Repair		44,891	84,128	52,333	94,247
Research and development		48,778	92,523	58,031	115,767
Training		6,436	11,195	5,010	9,213
Bad debt for accounts receivables - trade		8,264	8,554	9,032	20,560
Supplies and other		11,614	22,815	15,139	27,523
Loss on disposal of property and equipment and intangible assets		1,323	2,085	6,789	7,355
Loss on impairment of property and equipment and intangible assets		15,438	15,438	-	-
Donations		28,213	40,482	21,315	44,594
Bad debt for accounts receivable - other		3,411	19,371	-	2,910
Others		653	1,332	1,813	5,196
	₩	247,775	452,258	218,035	424,810

21. Other Operating Income and Expenses, Continued

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

22. Finance Income and Costs

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

(In millions of won)		2012		2011	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Finance Income:					
Interest income	₩	12,780	33,771	35,306	78,321
Dividends		613	25,780	-	26,472
Gain on foreign currency transactions		2,749	3,900	1,187	2,422
Gain on foreign currency translation		225	267	4,644	13,352
Gain on valuation of financial asset at fair value through profit or loss		823	183	-	1,150
Gain on disposal of long-term investment securities		-	470	-	158,495

Gain on valuation of derivatives		-	-	825	2,088
Gain on settlement of derivatives		8,402	12,694	-	-
Gain on valuation of financial liability at fair value through profit or loss		9,507	5,774	22,056	33,249
	₩	35,099	82,839	64,018	315,549
Finance Costs:					
Interest expense	₩	79,580	150,583	44,827	99,910
Loss on foreign currency transactions		2,477	3,850	660	2,867
Loss on foreign currency translation		7	117	145	318
Loss on disposal of long-term investment securities		1,629	9,134	2	2
Loss on settlement of derivatives		1,232	1,232	2,005	5,136
	₩	84,925	164,916	47,639	108,233

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

(In millions of won)		**2012**		**2011**	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Interest income on cash equivalents and deposits	₩	7,365	19,790	9,916	20,007
Interest income on installment receivables and others		5,415	13,981	25,390	58,314
	₩	12,780	33,771	35,306	78,321

22. Finance Income and Costs, Continued

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

(In millions of won)		**2012**		**2011**	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Interest expense on bank overdrafts and borrowings	₩	33,807	37,272	7,059	16,787
Interest expense on debentures		38,345	79,247	36,840	78,268
Others		7,428	34,064	928	4,855

	₩	79,580	150,583	44,827	99,910

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

(In millions of won)		**2012**		**2011**	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Bad debt for accounts receivable - trade	₩	8,264	8,554	9,032	20,560
Bad debt for accounts receivable - other		3,411	19,371	-	2,910
	₩	11,675	27,925	9,032	23,470

23. Income Tax Expense

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

24. Earnings per Share

(1) Basic earnings per share

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

(In millions of won, shares)		**2012**		**2011**	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Net income for the period	₩	231,366	576,338	474,387	1,035,058
Weighted average number of common shares outstanding		69,694,999	69,694,999	71,094,999	71,094,999
Basic earnings per share (In won)	₩	3,320	8,269	6,673	14,559

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

(In shares)	**Number of shares**	**Weighted number of days**		**Weighted number of shares**	
		Three-month	**Six-month**	**Three-month**	**Six-month**

		period ended June 30	period ended June 30	period ended June 30	period ended June 30
Outstanding common shares at January 1, 2012	80,745,711	91/91	182/182	80,745,711	80,745,711
Effect of treasury stock	(11,050,712)	91/91	182/182	(11,050,712)	(11,050,712)
Number of shares at June 30, 2012	69,694,999			69,694,999	69,694,999

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

24. Earnings per Share, Continued

(2) Diluted earnings per share

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

(In millions of won, shares)		2012		2011	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Diluted net income for the period	₩	225,423	574,457	458,809	1,011,988
Diluted weighted average number of common shares outstanding		72,003,405	72,003,405	73,272,388	73,272,388
Diluted net income per share (In Won)	₩	3,131	7,978	6,262	13,811

2) Adjusted net income for the three-month and six-month periods ended June 30, 2012 and 2011 are calculated as follows:

(In millions of won)		2012		2011	
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Net income	₩	231,366	576,338	474,387	1,035,058
Effect of exchangeable bonds		(5,943)	(1,881)	(15,578)	(23,070)
Adjusted net income	₩	225,423	574,457	458,809	1,011,988

