

SK TELECOM CO LTD  
Form 6-K  
July 08, 2011

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

Washington, D.C. 20549

**Form 6-K**

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

**FOR THE MONTH OF July 2011**

**COMMISSION FILE NUMBER 333-04906**

**SK Telecom Co., Ltd.**

(Translation of registrant's name into English)

11, Euljiro2-ga, Jung-gu

Seoul 100-999, Korea

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(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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

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

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

Yes  No

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

QUARTERLY BUSINESS REPORT

(From January 1, 2011 to March 31, 2011)

THIS IS A SUMMARY OF THE QUARTERLY 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 companies to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company's quarterly business report for the quarter ended March 31, 2011 includes the following consolidated subsidiaries:

Name	Date of Establishment	Principal Business	Total Asset as of Dec. 31, 2010 (millions of Won)	Material Subsidiary
		Telecommunication and		
SK Telink Co., Ltd.	Apr. 9, 1998	satellite broadcasting services Internet portal and other	387,100	Material
SK Communications Co., Ltd.	Sep. 19, 1996	Internet information services	329,100	Material
PAXNet Co., Ltd.	May 18, 1999	Database and online information services	35,500	
Loen Entertainment, Inc.	Jul. 7, 1982	Music and audio publication	132,400	Material
Stonebridge Cinema Fund	Sep. 30, 2005	Investment partnership Development and supply of	16,400	
Ntreev Soft Co., Ltd.	Dec. 1, 2003	online and mobile games and software Development and supply of online and	34,600	
SK i-media Co., Ltd.	Aug. 7, 2006	mobile games and software Information technology and computer	5,200	
Commerce Planet Co., Ltd.	Jul. 1, 1997	services	41,800	
SK Broadband Co., Ltd.	Sep. 26, 1997	Multimedia and IP TV services	3,127,947	Material
Broadband D&M Co., Ltd.	Feb. 5, 1998	Management of telecommunication facilities	10,844	Material
Broadband Media Co., Ltd.	Aug. 25, 2005	Telemarketing services	126,278	Material
Broadband CS Co., Ltd.	Oct. 1, 1998	Call center operation	7,562	
K-net Culture and Contents Venture Fund	Nov. 24, 2008	Investment partnership	48,200	
2nd Benex Focus Investment Fund	Dec. 12, 2008	Investment partnership	31,600	
Open Innovation Fund	Dec. 22, 2008	Investment partnership	44,700	
PS&Marketing Corporation	Apr. 3, 2009	Resale of telecommunication services Call center operation and telemarketing	246,600	Material
Service Ace Co., Ltd.	Jul. 1, 2010	services	37,100	
Service Top Co., Ltd.	Jul 1, 2010	Call center operation and telemarketing services	30,000	
Network O&S Co., Ltd.	Jul. 1, 2010	Wireless telecommunication services	33,600	
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment	37,600	

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<b>Name</b>	<b>Date of Establishment</b>	<b>Principal Business</b>	<b>Total Asset as of Dec. 31, 2010 (millions of Won)</b>	<b>Material Subsidiary</b>
Sky Property Mgmt., Ltd.	Jun. 20, 2007	Real estate rental	567,500	Material
Shenzhen E-eye High Tech Co., Ltd.	Apr. 1, 2000	Telematics services	20,200	
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Wireless telecommunication services	49,100	Material
SKT Americas, Inc.	Dec. 29, 1995	Management consulting and investment	51,900	
Technology Venture Fund, LP	Aug. 12, 2008	Investment	19,600	
YTK Investment Ltd.	Jul. 1, 2010	Investment	39,600	
SK Telecom Global Investment B.V	Jul. 3, 2008	Investment	39,500	

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. Corporate Purpose of the Company

**Business Objectives**

1. Information and communication business
2. Handset sales and lease business
3. New media business
4. Advertisement business
5. Communication sales business
6. Real estate business(development, maintenance, leasing, etc.) and chattel leasing business
7. Research and technology development related to Clause 1 through 4
8. Overseas business and trading business related to Clause 1 through 4
9. Manufacturing and distribution business related to Clause 1 through 4
10. Tourism
11. Electronic financial business
12. Motion picture business (Production, Importation, Distribution, Screening)

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- 13. Lifetime education and lifetime educational facilities management
- 14. Electric related construction business
- 15. Information and communication related work business
- 16. Ubiquitous city construction and service business
- 17. Any business or undertaking incidental or conducive to the attainment of the objects above

E. Credit Ratings

(1) Corporate Bonds

<b>Credit rating date</b>	<b>Subject of rating</b>	<b>Credit rating</b>	<b>Credit rating entity (Credit rating range)</b>	<b>Rating classification</b>
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

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

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

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



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

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

(3) International Credit Ratings

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

## 2. Company History

**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.**

### A. Location of Headquarters

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

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

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

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

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

## B. Significant Changes in Management

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

## C. 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.

## D. Mergers, Acquisitions and Restructuring

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) Acquisition

#### 1. Acquisition 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 our 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., a subsidiary of ours, for a purchase price of Won 1,157 million, in accordance with the June 25, 2009 resolution of our board of directors.

#### 3. Acquisition of the Spicus division

Pursuant to the July 23, 2009 resolution of our board of directors, SK Communications sold the Spicus division, the Company's 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

SK Communications sold all of its shares in Etoos to Cheong Sol pursuant to a resolution of our board of directors of October 19, 2009 and, as consideration, received Won 50,000 million principal amount of convertible bonds.



## E. Other Important Matters related to Management Activities

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.

## 3. Total Number of Shares

## A. Total number of shares

(As of March 31, 2011)

(Unit: shares)

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

## B. Treasury Stock

## (1) Acquisitions and Dispositions of Treasury Stocks

(As of March 31, 2011)

(Unit: Shares)

Acquisition methods		Type of shares	At the	Changes			At the	
			beginning of period	Acquired (+)	Disposed (-)	Retired (-)	end of period	
Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea ( FSCMA )	Direct acquisition	Common shares	5,686,02				5,686,02	
		Preferred shares						
		from market						
		Tender offer						
		Appraisal rights of dissenting shareholder						
		Sub-total	Common shares	5,686,02				5,686,02
			Preferred shares					
	Acquisition through trust and other agreements	Held by trustee	Common shares	3,886,710				3,886,710
			Preferred shares					
		Held in actual stock	Common shares					
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	9,650,712				9,650,712	
		Preferred shares						

\* Among 9,650,712 shares directly acquired by the Company, 2,177,389 shares were deposited with the Korea Securities Depository as of March 31, 2011 for issuance upon conversion of the overseas convertible bonds.

## 4. Status of Voting Rights

(As of March 31, 2011)

(Unit: shares)

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

## 5. Dividends and Others

A. Dividends

- (1) Distribution of interim dividends of Won 1,000 was approved during the 305th Board of Directors Meeting on July 23, 2009.
- (2) 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.

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

(4) Distribution of cash dividends was approved during the 27th General Meeting of Shareholders held on March 11, 2011.

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

B. Dividends for the Last 3 Fiscal Years

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

Classification		As of and for the 1 <sup>st</sup> quarter ended March 31, 2011	As of and for the year ended December 31, 2010	As of and for the year ended December 31, 2009
Par value per share (Won)		500	500	500
Net income		560,672	1,974,008	
Net income per share (Won)		7,886		
Total cash dividend			669,534	680,043
Total stock dividends				
Percentage of cash dividend to available income (%)				
Cash dividend yield ratio (%)	Common share		5.4	5.6
	Preferred share			
Stock dividend yield ratio (%)	Common share			
	Preferred share			
Cash dividend per share (Won)	Common share		9,400	9,400
	Preferred share			
Stock dividend per share (share)	Common share			
	Preferred share			

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

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

## II. BUSINESS

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 March 31, 2011, the number of domestic mobile phone subscribers reached 51.36 million and, with more than 100% penetration rate, the Korean mobile communication market can be considered to have reached its maturation stage. However, the penetration rate is expected to increase further due to increased use of mobile phones by corporate users resulting from the rapid growth of smart phone markets, as well as the increasing popularity of high-tech mobile devices based on wireless data services such as tablet PC.

The Korean mobile communications market continues to improve in the quality of services with the help of advances in network-related technology and the development of highly advanced handsets including various smart phones 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 expected to be introduced from 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 March 31,		As of December 31,		
		2011	2010	2009	2008	2007
	<b>SK Telecom</b>	25,989	25,705	24,270	23,032	21,968
<b>Number of subscribers</b>	<b>Others (KT, LGU+)</b>	25,376	25,062	23,675	22,575	21,529
	<b>Total</b>	51,365	50,767	47,944	45,607	43,497

(Source: Korea Communications Commission website)

##### C. Domestic and Overseas Market Conditions

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



Historical market share of the Company:

(As of March 31, 2011)

(Unit: %)

Classification	As of	As of December 31,		
	March 31, 2011	2010	2009	2008
<b>Mobile communication services</b>	50.6	50.6	50.6	50.5

Comparative market share:

(As of March 31, 2011)

(Unit: %)

Classification	SK Telecom	KT	LG U+
<b>Market share</b>	50.6	31.7	17.7

(Source: Korea Communications Commission website)

#### D. Business Overview and Competitive Strengths

We provide wireless telecommunications services, characterized by our competitive strengths in handheld device, affordable pricing, network coverage and an extensive contents library. With the scheduled commencement of services employing LTE technology, we expect to be able to provide our wireless subscribers with access to high-quality video contents and services, interactive multimedia games and other new services. We are also actively fostering the growth of 11<sup>th</sup> Street, T Store and commerce markets that we believe have a strong growth potential in open platform environments. We are also exploring new business opportunities with strong growth potential, such as message services, SNS services, N Screen-based Personal Media and other services. In the business-to-business services, we are planning to strengthen strategic alliances to develop and commercialize industry-specific custom solutions in healthcare, education and other industries.

As of March 31, 2011, we had approximately 26.0 million wireless subscribers throughout Korea and our share of the Korean wireless market was approximately 50.6%. On April 16, 2011, we became the first in Korea to launch pilot LTE services in the 800 MHz band and we are making preparations to commence commercial LTE services by July 2011. We expect that the faster data transmission speed of the LTE network will allow us to offer significantly improved wireless data transmission services, allowing us to more efficiently handle the fast growing data traffic and provide our subscribers with access to high-quality video contents and services, interactive multimedia games and other new services that thus far have been accessible only in fixed-line environments. In addition, we continue to expand our WCDMA network capacity as well to meet continually growing consumer demand, including by phased expansion of our 6FA coverage areas, data transmission-only FA and 6 sector solution areas.

As for our platform business, which has been identified as one of our key growth areas, we are pursuing the growth of T Store and commerce markets that we believe have a strong growth potential in open platform environments. 11<sup>th</sup> Street, an online shopping mall launched by us in 2008, has shown strong growth and we believe it may be possible for 11<sup>th</sup> Street to reach a break-even point this year. In addition, with the increased use of smartphones, we plan to launch a mobile version of 11<sup>th</sup> Street to further exploit the m-Commerce opportunities, as well as exploring new business opportunities with strong growth potential, such as message services, SNS services, N Screen-based Personal Media and other services.

**[Fixed Line Business]**

## A. Industry Characteristics

The Korean telecommunications industry is currently characterized by the introduction of smartphones, tablet computers and other devices with enhanced mobility and the advent of 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 subscriber base for IP TV 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 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 media-based TV services will accelerate in 2012 when analog open air TV broadcast will come to an end. We expect 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 March 31, 2011	As of December 31, 2010	
<b>Fixed Line</b>	<b>High Speed Internet</b>	17,399	17,224	16,348
	<b>Fixed Line</b>	18,953	19,273	20,089
<b>Subscribers</b>	<b>IPTV</b>	2,915	2,740	1,742

(Source: Korea Communications Commission website)

## C. Domestic and Overseas Market Conditions

The broadband and fixed-line telecommunications market comprises all residents in Korea who have a need for broadband Internet, telephone, IP TV or other fixed-line services, regardless of their sex, age and income levels, and extends to all geographical areas in Korea. Most foreign countries deem fixed-line telecommunications services as part of their national infrastructure, and therefore at this moment reliance on domestic service providers is near 100%. The broadband Internet market and telephone services market are near saturation, but there is a steady increase in number of subscribers. In addition, there has been a strong growth in the market for IP TV, smart office services and other integrated convergence products that are becoming the new media platform in the market, resulting in faster growth in the business-to-business market.

Historical market share of the Company:

(As of March 31, 2011)

Classification	As of	As of December 31,	
	March 31, 2011	2010	2009
<b>High Speed Internet (include Resale)</b>	23.3	23.2	23.5
<b>Fixed Line (include VOIP)</b>	13.9	13.7	11.5
<b>IPTV</b>	25.1	26.8	23.1

Source: Korea Communications Commission website)

#### D. Business Overview and Competitive Strengths

Our broadband and fixed-line services are largely carried out by SK Broadband, which is a material consolidated subsidiary of SK Telecom. 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.).

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 IP TV. 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. We 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 2010, we were again ranked first in the four major independent customer satisfaction surveys, including the Korea Nation Customer Satisfaction Index, after having been ranked first in 2009. The revenue from our international calling services in 2010 was Won 323.4 billion, which represents a 7% growth from 2009.

**[Other Business]**

A. Industry Characteristics

Although the number of Internet subscribers and penetration rate of Internet services in general have remained stagnant, Internet advertising has seen continued growth despite such constraints in growth potential of the Internet services market. We believe the growth of the Internet display advertising market owes in large part to its cost effectiveness compared to traditional off-line advertising, the increase in Internet advertising budgets among corporate advertisers, development of new Internet advertising products and increases in Internet advertising fees. In addition, search-based Internet advertising has continued its growth as a result of increase in pay-per-click pricing due to heightened demand by a growing number of advertisers and the increase in the overall number of clicks.

B. Growth Potential

In the past 10 years, the number of Internet subscribers in Korea increased by approximately 18 million from approximately 19.0 million in 2000 to approximately 37.0 million in 2010, representing a 7.1% compounded annual growth rate. The number of Internet subscribers saw an annual growth rate of at least 5.0% in the first half of the decade; however, starting in 2006, the annual growth rate dropped to around 1% as the market became more mature and stable. To be more specific, the number of Internet subscribers increased by 28.0% in 2001 as compared to 2000, and the annual growth rate in 2002 was 7.8%, in 2003, 11.2%. In 2004, which recorded an growth rate of 8.1%, the total Internet subscribership surpassed 30 million for the first time. In contrast, the annual growth rate in 2007, 2008, 2009 and 2010 were 1.9%, 1.7%, 1.1% and 1.2%, respectively. (Source: Korea Internet & Security Agency).

C. Domestic and Overseas Market Conditions

(1) Market Characteristics

As more Internet subscribers are going beyond being passive consumers of information to active creators of contents, portal service providers are becoming more focused on providing services customized to such subscribers' individual characteristics and usage patterns. In addition, the mobile Internet services market is growing with the increased usage of smartphones, which we believe would lead to increased production and dissemination of mobile contents. We plan to continue developing various services that would heighten the masses of Internet subscribers and their activities on the Internet.

(2) Competition

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. We plan to continue to playing a leading role in this market by building on our Cyworld network, which is the largest social networking site in Korea, and its contents library, the brand power of NATE portal service, which is our integrated wired and wireless Internet platform, the instant text and multimedia message services provided through NATE-ON and other key areas in which we believe we have the competitive advantage.

## (3) Market Share

Historical market share of the Company:

(As of March 31, 2011)

(Unit: %)

Classification	As of	As of December 31,	
	March 31, 2011	2010	2009
<b>High Speed Internet (include Resale)</b>	23.3	23.2	23.5
<b>Fixed Line (include VOIP)</b>	13.9	13.7	11.5
<b>IPTV</b>	25.1	26.8	23.1

Source: Korea Communications Commission website)

## D. Business Overview and Competitive Strengths

SK Communications, a material consolidated subsidiary of SK Telecom, 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 is 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 Communications receives revenue from its services agreement with SK Telecom in connection with operation of WAP wireless NATE services. SK I-Media, Co., Ltd., a subsidiary of SK Communications, is engaged in software development and distribution, Internet contents services, and providing Internet systems solutions.

SK Communications was able to record a positive net income in 2010 as a result of increased synergy from convergence of a variety of new and existing services and its continued business restructuring measures. SK Communications' revenue in 2010 was Won 242.3 billion, which was the largest in its history and represented a 21% increase from 2009.

2011 will be a year in which SK Communications will aim to take big strides in its growth as it builds on the results of 2010 and strive to become the leading Internet service provider in Korea. Key strategic goals for SK Communications in 2011 are to strengthen its social networking site, Cyworld, and to become the service provider with the largest market share in the smart device contents market. We will aim to further strengthen our competitiveness by taking such initiatives as integrating the wide range of services provided through NATE and NATE-ON to our social networking services, and adding a social networking search service in our NATE search engine. Furthermore, we will pursue expansion into foreign markets by further exploiting the advantages of our social networking services that are unique to Cyworld, as well as improving its user interface to make it accessible to users all around the world, with an aim to establishing regional hubs for our social networking services.

## 2. Major Products & Services

### A. Updates on Major Products and Services

Business fields	Sales type	Item	Major trademarks	Sales amount (ratio)
<b>Mobile</b>	SK Telecom Co., Ltd., Commerce Planet Co., Ltd., PS&Marketing Corporation, Service Ace Co., Ltd., Service Top Co. Ltd., Network O&S Co., Ltd.	Mobile Phone, Wireless Data, Information Telecommunication	NATE, T Store and others	3,250,811(83%)
<b>Fixed Line</b>	SK Broadband Co., Ltd., Broadband D&M Co., Ltd., Broadband Media Co., Ltd., Broadband CS Co., Ltd., SK Telink Co., Ltd.	Phone, High Speed Internet, Data and Network lease service	B tv , 00700 international call and others	543,163(14%)
<b>Other</b>	SK Communications Co., Ltd., PAXNet Co., Ltd., Loen Entertainment, Inc., SKT Americas, Inc., SK Telecom China Holdings Co., Ltd.	Internet Portal Service, Game	NATE, Cyworld and others	114,887(3%)
			Others	3,908,861(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 December 31, 2010, based on the Company's Basic Plan for monthly subscription, the basic service fee was Won 13,000 per month and the usage fee was Won 2 per 1 second and based on the Company's Standard Plan, basic service fee was Won 12,000 per month and the usage fee was Won 1.8 per 1 second.

#### [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 quarter ended March 31, 2011, broadband Internet services comprises 49.5% of SK Broadband's revenue, telephony service 25.5%, corporate data services 16.4% and other telecommunications services 8.6%.

**3. Investment Status**

## A. Investment in Progress

(Unit: in 100 millions of Won)

Business field	Classification	Investment period	Subject of investment	Investment effect	Total investments	Amount already invested	Future investment
Network/Common	Upgrade/ New installation	2011	Network, systems and others	Capacity increase and quality improvement; systems improvement	To be determined	3,002	To be determined
<b>Total</b>					To be determined	3,002	To be determined

## B. Future Investment Plan

(Unit: in 100 millions of Won)

Business field	Asset type	Expected investment amount		Expected investment for each year			Investment effect
		Amount	2011	2012	2013		
Network/Common	Network, systems and others	23,000	23,000	To be determined	To be determined	Upgrades to the existing services and provision of new services	
<b>Total</b>		23,000	23,000	To be determined	To be determined	Upgrades to the existing services and provision of new services	

**4. Revenues**

(Unit: in millions of Won)

Business field	Sales type	Item	2011 1Q	2010
Mobile	Services	Mobile		599
		Export	3,250,811	12,919,663
		Domestic		
		Subtotal	3,250,811	12,920,262
		Fixed line,		
Fixed Line	Services	B2B data,	7,695	30,883
		High speed	535,468	2,196,424
		Subtotal	543,163	2,227,307
Other	Services	internat. TV	2,798	12,000
		Display and	112,089	439,726
		Subtotal		
		Search ad.,		
		Content	114,887	451,726
		Export	10,493	43,482
<b>Total</b>		Domestic	3,898,368	15,555,813
		Total	3,908,861	15,599,295





(Unit: in millions of Won)

	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation
<b>Total revenue</b>	3,449,197	666,566	138,319	4,254,083	-345,221	3,908,861
<b>Internal revenue</b>	198,386	123,403	23,432	345,221	-345,221	0
<b>External revenue</b>	3,250,811	543,163	114,887	3,908,861	0	3,908,861
<b>Operating income (loss)</b>	647,875	-31,218	-2,319	614,338	0	614,338
<b>Net profit (loss)</b>	595,693	-50,850	-7,575	537,268	0	537,268
<b>Total asset</b>	19,863,662	3,529,803	1,495,884	24,889,349	-1,952,130	22,937,219
<b>Total liabilities</b>	8,147,485	2,246,844	327,592	10,721,921	-71,720	10,650,202

**5. Derivative Transactions**SK Telecom Co., Ltd.

## A. Currency Swap

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

(2) Contract Terms

## Currency swap contract applying cash flow risk hedge accounting

The Company has entered into a currency 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 March 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated loss on valuation of derivatives amounting to Won 3,186,132,000 (excluding tax effect totaling Won 456,795,000 and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling Won 15,920 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 March 31, 2011, in connection with this unsettled currency and interest rate swap contracts, an accumulated gain on valuation of derivatives amounting to Won 1,822,556,000 (excluding tax effect totaling Won 1,012,592,000 and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling Won 62,442,968,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency and interest rate swap contract with Mizuho Corporate Bank in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (59-2) with face amounts totaling JPY 3,000,000,000 issued on January 22, 2009. As of March 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 2,413,651,000 (excluding tax effect totaling Won 680,774,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 6,171,748,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency and interest rate swap contract with The Bank of Tokyo-Mitsubishi in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (60-2) with face amounts totaling JPY 5,000,000,000 issued on March 5, 2009. As of March 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 1,101,418,000 (excluding tax effect totaling Won 310,657,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 12,013,476,000) 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 March 31, 2011, in connection with this unsettled foreign currency swap contract, an accumulated loss on valuation of currency swap of Won 27,259,253,000 that has accrued since May 12, 2010 (excluding tax effect totaling Won 7,688,507,000 and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling Won 14,397,710,000) was accounted for as accumulated other comprehensive loss. Meanwhile, a loss on valuation of currency swap of Won 129,806,021,000 incurred prior to the date of applying cash flow risk hedge accounting was charged to current operations.

#### B. Interest Rate Swap

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

(2) Contract Terms

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

The Company has entered into an interest rate swap contract with three banks including Nonghyup Bank in order to hedge the interest rate risk of long-term borrowings (totaling Won 500 billion) during the period between July 28, 2008 and August 12, 2011. As of March 31, 2011, in connection with unsettled interest rate swap contract to which the cash flow risk hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to Won 2,641,683,000 (excluding tax effect totaling Won 843,387,000) was accounted for as accumulated other comprehensive loss.

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

The Company has entered into an interest rate swap contract with two banks including DBS in order to hedge the interest rate risk of floating rate foreign currency bonds with face amounts totaling US\$220,000,000 issued on April 29, 2009. In connection with this unsettled interest rate swap contract, gain on valuation of interest rate swap of Won 1,262,898,000 and loss on valuation of interest rate swap of Won 1,642,154,000 for the three month periods ended March 31, 2011 and March 31, 2010, respectively, were charged to current operations.

SK Broadband Co., Ltd.

SK Broadband has entered into a currency swap contract with six financial institutions including the Korea Development Bank to hedge the foreign currency risk of U.S. dollar denominated bonds (with face amounts totaling US\$500,000,000) issued on February 1, 2005, and has applied cash flow risk hedge accounting to this foreign currency swap contract.

(Won in thousands)

Title	Counterparties	Contract Date / Expiration Date	Purpose	Nominal Amount	Settlement Method	Early Redemption	Short-term Derivatives	Currency Swap Liability	Accumulated Other Comprehensive Gain	Loss on Valuation of Currency Swap	Agreed Exchange Rates
Currency swap	Korea Development Bank and others	Feb. 1, 2005 / Feb. 1, 2012	Risk hedging	US\$500 million	Receive US\$ required to repay bonds and pay KRW in accordance with agreed exchange rates	Permitted	45,996,964	8,618,202	15,697,385	1,026.5	1,035.0

**6. Major Contracts**

[SK Telecom]\*

Category	Vendor	Start Date	Completion Date	Contract Title	Contract Amount (Won in 100 million)
Product/ Equipment	SK Broadband	January 1, 2011	December 30, 2011	Purchase of Materials for Yeosu Expo Transmission Line	11
Construction	SK Broadband	January 28, 2011	March 31, 2012	2010 Network, B2B building Facility Construction (SORO)	25
Subtotal					36

\* Non-arm's length contracts with contract price of Won 1 billion or higher (excluding value-added tax).

[SK Broadband]

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



[SK Communications]

In April 2011, SK Communications entered into a memorandum of understanding for general cooperation with Daum Communications Co., Ltd. in order to strengthen competitiveness by cooperating in business and services.

## 7. R&D Investments

Category	For the quarter	For the year	Remarks
	ended March 31, 2011	ended December 31, 2010	
Raw material	6	41	
Labor	16,943	49,441	
Depreciation	34,559	143,131	
Commissioned service	10,078	98,545	
Others	6,769	64,755	
<b>Total R&amp;D costs</b>	<b>68,355</b>	<b>355,913</b>	
Accounting			
Sales and administrative expenses	67,709	352,186	
Development expenses (Intangible assets)	646	3,727	
<b>R&amp;D cost / sales amount ratio</b>			

(Total R&D costs / Current sales amount×100)

1.75%

2.28%

## 8. Other information relating to investment decisions

### A. Trademark Policies

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

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

### B. Business-related Intellectual Properties

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

### III. FINANCIAL INFORMATION

#### 1. Summary Financial Information (Consolidated)

##### A. Summary Financial Information (Consolidated)

(Unit: in million Won)

Classification/Fiscal Year	As of and for the	
	quarter ended March 31, 2011	year ended December 31, 2010
<b>Current Assets</b>	6,702,844	6,653,992
Cash and Cash Equivalent	1,385,026	659,405
Accounts Receivable	1,885,366	1,949,397
Notes Receivable	2,147,625	2,531,847
Others	1,284,827	1,513,343
<b>Non-Current Assets</b>	16,234,375	16,478,397
Long Term Investment	1,935,864	1,680,582
Affiliate Investment	1,216,864	1,204,692
Fixed Assets	8,030,516	8,153,413
Intangible Assets	1,795,507	1,884,956
Good Will	1,736,557	1,736,649
Others	1,519,069	1,818,106
<b>Total Assets</b>	22,937,219	23,132,389
<b>Current Liabilities</b>	6,819,594	6,202,170
<b>Non-Current Liabilities</b>	3,830,608	4,522,219
<b>Total Liabilities</b>	10,650,202	10,724,390
<b>Controlling Shareholders' Equity</b>	11,217,152	11,329,991
Capital	44,639	44,639
Other Paid-In Capital	-72,502	-78,953
Retained Earnings	10,662,776	10,721,249
Other Capital	582,238	643,055
Minority Interests	1,069,865	1,078,008
<b>Total Stockholders' Equity</b>	12,287,017	12,407,999
Number of Subsidiaries	27	27

Classification/Fiscal Year	As of and for the	
	quarter ended March 31, 2011	quarter ended March 31, 2010
<b>Revenue</b>	3,908,861	3,764,446
<b>Operating Profit (or Loss)</b>	614,338	476,203
<b>Profit (or Loss) From Continuing Operation Before Income Tax</b>	537,268	343,291
<b>Consolidated Total Net Profit</b>	537,268	343,291
<b>Net Profit (or Loss) Attributable to Majority Interests</b>	542,534	375,587
<b>Net Profit (or Loss) Attributable to Minority Interests</b>	-5,266	-32,296
<b>Earnings Per Share (Won)</b>	7,631	5,192
<b>Diluted Earnings Per Share (Won)</b>	7,418	5,066

**2. Summary Financial Information (Non-Consolidated)**

Classification/Fiscal Year	As of and for the	As of and for the
	quarter ended March 31, 2011	year ended December 31, 2010
<b>Current Assets</b>	<b>5,201,961</b>	<b>5,316,977</b>
Cash and Cash Equivalent	1,060,332	357,470
Accounts Receivable	1,337,137	1,453,061
Notes Receivable	2,102,887	2,499,969
Others	701,605	1,006,477
<b>Non Current Assets</b>	<b>14,331,972</b>	<b>14,410,150</b>
Long Term Investment	1,759,645	1,517,029
Affiliate Investment	3,593,759	3,584,395
Fixed Assets	5,436,270	5,469,747
Intangible Assets	1,359,725	1,424,969
Good Will	1,308,422	1,308,422
Others	874,150	1,105,588
<b>Total Assets</b>	<b>19,533,932</b>	<b>19,727,126</b>
<b>Current Liabilities</b>	<b>4,630,272</b>	<b>4,561,014</b>
<b>Non Current Liabilities</b>	<b>3,409,944</b>	<b>3,585,155</b>
<b>Total Liabilities</b>	<b>8,040,216</b>	<b>8,146,169</b>
<b>Capital</b>	<b>44,639</b>	<b>44,639</b>
Other Paid-In Capital	-24,643	-24,643
Retained Earnings	10,783,751	10,824,356
Other Capital	689,970	736,606
<b>Total Shareholders' Equity</b>	<b>11,493,717</b>	<b>11,580,958</b>

Classification/Fiscal Year	As of and for the	As of and for the
	quarter ended March 31, 2011	quarter ended March 31, 2010
<b>Revenue</b>	<b>3132148</b>	<b>3049930</b>
<b>Operating Profit (or Loss)</b>	<b>597980</b>	<b>515311</b>
<b>Profit (or Loss) From Continuing Operation Before Income Tax</b>	<b>597980</b>	<b>515311</b>
<b>Net Profit (or Loss)</b>	<b>560,672</b>	<b>413,114</b>
<b>Earnings Per Share (Won)</b>	<b>7,886</b>	<b>5,710</b>
<b>Diluted Earnings Per Share (Won)</b>	<b>7,665</b>	<b>5,570</b>

**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. For more information, please refer to the independent auditor's review report attached hereto.

