SK TELECOM CO LTD
Form 6-K
April 30, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 UNDER

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF APRIL 2012

COMMISSION FILE NUMBER 333-04906

SK Telecom Co., Ltd.

(Translation of registrant s name into English)

11, Euljiro2-ga, Jung-gu

Seoul 100-999, Korea

(Address of principal executive offices)

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

Form 20-F x 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 x

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

ANNUAL BUSINESS REPORT

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

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

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

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

I. COMPANY OVERVIEW

1. Company Overview

Starting in the first quarter of 2011, SK Telecom Co., Ltd. (the Company) prepares and reports its financial statements under the International Financial Reporting Standards as adopted for use in Korea (K-IFRS). The transition date of the Company and its consolidated subsidiaries to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company s annual business report for the year ended December 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
SK Telink Co., Ltd.	Apr. 9, 1998	Telecommunication and satellite broadcasting services	420,829	Material
SK Communications Co., Ltd.	Sep. 19, 1996	Internet portal and other Internet information services	311,322	Material
PAXNet Co., Ltd.	May 18, 1999	Database and online information services	35,863	
Loen Entertainment, Inc.	Jul. 7, 1982	Music and audio publication	131,789	Material
Stonebridge Cinema Fund	Sep. 30, 2005	Investment partnership	16,380	
Ntreev Soft Co., Ltd.	Dec. 1, 2003	Development and supply of online and mobile games and software	34,485	
Commerce Planet Co., Ltd.	Jul. 1, 1997	Information technology and computer services	42,142	
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	10,908	Material
Broadband Media Co., Ltd.	Aug. 25, 2005	Telemarketing services	126,345	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	48,170	
2nd Benex Focus Investment Fund	Dec. 12, 2008	Investment partnership	23,171	
Open Innovation Fund	Dec. 22, 2008	Investment partnership	44,713	
PS&Marketing Corporation	Apr. 3, 2009	Resale of telecommunication services	246,574	Material
Service Ace Co., Ltd.	Jul. 1, 2010	Call center operation and telemarketing services	36,742	
Service Top Co., Ltd.	Jul 1, 2010	Call center operation and telemarketing services	29,706	
Network O&S Co., Ltd.	Jul. 1, 2010	Wireless telecommunication services	32,955	
Service In Co., Ltd.	Apr. 4, 2011	Internet services	0	
BNCP Co., Ltd.	Dec. 7, 2009	Software development	0	
SK Planet Co., Ltd.	Oct. 5,2011	Platform service	0	Material

Name	Date of Establishment	Principal Business	Total Asset as of Dec. 31, 2010 (millions of Won)	Material Subsidiary
SK Telecom China Holdings Co., Ltd.	Jul. 12, 2007	Investment	37,562	
Sky Property Mgmt., Ltd.	Jun. 20, 2007	Real estate rental	567,480	Material
Shenzhen E-eye High Tech Co., Ltd.	Apr. 1, 2000	Telematics services	13,759	
SK China Real Estate Co., Limited	Mar. 19, 2009	Real estate investment	295	
SKT Vietnam PTE., Ltd.	Apr. 5, 2000	Wireless telecommunication services	49,115	Material
SKT Americas, Inc.	Dec. 29, 1995	Management consulting and investment	51,909	
YTK Investment Ltd.	Jul. 1, 2010	Investment	39,645	
Technology Innovation Partners, LP	Jun. 24, 2011	Investment	0	
Atlas Investment	Jun. 24, 2011	Investment	0	
SK Telecom China Fund I L.P.	Sep. 14, 2011	Investment	0	

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Major Businesses

(1) Wireless Business

The Company provides wireless telecommunications services, characterized by its competitive strengths in handheld device, affordable pricing, network coverage and an extensive contents library. With the commencement of services employing LTE technology, the Company expects to be able to provide its wireless subscribers with access to high-quality video contents and services, interactive multimedia games and other new services. In 2012, we plan to achieve new growth by focusing on data services as LTE service expands. Having reached one million LTE subscribers as of January 31, 2012 for the first time in Korea, the Company is solidifying its leadership position in LTE services based on its technology and network operating expertise. The Company also plans to improve the profitability of its wireless business through efficient capital expenditures and marketing and enhancement of marketing network and products. In the business-to-business area, the Company plans to develop and commercialize industry-specific solutions focused on healthcare and education through strategic alliances.

(2) Fixed-line Business

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

(3) Other Businesses

The Company is pursuing customer satisfaction by providing the best service and generating new values in diverse areas in contents delivery, location based service, media, mobile commerce and advertisement. In contents delivery service, the Company provides high-quality digital contents in its leading mobile contents marketplace, T store, which had more than 10 million subscribers and plans to expand globally.

In the location based service business, users of the Company s T map service surpassed 10 million in 2011. T map provides real time traffic information and various local information. In the media business, the Company provides hoppin service that enables subscribers to access various multimedia contents through personal computers, mobile and other digital devices. In the commerce and advertising area, the Company s 11 Street provides platform service that connects various sellers and purchasers on-line, which continues to increase its market share. In addition, the Company pursues new business opportunities in comprehensive advertising service comprising on-line and wireless, such as its T ad service.

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

See II. Business Overview for more information.

E. Credit Ratings

(1) Corporate Bonds

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
February 20, 2008	Corporate bond	AAA	Korea Ratings	Current rating
February 21, 2008	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 21, 2008	Corporate bond	AAA	Korea Information Services, Inc.	Current rating
June 3, 2008	Corporate bond	AAA	Korea Ratings	Regular rating
June 17, 2008	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 30, 2008	Corporate bond	AAA	Korea Information Services, Inc.	Regular rating
October 20, 2008	Corporate bond	AAA	Korea Ratings	Current rating

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
October 20, 2008	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
October 20, 2008	Corporate bond	AAA	Korea Information Services, Inc.	Current rating
January 13, 2009	Corporate bond	AAA	Korea Ratings	Current rating
January 13, 2009	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
January 13, 2009	Corporate bond	AAA	Korea Information Services, Inc.	Current rating
February 23, 2009	Corporate bond	AAA	Korea Ratings	Current rating
February 23, 2009	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
February 23, 2009	Corporate bond	AAA	Korea Information Services, Inc.	Current rating
June 24, 2009	Corporate bond	AAA	Korea Information Services, Inc.	Regular rating
June 26, 2009	Corporate bond	AAA	Korea Ratings	Regular rating
June 30, 2009	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 22, 2010	Corporate bond	AAA	Korea Ratings	Regular rating
June 29, 2010	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
June 29, 2010	Corporate bond	AAA	NICE Investors Service Co, Ltd.	Regular rating
May 27, 2011	Corporate bond	AAA	Korea Ratings	Regular rating
June 13, 2011	Corporate bond	AAA	NICE Investors Service Co, Ltd.	Regular rating
June 23, 2011	Corporate bond	AAA	Korea Investors Service, Inc.	Regular rating
December 12, 2011	Corporate bond	AAA	Korea Investors Service, Inc.	Current rating
December 13, 2011	Corporate bond	AAA	NICE Investors Service Co, Ltd.	Current rating
December 16, 2011	Corporate bond	AAA	Korea Ratings	Current rating

* 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

Credit rating date	Subject of rating	Credit rating	Credit rating entity (Credit rating range)	Rating classification
June 26, 2009	CP	A1	Korea Ratings	Current rating
June 30, 2009	CP	A1	Korea Investors Service, Inc.	Current rating
December 15, 2009	CP	A1	Korea Ratings	Regular rating
December 30, 2009	CP	A1	Korea Investors Service, Inc.	Regular rating
December 30, 2009	CP	A1	Korea Information Services, Inc.	Regular rating
June 22, 2010	CP	A1	Korea Ratings	Current rating
June 29, 2010	CP	A1	Korea Investors Service, Inc.	Current rating
June 29, 2010	CP	A1	NICE Investors Service Co, Ltd.	Current rating
December 16, 2010	CP	A1	Korea Ratings	Regular rating
December 27, 2010	CP	A1	Korea Investors Service, Inc.	Regular rating
December 29, 2010	CP	A1	NICE Investors Service Co, Ltd.	Regular rating
May 27, 2011	CP	A1	Korea Ratings	Current rating
June 13, 2011	CP	A1	NICE Investors Service Co, Ltd.	Current rating
June 23, 2011	CP	A1	Korea Investors Service, Inc.	Current rating
December 12, 2011	CP	A1	Korea Investors Service, Inc.	Regular rating
December 13, 2011	CP	A1	NICE Investors Service Co, Ltd.	Regular rating
December 16, 2011	CP	A1	Korea Ratings	Regular rating

* 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.

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

A. Location of Headquarters

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

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

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

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

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

B. Significant Changes in Management

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

C. Change in Company Name

On September 22, 2008, SK Broadband, one of our material consolidated subsidiaries, changed its name to SK Broadband Co., Ltd. from Hanaro Telecom Co., Ltd. to facilitate the sharing of SK Group s corporate culture and brand. Similarly, on September 22, 2008, Broadband Media Co., Ltd., another of our material consolidated subsidiaries, changed its name to Broadband Media Co., Ltd. from Hanaro Media Co., Ltd.

D. Mergers, Acquisitions and Restructuring

[SK Telecom]

(1) Spin-off

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

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

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

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

Schedule of spin-off

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

Changes in shareholding, including majority shareholder

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

Appraisal rights of shareholders

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

Protection of creditors

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

Allocation of new shares

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

(2) Acquisition of Shares of Hynix Semiconductor

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

[SK Telink Co., Ltd.]

(1) Merger

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

[SK Communications Co., Ltd.]

(1) Merger

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

(2) Spin off

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

(3) Disposition and acquisition of businesses

1. Disposition of publishing business division

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

2. Acquisition of the KUKU division

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

3. Disposition of the Spicus division

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

(4) Disposition of shares

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

E. Other Important Matters related to Management Activities

[SK Telecom]

(1) Interim dividend

On July 28, 2011, the board of directors resolved to declare interim dividends as follows:

1) Payment of interim dividends: cash dividend of Won 1,000 per share (Total dividend amount: Won 71,094,999,000)

2) Market dividend rate: 0.63%

3) Record date: June 30, 2011

4) Date of dividend payment : Within 20 days following the resolution of the board of directors

(2) Share buy-back

In accordance with the resolution of the Company s board of directors on July 19, 2011, the Company repurchased 1,400,000 shares of treasury stock to stabilize share price and enhance shareholder value. The treasury shares were purchased from July 21, 2011 through September 28, 2011 and the number of treasury shares after the buy-back was 11,050,712 shares.

(3) Leak of personal information

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

(4) Bank loans

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

[SK Broadband]

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 December 31, 2011) (Unit: shares)

Classification	Share type Common shares	Total	Remarks
I. Total number of authorized shares	220,000,000	220,000,000	
II. Total number of shares issued to date	89,278,946	89,278,946	
III. Total number of shares retired to date	8,533,235	8,533,235	

a. reduction of capital

(As of December 31, 2011) (Unit: shares)

Classification	Share type Common shares	Total	Remarks
b. retirement with profit	8,533,235	8,533,235	
c. redemption of redeemable shares			
d. others			
IV. Total number of shares (II-III)	80,745,711	80,745,711	
V. Number of treasury shares	11,050,712	11,050,712	
VI. Number of shares outstanding (IV-V)	69,694,999	69,694,999	

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

B. Treasury Stock

(1) Acquisitions and Dispositions of Treasury Stocks

(As of December 31, 2011) (Unit: Shares)

Acquisition methods			Type of shares	At the beginning of period	Changes Acquired (+)	Disposed (-)	Retired (-)	At the end of period
Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea (FSCMA)	**Direct acquisition**	**Direct acquisition from market**	Common shares	5,686,028	1,400,000			7,086,028
			Preferred shares					
		Tender offer	Common shares					
			Preferred shares					
		Appraisal rights of dissenting shareholder	Common shares					
			Preferred shares					
		Sub-total	Common shares	5,686,028	1,400,000			7,086,028
			Preferred shares					
	Acquisition through trust and other agreements	**Held by trustee**	Common shares					
			Preferred shares					
		Held in actual stock	Common shares	3,886,710				3,886,710
			Preferred shares					
		Sub-total		3,886,710				3,886,710

	Common shares				
	Preferred shares				
Other acquisition	Common shares	77,974			77,974
	Preferred shares				
Total	Common shares	9,650,712	1,400,000		11,050,712
	Preferred shares				

* Among 11,050,712 shares directly acquired by the Company, 2,192,102 shares were deposited with the Korea Securities Depository as of December 31, 2011 for issuance upon conversion of the overseas convertible bonds.

4. Status of Voting Rights

(As of December 31, 2011) (Unit: shares)

Classification		Number of shares	Remarks
Total shares (A)	Common share Preferred share	80,745,711	-
Number of shares without voting rights (B)	Common share Preferred share	11,050,712	Treasury shares
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 Preferred share	69,694,999	-

5. Dividends and Others

A. Dividends

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

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

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

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

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

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

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

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

B. Dividends for the Last 3 Fiscal Years

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

Classification		As of and for the year ended December 31, 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		1,694,363	1,947,008	1,288,340
Net income per share (Won)		24,002	27,063	17,808
Total cash dividend		656,533	669,534	680,043
Total stock dividends				
Percentage of cash dividend to available income (%)		38.7	34.4	52.8
Cash dividend yield ratio (%)	Common share	6.6	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	9,400
	Preferred share			
Stock dividend per share (share)	Common share			
	Preferred share			

¨ Prepared based on non-consolidated financial statements. Net income per share means basic net income per share. 2010 and 2011 information is prepared based on K-IFRS.

* 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.

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

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 December 31, 2011, the number of domestic mobile phone subscribers reached 52.51 million and, with more than 100% penetration rate, the Korean mobile communication market can be considered to have reached its maturation stage. However, the penetration rate is expected to increase further due to increased use of mobile phones by corporate users resulting from the rapid growth of smartphone markets, as well as the increasing popularity of high-tech mobile devices based on wireless data services such as tablet PC.

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

B. Growth Potential

(Unit: 1,000 persons)

Classification		As of December 31, 2011	As of December 31, 2010	2009	2008	2007
Number of subscribers	SK Telecom	26,553	25,705	24,270	23,032	21,968
	Others (KT, LGU+)	25,954	25,062	23,675	22,575	21,529
	Total	52,507	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. Sales revenue related to data services is expected to increase due to the increasing popularity of smartphones and wireless Internet. Business-to-business segment that creates added values by adding additional solutions and applications is also growing. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

Historical market share of the Company:

(As of December 31, 2011) (Unit: %)

Classification	As of December 31, 2011	As of December 31, 2010	2009	2008
Mobile communication services	50.6	50.6	50.6	50.5

Comparative market share:

(As of December 31, 2011) (Unit: %)

Classification	SK Telecom	KT	LG U+
Market share	50.6	31.5	17.9

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

The Company is seeking to transform itself from a telecommunication service provider into a comprehensive information and communication technology (ICT) service provider. It has continued to expand the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. In 2011, on a non-consolidated basis, the Company recorded revenue of Won 12.58 trillion, operating income of Won 2.09 trillion and net income of Won 1.69 trillion. On a consolidated K-IFRS basis, the Company s revenue increased 2.2% to Won 15.99 trillion in 2011 from the previous year, primarily due to an increase in the number of 3G smartphone subscribers and LTE subscribers. The Company s consolidated K-IFRS operating income amounted to Won 2.13 trillion, impacted by an increase in capital expenditures due to an increase in data traffic, as well as an increase in frequency expenses.

The number of subscribers as of the end of 2011 was 26,550,000, an increase of 850,000 from the previous year. In particular, the number of smartphone subscribers as of the end of 2011 was 11,260,000, an increase of 7,350,000 from the previous year, including 650,000 LTE subscribers, solidifying the Company s market leadership. The Company upgraded the quality of smartphone services by providing commercial LTE services, which enable streaming service of high-quality videos, high-definition video conference calls and wireless on-line gaming services. The Company also plans to enhance customer satisfaction by improving network quality.

[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 IPTV services and a paradigm shift in the voice telephone market towards Internet-based telephone services, the broadband and fixed-line telecommunications market is playing a key role in the accelerated consolidation of the service providers as well as heightened competition in a growing market. The increased usage of smartphones and tablet PCs, as well as the commercialization of the fourth generation LTE network, has greatly increased the demand for wireless data transmissions, thereby putting into greater relief the importance of fixed-line networks.

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

Satellite DMB service has characteristics of both broadcasting and telecommunication services. It is characterized as satellite broadcasting because it broadcasts the same programming to multiple users through the satellite network, while it has characteristics of telecommunication because it provides two-way communication service through handsets. Satellite DMB service can be compared to broadcasting media, such as terrestrial radio and television, cable television and satellite broadcasting, as well as telecommunication media, such as the Internet and wireless telephone, and convergence media, such as wireless portal and terrestrial DMB service.