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

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

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

25. Categories of Financial Instruments

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

(In millions of won)		June 30, 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	₩	-	-	369,378	-	369,378

Financial instruments	-	-	169,569	-	169,569
Short-term investment securities	-	49,945	-	-	49,945
Long-term investment securities (*1)	16,800	1,202,846	-	-	1,219,646
Accounts receivable - trade	-	-	1,336,186	-	1,336,186
Loans and receivables (*2)	-	-	711,581	-	711,581
Derivative financial assets	-	-	-	210,370	210,370
	₩ 16,800	1,252,791	2,586,714	210,370	4,066,675

(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	₩ -	-	895,558	-	895,558
Financial instruments	-	-	635,069	-	635,069
Short-term investment securities	-	90,573	-	-	90,573
Long-term investment securities (*1)	16,617	1,295,821	-	-	1,312,438
Accounts receivable - trade	-	-	1,282,234	-	1,282,234
Loans and receivables (*2)	-	-	1,103,799	-	1,103,799
Derivative financial assets	-	-	-	188,605	188,605
	₩ 16,617	1,386,394	3,916,660	188,605	5,508,276

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

25. Categories of Financial Instruments, Continued

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

(In millions of won)

		June 30, 2012	December 31, 2011
Short-term loans	₩	75,381	88,236
Accounts receivable - other		419,595	774,221
Accrued income		3,881	5,278
Long-term loans		65,687	75,282
Long-term accounts receivable - other		694	5,393
Guarantee deposits		146,343	155,389
	₩	711,581	1,103,799

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

(In millions of won)

		June 30, 2012			
		Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	Total
Derivative financial liabilities	₩	-	-	23,529	23,529
Borrowings		-	2,303,743	-	2,303,743
Debentures (*1)		392,112	3,133,648	-	3,525,760
Accounts payable – other and others (*2)		-	2,675,412	-	2,675,412
	₩	392,112	8,112,803	23,529	8,528,444

(In millions of won)

	December 31, 2011			
	Financial liabilities at fair value through profit or loss	Financial liabilities measured at amortized cost	Derivative financial instruments designated as hedged item	Total

Derivative financial liabilities	₩	-	-	4,645	4,645
Borrowings		-	115,330	-	115,330
Debentures(*1)		397,887	3,148,118	-	3,546,005
Accounts payable – other and others(*2)		-	2,901,123	-	2,901,123
	₩	397,887	6,164,571	4,645	6,567,103

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

25. Categories of Financial Instruments, Continued

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

(In millions of won)

		June 30, 2012	December 31, 2011
Accounts payable - other	₩	1,084,184	1,361,473
Withholdings		18	18
Accrued expenses		598,332	468,313
Current portion of long-term payables - other		149,558	89,144
Long-term payables - other		702,780	840,974
Other non-current liabilities		140,540	141,201
	₩	2,675,412	2,901,123

26. Financial Risk Management

(1) Financial risk management

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

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

1) Market risk

(i) Currency risk

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

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

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

	Assets		Liabilities	
	Foreign currencies	**Korean won equivalent**	**Foreign currencies**	**Korean won equivalent**
USD	17,865	₩ 20,613	1,086,801	₩ 1,253,951
EUR	222	319	1,302	1,868
JPY	207,493	3,017	12,496,692	181,676
SGD	-	-	64,533	58,114
CHF	-	-	297,966	356,004
Others	1	1	46	7
		₩ 23,950		₩ 1,851,620

26. Financial Risk Management, Continued

In addition, the Company has entered into cross currency swaps to hedge against currency risk related to foreign currency borrowings and debentures. (Refer to Note 16)

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

(In millions of won)

	If increased by 10%	If decreased by 10%
USD	₩ (37,831)	37,831
EUR	(154)	154
JPY	302	(302)
SGD	(1)	1
CHF	(4)	4
Others	(1)	1
	₩ (37,689)	37,689

(ii) Equity price risk

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. As of June 30, 2012, available-for-sale equity instruments measured at fair value amounts to ₩ 1,196,227 million.