**IV. AUDITOR S OPINION**

**1. Auditor (Consolidated)**

**Quarter ended**

**March 31, 2011**  
Deloitte Anjin LLC

**Year ended December 31,**

<b>2010</b>	<b>2009</b>
Deloitte Anjin LLC	Deloitte Anjin LLC

**2. Audit Opinion (Consolidated)**

**Term**  
**Quarter ended March 31, 2011**  
**Year ended December 31, 2010**  
**Year ended December 31, 2009**

<b>Auditor s opinion</b>	<b>Issues noted</b>
Unqualified	
Unqualified	

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

**Quarter ended**

**March 31, 2011**  
Deloitte Anjin LLC

**Year ended December 31,**

<b>2010</b>	<b>2009</b>
Deloitte Anjin LLC	Deloitte Anjin LLC

**4. Audit Opinion (Non-Consolidated)**

**Term**  
**Quarter ended March 31, 2011**  
**Year ended December 31, 2010**  
**Year ended December 31, 2009**

<b>Auditor s opinion</b>	<b>Issues noted</b>
Unqualified	
Unqualified	



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

#### A. Audit Contracts

(Unit: in thousands of Won)

Term	Auditors	Contents	Fee	Total hours
<b>Quarter ended March 31, 2011</b>	Deloitte Anjin LLC	Semi-annual review	1,364,000	14,033
		Quarterly review		
		Non-consolidated financial statements audit		
		Consolidated financial statements audit		
<b>Year ended December 31, 2010</b>	Deloitte Anjin LLC	English financial statements review and other audit task	1,563,770	16,810
		Semi-annual review		
		Quarterly review		
		Non-consolidated financial statements audit		
<b>Year ended December 31, 2009</b>	Deloitte Anjin LLC	Consolidated financial statements audit	1,308,356	13,982
		IFRS-based financial statements review		
		English financial statements review and other audit task		
		Semi-annual review		

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

(Unit: in thousands of Won)

Term	Contract date	Service provided	Service duration	Fee
<b>Year ended December 31, 2010</b>	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
	<b>Year ended December 31, 2009</b>	May 13, 2009	Tax consulting	30 days
May 22, 2009		Tax consulting	10 days	10,000
May 22, 2009		Tax adjustment for fiscal year 2008	20 days	34,000
May 22, 2009		Review of deferred corporate income tax for 1Q and 2Q	10 days	14,000
September 14, 2009		Review of quarterly tax adjustments	5 days	7,000
September 14, 2009		Tax consulting	20 days	20,000
December 28, 2009		Review of quarterly tax adjustments	5 days	7,000
December 28, 2009		Tax consulting	10 days	12,000

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**V. 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.

<b>The number of persons</b>	<b>Inside directors</b>	<b>Independent directors</b>
8	Jae Won Choi, Sung Min Ha, Jin Woo So	Dal Sup Shim, Rak Yong Uhm, Hyun Chin Lim, Jay Young Chung, Jae Ho Cho

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

<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
<b>322<sup>th</sup></b> <b>(the first meeting of 2011)</b>	January 21, 2011	- Financial Statements as of and for the year ended December 31, 2010. - Annual Business Report as of and for the year ended December 31, 2010 - Report for Internal Accounting Management System - Report for Subsequent Events following 4Q 2010	Approved as proposed Approved as amended
<b>323<sup>th</sup></b> <b>(the second meeting of 2011)</b>	February 10, 2011	- Convocation of the 27 <sup>th</sup> Annual General Meeting of Shareholders - Cooperation and share swap with KB Financial Group - Result of Internal Accounting Management System Evaluation	Approved as proposed Approved as proposed
<b>324<sup>th</sup></b> <b>(the third meeting of 2011)</b>	March 11, 2011	- Election of the Company's CEO - Amendment of committee regulation - Election of committee member - Fund Management Transaction with Affiliated Financial Company (SK Securities)	Approved as proposed Approved as proposed Approved as proposed Approved as proposed
<b>325<sup>th</sup></b> <b>(the fourth meeting of 2011)</b>	March 30, 2011	- Establishment of new entity with respect to a proposed business and acquisition of assets relating thereto	Approved as proposed
<b>326<sup>th</sup></b> <b>(the fifth meeting of 2011)</b>	April 28, 2011	- Additional investment in network equipment in 2011 - Report for Subsequent Events following 1Q 2011	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

a) Compensation Review Committee  
(As of May 30, 2011)

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

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

b) Capex Review Committee  
(As of May 30, 2011)

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

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

c) Corporate Citizenship Committee  
(As of May 30, 2011)

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

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



a) Independent Director Nomination Committee

(As of May 30, 2011)

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

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

b) Audit Committee

(As of May 30, 2011)

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

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

\* Agendas filled in with hyphens are for reporting purpose only

**D. Directors Independence**

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

The Independent Director Nomination Committee. (As of May 30, 2011)

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

**2. Audit System**

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

Major activities of the Audit Committee are as follows.

<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>	<b>Remarks</b>
The first meeting of 2011	January 20, 2011	2 <sup>nd</sup> half 2010 Management Audit Results and Management Audit Plan for 2011		
		Evaluation of Internal Accounting Controls based on the Opinion of the Members of the Audit Committee	Approved as proposed	
		Rental contract for satellite line facilities	Approved as proposed	
		Reports on Internal Accounting Management System		
		Comparison of before and after operating customer contact channel and BTS maintenance subsidiary company		
		Reports on 2010 Korean GAAP Audit		

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		Report on Review of 2010 Internal Accounting Management System	
		Evaluation of Internal Accounting Management System Operation	Approved as proposed
		Auditor's Report for Fiscal Year 2010	Approved as proposed
		Purchase of Mobile Phone Relay Devices for 2011	Approved as proposed
		Construction of Network Facilities for 2011	Re-proposed
		Construction of Mobile Phone Facilities for 2011	Approved as proposed
The third meeting of 2011	February 10, 2011	Construction of Mobile Phone Facilities for 2011	Approved as proposed
The fourth meeting of 2011	March 11, 2011	2011 2Q Transactions with SK C&C Co., Ltd.	Approved as proposed
		Asset Management Transaction with Affiliated Company (SK Securities)	
		Election of chairman	Approved as proposed
		Mobile phone facilities construction for Fiscal Year 2011	Approved as proposed
The fifth meeting of 2011	April 28, 2011	Network facilities construction for Fiscal Year 2011	Approved as proposed
		Audit plan for the Fiscal Year 2011	
		Remuneration of outside auditor for the Fiscal Year 2011	Approved as proposed
		Outside auditor service plan for the Fiscal Year 2011	Approved as proposed

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

**3. Shareholders Exercises of Voting Rights**

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

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

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

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



4. Affiliated Companies

A. Capital Investments between Affiliated Companies  
(As of March 31, 2011)

Investing company	Invested companies									
	SK Corporation	SK Energy	SK Telecom	SK Networks	SKC	SK E&C	SK Shipping	SK E&S	SK Gas	SK Securities
SK Corporation		33.4%	23.2%	39.1%	42.5%	40.0%	83.1%	67.5%		
SK Innovation										
SK Telecom										
SK Networks										22.7%
SK Chemicals						25.4%			45.5%	
SKC										7.7%
SK C&C	31.8%							32.5%		
SK E&C										
SK E&S										
SK Gas										
SK Marketing & Company										
SK D&D										
SK Communications										
SK Broadband										
SK Lubricant										
SK Securities										
SK Petrochemical										
Entec										
<b>Total affiliated companies</b>	<b>31.8%</b>	<b>33.4%</b>	<b>23.2%</b>	<b>39.1%</b>	<b>42.5%</b>	<b>58.0%</b>	<b>83.1%</b>	<b>100.0%</b>	<b>45.5%</b>	<b>30.4%</b>

Investing company	Invested companies									
	K-Power	SK Energy	SK Petrochemical	SK Lubricant	DOPCO	SK Mobile Energy	Jeju United FC	Encar network	Natruck	Natruck Friends
SK Corporation	100.0%									
SK Innovation		100.0%	100.0%	100.0%	38.3%	100.0%	100.0%			
SK Telecom										
SK Networks					4.6%					
SK Chemicals										
SKC										
SK C&C										
SK E&C										
SK E&S										
SK Gas										
SK Energy								87.5%	67.3%	50.0%
SK Marketing & Company										
SK D&D										
SK Communications										
SK Broadband										
SK Lubricant										
SK Securities										
SK Petrochemical										
Entec										
<b>Total affiliated companies</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>42.9%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>87.5%</b>	<b>67.3%</b>	<b>50.0%</b>



Investing company	Invested companies										
	SK Petrochemical	Green IS	Arochemi Co. LTD	Zicos	U base Manufacturing Asia	SK Marketing & Company	M & Service	SK Telink	Commerce Planet	PS & Marketing	NTREEV Soft
SK Corporation											
SK Innovation						50.0%					
SK Telecom						50.0%		83.5%	100.0%	100.0%	63.7%
SK Networks											
SK Chemicals											
SKC											
SK C&C											
SK E&C											
SK E&S											
SK Gas											
SK Global Chemical	100.0%	84.3%	50.0%								
SK Marketing & Company							100.0%				
SK D&D											
SK Communications											
SK Broadband											
SK Lubricant				100.0%	100.0%						
SK Securities											
SK Petrochemical Entec											
<b>Total affiliated companies</b>	100.0%	84.3%	50.0%	100.0%	100.0%	100.0%	100.0%	83.5%	100.0%	100.0%	63.7%

Investing company	Invested companies									
	F&U Credit Inf	Loen Entertainment	Network O&S	Service Ace	Service Top	SK Wyverns	Television Media Korea	Paxnet	SK Broadband	SK Communications
SK Corporation										
SK Innovation										
SK Telecom	50.0%	63.5%	100.0%	100.0%	100.0%	100.0%	51.0%	59.7%	50.6%	64.7%
SK Networks										
SK Chemicals										
SKC										
SK C&C										
SK E&C										
SK E&S										
SK Gas										
SK Marketing & Company										
SK D&D										
SK Communications										
SK Broadband										
SK Lubricant										
SK Securities	40.0%									
SK Petrochemical Entec										
<b>Total affiliated companies</b>	90.0%	63.5%	100.0%	100.0%	100.0%	100.0%	51.0%	59.7%	50.6%	64.7%



Invested companies

Investing company	Broadband Media	Broadband D&M	Broadband CS	SK I-Media	I Platform	SKN Service	MRO Korea	WS Commerce	SK Pinx	SKC Air Gas	SKC Solmics Co., Ltd.
SK Corporation											
SK Innovation											
SK Telecom											
SK Networks					100.0%	85.0%	51.0%	100.0%	100.0%		
SK Chemicals											
SKC										80.0%	48.7%
SK C&C											
SK E&C											
SK E&S											
SK Gas											
SK Marketing & Company											
SK D&D											
SK Communications				100.0%							
SK Broadband	100.0%	100.0%	100.0%								
SK Lubricant											
SK Securities											
SK Petrochemical											
Entec											
<b>Total affiliated companies</b>	100.0%	100.0%	100.0%	100.0%	100.0%	85.0%	51.0%	100.0%	100.0%	80.0%	48.7%

Invested companies

Investing company	Invested companies									
	SK Telesys	SKW	Sumray Corporation	Incyto	RealVest	SK Forest	Daejeon Pure Water	Gwangju Pure Water	SK D&D	Namwon Sarang Electric Power
SK Corporation										
SK Innovation										
SK Telecom										
SK Networks										
SK Chemicals										
SKC	77.1%	60.0%	83.5%	100.0%						
SK C&C										
SK E&C					100.0%	100.0%	32.0%	42.0%	45.0%	
SK E&S										
SK Gas										
SK Marketing & Company										
SK D&D										100.0%
SK Communications										
SK Broadband										
SK Lubricant										
SK Securities										
SK Petrochemical										
Entec										
<b>Total affiliated companies</b>	<b>77.1%</b>	<b>60.0%</b>	<b>83.5%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>32.0%</b>	<b>42.0%</b>	<b>45.0%</b>	<b>100.0%</b>

Invested companies

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

Investing company	Invested companies										
	Pana Blu Co., Ltd.	Green Biro	Independence	Infosec	SK Sci-tech	UB Care	SK Seentec	Entec	Korea Sleep Network	Yeosu Expo Environment	Ever Health Care
SK Corporation											
SK Innovation											
SK Telecom											
SK Networks											
SK Chemicals					50.0%	44.0%	100.0%	25.0%	43.0%		
SKC											
SK C&C			100.0%	100.0%							
SK E&C								25.0%			
SK E&S											
SK Gas	80.4%	69.0%									
SK Marketing & Company											
SK D&D											
SK Communications											
SK Broadband											
SK Lubricant											
SK Securities											
SK Petrochemical									10.7%		
Entec										58.7%	
UB Care											100.0%
<b>Total affiliated companies</b>	80.4%	69.0%	100.0%	100.0%	50.0%	44.0%	100.0%	50.0%	53.7%	58.7%	100.0%

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

(As of March 31, 2011)

(Unit: Shares, %)

Name	Relationship	Type of share	Number of shares owned and ownership ratio			
			Beginning of Period		End of Period	
			Number of shares	Ownership ratio	Number of shares	Ownership ratio
<b>SK Corporation</b>	Largest Shareholder	Common share	18,748,452	23.22	18,748,452	23.22
<b>Tae Won Chey</b>	Officer of affiliated company	Common share	100	0.00	100	0.00
<b>Shin Won Chey</b>	Officer of affiliated company	Common share	500	0.00	500	0.00
<b>Shin Bae Kim</b>	Officer of affiliated company	Common share	1,270	0.00	0	0.00
<b>Man Won Jung</b>	Officer of affiliated company	Common share	5,600	0.01	0	0.01
<b>Sung Min Ha</b>	Officer of affiliated company	Common share	738	0.00	738	0.00
<b>Dal Sup Shim</b>	Officer of affiliated company	Common share	500	0.00	0	0.00
<b>Bang Hyung Lee</b>	Officer of affiliated company	Common share	200	0.00	200	0.00
<b>Total</b>		Common share	18,757,360	23.23	18,750,490	23.22

**B. Overview of the Largest Shareholder**

SK Corporation is a holding company and as of March 31, 2011, has eight subsidiaries: SK Energy Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd., K-Power Co., Ltd., SK Shipping Co., Ltd. and SKC Co., Ltd.

Details of SK Corporation's subsidiaries are as follows:

Affiliates	Share Holdings	Book Value	Industry	Description
<b>SK Innovation Co., Ltd.</b>	33.4%	3,944,657	Energy	Publicly Listed
<b>SK Telecom Co., Ltd.</b>	23.2%	2,847,985	Telecommunication	Publicly Listed
<b>SK Networks Co., Ltd.</b>	39.1%	1,165,759	Trading, Energy Sale	Publicly Listed
<b>SKC Co., Ltd.</b>			Synthetic Resin	
	42.5%	254,632	Manufacturing	Publicly Listed
<b>SK E&amp;C Co., Ltd.</b>	40.0%	405,130	Construction	Privately Held
<b>SK Shipping Co., Ltd.</b>	83.1%	607,643	Ocean Freight	Privately Held
<b>SK E&amp;S Co., Ltd.</b>	67.5%	389,431	Gas Company Holdings	Privately Held
<b>K-Power Co., Ltd.</b>	100.0%	636,876	Power Generation	Privately Held

\* The above share holdings are based on common stock holdings as of March 31, 2011.



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

## 2. Changes in shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(Unit: Shares, %)

Largest Shareholder	Date of the change in the largest shareholder/ Date of change in shareholding	Shares Held	Holding Ratio	Remarks
	March 7, 2008	18,751,260	23.09	Purchased 1,085,325 shares from SK Networks on March 7, 2008
	March 13, 2009	18,751,360	23.22	At the 25 <sup>th</sup> 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.
<b>SK Corporation</b>	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

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

**3. Distribution of Shares**

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

(As of December 31, 2010)

Rank	Name (title)	Common share		Preferred share		Sub-total	
		Number of shares	Ownership ratio	Number of shares	Ownership ratio	Number of shares	Ownership ratio
1	Citibank ADR	24,321,893	30.12			24,321,893	30.12
2	SK Corporation	18,748,452	23.22			18,748,452	23.22
3	SK Telecom	9,650,712	11.95			9,650,712	11.95
Shareholdings under the Employee Stock Ownership Program *		328,178	0.41			328,178	0.41

\* As of March 31, 2011

## B. Shareholder Distribution

(As of December 31, 2010)

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

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

## A. Domestic Securities Market

Types	(Unit: Won, shares)					
	March 2011	February 2011	January 2011	December 2010	November 2010	October 2010
<b>Common Highest stock</b>	167,500	166,500	173,500	180,500	175,000	177,500
<b>Lowest</b>	156,500	154,500	163,500	171,500	168,500	170,500
<b>Monthly transaction volume</b>	3,284,703	2,008,028	2,171,708	2,953,877	2,746,540	2,569,829

## B. Domestic Securities Market

New York Stock Exchange

Types	(Unit: US\$, ADR)					
	March 2011	February 2011	January 2011	December 2010	November 2010	October 2010
<b>Depository Highest Receipt</b>	18.98	17.80	18.74	19.13	19.07	18.96
<b>Lowest</b>	17.45	16.76	17.20	18.47	17.83	17.74
<b>Monthly transaction volume</b>	42,839,004	29,098,452	29,748,044	18,537,032	18,813,668	24,100,490

**VIII. EMPLOYEES**

(As of March 31, 2011)

(Unit: persons, in millions of Won)

Classification	Number of employees			Total	Average service year	Aggregate wage for the year ended December 31, 2010	Average wage per person	Remarks
	Regular employees	Contract employees	Others					
<b>Male</b>	3,855	42		3,809	12.4	71,015	18	
<b>Female</b>	632	72		704	9.8	9,801	14	
<b>Total</b>	4,487	114		4,601	12	80,816	17	

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

(As of March 31, 2011)

(Unit: in millions of Won)

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

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

## A. Investment and Disposition of Investment

None.

## B. Transfer of Assets

(Units: in millions of Won)

Name (Corporate Name)	Relation-ship	Transferred Objects	Purpose of Transfer	Details		Amount Transferred From Largest Shareholder	Amount Transferred to Largest Shareholder	Remarks
				Date of Transfer				
SK Networks Co., Ltd.	Affiliated Company	Network assets	Sale of assets not in use	March 15, 2011			11,570	
Total							11,570	

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

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

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	Accrued interest	Remarks
				Increase	Decrease			
Midus and others	Agency	Long-term and short-term loans	77,985	126,291	84,936	119,340		

(Unit: in millions of Won)

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

**X. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS**

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

**A. Status and Progress of Major Management Events**

**Date of**

**Disclosure**

**Title**

**Report**

**Reports status**

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

**Date**

**Agenda**

**Resolution**

23 <sup>rd</sup> Fiscal Year Meeting of Shareholders  (March 9, 2007)	<p>1. Approval of the financial statements for the year ended December 31, 2006</p> <p>2. Remuneration limit for Directors</p> <p>3. Election of Directors</p> <p>Election of inside directors</p>	<p>Approved (Cash dividend, Won 7,000 per share)</p> <p>Approved (Won 12 billion)</p> <p>Approved (Jung Nam Cho, Sung Min Ha)</p> <p>Approved (Dal Sup Shim)</p>
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	Election of independent directors as Audit Committee members	
	1. Approval of the Financial Statements for the year ended December 31, 2007	Approved (Cash dividend, Won 8,400 per share)
	2. Amendment to Articles of Incorporation	Approved
	3. Approval of Remuneration Limit for Directors	Approved (Won 12 billion)
24 <sup>th</sup> Fiscal Year Meeting of Shareholders  (March 14, 2008)	4. Election of Directors	Approved (Shin Bae Kim, Young Ho Park)
	Election of inside directors	Approved (Rak Yong Uhm, Jay Young Chung)
	Election of independent directors	Approved (Jae Ho Cho)
	Election of independent directors as Audit Committee member	
25 <sup>th</sup> Fiscal Year Meeting of Shareholders  (March 13, 2009)	1. Approval of the financial statements for the year ended December 31, 2008	Approved (Cash dividend, Won 8,400 per share)
	2. Approval of Remuneration Limit for Directors	Approved (Won 12 billion)
		Approved
	3. Amendment to Company Regulation on Executive Compensation	
	4. Election of Directors	Approved (Jae Won Chey, Man Won Jung)
	Election of inside directors	Approved (Hyun Chin Lim)
	Election of independent directors	Approved (Hyun Chin Lim)

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Election of independent directors as Audit  
Committee member

	1. Approval of the financial statements for the year ended December 31, 2009	Approved (Cash dividend, Won 8,400 per share)
	2. Amendment to Articles of Incorporation	Approved
	3. Approval of Remuneration Limit for Directors	Approved (Won 12 billion)
26 <sup>th</sup> Fiscal Year Meeting of Shareholders	4. Election of Directors	
(March 12, 2010)	Election of inside directors	Approved (Ki Haeng Cho)
	Election of independent directors	Approved (Dal Sup Shim)
	Election of independent directors as Audit Committee member	Approved (Dal Sup Shim, Jay Young Chung)
	1. Approval of the financial statements for the year ended December 31, 2010	Approved (Cash dividend, Won 8,400 per share)
	2. Approval of Remuneration Limit for Directors	Approved
	3. Amendment to Company Regulation on Executive Compensation	Approved (Won 12 billion)
27 <sup>th</sup> Fiscal Year Meeting of Shareholders	4. Election of Directors	
(March 11, 2011)	Election of inside directors	Approved (Sung Min Ha, Jin Woo So)
	Election of independent directors	Approved (Rak Young Uhm, Jay Young Chung, Jae Ho Cho)
	Election of independent directors as Audit Committee member	Approved (Jay Young Chung, Jae Ho Cho)

## 2. Contingent Liabilities

[SK Telecom]

- A. Material Legal Proceedings
- (1) Claim for Copyright License Fees regarding Coloring Services



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

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

### B. Other Matters

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

**[SK Broadband]**

## A. Material Legal Proceedings

(Unit: thousand won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Claim for Cancellation of Korea Fair Trade Commission's Penalty Reassessment	September 2009	1,810,000	On appeal
Claim relating to Gangnamgu District Office Cable-Burying Project	March 2010	345,271	On appeal
Administrative Proceeding relating to Gangnamgu District Office	April 2010	703,440	Pending before Administrative Court
Damages Claim relating to Hyundai Construction	December 2010	561,283	Pending before District Court
Other claims and proceedings		301,155	

(Won)

3,721,149

## B. Other contingent Liabilities

(1) As of March 31, 2011, SK Broadband has a credit facility of up to Won 200 billion with Hana Bank and three other financial institutions.

(2) SK Broadband is subject to various restrictions under the indentures and other documents governing outstanding series of bonds. Under the documents governing some of outstanding series of bonds issued in Korea, SK Broadband must maintain a leverage ratio of 1,000% or less and is restricted from selling, transferring, leasing or otherwise disposing of assets that, in the aggregate, exceed 20 times its capital in any fiscal year.

In addition, under the indentures governing some of the series of bonds issued outside of Korea, SK Broadband is subject to a change of control put provision which is triggered if both of the following occurs: (i) any person (other than the AIG-Newbridge-TVG consortium) acquires 45% or more of SK Broadband's outstanding capital stock and (ii) in connection with such changes of control, S&P or Moody's downgrades SK Broadband's credit rating. Upon the occurrence of such change of control event, SK Broadband is obligated to make an offer to purchase all of the outstanding bonds for a purchase price of 101% of principal amount. As of March 31, 2011, SK Broadband is in compliance with the provisions of the indentures governing such series of bonds.

(3) During the three months ended March 31, 2011, in connection with Broadband Media Co., Ltd.'s financing, SK Broadband granted security interest to the lenders with respect to its real estate assets and certain short-term investment securities, including certificates of deposit, for a period of 1 year to secure Broadband Media's obligations under its financing arrangements. As of March 31, 2011, Hana Bank, Woori Bank, Kookmin Bank and KEB have security interest over SK Broadband's real estate assets in the amounts of Won 65 billion, Won 52 billion, Won 52 billion and Won 26 billion, respectively, and KEB, Hana Bank, NH Bank and Woori Bank have security interests over SK Broadband's short-term investment securities in the amounts of Won 65 billion, Won 35 billion, Won 34 billion and Won 20 billion, respectively.

In addition, during the three months ended March 31, 2011, SK Broadband agreed to grant security interest in its real estate assets to secure up to Won 16.9 billion to Kookmin Bank in connection with its loan to Broadband CS Co., Ltd.

(4) With respect to finance leases of Broadband Media Co., Ltd., an affiliate of SK Broadband, SK Broadband has repurchase obligations owed to KDB Capital, Cisco Systems Capital Korea, Macquarie Capital Korea and KEB Capital in the amounts of Won 5.7 billion, Won 35.6 billion, Won 10.4 billion and Won 2.3 billion, respectively.

(5) SK Broadband has obtained the approval of its board of directors for the granting of security interest in certain of its bank deposits and financial assets in connection with providing financing assistance to the employees for their contributions to the Employee Stock Ownership Association. As of March 31, 2011, SK Broadband has granted security interest in Won 7.4 billion of financial assets.

(6) In connection with office building leases, SK Broadband has granted a kyun mortgage on certain of its real estate assets to secure up to Won 21.8 billion.

(7) SK Broadband has leases with, among others, Seoul Metro, Seoul Metropolitan Rapid Transit Corp., LG U+, KEPCO and Dreamline for use of subway facilities, optical cable facilities, dedicated cables and other related telecommunications facilities. The lease expenses associated with such leases are accounted for as current expense.

(8) SK Broadband has services agreement with respect to operation of dedicated cable lines and other telecommunications business agreements with SK Telecom.

### **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 23, 2009, ordered the Company to improve its work procedures. The Company completed the upgrade of the related computer system to prevent illegal messages on October 10, 2009.

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

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

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

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

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

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

On February 28, 2011, the Company received a correctional order from the Fair Trade Commission of Korea for violation of Article 19 of the Korean Monopoly Regulation and Fair Trade Act, or the Fair Trade Act, and was imposed a fine of Won 1,964 million with respect to providing Non-DRM on-line music content services. We plan to publicly disclose details of our response after receiving the official order.