B. Growth Potential

(Unit: 1,000 persons)

Classification		As of December 31, 2011	As of December 31, 2010	2009
Fixed Line Subscribers	**High Speed Internet**	17,860	17,224	16,348
	Fixed Line	18,633	19,273	20,089
	IPTV	3,591	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, IPTV or other fixed-line services, regardless of their gender, 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 IPTV, 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:

(Unit: %)

Classification	As of December 31, 2011	As of December 31, 2010	2009
High Speed Internet (include Resale)	23.5	23.2	23.5
Fixed Line (include VOIP)	14.6	13.7	11.5
IPTV	24.6	26.8	23.1

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

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

On December 30, 2004, we obtained from the government a license to provide the satellite DMB service, which is a new multimedia broadcasting service and a convergence service comprising broadcasting and telecommunication. We commenced commercial broadcasting in May 2005 and had 1.17 million subscribers as of December 31, 2011, which has decreased recently due to the subscribers migration to mobile Internet video services. The growth of satellite DMB service has generally slowed.

[Other Business]

A. Industry Characteristics

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

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

In the past 10 years, the number of Internet subscribers in Korea increased by approximately 13 million from approximately 24.4 million in 2001 to approximately 37.2 million in 2011, representing a 4.4% compounded annual growth rate. The number of Internet subscribers saw an annual growth rate of at least 5% 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. (Source: Korea Internet & Security Agency).

Internet portal service, which has grown based on search and community services, is expanding into various different services. The primary revenue source for the Internet portal service is Internet advertisement, which has experienced a rapid growth and has become a major advertisement media comparable to traditional media such as the television or newspapers. In addition, a rapid increase in mobile Internet users has led to the development of various mobile web services and applications. Mobile advertisement market is growing rapidly together with the growing popularity of mobile Internet and is expected to become an important revenue source for Internet portal services.

B. Growth Potential

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

<Global Smartphone and Tablet Sales Forecast> (in million units)

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

(Source: Gartner, April 2011)

<Korea Smartphone and Tablet Subscriber Forecast> (in ten thousand subscribers)

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

(Source: Korea Communications Commission, December 2010)

As the wireless network evolves to the fourth generation (4G) LTE, business opportunities for the platform business are growing, which include multimedia streaming, N-screen service based on cloud technology and high-definition location based services. Since the platform business realizes profit by connecting with advertisement or commerce after building a critical mass of subscriber and traffic base, recent growth in advertisement and commerce markets is expected to present an opportunity for platform businesses.

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. A rapid growth of mobile Internet markets, spurred by the popularity of smartphones, is also expected to contribute to the growth of the Internet portal industry. The emergence of new mobile Internet services suitable for mobile devices, such as location-based services, enhanced reality, music player and mobile games, is also expected to benefit the Internet portal industry.

C. Domestic and Overseas Market Conditions

(1) Market Characteristics

The number of Internet users in Korea reached approximately 37 million, 78.0% of total population. The Internet has become an essential part of everyday life as a source of information, a leisure activity and a means of communication. (Source: Korea Internet & Security Agency). Internet portal services are expected to gain importance as gateways to various other websites and providers of diverse contents, and advertisement and contents revenue is anticipated to increase accordingly. In addition, an increase in users demand for portal service and contents arising from the popularity of smartphones and mobile Internet is expected to increase related revenue.

(2) Competition

Application Marketplace

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

<Growth of Global Application Marketplace>

Classification	**2008**	**2009**	**2010**	**2011**	**2012**
Revenue (in US$ million)	807	4,002	6,107	10,108	15,805
Downloads (in millions)	505	2,516	4,501	8,001	14,001

(Source: Korea Electronics Technology Institute, February 2010)

<Global Competitive Environment among Application Marketplaces, May 2011>

Classification	**App Store**	**Android Market**	**Ovi Store**	**GetJar**
Operator	Apple	Google	Nokia	GetJar
Time launched	July 2008	October 2008	May 2009	2004
Available Applications	425,000	238,000	84,000	68,000
Cumulative Downloads (in billions)	15.0	5.0	1.8	0.6

(Source: ComScore, Distismo, June 2011)

Commerce Markets

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

<Size of Korea Commerce Market> (unit: Won trillion)

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

(Source: National Statistical Office, 2010)

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

<Korea Advertising Market by Media> (unit: Won trillion)

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

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

Media Contents Market

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

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

(3) Market Share

Our CyWorld service is the largest social networking website in Korea, with 25.98 million cumulative subscribers, 18.19 million net subscribers and a page view of 2.7 billion as of December 2011. Our Nate-On service had the largest market share of 71.2% in the instant messenger market in Korea with 11.5 million net users as of December 2011. Our Nate search portal service ranked third among search engines in Korea with a market share of 4.9% as of December 2011. (Source: Korean Click, company data).

D. Business Overview and Competitive Strengths

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

T store, launched in September 2009, reached 11 million subscribers and cumulative downloads of 560 million as of December 2011, solidifying its leadership position in the Korean application market and plans to widen its services to tablets and navigation devices.

T map provides map, local information, real-time traffic information and navigation services. With unique visitors of 4 million per month, T map is one of the leading location based service platforms in Korea. The Company plans to further develop T map platform by initiating open services, providing services to more diverse types of devices and providing local services.

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

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

T ad, the Company s mobile advertisement platform, is providing in-app advertisement that uses applications running on smartphones and tablets as the medium. The Company plans to diversify its advertisement offerings by leveraging its strength in subscriber-specific target marketing and its relationship with its subsidiaries. It plans to further develop T ad as N-screen advertisement platform comprising the Internet, IPTV and TV portal.

We will aim to further strengthen our competitiveness mainly by 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

(Unit: in thousands of Won, %)

Business fields	Sales type	Item	Major trademarks	Sales amount (ratio)
Mobile	SK Telecom Co., Ltd., PS&Marketing Corporation, Service Ace Co., Ltd., Service Top Co. Ltd., Network O&S Co., Ltd.	Mobile Phone, Wireless Data, Information Telecommunication	T, NATE and others	13,101,945,411(82%)
Fixed Line	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, Date and Network lease service	B tv , 00700 international call and others	2,162,567,507(14%)
Other	SK Planet Co., Ltd , SK Communications Co., Ltd., PAXNet Co., Ltd., Loen Entertainment, Inc., Commerce Planet Co., Ltd, SKT Americas, Inc., SK Telecom China Holdings Co., Ltd.	Internet Portal Service, Game	11^{th} Street, T-Store, T-map, NATE, Cyworld and others	723,764,724(4%)
Total				15,988,277,642(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, 2011, based on the Company s Standard Plan, basic service fee was Won 11,000 per month and the usage fee was Won 1.8 per 1 second.

[Fixed Line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. For the year ended December 31, 2011, broadband Internet services comprised 45.6% of SK Broadband s revenue, telephony service 23.4%, corporate data services 22.6% and other telecommunications services 8.4%.

[Other Business]

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

3. Investment Status

[Mobile Business]

A. Investment in Progress

(Unit: in 100 millions of Won)

Business field	Classification	Investment period	Subject of investment	Investment effect	Total investments	Amount already invested	Future investment
Network/Common	Upgrade/ New installation	2011	Network, systems and others	Capacity increase and quality improvement; systems improvement	To be determined	22,773	To be determined
Total				-	To be determined	22,773	To be determined

B. Future Investment Plan

(Unit: in 100 millions of Won)

Business field	Expected investment amount		Expected investment for each year			Investment effect
	Asset type	Amount	2012	2013	2014	
Network/Common	Network, systems and others	23,000	23,000	To be determined	To be determined	Upgrades to the existing services and provision of new services
Total		23,000	23,000	To be determined	To be determined	Upgrades to the existing services and provision of new services

[Fixed Line Business]

A. Investment in Progress

(Unit: in 100 millions of Won)

Business field	Classification	Investment period	Subject of investment	Investment effect	Total investments	Amount already invested	Future investment
High-speed Internet	Upgrade/ New installation	2011	Backbone and subscriber network / others	Expand subscriber networks and facilities	3,643	948	To be determined
Telephone						110	
Television						445	
Corporate Data				Increase leased-line and integrated information system		1,135	
Others				Expand networks		1,005	
Total						3,643	

4. Revenues

(Unit: in millions of Won)

Business field	Sales type	Item		For the year ended December 31, 2011	For the year ended December 31, 2010
Mobile	**Services**	**Mobile communication**	**Export**	1,331	599
			Domestic	13,100,614	12,919,663
			Subtotal	13,101,945	12,920,262
Fixed Line	**Services**	**Fixed line, B2B data, High speed Internet, TV**	**Export**	28,070	30,883
			Domestic	2,134,498	2,196,424
			Subtotal	2,162,568	2,227,307
Other	**Services**	**Display and Search ad., Content**	**Export**	12,036	12,000
			Domestic	711,729	439,593
			Subtotal	723,765	451,593
Total			**Export**	41,437	43,482
			Domestic	15,946,841	15,555,680
			Total	15,988,278	15,599,162

(Unit: in thousands of Won)

For the year ended December 31, 2011	Wireless	Fixed	Other	Sub total	Internal transaction	After consolidation
Total revenue	14,107,174,698	2,908,757,351	1,015,148,232	18,031,080,281	(2,042,802,639)	15,988,277,642
Internal revenue	1,005,229,287	746,189,844	291,383,508	2,042,802,639	(2,042,802,639)	
External revenue	13,101,945,411	2,162,567,507	723,764,724	15,988,277,642		15,988,277,642
Operating income (loss)	2,067,345,058	21,309,064	42,803,536	2,131,457,658		2,131,457,658

Net profit (loss)	1,627,247,181	(62,761,482)	17,587,581	1,582,073,280		1,582,073,280
Total asset	20,970,450,263	3,844,042,339	3,503,662,727	28,318,155,329	(3,952,118,900)	24,366,036,429
Total liabilities	8,804,587,574	2,554,298,087	982,656,565	12,341,542,226	(708,214,844)	11,633,327,382

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 December 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated loss on valuation of derivatives amounting to Won 4,460,739,000 (excluding tax effect totaling Won 923,991,000 and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling Won 20,530 million) was accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a currency and interest rate swap contract with two banks including HSBC in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (56-2) with face amounts totaling JPY 12,500,000,000 issued on November 13, 2007. As of December 31, 2011, in connection with this unsettled currency and interest rate swap contracts, an accumulated gain on valuation of derivatives amounting to Won 1,772,463,000 (excluding tax effect totaling Won 1,162,180,000 and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling Won 81,582,851,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency and interest rate swap contract with Mizuho Corporate Bank in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (59-2) with face amounts totaling JPY 3,000,000,000 issued on January 22, 2009. As of December 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 2,343,719,000 (excluding tax effect totaling Won 748,258,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 1,576,703,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency and interest rate swap contract with The Bank of Tokyo-Mitsubishi in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (60-2) with face amounts totaling JPY 5,000,000,000 issued on March 5, 2009. As of December 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 956,849,000 (excluding tax effect totaling Won 305,485,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 4,355,156,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency swap contract with six banks including Morgan Stanley to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds (with face amounts totaling US$400,000,000) issued on July 20, 2007, and has applied cash flow risk hedge accounting to this foreign currency swap contract starting from May 12, 2010. Accordingly, as of December 31, 2011, in connection with this unsettled foreign currency swap contract, an accumulated loss on valuation of currency swap of Won 53,284,478,000 that has accrued since May 12, 2010 (excluding tax effect totaling Won 17,011,667,000 and foreign exchange translation loss arising from unguaranteed U.S. dollar denominated bonds totaling Won 3,735,804,000) was accounted for as accumulated other comprehensive loss. Meanwhile, a gain on valuation of currency swap of Won 129,806,021,000 incurred prior to the date of applying cash flow risk hedge accounting was charged to current operations.

The Company has entered into a currency and interest rate swap contract with two banks including DBS in order to hedge the foreign currency risk and the interest rate risk of floating rate foreign currency bonds with face amounts totaling US$220,000,000 issued on April 29, 2009, and has applied cash flow risk hedge accounting to this swap contract starting from October 14, 2011. Accordingly, as of December 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated loss on valuation of derivatives of Won 398,830,000 that has accrued since October 14, 2011 (excluding tax effect totaling Won 127,331,000 and foreign exchange translation gain arising from this floating rate foreign currency bonds totaling Won 1,026,034,000) was accounted for as accumulated other comprehensive loss.

The Company has entered into a currency and interest rate swap contract with two banks including DBS in order to hedge the foreign currency risk and the interest rate risk of floating rate foreign currency bonds with face amounts totaling US$250,000,000 issued on December 15, 2011. As of December 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives of Won 18,801,502,000 (excluding tax effect totaling Won 6,002,590,000 and foreign exchange translation gain arising from this floating rate foreign currency bonds totaling Won 1,284,228,000) was accounted for as accumulated other comprehensive gain.

The Company has entered into a currency and interest rate swap contract with two banks including DBS in order to hedge the foreign currency risk and the interest rate risk of floating rate foreign currency bonds with face amounts totaling SGD 65,000,000 issued on December 15, 2011. As of December 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives of Won 2,146,817,000 (excluding tax effect totaling Won 685,396,000 and foreign exchange translation loss arising from this floating rate foreign currency bonds totaling Won 153,972,000) was accounted for as accumulated other comprehensive gain.

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 as follows.

(Won in thousands)

Title	Counterparties	Contract Date / Expiration Date	Purpose	Nominal Amount	Settlement Method	Early Redemption	Currency Swap Assets	Accumulated Other Comprehensive Gain	Gain 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	64,329,691	3,657,387	7,596,157	1,026.5 1,035.0

Note. The currency swap contract described above terminated on February 1, 2012, when SK Broadband repaid US$500 million of its bonds.

<u>SK Communications Co., Ltd.</u>

SK Communications recognizes the conversion rights of the convertible bonds received in connection with the sale of Spicus Co., Ltd. and Etoos Education Co., Ltd. at their fair value. Derivative instruments are first recognized at the fair value as of the contract date and are revaluated as of the date of reporting.

6. Major Contracts

[SK Telecom]

Category	**Vendor**	**Start Date**	**Completion Date**	**Contract Title**	**Contract Amount (Won in 100 million)**
Service	Network O&S	January 1, 2011	December 31, 2011	Maintenance of transmission stations for 2011	1,189
Service	Service Ace	January 1, 2011	December 31, 2011	Customer service for 2011	1,129
Service	Service Top	January 1, 2011	December 31, 2011	Customer service for 2011	1,067
Service	SK Telink	January 1, 2011	December 31, 2011	Satellite DMB affiliation business	796
Service	SK Marketing & Company	January 1, 2011	December 31, 2011	Operation of membership program for 2011	701
Service	Freegent & Future	January 1, 2011	December 31, 2011	Operation of T seller program for 2011	216
Service	SK Network Service	January 1, 2011	December 31, 2011	Customer service for handsets in 2011	162
Service	Service Ace	January 1, 2011	December 31, 2011	Customer service education for 2011	114
Service	F&U Credit Information	January 1, 2011	December 31, 2011	Billing service for 2011	101

Subtotal	5,475

[SK Broadband]

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

Contract Contents	**Counterparty**	**Contract Period**	**Note**
Interconnection among telecommunication service providers	Telecommunication service providers	-	Interconnection among telecommunication service providers
Provision of electric facilities	KEPCO	From Dec. 2004 until terminated	Use of electricity poles
Use of telecommunication line conduits	Seoul City Railway	From Jan. 2009 to Dec. 2011	Use of railway telecommunication conduit
Use of telecommunication line conduits	Seoul Metro	From May 2010 to May 2013	Use of railway telecommunication conduit
Use of telecommunication line conduits	Busan Transportation Corporation	From July 2009 to July 2012	Use of railway telecommunication conduit
Use of telecommunication line conduits	Gwangju City Railway	From Sep. 2010 to Dec. 2012	Use of railway telecommunication conduit

[SK Planet]

Counterparty	**Contract Contents**	**Contract Period**	**Amount**
SK Communications Co., Ltd.	Operation of wireless NATE service	From Jan. 1, 2011 to Dec. 31, 2011	Flexible depending on the number of employees involved and other factors
SK Communications Co., Ltd.	Operation of shopping business at nate.com website	From July 1, 2011 to Dec. 31, 2013	Variable depending on revenue
Loen Entertainment Co., Ltd.	Acquisition of Equity Shares	Closing on Dec. 23, 2011	Acquisition price: Won 14,828 million

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

[SK Communications]

Counterparty	Purpose	Contract Period	Contract Amount
SK Planet Co., Ltd.	Operation of wireless NATE service	From Jan. 1, 2011 to Dec. 31, 2011	Flexible depending on the number of employees involved and other factors
Overture Korea	Agency agreement for search advertisement	-	Amount determined based on the number of clicks
SK Construction Co., Ltd.	Construction of Pangyo Office Building	23 months	Won 61.9 billion
SK Planet Co., Ltd.	Operation of shopping business at nate.com website	From Jul. 1, 2011 to Dec. 31, 2013	Minimum guarantee of Won 18.4 billion for the period from Jul. 1, 2011

			to Dec. 31, 2011; Amounts for 2012 and 2013 are to be determined.
Daum Communications	Business and service cooperation regarding search advertisement	-	Revenues are allocated in accordance with certain set percentages.