(iii) Interest rate risk

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

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

The Company's interest rate risk arises from floating-rate borrowings and payables. As of June 30, 2012, floating-rate debentures and borrowings amount to ₩ 528,708 million and ₩ 115,380 million, respectively, and the Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and debentures (Refer to Note 16). If interest rate only increases (decreases) by 1%, income before income taxes for the six-month period ended June 30, 2012 would not have been changed due to the interest expense from floating-rate borrowings and debentures.

26. 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. To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information, the Company establishes credit limits for each customer or counterparty.

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

In addition, the aging of trade and other receivables that are overdue at the end of the reporting period but not impaired is stated in Note 5 and the analysis of financial assets that are individually determined to be impaired at the end of the reporting period is stated in Note 22.

3) Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Company maintains flexibly enough liquidity under credit lines through active operating activities. The Company's current liabilities are greater than current assets by ₩ 1,077 billion and ₩ 518.9 billion as of June 30, 2012 and December 31, 2011, respectively. This was primarily caused by the acquisition of ownership interests in SK Hynix in February 2012. The Company plans to fund current liabilities with the cash flows generated by operations and through additional borrowings, as necessary.

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

(In millions of won)

		Carrying amount	Contractual cash flows	Less than 1 year	1 - 5 years	More than 5 years
Derivative financial liabilities	₩	23,529	23,529	-	23,529	-
Borrowings		2,303,743	2,552,506	291,319	2,261,187	-
Debentures (*1)		3,525,760	4,431,027	331,046	2,897,176	1,202,805
Accounts payable - other and others (*2)		2,675,412	2,734,649	1,844,091	529,449	361,109
	₩	8,528,444	9,741,711	2,466,456	5,711,341	1,563,914

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

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

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

26. Financial Risk Management, Continued

(2) Capital management

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

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

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

(In millions of won)

		June 30, 2012	December 31, 2011
Liability	₩	10,366,203	8,554,225
Equity		11,905,658	11,966,302
Debt-equity ratio		87.07%	71.49%

(3) Fair value

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

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

Fair values of accounts receivable – trade, and accounts payable - trade are considered to be carrying amount less impairment and fair value of financial liabilities for the disclosure purpose is estimated by discounting contractual future cash flows using the current market interest rate used for the similar financial instruments by the Company.

Interest rates used by the Company for the fair value measurement as of June 30, 2012 are as follows:

	Interest rate
Derivative instruments	3.15%~5.59%
Borrowings and Debentures	3.92%

26. Financial Risk Management, Continued

1) Fair value and carrying amount

Carrying amount and fair value of financial assets and liabilities are as follows:

(In millions of won)

		June 30, 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	₩	16,800	16,800	16,617	16,617
Derivative financial assets		210,370	210,370	188,605	188,605
Available-for-sale financial assets		1,196,226	1,196,226	1,273,132	1,273,132
	₩	1,423,396	1,423,396	1,478,354	1,478,354
Assets carried at amortized cost					
Cash and cash equivalents	₩	369,378	369,378	895,558	895,558
Available-for-sale financial assets		56,565	56,565	113,262	113,262
Accounts receivable – trade and others		2,047,767	2,047,767	2,386,033	2,386,033
Financial instruments		169,569	169,569	635,069	635,069
	₩	2,643,279	2,643,279	4,029,922	4,029,922
Liabilities carried at fair value					
Financial liabilities at fair value through profit or loss	₩	392,112	392,112	397,887	397,887
Derivative financial liabilities		23,529	23,529	4,645	4,645
	₩	415,641	415,641	402,532	402,532
Liabilities carried at amortized cost					
Borrowings	₩	2,303,743	2,354,847	115,330	115,330
Debentures		3,133,648	3,368,061	3,148,118	2,985,078
Accounts payable - other and others		2,675,412	2,675,412	2,901,123	2,901,123
	₩	8,112,803	8,398,320	6,164,571	6,001,531

2) Fair value hierarchy

The different levels have been defined as follows:

- ✓ 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)

26. Financial Risk Management, Continued

The table below analyzes financial instruments carried at fair value, by fair value hierarchy as of June 30, 2012.