On April 22, 2011, the Company received a correctional order for violation of Article 21 of the Electronic Commerce Act and was imposed a fine of Won 5 million. The Company intends to implement the correctional order.

[SK Broadband]

On July 22, 2009, SK Broadband received a warning from the Financial Supervisory Service of Korea with respect to its omission to state a material fact that could affect investors' investment decision when it responded to the Korea Exchange's request for disclosure regarding SK Telecom's acquisition of SK Broadband shares from AIG-Newbridge-TVG consortium, then-largest shareholder of SK Broadband.

In addition, on January 21, 2009, SK Broadband 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. SK Broadband 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.

[Loen Entertainment]

On February 2, 2011, Loen Entertainment Inc. received a correctional order from the Fair Trade Commission of Korea for violation of Article 19 of the Fair Trade Act and was imposed a fine of Won 9,579 million with respect to providing Non-DRM on-line music content services. Loen Entertainment plans to publicly disclose details of its response after receiving the official order.

*SK TELECOM CO., LTD. AND SUBSIDIARIES*

*CONSOLIDATED FINANCIAL STATEMENTS*

*FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010*

*AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT*

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**Independent Accountants' Review Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

SK Telecom Co., Ltd

**Report on the consolidated financial statements**

We have reviewed the accompanying consolidated financial statements of SK Telecom Co., Ltd. and subsidiaries (the Company). The financial statements consist of the consolidated statements of financial position as of March 31, 2011 and December 31, 2010, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three months ended March 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the consolidated financial statements**

The Company's management is responsible for the preparation and fair presentation of the accompanying consolidated financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Independent accountants' responsibility**

Our responsibility is to express a conclusion on the accompanying consolidated financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Review conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements of the Company are not presently fairly, in all material respects, in accordance with K-IFRS 1034 Interim Financial Reporting, and the requirements of K-IFRS 1101, First-time Adoption of Korean International Financial Reporting Standards, relevant to interim financial reporting.

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Our reviews also comprehended the translation of the Korean won amounts into U.S. dollar amounts and nothing has come to our attention that causes us to believe that such translation has not been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers of financial statements.

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

/s/ Deloitte Anjin LLC

May 27, 2011

Notice to Readers

This report is effective as of May 27, 2011, the independent accountants' review report date. Certain subsequent events or circumstances may have occurred between the independent accountants' review report date and the time the independent accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modification to the independent accountants' review report.

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

MARCH 31, 2011 AND DECEMBER 31, 2010

ASSETS	Korean won		Translation into U.S. dollars (Note 2)	
	March 31, 2011 (In millions)	December 31, 2010 (In millions)	March 31, 2011 (In thousands)	December 31, 2010 (In thousands)
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 2 and 4)	(Won) 1,385,026	(Won) 659,405	\$ 1,262,270	\$ 600,961
Short-term financial instruments (Notes 2, 4 and 25)	556,530	567,152	507,204	516,885
Short-term investment securities (Notes 2, 4 and 7)	139,308	400,531	126,961	365,032
Accounts receivable - trade (Notes 2, 4, 5 and 24)	1,885,366	1,949,397	1,718,265	1,776,621
Short-term loans (Notes 2, 4, 5 and 24)	110,375	94,924	100,592	86,511
Accounts receivable - other (Notes 2, 4, 5 and 24)	2,147,625	2,531,847	1,957,280	2,307,448
Prepaid expenses	143,565	182,091	130,841	165,952
Derivative assets (Notes 2, 4 and 26)	45,997		41,920	
Inventories (Notes 2 and 6)	154,924	149,223	141,193	135,997
Advanced payments and other (Notes 2, 4, 5 and 7)	134,128	119,422	122,240	108,837
<b>Total current assets</b>	<b>6,702,844</b>	<b>6,653,992</b>	<b>6,108,766</b>	<b>6,064,244</b>
<b>NON-CURRENT ASSETS:</b>				
Long-term financial instruments (Notes 2 and 4)	117	117	107	107
Long-term investment securities (Notes 2, 4 and 7)	1,935,864	1,680,582	1,764,287	1,531,631
Investments in associates (Notes 2 and 8)	1,216,864	1,204,692	1,109,013	1,097,919
Property and equipment (Notes 2, 9 and 24)	8,030,516	8,153,413	7,318,766	7,430,771
Investment property (Notes 2 and 10)	196,866	197,307	179,418	179,820
Goodwill (Notes 2 and 11)	1,736,557	1,736,649	1,582,645	1,582,729
Intangible assets (Notes 2 and 12)	1,795,507	1,884,956	1,636,370	1,717,891
Long-term loans (Notes 2, 4, 5 and 24)	105,330	84,323	95,995	76,849
Long-term accounts receivable - other (Notes 2, 4 and 5)	246,734	527,106	224,866	480,388
Long-term prepaid expenses	418,580	411,509	381,481	375,037
Guarantee deposits (Notes 2, 4, 5 and 24)	249,186	250,333	227,100	228,146
Long-term derivative assets (Notes 2, 4 and 26)	157,952	203,382	143,953	185,356
Deferred income tax assets (Note 2)	110,787	106,860	100,968	97,389
Other (Notes 2, 4 and 5)	33,515	37,168	30,543	33,873
<b>Total non-current assets</b>	<b>16,234,375</b>	<b>16,478,397</b>	<b>14,795,512</b>	<b>15,017,906</b>
<b>TOTAL ASSETS</b>	<b>(Won) 22,937,219</b>	<b>(Won) 23,132,389</b>	<b>\$ 20,904,278</b>	<b>\$ 21,082,150</b>

(Continued)

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)

MARCH 31, 2011 AND DECEMBER 31, 2010

LIABILITIES AND SHAREHOLDERS EQUITY	Korean won		Translation into U.S. dollars (Note 2)	
	March 31, 2011 (In millions)	December 31, 2010 (In millions)	March 31, 2011 (In thousands)	December 31, 2010 (In thousands)
<b>CURRENT LIABILITIES:</b>				
Short-term borrowings (Notes 2, 4, 13 and 25)	(Won) 680,955	(Won) 523,710	\$ 620,602	\$ 477,293
Accounts payable - trade (Notes 2, 4 and 24)	196,603	195,777	179,178	178,425
Accounts payable - other (Notes 2, 4 and 24)	1,590,479	1,434,329	1,449,514	1,307,203
Withholdings	584,103	408,261	532,333	372,077
Accrued expenses (Notes 2, 4 and 14)	1,280,293	1,330,044	1,166,820	1,212,161
Income tax payable (Note 2)	459,656	259,871	418,916	236,838
Unearned revenue	304,062	311,631	277,113	284,011
Derivative liabilities (Notes 2, 4 and 26)	17,164	15,393	15,643	14,029
Current portion of long-term debt, net (Notes 2, 4 and 13)	1,589,443	1,601,229	1,448,570	1,459,311
Advanced receipts and other	116,836	121,925	106,480	111,119
<b>Total current liabilities</b>	<b>6,819,594</b>	<b>6,202,170</b>	<b>6,215,169</b>	<b>5,652,467</b>
<b>NON-CURRENT LIABILITIES:</b>				
Bonds payable, net (Notes 2, 4 and 13)	2,990,696	3,658,546	2,725,629	3,334,287
Long-term borrowings (Notes 2, 4 and 13)	239,443	235,968	218,221	215,054
Long-term payables - other (Notes 2 and 4)	37,399	54,783	34,084	49,927
Long-term unearned revenue	231,180	241,892	210,690	220,452
Finance lease liabilities (Notes 2 and 4)	52,577	60,075	47,917	54,751
Retirement benefit obligations (Notes 2 and 15)	83,047	67,870	75,686	61,855
Long-term derivative liabilities (Notes 2, 4 and 26)	3,780	14,761	3,445	13,453
Other (Notes 2, 14 and 24)	192,486	188,325	175,426	171,634
<b>Total non-current liabilities</b>	<b>3,830,608</b>	<b>4,522,220</b>	<b>3,491,098</b>	<b>4,121,413</b>
<b>Total Liabilities</b>	<b>10,650,202</b>	<b>10,724,390</b>	<b>9,706,267</b>	<b>9,773,880</b>
<b>SHAREHOLDERS EQUITY:</b>				
Share capital (Notes 1 and 16)	44,639	44,639	40,683	40,683
Share premium (Notes 16 and 17)	(72,502)	(78,953)	(66,076)	(71,955)
Retained earnings (Note 18)	10,662,776	10,721,249	9,717,727	9,771,018
Reserves (Note 19)	582,239	643,056	530,635	586,062
Non-controlling interests (Note 2)	1,069,865	1,078,008	975,042	982,462
<b>Total shareholders equity</b>	<b>12,287,017</b>	<b>12,407,999</b>	<b>11,198,011</b>	<b>11,308,270</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>(Won) 22,937,219</b>	<b>(Won) 23,132,389</b>	<b>\$ 20,904,278</b>	<b>\$ 21,082,150</b>

See accompanying notes to consolidated financial statements.



## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	
	2011 (In millions except for per share data)	2010	2011 (In thousands except for per share data)	2010
<b>OPERATING REVENUE:</b>				
Revenue (Notes 2, 23 and 24):	(Won) 3,901,012	(Won) 3,748,933	\$ 3,555,263	\$ 3,416,663
Other (Note 20)	7,849	15,513	7,153	14,138
Sub-total	3,908,861	3,764,446	3,562,416	3,430,801
<b>OPERATING EXPENSES (Note 24):</b>				
Labor cost (Notes 15 and 24)	313,585	298,115	285,792	271,693
Commissions paid (Notes 2 and 24)	1,360,036	1,416,023	1,239,495	1,290,520
Depreciation and amortization (Notes 2, 9, 10 and 12)	575,146	567,987	524,170	517,646
Network interconnection	318,741	335,244	290,491	305,531
Leased line	113,894	102,937	103,799	93,814
Advertising	55,275	57,483	50,376	52,388
Rent	99,271	88,998	90,473	81,110
Cost of goods sold	186,474	145,564	169,947	132,663
Other (Note 20)	272,101	275,891	247,984	251,438
Sub-total	3,294,523	3,288,242	3,002,527	2,996,803
OPERATING INCOME (Note 23)	614,338	476,204	559,889	433,998
Finance income (Notes 2 and 21)	268,851	126,203	245,023	115,018
Finance costs (Notes 2 and 21)	(103,477)	(147,402)	(94,306)	(134,339)
Equity in earnings of affiliates (Notes 2 and 8)	6,872	1,614	6,263	1,471
Equity in losses of affiliates (Notes 2 and 8)	(17,683)	(5,017)	(16,116)	(4,572)
INCOME BEFORE INCOME TAX	768,901	451,602	700,753	411,576
PROVISION FOR INCOME TAX (Note 2)	231,633	108,311	211,103	98,711
NET INCOME (Note 23)	(Won) 537,268	(Won) 343,291	\$ 489,650	\$ 312,865
ATTRIBUTABLE TO :				
Owners of the Company	542,534	375,587	494,449	342,298
Non-controlling interests (Note 2)	(5,266)	(32,296)	(4,799)	(29,433)
	(Won) 537,268	(Won) 343,291	\$ 489,650	\$ 312,865
NET INCOME PER SHARE				
(In Korean won and U.S. dollars) (Note 22)	(Won) 7,631	(Won) 5,192	\$ 6.96	\$ 4.73
DILUTED NET INCOME PER SHARE				

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(In Korean won and U.S. dollars) (Note 22)	(Won)	7,418	(Won)	5,066	\$	6.76	\$	4.62
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See accompanying notes to consolidated financial statements.

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	
	2011 (In millions except for per share data)	2010 (In millions except for per share data)	2011 (In thousands except for per share data)	2010 (In thousands except for per share data)
<b>NET INCOME</b>	(Won) 537,268	(Won) 343,291	\$ 489,650	\$ 312,865
<b>OTHER COMPREHENSIVE INCOME :</b>				
Net change in fair value of available-for-sale financial assets (Note 2)	(85,330)	(141,008)	(77,767)	(128,510)
Share of other comprehensive income of associates (Note 2 and 8)	(3,808)	204	(3,470)	186
Gains (losses) on valuation of derivatives (Note 2)	38,570	(6,681)	35,152	(6,089)
Foreign currency translations of foreign operations (Note 2)	(13,408)	(18,602)	(12,220)	(16,954)
Actuarial gains (losses) on retirement benefit obligations (Note 2 and 15)	(3,593)	49	(3,275)	45
Sub-total	(67,569)	(166,038)	(61,580)	(151,322)
<b>TOTAL COMPREHENSIVE INCOME</b>	(Won) 469,699	(Won) 177,253	\$ 428,070	\$ 161,543
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :</b>				
Owners of the Company	477,908	217,168	435,551	197,920
Non-controlling interests (Note 2)	(8,209)	(39,915)	(7,481)	(36,377)
	(Won) 469,699	(Won) 177,253	\$ 428,070	\$ 161,543

See accompanying notes to consolidated financial statements.

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

Share capital	Paid-in surplus	Share premium		Other	Retained earnings	Reserves	Attributable to Owners of the Company	Non-controlling interests
		Treasury stock	Loss on disposal of treasury stock					
(Won) 44,639	(Won) 2,915,887	((Won) 1,992,083)	((Won) 15,875)	((Won) 740,053)	(Won) 9,563,940 (607,697)	(Won) 919,835	(Won) 10,696,290 (607,697)	(Won) 1,151,755
					375,587		375,587	(32,296)
					(102)	(158,317)	(158,419)	(7,620)
				(1,134)			(1,134)	(2,018)
(Won) 44,639	(Won) 2,915,887	((Won) 1,992,083)	((Won) 15,875)	((Won) 741,187)	(Won) 9,331,728	(Won) 761,518	(Won) 10,304,627	(Won) 1,109,821
(Won) 44,639	(Won) 2,915,887	((Won) 2,202,439)	((Won) 15,875)	((Won) 776,526)	(Won) 10,721,249 (597,197)	(Won) 643,056	(Won) 11,329,991 (597,197)	(Won) 1,078,008
					542,534		542,534	(5,266)
					(3,810)	(60,817)	(64,627)	(2,942)
				6,451			6,451	65
(Won) 44,639	(Won) 2,915,887	((Won) 2,202,439)	((Won) 15,875)	((Won) 770,075)	(Won) 10,662,776	(Won) 582,239	(Won) 11,217,152	(Won) 1,069,865

(Continued)



## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)(Continued)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Share capital	Paid-in surplus	Share premium Treasury stock	Loss on disposal of treasury stock	Other	Retained earnings	Reserves	Attributable to Owners of the Company	Non-controlling interests	Total
<b>(In thousands of U.S. dollars)</b>										
Balance, January 1, 2010	\$ 40,683	\$ 2,657,450	(\$ 1,815,523)	(\$ 14,468)	(\$ 674,462)	\$ 8,716,282	\$ 838,309	\$ 9,748,271	\$ 1,049,674	\$ 10,797,945
Cash dividends						(553,836)		(553,836)		(553,836)
Total comprehensive income (loss):										
Net income						342,298		342,298	(29,433)	312,865
Other comprehensive income (Note 19)						(93)	(144,285)	(144,378)	(6,945)	(151,323)
Changes in subsidiaries					(1,033)			(1,033)	(1,840)	(2,873)
Balance, March 31, 2010	\$ 40,683	\$ 2,657,450	(\$ 1,815,523)	(\$ 14,468)	(\$ 675,495)	\$ 8,504,651	\$ 694,024	\$ 9,391,322	\$ 1,011,456	\$ 10,402,778
Balance, January 1, 2011	\$ 40,683	\$ 2,657,450	(\$ 2,007,235)	(\$ 14,468)	(\$ 707,702)	\$ 9,771,018	\$ 586,062	\$ 10,325,808	\$ 982,462	\$ 11,308,270
Cash dividends						(544,267)		(544,267)		(544,267)
Total comprehensive income (loss):										
Net income						494,449		494,449	(4,799)	489,650
Other comprehensive income (Note 19)						(3,473)	(55,427)	(58,900)	(2,681)	(61,581)
Changes in subsidiaries					5,879			5,879	60	5,939
Balance, March 31, 2011	\$ 40,683	\$ 2,657,450	(\$ 2,007,235)	(\$ 14,468)	(\$ 701,823)	\$ 9,717,727	\$ 530,635	\$ 10,222,969	\$ 975,042	\$ 11,198,011

See accompanying notes to consolidated financial statements.

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010 (UNAUDITED)

	Korean won		Translation into U.S. dollars (Note 2)	
	2011 (In millions)	2010	2011 (In thousands)	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash generated from operating activities				
Net income	(Won) 537,268	(Won) 343,291	\$ 489,650	\$ 312,865
Adjustments for income and expenses (Note 27)	724,483	774,367	660,272	705,734
Changes in assets and liabilities related to operating activities (Note 27)	297,982	225,226	271,571	205,264
Sub-total	1,559,733	1,342,884	1,421,493	1,223,863
Interest received	40,880	56,743	37,257	51,714
Dividends received	26,473	16,130	24,127	14,700
Interest paid	(101,287)	(123,172)	(92,310)	(112,255)
Income tax paid	(19,220)	(348,245)	(17,517)	(317,380)
Net cash provided by operating activities	1,506,579	944,340	1,373,050	860,642
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash inflows from investing activities:				
Decrease in short-term financial instruments, net	10,608	64,876	9,668	59,126
Decrease in short-term investment securities, net	65,000		59,239	
Collection of short-term loans	48,962	70,860	44,622	64,579
Decrease in long-term financial instruments		1,000		911
Proceeds from sales of long-term investment securities	220,379	5,839	200,847	5,321
Proceeds from disposal of associates	2,257	7,042	2,057	6,418
Proceeds from disposal of property and equipment	2,445	16,025	2,228	14,605
Proceeds from disposal of intangible assets	596	125	543	114
Collection of long-term loans	5,514	4,334	5,025	3,950
Decrease in other non-current assets	145	984	133	897
Proceeds from disposal of consolidated subsidiary		16,230		14,792
Sub-total	355,906	187,315	324,362	170,713
Cash outflows for investing activities:				
Increase in short-term financial instruments, net		237,395		216,355
Increase in short-term investment securities, net		15,000		13,671
Increase in short-term loans	88,303	80,718	80,477	73,563
Acquisition of long-term investment securities	232,485	10,673	211,880	9,727
Acquisition of associates	29,411	400,000	26,804	364,548
Acquisition of property and equipment	285,856	98,178	260,520	89,476
Acquisition of intangible assets	17,040	29,263	15,530	26,669
Increase in long-term loans and other	2,086	849	1,901	774
Sub-total	655,181	872,076	597,112	794,783

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Net cash used in Investing activities	((Won) 299,275)	((Won) 684,761)	(\$ 272,750)	(\$ 624,070)
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(Continued)

## SK TELECOM CO., LTD.

## CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	
	2011 (In millions)	2010	2011 (In thousands)	2010
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Cash inflows from financing activities:				
Proceeds from short-term borrowings	(Won) 407,951	(Won) 258,529	\$ 371,794	\$ 235,615
Issuance of bonds payable	49,798		45,384	
Proceeds from long-term borrowings	12,162	93,855	11,084	85,537
Increase in equity of consolidated subsidiaries	7,589	250	6,916	228
Sub-total	477,500	352,634	435,178	321,380
Cash outflows for financing activities:				
Repayment of short-term borrowings	250,717	209,511	228,496	190,942
Repayment of current portion of long-term debt	180,239	438,540	164,264	399,672
Repayment of bonds payable	502,160	90,000	457,653	82,023
Repayment of long-term borrowings	7,458	4,855	6,797	4,425
Cash outflows from transaction of derivatives	15,690		14,299	
Sub-total	956,264	742,906	871,509	677,062
Net cash used in financing activities	(478,764)	(390,272)	(436,331)	(355,682)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	728,540	(130,693)	663,969	(119,110)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	659,405	905,632	600,961	825,365
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCY	(2,919)	(2,954)	(2,660)	(2,692)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(Won) 1,385,026	(Won) 771,985	\$ 1,262,270	\$ 703,563

See accompanying notes to consolidated financial statements.

**K TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010****1. GENERAL**

SK Telecom Co., Ltd. ( SK Telecom ) was incorporated in March 1984 under the laws of Korea to engage in providing cellular telephone communication services in the Republic of Korea. SK Telecom Co., Ltd. and its subsidiaries (the Company ) mainly provide wireless telecommunications in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and London Stock Exchange. As of March 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.	18,748,452	23.22
Tradewinds Global Investors, LLC	4,050,518	5.02
POSCO Corp.	2,341,569	2.90
Institutional investors and other minority stockholders	45,954,460	56.91
Treasury stock	9,650,712	11.95
	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 Korean statutory requirements and Korean International Reporting Standards ( K-IFRS ), in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, income, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

The accompanying consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of (Won)1,097.25 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 three months ended March 31, 2011. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

**a. Basis of Presentation**

The Company has adopted the Korean International Financial Reporting Standards ( K-IFRS ) for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 First-time adoption of International Financial Reporting Standards , the transition date to K-IFRS is January 1, 2010. The transition adjustments to K-IFRS are summarized in Note 3.

The Company's interim consolidated financial statements for the three months ended March 31, 2011 and 2010 are prepared in accordance with K-IFRS 1034 Interim Financial Reporting .

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There may be newly or amended K-IFRS and interpretations that are effective subsequent to the current period-end during 2011 or during 2012 which early-adoption is permitted during 2011. Accordingly, accounting policies that are used for the preparation of the interim consolidated financial statements may be different from the policies that are used for the preparation of the first annual consolidated financial statements in accordance with K-IFRS as of and for the period ending December 31, 2011. Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the interim financial statements may change accordingly in the future.

Major accounting policies used for the preparation of the interim consolidated financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the financial statements for the current period and accompanying comparative period.

The interim consolidated financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

b. Basis of Consolidation

The consolidated financial statements include the accounts of SK Telecom and the following controlled subsidiaries as of March 31, 2011 (in millions of Korea won, except for share data).

Subsidiary	Primary business	Net equity	Number of shares	Ownership Percentage(%)	Location
SK Telink Co., Ltd.	Telecommunication services	(Won) 169,388	1,082,272	83.5	Korea
SK Communications Co., Ltd.	Internet website services	239,618	28,029,945	64.7	Korea
PAXNet Co., Ltd.	Internet website services	24,299	5,590,452	59.7	Korea
Loen Entertainment, Inc.	Release of music disc	81,275	16,054,812	63.5	Korea
Stonebridge Cinema Fund	Investment association	16,234	150	57.0	Korea
Ntreev Soft Co., Ltd.	Game software production	14,462	2,064,970	63.7	Korea
SK i-media Co., Ltd.	Game software production	427	10,000,000	100.0	Korea
Commerce Planet Co., Ltd.	Online shopping mall operation agency	(1,005)	29,396	100.0	Korea
SK Broadband Co., Ltd.	Telecommunication services	1,364,885	149,638,354	50.6	Korea
Broadband D&M Co., Ltd.	Telecommunication services	4,597	900,000	100.0	Korea
Broadband Media Co., Ltd.	Multimedia TV portal services	(243,726)	25,200,000	100.0	Korea
Broadband CS Co., Ltd.	Customer Q&A and services	(12,184)	1,210,596	100.0	Korea
K-net Culture and Contents Venture Fund	Investment association	47,864	295	59.0	Korea
2nd BMC Focus Investment Fund	Investment association	30,900	200	66.7	Korea
Open Innovation Fund	Investment association	44,330	450	98.9	Korea
PS&Marketing Corporation	Communications device retail business	168,123	46,000,000	100.0	Korea
Service Ace Co., Ltd.	Customer center management service	22,508	4,385,400	100.0	Korea
Service Top Co., Ltd.	Customer center management service	15,273	2,856,200	100.0	Korea
Network O&S Co., Ltd.	Base station maintenance service	17,561	3,000,000	100.0	Korea
SK Telecom China Holdings Co., Ltd.	Equity Investment	32,001		100.0	China
Sky Property Mgmt., Ltd.	Real Estate Investment	447,754	22,980	60.0	China
Shenzhen E-eye High Tech Co., Ltd.	Manufacturing	17,837		65.5	China
YTK Investment Ltd	Investment Association	38,542		100.0	Cayman
SKT Vietnam PTE., Ltd.	Telecommunication services	31,544	180,476,700	73.3	Singapore
SKT Americas, Inc.	Internet website services	44,979	109	100.0	USA
Technology Venture Fund, LP	Research and Development	17,709		100.0	USA
SK Telecom Global Investment B.V	Investment Association	38,516	18,000	100.0	Netherlands

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 policies 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 up to 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 this 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 into line with those used the Company.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation

Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the 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 profit or loss 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 profit or loss or transferred directly to retained earnings).

c. 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 generally recognized in profit or loss 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 profit or loss as a bargain purchase gain.



d. Foreign Currency Exchange

The individual financial statements of each Company 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 profit or loss 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 in order to hedge certain foreign currency risks below 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 profit or loss 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 profit or loss.

e. 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.

f. 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 investments, available-for-sale 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 fair value through profit or loss (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 profit or loss. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

1-2) *Held-to-maturity financial assets*

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 held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue amortized on an effective yield basis.

1-3) *Available-for-sale financial assets*

Non-derivatives financial assets that are not classified as at held-to-maturity, held-for-trading; designated as at fair value through profit or loss; or loans and receivables are classified as at available-for-sale financial assets. Available-for-sale financial assets are initially recognized and 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 profit or loss. 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 profit or loss. Dividends on available-for-sale financial assets are recognized in profit or loss 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 investment have been affected.

For listed and unlisted equity investments classified as available-for-sale 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 available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity securities, 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 profit or loss 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.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

3) *Derecognition of financial assets*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, 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.

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 market value of inventories is less than the acquisition cost, the carrying amount is reduced to the market value and any difference is charged to current operations as operating expenses.

h. *Investments in Associates*

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 K-IFRS 1105

**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 profit or loss 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 profit or loss. When the Company or its subsidiary transacts with its associate, unrealized gains from the transactions are eliminated to the extent of interests in the associate and unrealized losses are eliminated too, so far as the transactions provide a basis of impairment for the assets 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.

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
Other	4 ~ 10

The Company reviews the 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.

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.

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 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.

l. Intangible Assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives ranging from 3 ~ 20 years. 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 not amortized, but tested for impairment at the end of each annual reporting period. At the case of amortizable intangible assets, the Company reviews impairment at each time whether the carrying amount is not recoverable.

m. Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as less at the book value in the consolidated statement of financial position and transferred to profit or loss on a systematic basis to decrease depreciation expenses over the useful lives of the related assets.

Government grants related to revenue are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.

n. 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 profit or loss in the period in which they are incurred.

o. 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. And the financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities .

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.

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 profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

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.

4) *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire. An exchange between an existing borrower and lender of debt instruments 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 profit or loss.

p. *Lease*

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 profit or loss, 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 profit or loss immediately unless the derivative is designated and effective as a hedging instrument. For derivative instruments designated as hedges, the effective portions of the gains or losses on the hedging instruments are recorded as part of other comprehensive income (loss)

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 all actuarial gains and losses arising from defined benefit plans as other comprehensive income (loss) and records at retained earnings immediately, which is not reclassified to current operation 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. Discount rate is pre-tax interest rate reflecting inherent risk of liabilities and market's valuation on the present value of monetary. Changes in provisions caused by elapse of time are the financial cost as incurred and recognized in profit or loss.

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 from the sale of goods and rendering of services in the course of ordinary operating activities is measured at the fair value of the consideration received or receivable. Revenues are realized or realizable and earned when the Company has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, sales price is fixed or determinable and collectability is reasonably assured.

The Company's revenue is principally derived from telecommunication service including data service, broadband internet and fixed-line telephone service. Telecommunication service consists of fixed monthly charges, usage-related charges and non-refundable activation fees. Fixed monthly charges are recognized in the period earned. Usage-related charges are recognized at the time services are rendered. Non-refundable activation fees are deferred and recognized over the expected term of the customer relationship.

The Company also sells products and merchandises to customers and these sales are recognized at the time products and merchandises are delivered.

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 profit for the year. Taxable profit differs from profit 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 profit. 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 profits 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 profit nor the accounting profit.