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

7. R&D Investments

(Unit: in million Won)

Category		For the year ended December 31, 2011	For the year ended December 31, 2010	Remarks
Raw material		45	41	
Labor		48,656	49,441	
Depreciation		149,850	143,131	
Commissioned service		40,257	98,545	
Others		57,118	64,755	
Total R&D costs		295,927	355,913	
Accounting	**Sales and administrative expenses**	289,979	352,186	
	Development expenses (Intangible assets)	5,948	3,727	
R&D cost / sales amount ratio (Total R&D costs / Current sales amount×100)		1.85%	2.28%	

8. Other information relating to investment decisions

[SK Telecom]

A. Trademark Policies

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

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

B. Business-related Intellectual Properties

The Company holds 4,677 Korean registered patents, 221 U.S. registered patents, 115 Chinese registered patents, 86 Japanese registered patents (all including patents held jointly with other companies) and more patents with other countries. The Company holds 910 Korean registered trademarks and owns intellectual property rights to the design of alphabet T . The designed alphabet T is registered in all business categories for trademarks (total of 45) and is being used as the primary brand of the Company.

[SK Broadband]

SK Broadband holds 317 Korean registered patents relating to high-speed Internet, telephone and IPTV service. In addition, SK Broadband has applied for a patent relating to two-way broadcasting system. SK Broadband also holds a number of trademarks and service marks relating to its service and brand.

[SK Planet]

As of December 31, 2011, SK Planet held 1,630 Korean registered patents, 91 registered design marks, 688 registered trademarks and one copyright (including those held jointly with other companies). It also holds 20 U.S. registered patents, 30 Chinese registered patents, 8 Japanese registered patents, 13 E.U. registered patents (all including patents held jointly with other companies) and more patents with other countries.

[SK Communications]

As of December 31, 2011, SK Communications held 57 Korean registered patents, 26 registered design rights and 684 registered trademarks.

III. FINANCIAL INFORMATION

1. Summary Financial Information (Consolidated)

A. Summary Financial Information (Consolidated)

(Unit: in thousand Won)

Classification/Fiscal Year	As of December 31, 2011	As of December 31,2010
Current Assets	6,117,478,958	6,653,991,923
Cash and Cash Equivalent	1,650,793,876	659,404,935
Accounts Receivable Trade	1,823,169,889	1,949,397,279
Accounts Receivable Other	908,836,454	2,531,847,155
Others	1,734,678,739	1,513,342,554
Non-Current Assets	18,248,557,471	16,478,397,157
Long Term Investment	1,537,945,216	1,680,582,091
Investments in Associates	1,384,605,401	1,204,691,805
Property and Equipment	9,030,998,201	8,153,412,683
Intangible Assets	2,995,803,300	1,884,955,652
Others	3,299,205,353	3,554,754,926
Total Assets	24,366,036,429	23,132,389,080
Current Liabilities	6,673,589,809	6,202,170,452
Non-Current Liabilities	4,959,737,573	4,522,219,358
Total Liabilities	11,633,327,382	10,724,389,810
Controlling Shareholders Equity	11,661,880,863	11,329,990,900
Capital	44,639,473	44,639,473
Share Premium	(285,347,419)	(78,952,875)
Retained Earnings	11,642,525,267	10,721,249,327
Reserves	260,063,542	643,054,975
Non-Controlling Interests	1,070,828,184	1,078,008,370
Total Stockholders Equity	12,732,709,047	12,407,999,270
Number of Companies Consolidated	32	32

Classification/Fiscal Year	For the year ended December 31, 2011	For the year ended December 31, 2010
Revenue	15,988,277,642	15,599,162,033
Operating Income (or Loss)	2,131,457,658	2,285,911,094
Income (or Loss) From Continuing Operation Before Income Tax	2,182,858,121	2,318,090,573
Consolidated Total Net Income	1,582,073,280	1,766,834,754
Net Income (or Loss) Attributable to Controlling Interests	1,612,889,086	1,841,612,790
Net Income (or Loss) Attributable to Non-Controlling Interests	(30,815,806)	(74,778,036)
Net Income Per Share (Won)	22,848	25,598
Diluted Net Income Per Share (Won)	22,223	24,942

2. Summary Financial Information (Non-Consolidated)

(Unit: in thousand Won)

Classification/Fiscal Year	As of December 31, 2011	As of December 31,2010
Current Assets	3,948,077,706	5,316,976,799
Cash and Cash Equivalent	895,557,654	357,469,908
Accounts Receivable Trade	1,282,233,900	1,453,060,673
Accounts Receivable Other	774,221,266	2,499,969,010
Others	996,064,886	1,006,477,208
Non Current Assets	16,572,449,699	14,410,149,512
Long Term Investment	1,312,437,834	1,517,029,011
Investments in Associates	4,647,505,583	3,584,394,790
Property and Equipment	6,260,168,675	5,469,747,495
Intangible Assets	2,364,795,182	1,424,968,542
Good Will	1,306,236,299	1,308,422,097
Others	681,306,126	1,105,587,577
Total Assets	20,520,527,405	19,727,126,311
Current Liabilities	4,467,005,877	4,561,013,611
Non Current Liabilities	4,087,219,816	3,585,155,050
Total Liabilities	8,554,225,693	8,146,168,661
Capital	44,639,473	44,639,473
Share Premium	(236,016,201)	(24,643,471)
Retained Earnings	11,837,184,788	10,824,355,758
Reserves	320,493,652	736,605,890
Total Shareholders Equity	11,966,301,712	11,580,957,650

Classification/Fiscal Year	For the year ended December 31, 2011	For the year ended December 31, 2010
Revenue	12,575,129,190	12,550,496,552
Operating Income (or Loss)	2,086,648,941	2,355,027,851
Income (or Loss) From Continuing Operation Before Income Tax	2,274,421,557	2,503,637,367
Net Income (or Loss)	1,694,363,093	1,947,007,919
Net Income Per Share (Won)	24,002	27,063
Diluted Net Income Per Share (Won)	23,343	26,366

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

Transition to K-IFRS

The Company prepares its financial statements in accordance with K-IFRS starting from the fiscal year 2011 which commenced on January 1, 2011. The Company s financial statements in previous periods were prepared in accordance with Korean GAAP. The Company s financial statements for the fiscal year 2010 presented for comparison were prepared in accordance with K-IFRS with January 1, 2010 as the transition date and pursuant to K-IFRS 1101 First-time Adoption of Korean International Financial Reporting Standards. For more information, please refer to note 3 to the independent auditor s review report attached hereto.

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IV. AUDITOR S OPINION

1. Auditor (Consolidated)

Year ended December 31, 2011	Year ended December 31, 2010	2009
Deloitte Anjin LLC	Deloitte Anjin LLC	Deloitte Anjin LLC

2. Audit Opinion (Consolidated)

Term	Auditor s opinion	Issues noted
Year ended December 31, 2011	Unqualified	-
Year ended December 31, 2010	Unqualified	-
Year ended December 31, 2009	Unqualified	-

3. Auditor (Non-Consolidated)

Year ended December 31, 2011	Year ended December 31, 2010	2009
Deloitte Anjin LLC	Deloitte Anjin LLC	Deloitte Anjin LLC

4. Audit Opinion (Non-Consolidated)

Term	Auditor s opinion	Issues noted
Year ended December 31, 2011	Unqualified	-
Year ended December 31, 2010	Unqualified	-
Year ended December 31, 2009	Unqualified	-

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

A. Audit Contracts

(Unit: in thousands of Won / hour)

Term	Auditors	Contents	Fee	Total hours
Year ended December 31, 2011	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,364,000	14,033
Year ended December 31, 2010	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit IFRS-based financial statements review English financial statements review and other audit task	1,563,770	16,810

Year ended December 31, 2009	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit English financial statements review and other audit task	1,308,356	13,982

B. Non-Audit Services Contract with External Auditors

(Unit: in thousands of Won)

Term	Contract date	Service provided	Service duration	Fee
Year ended December 31, 2011	April 11, 2011	Tax consulting	30 days	45,000
	April 28, 2011	Tax consulting	30 days	45,000
Year ended December 31, 2010	July 20,2010	Management consulting	4 days	5,000
	July 28, 2010	Tax consulting	15 days	18,000
	July 28, 2010	Tax consulting	5 days	6,600
	July 28, 2010	Tax consulting	30 days	40,000
	July 28, 2010	Tax consulting	20 days	23,100
	December 23, 2010	Tax consulting	3 days	7,700
	December 23, 2010	Tax consulting	20 days	24,600
	December 29, 2010	Tax consulting	15 days	17,000
Year ended December 31, 2009	May 13, 2009	Tax consulting	30 days	40,000
	May 22, 2009	Tax consulting	10 days	10,000
	May 22, 2009	Tax adjustment for fiscal year 2008	20 days	34,000
	May 22, 2009	Review of deferred corporate income tax for 1Q and 2Q	10 days	14,000
	September 14, 2009	Review of quarterly tax adjustments	5 days	7,000
	September 14, 2009	Tax consulting	20 days	20,000
	December 28, 2009	Review of quarterly tax adjustments	5 days	7,000
	December 28, 2009	Tax consulting	10 days	12,000

6. Change of Independent Auditors

There was no change of independent auditors.

V. MANAGEMENT DISCUSSION AND ANALYSIS

1. BUSINEESS RESULTS

A. Consolidated Financial Information

(Unit: in billions of Won)	2011	2010	**Change from 2010 to 2011**
Operating Revenue	15,988	15,599	2%
Operating Expenses	13,857	13,313	4%
Operating Income	2,131	2,286	-7%
Operating Margin	13.3%	14.7%	-1.3%p
Net Non-operating Income (Expenses)	51	32	59%
Income before Income Tax	2,183	2,318	-6%
Net Income	1,582	1,767	-10%
Net Income Attributable to Controlling Interests	1,613	1,842	-12%
Net Income Attributable to Non-controlling Interests	(31)	(75)	N/A
EBITDA	4,518	4,466	1%
EBITDA margin	28.3%	28.6%	-0.4%p

B. SK Telecom s Non-Consolidated Operating Information

	2011	2010	**Change from 2010 to 2011**
Subscribers (thousands)	26,553	25,705	3%
Net Increase	848	1,435	-41%
New Subscribers	9,468	9,651	-2%
Termination	8,619	8,216	5%
Monthly Churn Rate (%)	2.7%	2.7%	0.0%p
Average Subscribers (thousands)	26,199	25,097	4%
Minutes of Use (MOU)			
Outgoing	193	199	-3%
Incoming	98	102	-4%

Seeking to transform itself from a telecommunication service provider into a comprehensive ICT service provider, the Company continued to expand the scope of its services and achieved strong growth in subscribers amid fierce competition and rate cuts. In 2011, on a consolidated basis, the Company recorded revenue of Won 15.99 trillion, operating income of Won 2.13 trillion and net income of Won 1.58 trillion.

On a non-consolidated basis, SK Telecom s marketing expenses in 2011 amounted to Won 3.24 trillion, comprising 25.7% of its non-consolidated revenue in 2011, a decrease of 2.7% point from the previous year. SK Telecom s non-consolidated capital expenditures in 2011 amounted to Won 2.28 trillion, which include the expansion and upgrade of WCDMA network to handle rapidly increasing data transmission and a build-out of commercial LTE network.

As of the end of 2011, the number of wireless subscribers in Korea reached 52.51 million, of which SK Telecom had 26.55 million subscribers representing a market share of 50.6%. In particular, the number of SK Telecom s smartphone subscribers as of the end of 2011 was 11,260,000, an increase of 7,350,000 from the previous year, including 650,000 LTE subscribers, solidifying the Company s market leadership. The Company upgraded the quality of smartphone services by providing commercial LTE services, which enable streaming service of high-quality videos, high-definition video conference calls and wireless on-line gaming services. The Company also plans to enhance customer satisfaction by improving network quality.

In October 2011, the Company spun off SK Planet as a wholly-owned subsidiary in order to enhance the growth of the platform business. In addition, the Company acquired shares of Hynix Semiconductor in February 2012 to pursue new growth opportunities. SK Broadband, SK Telink, SK Communications and Loen Entertainment also showed stable operating results based on their new services and high customer satisfaction.

C. Analysis of Consolidated Revenue and Operating Expenses

(Unit: in billions of Won)	2011	2010	**Change from 2010 to 2011**
Operating Revenue	15,988	15,599	2%
Operating Expenses	13,857	13,313	4%
Labor cost	1,173	1,068	10%
Commissions paid	5,646	5,598	1%
Depreciation and amortization	2,331	2,156	8%
Network interconnection	1,264	1,316	-4%
Leased line and frequency license fees	474	438	8%
Advertising	374	338	11%
Rent	402	367	9%
Cost of goods sold	959	641	50%
Others	1,232	1,391	-11%

The Company s consolidated operating revenue increased from the previous year, primarily due to an increase in SK Telecom s smartphone subscribers, strong growth in new businesses, such as the 11 Street, and an increase in smartphone sales by PS&Marketing.

The Company s consolidated labor cost increased from the previous year, due principally to the reflection of labor costs of new subsidiaries established in the second half of 2010 for customer service and network maintenance. Commissions paid (including sales commissions) increased slightly from the previous year primarily due to an increase in commissions paid with respect to the accounts receivable related to sales of handsets on installment payment plans. Consolidated advertising expenses increased from the previous year, while SK Telecom s non-consolidated advertising expenses decreased. Consolidated depreciation and amortization expenses increased due primarily to an increase in the investment in wireless networks, including LTE, WCDMA and WiFi networks, and the acquisition of additional frequency licenses. Leased line and frequency license fees increased from the previous year as the Company recognized frequency license fees of 1.6% of actual revenue attributable to the 800 MHz bandwidth reallocated in 2011 and the 2.1 GHz bandwidth allocated in 2010.

D. Analysis of Consolidated Non-operating Income and Expenses

(Unit: in billions of Won)	2011	2010	**Change from 2010 to 2011**
Non-operating Income	481	519	-7%
Financial Income	442	477	-7%
Equity in Earnings of Affiliates	39	42	-6%
Non-operating Expenses	430	487	-12%
Financial Costs	344	442	-22%
Equity in Losses of Affiliates	86	45	91%

The Company s consolidated financial income decreased from the previous year, due primarily to a decrease in interest income as a result of the decrease of accounts receivable related to sales of handsets on installment payment plans. Consolidated financial costs decreased from the previous year, , due primarily to a decrease in the average outstanding balance of the Company s borrowings. The equity in losses of affiliates increased from the previous year due primarily to an increase in losses of certain affiliates, including Packet One Network.

2. Consolidated Financial Position

A. Analysis of Consolidated Financial Position

(Unit: in billions of Won)	As of December 31, 2011	As of December 31, 2010	Change from 2010 to 2011
Assets			
I.Current Assets	6,117	6,654	-8%
Cash and Cash Equivalents	1,651	659	150%
Accounts Receivable Trade, net	1,823	1,949	-6%
Accounts Receivable Other, net	909	2,532	-64%
Other Current Assets	1,735	1,513	15%
II. Non-Current Assets	18,249	16,478	11%
Long-term Investment Securities	1,538	1,681	-8%
Investments in Associates	1,385	1,205	15%
Property and Equipment, net	9,031	8,153	11%
Intangible Assets	2,996	1,885	59%
Other Non-Current Assets	3,299	3,555	-7%
Total Assets	24,366	23,132	5%
Liabilities			
I.Current Liabilities	6,674	6,202	8%
Short-term Borrowings	701	524	34%
Accounts Payable Trade	195	196	0%
Accounts Payable Other	1,508	1,434	5%
Other Current Liabilities	4,270	4,048	5%
II.Non-Current Liabilities	4,960	4,522	10%
Bonds Payable, net	3,229	3,659	-12%
Long-term Borrowings	324	236	37%
Long-term Payables- Other	847	55	1447%
Other Non-Current Liabilities	559	573	-2%
Total Liabilities	11,633	10,724	8%
Stockholders Equity			
I.Controlling Interests	11,662	11,330	3%
Share Capital	45	45	0%
Share Premium	-285	-79	261%
Retained Earnings	11,643	10,721	9%
Others	260	643	-60%
II.Non-Controlling Interests	1,071	1,078	-1%
Total Stockholders Equity	12,733	12,408	3%
Total Liabilities and Stockholders Equity	24,366	23,132	5%
Number of Companies Consolidated	32	32	

The Company s consolidated current assets as of December 31, 2011 decreased from the end of previous year, primarily due to the decrease of accounts receivable related to sales of handsets on installment payment plans and other accounts receivable. Non-current assets increased from the end of previous year, due principally to increases in property and equipment resulting from SK Telecom s increased investment in networks, as well as an increase in intangible assets resulting from the acquisition of additional frequency licenses. Current liabilities as of December 31, 2011 increased from the end of previous year, primarily due to an increase in other accounts payable related to SK Telecom s investment in networks and an increase in current portion of long-term debt. Non-current liabilities increased from the end of previous year, primarily due to an increase in other long-term payables resulting from SK Telecom s acquisition of additional frequency licenses. Stockholders equity as of December 31, 2011 increased from the end of previous year, primarily due to an increase in the Company s retained earnings.