(In millions of won)

		Level 1	Level 2	Level 3	Total
Financial assets at fair value through	₩				
profit or loss		-	16,800	-	16,800
Derivative financial assets		-	210,370	-	210,370
Available-for-sale financial assets		1,052,372	26,069	117,785	1,196,226
Financial liabilities at fair value through					
profit or loss		392,112	-	-	392,112
Derivative financial liabilities		-	23,529	-	23,529

There have been no transfers from Level 2 to Level 1 in 2012 and changes of financial assets classified as Level 3 for the six-month period ended June 30, 2012 are as follows:

(In millions of won)

		Balance at January 1	Other comprehensive income	Disposal	Balance at June 30
Available-for-sale financial assets	₩	162,097	(30,227)	(14,085)	117,785

27. Transactions with Related Parties

(1) As of June 30, 2012, the parent company and subsidiaries of the Company are as follows:

Type	Company	Ownership 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	45.6	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.	100.0 (*3)	Base station maintenance service
Broadband Media Co., Ltd.	100.0 (*3)	Multimedia TV portal service
Broadband CS Co., Ltd.	100.0 (*3)	Customer Q&A and Service
K-net Culture and Contents Venture Fund	59.0 (*3)	Investment association
Fitech Focus Limited Partnership II (*4)	66.7 (*3)	Investment association
Open Innovation Fund	98.9 (*3)	Investment association
PS&Marketing Corporation	100.0	Retail
Service Ace Co., Ltd.	100.0	Customer center management service
Service Top Co., Ltd.	100.0	Customer center management service
Network O&S Co., Ltd.	100.0	Base station maintenance service
BNCP Co., Ltd.	100.0 (*3)	Software development and distribution service
Service-In Co., Ltd.	100.0 (*3)	Data base and internet website service
SK Planet Co., Ltd.	100.0	Telecommunication service and new media business
SK Telecom China Holdings Co., Ltd.	100.0	Equity investment (Holding company)
SKY Property Mgmt. Ltd.	60.0	Equity investment
Shenzhen E-eye High Tech Co., Ltd.	65.5 (*3)	GPS manufacturing and selling
SK China Real Estate Co., Ltd.	99.4	Equity investment
SKT Vietnam PTE. Ltd.	73.3	Telecommunication service
SKT Americas, Inc.	100.0	Telecommunication service
YTK Investment Ltd.	100.0	Investment
Atlas Investment	100.0	Investment
Technology Innovation Partners, LP.	100.0 (*3)	Investment
SK Telecom China Fund Ⅰ L.P.	100.0 (*3)	Investment

(*1) SK Holdings Co., Ltd. is the Ultimate Controlling Entity because of its de facto control over the Company.

(*2) The ownership percentage represents parent company’s ownership over the Company.

(*3) The ownership percentage represents subsidiaries’ ownership over their subsidiaries, in which the Company has no direct investment.

(*4) Name of the company has been changed from Benex Focus Limited Partnership Ⅱ to Fitech Focus Limited Partnership Ⅱ during the six-month period ended June 30, 2012.

(2) Transactions

(In millions of won)

		Purchases of property and equipment		Commissions paid and other expenses		Commissions earned and other income	
		2012					
		Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity:							
SK Holdings Co., Ltd.(*1)	₩	-	-	6,471	162,871	184	283
Subsidiaries:							
SK Telink Co., Ltd.(*2)		-	-	14,380	24,325	12,754	28,122
SK Communications Co., Ltd.		-	-	-	-	1,434	3,130
Loen Entertainment, Inc.		-	-	273	276	1,529	2,849
Commerce Planet Co., Ltd.		-	-	292	292	5	8
SK Broadband Co., Ltd.		15,637	15,992	92,115	179,214	30,512	57,639
PS&Marketing Corporation		128	128	129,495	193,899	1,249	1,983
Service Ace Co., Ltd.		-	-	33,069	67,432	2,131	4,209
Service Top Co., Ltd.		-	-	30,013	63,215	1,930	3,591
Network O&S Co., Ltd.		27,188	27,188	46,913	72,931	1,014	1,602
SK Planet Co., Ltd.		-	-	129,636	260,270	12,102	25,646
SK Telecom China Holdings Co., Ltd.		-	-	11,775	11,775	-	-
SKT Americas, Inc.		-	-	6,200	6,200	-	-
Others		-	-	-	149	39	69
Associates:							
SK Marketing & Company Co., Ltd.		72	97	30,021	54,098	1,262	3,261
F&U Credit information Co., Ltd.		-	-	11,355	24,029	463	804
SK Wyverns Baseball Club Co., Ltd.		-	-	43	9,443	-	-
HanaSK Card Co., Ltd.		3	3	70,046	146,299	42,711	90,387
HappyNarae Co., Ltd. (*3)		1,908	1,911	3,143	3,572	-	-
Others		-	-	-	1,995	63	63
Others:							
SK C&C Co., Ltd.		39,312	91,384	59,995	123,627	882	2,137
SK Innovation Co., Ltd.		-	-	186	371	1,511	2,336
M&Service Co., Ltd.		-	-	332	487	177	400