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 profits 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 profits 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 profit or loss, 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 Long-term Mobile Subscribers

The Company provides lump-sum handset subsidies to customers who agree to use the Company's service for the predetermined service period and the subsidies are charged to commission paid as the related payments are made. In case where the customers agree to use the Company's service for the predetermined service period and purchase handsets on installment basis, the subsidies are paid every month over the installment period and the Company provides provision for handset subsidies estimated to be period, which are charged to commission expense at the time telecommunication service contracts are made.

w. 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 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 profit or loss 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 the management's judgments on the expected future cash flows and discount rates.

2) Allowance for doubtful accounts of trade/other receivables and loans

In order to calculate allowances for doubtful accounts of the trade receivables, loans and other receivables, the management of the Company estimates an expected bad debt considering the aging of accounts receivables, past experience of bad debt, economic and industrial factors.

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 directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

4) Measurement of property and equipment, intangible assets

If the Company acquires property and equipment or intangible assets from business combination, it is required to estimate the fair value of these assets at the acquisition date. And it is required to estimate useful lives for depreciation and amortization. For these estimation processes, the management's judgments shall take important role.

5) Retirement benefit plans

For defined retirement benefit plans, the cost of providing benefits is determined using actuarial valuation method that is required to make assumptions about discount rates, expected rate of return on plan assets and expected rate of salary increase. The assumptions involve critical uncertainties because the retirement benefit plans are in long-term base.

6) Deferred tax

Recognizing and measuring of the deferred tax assets and liabilities requires the management's judgments and specially, whether and how deferred tax assets is recognized shall be affected from an assumption and management's judgment of the future situation.

### 3. TRANSITION TO K-IFRS

As stated in Note 2, these are the Company's first consolidated financial statements prepared in accordance with K-IFRS as the Company adopts K-IFRS in 2011. Therefore, prior periods' consolidated financial statements, comparatively presented herein, were restated in accordance with K-IFRS 1101 First-time adoption of International Financial Reporting Standards with a transition date of January 1, 2010.

#### a. First-time adoption of K-IFRS

K-IFRS 1101 provides for a number of optional exemptions from the general principle of full retrospective applications. The optional exemptions for first-time adoption of K-IFRS of the Company are as follows.

##### 1) Business combination

Business combinations that occurred before the date of transition to K-IFRS, are not be retrospectively restated.

##### 2) Fair value or revaluation as deemed cost

Certain property and equipment has been revaluated at the date of transition to K-IFRS and that revaluation is used as the asset's deemed cost.

#### b. Explanation of transition to K-IFRS

Transition adjustments from previous GAAP (Korean GAAP) to K-IFRSs that affected the Company's financial position, financial performance and cash flows are as follows.

##### 1) Scope of consolidation

As at the date of transition to K-IFRS the Company's change in scope of consolidation is as follows:

Changes	Name of entities
Newly 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) Employee benefits and retirement benefit obligation

Under Korean GAAP, at the end of a reporting period a benefit obligation is calculated and recognized, based on an assumption that all employees who have worked over a year were to retire as of the reporting period end. While, under K-IFRS, the retirement benefit amount is appropriated as a defined benefit obligation by actuarial assessment using the projected unit credit method.

Also, the Company recognizes its long-term employee benefits obligation by actuarial assessment using the projected unit credit method.

##### 3) Change in depreciation method

The Company changed the depreciation method of equipment from declining balance method to straight-line method.



4) *Goodwill acquired by business combinations*

Under Korean GAAP, the Company amortized goodwill acquired as a result of business combinations on a straight-line method from 5 ~ 20 years from the year of acquisition. Under K-IFRS, goodwill is not amortized but reviewed for impairment annually.

5) *Transfer of financial assets*

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under K-IFRS, if the Company retains substantially 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) *Deferment of non-refundable activation fees*

Under Korean GAAP, the Company recognizes non-refundable activation revenues when the activation service is performed. Under K-IFRS, the Company defers such revenues and amortizes it over the expected term of the customer relationship.

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 K-IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.

Under Korean GAAP, difference between the carrying value and the tax base of the investments in subsidiaries, branches and associates and interest in joint ventures were considered as temporary differences and recognized as deferred tax assets and liabilities. Under K-IFRS, the temporary differences associated with investments in subsidiaries, branches 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*

8-1) Memberships

Under Korean GAAP, memberships and guarantee deposits were classified as other non-current assets. Under K-IFRS, facility-use memberships are recognized as intangible assets with an indefinite useful life and guarantee deposits that satisfy the definition of financial assets are classified as loans and receivables at amortized costs.

8-2) Investment property

Under Korean GAAP, properties acquired for earning rental income and/or for capital appreciation were classified as property and equipment. Under K-IFRS, such properties are reclassified separately as investment properties.

c. Explanation of effect of transition to K-IFRS

Effects on financial position at January 1, 2010 (date of transition) are as follows (in millions of Korean won):

	Total assets	Total liabilities	Net equity
Based on Korean GAAP	(Won) 23,206,256	(Won) 10,861,631	(Won) 12,344,625
Adjustments:			
1. Changes in scope of consolidation	(62,440)	3,735	(66,175)
2. Property and equipment	69,538		69,538
3. Employee benefits and retirement benefit obligation	15	25,048	(25,033)
4. Transfer of financial assets	416,242	400,753	15,489
5. Non-refundable activation fees		593,981	(593,981)
6. Other adjustments	(107,730)	(73,521)	(34,209)
7. Deferred tax and tax effect of adjustments	(185,157)	(322,948)	137,791
Total adjustment	130,468	627,048	(496,580)
Based on K-IFRS	(Won) 23,336,724	(Won) 11,488,679	(Won) 11,848,045

Effects on financial position at December 31, 2010 and total comprehensive income for the year ended December 31, 2010 are as follows (in millions of Korean won):

	Total assets	Total liabilities	Net equity	Total comprehensive income
Based on Korean GAAP	(Won) 22,651,704	(Won) 10,173,055	(Won) 12,478,649	(Won) 1,021,501
Adjustments:				
1. Changes in scope of consolidation	(103,743)	(13,053)	(90,690)	1,247
2. Property and equipment	477,044		477,044	407,811
3. Amortization of goodwill	151,900	(9,444)	161,344	151,620
4. Employee benefits and retirement benefit obligation	17	38,799	(38,782)	(5,514)
5. Transfer of financial assets				(15,489)
6. Effect on equity method in associates	18,430		18,430	7,717
7. Nonrefundable activation fees		533,783	(533,783)	60,199
8. Other adjustments	44,507	94,943	(50,436)	598
9. Deferred tax and tax effect of adjustments	(107,470)	(93,693)	(13,777)	(150,139)
Total adjustment	480,685	551,335	(70,650)	458,050
Based on K-IFRS	(Won) 23,132,389	(Won) 10,724,390	(Won) 12,407,999	(Won) 1,479,551

Under K-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 K-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 others significant differences between the consolidated statements of cash flows prepared under Korean GAAP compared to K-IFRS have been noted.

#### 4. FINANCIAL INSTRUMENTS

Details of financial assets as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011				
	Financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	(Won)	(Won)	(Won) 1,385,026	(Won)	(Won) 1,385,026
Financial Instruments			556,647		556,647
Short-term investment securities		139,308			139,308
Long-term investment securities	16,776	1,919,088			1,935,864
Trade and other receivables			4,815,869		4,815,869
Derivatives assets	1,961			201,988	203,949
<b>Total</b>	<b>(Won) 18,737</b>	<b>(Won) 2,058,396</b>	<b>(Won) 6,757,542</b>	<b>(Won) 201,988</b>	<b>(Won) 9,036,663</b>

	December 31, 2010				
	Financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	(Won)	(Won)	(Won) 659,405	(Won)	(Won) 659,405
Financial Instruments			567,269		567,269
Short-term investment securities		400,531			400,531
Long-term investment securities		1,680,582			1,680,582
Trade and other receivables			5,490,505		5,490,505
Derivatives assets	1,961			201,421	203,382
<b>Total</b>	<b>(Won) 1,961</b>	<b>(Won) 2,081,113</b>	<b>(Won) 6,717,179</b>	<b>(Won) 201,421</b>	<b>(Won) 9,001,674</b>

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Details of financial liabilities as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Trade and other payables	(Won) 3,780	(Won) 3,251,520	(Won) 17,164	(Won) 3,251,520
Derivatives liabilities	3,780		17,164	20,944
Borrowings		1,431,974		1,431,974
Bonds payable	450,462	3,562,176		4,012,638
<b>Total</b>	<b>(Won) 454,242</b>	<b>(Won) 8,245,670</b>	<b>(Won) 17,164</b>	<b>(Won) 8,717,076</b>

	December 31, 2010			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Trade and other payables	(Won) 5,043	(Won) 3,334,071	(Won) 25,111	(Won) 3,334,071
Derivatives liabilities	5,043		25,111	30,154
Borrowings		1,272,056		1,272,056
Bonds payable	461,655	4,071,328		4,532,983
<b>Total</b>	<b>(Won) 466,698</b>	<b>(Won) 8,677,455</b>	<b>(Won) 25,111</b>	<b>(Won) 9,169,264</b>

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 the degree to which the fair value is observable.

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 March 31, 2011 are as follows (in millions of Korean won):

Type	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	(Won) 1,612,396	(Won) 16,776	(Won) 1,961	(Won) 18,737
Available- for-sale financial assets	1,612,396		446,000	2,058,396
Derivatives assets		201,988		201,988
Financial liabilities at FVTPL	450,462	3,780		454,242
Derivatives liabilities		17,164		17,164



**5. TRADE AND OTHER RECEIVABLES**

Details of short-term trade and other receivables as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Accounts receivable trade	(Won) 2,150,924	(Won) 2,198,050
Less allowance for doubtful accounts	(265,558)	(248,653)
Accounts receivable trade, net	1,885,366	1,949,397
Short-term loans	111,975	96,353
Less allowance for doubtful accounts	(1,600)	(1,429)
Short-term loans, net	110,375	94,924
Accounts receivable other	2,196,088	2,577,961
Less allowance for doubtful accounts	(48,463)	(46,114)
Accounts receivable other, net	2,147,625	2,531,847
Accrued income	51,196	29,578
Other	473	580
	(Won) 4,195,035	(Won) 4,606,326

Details of long-term trade and other receivables as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Long-term loans	(Won) 136,331	(Won) 115,509
Less allowance for doubtful accounts	(31,001)	(31,186)
Long-term loans, net	105,330	84,323
Long-term accounts receivable other	246,734	527,106
Guarantee deposits	249,186	250,333
Other	19,584	22,417
	(Won) 620,834	(Won) 884,179

Details of changes in allowance for doubtful accounts for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Beginning balance	(Won) 327,382	(Won) 320,680
Increase in allowance for doubtful accounts	20,934	21,652
Decrease in allowance for doubtful accounts	(1,305)	(247)
Other	(388)	1,049
Ending balance	(Won) 346,623	(Won) 343,134

**6. INVENTORIES**

Inventories as of March 31, 2011 and December 31, 2010 consist of the following (in millions of Korean won):

	March 31, 2011	December 31, 2010
Raw materials and Supplies	(Won) 6,020	(Won) 3,319
Work in process and Semi-finished goods	259	475
Finished goods and Merchandise	150,643	147,445
<b>Total</b>	<b>156,922</b>	<b>151,239</b>
Less allowance for valuation loss	(1,998)	(2,016)
<b>Net</b>	<b>(Won) 154,924</b>	<b>(Won) 149,223</b>

**7. INVESTMENT SECURITIES**

Details of investment securities as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
<b>Equity securities</b>				
Investments in listed company	(Won) 240	(Won) 1,475,328	(Won) 178,760	(Won) 1,230,381
Investments in non-listed company	240	78,187	15,051	75,227
Investments in funds and etc.		328,707		345,680
<b>Sub-total</b>	<b>240</b>	<b>1,882,222</b>	<b>193,811</b>	<b>1,651,288</b>
Debt Securities	2,000	53,642	2,004	29,294
Beneficiary certificates (Note)	137,068		204,716	
<b>Total</b>	<b>(Won) 139,308</b>	<b>(Won) 1,935,864</b>	<b>(Won) 400,531</b>	<b>(Won) 1,680,582</b>

(Note) The distributions arising from beneficiary certificates as of March 31, 2011, are accounted for as accrued income.

**8. INVESTMENTS IN ASSOCIATES**

Investments in associates accounted for using the equity method as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

	Number of shares	March 31, 2011 Ownership percentage (%)	Acquisition cost	Carrying amount	
				March 31, 2011	December 31, 2010
SK Marketing & Company Co., Ltd.	5,000,000	50.0	(Won) 190,000	(Won) 117,819	(Won) 117,905
SK China Company Ltd.	720,000	22.5	49,529	45,048	46,573
SK USA, Inc.	49	49.0	3,184	5,447	5,972
BMC Sector Limited Partnership IV	2,500	49.7	25,000	24,577	24,953
F&U Credit information Co., Ltd.	300,000	50.0	2,410	4,688	4,529
Korea IT Fund	190	63.3	190,000	233,790	226,633
JYP Entertainment Corporation	691,680	25.5	4,150	4,322	4,150
Konan Technology	78,550	29.5	13,456	4,209	4,410
Etoos Co., Ltd	701,000	15.6	18,993	13,569	14,339
BMC Digital Culture and Contents Venture Fund	100	39.8	10,000	8,622	8,925
Wave City Development Co., Ltd.	382,000	19.1	1,967	1,375	1,392
IBKC-bmc Cultural Contents Fund		25.0	2,500	2,302	2,292
Hanhwa No.2 Daisy Entertainment Investment Fund		20.0	2,000	1,458	2,008
BMC Movie Expert Fund	135	46.6	13,500	13,629	13,977
HanaSK Card Co., Ltd.	57,647,058	49.0	400,000	384,533	386,417
Daehan Kanggun BcN Co., Ltd.	1,461,486	29.0	7,307	7,264	7,264
Television Media Korea Ltd.	18,564,000	51.0	18,568	18,471	18,568
Candle Media Co., Ltd. (formerly PREGM Co., Ltd.)	10,066,884	27.1	24,334	18,899	19,313
NanoEnTek, Inc.	1,807,130	9.3	11,000	(Note a) 11,000	
UNISK(Beijing) Information Technology Co., Ltd.	49	49.0	3,475	4,753	4,714
PT. Melon Indonesia	4,900,000	49.0	6,492	6,238	6,210
Packet One Network	979,474	27.2	119,856	108,724	116,160
Mobile Money Ventures, LLC		50.0	15,501	2,900	3,206
SK Technology Innovation Company		49.0	28,146	24,013	25,052
LightSquared Inc.	3,387,916	3.3	72,096	66,415	72,096
BNCP Co., Ltd.	8,820,000	100.0	18,411	(Note b) 18,411	
SK Wyverns Baseball Club Co., Ltd. and other			123,991	64,388	67,634
Total			(Won) 1,375,866	(Won) 1,216,864	(Won) 1,204,692

(Note a) For the three months ended March 31, 2011, the Company acquired 1,807,130 shares of NanoEnTek, Inc. Though the Company only holds 9.3% ownership of NanoEnTek, Inc., as it has the ability to exercise significant influence on NanoEnTek, Inc., entity is considered an equity method investee.

(Note b) During the year ended December 31, 2010, Open Innovation Fund, the Company's subsidiary, acquired 100.0% equity interest of BNCP Co., Ltd.

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Details of changes in Investments in associates accounted for using the equity method for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	Beginning balance	Acquisition	Disposal	For the three months ended March 31, 2011			Ending balance
				Equity in earnings (losses)	Other comprehensive income	Other increase (decrease)	
SK Marketing & Company Co., Ltd.	(Won) 117,905	(Won)	(Won)	((Won) 86)	(Won)	(Won)	(Won) 117,819
SK China Company Ltd.	46,573			(215)	(1,310)		45,048
SK USA, Inc.	5,972			(376)	(149)		5,447
BMC Sector Limited Partnership IV	24,953			(159)	(217)		24,577
F&U Credit information Co., Ltd.	4,529			159			4,688
Korea IT Fund	226,633			6,013	1,144		233,790
JYP Entertainment Corporation	4,150			172			4,322
Konan Technology	4,410			(201)			4,209
Etoos Co., Ltd	14,339			(770)			13,569
BMC Digital Culture and Contents Venture Fund	8,925			(303)			8,622
Wave City Development Co., Ltd.	1,392			(17)			1,375
IBKC-bmc Cultural Contents Fund	2,292			10			2,302
Hanhwa No.2 Daisy Entertainment Investment Fund	2,008			(550)			1,458
BMC Movie Expert Fund	13,977			(348)			13,629
HanaSK Card Co., Ltd.	386,417			(2,037)	153		384,533
Daehan Kanggun BcN Co., Ltd.	7,264						7,264
Television Media Korea Ltd.	18,568			(97)			18,471
Candle Media Co., Ltd. (formerly PREGM Co., Ltd.)	19,313			(422)	8		18,899
NanoEnTek, Inc.		11,000					11,000
UNISK(Beijing) Information Technology Co., Ltd.	4,714			159	(120)		4,753
PT. Melon Indonesia	6,210			2	26		6,238
Packet One Network Mobile Money Ventures, LLC	116,160			(6,859)	(577)		108,724
SK Technology Innovation Company	3,206			(219)		(87)	2,900
LightSquared Inc.	25,052			(347)	(692)		24,013
BNCP Co., Ltd.	72,096			(4,528)	(1,153)		66,415
SK Wyverns Baseball Club Co.,		18,411					18,411
	67,634		(2,187)	139	(921)	(277)	64,388

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Ltd. and other

Total (Won) 1,204,692 (Won) 29,411 ((Won) 2,187) ((Won) 10,880) ((Won) 3,808) ((Won) 364) (Won) 1,216,864

(Note) As of March 31, 2011, share of profit(loss) of associates in the statements of income includes (Won)69 million of gain from disposal in associates, in addition to the above equity in earnings(losses).

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	For the three months ended March 31, 2010						Ending balance
	Beginning balance	Acquisition	Disposal	Equity in earnings (losses)	Other comprehensive income	Other increase (decrease)	
SK Marketing & Company Co., Ltd.	(Won) 112,531	(Won)	(Won)	((Won) 424)	((Won) 47)	(Won)	(Won) 112,060
SK China Company Ltd.	3,918						3,918
SK USA, Inc.	5,498						5,498
F&U Credit information Co., Ltd.	4,481			(86)			4,395
IHQ, Inc.	20,178			(1,239)	160		19,099
Korea IT Fund	220,957			(842)			220,115
Konan Technology	3,320						3,320
Hanaro Dream Incorporation	6,687		(6,687)				
BMC Digital Culture and Contents Venture Fund	9,824			(447)			9,377
Wave City Development Co., Ltd.	1,532						1,532
IBKC-bmc Cultural Contents Fund	2,398			(99)			2,299
Hanhwa No.2 Daisy Entertainment Investment Fund	2,102			(64)			2,038
BMC Movie Expert Fund	13,261			74			13,335
HanaSK Card Co., Ltd.		400,000		123			400,123
Daehan Kanggun BcN Co., Ltd.	7,272			(9)			7,263
Candle Media Co., Ltd. (formerly PREGM Co., Ltd.)	15,000						15,000
UNISK(Beijing) Information Technology Co., Ltd.	4,247						4,247
SK Industrial Development	18,009					(18,009)	
Skytel Co., Ltd.	14,958			794	199		15,951
Mobile Money Ventures, LLC	5,534			(825)		(165)	4,544
SK Wyverns Baseball Club Co., Ltd. and other	78,206		(160)	(982)	(108)	1,616	78,572
<b>Total</b>	<b>(Won) 549,913</b>	<b>(Won) 400,000</b>	<b>((Won) 6,847)</b>	<b>((Won) 4,026)</b>	<b>(Won) 204</b>	<b>((Won) 16,558)</b>	<b>(Won) 922,686</b>

(Note) As of March 31, 2010, share of profit(loss) of associates in the statements of income includes (Won)623 million of gain from disposal of associates, in addition to the above equity in earnings(losses).

**9. PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Land	(Won) 705,617	(Won) 707,970
Buildings and structures	2,000,347	1,988,759
Machinery	19,862,393	19,742,398
Other	1,477,378	1,414,837
Construction in progress	444,869	447,480
<b>Total</b>	<b>24,490,604</b>	<b>24,301,444</b>
Less accumulated depreciation	(16,458,069)	(16,146,012)
Accumulated impairment	(2,019)	(2,019)
<b>Property and equipment, net</b>	<b>(Won) 8,030,516</b>	<b>(Won) 8,153,413</b>

Details of changes in property and equipment for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

	For the three months ended March 31, 2011						Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation		
Land	(Won) 707,970	(Won)	((Won) 50)	((Won) 2,303)	(Won)	(Won) 705,617	
Buildings and structures	1,260,633	10,934	(20)	135	(20,008)	1,251,674	
Machinery	5,167,143	3,439	(2,578)	264,218	(416,640)	5,015,582	
Other	570,187	238,762	(717)	(171,056)	(24,402)	612,774	
Construction in progress	447,480	32,721		(35,332)		444,869	
<b>Total</b>	<b>(Won) 8,153,413</b>	<b>(Won) 285,856</b>	<b>((Won) 3,365)</b>	<b>(Won) 55,662</b>	<b>((Won) 461,050)</b>	<b>(Won) 8,030,516</b>	

	For the three months ended March 31, 2010						
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Impairment	Ending balance
Land	(Won) 706,599	(Won)	((Won) 6,657)	(Won) 776	(Won)	(Won)	(Won) 700,718
Buildings and structures	1,316,534	140	(1,147)	3,853	(21,284)		1,298,096
Machinery	5,211,662	10,970	(5,043)	44,550	(415,339)		4,846,800
Other	375,855	55,891	(893)	(20,641)	(22,105)	(44)	388,063
Construction in progress	417,027	31,178	(58)	(33,019)			415,128
<b>Total</b>	<b>(Won) 8,027,677</b>	<b>(Won) 98,179</b>	<b>((Won) 13,798)</b>	<b>((Won) 4,481)</b>	<b>((Won) 458,728)</b>	<b>((Won) 44)</b>	<b>(Won) 7,648,805</b>

**10. INVESTMENT PROPERTY**

Investment property as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Land	(Won) 30,977	(Won) 29,179
Buildings	182,856	183,406
<b>Total</b>	<b>213,833</b>	<b>212,585</b>
Less accumulated depreciation	(16,967)	(15,278)
<b>Investment property, net</b>	<b>(Won) 196,866</b>	<b>(Won) 197,307</b>

Details of changes in investment property for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

	Beginning balance	For the three months ended March 31, 2011				Ending balance
		Acquisition	Disposal	Transfer	Depreciation	
Land	(Won) 29,179	(Won)	(Won)	(Won) 1,798	(Won)	(Won) 30,977
Buildings	168,128			272	(2,511)	165,889
<b>Total</b>	<b>(Won) 197,307</b>	<b>(Won)</b>	<b>(Won)</b>	<b>(Won) 2,070</b>	<b>((Won) 2,511)</b>	<b>(Won) 196,866</b>

	Beginning balance	For the three months ended March 31, 2010				Ending balance
		Acquisition	Disposal	Transfer	Depreciation	
Land	(Won) 23,602	(Won)	(Won)	((Won) 776)	(Won)	(Won) 22,826
Buildings	189,140			(8,383)	(1,240)	179,517
<b>Total</b>	<b>(Won) 212,742</b>	<b>(Won)</b>	<b>(Won)</b>	<b>((Won) 9,159)</b>	<b>((Won) 1,240)</b>	<b>(Won) 202,343</b>

Details of fair value of investment property as of March 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

	March 31, 2011	December 31, 2010
Land	(Won) 40,540	(Won) 39,082
Buildings	174,322	176,465
	<b>(Won) 214,862</b>	<b>(Won) 215,547</b>

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



## 11. GOODWILL

Details of goodwill as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Goodwill related to acquisition of Shinsegi Telecomm, Inc	(Won) 1,306,236	(Won) 1,306,236
Goodwill related to acquisition of SK Broadband Co., Ltd.	358,443	358,443
Other goodwills	80,975	80,975
Net foreign exchange differences	(9,097)	(9,005)
	(Won) 1,736,557	(Won) 1,736,649

## 12. INTANGIBLE ASSETS

Details of changes in intangible assets for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

	Beginning balance	For the three months ended March 31, 2011					Ending balance
		Acquisition	Disposal	Transfer	Amortization	Impairment	
Frequency use rights	(Won) 709,043	(Won)	(Won)	((Won) 469)	((Won) 33,211)	(Won)	(Won) 675,363
Land use right	17,551	262			(1,315)		16,498
Industrial right	60,740	338		323	(914)		60,487
Software development costs	26,470	594	(510)		(2,275)		24,279
Customer relationships	226,940	38			(23,073)		203,905
Membership	111,736	1,851	(39)				113,548
Other	732,476	13,957	(37)	41,696	(85,726)	(939)	701,427
Total	(Won) 1,884,956	(Won) 17,040	((Won) 586)	(Won) 41,550	((Won) 146,514)	((Won) 939)	(Won) 1,795,507

	Beginning balance	For the three months ended March 31, 2010					Ending balance
		Acquisition	Disposal	Transfer	Amortization	Impairment	
Frequency use rights	(Won) 727,239	(Won)	(Won)	(Won)	((Won) 29,132)	(Won)	(Won) 698,107
Land use right	12,534	1,293			(890)		12,937
Industrial right	60,918	252			(1,054)		60,116
Software development costs	35,714	1,865			(2,602)		34,977
Customer relationships	317,670	549	(71)		(22,984)		295,164
Membership	107,495	18	(37)				107,476
Other	742,648	25,286	(23)	34,636	(88,634)		713,913
Total	(Won) 2,004,218	(Won) 29,263	((Won) 131)	(Won) 34,636	((Won) 145,296)	(Won)	(Won) 1,922,690



The book value and residual useful lives of major intangible assets as of March 31, 2011 are as follows (in millions of Korean won):

	Amount	Description	Residual useful lives
IMT license	(Won) 557,429	Frequency use rights relating to W-CDMA service	(note a)
W-CDMA license	93,788	Frequency use rights relating to W-CDMA service	(note b)
WiBro license	20,419	WiBro service	(note c)
DMB license	3,727	DMB service	5 years and 3 months
Customer relationships	202,646	Customer relationships related to acquisition of SK Broadband Co., Ltd.	2 years and 6 months

(note a) The Company purchased the W-CDMA license from KCC on December 3, 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 on 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 a WiBro license from KCC on March 30, 2005. The license period is for 7 years from the purchase date. Amortization of the WiBro license commenced when the Company started its commercial WiBro services on June 30, 2006, under a straight line basis over the remaining useful life.