3. ANALYSIS OF LIQUIDITY AND SOLVENCY

The Company s debt-to-equity ratio (calculated based on the interest-bearing financial debt) was 47.2% and 45.7% as of the end of 2010 and 2011, respectively. Interest coverage ratio (operating income / net financial expenses) was 16.1 and 16.6 for 2010 and 2011, respectively and interest coverage ratio (operating income / interest expenses) was 6.0 and 7.2 for 2010 and 2011, respectively. The Company had sufficient liquidity to repay short-term borrowings.

4. FINANCING

As of December 31, 2011, the Company s aggregate debt amounted to Won 5,796.0 billion, comprising long-term and short-term borrowing, bonds and current portion of long-term debt, which decreased by 0.2% from Won 5,805.0 billion as of December 31, 2010. For information on the Company s bond issuance in 2011, please refer to the Company s audited financial statements for 2011.

VI. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS AND AFFILIATED COMPANIES

1. Board of Directors

A. Overview of Board of Directors Composition

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

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

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

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

Meeting	Date	Agenda	Approval
322th (the first meeting of 2011)	January 21, 2011	Financial Statements as of and for the year ended December 31, 2010.	Approved as proposed
		Annual Business Report as of and for the year ended December 31, 2010	Approved as amended
		Report for Internal Accounting Management System	-
		Report for Subsequent Events following 4Q 2010	-
323th (the second meeting of 2011)	February 10, 2011	Convocation of the 27th Annual General Meeting of Shareholders	Approved as proposed
		Cooperation and share swap with KB Financial Group	Approved as proposed
		Result of Internal Accounting Management System Evaluation	-
324th (the third meeting of 2011)	March 11, 2011	Election of the Company s CEO	Approved as proposed
		Amendment of committee regulation	Approved as proposed
		Election of committee members	Approved as proposed
		Fund Management Transaction with Affiliated Financial Company (SK Securities)	Approved as proposed

Meeting	Date	Agenda	Approval
325th (the fourth meeting of 2011)	March 30, 2011	Establishment of new entity with respect to a proposed business and acquisition of assets relating thereto	Approved as proposed
326th (the fifth meeting of 2011)	April 28, 2011	Additional investment in network equipment in 2011 Report for Subsequent Events following 1Q 2011	Approved as proposed
327th (the sixth meeting of 2011)	May 31, 2011	NATE shopping affiliation agreement for shopping gateway business	Approved as proposed
328th (the seventh meeting of 2011)	June 23, 2011	Asset Management Transaction with Affiliated Company (SK Securities)	Approved as proposed
329th (the eighth meeting of 2011)	July 19, 2011	Approval of the spin-off plan Convocation of the Extraordinary General Meeting of Shareholders Setting of record date for the shareholders meeting Purchase of treasury shares	Approved as proposed Approved as proposed Approved as proposed Approved as proposed
330th (the ninth meeting of 2011)	July 28, 2011	Proposal for interim dividend Financial results for the first half 2011 Report for Anti-trust Compliance Program Report for Subsequent Events following 2Q 2011	Approved as proposed - - -
331st (the tenth meeting of 2011)	August 16, 2011	Proposal for additional acquisition of LTE frequencies	Approved as proposed

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Meeting	Date	Agenda	Approval
332nd **(the 11th meeting of 2011)**	September 22, 2011	Appointment of members of the Independent Director Nomination Committee	Approved as proposed
		Asset Management Transaction with Affiliated Company (SK Securities)	Approved as proposed
		Transaction of goods, services and assets with SK Planet	Approved as proposed
		Participation in capital increase of SK Industrial Development China	Approved as proposed
		Participation in capital increase of SK Technology Innovation Center	Approved as proposed
333rd **(the 12th meeting of 2011)**	October 4, 2011	Notice of a meeting of board of directors in lieu of the shareholders meeting to report the result of the spin-off	Approved as proposed
334th **(the 13th meeting of 2011)**	October 25, 2011	Payment of the purchase price of the LTE frequencies	Approved as proposed
		Proposal for the issuance of bonds	Approved as proposed
		Report for Subsequent Events following 2Q 2011	-
335th **(the 14th meeting of 2011)**	November 10, 2011	Participation in the bidding for the shares of Hynix Semiconductor**	Approved as proposed
		Proposal for a bank loan	Approved as proposed
336th **(the 15th meeting of 2011)**	November 14, 2011	Purchase of existing shares of Hynix Semiconductor and participation in the capital increase of Hynix Semiconductor	Approved as proposed
337th **(the 16th meeting of 2011)**	November 24, 2011	Extension of license of SK brand.	Approved as proposed
		Maintenance service contract for wireless cell sites.	Approved as proposed
		Customer service contract plan.	Approved as proposed

Meeting	Date	Agenda	Approval
338th **(the 17th meeting of 2011)**	December 20, 2011	Asset Management Transaction with Affiliated Company (SK Securities)	Approved as proposed
		Resale of fixed-line services of SK Broadband.	Approved as proposed
339th **(the 1st meeting of 2012)**	February 9, 2012	Financial Statements as of and for the year ended December 31, 2011	Approved as proposed
		Annual Business Report as of and for the year ended December 31, 2011	Approved as proposed
		Management Plan for 2012	Approved as proposed
		Transaction of goods, services and assets with SK Planet	Approved as proposed
		Report for Internal Accounting Management System	-
		Report for Subsequent Events following 4Q 2011	-
340th **(the 2nd meeting of 2012)**	February 23, 2012	Convocation of the 28th Annual General Meeting of Shareholders	Approved as proposed
		Result of Internal Accounting Management System Evaluation	-
341th **(the 3rd meeting of 2012)**	March 23, 2012	Election of Chairman of the Board of Directors	Approved as proposed
		Amendment to the Company s internal rules	Approved as proposed
		Election of committee members	Approved as proposed
		Asset Management Transaction with Affiliated Company (SK Securities)	Approved as proposed
		Donation to Happiness Sharing Institute	Approved as proposed

* The line items that do not show approval are for reporting purpose only.
** Dal Sup Shim abstained and Jay Young Chung voted against the participation in the bidding for the shares of Hynix Semiconductor.

C. Committees within Board of Directors

(1) Committee Structure (As of March 30, 2012)

a) Compensation Review Committee

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

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

b) Capex Review Committee

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

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

c) Corporate Citizenship Committee

Number of Persons	Members: Inside Directors	Members: Independent Directors	Task
5	Dong Seob Jee	Dal Sup Shim, Rak Yong Uhm, Hyun Chin Lim, Jay Young Chung	Review guidelines on Corporate Social Responsibility (CSR) programs, etc.

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

d) Independent Director Nomination Committee

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

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

e) Audit Committee

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

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

2. Audit System

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

Major activities of the Audit Committee are as follows.

Meeting	Date	Agenda	Approval	Remarks
The first meeting of 2011	January 20, 2011	2nd 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	-	
The second meeting of 2011	February 9, 2011	Reports on 2010 Korean GAAP Audit	-	
		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)	-	
The fifth meeting of 2011	April 28, 2011	Election of chairman	Approved as proposed	
		Mobile phone facilities construction for Fiscal Year 2011	Approved as proposed	
		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	

Meeting	Date	Agenda	Approval	Remarks
The sixth meeting of 2011	June 23, 2011	2011 3Q Transactions with SK C&C Co., Ltd.	Approved as proposed	
		Asset Management Transaction with Affiliated Company (SK Securities)	-	
		Reports on 2011 US GAAP Audit	-	
The seventh meeting of 2011	July 27, 2011	Construction of Mobile Phone Facilities for 2011	Approved as proposed	
		Construction of Network Facilities for 2011	Approved as proposed	
		Financial Results for the First Half 2011	Approved as proposed	
		Reports on IFRS Review of the First Half of 2011	-	
		Report on Audit Report to the Extraordinary General Meeting of Shareholders	-	
The eighth meeting of 2011	August 24, 2011	Report on Accounting Review of Spin-off Balance Sheet	-	
		Audit Report to the First Extraordinary General Meeting of Shareholders	Approved as proposed	
		Management Audit Results for the First Half of 2011	-	
The ninth meeting of 2011	September 21, 2011	2011 4Q Transactions with SK C&C Co., Ltd.	Approved as proposed	
		Asset Management Transaction with Affiliated Company (SK Securities)	-	
The tenth meeting of 2011	October 24, 2011	Advertisement Agency Agreement for Outdoor Advertisement	Approved as proposed	
		Consolidated Loyalty Marketing Agency Agreement for 2012	Approved as proposed	
		Delegation of Fixed-line Services	Approved as proposed	
		Rental Contract for Telecommunication Facilities	Approved as proposed	

Meeting	Date	Agenda	Approval	Remarks
The eleventh meeting of 2011	November 23, 2011	Construction of Mobile Phone Facilities for 2011	Approved as proposed	
		Construction of Network Facilities for 2011	Approved as proposed	
		SKT (China) Holding Co., Ltd. Service Agreement	Approved as proposed	
The twelfth meeting of 2011	December 19, 2011	2012 1Q Transactions with SK C&C Co., Ltd.	Approved as proposed	
		Asset Management Transaction with Affiliated Company (SK Securities)	-	
The first meeting of 2012	February 1, 2012	Preparation for audit report for the 28th Annual General Meeting of Shareholders	-	
The second meeting of 2012	February 8, 2012	Business-to-business contract with SK Telink	Approved as proposed	
		Construction of Mobile Phone Facilities for 2012	Approved as proposed	
		Construction of Network Facilities for 2012	Approved as proposed	
		Evaluation of Internal Accounting Controls based on the Opinion of the Members of the Audit Committee	Approved as proposed	
		2nd half 2011 Management Audit Results and Management Audit Plan for 2012	-	
		Reports on Internal Accounting Management System	-	
The third meeting of 2012	February 22, 2012	Reports on 2011 IFRS Audit	-	
		Report on Review of 2011 Internal Accounting Management System	-	
		Evaluation of Internal Accounting Management System Operation	Approved as proposed	
		Auditor s Report for Fiscal Year 2011	Approved as proposed	
		Agenda and Document Review for the 28th Annual General Meeting of Shareholders	Approved as proposed	
		Purchase of Mobile Phone Relay Devices for 2012	Approved as proposed	
		Purchase of Mobile Phone Transmission Devices for 2012	Approved as proposed	
		2012 IT SM contract	Approved as proposed	
		Engagement of Independent Auditing Firm for 2012 to 2014	Approved as proposed	
The forth meeting of 2012	March 22, 2012	2012 2Q Transactions with SK C&C Co., Ltd.	Approved as proposed	
		Asset Management Transaction with Affiliated Company (SK Securities)	-	

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

3. Shareholders Exercises of Voting Rights

A. Voting System and Exercise of Minority Shareholders Rights

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

Articles of Incorporation	Description

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

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

4. Affiliated Companies

A. Capital Investments between Affiliated Companies

(As of December 31, 2011)

	Invested companies									
Investing company	SK Corporation	SK Innovation	SK Telecom	SK Networks	SKC	SK E&C	SK Shipping	SK E&S	SK Bio farm	SK Securities
SK Corporation		33.4%	25.2%	39.1%	42.5%	40.0%	83.1%	94.1%	100.0%	
SK Innovation										
SK Telecom										
SK Networks										22.7%
SK Chemicals						25.4%				
SKC										
SK C&C	31.8%							5.9%		
SK E&C										
SK E&S										
SK Gas										
SK Shipping										
SK Energy										
SK Global Chemical										
SK Marketing & Company										
SK Planet										
SK Communications										
SK Broadband										
SK Lubricant										
UBcare										
SK D&D										
Total affiliated companies	31.8%	33.4%	25.2%	39.1%	42.5%	65.4%	83.1%	100.0%	100.0%	22.7%

	Invested companies								
Investing company	SK Energy	SK Global Chemical	SK Lubricant	DOPCO	SK Mobile Energy	Jeju United FC	Encar network	Natruck	Natruck Friends
SK Corporation									
SK Innovation	100.0%	100.0%	100.0%	41.0%	100.0%				
SK Telecom									
SK Networks									
SK Chemicals									
SKC									
SK C&C									
SK E&C									
SK E&S									
SK Gas									
SK Shipping									
SK Energy						100.0%	87.5%	92.4%	50.0%
SK Global Chemical									
SK Marketing & Company									
SK Planet									
SK Communications									
SK Broadband									
SK Lubricant									
UBcare									
SK D&D									

Total affiliated companies	100.0%	100.0%	100.0%	41.0%	100.0%	100.0%	87.5%	92.4%	50.0%

	Invested companies									
Investing company	**SK Petrochemical**	**Green IS**	**Arochemi Co. Ltd.**	**Zicos**	**U base Manufacturing Asia**	**SK Marketing & Company**	**M & Service**	**SK Telink**	**NTREEV Soft**	**PS & Marketing**
SK Corporation										
SK Innovation						50.0%				
SK Telecom						50.0%		83.5%	63.7%	100.0%
SK Networks										
SK Chemicals										
SKC										
SK C&C										
SK E&C										
SK E&S										
SK Gas										
SK Shipping										
SK Energy										
SK Global Chemical	100.0%	78.9%	50.0%							
SK Marketing & Company							100.0%			
SK Planet										
SK Communications										
SK Broadband										
SK Lubricant				100.0%	100.0%					
UBcare										
SK D&D										
Total affiliated companies	100.0%	78.9%	50.0%	100.0%	100.0%	100.0%	100.0%	83.5%	63.7%	100.0%

	Invested companies									
Investing company	**SK Broadband**	**SK Planet**	**F&U Credit Info**	**Network O&S**	**Service Ace**	**Service Top**	**Loen Entertainment**	**Commerce Planet**	**Television Media Korea**	**Paxnet**
SK Corporation										
SK Innovation										
SK Telecom	50.6%	100%	50.0%	100.0%	100.0%	100.0%				
SK Networks										
SK Chemicals										
SKC										
SK C&C										
SK E&C										
SK E&S										
SK Gas										
SK Shipping										
SK Energy										
SK Global Chemical										
SK Marketing & Company										
SK Planet							63.5%	100.0%	51.0%	59.7%
SK Communications										
SK Broadband										
SK Lubricant										
UBcare										
SK D&D										
Total affiliated companies	50.6%	100%	50.0%	100.0%	100.0%	100.0%	63.5%	100.0%	51.0%	59.7%

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Investing company	Invested companies
SK Corporation	
SK Innovation	
SK Telecom	
SK Networks	
SK Chemicals	
SKC	
SK C&C	
SK E&C	
SK E&S	
SK Gas	
SK Shipping	
SK Energy	
SK Global Chemical	
SK Marketing & Company	
SK Planet	
SK Communications	
SK Broadband	
SK Lubricant	
UBcare	
SK D&D	
Total affiliated companies	

	Invested companies									
Investing company	SK Communications	Broadband Media	Broadband D&M	Broadband CS	Service In	MRO Korea	SKN Internet	SKN Service	WS Commerce	SK Pinx
SK Corporation										
SK Innovation						42.5%				
SK Telecom						42.5%				
SK Networks							100.0%	85.0%	100.0%	100.0%
SK Chemicals										
SKC										
SK C&C						5.0%				
SK E&C										
SK E&S										
SK Gas						5.0%				
SK Shipping										
SK Energy										
SK Global Chemical										
SK Marketing & Company										
SK Planet	64.6%									
SK Communications					100.0%					
SK Broadband		100.0%	100.0%	100.0%						
SK Lubricant										
UBcare										
SK D&D										
Total affiliated companies	64.6%	100.0%	100.0%	100.0%	100.0%	95.0%	100.0%	85.0%	100.0%	100.0%

Investing company	Invested companies LC&C	Speed Motor	SKC Air Gas	SKC Solmics Co., Ltd.	SK Telesys	SKW	Sumray Corporation	Incyto	SKC lighting	Daehan City Gas	Busan City Gas
SK Corporation											
SK Innovation											
SK Telecom											
SK Networks	79.6%	100.0%									
SK Chemicals											
SKC			80.0%	48.7%	47.5%	65.0%	100.0%	100.0%	65.0%		
SK C&C											
SK E&C											
SK E&S										78.4%	40.0%
SK Gas											
SK Shipping											
SK Energy											
SK Global Chemical											
SK Marketing & Company											
SK Planet											
SK Communications											
SK Broadband											
SK Lubricant											
UBcare											
SK D&D											
Total affiliated companies	79.6%	100.0%	80.0%	48.7%	47.5%	65.0%	100.0%	100.0%	65.0%	78.4%	40.0%