SK Engineering and Construction Co., Ltd.	132,927	175,809	12,642	12,723	899	2,467
SK Telesys Co., Ltd.	88,585	100,929	-	6,367	37	68
SK Networks Co., Ltd.	1,994	1,994	138,080	221,561	4,341	8,494
SK Networks Service Co., Ltd.	-	-	11,525	18,243	-	-
Others	545	548	-	3,741	2,361	4,346
	₩ 308,299	415,983	838,000	1,669,405	119,590	243,894

(*1) Dividends paid amounted to ₩ 150,169 million were included in commissions paid and other expenses.

(*2) Dividends received amounted to ₩ 2,834 million were included in commissions earned and other income.

27 Transactions with Related Parties, Continued

(2) Transactions, Continued

(*3) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

(In millions of won)

	Purchases of property and equipment		Commissions paid and other expenses		Commissions earned and other income	
	2011					
	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30	Three-month period ended June 30	Six-month period ended June 30
Ultimate Controlling Entity:						
SK Holdings Co., Ltd.(*1)	₩ -	-	6,631	151,556	289	364
Subsidiaries:						
SK Telink Co., Ltd.(*2)	-	-	26,983	52,096	16,017	37,619
SK Communications Co., Ltd.	-	-	8,830	11,084	1,744	3,863
Loen Entertainment, Inc.	-	-	10,905	20,743	1,545	2,496
Ntreev Soft Co., Ltd.(*3)	-	-	-	-	4,368	7,364
Commerce Planet Co., Ltd.	46	46	36,660	78,660	12,623	15,006
SK Broadband Co., Ltd.	12,296	12,296	69,722	121,187	23,764	43,725
PS&Marketing Corporation	-	-	49,951	113,418	669	1,291
Service Ace Co., Ltd.	-	-	28,940	57,111	2,007	4,784
Service Top Co., Ltd.	-	-	27,230	54,677	2,096	3,708
Network O&S Co., Ltd.	7,066	7,066	32,596	51,475	427	994

SK Telecom China Holdings Co., Ltd.	-	-	7,066	11,586	-	-
SKT Americas, Inc.	-	-	5,802	9,110	-	-
Others	-	-	355	605	88	132
Associates:						
SK Marketing & Company Co., Ltd.	2,183	2,183	25,415	52,798	1,561	3,743
F&U Credit information Co., Ltd.	-	-	10,994	20,737	327	710
SK Wyverns Baseball Club Co., Ltd.	-	-	1,200	10,994	-	12
HanaSK Card Co., Ltd.	9	10	79,731	124,045	16,201	33,995
HappyNarae Co., Ltd.(*4)	1,893	2,059	1,615	2,203	-	3
Others	29	29	5,109	9,272	-	1
Others:						
SK C&C Co., Ltd.	56,608	82,184	71,043	133,727	655	1,979
SK Innovation Co., Ltd.	-	-	14	25	336	487
M&Service Co., Ltd.	-	-	3,601	5,970	1,265	1,269
SK Engineering and Construction Co., Ltd.	51,841	59,864	3,090	3,173	447	1,398
SK Telesys Co., Ltd.	70,399	79,417	2,920	5,177	19,187	56,395
SK Networks Co., Ltd.	2,747	2,914	81,323	167,569	3,433	7,566
SK Networks Service Co., Ltd.	-	-	12,358	15,525	-	79
Others	989	1,260	2,473	26,098	1,467	2,956
₩	206,106	249,328	612,557	1,310,621	110,516	231,939

(*1) Dividends paid amounted to ₩ 138,669 million were included in commissions paid and other expenses.

(*2) Dividends received amounted to ₩ 3,340 million were included in commissions earned and other income.

27 Transactions with Related Parties, Continued

(*3) The Company sold its investment during the six-month period ended June 30, 2012.