**13. BORROWINGS AND BONDS PAYABLE**

## a. Short-term borrowings

Short-term borrowings as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	Lender	rate (%)	March 31, 2011	December 31, 2010
Short-term borrowing	Hana Bank, etc.	4.05 ~ 6.87	(Won) 390,955	(Won) 328,710
CP	Shinhan Bank, etc.	3.05	290,000	195,000
<b>Total</b>			<b>(Won) 680,955</b>	<b>(Won) 523,710</b>

## b. Long-term borrowings

Long-term borrowings as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars, thousands of Chinese yuan and thousands of Japanese yen):

Lender	Maturity	Annual interest rate (%) (note a)	March 31, 2011	December 31, 2010
Korea Development Bank	2011	91 days CD yield + 1.02	(Won) 100,000	(Won) 100,000
Citibank	2011	91 days CD yield + 1.20	(Won) 100,000	(Won) 100,000
Nonghyup	2011	91 days CD yield + 1.30	(Won) 100,000	(Won) 100,000
Hana Bank	2011	91 days CD yield + 1.50	(Won) 150,000	(Won) 150,000
Nonghyup	2011	91 days CD yield + 1.50	(Won) 50,000	(Won) 50,000
Korea Development Bank	2011	3.22	(Won) 1,625	(Won) 3,251
Kookmin Bank	2012	3.88	(Won) 4,942	(Won) 5,930
Korea Development Bank	2013	3.88	(Won) 7,933	(Won) 8,814
Korea Development Bank	2014	3.88	(Won) 9,885	(Won) 9,885
Shinhan Bank	2015	3.88	(Won) 10,273	(Won) 10,273
Credit Agricole	2013	6M Libor + 0.29	US\$ 30,000	US\$ 30,000
Bank of China			US\$ 20,000	US\$ 20,000
DBS Bank			US\$ 25,000	US\$ 25,000
SMBC			US\$ 25,000	US\$ 25,000
China Merchants Bank	2018	5.35	CNY 360,000	CNY 360,000
Korea Exchange Bank	2015	5.18 ~ 5.44	CNY 200,000	CNY 200,000
Hana Bank HK	2014	3.51	US\$ 10,000	US\$
<b>Total</b>			<b>(Won) 534,658</b>	<b>(Won) 538,153</b>
			<b>US\$ 110,000</b>	<b>US\$ 100,000</b>
			<b>CNY 560,000</b>	<b>CNY 560,000</b>
Equivalent in Korean won			(Won) 751,019	(Won) 748,345
Less portion due within one year			(511,576)	(512,377)
<b>Long-term portion</b>			<b>(Won) 239,443</b>	<b>(Won) 235,968</b>

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(note a) As of March 31, 2011, the 91-day CD yield rate is 3.39% and the 6-month Libor rate is 0.46%

c. Bonds payable

Bonds payable as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars and thousands of Japanese yen):

	Maturity	Annual Interest rate (%)	March 31, 2011	December 31, 2010
Domestic general bonds	2011	3.0	(Won) 200,000	(Won) 200,000
	2013	4.0~6.92	450,000	450,000
	2014	5.0	200,000	200,000
	2015	5.0	200,000	200,000
	2016	5.0~5.92	470,000	470,000
	2018	5.0	200,000	200,000
Unsecured public bonds (note c)	2011	9.08	25,000	25,000
(note b)	2014	4.86	50,000	
Debentures (note d)	2011	6.65~9.20	140,000	315,718
(note d)	2013	3.99	150,000	150,000
Dollar denominated bonds (US\$300,000)	2011	4.25		341,670
Dollar denominated bonds (US\$500,000) (note e)	2012	7.0	559,578	596,951
Dollar denominated bonds (US\$400,000)	2027	6.63	442,880	455,560
Yen denominated bonds (JPY 15,500,000) (note a)	2012	3 M Euro Yen LIBOR+0.55~2.5	206,443	216,547
Yen denominated bonds (JPY 5,000,000) (note a)		3 M Euro Yen		
	2012	TIBOR+2.5	66,595	69,854
Floating rate notes (US\$ 220,000) (note a)	2012	3 M LIBOR+3.15	243,584	250,558
Convertible bonds (US\$ 332,528) (note f)	2014	1.75	450,462	461,655
Sub total			4,054,542	4,603,513
Less discounts on bonds			(41,904)	(70,530)
Net			4,012,638	4,532,983
Less portion due within one year			(1,021,942)	(874,437)
Long-term portion			(Won) 2,990,696	(Won) 3,658,546

(note a) The 3-months Euro Yen LIBOR rate, the 3-months Euro Yen TIBOR rate and the 3-month LIBOR rate as of March 31, 2011 are 0.20%, 0.34% and 0.30%, respectively.

(note b) SK Telink Co., Ltd, a subsidiary of the Company, issued unsecured public bonds.

(note c) In accordance with the covenant provision of related borrowings, SK Telink Co., Ltd, a subsidiary of the Company, is required to maintain its debt ratio lower than 1,000 percent until completion of the principal repayment obligation. If the subsidiary of the Company does not comply with the covenant provision until completion of the principal repayment, the Company may be required to perform an immediate redemption through written notification by the bondholders committee's resolution.

(note d) According to the covenant provision of the related borrowings, SK Broadband Co., Ltd., a subsidiary of the Company, is required to maintain its debt ratio lower than 1,000 percent and it cannot dispose of its property and equipment more than twenty times of its net assets in any given fiscal year.

- (note e) According to the covenants of foreign currency debentures, when a private person or other corporation except for AIG-Newbridge-TVG Consortium acquires more than 45% of ownership of SK Broadband Co., Ltd., a subsidiary of the Company, and its credit rating on global bond (US\$ 500,000 thousand) is downgraded by S&P or Moody's, SK Broadband Co., Ltd. is required to offer a buy-back of all foreign currency debentures at the price of 101% of the principal. If the Company does not comply with the covenant, it may be required to perform an immediate redemption.
- (note f) On April 7, 2009, the Company issued convertible bonds with a maturity of five years in the principal amount of US\$332,528,000 for US\$326,397,463 with conversion price of (Won)230,010 per share of the Company's common stock, which was greater than market value at the date of issuance. The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The conversion right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be converted as of March 31, 2011 is 2,177,389 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, the conversion price has changed from (Won)220,000 to (Won)211,271 and the number of common shares that can be converted changed from 2,090,996 shares to 2,177,389 shares due to the payment of periodic dividends. During the three months ended March 31, 2011, no conversion was made.

**14. PROVISION**

Details of change in the provisions for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	Beginning balance	For the three months ended March 31, 2011		Ending balance	As of March 31, 2011	
		Increase	Decrease		Current	Non-current
Provision for handset subsidy	(Won) 732,042	(Won) 200,315	((Won) 213,463)	(Won) 718,894	(Won) 633,447	(Won) 85,447
Provision for point program	353		(184)	169	82	87
Provision for restoration	32,522	832		33,354		33,354
Provision for warranty	140		(3)	137		137
Provision for sales return	48		(17)	31	31	
Other provisions	11	1	(2)	10	10	
<b>Total</b>	<b>(Won) 765,116</b>	<b>(Won) 201,148</b>	<b>((Won) 213,669)</b>	<b>(Won) 752,595</b>	<b>(Won) 633,570</b>	<b>(Won) 119,025</b>

	Beginning balance	For the three months ended March 31, 2010		Ending balance	As of March 31, 2010	
		Increase	Decrease		Current	Non-current
Provision for handset subsidy	(Won) 609,733	(Won) 325,829	((Won) 174,660)	(Won) 760,902	(Won) 632,508	(Won) 128,394
Provision for point program	894		(75)	819	250	569
Provision for restoration	26,473	1,403	(14)	27,862		27,862
Provision for warranty	93	9	(3)	99		99
Provision for sales return	40	12		52	52	
Other provisions	22		(3)	19	19	
<b>Total</b>	<b>(Won) 637,255</b>	<b>(Won) 327,253</b>	<b>((Won) 174,755)</b>	<b>(Won) 789,753</b>	<b>(Won) 632,829</b>	<b>(Won) 156,924</b>

The Company, for its marketing purposes, grants Point Box Mileage to its subscribers based on their usage of the Company's services. Points provision is provided based on the historical usage experience and the Company's marketing policy. Also, the Company provides provision for handset subsidies to be provided to the subscribers who purchase handsets on an installment basis. Such provision is recorded as accrued expenses or other non-current liabilities in accordance with the expected points usage and subsidies payment duration since the period end date.



**15. RETIREMENT BENEFIT OBLIGATION**

- a. Details of retirement benefit obligation as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Present value of defined benefit obligation	(Won) 172,838	(Won) 160,363
Fair value of plan assets	(89,791)	(92,493)
<b>Total</b>	<b>(Won) 83,047</b>	<b>(Won) 67,870</b>

- b. Principal actuarial assumptions as of March 31, 2011 and December 31, 2010 are as follows:

	March 31, 2011	December 31, 2010
Discount rate for defined benefit obligations	3.89 ~ 6.64%	5.41 ~ 6.30%
Inflation rate	3.00%	3.00%
Expected rate of return on plan assets	4.00 ~ 5.49%	4.00 ~ 5.64%
Expected rate of salary increase	5.00 ~ 8.15%	4.36 ~ 8.42%

- c. Changes in defined benefit obligations for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Beginning balance	(Won) 160,363	(Won) 127,255
Current service cost	15,688	12,197
Interest cost	2,133	1,871
Actuarial gain or loss	3,248	875
Benefit paid	(9,301)	(7,115)
Others	707	1,522
<b>Ending balance</b>	<b>(Won) 172,838</b>	<b>(Won) 136,605</b>

- d. Changes in plan assets for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Beginning balance	(Won) 92,493	(Won) 73,596
Expected return on plan assets	1,056	808
Actuarial gain or loss	(323)	(385)
Contributions by employer directly to plan assets		2
Benefit payment	(3,386)	(3,174)
Others	(49)	383
Ending balance	(Won) 89,791	(Won) 71,230

- e. Expenses recognized in profit and loss for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Current service cost	(Won) 15,688	(Won) 12,197
Interest cost	2,133	1,871
Expected return on plan assets	(1,056)	(808)
Total	(Won) 16,765	(Won) 13,260

- f. Details of plan assets as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Equity instruments	(Won) 24,956	(Won) 26,247
Debt instruments	50,352	51,489
Others	14,483	14,757
Total	(Won) 89,791	(Won) 92,493

Actual return on plan assets for the three months ended March 31, 2011 and 2010 is (Won)733 million and (Won)422 million, respectively.

**16. SHARE CAPITAL AND SHARE PREMIUM**

The Company's outstanding share capital consists entirely of common stock with a par value of (Won)500. The number of authorized, issued and outstanding common shares and share premium as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

	March 31, 2011	December 31, 2010
Authorized shares	220,000,000	220,000,000
Issued shares (Note)	80,745,711	80,745,711
<b>Share capital</b>		
Common stock	(Won) 44,639	(Won) 44,639
<b>Share premium:</b>		
Paid-in surplus	(Won) 2,915,887	(Won) 2,915,887
Treasury stock	(2,202,439)	(2,202,439)
Loss on disposal of treasury stock	(15,875)	(15,875)
Others	(770,075)	(776,526)
 Sub-total	 (Won) 72,502	 (Won) 78,953

There are no changes in share capital for the three months ended March 31, 2011 and for the year ended December 31, 2010.

(Note) During the year 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 decreased without change in the share capital.

**17. TREASURY STOCK**

Through 2008, the Company acquired 8,707,696 shares of treasury stock in the open market for (Won)2,055,620 million for providing stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co., Ltd., increase shareholder values, and to be able to stabilize its stock prices when needed.

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

On December 15, 2009, the Company acquired 4 shares of treasury stock for (Won)7 million by acquisition request of odd lot stock, due to the merger with Shinsegi Telecom, Inc. While from July 26, 2010 through October 20, 2010, the Company additionally acquired 1,250,000 shares of treasury stock for (Won)210,356 million, in accordance with a resolution of the Board of Directors on July 22, 2010.

As a result of aforementioned treasury stock transactions, as of March 31, 2011 and December 31, 2010, the Company has 9,650,712 shares of treasury stock, at (Won)2,202,439 million.

**18. RETAINED EARNINGS**

Retained earnings as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
<b>Appropriated:</b>		
Legal reserve	(Won) 22,320	(Won) 22,320
Reserve for research and manpower development	535,595	658,928
Reserve for business expansion	8,009,138	7,519,138
Reserve for technology development	1,524,000	1,150,000
Sub-total	10,091,053	9,350,386
Unappropriated	571,723	1,370,863
Total	(Won) 10,662,776	(Won) 10,721,249

a. Legal Reserve

The Korean Commercial Code requires the Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period, until the reserve equals 50% of outstanding 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.

b. Reserve for Business Expansion and Technology Development

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

**19. RESERVES**

Details of reserves as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Net change in fair value of available-for-sale financial assets	(Won) 708,303	(Won) 793,645
Share of other comprehensive income of associates	(95,853)	(91,413)
Loss on valuation of derivatives	(18,218)	(56,862)
Foreign currency translations of foreign operations	(11,993)	(2,314)
<b>Total</b>	<b>(Won) 582,239</b>	<b>(Won) 643,056</b>

Details of change in reserves for the three months ended March 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, 2011	(Won) 793,645	((Won) 91,413)	((Won) 56,862)	((Won) 2,314)	(Won) 643,056
Changes	(112,722)	(3,810)	50,221	(9,679)	(75,990)
Tax effect	27,380	(630)	(11,577)		15,173
Balance, March 31, 2011	(Won) 708,303	((Won) 95,853)	((Won) 18,218)	((Won) 11,993)	(Won) 582,239
Balance, January 1, 2010	(Won) 998,526	((Won) 91,244)	(Won) 12,553	(Won)	(Won) 919,835
Changes	(178,535)	204	(5,818)	(12,495)	(196,644)
Tax effect	37,532		795		38,327
Balance, March 31, 2010	(Won) 857,523	((Won) 91,040)	(Won) 7,530	((Won) 12,495)	(Won) 761,518

**20. OTHER OPERATING INCOME AND EXPENSES**

Details of other operating income and expenses for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
<b>Other operating income:</b>		
Reversal of allowance for doubtful accounts (Note)	(Won) 1,305	(Won) 247
Recovery of impairment losses on other investments (Note)		10
Gain on disposal of property and equipment and intangible assets (Note)	1,102	6,801
Other (Note)	5,442	8,455
	(Won) 7,849	(Won) 15,513
<b>Other operating expenses:</b>		
Communication expenses	(Won) 13,382	(Won) 15,153
Utilities	39,220	37,758
Taxes and dues	10,983	8,471
Repair	64,397	50,039
Research and development	59,365	61,819
Training	5,121	3,997
Bad debt	17,218	21,056
Supplies and other	27,606	23,749
Loss on disposal and impairment of property and equipment (Note)	2,010	4,618
Loss on disposal of investment assets (Note)	149	
Loss on disposal of intangible assets (Note)	939	6
Donations (Note)	23,981	43,262
Other bad debt (Note)	3,715	596
Other (Note)	4,015	5,367
	(Won) 272,101	(Won) 275,891

(Note) Under previous GAAP (Korean GAAP), these were classified as other non-operating income and expenses. While, under K-IFRS, these are classified as other operating income and expenses.

**21. FINANCE INCOME AND COSTS**

Details of finance income and costs for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
<b>Finance income:</b>		
Interest income	(Won) 48,647	(Won) 62,346
Dividends	20,675	20,188
Foreign exchange and translation gain	25,613	43,626
Gain on valuation of financial assets at FVTPL	2,776	
Gain on disposal of investment assets	158,674	
Reversal of loss on impairment of investment assets	10	43
Gain on valuation of derivatives	1,263	
Gain on valuation of financial liability at FVTPL	11,193	
<b>Total</b>	<b>(Won) 268,851</b>	<b>(Won) 126,203</b>
<b>Finance costs:</b>		
Interest expenses	(Won) 80,944	(Won) 100,861
Loss on valuation of short-term trading securities		3,439
Foreign exchange and translation loss	3,704	3,046
Loss on disposal of investment assets		1
Loss on transactions and valuation of derivatives	18,829	38,201
Loss on disposal of accounts receivable		5
Loss on valuation of financial liability at FVTPL		1,849
<b>Total</b>	<b>(Won) 103,477</b>	<b>(Won) 147,402</b>

Details of interest income included in finance income for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Interest income on cash equivalents and deposits	(Won) 13,499	(Won) 11,492
Interest income on installment receivables and other interest income	35,148	50,854
<b>Total</b>	<b>(Won) 48,647</b>	<b>(Won) 62,346</b>

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Details of interest expenses included in finance costs for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Interest expense on bank overdrafts and borrowings	(Won) 18,217	(Won) 21,110
Interest expense on lease obligations	1,343	2,576
Interest on bonds	54,091	69,133
Other interest expenses	7,293	8,042
<b>Total</b>	<b>(Won) 80,944</b>	<b>(Won) 100,861</b>

**22. NET INCOME PER SHARE**

Net income per share for the three months ended March 31, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

*Net income per share*

	For the three months ended	
	March 31, 2011	March 31, 2010
Net income attributable to the owners of the Company	(Won) 542,534	(Won) 375,587
Weighted average number of common shares outstanding	71,094,999	72,344,999
<b>Net income per share (in Korean won)</b>	<b>(Won) 7,631</b>	<b>(Won) 5,192</b>

The weighted average number of common shares outstanding for the three months ended March 31, 2011 and 2010 are calculated as follows:

	Number of shares	Weighted number of days	Weighted number of shares
<b>For the three months ended March 31, 2011:</b>			
Number of shares at January 1, 2011	80,745,711	90/90	80,745,711
Treasury stock, at the beginning of the year	(9,650,712)	90/90	(9,650,712)
Number of shares at March 31, 2011	71,094,999		71,094,999
<b>For the three months ended March 31, 2010:</b>			
Number of shares at January 1, 2010	80,745,711	90/90	80,745,711
Treasury stock, at the beginning of the year	(8,400,712)	90/90	(8,400,712)
Number of shares at March 31, 2010	72,344,999		72,344,999





Diluted net income per share amounts for the three months ended March 31, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

*Diluted net income per share*

	For the three months ended	
	March 31, 2011	March 31, 2010
Adjusted net income attributable to the owners of the Company	(Won) 543,527	(Won) 377,022
Adjusted weighted average number of common shares outstanding	73,272,388	74,423,054
Diluted net income per share	(Won) 7,418	(Won) 5,066

Adjusted net income per share and the adjusted weighted average number of common shares outstanding for the three months ended March 31, 2011 and 2010 are calculated as follows (In millions of Korean won, except for share data):

	For the three months ended	
	March 31, 2011	March 31, 2010
Net income	(Won) 542,534	(Won) 375,587
Effect of convertible bonds (Note)	993	1,435
Adjusted net income	(Won) 543,527	(Won) 377,022
Weighted average number of common shares outstanding	71,094,999	72,344,999
Effect of convertible bonds (Note)	2,177,389	2,078,055
Adjusted weighted average number of common shares outstanding	73,272,388	74,423,054

(Note) The effect of convertible bonds increased net income related to interest expenses that would not be incurred, and increased the weighted average number of common shares outstanding related to common shares that would be issued, assuming that the conversion of convertible bonds had occurred at the beginning of the period.

**23. SEGMENT INFORMATION**

The Company has two operating segments; cellular telephone communication services, fixed-line telecommunication services and any other businesses which could not be identified as either segment, were grouped into other. Cellular telephone communication services include cellular voice service, wireless data service and wireless internet services. Fixed-line telecommunication services include telephone services, internet services, and leased line services. Lastly, the Company's Internet portal services and game manufacturing and others are grouped under other.

Details of the two segments and other for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

## For the three months ended March 31, 2011

	Cellular telephone telecommunication service	Fixed-line Telecommunication service	Other	Sub-total	Internal transaction adjustments	Consolidated amount
Total sales	(Won) 3,449,197	(Won) 666,566	(Won) 138,319	(Won) 4,254,082	((Won) 345,221)	(Won) 3,908,861
Internal sales	198,386	123,403	23,432	345,221	(345,221)	
External sales	3,250,811	543,163	114,887	3,908,861		3,908,861
Operating income	595,235	7,245	11,858	614,338		614,338
Net income(loss)	543,052	(12,387)	6,603	537,268		537,268
Total assets	19,966,955	3,529,803	1,495,884	24,992,642	(2,055,423)	22,937,219
Total liabilities	8,250,779	2,246,844	327,592	10,825,215	(175,013)	10,650,202

## For the three months ended March 31, 2010

	Cellular telephone telecommunication service	Fixed-line Telecommunication service	Other	Sub-total	internal transaction adjustments	Consolidated amount
Total sales	(Won) 3,224,789	(Won) 619,042	(Won) 151,456	(Won) 3,995,287	((Won) 230,841)	(Won) 3,764,446
Internal sales	114,540	68,041	48,260	230,841	(230,841)	
External sales	3,110,249	551,001	103,196	3,764,446		3,764,446
Operating income(loss)	512,084	(46,060)	10,180	476,204		476,204
Net income(loss)	399,182	(63,826)	7,935	343,291		343,291
Total assets	20,048,004	3,424,415	1,612,501	25,084,920	(1,764,217)	23,320,703
Total liabilities	9,471,850	2,088,193	520,620	12,080,663	(174,409)	11,906,254

**24. TRANSACTIONS WITH RELATED PARTIES**

Significant related party transactions for the three months ended March 31, 2011 and 2010, and account balances as of March 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

**a. Transactions**

	For three months ended March 31, 2011			For three months ended March 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
<b>Ultimate parent company:</b>						
SK C&C Co., Ltd.	(Won) 26,005	(Won) 68,397	(Won) 4,009	(Won) 9,125	(Won) 67,019	(Won) 2,930
<b>Parent Company:</b>						
SK Holdings Co., Ltd.		7,432	78		7,049	160
<b>Associates:</b>						
SK Marketing & Company Co., Ltd.	8	30,411	2,347	15	25,563	1,773
F&U Credit Information Co., Ltd.		10,139	420			
SK Wyverns Baseball Club Co., Ltd.		9,794	13		6,500	23
HanaSK Card Co., Ltd.	2	44,313	17,873			
Others		5,371	228		2,257	263
<b>Others:</b>						
SK innovation Co., Ltd.		208	825		221	995
SK MNS Co., Ltd.	2	2,813	6		2,487	111
SK Engineering & Construction Co., Ltd.	9,792	5,673	1,569	154		3,395
SKC Co., Ltd.			352			200
SK Telesys Co., Ltd.	17,236	6,413	37,315	18,397	7,967	605
SK Mobile energy Co., Ltd.	271		2			8
SK Networks Co., Ltd.	178	280,025	4,409	18	265,182	5,003
MRO Korea Co., Ltd.	235	932	10	1,662	885	13
SK Networks Service Co., Ltd.		11,061	130		7,018	99
SK Pinx Co., Ltd.		465	4			
SK Shipping Co., Ltd.			831			1,285
Others		23,122	806		856	1,125
<b>Total</b>	<b>(Won) 53,729</b>	<b>(Won) 506,569</b>	<b>(Won) 71,227</b>	<b>(Won) 29,371</b>	<b>(Won) 393,004</b>	<b>(Won) 17,988</b>

**b. Account balances**

	As of March 31, 2011			
	Accounts receivable	Guarantee deposits	Accounts payable	Guarantee deposits received
<b>Ultimate parent company:</b>				
SK C&C Co., Ltd.	(Won) 599	(Won)	(Won) 37,032	(Won) 3,585
<b>Parent Company:</b>				
SK Holdings Co., Ltd.	68			
<b>Associates:</b>				
SK Marketing & Company Co., Ltd.	8,242		19,852	10
F&U Credit Information Co., Ltd.	38		3,652	
Wave City Development Co., Ltd.	38,412			
HanaSK Card Co., Ltd.	6,524		487	
Daehan Kanggun BcN Co., Ltd.	30,224			
Others	2,415		468	210
<b>Others:</b>				
SK innovation Co., Ltd.	742	103	44	145
SK MNS Co., Ltd.	751		3,511	
SK Engineering & Construction Co., Ltd.	2,076		33,766	82
SKC Co., Ltd.	163		6	
SK Telesys Co., Ltd.	4,811		27,254	
SK Mobile energy Co., Ltd.	1		140	
SK Networks Co., Ltd.	8,354	5,513	133,826	662
MRO Korea Co., Ltd.	3		497	
SK Networks Service Co., Ltd.	48		1,538	
SK Pinx Co., Ltd.			57	
SK Shipping Co., Ltd.	327			
Others	248		223	208
<b>Total</b>	<b>(Won) 104,046</b>	<b>(Won) 5,616</b>	<b>(Won) 262,353</b>	<b>(Won) 4,902</b>

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	As of December 31, 2010			
	Accounts receivable	Guarantee deposits	Accounts payable	Guarantee deposits received
<b>Ultimate parent company:</b>				
SK C&C Co., Ltd.	(Won) 935	(Won)	(Won) 203,031	(Won) 3,585
<b>Parent Company:</b>				
SK Holdings Co., Ltd.	480		1,595	
<b>Associates:</b>				
SK Marketing & Company Co., Ltd.	3,382		32,304	
Wave City Development Co., Ltd.	38,412			
HanaSK Card Co., Ltd.	8,478		19,948	
Others	2,415		1,826	
<b>Others:</b>				
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
<b>Total</b>	<b>(Won) 77,954</b>	<b>(Won) 5,609</b>	<b>(Won) 484,991</b>	<b>(Won) 4,637</b>

**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 three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

Payee	For the three months ended March 31, 2011			For the three months ended March 31, 2010		
	Payroll	Severance indemnities	Total	Payroll	Severance indemnities	Total
Eight (8) Registered directors (including outside directors)	(Won) 7,156	(Won) 517	(Won) 7,673	(Won) 1,964	(Won) 375	(Won) 2,339

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**25. COMMITMENTS AND CONTINGENCIES**

- a. SK Broadband Co., Ltd.'s Board of Directors resolved to provide its time deposits up to (Won)20,000 million as collateral for members of the Employee Stock Purchase Association (ESPA) in order for employees to contribute money to the ESPA, which will be used to purchase the shares of SK Broadband Co., Ltd. in the market. In accordance with such the resolution, SK Broadband Co., Ltd. has pledged its time deposits of (Won)6,000 million as of March 31, 2011.
- b. Broadband Media Co., Ltd., a subsidiary of the Company, has provided to a note amounting to (Won)50,000 million as collateral for the Company's short-term borrowings with Hana Bank.
- c. As of March 31, 2011, customers of SK Broadband Co., Ltd. have filed a lawsuit in the amount of (Won)24,113 million against SK Broadband Co., Ltd. for alleged violation of customers' privacy. The ultimate outcome of these lawsuits cannot be presently determined.

**26. 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 March 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 (Won)3,186 million (net of tax effect totaling (Won)457 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling (Won)15,920 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 March 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 (Won)1,823 million (net of tax effect totaling (Won)1,013 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling (Won)62,443 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 March 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 (Won)2,413 million (net of tax effect totaling (Won)681 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)6,172 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 March 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 (Won)1,101 million (net of tax effect totaling (Won)311 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)12,013 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and other five banks to hedge the foreign currency risk of unguaranteed U.S. dollar 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 March 31, 2011, in connection with un settle foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)27,259 million (excluding tax effect totaling (Won)7,689 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling (Won)14,398 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 (Won)129,806 million was charged to current operations.

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 March 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 (Won)8,618 million (excluding foreign exchange translation loss arising from U.S. dollar denominated bonds totaling (Won)84,235 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 (Won)46,856 million was charged to current operations.

b. Interest rate swap contract under cash flow hedge accounting

The Company has entered into a floating-to-fixed interest rate swap contract with Nonghyup Bank and two other banks to hedge the interest rate risk of long-term floating rate borrowings with face amounts totaling (Won)500,000 million borrowed on July 28, 2008 between August 12, 2011. As of March 31, 2011, in connection with unsettled interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)2,642 million (net of tax effect totaling (Won)843 million) is accounted for as accumulated other comprehensive loss.

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

The Company has entered into a floating-to-fixed interest rate swap contract with DBS and Calyon Bank the interest rate risk of floating rate U.S. dollar denominated bonds with face amounts totaling US\$220,000,000 issued on April 29, 2009. In connection with unsettled interest rate swap contract to which the hedge accounting is not applied, gain on valuation of currency swap of (Won)1,263 million and loss on valuation of interest swap of (Won)1,642 million, respectively, for the three months ended March 31, 2011 and 2010, respectively, are charged to current operations.

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, no gain (or loss) are incurred for the three months ended March 31, 2011.