Investing company	Jeonnam City Gas	Gangwon City Gas	JBES	CCES	YN Energy	PyongTaek Energy Service	Gimcheon Energy	PMP	SK Forest	Daejeon Pure Water
	Invested companies									
SK Corporation										
SK Innovation										
SK Telecom										
SK Networks										
SK Chemicals										
SKC										
SK C&C										
SK E&C								50.0%	100.0%	32.0%
SK E&S	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	50.0%	50.0%		
SK Gas										
SK Shipping										
SK Energy										
SK Global Chemical										
SK Marketing & Company										
SK Planet										
SK Communications										
SK Broadband										
SK Lubricant										
UBcare										
SK D&D										
Total affiliated companies	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	50.0%	100.0%	100.0%	32.0%

Investing company	Gwangju Pure Water	SK D&D	Real Vest	SK Gas	SK Sci-tech	UB Care	SK Seentec	Korea Sleep Network	Green Biro	Namwon Sarang Electric Power
	Invested companies									
SK Corporation										
SK Innovation										
SK Telecom										
SK Networks										
SK Chemicals				45.5%	50.0%	44.0%	100.0%	100.0%		
SKC										
SK C&C										
SK E&C	42.0%	45.0%	100.0%							
SK E&S										
SK Gas									100.0%	
SK Shipping										
SK Energy										
SK Global Chemical										
SK Marketing & Company										
SK Planet										
SK Communications										
SK Broadband										
SK Lubricant										
UBcare										
SK D&D										100.0%
Total affiliated companies	42.0%	45.0%	100.0%	45.5%	50.0%	44.0%	100.0%	100.0%	100.0%	100.0%

Investing company	MKS Guarantee	Independence	Infosec	Ever Health Care	SKSM
	Invested companies				
SK Corporation					
SK Innovation					
SK Telecom					
SK Networks					
SK Chemicals					
SKC					
SK C&C		100.0%	100.0%		
SK E&C					
SK E&S					
SK Gas					
SK Shipping					100.0%
SK Energy					
SK Global Chemical					
SK Marketing & Company					
SK Planet					
SK Communications					
SK Broadband					
SK Lubricant					
UBcare				100.0%	
SK D&D	100.0%				
Total affiliated companies	100.0%	100.0%	100.0%	100.0%	100.0%

VII. SHAREHOLDERS INFORMATION

1. Shareholdings of the Largest Shareholder and Related Persons

A. Shareholdings of the Largest Shareholder and Related Persons

(As of December 31, 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
SK Corporation	Largest Shareholder	Common share	18,748,452	23.22	20,363,452	25.22
Tae Won Chey	Officer of affiliated company	Common share	100	0.00	100	0.00
Shin Won Chey	Officer of affiliated company	Common share	500	0.00	2,000	0.00
Sung Min Ha	Officer of affiliated company	Common share	738	0.00	738	0.00
Dal Sup Shim	Officer of affiliated company	Common share	500	0.00	0	0.00
Bang Hyung Lee	Officer of affiliated company	Common share	200	0.00	200	0.00
Total-		Common share	18,757,490	23.22	20,366,490	25.22

B. Overview of the Largest Shareholder

SK Corporation is a holding company and as of December 31, 2011, has eight subsidiaries: SK Innovation Co., Ltd., SK Telecom Co., Ltd., SK Networks Co., Ltd., SKC Co., Ltd., SK Shipping Co., Ltd., SK E&C Co., Ltd., SK E&S Co., Ltd. and SK Biofarm Co., Ltd. SK Biofarm Co., Ltd. spun off from SK Corporation on April 1, 2011.

Details of SK Corporation s subsidiaries are as follows:

(Unit: in millions of Won)

Affiliates	Share Holdings	Book Value (million Won)	Industry	Description
SK Innovation Co., Ltd.	33.4%	3,944,657	Energy and Petrochemical	Publicly Listed
SK Telecom Co., Ltd.	25.2%	3,091,125	Telecommunication	Publicly Listed
SK Networks Co., Ltd.	39.1%	1,165,759	Trading, Energy Sale	Publicly Listed
SKC Co., Ltd.	42.5%	254,632	Synthetic Resin Manufacturing	Publicly Listed
SK E&C Co., Ltd.	40.0%	485,171	Construction	Privately Held
SK Shipping Co., Ltd.	83.1%	607,643	Ocean Freight	Privately Held
SK E&S Co., Ltd.	94.1%	1,026,307	Gas Company Holdings and Power Generation	Privately Held
SK Biofarm Co., Ltd.	100.00%	228,702	Biotechnology	Privately Held

* The above share holdings are based on common stock holdings as of December 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 Innovation Co., Ltd., SK Telecom Co., Ltd. and SK Networks Co., Ltd. are three such subsidiaries.

On August 1, 2011, SK E&S Co., Ltd. acquired K-Power Co., Ltd. SK E&S that is engaged in distribution of gas and energy business plans to create synergy by merging with K-Power that is engaged in power generation and plans to seek new growth opportunities in overseas gas business and power generation.

2. Changes in shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(As of December 31, 2011) (Unit: Shares, %)

Largest Shareholder	Date of the change in the largest shareholder/ Date of change in shareholding	Shares Held	Holding Ratio	Remarks
SK Corporation				
	March 7, 2008	18,751,260	23.09	Purchased 1,085,325 shares from SK Networks on March 7, 2008
	March 13, 2009	18,751,360	23.22	At the 25th General Meeting of Shareholders, elected the CEO, Man Won Jung (who owned 100 shares of the Company stock)
	December 30, 2009	18,755,260	23.23	Man Won Jung, the CEO, purchased 3,900 shares.
	May 26, 2010	18,756,760	23.23	Man Won Jung, the CEO, purchased 1,500 shares
	July 20, 2010	18,756,860	23.23	Man Won Jung, the CEO, purchased 100 shares
	September 17, 2010	18,757,360	23.23	Dal Sup Shim, an Independent Director, purchased 500 shares
	March 11, 2011	18,750,490	23.22	Man Won Jung, SK Telecom s CEO, resigned Shin Bae Kim, SK C&C s CEO, resigned
	April. 5, 2011	18,749,990	23.22	Dal Sup Shim, an Independent Director, disposed 500 shares
	July 8, 2011	18,749,990	23.22	Shin Won Chey, SKC s Chairman, purchased 500 shares
	August 5, 2011	18,750,490	23.22	Shin Won Chey, SKC s Chairman, purchased 500 shares
	August 23, 2011	18,751,490	23.22	Shin Won Chey, SKC s Chairman, purchased 500 shares

December 21, 2011	20,366,490	25.22	SK Corporation purchased 1,615,000 shares

* 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, 2011) (Unit: shares, %)

Rank	Name (title)	Common share Number of shares	Common share Ownership ratio	Preferred share Number of shares	Preferred share Ownership ratio	Sub-total Number of shares	Sub-total Ownership ratio
1	Citibank ADR	21,711,446	26.89			21,711,446	26.89
2	SK Corporation	20,363,452	25.22			20,363,452	25.22
3	SK Telecom	11,050,712	13.69			11,050,712	13.69
Shareholdings under the Employee Stock Ownership Program *		299,241	0.37			299,241	0.37

* As of December 31, 2011

B. Shareholder Distribution

(As of December 31, 2011) (Unit: shares, %)

classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
Total minority shareholders	40,558	99.98	24,843,976	30.76	

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

A. Domestic Securities Market

(Unit: Won, shares)

Types		December 2011	November 2011	October 2011	September 2011	August 2011	July 2011
Common stock	**Highest**	154,000	156,000	165,000	159,500	155,000	161,500
	Lowest	141,500	145,000	148,000	145,500	131,000	140,500
Monthly transaction volume		5,442,574	5,958,443	4,319,905	5,296,111	7,629,297	7,487,737

B. Foreign Securities Market

New York Stock Exchange (Unit: US$, ADR)

Types		December 2011	November 2011	October 2011	September 2011	August 2011	July 2011
Depository Receipt	**Highest**	14.88	15.41	15.99	16.01	16.36	18.83
	Lowest	13.35	14.14	13.53	13.35	13.67	15.21
Monthly transaction volume		49,489,960	44,012,672	36,305,704	31,273,856	45,328,712	58,978,296

VIII. EMPLOYEES AND MANAGEMENT COMPENSATION

1. EMPLOYEES

(As of December 31, 2011) (Unit: persons, in millions of Won)

Classification	Number of employees: Regular employees	Contract employees	Others	Total	Average service year	Aggregate wage for the year ended December 31, 2011	Average wage per person	Remarks
Male	3,357	38		3,395	12.4	263,888	64	
Female	496	64		560	10.2	35,077	43	
Total	3,853	102		3,955	12.1	298,965	60	

2. Management Compensation

A. Amount Approved at the Shareholders Meeting

(Unit: Won million)

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

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2. Amount Paid

(Unit: Won million)

Classification	Number of Directors	Aggregate Amount Paid	Average Amount Paid Per Director
Insider Directors	3	10,433	3,478
Independent Directors	1	89	89
Audit Committee Members	4	335	84
Total	8	10,857	

IX. TRANSACTIONS WITH PARTIES WITH INTERESTS

1. Loans to the Largest Shareholder and Related Persons

(As of December 31, 2011) (Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Beginning	Change details Increase	Change details Decrease	Ending	Accrued interest	Remarks
SK Wyverns	Affiliated company	Long-term and short-term loans	2,407		575	1,832		

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

A. Investment and Disposition of Investment

None.

B. Transfer of Assets

(Units: in millions of Won)

Name (Corporate Name)	Relationship	Transferred Objects	Purpose of Transfer	Details Date of Transfer	Details Amount Transferred From Largest Shareholder	Details Amount Transferred to Largest Shareholder	Remarks
Encar Network Co., Ltd.	Affiliated Company	Used car sale	Sale of assets not in use	April 29, 2011		158	
SK Networks Co., Ltd	Affiliated Company	Sale of assets not in use	Sale of assets not in use	July 29, 2011		267	
SK Telesys Co., Ltd.	Affiliated Company	OA equipment sale	Sale of assets not in use	July 29, 2011		206	
Total						631	

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 Increase	Change details Decrease	Ending	Accrued interest	Remarks
Midus and others	Agency	Long-term and short-term loans	77,985	226,164	185,230	118,919		

(Unit: in millions of Won)

Name (Corporate name)	Relationship	Account category	Change details				Accrued interest	Remarks
			Beginning	Increase	Decrease	Ending		
Daehan Kanggun BcN Co., Ltd.	Investee	Long-term loans	30,224	10,538	18,660	22,102		

X. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS

1. Developments in the Items Mentioned in Prior Reports on Important Business Matters

A. Status and Progress of Major Management Events

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

B. Summary Minutes of the General Meeting of Shareholders

Date	Agenda	Resolution
23rd Fiscal Year Meeting of Shareholders (March 9, 2007)	1. Approval of the financial statements for the year ended December 31, 2006	Approved (Cash dividend, Won 7,000 per share)
	2. Remuneration limit for Directors	Approved (Won 12 billion)
	3. Election of Directors	
	Election of inside directors	Approved (Jung Nam Cho, Sung Min Ha)
	Election of independent directors as Audit Committee members	Approved (Dal Sup Shim)
24th Fiscal Year Meeting of Shareholders (March 14, 2008)	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)
	4. Election of Directors	
	Election of inside directors	Approved (Shin Bae Kim, Young Ho Park)
	Election of independent directors	Approved (Rak Yong Uhm, Jay Young Chung)
	Election of independent directors as Audit Committee member	Approved (Jae Ho Cho)

25th Fiscal Year Meeting of Shareholders (March 13, 2009)	1. Approval of the financial statements for the year ended December 31, 2008	Approved (Cash dividend, Won 8,400 per share)
	2. Approval of Remuneration Limit for Directors	Approved (Won 12 billion)
	3. Amendment to Company Regulation on Executive Compensation	Approved
	4. Election of Directors	
	Election of inside directors	Approved (Jae Won Chey, Man Won Jung)
	Election of independent directors	Approved (Hyun Chin Lim)
	Election of independent directors as Audit Committee member	Approved (Hyun Chin Lim)
26th Fiscal Year Meeting of Shareholders (March 12, 2010)	1. Approval of the financial statements for the year ended December 31, 2009	Approved (Cash dividend, Won 8,400 per share)
	2. Amendment to Articles of Incorporation	Approved
	3. Approval of Remuneration Limit for Directors	Approved (Won 12 billion)
	4. Election of Directors	
	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)
27th Fiscal Year Meeting of Shareholders (March 11, 2011)	1. Approval of the financial statements for the year ended December 31, 2010	Approved (Cash dividend, Won 8,400 per share)
	2. Approval of Remuneration Limit for Directors	Approved
	3. Amendment to Company Regulation on Executive Compensation	Approved (Won 12 billion)
	4. Election of Directors	
	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)
1st Extraordinary Meeting of Shareholders (August 31, 2011)	1. Approval of the Spin-off Plan	Approved (Spin-off of SK Planet)
	2. Election of Directors	Approved (Jun Ho Kim)
28th Fiscal Year Meeting of Shareholders (March 23, 2012)	1. Approval of the financial statements for the year ended December 31, 2011	Approved (Cash dividend, Won 8,400 per share)
	2. Amendment to Articles of Incorporation	Approved
	3. Election of Directors	
	Election of inside directors	Approved (Young Tae Kim)
	Election of inside directors	Approved (Dong Seob Jee)
	Election of independent directors	Approved (Hyun Chin Lim)
	4. Election of an independent director as Audit Committee member	Approved (Hyun Chin Lim)
	5. Approval of Remuneration Limit for Directors	Approved (Won 12 billion)

2. Contingent Liabilities

[SK Telecom]

A. Material Legal Proceedings

(1) Claim for Copyright License Fees regarding Coloring Services

On May 7, 2010, Korea Music Copyright Association (KOMCA) filed a lawsuit with the court demanding that the Company pay KOMCA license fees for the Company s Coloring services. The court rendered a judgment against the Company ordering the Company to pay Won 570 million to KOMCA, which was affirmed by the appellate court on October 26, 2011. The Company appealed to the Supreme Court on November 8, 2011. The Company plans to vigorously defend itself in the Supreme Court by supplementing legal analysis relating to the interpretation of legal actions. While the Company does not expect immediate impact on its business and financial condition from the litigation because the judgment amount is Won 570 million and the final outcome of the litigation has not been decided, the Company may be required to pay on-going license fees in the future if it loses in the final judgment.

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

B. Other Matters

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

[SK Broadband]

A. Material Legal Proceedings

(1) SK Broadband as the Plaintiff

(Unit: thousand won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Claim for Cancellation of Korea Fair Trade Commission s Penalty Reassessment	September 2009	1,810,000	Pending before Supreme Court
Claim relating to Gangamgu District Office Cable-Burying Project	March 2010	345,271	Pending before Supreme Court
Administrative Proceeding relating to Gangnamgu District Office	April 2010	703,440	Pending before Administrative Court
Claim for Sales Price by Sambo Motors	April 2011	321,200	Pending before Appellate Court
Damages Claims against Golden Young and Others	April 2011	454,267	Pending before District Court
Damages Claim relating to Hyundai Construction	December 2010	561,282	Pending before Appellate Court
Other claims and proceedings	-	651,976	
Total	-	4,847,436	-

(2) SK Broadband as the Defendant

(Unit: thousand won)

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Damage Claim by Sun Technology and One Other	October 2011	1,006,429	Pending before District Court
Claim for Return of Unfair Benefit from One Call	October 2010	670,787	Pending before Appellate Court
Damages Claim from Jin Man Cho and One Other	January 2011	200,000	Pending before District Court
Claim for Commission by i-Media Valley and Five Other Companies	July 2010	313,764	Pending before Appellate Court
Claim for Commission by Vialty and Four Other Companies	November 2010	125,000	Pending before District Court
Damage Claim by On-nuri Co., Ltd.	December 2011	101,000	Pending before District Court
Other claims and proceedings	-	56,809	-
Total	-	2,473,789	-

The management believes that the final results of the litigations listed above would not have a material impact on the company s financial statements. In addition, SK Broadband was sued in connection with providing subscribers information to third party contractors without subscribers effective consents. SK Broadband partly lost in the district court, which ordered SK Broadband to pay damages of Won 4,469 million (out of the plaintiffs claims of Won 24,689 million), and recognized such damage order as other accounts payable.

(3) Broadband Media as the Defendant

Description of Proceedings	Date of Commencement of Proceedings	Amount of Claim	Status
Claim for Commission by i-Media Valley and Five Other Companies	July 2010	300,868	On appeal
Total	-	300,868	-

[SK Communications]

A. Material Legal Proceedings

As of December 31, 2011, 11 cases were pending and the aggregate amount of claim was Won 4,113 million. While the management cannot forecast the outcome of the pending cases, it does not expect material adverse impact on SK Communications financial condition from the litigation.

3. Status of sanctions, etc.

[SK Telecom]

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

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

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

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

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

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

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

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

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

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

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

On March 14, 2012, the Company received a correctional order from the Fair Trade Commission of Korea for an alleged violation of Article 23 of the Fair Trade Act relating to the handset subsidy practice and distribution of handsets and was imposed a fine of Won 20.69 billion. The Company plans to review its legal options after receiving an official statement from the Fair Trade Commission.

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

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

[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.