(*4) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

(3) Account balances

(In millions of won)

	June 30, 2012			
	Accounts receivable	Guarantee deposits	Accounts payable	Guarantee deposits received

Ultimate Controlling Entity:					
SK Holdings Co., Ltd.	₩	113	-	-	-
Subsidiaries:					
SK Telink Co., Ltd.		1,675	-	27,442	-
SK Communications Co., Ltd.		2,495	-	2,907	5,524
Loen Entertainment, Inc.		330	-	315	-
Commerce Planet Co., Ltd.		-	-	49	-
SK Broadband Co., Ltd.		5,241	1,151	26,916	39,444
PS&Marketing Corporation		767	-	35,813	7,059
Service Ace Co., Ltd.		762	-	11,894	3,997
Service Top Co., Ltd.		569	-	11,770	3,367
Network O&S Co., Ltd.		-	-	12,141	164
SK Planet Co., Ltd.		17,470	-	20,613	66,816
SK Vietnam PTE. Ltd.		3,790	-	-	-
SKT Americas, Inc.		-	-	1,855	-
Others		-	-	7	150
Associates:					
SK Marketing & Company Co., Ltd.		112	-	26,094	-
F&U Credit information Co., Ltd.		280	-	3,941	-
SK Wyverns Baseball Club Co., Ltd.		-	-	3	-
Wave City Development Co., Ltd.		38,412	-	-	-
HanaSK Card Co., Ltd.		7,192	-	17,036	-
HappyNarae Co., Ltd.(*)		-	-	1,608	-
SK USA, Inc.		-	-	3,660	
Others		70	10	44	-
Others:					
SK C&C Co., Ltd.		425	-	44,104	197
SK Innovation Co., Ltd.		999	91	1	-
M&Service Co., Ltd.		192	-	903	-
SK Engineering and Construction Co., Ltd.		988	-	5,371	83
SK Telesys Co., Ltd.		176	-	20,806	-
SK Networks Co., Ltd.		-	1,013	33,798	696
SK Networks Service Co., Ltd.		-	-	10,888	-
Others		1,150	-	1,298	47
	₩	83,208	2,265	321,277	127,544

(*) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

27. Transactions with Related Parties, Continued

(3) Account balances, Continued

(In millions of won)

		December 31, 2011			
		Accounts receivable	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate Controlling Entity:					
SK Holdings Co., Ltd.	₩	146	-	-	-
Subsidiaries:					
SK Telink Co., Ltd.		2,664	-	7,749	3,281
SK Communications Co., Ltd.		1,221	-	2,508	5,524
Loen Entertainment, Inc.		472	-	764	-
Ntreev Soft Co., Ltd.(*1)		1,629	-	-	-
Commerce Planet Co., Ltd.		1	-	363	-
SK Broadband Co., Ltd.		7,244	982	78,286	40,401
PS&Marketing Corporation		371	-	40,311	6,249
Service Ace Co., Ltd.		735	-	13,213	3,997
Service Top Co., Ltd.		438	-	14,733	2,462
Network O&S Co., Ltd.		575	-	50,210	170
SK Planet Co., Ltd.		85,902	-	177,809	66,805
SK Telecom China Holdings Co., Ltd.		3,788	-	-	-
SKT Americas, Inc.		-	-	4,062	-
Others		-	-	591	150
Associates:					
SK Marketing & Company Co., Ltd.		262	-	22,977	-
F&U Credit information Co., Ltd.		-	-	3,736	-
SK Wyverns Baseball Club Co., Ltd.		3,812	-	-	-
Wave City Development Co., Ltd.		38,412	-	-	-
HanaSK Card Co., Ltd.		8,627	-	1,600	-
HappyNarae Co., Ltd.(*2)		-	-	1,057	-
Daehan Kanggun BcN Co., Ltd.		20,562	-	-	-
Others		-	-	1,060	-
Others:					

SK C&C Co., Ltd.	2,452	-	89,784	197
SK Innovation Co., Ltd.	940	91	2	-
M&Service Co., Ltd.	332	-	2,346	-
SK Engineering and Construction Co., Ltd.	486	-	27,808	83
SK Telesys Co., Ltd.	106	-	35,371	-
SK Networks Co., Ltd.	696	4,613	29,296	696
SK Networks Service Co., Ltd.	-	-	3,530	-
Others	2,141	-	1,322	-
	₩ 184,014	5,686	610,488	130,015

(*1) The Company sold its investment during the six-month period ended June 30, 2012.