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As of March 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, Japanese yen and millions of Korean won):

Type	Hedged item	Amount	Duration of Contract	Designated as Cash Flow Hedge	Fair value Not Designated	Total
<b>Current assets:</b>						
Fix-to-fixed cross currency swap			Feb. 1, 2005			
	U.S. dollar denominated bonds	US\$ 500,000	~ Feb. 1, 2012	(Won) 45,997	(Won)	(Won) 45,997
<b>Non-current assets:</b>						
Floating-to-fixed cross currency swap			Oct. 10, 2006			
	U.S. dollar denominated long-term borrowings	US\$ 100,000	~ Oct. 10, 2013	12,277		12,277
Fix-to-fixed cross currency swap			Jul. 20, 2007			
	U.S. dollar denominated bonds	US\$ 400,000	~ Jul. 20, 2027	80,461		80,461
Floating-to-fixed cross currency swap			Nov. 13, 2007			
	Japanese yen denominated bonds	JPY 12,500,000	~ Nov. 13, 2012	63,253		63,253
Convertible Option			Sep. 1, 2009			
	Convertible bonds securities	US\$ 500,000	~ Aug. 31, 2014		1,961	1,961
<b>Total assets</b>				(Won) 201,988	(Won) 1,961	(Won) 203,949
<b>Current liabilities:</b>						
Floating-to-fixed cross currency interest swap			Jan. 22, 2009			
	Japanese yen denominated bonds	JPY 3,000,000	~ Jan. 22, 2012	(Won) 3,078	(Won)	(Won) 3,078
Floating-to-fixed cross currency interest swap			Mar. 05, 2009			
	Japanese yen denominated bonds	JPY 5,000,000	~ Mar. 5, 2012	10,601		10,601
Floating-to-fixed Interest rate swap			Jul. 28, 2008			
	Long-term borrowings	(Won) 500,000	~ Aug. 12, 2011	3,485		3,485
<b>Non-current liabilities</b>						
Floating-to-fixed Interest rate swap			Apr. 29, 2009			
	U.S. dollar denominated bonds	US\$ 220,000	~ Apr.29, 2012		3,780	3,780
<b>Total liabilities</b>				(Won) 17,164	(Won) 3,780	(Won) 20,944

**27. CONSOLIDATED STATEMENTS OF CASH FLOWS**

Adjustments for income and expenses from operating activities for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Interest income	((Won) 48,647)	((Won) 62,346)
Dividend income	(20,675)	(20,188)
Gain on foreign exchange translation	(24,241)	(42,094)
Gain on valuation of financial assets at FVTPL	(2,776)	
Gain on disposal of long term investments assets	(158,674)	
Reversal of impairment loss on long term investments assets	(10)	(43)
Gain on valuation of derivatives	(1,263)	
Equity in earnings of investments in affiliates	(6,872)	(1,614)
Gain on disposal of property, equipment and intangible assets	(1,102)	(6,801)
Reversal of allowance for doubtful accounts	(1,305)	(247)
Other income	(13,435)	(1,725)
Interest expenses	80,944	100,861
Loss on valuation of short-term investment securities		3,439
Loss on foreign exchange translation	1,204	1,096
Loss on disposal of long term investments assets		1
Loss on valuation of derivatives	15,697	38,201
Loss on transaction of derivatives	3,131	
Equity in losses of investments in affiliates	17,683	5,017
Income tax expense	231,633	108,311
Provision for retirement benefits	16,665	13,260
Depreciation and amortization	610,075	605,264
Bad debt expenses	17,218	21,056
Loss on disposal of property, equipment and intangible assets	2,011	4,624
Impairment loss on intangible assets	939	
Other bad debt expenses	3,715	596
Other expenses	2,568	7,699
	(Won) 724,483	(Won) 774,367

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Changes in assets and liabilities from operating activities for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Accounts receivable - trade	(Won) 49,224	(Won) 202,936
Accounts receivable - other	381,453	(88,219)
Accrued income	(17,356)	(8,031)
Advance payments	(67,315)	(20,665)
Prepaid expenses	26,943	(4,502)
Inventories	(19,578)	(14,863)
Other current assets	73,063	99,134
Long-term accounts receivables - other	280,356	(84,581)
Accounts payable - trade	30,362	(8,187)
Accounts payable - other	(497,734)	45,168
Advanced receipts	1,586	10,758
Withholdings	76,573	100,650
Accrued expenses	(23,720)	16,006
Unearned revenue	(18,271)	(15,199)
Retirement benefit payment	(9,301)	(7,115)
Plan assets	3,386	3,171
Other non-current	2,492	(2,192)
Others	25,819	957
	(Won) 297,982	(Won) 225,226

Significant non-cash transactions for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Transfer construction in progress to property and equipment	(Won) 280,775	(Won) 1,544,667
Transfer inventories to tangible assets account	13,790	67,694
Accounts payable - other of tangible assets and others	16,357	42,368
Write-off of accounts receivable-trade and others	174	60,699
Transfer bonds payable to current portion of long-term debt account	660,151	931,670
Transfer long-term borrowings to current portion of long-term debt account	27,725	199,581

## 28. FINANCIAL RISK MANAGEMENT

### *Financial Risk Factors*

The Company is exposed to credit risk, liquidity risk and market risk. Market risk is the risk due to 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, financial assets available-for-sale, trade and other receivables, and financial liabilities such as trade and other payables, borrowings, and bonds payables.

#### *a. Market risk*

##### *a-(1) Currency risk*

The Company is exposed to currency risk 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 and the Company's subsidiaries have hedging policies based on its business characteristic 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.

In addition, the Company has entered into a cross currency swap to hedge against currency risk related to foreign currency borrowings and bonds payables. (Refer to Note 26)

##### *a-(2) Equity price risk*

The Company has equity securities which include listed and non-listed securities for its liquidity and operating purpose. For its purpose, the Company uses more than one direct or indirect investment instruments.

##### *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 still has interest rate risk arising from borrowings and bonds payables.

Accordingly, the Company performs various analysis of interest rate risk, which includes refinancing, renewal, alternative finance and hedging instrument options, to reduce interest rate risk and to optimize its financing. The Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and bonds payables. (Refer to Note 26)

#### *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 three months ended March 31, 2011, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are 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 derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institution.

*c. 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 to maintain and effective & efficient business.

***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 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 debt divided by total equity; the total debt and equity is extracted from the consolidated financial statements.

Debt-equity ratio as of March 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

	March 31, 2011	December 31, 2010
Debt	(Won) 10,650,202	(Won) 10,724,390
Equity	12,287,017	12,407,999
Debt-equity ratio	86.68%	86.43%

*SK TELECOM CO., LTD.*

*SEPARATE FINANCIAL STATEMENTS*

*FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010*

*AND INDEPENDENT ACCOUNTANTS REVIEW REPORT*

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**Independent Accountants' Review Report**

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

SK Telecom Co., Ltd

**Report on the consolidated financial statements**

We have reviewed the accompanying separate financial statements of SK Telecom Co., Ltd. (the Company). The financial statements consist of the separate statements of financial position as of March 31, 2011 and December 31, 2010, and the related separate statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three months ended March 31, 2011 and 2010, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the separate financial statements**

The Company's management is responsible for the preparation and fair presentation of the accompanying separate financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Independent accountants' responsibility**

Our responsibility is to express a conclusion on the accompanying separate financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Review conclusion**

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying separate financial statements of the Company are not presently fairly, in all material respects, in accordance with K-IFRS 1034 Interim Financial Reporting, and the requirements of K-IFRS 1101 First-time Adoption of Korean International Financial Reporting Standards, relevant to interim financial reporting.

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Our reviews also comprehended the translation of the Korean won amounts into U.S. dollar amounts and nothing has come to our attention that causes us to believe that such translation has not been made in conformity with the basis stated in Note 2. Such U.S. dollar amounts are presented solely for the convenience of readers of financial statements.

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

/s/ Deloitte Anjin LLC

May 27, 2011

Notice to Readers

This report is effective as of May 27, 2011, the independent accountants' review report date. Certain subsequent events or circumstances may have occurred between the independent accountants' review report date and the time the independent accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modification to the independent accountants' review report.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

MARCH 31, 2011 AND DECEMBER 31, 2010

A S S E T S	Korean won		Translation into U.S. dollars (Note 2)	
	March 31, 2011 (In millions)	December 31, 2010 (In millions)	March 31, 2011 (In thousands)	December 31, 2010 (In thousands)
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 2 and 4)	(Won) 1,060,332	(Won) 357,470	\$ 966,354	\$ 325,787
Short-term financial instruments (Notes 2 and 4)	283,500	299,500	258,373	272,955
Short-term investment securities (Notes 2, 4 and 6)	135,240	393,811	123,254	358,907
Accounts receivable - trade, net (Notes 2, 4, 5 and 23)	1,337,137	1,453,061	1,218,626	1,324,275
Short-term loans, net (Notes 2, 4, 5 and 23)	97,717	80,731	89,056	73,576
Accounts receivable - other, net (Notes 2, 4, 5 and 23)	2,102,887	2,499,969	1,916,507	2,278,395
Prepaid expenses	112,218	156,153	102,272	142,313
Inventories (Note 2)	13,876	9,019	12,646	8,220
Advanced payments and other (Notes 2, 4, 5 and 6)	59,054	67,262	53,820	61,301
<b>Total current assets</b>	<b>5,201,961</b>	<b>5,316,976</b>	<b>4,740,908</b>	<b>4,845,729</b>
<b>NON-CURRENT ASSETS:</b>				
Long-term financial instruments (Notes 2 and 4)	69	69	63	63
Long-term investment securities (Note 2, 4 and 6)	1,759,645	1,517,029	1,603,686	1,382,574
Investments in subsidiaries and associates (Notes 2 and 7)	3,593,759	3,584,395	3,275,242	3,266,708
Property and equipment (Notes 2, 8 and 23)	5,436,270	5,469,747	4,954,450	4,984,960
Investment property (Notes 2 and 9)	31,736	34,799	28,923	31,715
Goodwill (Notes 2 and 10)	1,308,422	1,308,422	1,192,456	1,192,456
Intangible assets (Notes 2 and 11)	1,359,725	1,424,969	1,239,212	1,298,673
Long-term loans, net (Notes 2, 4, 5 and 23)	85,758	64,098	78,157	58,417
Long-term accounts receivable - other, net (Notes 2, 4 and 5)	246,728	527,084	224,860	480,368
Long-term prepaid expenses	17,982	1,031	16,388	940
Guarantee deposits (Notes 2, 4, 5 and 23)	150,706	154,360	137,349	140,679
Long-term derivative assets (Notes 2, 4 and 24)	155,991	139,577	142,165	127,206
Deferred income tax assets (Note 2)	184,209	183,481	167,882	167,219
Other non-current assets	971	1,089	886	991
<b>Total non-current assets</b>	<b>14,331,971</b>	<b>14,410,150</b>	<b>13,061,719</b>	<b>13,132,969</b>
<b>TOTAL ASSETS</b>	<b>(Won) 19,533,932</b>	<b>(Won) 19,727,126</b>	<b>\$ 17,802,627</b>	<b>\$ 17,978,698</b>

(Continued)

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)

MARCH 31, 2011 AND DECEMBER 31, 2010

LIABILITIES AND SHAREHOLDERS EQUITY	Korean won		Translation into U.S. dollars (Note 2)	
	March 31, 2011 (In millions)	December 31, 2010 (In millions)	March 31, 2011 (In thousands)	December 31, 2010 (In thousands)
<b>CURRENT LIABILITIES:</b>				
Accounts payable - other (Notes 2, 4 and 23)	(Won) 1,448,430	(Won) 1,287,035	\$ 1,320,055	\$ 1,172,964
Withholdings	489,473	348,093	446,091	317,241
Accrued expenses (Notes 2, 4 and 14)	1,070,399	1,104,667	975,529	1,006,760
Income tax payable	444,063	243,263	404,705	221,702
Unearned revenue	301,379	308,856	274,668	281,482
Derivative liabilities (Notes 2, 4 and 24)	17,164	15,393	15,643	14,029
Current portion of long-term debt, net (Notes 2, 4, 12 and 13)	822,164	1,208,555	749,295	1,101,440
Advanced receipts and other	37,199	45,151	33,902	41,149
<b>Total current liabilities</b>	<b>4,630,271</b>	<b>4,561,013</b>	<b>4,219,888</b>	<b>4,156,767</b>
<b>NON-CURRENT LIABILITIES:</b>				
Bonds payable, net (Notes 2, 4 and 12)	2,785,531	2,933,813	2,538,648	2,673,787
Long-term borrowings (Notes 2, 4 and 13)	110,720	113,890	100,907	103,796
Long-term payables - other (Notes 2 and 4)	33,257	50,643	30,309	46,154
Long-term unearned revenue	231,180	241,892	210,690	220,453
Retirement benefit obligations (Notes 2 and 15)	31,373	21,382	28,592	19,487
Long-term derivative liabilities (Notes 2, 4 and 24)	3,780	14,761	3,445	13,453
Other non-current liabilities (Notes 2, 4, 14 and 23)	214,103	208,774	195,127	190,271
<b>Total non-current liabilities</b>	<b>3,409,944</b>	<b>3,585,155</b>	<b>3,107,718</b>	<b>3,267,401</b>
<b>Total Liabilities</b>	<b>8,040,215</b>	<b>8,146,168</b>	<b>7,327,606</b>	<b>7,424,168</b>
<b>SHAREHOLDERS EQUITY:</b>				
Common stock (Notes 1 and 16)	44,639	44,639	40,683	40,683
Share premium (Notes 16 and 17)	(24,643)	(24,643)	(22,459)	(22,459)
Retained earnings (Note 18)	10,783,751	10,824,356	9,827,980	9,864,986
Reserves (Note 19)	689,970	736,606	628,817	671,320
<b>Total shareholders equity</b>	<b>11,493,717</b>	<b>11,580,958</b>	<b>10,475,021</b>	<b>10,554,530</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>(Won) 19,533,932</b>	<b>(Won) 19,727,126</b>	<b>\$ 17,802,627</b>	<b>\$ 17,978,698</b>

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF INCOME (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	
	2011 (In millions except for per share data)	2010 (In millions except for per share data)	2011 (In thousands except for per share data)	2010 (In thousands except for per share data)
<b>OPERATING REVENUE:</b>				
Revenue (Note 23)	(Won) 3,129,950	(Won) 3,038,579	\$ 2,852,540	\$ 2,769,268
Other (Note 20)	2,198	11,350	2,004	10,344
Sub-total	3,132,148	3,049,929	2,854,544	2,779,612
<b>OPERATING EXPENSES (Note 23):</b>				
Labor cost (Notes 15 and 23)	177,462	214,672	161,733	195,645
Commissions paid (Notes 2 and 23)	1,239,915	1,212,265	1,130,021	1,104,821
Depreciation and amortization (Notes 2, 8, 9 and 11)	413,655	402,423	376,992	366,756
Network interconnection	242,494	262,981	221,002	239,673
Leased line	97,853	85,430	89,180	77,858
Advertising	35,388	42,902	32,252	39,100
Rent	79,100	74,806	72,089	68,176
Cost of goods sold	40,910	15,586	37,284	14,205
Other (Note 20)	207,391	223,553	189,010	203,739
Sub-total	2,534,168	2,534,618	2,309,563	2,309,973
OPERATING INCOME	597,980	515,311	544,981	469,639
Finance income (Notes 2 and 21)	251,532	108,884	229,239	99,234
Finance costs (Notes 2 and 21)	(60,594)	(97,159)	(55,224)	(88,549)
Gain on disposal of Investments in associates	121		110	
INCOME BEFORE INCOME TAX	789,039	527,036	719,106	480,324
PROVISION FOR INCOME TAX (Note 2)	228,367	113,922	208,127	103,825
NET INCOME	(Won) 560,672	(Won) 413,114	\$ 510,979	\$ 376,499
<b>NET INCOME PER SHARE</b>				
(In Korean won and U.S. dollars) (Note 22)	(Won) 7,886	(Won) 5,710	\$ 7.19	\$ 5.20
<b>DILUTED NET INCOME PER SHARE</b>				
(In Korean won and U.S. dollars) (Note 22)	(Won) 7,665	(Won) 5,570	\$ 6.99	\$ 5.08

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Korean won		Translation into U.S. dollars (Note 2)	
	2011 (In millions except for per share data)	2010 (In millions except for per share data)	2011 (In thousands except for per share data)	2010 (In thousands except for per share data)
<b>NET INCOME</b>	(Won) 560,672	(Won) 413,114	\$ 510,979	\$ 376,499
<b>OTHER COMPREHENSIVE INCOME:</b>				
Net change in fair value of available-for-sale financial assets (Notes 2 and 19)	(85,356)	(141,144)	(77,791)	(128,634)
Gains (losses) on valuation of derivatives (Notes 2 and 19)	38,720	(3,326)	35,288	(3,031)
Actuarial loss on retirement benefit obligations (Notes 2 and 15)	(4,079)	(1,407)	(3,717)	(1,282)
Sub-total	(50,715)	(145,877)	(46,220)	(132,947)
<b>TOTAL COMPREHENSIVE INCOME</b>	(Won) 509,957	(Won) 267,237	\$ 464,759	\$ 243,552

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Share capital	Paid-in surplus	Treasury stock	Share premium Loss on disposal of treasury stock	Other	Retained earnings	Reserves	Total
<b>(In millions of Korean won)</b>								
Balance, January 1, 2010	(Won) 44,639	(Won) 2,915,887	((Won) 1,992,083)	((Won) 15,875)	((Won) 726,156)	(Won) 9,560,310	(Won) 998,728	(Won) 10,785,450
Cash dividends						(607,697)		(607,697)
Total comprehensive income (loss):								
Net income						413,114		413,114
Other comprehensive loss (Note 19)						(1,407)	(144,470)	(145,877)
Changes in subsidiaries					(97)			(97)
Balance, March 31, 2010	(Won) 44,639	(Won) 2,915,887	((Won) 1,992,083)	((Won) 15,875)	((Won) 726,253)	(Won) 9,364,320	(Won) 854,258	(Won) 10,444,893
Balance, January 1, 2011	(Won) 44,639	(Won) 2,915,887	((Won) 2,202,439)	((Won) 15,875)	((Won) 722,216)	(Won) 10,824,356	(Won) 736,606	(Won) 11,580,958
Cash dividends						(597,198)		(597,198)
Total comprehensive income (loss):								
Net income						560,672		560,672
Other comprehensive loss (Note 19)						(4,079)	(46,636)	(50,715)
Balance, March 31, 2011	(Won) 44,639	(Won) 2,915,887	((Won) 2,202,439)	((Won) 15,875)	((Won) 722,216)	(Won) 10,783,751	(Won) 689,970	(Won) 11,493,717

(Continued)

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED) (Continued)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	Share capital	Paid-in surplus	Treasury stock	Share premium Loss on disposal of treasury stock	Other	Retained earnings	Reserves	Total
<b>(In thousands of U.S dollars)</b>								
Balance, January 1, 2010	\$ 40,683	\$ 2,657,450	(\$ 1,815,523)	(\$ 14,468)	(\$ 661,797)	\$ 8,712,973	\$ 910,210	\$ 9,829,528
Cash dividends						(553,836)		(553,836)
Total comprehensive income (loss):								
Net income						376,499		376,499
Other comprehensive loss (Note 19)						(1,282)	(131,665)	(132,947)
Changes in subsidiaries					(88)			(88)
Balance, March 31, 2010	\$ 40,683	\$ 2,657,450	(\$ 1,815,523)	(\$ 14,468)	(\$ 661,885)	\$ 8,534,354	\$ 778,545	\$ 9,519,156
Balance, January 1, 2011	\$ 40,683	\$ 2,657,450	(\$ 2,007,235)	(\$ 14,468)	(\$ 658,206)	\$ 9,864,986	\$ 671,320	\$ 10,554,530
Cash dividends						(544,268)		(544,268)
Total comprehensive income (loss):								
Net income						510,979		510,979
Other comprehensive loss (Note 19)						(3,717)	(42,503)	(46,220)
Balance, March 31, 2011	\$ 40,683	\$ 2,657,450	(\$ 2,007,235)	(\$ 14,468)	(\$ 658,206)	\$ 9,827,980	\$ 628,817	\$ 10,475,021

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF CASH FLOWS (UNAUDITED)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	2011	Korean won (In millions)	2010	Translation into U.S. dollars (Note 2)	
				2011	2010
				(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash generated from operating activities:					
Net income	(Won)	560,672	(Won)	413,114	\$ 376,499
Adjustments for income and expenses (Note 25)		506,785		461,868	514,165
Changes in assets and liabilities related to operating activities (Note 25)		407,422		371,312	382,165
Sub-total		1,474,879		1,344,159	1,272,829
Interest received		35,993		32,803	46,999
Dividends received		26,472		24,126	26,615
Interest paid		(62,562)		(57,017)	(74,235)
Income tax paid		(12,431)		(11,329)	(311,156)
Net cash provided by operating activities		1,462,351		1,332,742	961,052
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Cash inflows from investing activities:					
Decrease in short-term financial instruments, net		16,000		14,582	
Decrease in short-term investment securities		65,000		59,239	
Decrease in short-term loans		46,288		42,185	62,268
Proceeds from sales of long-term investment securities		214,497		195,486	75
Proceeds from disposal of subsidiaries and associates		1,757		1,601	
Proceeds from disposal of property and equipment		343		313	12,919
Proceeds from disposal of intangible assets		3		3	
Collection of long-term loans		3,341		3,045	3,374
Decrease in other non-current assets		119		108	331
Sub-total		347,348		316,562	78,967
Cash outflows for investing activities:					
Increase in short-term financial instruments, net				136,541	124,439
Increase in short-term investment securities				15,000	13,671
Increase in short-term loans		87,643		79,875	69,962
Acquisition of long-term investment securities		215,006		195,950	24
Acquisition of subsidiaries and associates		11,000		10,025	381,603
Acquisition of property and equipment		271,735		247,651	72,768
Increase in intangible assets		3,508		3,197	1,076
Increase in long-term loans		90		82	
Sub-total		588,982		536,780	663,543
Net cash used in investing activities	((Won)	241,634)	((Won)	220,218)	(\$ 584,576)

(Continued)





## SK TELECOM CO., LTD.

## SEPARATE STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

	2011	Korean won 2010	Translation into U.S. dollars (Note 2)	
		(In millions)	2011	2010
			(In thousands)	
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Cash inflows for financing activities:	(Won)	(Won)	\$	\$
Cash outflows for financing activities:				
Repayment of current portion of long-term debt	170,000	290,000	154,933	264,297
Repayment of bonds payable	332,160	80,000	302,720	72,910
Cash outflows from transaction of derivatives	15,690		14,299	
Sub-total	517,850	370,000	471,952	337,207
Net cash used in financing activities	(517,850)	(370,000)	(471,952)	(337,207)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>702,867</b>	<b>43,087</b>	<b>640,572</b>	<b>39,269</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	357,470	422,125	325,787	384,712
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCY	(5)	(5)	(5)	(5)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(Won) 1,060,332	(Won) 465,207	\$ 966,354	\$ 423,976

See accompanying notes to separate financial statements.

## SK TELECOM CO., LTD.

## NOTES TO SEPARATE FINANCIAL STATEMENTS

## FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

**1. GENERAL:**

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of Korea to engage in providing nationwide cellular telephone communication services in the Republic of Korea. The Company mainly provides wireless telecommunications in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and London Stock Exchange. As of March 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.	18,748,452	23.22
Tradewinds Global Investors, LLC	4,050,518	5.02
POSCO Corp.	2,341,569	2.90
Institutional investors and other minority stockholders	45,954,460	56.91
Treasury stock	9,650,712	11.95
	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 separate financial statements in conformity with Korean statutory requirements and Korean International Reporting Standards ( K-IFRS ), in the Korean language (Hangul). Accordingly, these separate financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying separate financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, income, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying separate financial statements.

The accompanying separate 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 (Won)1,097.25 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 three months ended March 31, 2011. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

## x. Basis of Presentation

The Company has adopted the Korean International Financial Reporting Standards ( K-IFRS ) for the annual period beginning on January 1, 2011. In accordance with K-IFRS 1101 First-time adoption of International Financial Reporting Standards , the transition date to K-IFRS is January 1, 2010. The transition adjustments to K-IFRS are summarized in Note 3.

The Company's interim separate financial statements for the three months ended March 31, 2011 and 2010 are prepared in accordance with K-IFRS 1034 Interim Financial Reporting.

There may be newly or amended K-IFRS and interpretations that are effective subsequent to the current period-end during 2011 or during 2012 which early-adoption is permitted during 2011. Accordingly, accounting policies that are used for the preparation of the interim separate financial statements may be different from the policies that are used for the preparation of the first annual separate financial statements in accordance with K-IFRS as of and for the period ending December 31, 2011. Currently, enactments and amendments of the K-IFRSs are in progress, and the financial information presented in the interim financial statements may change accordingly in the future.

Major accounting policies used for the preparation of the interim separate financial statements are stated below. Unless stated otherwise, these accounting policies have been applied consistently to the financial statements for the current period and accompanying comparative period.

The interim separate financial statements have been prepared on the historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

y. Foreign Currency Exchange

The individual financial statements of each Company entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the separate 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 separate 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 profit or loss 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 in order to hedge certain foreign currency risks below 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 profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting separate 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 profit or loss.

z. 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.

aa. 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 investments, available-for-sale 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.

4) *Classification of financial assets*

1-5) *Financial assets at fair value through profit or loss (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 profit or loss. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

1-6) *Held-to-maturity financial assets*

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 held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with revenue recognized on an effective yield basis.

*1-7) Available-for-sale financial assets*

Non-derivatives financial assets that are not classified as at held-to-maturity, held-for-trading; designated as at fair value through profit or loss; or loans and receivables are classified as at available-for-sale financial assets. Available-for-sale financial assets are initially recognized and 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 profit or loss. 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 profit or loss. Dividends on available-for-sale financial assets are recognized in profit or loss when the Company's right to receive the dividends is established.

*1-8) 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.

*5) 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 investment have been affected.

For listed and unlisted equity investments classified as available-for-sale 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 available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity securities, 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 profit or loss 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.

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

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.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is 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.

6) *Derecognition of financial assets*

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, 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.

bb. 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 market value of inventories is less than the acquisition cost, the carrying amount is reduced to the market value and any difference is charged to current operations as operating expenses.

cc. Investments in Subsidiaries and Associates

In accordance with K-IFRS 1027 and 1028, the accompanying financial statements are separate financial statements, which are presented by an investor with control of a subsidiary or significant influence over associates, in which the investments are measured based on its direct cost, not using the equity method. The Company accounts for the investments in subsidiaries and associates at cost in accordance with K-IFRS 1027. Dividends from subsidiaries and associates are recognized in profit when the right to receive the dividend is established.

dd. 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, 30
Machinery	3 ~ 6
Other	4 ~ 10

The Company reviews the 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.

ee. 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 30 years using the straight-line method.

ff. 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 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.

gg. Intangible Assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives ranging from 3 ~ 20 years. 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 not amortized, but tested for impairment at the end of each annual reporting period. At the case of amortizable intangible assets, the Company reviews impairment at each time whether the carrying amount is not recoverable.

hh. Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognized as less at the book value in the separate statement of financial position and transferred to profit or loss on a systematic basis to decrease depreciation expenses over the useful lives of the related assets.

Government grants related to revenue are recognized in profit or loss on a systematic basis over the periods in which the Company recognizes as expenses the related costs for which the grants are intended to compensate. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognized in profit or loss in the period in which they become receivable.



ii. 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. And the financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities .

5) *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.

6) *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, that 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 profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability.

7) *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.

8) *Derecognition of financial liabilities*

The Company derecognizes financial liabilities when the Company's obligations are discharged, cancelled or they expire. An exchange between an existing borrower and lender of debt instruments 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 profit or loss.

jj. Lease

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 profit or loss, 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.

kk. 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 profit or loss immediately unless the derivative is designated and effective as a hedging instrument. For derivative instruments designated as hedges, the effective portions of the gains or losses on the hedging instruments are recorded as part of other comprehensive income (loss)

ll. 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 all actuarial gains and losses arising from defined benefit plans as other comprehensive income (loss) and records at retained earnings immediately, which is not reclassified to current operation thereafter.

mm. 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. Discount rate is pre-tax interest rate reflecting inherent risk of liabilities and market's valuation on the present value of monetary. Changes in provisions caused by elapse of time are the financial cost as incurred and recognized in profit or loss.

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.

nn. Revenue Recognition

Revenue from the sale of goods and rendering of services in the course of ordinary operating activities is measured at the fair value of the consideration received or receivable. Revenues are realized or realizable and earned when the Company has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, sales price is fixed or determinable and collectability is reasonably assured.

The Company's revenue is principally derived from telecommunication service including data services and wireless device sales. Telecommunication service consists of fixed monthly charges, usage-related charges and non-refundable activation fees. Fixed monthly charges are recognized in the period earned. Usage-related charges are recognized at the time services are rendered. Non-refundable activation fees are deferred and amortized over the expected term of the customer relationship. The Company also sell products and merchandises to customers and these sales are recognized at the time products and merchandises are delivered.

oo. Income Tax and Deferred Tax

Income tax consists of current tax and deferred tax.

4) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the separate statement of income and comprehensive income/income statement 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.

5) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the separate financial statements and the corresponding tax bases used in the computation of taxable profit. 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 profits 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 profit nor the accounting profit.

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 profits 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 profits 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.

6) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, 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.

pp. Handset Subsidies to Long-term Mobile Subscribers

The Company provides lump-sum handset subsidies to customers who agree to use the Company's service for the predetermined service period and the subsidies are charged to commission paid as the related payments are made. In case where the customers agree to use the Company's service for the predetermined service period and purchase handsets on installment basis, the subsidies are paid every month over the installment period and the Company provides provision for handset subsidies estimated to be paid, which are charged to commission expense at the time telecommunication service contracts are made.

qq. 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 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.

7) 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 profit or loss 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 the management's judgments on the expected future cash flows and discount rates.

8) Allowance for doubtful accounts of trade/other receivables and loans

In order to calculate allowances for doubtful accounts of the trade receivables, loans and other receivables, the management of the Company estimates an expected bad debt considering the aging of accounts receivables, past experience of bad debt, economic and industrial factors.

9) 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 directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

10) Measurement of property and equipment, intangible assets

If the Company acquires property and equipment or intangible assets from business combination, it is required to estimate the fair value of these assets at the acquisition date. And it is required to estimate useful lives for depreciation and amortization. For these estimation processes, the management's judgments shall take important role.

11) Retirement benefit plans

For defined retirement benefit plans, the cost of providing benefits is determined using actuarial valuation method that is required to make assumptions about discount rates, expected rate of return on plan assets and expected rate of salary increase. The assumptions involve critical uncertainties because the retirement benefit plans are in long-term base.

12) Deferred tax

Recognizing and measuring of the deferred tax assets and liabilities requires the management's judgments and specially, whether and how deferred tax assets is recognized shall be affected from an assumption and management's judgment of the future situation.

### 3. TRANSITION TO K-IFRS

As stated in Note 2, these are the Company's first separate financial statements prepared in accordance with K-IFRS as the Company adopts K-IFRS in 2011. Therefore, prior period's separate financial statements, comparatively presented herein, were restated in accordance with K-IFRS 1101 First-time adoption of International Financial Reporting Standards with a transition date of January 1, 2010.

d. First-time adoption of K-IFRS

K-IFRS 1101 provides for a number of optional exemptions from the general principle of full retrospective applications. The optional exemptions for first-time adoption of K-IFRS of the Company are as follows.

1) *Business combination*

Business combinations that occurred before the date of transition to K-IFRS, are not be retrospectively restated.

2) *Fair value or revaluation as deemed cost*

Certain property and equipment has been revaluated at the date of transition to K-IFRS and that revaluation is used as the asset's deemed cost.

3) *Deemed cost of investments in subsidiaries and associates*

In accordance with the optional exemption of K-IFRS 1101, the carrying amount of investments in subsidiaries and associates, under previous GAAP (Korean GAAP), at the date of transition to K-IFRS, is used as the its deemed cost.

e. *Explanation of transition to K-IFRS*

Transition adjustments from previous GAAP (Korean GAAP) to K-IFRS that affected the Company's financial position, financial performance and cash flows are as follows.

9) *Employee benefits and retirement benefit obligation*

Under Korean GAAP, at the end of a reporting period a benefit obligation is calculated and recognized, based on an assumption that all employees who have worked over a year were to retire as of the reporting period end. While, under K-IFRS, the retirement benefit amount is appropriated as a defined benefit obligation by actuarial assessment using the projected unit credit method.

Also, the Company recognizes its long-term employee benefits obligation by actuarial assessment using the projected unit credit method.

10) *Change in depreciation method*

The Company changed the depreciation method of equipment from declining balance method to straight-line method.

11) *Goodwill acquired by business combinations*

Under Korean GAAP, the Company amortized goodwill acquired as a result of business combinations on a straight-line method from 5 ~ 20 years from the year of acquisition. Under K-IFRS, goodwill is not amortized but reviewed for impairment annually.

12) *Transfer of financial assets*

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under K-IFRS, if the Company retains substantially 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.

13) *Deferment of non-refundable activation fees*

Under Korean GAAP, the Company recognizes non-refundable activation revenues when the activation service is performed. Under K-IFRS, the Company defers such revenues and amortizes it over the expected term of the customer relationship.

*14) 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. 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 K-IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.

Under Korean GAAP, difference between the carrying value and the tax base of the investments in subsidiaries, branches and associates and interest in joint ventures were considered as temporary differences and recognized as deferred tax assets and liabilities assuming that all differences from one entity are recovered or settled together. Under K-IFRS, the temporary differences associated with investments in subsidiaries, branches 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.

*15) Other reclassifications**7-1) Memberships*

Under Korean GAAP, memberships and guarantee deposits were classified as other non-current assets. Under K-IFRS, facility-use memberships are recognized as intangible assets with an indefinite useful life and guarantee deposits that satisfy the definition of financial assets are classified as loans and receivables at amortized costs.

*7-2) Investment property*

Under Korean GAAP, properties acquired for earning rental income and/or for capital appreciation were classified as property and equipment. Under K-IFRS, such properties are reclassified separately as investment properties.

## f. Explanation of effect of transition to K-IFRS

Effects on financial position at January 1, 2010 (date of transition) are as follows (in millions of Korean won):

	Total assets	Total liabilities	Net equity
Based on Korean GAAP	(Won) 19,297,633	(Won) 8,056,183	(Won) 11,241,450
Adjustments:			
1. Property and equipment	69,233		69,233
2. Employee benefits and retirement benefit obligation		14,860	(14,860)
3. Transfer of financial assets	416,242	400,754	15,488
4. Non-refundable activation fees		593,981	(593,981)
5. Other adjustments	(178,452)	(84,940)	(93,512)
6. Deferred tax and tax effect of adjustments	(49,227)	(210,859)	161,632
<b>Total adjustment</b>	<b>257,796</b>	<b>713,796</b>	<b>(456,000)</b>
Based on K-IFRS	(Won) 19,555,429	(Won) 8,769,979	(Won) 10,785,450

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Effects on financial position at March 31, 2010 and total comprehensive income for the three months ended March 31, 2010 are as follows (in millions of Korean won):

	Total assets	Total liabilities	Net equity	Total comprehensive income
Based on Korean GAAP	(Won) 19,339,182	(Won) 8,536,782	(Won) 10,802,400	(Won) 168,566
Adjustments:				
1. Property and equipment	92,144		92,144	22,911
2. Amortization of goodwill	32,370		32,370	32,370
3. Employee benefits and retirement benefit obligation		15,827	(15,827)	(968)
4. Transfer of financial assets	338,554	320,765	17,789	2,300
5. Effect on equity method in associates	49,046		49,046	49,202
6. Non-refundable activation fees		577,094	(577,094)	16,888
7. Other adjustments	(475)	90,345	(90,820)	2,691
8. Deferred tax and tax effect of adjustments	(4,163)	(139,048)	134,885	(26,723)
<b>Total adjustment</b>	<b>507,476</b>	<b>864,983</b>	<b>(357,507)</b>	<b>98,671</b>
Based on K-IFRS	(Won) 19,846,658	(Won) 9,401,765	(Won) 10,444,893	(Won) 267,237

Effects on financial position at December 31, 2010 and total comprehensive income for the year ended December 31, 2010 are as follows (in millions of Korean won):

	Total assets	Total liabilities	Net equity	Total Comprehensive income
Based on Korean GAAP	(Won) 18,959,912	(Won) 7,505,495	(Won) 11,454,417	(Won) 1,139,202
Adjustments:				
1. Property and equipment	477,044		477,044	407,811
2. Amortization of goodwill	129,494		129,494	129,494
3. Employee benefits and retirement benefit obligation		23,630	(23,630)	(8,771)
4. Transfer of financial assets				(15,489)
5. Effect on equity method in associates	160,100		160,100	205,543
6. Non-refundable activation fees		533,783	(533,783)	60,199
7. Other adjustments	(389)	94,062	(94,451)	(940)
8. Deferred tax and tax effect of adjustments	965	(10,802)	11,767	(150,274)
<b>Total adjustment</b>	<b>767,214</b>	<b>640,673</b>	<b>126,541</b>	<b>627,573</b>
Based on K-IFRS	(Won) 19,727,126	(Won) 8,146,168	(Won) 11,580,958	(Won) 1,766,775



Under K-IFRS, dividends received, interest received, interest paid, and income tax paid which were not presented separately in the separate 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 K-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 others significant differences between the separate statements of cash flows prepared under Korean GAAP compared to K-IFRS have been noted.

#### 4. FINANCIAL INSTRUMENTS

Details of financial assets as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011				
	Financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	(Won)	(Won)	(Won) 1,060,332	(Won)	(Won) 1,060,332
Financial Instruments			283,569		283,569
Short-term investment securities		135,240			135,240
Long-term investment securities	16,776	1,742,869			1,759,645
Trade and other receivables			4,027,511		4,027,511
Derivatives assets				155,991	155,991
<b>Total</b>	<b>(Won) 16,776</b>	<b>(Won) 1,878,109</b>	<b>(Won) 5,372,412</b>	<b>(Won) 155,991</b>	<b>(Won) 7,422,288</b>

	December 31, 2010				
	Financial assets at FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	(Won)	(Won)	(Won) 357,470	(Won)	(Won) 357,470
Financial Instruments			299,569		299,569
Short-term investment securities		393,811			393,811
Long-term investment securities		1,517,029			1,517,029
Trade and other receivables			4,781,648		4,781,648
Derivatives assets				139,577	139,577
<b>Total</b>	<b>(Won)</b>	<b>(Won) 1,910,840</b>	<b>(Won) 5,438,687</b>	<b>(Won) 139,577</b>	<b>(Won) 7,489,104</b>

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Details of financial liabilities as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Trade and other payables	(Won) 3,780	(Won) 2,643,196	(Won) 17,164	(Won) 2,643,196
Derivatives liabilities	3,780		17,164	20,944
Borrowings		610,720		610,720
Bonds payable	450,462	2,640,071		3,090,533
<b>Total</b>	<b>(Won) 454,242</b>	<b>(Won) 5,893,987</b>	<b>(Won) 17,164</b>	<b>(Won) 6,365,393</b>

	December 31, 2010			
	Financial liabilities at FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Trade and other payables	(Won) 5,043	(Won) 2,685,570	(Won) 25,111	(Won) 2,685,570
Derivatives liabilities	5,043		25,111	30,154
Borrowings		613,890		613,890
Bonds payable	461,655	3,011,765		3,473,420
<b>Total</b>	<b>(Won) 466,698</b>	<b>(Won) 6,311,225</b>	<b>(Won) 25,111</b>	<b>(Won) 6,803,034</b>

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 the degree to which the fair value is observable.

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 March 31, 2011 are as follows (in millions of Korean won):

Type	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL	(Won) 1,606,247	(Won) 16,776	(Won) 271,862	(Won) 1,884,885
Available-for-sale financial assets	1,606,247		271,862	1,878,109
Derivatives assets		155,991		155,991
Financial liabilities at FVTPL	450,462	3,780		454,242
Derivatives liabilities		17,164		17,164

**5. TRADE AND OTHER RECEIVABLES**

Details of short-term trade and other receivables as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Accounts receivable trade	(Won) 1,504,067	(Won) 1,604,269
Less : allowance for doubtful accounts	(166,930)	(151,208)
Accounts receivable trade, net	1,337,137	1,453,061
Short-term loans	98,965	81,808
Less : allowance for doubtful accounts	(1,248)	(1,077)
Short-term loans, net	97,717	80,731
Accounts receivable - other	2,139,259	2,534,761
Less : allowance for doubtful accounts	(36,372)	(34,792)
Accounts receivable other, net	2,102,887	2,499,969
Accrued income	6,578	2,345
	(Won) 3,544,319	(Won) 4,036,106

Details of long-term trade and other receivables as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Long-term loans	(Won) 109,698	(Won) 88,017
Less : allowance for doubtful accounts	(23,940)	(23,919)
Long-term loans, net	85,758	64,098
Long-term accounts receivable - other	246,728	527,084
Guarantee deposits	150,706	154,360
	(Won) 483,192	(Won) 745,542

Details of changes in allowance for doubtful accounts for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Beginning balance	(Won) 210,996	(Won) 201,435
Increase in allowance for doubtful accounts	15,053	16,115
Decrease in allowance for doubtful accounts		(174)
Other	2,441	4,369
Ending balance	(Won) 228,490	(Won) 221,745

**6. INVESTMENT SECURITIES**

Details of investment securities as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011		December 31, 2010	
	Current	Non-current	Current	Non-current
<b>Equity securities</b>				
Investments in listed company	(Won) 240	(Won) 1,471,247	(Won) 178,760	(Won) 1,227,380
Investments in non-listed company	240	18,626	15,051	18,626
Investments in funds and etc.		252,595		270,622
<b>Sub-total</b>	<b>240</b>	<b>1,742,468</b>	<b>193,811</b>	<b>1,516,628</b>
<b>Debt Securities</b>		<b>17,177</b>		<b>401</b>
<b>Beneficiary certificates (Note)</b>	<b>135,000</b>		<b>200,000</b>	
<b>Total</b>	<b>(Won) 135,240</b>	<b>(Won) 1,759,645</b>	<b>(Won) 393,811</b>	<b>(Won) 1,517,029</b>

(Note) The distributions arising from beneficiary certificates as of March 31, 2011, are accounted for as accrued income.

**7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES**

Investments in subsidiaries and associates as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Investments in subsidiaries	(Won) 2,442,516	(Won) 2,442,516
Investments in associates	1,151,243	1,141,879
<b>Ending balance</b>	<b>(Won) 3,593,759</b>	<b>(Won) 3,584,395</b>

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Details of investments in subsidiaries as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

	March 31, 2011		Carrying amount	
	Number of shares	Ownership percentage (%)	March 31, 2011	December 31, 2010
SK Telink Co., Ltd.	1,082,272	83.5	(Won) 144,740	(Won) 144,740
SK Communications Co., Ltd.	28,029,945	64.7	148,831	148,831
PAXNet Co., Ltd.	5,590,452	59.7	30,611	30,611
Loen Entertainment, Inc.	16,054,812	63.5	40,234	40,234
Stonebridge Cinema Fund	120	45.6	8,256	8,256
Ntreev Soft Co., Ltd.	2,064,970	63.7	7,708	7,708
Commerce Planet Co., Ltd.	29,396	100.0	139	139
SK Broadband Co., Ltd.	149,638,354	50.6	1,242,247	1,242,247
K-net Culture and Contents Venture Fund	295	59.0	28,857	28,857
2nd BMC Focus Investment Fund	200	66.7	19,782	19,782
Open Innovation Fund	450	98.9	44,938	44,938
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 Telecom China Holdings Co., Ltd.		100.0	28,052	28,052
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.	109	100.0	59,167	59,167
YTK Investment Ltd		100.0	41,686	41,686
SK Telecom Global Investment B.V	18,000	100.0	41,012	41,012
Total			(Won) 2,442,516	(Won) 2,442,516

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Details of investments in associates as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

	March 31, 2011		Carrying amount	
	Number of shares	Ownership percentage (%)	March 31, 2011	December 31, 2010
SK Marketing & Company Co., Ltd.	5,000,000	50.0	(Won) 112,531	(Won) 112,531
SK China Company Ltd.	720,000	22.5	47,830	47,830
SK USA, Inc.	49	49.0	5,498	5,498
F&U Credit information Co., Ltd.	300,000	50.0	4,482	4,482
Michigan Global Cinema Fund	40	36.4	3,652	3,652
3rd Fund of Isu Entertainment (Note a)				1,636
Korea IT Fund	190	63.3	220,957	220,957
JYP Entertainment Corporation	483,830	17.8	2,903	2,903
BMC Digital Culture and Contents Venture Fund	50	19.9	4,912	4,912
Wave City Development Co., Ltd.	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	7,272	7,272
Television Media Korea Ltd.	18,564,000	51.0	18,568	18,568
BMC Sector Limited Partnership IV	2,500	49.7	25,000	25,000
NanoEnTek, Inc. (Note b)	1,807,130	9.3	11,000	
UNISK(Beijing) Information Technology Co., Ltd.	49	49.0	4,247	4,247
TR Entertainment		42.2	7,560	7,560
PT. Melon Indonesia	4,900,000	49.0	6,492	6,492
Packet One Network	979,474	27.2	119,856	119,856
SK Technology Innovation Company		49.0	28,146	28,146
LightSquared Inc.	3,387,916	3.3	72,096	72,096
SK Wyverns Baseball Club Co., Ltd. and other			46,709	46,709
<b>Total</b>			(Won) 1,151,243	(Won) 1,141,879

(Note a) During the three months ended March 31, 2011, in accordance with the liquidation of 3rd Fund of Isu Entertainment, relevant all shares was disposed.

(Note b) For the three months ended March 31, 2011, the Company acquired 1,807,130 shares of NanoEnTek, Inc. Though the Company only holds 9.3% ownership of NanoEnTek, Inc., as it has the ability to exercise significant influence on NanoEnTek, Inc., entity is considered an equity method investee.

In accordance with the optional exemption of K-IFRS 1101, the carrying amount of investments in subsidiaries and associates, under previous GAAP (Korean GAAP), at the date of transition to K-IFRS, is used as the its deemed cost.

**8. PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Land	(Won) 403,161	(Won) 402,702
Buildings and structures	1,561,056	1,544,963
Machinery	14,549,038	14,354,988
Other	1,344,036	1,285,999
Construction in progress	374,371	376,896
<b>Total</b>	<b>18,231,662</b>	<b>17,965,548</b>
<b>Less accumulated depreciation</b>	<b>(12,795,392)</b>	<b>(12,495,801)</b>
Property and equipment, net	(Won) 5,436,270	(Won) 5,469,747

Details of changes in property and equipment for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

	Beginning balance	For the three months ended March 31, 2011					Ending balance
		Acquisition	Disposal	Transfer	Depreciation		
Land	(Won) 402,702	(Won)	((Won) 50)	(Won) 509	(Won)	(Won) 403,161	
Buildings and structures	928,649	10,934	(20)	4,080	(17,089)	926,554	
Machinery	3,240,001	1,340	(157)	230,392	(303,586)	3,167,990	
Other	521,499	233,450	(567)	(170,980)	(19,208)	564,194	
Construction in progress	376,896	26,011		(28,536)		374,371	
<b>Total</b>	<b>(Won) 5,469,747</b>	<b>(Won) 271,735</b>	<b>((Won) 794)</b>	<b>(Won) 35,465</b>	<b>((Won) 339,883)</b>	<b>(Won) 5,436,270</b>	
	Beginning balance	For the three months ended March 31, 2010					Ending balance
		Acquisition	Disposal	Transfer	Depreciation		
Land	(Won) 405,418	(Won)	((Won) 6,657)	(Won) 1,362	(Won)	(Won) 400,123	
Buildings and structures	979,833	83	(1,022)	3,767	(18,208)	964,453	
Machinery	3,170,336	839	(2,433)	5,675	(300,247)	2,874,170	
Other	330,726	52,837	(551)	(23,508)	(17,944)	341,560	
Construction in progress	336,834	26,086	(58)	(11,090)		351,772	
<b>Total</b>	<b>(Won) 5,223,147</b>	<b>(Won) 79,845</b>	<b>((Won) 10,721)</b>	<b>((Won) 23,794)</b>	<b>((Won) 336,399)</b>	<b>(Won) 4,932,078</b>	

**9. INVESTMENT PROPERTY**

Investment property as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Land	(Won) 9,001	(Won) 9,508
Buildings	43,987	46,467
<b>Total</b>	<b>52,988</b>	<b>55,975</b>
Less accumulated depreciation	(21,252)	(21,176)
<b>Investment property, net</b>	<b>(Won) 31,736</b>	<b>(Won) 34,799</b>

Details of changes in investment property for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

	Beginning balance	For the three months ended March 31, 2011				Ending balance
		Acquisition	Disposal	Transfer	Depreciation	
Land	(Won) 9,508	(Won)	(Won)	((Won) 507)	(Won)	(Won) 9,001
Buildings	25,291			(1,350)	(1,206)	22,735
<b>Total</b>	<b>(Won) 34,799</b>	<b>(Won)</b>	<b>(Won)</b>	<b>((Won) 1,857)</b>	<b>((Won) 1,206)</b>	<b>(Won) 31,736</b>

	Beginning balance	For the three months ended March 31, 2010				Ending balance
		Acquisition	Disposal	Transfer	Depreciation	
Land	(Won) 11,314	(Won)	(Won)	((Won) 1,362)	(Won)	(Won) 9,952
Buildings	31,294			(3,768)	(264)	27,262
<b>Total</b>	<b>(Won) 42,608</b>	<b>(Won)</b>	<b>(Won)</b>	<b>((Won) 5,130)</b>	<b>((Won) 264)</b>	<b>(Won) 37,214</b>

Details of fair value of investment property as of March 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

	March 31, 2011	December 31, 2010
Land	(Won) 51,731	(Won) 54,647
Buildings	21,679	22,900
<b>Total</b>	<b>(Won) 73,410</b>	<b>(Won) 77,547</b>

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



**10. GOODWILL**

Details of goodwill as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Goodwill related to acquisition of Shinsegi Telecomm, Inc	(Won) 1,306,236	(Won) 1,306,236
Other goodwills	2,186	2,186
	(Won) 1,308,422	(Won) 1,308,422

**11. INTANGIBLE ASSETS**

Details of changes in intangible assets for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

	Beginning balance	For the three months ended March 31, 2011					Ending balance
		Acquisition	Disposal	Transfer	Amortization		
Frequency use rights	(Won) 709,043	(Won)	(Won)	((Won) 469)	((Won) 33,211)	(Won) 675,363	
Land use right	11,130	260			(948)	10,442	
Industrial right	14,748	331		323	(847)	14,555	
Software development costs	4,898				(944)	3,954	
Membership	90,108					90,108	
Other	595,042	2,917	(3)	38,488	(71,141)	565,303	
<b>Total</b>	<b>(Won) 1,424,969</b>	<b>(Won) 3,508</b>	<b>((Won) 3)</b>	<b>(Won) 38,342</b>	<b>((Won) 107,091)</b>	<b>(Won) 1,359,725</b>	

	Beginning balance	For the three months ended March 31, 2010					Ending balance
		Acquisition	Disposal	Transfer	Amortization		
Frequency use rights	(Won) 727,239	(Won)	(Won)	(Won)	((Won) 29,132)	(Won) 698,107	
Land use right	11,732				(812)	10,920	
Industrial right	14,948	181			(990)	14,139	
Software development costs	12,528				(1,633)	10,895	
Membership	89,777					89,777	
Other	591,067	1,000	(5)	31,018	(69,791)	553,289	
<b>Total</b>	<b>(Won) 1,447,291</b>	<b>(Won) 1,181</b>	<b>((Won) 5)</b>	<b>(Won) 31,018</b>	<b>((Won) 102,358)</b>	<b>(Won) 1,377,127</b>	

The book value and residual useful lives of major intangible assets as of March 31, 2011 are as follows (in millions of Korean won):

	Amount	Description	Residual useful lives
IMT license	(Won) 557,429	Frequency use rights relating to W-CDMA service	(note a)
W-CDMA license	93,788	Frequency use rights relating to W-CDMA service	(note b)
WiBro license	20,419	WiBro service	(note c)
DMB license	3,727	DMB service	5 years and 3 months

(note a) The Company purchased the W-CDMA license from KCC on December 3, 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.

(note b) The Company purchased an the additional W-CDMA license from KCC on 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.

(note c) The Company purchased a WiBro license from KCC on March 30, 2005. The license period is for 7 years from the purchase date. Amortization of the WiBro license commenced when the Company started its commercial WiBro services on June 30, 2006, under a straight line basis over the remaining useful life.

**12. BONDS PAYABLE**

Bonds payable as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars and thousands of Japanese yen):

	Maturity	Annual Interest rate (%)	March 31, 2011	December 31, 2010
Domestic general bonds	2011	3.0	(Won) 200,000	(Won) 200,000
	2013	4.0~6.92	450,000	450,000
	2014	5.0	200,000	200,000
	2015	5.0	200,000	200,000
	2016	5.0~5.92	470,000	470,000
	2018	5.0	200,000	200,000
Dollar denominated bonds (US\$300,000)	2011	4.25		341,670
Dollar denominated bonds (US\$400,000)	2027	6.63	442,880	455,560
Yen denominated bonds (JPY 15,500,000) (note a)		3 M Euro Yen		
	2012	LIBOR+0.55~2.5	206,443	216,547
Yen denominated bonds (JPY 5,000,000) (note a)		3 M Euro Yen		
	2012	TIBOR+2.5	66,595	69,854
Floating rate notes (US\$ 220,000) (note a)		3 M		
	2012	LIBOR+3.15	243,584	250,558
Convertible bonds (US\$ 332,528) (note b)	2014	1.75	450,462	461,655
Sub total			3,129,964	3,515,844
Less discounts on bonds			(39,431)	(42,424)
Net			3,090,533	3,473,420
Less portion due within one year			(305,002)	(539,607)
Long-term portion			(Won) 2,785,531	(Won) 2,933,813

(note a) The 3-months Euro Yen LIBOR rate, the 3-months Euro Yen TIBOR rate and the 3-month LIBOR rate as of March 31, 2011 are 0.20%, 0.34% and 0.30%, respectively.

(note b) On April 7, 2009, the Company issued convertible bonds with a maturity of five years in the principal amount of US\$332,528,000 for US\$326,397,463 with conversion price of (Won)230,010 per share of the Company's common stock, which was greater than market value at the date of issuance. The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The conversion right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be converted as of March 31, 2011 is 2,177,389 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.

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In accordance with a resolution of the Board of Directors on January 21, 2011, the Conversion price has changed from (Won)220,000 to (Won)211,271 and the number of common shares that can be converted changed from 2,090,996 shares to 2,177,389 shares due to the payment of periodic dividends. During the three months ended March 31, 2011, no conversion was made.

**13. BORROWINGS****a. Long-term borrowings**

Long-term borrowings as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, thousands of U.S. dollars and thousands of Japanese yen):

Lender	Maturity	Annual interest rate (%) (note)	March 31, 2011	December 31, 2010
Korea Development Bank	2011	91 days CD yield + 1.02	(Won) 100,000	(Won) 100,000
Citibank	2011	91 days CD yield + 1.20	(Won) 100,000	(Won) 100,000
Nonghyup	2011	91 days CD yield + 1.30	(Won) 100,000	(Won) 100,000
Hana Bank	2011	91 days CD yield + 1.50	(Won) 150,000	(Won) 150,000
Nonghyup	2011	91 days CD yield + 1.50	(Won) 50,000	(Won) 50,000
Credit Agricole	2013	6M Libor + 0.29	US\$ 30,000	US\$ 30,000
Bank of China			US\$ 20,000	US\$ 20,000
DBS Bank			US\$ 25,000	US\$ 25,000
SMBC			US\$ 25,000	US\$ 25,000
Total			(Won) 500,000	(Won) 500,000
			US\$ 100,000	US\$ 100,000
Equivalent in Korean won			(Won) 610,720	(Won) 613,890
Less portion due within one year			(500,000)	(500,000)
Long-term portion			(Won) 110,720	(Won) 113,890

(note) As of March 31, 2011, the 91-days CD yield rate is 3.39% and the 6-month Libor rate is 0.46%

**14. PROVISION**

Details of change in the provisions for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	Beginning balance	For the three months ended March 31, 2011		Ending balance	As of March 31, 2011	
		Increase	Decrease		Current	Non-current
Provision for handset subsidy	(Won) 732,042	(Won) 200,315	((Won) 213,463)	(Won) 718,894	(Won) 633,447	(Won) 85,447
Provision for point program	266		(184)	82	82	
Provision for restoration	27,740	741		28,481		28,481
<b>Total</b>	<b>(Won) 760,048</b>	<b>(Won) 201,056</b>	<b>((Won) 213,647)</b>	<b>(Won) 747,457</b>	<b>(Won) 633,529</b>	<b>(Won) 113,928</b>

  

	Beginning balance	For the three months ended March 31, 2010		Ending balance	As of March 31, 2010	
		Increase	Decrease		Current	Non-current
Provision for handset subsidy	(Won) 609,733	(Won) 325,829	((Won) 174,660)	(Won) 760,902	(Won) 632,508	(Won) 128,394
Provision for point program	807		(75)	732	250	482
Provision for restoration	22,642	1,057		23,699		23,699
<b>Total</b>	<b>(Won) 633,182</b>	<b>(Won) 326,886</b>	<b>((Won) 174,735)</b>	<b>(Won) 785,333</b>	<b>(Won) 632,758</b>	<b>(Won) 152,575</b>

The Company, for its marketing purposes, grants Point Box Mileage to its subscribers based on their usage of the Company's services. Points provision is provided based on the historical usage experience and the Company's marketing policy. Also, the Company provides provision for handset subsidies to be provided to the subscribers who purchase handsets on an installment basis. Such provision is recorded as accrued expenses or other non-current liabilities in accordance with the expected points usage and subsidies payment duration since the period end date.