On January 5, 2009, SK Broadband received a correctional order from the Fair Trade Commission of Korea for unfair business practices relating to marketing networks. SK Broadband has taken efforts to educate the relevant personnel and implement reports to the Fair Trade Commission to prevent a repeat of the same violation.

[SK Communications]

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

[Loen Entertainment]

On February 28, 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 10,381 million with respect to providing Non-DRM on-line music content services. Loen Entertainment filed a suit disputing the order of the Fair Trade Commission and the suit is currently pending.

4. Important Matters That Occurred After December 31, 2011

[SK Telecom]

(1) Acquisition of Shares of Hynix Semiconductor

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

(2) Syndicated Loan

On February 14, 2012, the Company borrowed Won 2.5 trillion in a syndicated loan from a syndicate of Korean banks including Kookmin Bank and Woori Bank in order to finance the purchase of Hynix shares, in accordance with the board of directors resolution on November 10, 2011. Won 2 trillion of the loan matures in three years and Won 0.5 trillion of the loan matures in one year.

(3) Sale of Available-for-sale Financial Assets

On February 2, 2012, SK Communications sold Won 20 billion principal amount of convertible bonds issued by Etoos Education Co., Ltd. to Shinhan Private Equity Fund No. 2 for a price of Won 19 billion, in accordance with the board resolution of January 13, 2012. SK Communication is pursuing a public sale of its equity shares of Etoos Education (15.58%) and remaining convertible bonds in the principal amount of Won 5 billion, as disclosed on February 24, 2012.

5. Use of Proceeds

A. Use of Proceeds from Public Offerings

(Unit: Won million)

Classification	Closing Date	Proceeds	Use of Proceeds disclosed in the Prospectus	Actual Use of Proceeds	Reasons for Change
Bonds (series 61-1)	December 27, 2011	110,000	Working Capital	Working Capital	-
Bonds (series 61-2)	December 27, 2011	190,000	Working Capital	Working Capital	-

B. Use of Proceeds from Private Offerings

(Unit : Won million)

Classification	Closing Date	Proceeds	Planned Use of Proceeds	Actual Use of Proceeds	Reasons for Change
Convertible Bonds	April 7, 2009	437,673	Refinancing of convertible bonds issued in May 2004	Refinancing and working capital	-
Floating Rate Notes	December 15, 2011	347,088	Refinancing of floating rate notes issued in April 2009	Refinancing and working capital	-

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2011, DECEMBER 31, 2010 AND JANUARY 1, 2010 AND

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

AND INDEPENDENT AUDITORS REPORT

Audit Tax Consulting Financial Advisory

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Stockholders of

SK Telecom Co., Ltd.

We have audited the accompanying consolidated statements of financial position of SK Telecom Co., Ltd. and subsidiaries (the Company) as of December 31, 2011, December 31, 2010 and January 1, 2010, and the related consolidated statements of income, comprehensive income, stockholders equity, and cash flows for each of the two years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of SK Telecom Co. Ltd. and subsidiaries as of December 31, 2011, December 31, 2010 and January 1, 2010, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2011, in conformity with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2011, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 13, 2012, expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte Anjin LLC

Deloitte Anjin LLC
Seoul, Korea
March 13, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

SK Telecom Co., Ltd.

We have audited the internal control over financial reporting of SK Telecom Co., Ltd. and subsidiaries (the Company) as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011 (all expressed in Korean won) of the Company and our report dated March 13, 2012, expressed an unqualified opinion on those financial statements, and included explanatory paragraphs relating to the transition of Korean won amounts to U.S. dollar amounts.

/s/ Deloitte Anjin LLC

Deloitte Anjin LLC
Seoul, Korea

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011, 2010 AND JANUARY 1, 2010

			Korean won		Translation into U.S. dollars (Note 2)
ASSETS	*Notes*	January 1, 2010	December 31, 2010 (In millions)	December 31, 2011	December 31, 2011 (In thousands)
CURRENT ASSETS:					
Cash and cash equivalents	*4,29*	(Won) 905,561	(Won) 659,405	(Won) 1,650,794	$ 1,424,941
Short-term financial instruments	*4,29*	471,970	567,152	979,564	845,545
Short-term investment securities	*4,7*	376,722	400,531	94,829	81,855
Accounts receivable - trade, net	*4,5,28*	1,832,967	1,949,397	1,823,170	1,573,733
Short-term loans, net	*4,5,28*	75,941	94,924	100,429	86,689
Accounts receivable - other, net	*4,5,28*	2,421,874	2,531,847	908,836	784,494
Prepaid expenses		172,225	182,091	118,200	102,028
Derivative assets	*4,30*			148,038	127,784
Inventories, net	*6,29*	119,317	149,223	219,590	189,547
Advanced payments and other	*4,5,7*	65,391	119,422	74,029	63,902
Total Current Assets		6,441,968	6,653,992	6,117,479	5,280,518
NON-CURRENT ASSETS:					
Long-term financial instruments	*4,29*	6,565	117	7,628	6,584
Long-term investment securities	*4,7*	2,443,978	1,680,582	1,537,945	1,327,531
Investments in associates	*8*	549,913	1,204,692	1,384,605	1,195,170
Property and equipment, net	*9,28,29*	8,027,678	8,153,413	9,030,998	7,795,423
Investment property	*10*	212,742	197,307	271,086	233,997
Goodwill	*11*	1,736,733	1,736,649	1,749,933	1,510,516
Intangible assets	*12*	2,004,218	1,884,956	2,995,803	2,585,933
Long-term loans, net	*4,5,28*	81,109	84,323	95,565	82,490
Long-term accounts receivable - other	*4,5*	761,735	527,106	5,393	4,655
Long-term prepaid expenses	*29*	449,906	411,509	567,762	490,084
Guarantee deposits	*4,5,28*	232,975	250,333	245,218	211,669
Long-term derivative assets	*4,30*	314,658	203,382	105,915	91,424
Deferred income tax assets	*24*	28,646	106,860	227,578	196,442
Other	*4,5*	43,900	37,168	23,128	19,965
Total Non-current Assets		16,894,756	16,478,397	18,248,557	15,751,883
TOTAL ASSETS		(Won) 23,336,724	(Won) 23,132,389	(Won) 24,366,036	$ 21,032,401

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

DECEMBER 31, 2011, 2010 AND JANUARY 1, 2010

		Korean won			Translation into U.S. dollars (Note 2)
LIABILITIES AND STOCKHOLDERS EQUITY	Notes	January 1, 2010 (In millions)	December 31, 2010	December 31, 2011	December 31, 2011 (In thousands)
CURRENT LIABILITIES:					
Short-term borrowings	*4,13,29*	(Won) 554,469	(Won) 523,710	(Won) 700,713	$ 604,845
Accounts payable - trade	*4,28*	164,314	195,777	195,391	168,659
Accounts payable - other	*4,28*	1,307,236	1,434,329	1,507,877	1,301,577
Withholdings	*4*	288,455	408,261	496,860	428,882
Accrued expenses	*4*	419,816	677,480	744,673	642,791
Income tax payable	*24*	395,503	259,871	293,725	253,539
Unearned revenue		341,538	311,365	290,791	251,006
Derivative liabilities	*4,30*	36,318	15,393	4,645	4,009
Provisions	*15*	516,382	652,889	657,198	567,284
Current portion of long-term debt, net	*4,13,14,16*	1,262,383	1,601,231	1,662,841	1,435,340
Advanced receipts and other		96,364	121,864	118,876	102,612
Total Current Liabilities		5,382,778	6,202,170	6,673,590	5,760,544
NON-CURRENT LIABILITIES:					
Bonds payable, net	*4,13*	4,453,300	3,658,546	3,229,009	2,787,233
Long-term borrowings	*4,13,29*	844,640	235,968	323,852	279,544
Long-term payables - other	*4,14*	170,953	54,783	847,496	731,546
Long-term unearned revenue		274,876	241,892	212,172	183,144
Finance lease liabilities	*4,16*	77,709	60,075	41,940	36,202
Retirement benefit obligation	*17*	53,659	67,870	85,941	74,183
Long-term derivative liabilities	*4,30*	34,495	14,761		
Long-term provisions	*15*	121,097	112,227	142,361	122,884
Long-term advanced receipts and other	*4,28*	75,172	76,098	76,966	66,435
Total Non-current Liabilities		6,105,901	4,522,220	4,959,737	4,281,171
Total Liabilities		11,488,679	10,724,390	11,633,327	10,041,715
EQUITY:					
Share capital	*1,18*	44,639	44,639	44,639	38,532
Share premium	*18,19*	167,876	(78,953)	(285,347)	(246,307)
Retained earnings	*20*	9,563,940	10,721,249	11,642,525	10,049,655
Reserves	*21*	919,835	643,056	260,064	224,483
Non-controlling interests		1,151,755	1,078,008	1,070,828	924,323
Total Equity		11,848,045	12,407,999	12,732,709	10,990,686
TOTAL LIABILITIES AND EQUITY		(Won) 23,336,724	(Won) 23,132,389	(Won) 24,366,036	$ 21,032,401

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Korean won 2010	Korean won 2011	Translation into U.S. dollars (Note 2) 2011
		(In millions except for per share data)		(In thousands except for per share data)
OPERATING REVENUE :				
Revenue	*27,28*	(Won) 15,518,637	(Won) 15,938,549	$ 13,757,919
Other	*22*	80,525	49,729	42,925
Sub-total		15,599,162	15,988,278	13,800,844
OPERATING EXPENSES :	*27,28*			
Labor cost	*17*	1,067,820	1,173,247	1,012,729
Commissions paid		5,598,044	5,646,448	4,873,930
Depreciation and amortization	*9,10,12*	2,155,815	2,331,268	2,012,316
Network interconnection		1,316,296	1,264,109	1,091,160
Leased line		437,830	474,018	409,165
Advertising		338,447	374,269	323,063
Rent		367,292	401,706	346,747
Cost of goods sold		640,933	959,276	828,033
Other	*12,22*	1,390,774	1,232,479	1,063,857
Sub-total		13,313,251	13,856,820	11,961,000
OPERATING INCOME	*27*	2,285,911	2,131,458	1,839,844
Financial income	*23*	477,217	442,325	381,808
Financial costs	*23*	(441,623)	(343,776)	(296,742)
Equity in earnings of affiliates	*8*	41,828	39,131	33,777
Equity in losses of affiliates	*8*	(45,242)	(86,280)	(74,476)
INCOME FROM CONTINUING OPERATION BEFORE INCOME TAX		2,318,091	2,182,858	1,884,211
INCOME TAX FOR CONTINUING OPERATION	*24*	544,530	599,093	517,128
INCOME FROM CONTINUING OPERATION		1,773,561	1,583,765	1,367,083
INCOME(LOSS) FROM DISCONTINUED OPERATION	*32*	(6,726)	(1,692)	(1,461)
NET INCOME	*27*	(Won) 1,766,835	(Won) 1,582,073	$ 1,365,622
ATTRIBUTABLE TO :				
Controlling interests		1,841,613	1,612,889	1,392,222
Non-controlling interests		(74,778)	(30,816)	(26,600)

		(Won)	1,766,835	(Won)	1,582,073	$	1,365,622
NET INCOME PER SHARE FROM CONTINUING OPERATION (In Korean won and U.S. dollars)	*25*	(Won)	25,653	(Won)	22,864	$	19.74
NET INCOME PER SHARE (In Korean won and U.S. dollars)	*25*	(Won)	25,598	(Won)	22,848	$	19.72
DILUTED NET INCOME PER SHARE FROM CONTINUING OPERATION (In Korean won and U.S. dollars)	*25*	(Won)	24,995	(Won)	22,238	$	19.20
DILUTED NET INCOME PER SHARE (In Korean won and U.S. dollars)	*25*	(Won)	24,942	(Won)	22,223	$	19.18

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Korean won 2010	Korean won 2011	Translation into U.S. dollars (Note 2) 2011
		(In millions except for per share data)		(In thousands except for per share data)
NET INCOME		(Won) 1,766,835	(Won) 1,582,073	$ 1,365,622
OTHER COMPREHENSIVE INCOME :				
Unrealized losses on valuation of available-for-sale financial assets	*21,24*	(204,325)	(433,546)	(374,230)
Share in other comprehensive income of Investments in associates	*8,24*	(390)	(2,173)	(1,876)
Gain (loss) on valuation of derivatives	*21,24*	(76,613)	29,236	25,236
Foreign-based operations translation adjustment		(1,459)	40,673	35,109
Actuarial gains (losses) on retirement benefit obligations	*17,24*	(4,497)	(25,275)	(21,817)
Sub-total		(287,284)	(391,085)	(337,578)
TOTAL COMPREHENSIVE INCOME		(Won) 1,479,551	(Won) 1,190,988	$ 1,028,044
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :				
Controlling interests		1,560,572	1,206,577	1,041,500
Non-controlling interests		(81,021)	(15,589)	(13,456)
		(Won) 1,479,551	(Won) 1,190,988	$ 1,028,044

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY

YEARS ENDED DECEMBER 31, 2011 AND 2010

			Share premium							
Notes	Common stock	Paid-in surplus	Treasury stock	Loss on disposal of treasury stock	Other	Retained earnings	Reserves	Controlling Interests	Non-controlling interests	
	(Won) 44,639	(Won) 2,915,887	((Won) 1,992,083)	((Won) 15,875)	((Won) 740,053)	(Won) 9,563,940	(Won) 919,835	(Won) 10,696,290	(Won) 1,151,755	(W
26						(680,043)		(680,043)		
						1,837,352	(276,779)	1,560,573	(81,022)	
						1,841,613		1,841,613	(74,778)	
21						(4,261)	(276,779)	(281,040)	(6,244)	
19			(210,356)					(210,356)		
					(36,473)			(36,473)	7,275	
	(Won) 44,639	(Won) 2,915,887	((Won) 2,202,439)	((Won) 15,875)	((Won) 776,526)	(Won) 10,721,249	(Won) 643,056	(Won) 11,329,991	(Won) 1,078,008	(W
	(Won) 44,639	(Won) 2,915,887	((Won) 2,202,439)	((Won) 15,875)	((Won) 776,526)	(Won) 10,721,249	(Won) 643,056	(Won) 11,329,991	(Won) 1,078,008	(W
26						(668,293)		(668,293)	(2,226)	
						1,589,569	(382,992)	1,206,577	(15,589)	
						1,612,889		1,612,889	(30,816)	
21						(23,320)	(382,992)	(406,312)	15,227	
19			(208,012)					(208,012)		
24				(2,980)				(2,980)		
					4,598			4,598	10,635	
	(Won) 44,639	(Won) 2,915,887	((Won) 2,410,451)	((Won) 18,855)	((Won) 771,928)	(Won) 11,642,525	(Won) 260,064	(Won) 11,661,881	(Won) 1,070,828	(W

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (Continued)

YEARS ENDED DECEMBER 31, 2011 AND 2010

				Share premium							
(In thousands of U.S. dollars)	*Notes*	Common stock	Paid-in surplus	Treasury stock	Loss on disposal of treasury stock	Other	Retained earnings	Reserves	Controlling interests	Non-controlling interests	Total stockholders equity
Balance, January 1, 2011		$ 38,532	$ 2,516,950	($ 1,901,112)	($ 13,703)	($ 670,286)	$ 9,254,423	$ 555,076	$ 9,779,880	$ 930,521	$ 10,710,401
Cash dividends	*26*						(576,861)		(576,861)	(1,921)	(578,782)
Total comprehensive income (loss)							1,372,093	(330,593)	1,041,500	(13,456)	1,028,044
Net income							1,392,222		1,392,222	(26,600)	1,365,622
Other comprehensive income	*21*						(20,129)	(330,593)	(350,722)	13,144	(337,578)
Treasury stock	*19*			(179,553)					(179,553)		(179,553)
Effect of change in income tax rate	*24*				(2,572)				(2,572)		(2,572)
Changes in subsidiaries						3,969			3,969	9,179	13,148
Balance, December 31, 2011		$ 38,532	$ 2,516,950	($ 2,080,665)	($ 16,275)	($ 666,317)	$ 10,049,655	$ 224,483	$ 10,066,363	$ 924,323	$ 10,990,686