(*2) Name of the company has been changed from MRO Korea Co., Ltd. to HappyNarae Co., Ltd. during the six-month period ended June 30, 2012.

27. Transactions with Related Parties, Continued

(4) Compensation for the key management

The Company considers registered directors who have substantial roles and responsibility in planning, operating, and controlling of the business as key management. Considerations given to key management for the three-month and six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)		**2012**		**2011**	
		Three-month period ended June 30	**Six-month period ended June 30**	**Three-month period ended June 30**	**Six-month period ended June 30**
Salaries	₩	296	8,287	1,676	8,832
Provision for retirement benefits		78	643	107	623
	₩	374	8,930	1,783	9,455

28. Commitments and Contingencies

As of June 30, 2012, the Company has participated in "Tactical Airship" program of the Defense Acquisition Program Administration with Joint Defense Corporation. For an advance receipt amounting to ₩ 4,200 million, which Joint Defense Corporation received from the Defense Acquisition Program Administration, the Company provides payment guarantees to the Defense Acquisition Program Administration.

29. Statements of Cash Flows

(1) Adjustments for income and expenses from operating activities for the six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

		2012	2011
Interest income	₩	(33,771)	(78,321)
Dividends		(25,780)	(26,472)
Gain on foreign currency translation		(267)	(13,352)
Gain on valuation of financial assets at fair value through profit or loss		(183)	(1,150)
Gain on valuation of financial liabilities at fair value through profit or loss		(5,774)	(33,249)
Gain on disposal of long-term investments securities		(470)	(158,495)
Gain on valuation of derivatives		-	(2,088)
Gain on settlement of derivatives		(12,694)	-
Gain on disposal of investments in associates		(80,482)	(1,990)
Gain on disposal of property and equipment and intangible assets		(358)	(856)
Reversal of allowance for doubtful accounts		(4,475)	-
Other income		(667)	(2,491)
Interest expenses		150,583	99,910
Loss on foreign currency translation		117	318
Loss on disposal of long-term investments securities		9,134	2
Loss on settlement of derivatives		1,232	5,136
Impairment loss on investment in associates		72,096	-
Income tax expense		153,231	403,267
Provision for retirement benefits		15,490	16,084
Depreciation and amortization		854,543	915,751
Bad debt for accounts receivable - trade		8,554	20,560
Loss on disposal of property and equipment and intangible assets		2,085	7,355
Impairment loss on property and equipment and intangible assets		15,438	-
Bad debt for accounts receivable - other		19,371	2,910
Other expenses		-	1,338
	₩	1,136,953	1,154,167

29. Statements of Cash Flows, Continued

(2) Changes in assets and liabilities from operating activities for the six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

		2012	2011
Accounts receivable - trade	₩	(57,941)	89,221
Accounts receivable - other		335,259	804,399
Advance payments		23,878	43,451
Prepaid expenses		10,695	44,937
Inventories		(5,038)	(5,255)
Long-term accounts receivables - other		4,699	461,495
Guarantee deposits		14,135	(1,711)
Accounts payable - other		(278,841)	(373,898)
Advanced receipts		(1,444)	8,782
Withholdings		102,216	120,613
Deposits received		(2,162)	35
Accrued expenses		119,296	(10,541)
Unearned revenue		(31,209)	(27,286)
Provisions		(88,299)	(6,323)
Long-term provisions		(15,391)	44,203
Plan assets		636	6,588
Retirement benefit payment		(11,113)	(12,996)
Others		(9)	236
	₩	119,367	1,185,950

(3) Significant non-cash transactions for the six-month periods ended June 30, 2012 and 2011 are as follows:

(In millions of won)

		2012	2011
Accounts payable - other related to acquisition of tangible assets and others	₩	8,010	197,189

30. Subsequent Events

On July 25, 2012, the Board of Directors of the Company resolved to pay interim cash dividends of ₩ 1,000 per share totaling ₩ 69,695 million (Market dividend rate: 0.82%). The ex-dividend date was June 30, 2012 and the interim dividends are expected to be paid within twenty days after the date of the Board of Directors' resolution.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SK TELECOM CO., LTD.
(*Registrant*)

By: /s/ Soo Cheol Hwang
(*Signature*)
Name: Soo Cheol Hwang
Title: Senior Vice President

Date: October 9, 2012