**15. RETIREMENT BENEFIT OBLIGATION**

g. Details of retirement benefit obligation as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Present value of defined benefit obligation	(Won) 113,836	(Won) 105,966
Fair value of plan assets	(82,463)	(84,584)
<b>Total</b>	<b>(Won) 31,373</b>	<b>(Won) 21,382</b>

h. Principal actuarial assumptions as of March 31, 2011 and December 31, 2010 are as follows:

	March 31, 2011	December 31, 2010
Discount rate for defined benefit obligations	5.49%	6.10%
Inflation rate	3.00%	3.00%
Expected rate of return on plan assets	4.74%	4.71%
Expected rate of salary increase	5.62%	5.87%

i. Changes in defined benefit obligations for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Beginning balance	(Won) 105,966	(Won) 87,102
Current service cost	7,465	7,099
Interest cost	1,425	1,334
Actuarial gain or loss	3,777	1,041
Benefit paid	(5,017)	(3,713)
Others	220	382
<b>Ending balance</b>	<b>(Won) 113,836</b>	<b>(Won) 93,245</b>

- j. Changes in plan assets for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Beginning balance	(Won) 84,584	(Won) 66,489
Expected return on plan assets	974	741
Actuarial gain or loss	(302)	(365)
Benefit payment	(2,793)	(2,999)
Others		382
Ending balance	(Won) 82,463	(Won) 64,248

- k. Expenses recognized in profit and loss for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won)

	For the three months ended	
	March 31, 2011	March 31, 2010
Current service cost	(Won) 7,465	(Won) 7,099
Interest cost	1,425	1,334
Expected return on plan assets	(974)	(741)
Total	(Won) 7,916	(Won) 7,692

- l. Details of plan assets as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Equity instruments	(Won) 20,804	(Won) 21,687
Debt instruments	48,767	49,465
Others	12,892	13,432
Total	(Won) 82,463	(Won) 84,584

Actual return on plan assets for the three months ended March 31, 2011 and 2010 is (Won)672 million and (Won)376 million, respectively.



**16. SHARE CAPITAL AND SHARE PREMIUM**

The Company's outstanding share capital consists entirely of common stock with a par value of (Won)500. The number of authorized, issued and outstanding common shares and share premium as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won, except for share data):

	March 31, 2011	December 31, 2010
Authorized shares	220,000,000	220,000,000
Issued shares (Note)	80,745,711	80,745,711
<b>Share capital</b>		
Common stock	(Won) 44,639	(Won) 44,639
<b>Share premium :</b>		
Paid-in surplus	2,915,887	2,915,887
Treasury stock	(2,202,439)	(2,202,439)
Loss on disposal of treasury stock	(15,875)	(15,875)
Others	(722,216)	(722,216)
 Sub-total	 (Won) 24,643	 (Won) 24,643

There are no changes in share capital for the three months ended March 31, 2011 and for the year ended December 31, 2010.

(Note) During the years ended December 31, 2003, 2006 and 2009, the Company retired 7,002,235 shares, 1,083,000 shares and 448,000 shares, respectively, 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 has decreased without change in the share capital.

**17. TREASURY STOCK:**

Through 2008, the Company acquired 8,707,696 shares of treasury stock in the open market for (Won)2,055,620 million for providing stock dividends, issue new stocks, merge with Shinsegi Telecom, Inc. and SK IMT Co., Ltd., increase shareholder values, and to be able to stabilize its stock price when needed.

On January 9, 2009, in accordance with the resolution of Board of Directors on October 23, 2008, the Company acquired 141,012 shares of treasury stock for (Won)28,939 million and concurrently retired 448,000 treasury shares which it accumulated to date, with the Company's retained earnings, for (Won)92,477 million. As a result of these transactions, retained earnings decreased by (Won)92,476 million.

On December 15, 2009, the Company acquired 4 shares of treasury stock for (Won)1 million by acquisition request of odd lot stock, due to the merger with Shinsegi Telecom, Inc.

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

As a result of aforementioned treasury stock transactions, as of March 31, 2011 and December 31, 2010, the Company has, 9,650,712 shares of treasury stock, at (Won)2,202,439 million.

**18. RETAINED EARNINGS**

Retained earnings as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Appropriated :		
Legal reserve	(Won) 22,320	(Won) 22,320
Reserve for research and manpower development	535,595	658,928
Reserve for business expansion	8,009,138	7,519,138
Reserve for technology development	1,524,000	1,150,000
Sub-total	10,091,053	9,350,386
Unappropriated	692,698	1,473,970
Total	(Won) 10,783,751	(Won) 10,824,356

a. Legal Reserve

The Korean Commercial Code requires the Company to appropriate as a legal reserve at least 10% of cash dividends paid for each accounting period until the reserve equals 50% of outstanding 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.

b. Reserve for Business Expansion and Technology Development

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

**19. RESERVES**

Details of reserves as of March 31, 2011 and December 31, 2010 are as follows (in millions of Korean won):

	March 31, 2011	December 31, 2010
Net change in fair value of available-for-sale financial assets	(Won) 717,719	(Won) 803,075
Loss on valuation of derivatives	(27,749)	(66,469)
<b>Total</b>	<b>(Won) 689,970</b>	<b>(Won) 736,606</b>

Details of change in reserves for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	Net change in fair value of available-for-sale financial assets	Loss on valuation of derivatives	Total
Balance, January 1, 2011	(Won) 803,075	((Won) 66,469)	(Won) 736,606
Changes	(112,735)	50,296	(62,439)
Tax effect	27,379	(11,576)	15,803
Balance, March 31, 2011	(Won) 717,719	((Won) 27,749)	(Won) 689,970
Balance, January 1, 2010	(Won) 1,003,145	((Won) 4,417)	(Won) 998,728
Changes	(178,675)	(4,120)	(182,795)
Tax effect	37,530	795	38,325
Balance, March 31, 2010	(Won) 862,000	((Won) 7,742)	(Won) 854,258

**20. OTHER OPERATING INCOME AND EXPENSES**

Details of other operating income and expenses for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
<b>Other operating income :</b>		
Gain on disposal of property and equipment and intangible assets (Note)	(Won) 115	(Won) 6,109
Reversal of allowance for doubtful accounts (Note)		174
Other (Note)	2,083	5,067
<b>Total</b>	<b>(Won) 2,198</b>	<b>(Won) 11,350</b>
<b>Other operating expenses :</b>		
Communication expenses	(Won) 13,681	(Won) 13,768
Utilities	27,770	26,163
Taxes and dues	7,421	5,227
Repair	41,914	36,422
Research and development	57,736	61,346
Training	4,204	3,695
Bad debt expenses	11,528	15,921
Supplies and other	11,996	11,399
Loss on disposal of property and equipment (Note)	565	2,661
Donations (Note)	23,280	42,438
Other bad debt expenses(Note)	3,525	194
Other (Note)	3,771	4,319
<b>Total</b>	<b>(Won) 207,391</b>	<b>(Won) 223,553</b>

(Note) Under previous GAAP (Korean GAAP), these were classified as other non-operating income and expenses. While under K-IFRS, these are classified as other operating income and expenses.

**21. FINANCE INCOME AND COSTS**

Details of finance income and costs for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
<b>Finance income :</b>		
Interest income	(Won) 43,015	(Won) 55,643
Dividend income	26,472	29,203
Gain on foreign exchange translation	8,318	24,038
Gain on valuation of financial assets at FVTPL	2,776	
Gain on disposal of long term investment assets	158,495	
Gain on valuation of derivatives	1,263	
Gain on valuation of financial liabilities at FVTPL	11,193	
<b>Total</b>	<b>(Won) 251,532</b>	<b>(Won) 108,884</b>
<b>Finance costs :</b>		
Interest costs	(Won) 55,083	(Won) 69,844
Loss on valuation of short-term investment securities		3,439
Loss on foreign exchange translation	2,380	1,950
Loss on disposal of long term investment assets		1
Loss on transactions and valuation of derivatives	3,131	20,076
Loss on valuation of financial liabilities at FVTPL		1,849
<b>Total</b>	<b>(Won) 60,594</b>	<b>(Won) 97,159</b>

Details of interest income included in finance income for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Interest income on cash equivalents and deposits	(Won) 10,091	(Won) 7,899
Interest income on installment receivables and other interest income	32,924	47,744
<b>Total</b>	<b>(Won) 43,015</b>	<b>(Won) 55,643</b>

Details of interest expenses included in finance costs for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Interest expense on bank overdrafts and borrowings	(Won) 9,728	(Won) 12,502
Interest expense on bonds	41,428	51,275
Other interest expenses	3,927	6,067
<b>Total</b>	<b>(Won) 55,083</b>	<b>(Won) 69,844</b>



**22. NET INCOME PER SHARE**

Net income per share for the three months ended March 31, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

*Net income per share*

	For the three months ended	
	March 31, 2011	March 31, 2010
Net income	(Won) 560,672	(Won) 413,114
Weighted average number of common shares outstanding	71,094,999	72,344,999
Net income per share(in Korean won)	(Won) 7,886	(Won) 5,710

The weighted average number of common shares outstanding for the three months ended March 31, 2011 and 2010 are calculated as follows:

	Date	Number of shares	Weighted number of Days	Weighted number of shares
<u>For the three months ended March 31, 2011 :</u>				
Number of shares at January 1, 2011		80,745,711	90/90	80,745,711
Treasury stock, at the beginning of the year		(9,650,712)	90/90	(9,650,712)
Number of shares at March 31, 2011		71,094,999		71,094,999
<u>For the three months ended March 31, 2010 :</u>				
Number of shares at January 1, 2010		80,745,711	90/90	80,745,711
Treasury stock, at the beginning of the year		(8,400,712)	90/90	(8,400,712)
Number of shares at March 31, 2010		72,344,999		72,344,999

Diluted net income per share amounts for the three months ended March 31, 2011 and 2010 are computed as follows (in millions of Korean won, except for share data):

*Diluted net income per share*

	March 31, 2011	March 31, 2010
Adjusted net income	(Won) 561,664	(Won) 414,550
Adjusted weighted average number of common shares outstanding	73,272,388	74,423,054
Diluted net income per share	(Won) 7,665	(Won) 5,570

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Adjusted net income per share and the adjusted weighted average number of common shares outstanding for the three months ended March 31, 2011 and 2010 are calculated as follows (In millions of Korean won, except for share data):

	For the three months ended	
	March 31, 2011	March 31, 2010
Net income	(Won) 560,672	(Won) 413,114
Effect of convertible bonds (Note)	992	1,436
<b>Adjusted net income</b>	<b>(Won) 561,664</b>	<b>(Won) 414,550</b>
Weighted average number of common shares outstanding	71,094,999	72,344,999
Effect of convertible bonds (Note)	2,177,389	2,078,055
<b>Adjusted weighted average number of common shares outstanding</b>	<b>73,272,388</b>	<b>74,423,054</b>

(Note) The effect of convertible bonds increased net income related to interest expenses that would not be incurred, and increased the weighted average number of common shares outstanding related to common shares that would be issued, assuming that the conversion of convertible bonds had occurred at the beginning of the period.



**23. TRANSACTIONS WITH RELATED PARTIES**

As of March 31, 2011, the parent company and subsidiaries of the Company are as follows:

Type	Company	Ownership percentage (%)	Types of business
Ultimate parent company	SK C&C Co., Ltd.	31.8 (Note a)	Information technology and software production
Parent company	SK Holdings Co., Ltd.	23.2 (Note b)	Holding company
Subsidiary	SK Telink Co., Ltd.	83.5	Telecommunication service
	SK Communications Co., Ltd.	64.7	Internet website services
	PAXNet Co., Ltd.	59.7	Internet website services
	Loen Entertainment, Inc.	63.5	Release of music disc
	Stonebridge Cinema Fund	45.6	Investment association
	Ntreev Soft Co., Ltd.	63.7	Game software production
	SK i-media Co., Ltd.	100.0 (Note c)	Game software production
	Commerce Planet Co., Ltd.	100.0	Cosmetic wholesale
	SK Broadband Co., Ltd.	50.6	Internet website services and telecommunication service
	Broadband D&M Co., Ltd.	100.0 (Note c)	Telecommunication service
	Broadband media Co., Ltd.	100.0 (Note c)	Multimedia TV portal service
	Broadband CS Co., Ltd.	100.0 (Note c)	Customer Q&A and Service
	K-net Culture and Contents Venture Fund	59.0	Investment association
	2nd BMC Focus Investment Fund	66.7	Investment association
	Open Innovation Fund	98.9	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
	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 (Note c)	GPS manufacturing and selling
	YTK Investment Ltd	100.0	Investment
	SKT Vietnam PTE., Ltd.	73.3	Telecommunication service
	SKT Americas, Inc.	100.0	Telecommunication service
	Technology Venture Fund, LP	100.0 (Note c)	Research & Development
	SK Telecom Global Investment B.V	100.0	Equity investment

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

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

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

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Significant related party transactions for the three months ended March 31, 2011 and 2010, and account balances as of March 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

**a. Transactions**

	For three months ended March 31, 2011			For three months ended March 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
<b>Ultimate parent company:</b>						
SK C&C Co., Ltd.	(Won) 25,576	(Won) 62,684	(Won) 1,324	(Won) 6,157	(Won) 58,791	(Won) 3,309
<b>Parent Company:</b>						
SK Holdings Co., Ltd.		6,256	76		5,902	95
<b>Subsidiaries:</b>						
SK Telink Co., Ltd.		25,113	18,262		4,081	10,407
SK Communications Co., Ltd.		2,254	2,120		2,864	2,754
Loen Entertainment, Inc.		9,838	950		7,598	1,066
Ntreev Soft Co., Ltd.			2,996		210	1
Commerce Planet Co., Ltd.		41,999	2,382	1,186	23,470	1,488
SK Broadband Co., Ltd.		51,466	19,960		28,617	16,283
PS&Marketing Corporation		63,467	622		81,264	519
Service Ace Co., Ltd.		28,171	2,777			
Service Top Co., Ltd.		27,448	1,611			
Network O&S Co., Ltd.		18,879	567			
SK Telecom China Holdings Co., Ltd.		4,520			6,999	
SKT Americas, Inc.		3,308			4,000	
Others		251	45		37,242	7,702
<b>Associates:</b>						
SK Marketing & Company Co., Ltd.		27,382	2,182		24,217	1,510
F&U Credit Information Co., Ltd.		9,742	383			
SK Wyverns Baseball Club Co., Ltd.		9,794	13		6,500	23
HanaSK Card Co., Ltd.	2	44,313	17,793			
Others		4,164	1		2,422	1
<b>Others :</b>						
SK MNS Co., Ltd.		2,369	4			
SK Engineering & Construction Co., Ltd.	8,023	83	951			3,361
SK Telesys Co., Ltd.	9,017	2,257	37,208	18,397	214	556
SK Networks Co., Ltd.	168	86,246	4,133	17	120,608	3,722
MRO Korea Co., Ltd.	166	588	3	1,475	623	13
SK Networks Service Co., Ltd.		3,167	79		2,511	65
Others	271	23,637	1,641		4,191	2,074
<b>Total</b>	<b>(Won) 43,223</b>	<b>(Won) 559,396</b>	<b>(Won) 118,083</b>	<b>(Won) 27,232</b>	<b>(Won) 422,324</b>	<b>(Won) 54,949</b>

**b. Account balances**

	As of March 31, 2011						
	Accounts receivable	Short-term loans	Long-term loans	Guarantee deposits	Accounts payable	Guarantee deposits received	
<b>Ultimate parent company:</b>							
SK C&C Co., Ltd.	(Won) 599	(Won)	(Won)	(Won)	(Won) 36,706	(Won)	197
<b>Parent Company:</b>							
SK Holdings Co., Ltd.	68						
<b>Subsidiaries:</b>							
SK Telink Co., Ltd.	7,361				8,700		3,196
SK Communications Co., Ltd.	2,607				2,788		5,524
Loen Entertainment, Inc.	576				3,518		
Ntreev Soft Co., Ltd.	3,296						
Commerce Planet Co., Ltd.	9,978				12,716		
SK Broadband Co., Ltd.	586			1,151	3,437		39,601
PS&Marketing Corporation					23,563		6,035
Service Ace Co., Ltd.	618				10,570		4,001
Service Top Co., Ltd.	285				11,220		3,367
Network O&S Co., Ltd.	180						170
SKT Vietnam PTE., Ltd.	3,637						
Others	10				257		150
<b>Associates:</b>							
SK Marketing & Company Co., Ltd.	2,435				15,641		
F&U Credit Information Co., Ltd.	38				3,636		
Wave City Development Co., Ltd.	38,412						
HanaSK Card Co., Ltd.	6,524				466		
Daehan Kanggun BcN Co., Ltd.				30,224			
Others	6	575	1,832				
<b>Others :</b>							
SK MNS Co., Ltd.	751				1,844		
SK Engineering & Construction Co., Ltd.	1,806				14,224		82
SK Telesys Co., Ltd.	4,801				10,279		
SK Networks Co., Ltd.	2,223			5,513	24,558		493
MRO Korea Co., Ltd.	2				321		
Others	1,204			103	1,779		
<b>Total</b>	<b>(Won) 88,003</b>	<b>(Won) 575</b>	<b>(Won) 32,056</b>	<b>(Won) 6,767</b>	<b>(Won) 186,223</b>	<b>(Won) 62,816</b>	

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As of December 31, 2010

	Accounts receivable	Short-term loans	Long-term loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Ultimate parent company:						
SK C&C Co., Ltd.	(Won) 843	(Won)	(Won)	(Won)	(Won) 163,154	(Won) 197
Parent Company:						
SK Holdings Co., Ltd.	525					
Subsidiaries:						
SK Telink Co., Ltd.	4,573				9,086	3,439
SK Communications Co., Ltd.	2,239				8,706	5,524
Loen Entertainment, Inc.	665				4,058	
Ntreev Soft Co., Ltd.	6,622				75	
Commerce Planet Co., Ltd.	10,927				19,359	
SK Broadband Co., Ltd.	3,373			1,151	63,917	39,462
PS&Marketing Corporation	1,085				27,133	5,913
Service Ace Co., Ltd.	164				10,078	3,890
Service Top Co., Ltd.	542				9,672	3,367
Network O&S Co., Ltd.	184				10,627	170
SK Telecom China Co., Ltd.					6,984	
SKT Vietnam PTE., Ltd.	4,205					
SKT Americas, Inc.					7,830	
Others	270				7,913	150
Associates:						
SK Marketing & Company Co., Ltd.	3,382				32,304	
Wave City Development Co., Ltd.	38,412					
HanaSK Card Co., Ltd.	8,478				19,948	
Daehan Kanggun BcN Co., Ltd.			30,224			
Others	9	575	1,832		1,826	
Others :						
SK MNS Co., Ltd.	1,591				3,998	
SK Engineering & Construction Co., Ltd.	1,171				16,148	82
SK Telesys Co., Ltd.	14,197				30,037	
SK Networks Co., Ltd.	2,911			5,513	32,734	489
MRO Korea Co., Ltd.	5				1,408	
Others	1,986			96	6,255	70
<b>Total</b>	<b>(Won) 108,359</b>	<b>(Won) 575</b>	<b>(Won) 32,056</b>	<b>(Won) 6,760</b>	<b>(Won) 493,250</b>	<b>(Won) 62,753</b>

**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 three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

Payee	For the three months ended March 31, 2011			For the three months ended March 31, 2010		
	Payroll	Severance indemnities	Total	Payroll	Severance indemnities	Total
Eight(8) Registered directors (including outside directors)	(Won) 7,156	(Won) 517	(Won) 7,673	(Won) 1,964	(Won) 375	(Won) 2,339

**24. 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 March 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 (Won)3,186 million (net of tax effect totaling (Won)457 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling (Won)15,920 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 March 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 (Won)1,823 million (net of tax effect totaling (Won)1,013 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling (Won)62,443 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 March 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 (Won)2,413 million (net of tax effect totaling (Won)681 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)6,172 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 March 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 (Won)1,101 million (net of tax effect totaling (Won)311 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)12,013 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Morgan Stanley and other five banks to hedge the foreign currency risk of unguaranteed U.S. dollar dominated bonds with face amounts totaling US\$400,000,000 at annual fixed interest rate of 6.63% issued on July 20, 2007. As of March 31, 2011, in connection with unexpired foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)27,259 million (excluding tax effect totaling (Won)7,689 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling (Won)14,398 million) is accounted for as other comprehensive loss. Meanwhile, in connection with the currency swap contract, gain on valuation of currency swap which was incurred before application of hedge accounting, amounting to (Won)129,806 million was charged to current operations.

b. Interest rate swap contract under cash flow hedge accounting

The Company has entered into a floating-to-fixed interest rate swap contract with Nonghyup Bank and two other banks to hedge the interest rate risk of long-term floating rate borrowings with face amounts totaling (Won)500,000 million borrowed on July 28, 2008 between August 12, 2011. As of March 31, 2011, in connection with unexpired interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)2,642 million (net of tax effect totaling (Won)843 million) is accounted for as accumulated other comprehensive loss.

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

The Company has entered into a floating-to-fixed interest rate swap contract with DBS and Calyon Bank the interest rate risk of floating rate U.S. dollar denominated bonds with face amounts totaling US\$220,000,000 issued on April 29, 2009. In connection with unexpired interest rate swap contract to which the hedge accounting is not applied, gain on valuation of currency swap of (Won)1,263 million and loss on valuation of interest swap of (Won)1,642 million, respectively, for the three months ended March 31, 2011 and 2010, respectively, are charged to current operations.

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As of March 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, Japanese yen and millions of Korean won):

Type	Hedged item	Amount	Duration of Contract	Designated as Cash Flow Hedge	Fair value Not Designated	Total
<b>Non-current assets:</b>						
Floating-to-fixed cross currency swap	U.S. dollar denominated long-term borrowings	US\$ 100,000	Oct. 10, 2006 ~ Oct. 10, 2013	(Won) 12,277	(Won)	(Won) 12,277
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US\$ 400,000	Jul. 20, 2007 ~ Jul. 20, 2027	80,461		80,461
Floating-to-fixed cross currency swap	Japanese yen denominated bonds	JPY 12,500,000	Nov. 13, 2007 ~ Nov. 13, 2012	63,253		63,253
<b>Total assets</b>				(Won) 155,991	(Won)	(Won) 155,991
<b>Current liabilities:</b>						
Floating-to-fixed cross currency interest swap	Japanese yen denominated bonds	JPY 3,000,000	Jan. 22, 2009 ~ Jan. 22, 2012	3,078		3,078
Floating-to-fixed cross currency interest swap	Japanese yen denominated bonds	JPY 5,000,000	Mar. 05, 2009 ~ Mar. 5, 2012	10,601		10,601
Floating-to-fixed Interest rate swap	Long-term borrowings	(Won) 500,000	Jul. 28, 2008 ~ Aug. 12, 2011	3,485		3,485
<b>Non-current liabilities</b>						
Floating-to-fixed Interest rate swap	U.S. dollar denominated bonds	US\$ 220,000	Apr. 29, 2009 ~ Apr.29, 2012		3,780	3,780
<b>Total liabilities</b>				(Won) 17,164	(Won) 3,780	(Won) 20,944

**25. STATEMENTS OF CASH FLOWS**

Adjustments for income and expenses from operating activities for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Interest income	((Won) 43,015)	((Won) 55,643)
Dividend income	(26,472)	(29,203)
Gain on foreign exchange translation	(7,083)	(22,792)
Gain on valuation of financial assets at FVTPL	(2,776)	
Gain on disposal of long term investments assets	(158,495)	
Gain on valuation of derivatives	(1,263)	
Gain on disposal of investments in associates	(121)	
Gain on disposal of property, equipment and intangible assets	(115)	(6,109)
Reversal of allowance for doubtful accounts		(174)
Other income	(13,413)	(1,406)
Interest expenses	55,083	69,844
Loss on valuation of short-term investment securities		3,439
Loss on foreign exchange translation	173	347
Loss on disposal of long term investments assets		1
Loss on valuation of derivatives		20,076
Loss on transaction of derivatives	3,131	
Income tax expense	228,367	113,922
Provision for retirement benefits	7,816	7,517
Depreciation and amortization	448,180	439,021
Bad debt expenses	11,528	15,921
Loss on disposal of property, equipment and intangible assets	565	2,661
Other bad debt expenses	3,525	194
Other expenses	1,170	6,551
	(Won) 506,785	(Won) 564,167



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Changes in assets and liabilities from operating activities for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Accounts receivable - trade	(Won) 104,268	(Won) 186,982
Accounts receivable - other	393,964	(95,843)
Advance payments	(59,696)	(20,628)
Prepaid expenses	28,773	1,790
Inventories	(4,857)	7,910
Other current assets	235	(122)
Long-term accounts receivables - other	280,356	(84,581)
Accounts payable -other	(435,664)	174,978
Advanced receipts	(7,952)	12,957
Withholdings	145,282	215,879
Accrued expenses	(16,545)	37,029
Unearned revenue	(18,189)	(15,548)
Retirement benefit payment	(5,017)	(3,713)
Plan assets	2,793	2,999
Other non-current liabilities	(329)	(759)
	(Won) 407,422	(Won) 419,330

Significant non-cash transactions for the three months ended March 31, 2011 and 2010 are as follows (in millions of Korean won):

	For the three months ended	
	March 31, 2011	March 31, 2010
Transfer construction in progress to of property and equipment	(Won) 273,857	(Won) 37,188
Write-off of accounts receivable-trade and others	174	101
Transfer bonds payable to current portion of long-term debt account	106,551	70,000
Transfer long-term borrowings to current portion of long-term debt account	17,533	170,000

## 26. FINANCIAL RISK MANAGEMENT:

### *Financial Risk Factors*

The Company is exposed to credit risk, liquidity risk and market risks (Market risk is the risk due to 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, 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 mainly on exchange fluctuations on recognized assets and liabilities. The Company manage currency risk by currency forward, etc if needed to hedge currency risk on business transactions. The occurrence of currency risk is mainly on forecasted transaction and recognized assets and liabilities which is denominated in a currency other than the functional currency of the Company.

In addition, the Company has entered into a cross currency swap to hedge against currency risk related to foreign currency borrowings and bonds payables.(Refer to Note 24)

##### *a-(2) Equity price risk*

The Company has equity securities which includes listed and non-listed securities for its liquidity and operating purpose. For its purpose, the Company uses more than one direct or indirect investment instruments.

##### *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 still has interest rate risk arising from borrowings and bonds payables.

Accordingly, the Company performs various analysis of interest rate risk, which include refinancing, renewal, alternative finance and hedging instrument option, to reduce interest rate risk and to optimize its financing. The Company has entered into interest rate swaps to hedge interest rate risk related to floating-rate borrowings and bonds payables. (Refer to Note 24)

#### *b. Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instruments 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 record and other factors; based on such information the Company establishes credit limits for each customer or counterparty.

For the three months ended March 31, 2011, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are 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 derivatives. To minimize such risk, the Company has a policy of dealing with high credit worthy financial institution.

*c. 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 to maintain an effective & efficient business.

**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 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 debt divided by total equity; the total debt and equity is extracted from the consolidated financial statements.

Debt-equity ratio as of March 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

	March 31, 2011	December 31, 2010
Debt	(Won) 8,040,215	(Won) 8,146,168
Equity	11,493,717	11,580,958
Debt-equity ratio	69.95%	70.34%

**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: July 8, 2011