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

		Korean won		Translation into U.S. dollars (Note 2)
		2010	2011	2011
	Notes	(In millions)		(In thousands)
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash generated from operating activities				
Net income		(Won) 1,766,835	(Won) 1,582,073	$ 1,365,622
Adjustments for income and expenses	*31*	3,089,520	3,225,682	2,784,361
Changes in assets and liabilities related to operating activities :	*31*	277,352	2,180,223	1,881,936
Sub-total		5,133,707	6,987,978	6,031,919
Interest received		208,444	156,745	135,300
Dividends received		32,394	34,521	29,798
Interest paid		(364,704)	(301,632)	(260,364)
Income tax paid		(666,436)	(571,217)	(493,066)
Net Cash Provided by Operating Activities		4,343,405	6,306,395	5,443,587
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in short-term investment securities, net		168,260	125,000	107,898
Collection of short-term loans		216,857	194,561	167,942
Decrease in long-term financial instruments		3	5	4
Proceeds from sales of long-term investment securities		630,030	256,666	221,550
Proceeds from disposal of associates		58,873	6,381	5,508
Proceeds from disposal of property and equipment		94,254	35,197	30,382
Proceeds from disposal of intangible assets		6,826	3,833	3,309
Collection of long-term loans		17,823	33,824	29,196
Decrease in other non-current assets		2,381	4,122	3,558
Cash inflows from transaction of derivatives		1,255		
Cash inflows from acquisition		42,736	66,277	57,209
Sub-total		1,239,298	725,866	626,556
Cash outflows for investing activities:				
Increase in short-term financial instruments, net		88,682	412,256	355,853
Increase in short-term loans		221,308	233,189	201,285
Increase in long-term financial instruments		55	7,516	6,488
Acquisition of long-term investment securities		150,447	323,246	279,021
Acquisition of associates		736,105	239,975	207,143
Acquisition of property and equipment		2,142,309	2,960,556	2,555,508
Acquisition of investment property		1,991	86,285	74,480
Acquisition of goodwill			1,976	1,706
Acquisition of intangible assets		128,032	596,461	514,856
Increase in long-term loans		36,549	13,856	11,960
Increase in other non-current assets		10,778	3,071	2,651

Cash outflows from transaction of derivatives	35,260	4,007	3,459
Cash outflows from acquisition	26,814	82,533	71,241
Sub-total	3,578,330	4,964,927	4,285,651
Net Cash Used in Investing Activities	((Won) 2,339,032)	((Won) 4,239,061)	($ 3,659,095)

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

	Notes	Korean won 2010	2011	Translation into U.S. dollars (Note 2) 2011
		(In millions)		(In thousands)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Proceeds from short-term borrowings		(Won)	(Won) 174,222	$ 150,386
Issuance of bonds payable		149,308	1,129,533	974,996
Proceeds from long-term borrowings		108,044	92,367	79,730
Increase in equity of consolidated subsidiaries		6,452	5,769	4,980
Sub-total		263,804	1,401,891	1,210,092
Cash outflows for financing activities:				
Repayment of short-term borrowings		30,910		
Repayment of current portion of long-term debt		739,334	224,581	193,855
Repayment of bonds payable		605,140	842,160	726,940
Repayment of long-term borrowings		200,000	512,377	442,276
Payment of dividends		682,283	668,293	576,861
Acquisition of treasury stock		252,259	208,012	179,553
Cash outflows from transaction of derivatives			25,783	22,256
Sub-total		2,509,926	2,481,206	2,141,741
Net Cash Used in Financing Activities		(2,246,122)	(1,079,315)	(931,649)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		(241,749)	988,019	852,843
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		905,561	659,405	569,189
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCY		(4,407)	3,370	2,909
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		(Won) 659,405	(Won) 1,650,794	$ 1,424,941

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 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 the London Stock Exchange. As of December 31, 2011, the Company s total issued shares are held by the following:

	Number of shares	Percentage of total shares issued (%)
SK Holdings, Co., Ltd.	20,363,452	25.22
Tradewinds Global Investors, LLC	4,050,518	5.02
POSCO Corp.	2,341,569	2.90
Institutional investors and other minority stockholders	42,939,460	53.17
Treasury stock	11,050,712	13.69
	80,745,711	100.00

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its official accounting records in Republic of Korean won (Won) and prepares consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board (IASB). The Company has adopted IFRS as issued by IASB for the annual period beginning on January 1, 2011. In accordance with IFRS 1 First-time adoption of IFRS, the Company s transition date to IFRS is January 1, 2010. Refer to Note 3, for transition adjustments to IFRS.

The accompanying consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of (Won)1,158.50 to US$1.00, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the year ended December 30, 2011.

The consolidated financial statements have been prepared on a historical cost basis except for certain non-current assets and financial instruments that are measured at revalued amounts or at fair values. Major accounting policies used for the preparation of the consolidated financial statements are stated below and these accounting policies have been applied consistently to the financial statements for the current period and comparative periods. Historical cost is generally based on the fair value of the consideration paid in exchange for assets. The consolidated financial statements were approved by the board of directors on February 9, 2012.

Recent Accounting Standards

Currently, enactments and amendments of the IFRSs are in progress, and the financial information presented in the financial statements may change accordingly in the future. The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Financial Instruments: Recognition and Measurement

In November 2009, as part of the International Accounting Standards Board s (IASB) project to replace International Accounting Standard (IAS) 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments. It contained requirements for the classification and measurement of financial assets, and was updated in October 2010 to incorporate financial liabilities. The standard is applicable for annual periods starting on or after January 1, 2015. The full impact of this standard will not be known until the phases addressing hedging and impairments have been completed.

Fair Value Measurements

In May 2011, the IASB issued IFRS 13 Fair Value Measurement, which establishes a single source of guidance for all fair value measurements, clarifies the definition of fair value, and enhances the disclosures on fair value measurement. Prospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with early application permitted. The Company does not anticipate significant changes to its fair value measurements and related disclosures as a result of this standard.

Reporting Entity

In May 2011, the IASB issued IFRS 10 Consolidated Financial Statement, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, and amendments to IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures. IFRS 10 creates a single consolidation model by revising the definition of control in order to apply the same control criteria to all types of entities, including joint arrangements, associates and special purpose vehicles. IFRS 11 establishes a principle-based approach to the accounting for joint arrangements by focusing on the rights and obligations of the arrangement and limits the application of proportionate consolidation accounting to arrangements that meet the definition of a joint operation. IFRS 12 is a comprehensive disclosure standard for all forms of interests in other entities, including joint arrangements, associates and special purpose vehicles. Retrospective application of these standards with relief for certain transactions is effective for fiscal years beginning on or after January 1, 2013, with earlier application permitted if all five standards are collectively adopted. The Company is currently assessing the impact of these standards.

Employee Benefits

In June 2011, the IASB issued amendments to IAS 19 Employee Benefits, which revises the recognition, presentation and disclosure requirements for defined benefit plans. The revised standard requires immediate recognition of actuarial gains and losses in other comprehensive income, eliminating the previous options that were available, and enhances the disclosure requirements for defined benefit plans. Retrospective application of this standard is effective for fiscal years beginning on or after January 1, 2013, with early application permitted. The Company does not anticipate significant impacts as a result of these amendments.

a. Basis of Consolidation

The consolidated financial statements include the accounts of SK Telecom and the following controlled subsidiaries of SK Telecom as of December 31, 2011.

Subsidiary	Primary business	Number of shares	Ownership Percentage(%)	Location
SK Telink Co., Ltd.	Telecommunication services	1,082,272	83.5	Korea
SK Communications Co., Ltd.	Internet website services	28,029,945	64.6	Korea
PAXNet Co., Ltd.	Internet website services	5,590,452	59.7	Korea
Loen Entertainment, Inc.	Release of music disc	17,088,125	67.6	Korea
Stonebridge Cinema Fund	Investment association	150	57.0	Korea
Ntreev Soft Co., Ltd.	Game software production	2,064,970	63.7	Korea
Commerce Planet Co., Ltd.	Online shopping mall operation agency	29,396	100.0	Korea
SK Broadband Co., Ltd.	Telecommunication services	149,638,354	50.6	Korea
Broadband D&M Co., Ltd.	Base station maintenance service	900,000	100.0	Korea
Broadband Media Co., Ltd.	Multimedia TV portal services	25,200,000	100.0	Korea
Broadband CS Co., Ltd.	Customer Q&A and services	1,210,596	100.0	Korea
K-net Culture and Contents Venture Fund	Investment association	295	59.0	Korea
2nd Benex Focus Investment Fund	Investment association	200	66.7	Korea
Open Innovation Fund	Investment association	450	98.9	Korea
PS&Marketing Corporation	Communications device retail business	46,000,000	100.0	Korea
Service Ace Co., Ltd.	Customer center management service	4,385,400	100.0	Korea
Service Top Co., Ltd.	Customer center management service	2,856,200	100.0	Korea
Network O&S Co., Ltd.	Base station maintenance service	3,000,000	100.0	Korea
BNCP Co., Ltd.	Internet website services	8,820,000	100.0	Korea
Service-In Co., Ltd.	Database & on-line information service	500,000	100.0	Korea
SK Planet Co., Ltd.	Telecommunication services	60,000,000	100.0	Korea
SK Telecom China Holdings Co., Ltd.	Equity Investment		100.0	China
Sky Property Mgmt., Ltd.	Real Estate Investment	22,980	60.0	China
Shenzhen E-eye High Tech Co., Ltd.	Manufacturing		65.5	China
SK China Real Estate Co., Ltd.	Real Estate Investment	70,000,000	99.4	Hongkong
SKT Vietnam PTE., Ltd.	Telecommunication services	180,476,700	73.3	Singapore
SKT Americas, Inc.	Information gathering and consulting	109	100.0	USA
YTK Investment Ltd	Investment Association		100.0	Cayman
Atlas Investment	Investment Association		100.0	Cayman
Technology Innovation Partners, L.P	Investment Association		100.0	Cayman
SK Telecom China Fund I L.P.	Investment Association		100.0	Cayman

The condensed financial information of the Company s controlled subsidiaries as of and for the year ended December 31, 2011 is as follows (In millions of Korean won):

	Total assets	Total liabilities	Revenue	Net income (loss)
SK Telink Co., Ltd.	(Won) 420,829	(Won) 228,687	(Won) 419,131	(Won) 35,269
SK Communications Co., Ltd.	314,700	82,658	262,140	(4,366)
PAXNet Co., Ltd.	33,949	11,461	33,004	(2,347)
Loen Entertainment, Inc.	157,104	48,386	167,273	21,398
Stonebridge Cinema Fund	18,506	196	21	1,069
Ntreev Soft Co., Ltd.	37,529	17,304	56,029	8,707
Commerce Planet Co., Ltd.	49,729	51,057	75,038	(556)
SK Broadband Co., Ltd.	3,314,479	1,942,652	2,302,563	9,499
Broadband D&M Co., Ltd.	11,872	7,399	46,433	(49)
Broadband Media Co., Ltd.	89,915	356,816	66,526	(32,214)
Broadband CS Co., Ltd.	6,948	18,744	74,104	63
K-net Culture and Contents Venture Fund	48,057	16		(113)
2nd Benex Focus Investment Fund	21,663	285		(10,358)
Open Innovation Fund	44,716	432		(427)
PS&Marketing Corporation	289,062	143,883	1,078,925	(31,820)
Service Ace Co., Ltd.	43,447	21,669	130,102	1,365
Service Top Co., Ltd.	37,165	23,255	123,366	1,829
Network O&S Co., Ltd.	80,249	61,555	199,653	5,646
BNCP Co., Ltd.	28,631	11,397	17,860	1,877
Service-In Co., Ltd.	3,247	759	6,225	(12)
SK Planet Co., Ltd.	1,677,730	423,903	280,722	11,014
SK Telecom China Holdings Co., Ltd.	36,810	2,442	26,944	(232)
Sky Property Mgmt., Ltd. **(Note a)**	820,639	317,038	51,204	6,386
Shenzhen E-eye High Tech Co., Ltd.	23,569	3,744	14,703	2,007
SKT Vietnam PTE., Ltd.	42,539	9,769	5,519	205
SKT Americas, Inc.	42,681	1,280	18,468	(14,604)
YTK Investment Ltd	51,218			
Atlas Investment **(Note b)**	50,643	530		(2,056)

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

(Note b) The financial information of Atlas Investment includes financial information of Technology Innovation Partners, L.P., Technology Venture Fund, LP, SK Telecom Global Investment B.V. and SK Telecom China Fund I L.P., all of which are also subsidiaries of the Company.

Change in scope of consolidation

For the year ended December 31, 2011, the Company newly included the following subsidiaries in its consolidation: Service-In Co., Ltd., Atlas Investment and Technology Innovation Partners, L.P. as these entities became the wholly-owned subsidiaries of the Company; SK China Real Estate Co., Ltd. and SK Telecom China Fund I L.P. as the Company obtained ownership of more than 50% of total outstanding common stock of the respective entities ; BNCP Co., Ltd. as the Company acquired a controlling equity interest in the entity; and SK Planet Co., Ltd., a newly established entity which was previously a business unit of SK Telecom.

For the year ended December 31, 2011, the Company excluded SK I Media from its consolidation as the Company disposed of all its common stock. Refer to FN 32 *Discontinued operations.*

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating decisions of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the current period are included in the consolidated statement of income and comprehensive income from the effective date of acquisition and until the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if it results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full during the consolidation.

Changes in the Company s ownership interests in subsidiaries that do not result in the Company losing control over its subsidiaries are accounted for as equity transactions. The carrying amounts of the Company s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Company loses control of a subsidiary, the income on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to net income or transferred directly to retained earnings).

b. Business Combination

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity interests issued by the Company in exchange for control of the acquiree. Acquisition-related costs are recognized in net income as incurred.

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer s previously held equity interest in the acquiree (if any); over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net faire value of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer s previously held interest in the acquiree (if any); the excess is recognized immediately in net income as a bargain purchase gain.

When a business combination is achieved in stages, the Company s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Company obtains control) and the resulting gain or loss, if any, is recognized in net income. Any changes in value of equity interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to net income as if that interest were disposed of.

When the consideration transferred by the Company in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in income or loss.

c. Foreign Currency Exchange

The individual financial statements of each entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Company entity are expressed in Korean Won , which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity s functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in net income in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange differences on transactions entered into to hedge certain foreign currency risks (refer to Note 2.q for hedging accounting policies); and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognized initially in other comprehensive income and reclassified from equity to net income on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company s foreign operations are expressed in Korean won using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity. On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Company are reclassified to net income.

d. Cash Equivalents

Cash and cash equivalents include cash, bank balances and short-term highly liquid investments with an original maturity of three months or less.

e. Financial Assets

All financial assets are recognized and derecognized on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets and loans and receivables . The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

1) Classification of financial assets

1-1) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling it in the near term or it is a derivative or embedded derivative separated from contracts that is not designated and effective as a hedging instrument. Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in net income. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in net income.

1-2) HTM investments

Non-derivatives financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as HTM investments. HTM investments are measured at amortized cost using the effective interest method less any impairment, with revenue amortized on an effective yield basis.

1-3) AFS financial assets

Non-derivatives financial assets that are not classified as at HTM; held-for-trading; designated as at fair value through profit or loss; or loans and receivables are classified as at AFS financial assets. AFS financial assets are initially recognized and measured at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in net income. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to net income. Dividends on AFS financial assets are recognized in net income when the Company s right to receive the dividends is established.

1-4) Loans and receivables

Non-derivatives financial assets like trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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2) Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been affected.

For listed and unlisted equity financial assets classified as AFS financial asset, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

When an AFS financial asset is considered to be impaired, cumulative unrealized gains or losses previously recognized in other comprehensive income are reclassified to net income in the period. In respect of AFS equity securities, impairment losses previously recognized in net income are not reversed through net income. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income. In case of debt securities, in subsequent periods, if the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in net income, the impairment loss shall be reversed, with the amount of the reversal recognized in net income.

For financial assets carried at amortized cost, the amount of the impairment loss is measured at the difference between the asset s carrying amount and the present value of estimated future cash flows discounted at the financial asset s original effective interest rate. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through net income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

For financial assets carried at cost, the amount of the impairment loss is measured at the difference between the asset s carrying amount and the present value of estimated future cash flows discounted at the current rate of return for a similar financial asset. Once an impairment loss has been recognized on a financial asset recognized at cost, it is not permitted to recognize a reversal.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company s past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net income.

3) Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset are expired, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

f. Financial Liabilities and equity Instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

1) Classification of financial liabilities and equity instruments

1-1) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

When the Company reacquires its own equity instruments (treasury shares), equity is directly deducted. No gain or loss is recognized in net income related to the acquisition, sale, issue or cancellation of treasury shares.

1-2) Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as FVTPL. A financial liability is classified as held for trading if it has been acquired principally for the purpose of repurchasing it in the near term or it is a derivative, including embedded derivative separated from contracts, which is not designated and effective as a hedging instrument.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in net income. The net gain or loss recognized in net income incorporates any interest paid on the financial liability.

1-3) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2) Derecognition of financial liabilities

The Company derecognizes financial liabilities when the Company s obligations are discharged, cancelled or the liabilities are expired. An exchange between an existing borrower and lender of financial liabilities with substantially different terms, or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liabilities derecognized and the consideration paid is recognized in net income.

g. Inventories

Inventories are stated at the acquisition cost using the average method. During the period, a perpetual inventory systems is used to value inventories, which is adjusted to the physical inventory counts performed at the period end. When the net realizable value of inventories is less than the acquisition cost, the carrying amount is reduced to the net realizable value and any difference is charged to current operations as operating expenses.

h. Investments in Associates and Joint Ventures

Associates are those entities over which the Company has significant influence but doesn t control or has joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations . Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company s share of the net income and other comprehensive income of the associate. When the Company s share of losses of an associate exceeds the Company s interest in that associate (which includes any long-term interests that, in substance, form part of the Company s net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and assessed for impairment. Any excess of the Company s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in net income.

When the Company or its subsidiary transacts with its associate, unrealized gains from the transactions are eliminated to the extent of the Company s interests in the associate. Unrealized losses are also eliminated, as long as the unrealized loss is not an impairment indicator of an asset which is being transferred.

When necessary, the Company may revise an associate s financial statements, to apply consistent accounting policies as the Company, prior to applying the equity method of accounting for its investment in the associate.

The requirements of IFRS 39 Financial Instruments: Recognition and Measurement are applied to determine whether it is necessary to recognize any impairment loss with respect to the Company s investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IFRS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IFRS 36 to the extent that the recoverable amount of the investment subsequently increases.

i. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of property and equipment is directly attributable to their purchase or construction, which includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Subsequent costs are recognized in carrying amount of an asset or as an asset if it is probable that future economic benefits associated with the assets will flow into the Company and the cost of an asset can be measured reliably. Routine maintenance and repairs are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Assets	Useful lives (years)
Buildings and structures	15 ~ 50
Machinery	3 ~ 15
Office equipment, tools and misc.	4 ~ 10

The Company reviews its depreciation method, the estimated useful lives and residual values of property and equipment at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in net income when the item is derecognized.

For Company s policy on impairment on Property & Equipment and Intangible Assets other than Goodwill refer to Note 2.m below.

j. Investment Property

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and accumulated impairment losses.

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 15 ~ 50 years using the straight-line method.

The Company reviews the depreciation method, the estimated useful lives and residual values of investment property at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in net income in the period in which the property is derecognized.

k. Goodwill

Goodwill is measured as the excess of the sum of: a) the consideration transferred, b) the amount of any non-controlling interests in the acquiree, and c) the fair value of the acquirer s previously held equity interest in the acquiree (if any); over the net fair value of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. Goodwill is not depreciated, but tested for impairment at the end of each annual reporting period. Goodwill is carried at cost less accumulated impairment losses and the impairment losses are not reversed.

Goodwill is not subject to amortization but is tested for impairment annually or whenever there is an indication that the asset may be impaired. For the purpose of impairment testing, assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash-generating units. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Impairment losses recognized for goodwill are not reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

l. Intangible Assets

Intangible assets with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses.

Amortization is recognized on a straight-line basis over the estimated useful lives of the related intangible assets as follows:

Assets	Useful lives (years)
Frequency use rights	6 ~ 13
Land use right	5
Industrial right	5 ~ 10
Software development costs	5
Customer relationships	4 ~ 9
Other	5 ~ 20

The Company reviews the amortization method, the estimated useful lives and residual values of intangible assets at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not amortized, but tested for impairment at the end of each annual reporting period. In the case of amortizable intangible assets, the Company reviews impairment at such time when events occur that indicate the carrying amount may not be recoverable.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. The gains or losses arising from derecognition of an intangible asset, measured at the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in net income when the asset is derecognized.

For Company s policy on impairment on Property & Equipment and Intangible Assets other than Goodwill refer to Note 2.m below.

m. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its plant and property and its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in income or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

n. Government Grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions attached to the grants and it is probable that the Company will receive such grants.

Government grants for acquiring or constructing non-current assets are recognized as a deduction of the related assets book value in the consolidated statement of financial position, and is recognized into income or expense as a deduction to depreciation expense over the useful life of the related assets. Other government grants are recognized in income or expense when Company recognizes the related expenses for which the grants are intended to reimburse.

Government grants for specific expenditure reimbursement, losses already incurred by the Company, and immediate financial support with no future expenditure requirements are recognized in other operating revenue in the period in which they become receivable by the Company.

o. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in net income in the period in which they are incurred.

p. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in net income, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company s general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred

q. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in income or expense immediately, unless the derivative is designated and is effective as a hedging instrument. The Company enters into cash flow and fair value hedges.

The Company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges or cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in income or loss.

Cash flow Hedge Accounting

For derivative instruments designated as cashflow hedges, the effective portions of the gains or losses on the hedging instruments are recorded as part of other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in income or loss. Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to income or loss in the periods when the hedged item is recognized in income or loss, in the same line of the consolidated statement of income as the recognized hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognized in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Fair value Hedge Accounting

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in income or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of income relating to the hedged item.

r. Retirement Benefit Obligation

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of plan assets.

For defined retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each reporting period. The present value of the defined benefit obligation is denominated in the same currency in which the benefits are expected to be paid, and calculated at the discount rate which is the yield at the reporting date on high quality corporate bonds that have maturity dates approximating the terms of the Company s obligation. The Company recognizes actuarial gains and losses arising from defined benefit plans as other comprehensive income in retained earnings, actuarial gains and losses are not reclassified to income or loss thereafter.

s. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When the effect of the time value of money is material, the provision is measured using the cash flows estimated to settle the present obligation. The discount rate used is the pre-tax interest rate reflecting the inherent risk of liabilities and the market s valuation on the present value of money. Changes in provisions caused by elapse of time are the financial cost as incurred and recognized in income or expense.

At the end of each reporting period, the remaining provision balance is reviewed and assessed to determine if the current best estimate is being recognized. If the existence of an obligation to transfer economic benefit is no longer probable, the related provision is reversed during the period.

t. Revenue Recognition

Revenue is recognized to the extent the Company has delivered goods or rendered services under an agreement, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company. Revenue is measured at the fair value of the consideration received, exclusive of taxes and discounts.

The Company principally obtains revenue from providing the wireless telecommunication services (which include activation charge, basic charges, voice charge, data charge, interconnection charges) and data-roaming services. The Company also provides fixed line services (which include fixed line telephone services and broadband internet services), sale of handsets, commerce services and portal services.

Wireless services including interconnection services

Revenue for basic charges, voice charge, data charge, interconnection charges and data-roaming services by contract customers is recognized as services are performed. Unbilled revenue resulting from services already provided is accrued for at the end of each period, while unearned revenue related to services to be provided for in future periods are deferred and recognized when are rendered. Revenues related to activation of service is deferred and recognized over the average customer retention period, while the related activation costs are expensed as incurred.

Fixed line services

Revenues from fixed line telephone services (which include domestic short, long distance charges, international phone connection charge) and broadband internet services are recognized as services are performed.

Sale of Handsets

Revenue for handset sales are recognized when the handsets are delivered to the end customer and the sale is considered complete. Any discounts related to the handsets are deducted from sales.

Bundled Arrangements

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

Commerce Services and Portal Services

Commerce services represent revenue obtained from the Company s on-line shopping mall. Portal services include on-line advertising and social network service provided by SK Communication, a subsidiary of the Company. Revenue for commerce services and portal services are recognized to the extent the Company has delivered goods or rendered services under an agreement. Meanwhile, when the Company acts as an agent of a supplier, the Company records its revenue on a net basis (total sales less related expenses paid to the suppliers).

Rainbow Points

For its marketing purposes, the Company grants Rainbow Points to its subscribers based on their usage of services. Points are provided based on the historical usage experience and the Company s marketing policy. These points are recorded as a deduction of revenue and deferred until the customer uses the points or the points expire. Points expire on their fifth anniversary. For the Company s Point Box Points, refer to FN 15.

u. Income Tax and Deferred Tax

Income tax consists of current tax and deferred tax.

1) Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the consolidated statement of income and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable income will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable income nor the accounting income.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable income against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

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

The Company offsets deferred tax assets and liabilities if, and only if the Company has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously.

3) Current and deferred tax for the year

Current and deferred tax are recognized in income, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

v. Handset Subsidies to Dealers for Long-term Mobile Subscribers

The Company provides lump-sum handset subsidies to dealers that subscribe customers who agree to use the Company s service for a predetermined service period. The subsidies are charged to commission paid expense as the customer subscribes to the service.

When customers agree to use the Company s service for a predetermined service period and purchase handsets on an installment basis, the subsidies to dealers are paid over the installment period on a monthly basis. The Company estimates a provision for handset subsidies to be paid, which is recognized as commissions paid in operating expense, when the service contracts are entered into.

w. Assets Held for Sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Company is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

x. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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The following are critical assumptions and key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1) Fair value measurement of financial instruments

Subsequent to initial recognition, available-for-sale financial assets and derivative financial assets are stated at fair value with any gains or losses arising on remeasurement recognized in net income or other comprehensive income. When measuring fair value, if there is quoted price in active market, the Company uses it. But, if quoted price does not exist, the Company uses valuation techniques that require management s judgments on the expected future cash flows and discount rates. Refer to FN 4.

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

The Company estimates allowance for uncollectible receivables for the period involving judgment and estimations based on the aging of accounts receivables at the end of the period, past customer default experience and their credit status, and economic and industrial factors. Refer to FN 5.

3) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Company to estimate the future cash flows expected related to the respective cash-generating unit and the determination of an appropriate discount rate in order to calculate present value. Refer to FN 11.

4) Measurement of property and equipment, intangible assets

If the Company acquires property and equipment or intangible assets from a business combination, it is required to estimate the fair value of the assets at the acquisition date and to estimate the useful lives of such assets for depreciation and amortization.

5) Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity. The Company makes judgments and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognized as goodwill and if negative, it is recognized in the income statement.

6) Estimation of useful life

The charge in respect of periodic depreciation is derived after determining an estimate of an asset s expected useful life and the expected residual value at the end of its life. Increasing an asset s expected life or its residual value would result in a reduced depreciation charge in the consolidated income statement. The useful lives and residual values of the Company s assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology. Furthermore, network infrastructure is only depreciated over a period that extends beyond the expiry of the associated license under which the operator provides telecommunications services if there is a reasonable expectation of renewal or an alternative future use for the asset. Historically changes in useful lives and residual values have not resulted in material changes to the Company s depreciation charge.

7) Provisions

Determining whether the Company will be required to settle the obligation incurred as a result of past events, and estimating the reliable value of obligation requires management s judgment. Refer to FN 15.

8) Retirement benefit plans

The Company has defined retirement benefit plans. The cost of providing benefits under the plan are determined using an actuarial valuation method that requires management assumptions on discount rates, expected rate of salary increase and expected rate of return on plan assets. These assumptions involve critical uncertainties due to the long-term nature of the retirement benefit plans. Refer to FN 17.

9) Deferred tax

Recognition and measurement of deferred tax assets and liabilities requires significant management judgment. Especially, when determining if deferred tax assets will be realizable or not in the future, involves significant management assumptions and judgment on the Company s future performance. Refer to FN 24.

3. Transition to International Financial Reporting Standards (IFRS)

The Company s financial statements are prepared in accordance with the requirements of IFRS on or after January 1, 2010, the date of transition, for IFRSs effective as of December 31, 2011. The consolidated statements of financial position as of December 31, 2010 and the consolidated statements of comprehensive income for the year ended December 31, 2010, which are comparatively presented, were previously prepared in accordance with previous GAAP(Korean GAAP) but were restated in accordance with IFRS 1, *First-time adoption of International Financial Reporting Standard*.

For the opening IFRS statement of financial position, the Company has applied the following exemptions from the requirements of IFRS and exceptions to the retrospective application of some aspects of IFRS as permitted by IFRS 1*, First-time adoption of International Financial Reporting Standard.*

a. Exemptions from IFRS

Business combinations

The Company has elected not to apply IFRS 3, *Business Combinations*, retrospectively to past business combinations that occurred before January 1 2010, the date of transition to IFRS. The Company has recorded the value of goodwill at transition date of IFRS at its carrying value under K GAAP after any impairment on goodwill. No intangible assets were identified that might have been embedded in the goodwill.

Fair value or revaluation as deemed cost

The Company has elected to measure its certain property, plant and equipments at their fair value at the date of transition to IFRS and use that fair value as their deemed cost at that date.

Effect of revaluation in certain property, plant and equipment as of January 1, 2010 are as follows

(in millions of Korean won)

Korean GAAP	Revaluation increase	IFRS
(Won) 8,165,879	(Won) 69,538	(Won) 8,235,417

Leases

The Company has elected to apply the transitional provisions in International Financial Reporting Interpretations Committee (IFRIC) 4, Determining Whether an Arrangement Contains a Lease (IFRIC 4); thereby determining whether the Company has any arrangements that exist at the date of transition to IFRS that contain a lease on the basis of facts and circumstances existing at January 1, 2010. No such arrangements were identified.

Borrowing costs

The Company has elected to apply the transitional provisions of IAS 23, Borrowing Costs (IAS 23), prospectively from the date of transition.

Cumulative translation differences

The Company has reset the cumulative currency translation adjustments for all foreign operations to zero as of the date of transition to IFRS.

b. Significant differences between IFRS and K-GAAP in accounting policies

Korean GAAP	**IFRS**
(1) Scope of Consolidation	
The definition of control is similar to those in IFRS. However, some of the scope of consolidation is restricted by the Act on External Audit of Stock Companies as below.	Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. All entities controlled by the Company are consolidated regardless of quantitative significance. As a result, at transition date to IFRS, the Company s change in scope of consolidation as compared with those of K-GAAP.
An entity that another entity owns more than 30% of shares as the largest shareholder is included in consolidation.	
	Added : Broadband D&M Co., Ltd
A subsidiary with less than 10 billion Won in its total assets as of the previous fiscal year end is excluded from consolidation.	Broadband CS Co., Ltd
An unincorporated entity such as a partnership is excluded from consolidation.	Excluded : F&U Credit Information Co., Ltd
	IHQ, Inc
	BMC Movie Expert Fund
	BMC Digital Culture and Contents Fund
(2) Employ benefits and retirement benefit obligation	
Allowances for retirement benefits accrued equal to the amounts to be paid at the end of reporting period, assuming that all entitled employees with a service year more than a year would retire at once. Retirement benefit expenses incur at the point when the payment obligation is fixed. The Company recognized allowances for long-term employee benefit at the point when the payment obligation is fixed.	The Company has defined benefit plans and the amounts of defined benefit obligation are measured based on actuarial assumptions. The Company recognizes the expected cost of long-term employee benefit when the employees render service that increases their entitlement to future long-term employee benefit.
(3) Property and Equipment	
Under Korean GAAP, the Company uses the cost model in the measurement after initial recognition.	The Company revalued its property and equipment as at January 1, 2010 and used their fair values as deemed cost in the opening IFRS statement of financial position.

The depreciation method is required to be applied consistently at each period and cannot be changed unless there are justified reasons. For a newly acquired asset, the same depreciation methods applied to the existing, similar assets are applied consistently.

For the measurement after initial recognition, IAS 16, Property, Plant and Equipment allows for an entity to choose either the cost model or the revaluation model by the class of property and equipment and the Company has chosen the cost model.

The residual value, the useful life and the depreciation method of property and equipment are required to be reviewed at least at each financial year-end and, if expectations differ from previous estimates, the changes should be accounted for as a change in an accounting estimate in accordance with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors.

The Company changed its depreciation method of equipment from a declining balance method to a straight-line method in connection with the adoption of IFRS.

Korean GAAP	IFRS
(4) Goodwill	
Under Korean GAAP, the Company amortized Goodwill acquired as a result of business combination on a straight line method basis over 5~20 years.	Under IFRS, goodwill is not amortized. Impairment test was performed at the reporting date.
(5) Transfer of financial assets	
Under Korean GAAP, when the Company transferred a financial asset to a financial institution and it was determined that the control over such asset had been transferred; the Company derecognized the financial asset.	Under IFRS, if the Company substantially retains all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.
(6) Deferral of non-refundable activation fees	
Under Korean GAAP, the Company recognized non-refundable activation revenue when the activation service was performed.	Under IFRS, the Company defers such revenue and recognizes it over the expected term of the customer relationship.
(7) Income tax	
Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities assuming that all differences from one entity are recovered or settled together. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse.	Under IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.
Under Korean GAAP, differences between the carrying value and the tax base of the investments in subsidiaries, associates and interest in joint ventures were considered as temporary differences and recognized as deferred tax assets and liabilities.	Under IFRS, the temporary differences associated with investments in subsidiaries, and associates and interest in joint ventures is recognized as deferred assets and liabilities reflecting the manner in which Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.
(8) Other reclassifications	
1) Membership	
Under Korean GAAP, facility-use memberships were classified as other non-current assets	Under IFRS, facility-use memberships are recognized as intangible assets with an indefinite useful life.
2) Investment property	
Under Korean GAAP, properties acquired for earning rental income and/or for capital appreciation were classified as property and equipment.	Under IFRS, the properties owned to earn rentals or for capital appreciation or both is classified and accounted for as investment property in accordance with IAS 40, *Investment Property.*
(9) Effects on equity method investments	The aggregate effects of IFRS transition related to the Company s equity method investments in associates.

In connection with the opening IFRS statements of financial position, the effects on the Company s financial position, management performance and cash flows due to the adoption of IFRS are as follows:

c. Reconciliations to IFRS from Korean GAAP

(1) Reconciliations of equity at January 1, 2010 (date of transition to IFRS) (In million of Korean won)

	Note	Total assets	Total liabilities	Net equity
Based on Korean GAAP		(Won) 23,206,256	(Won) 10,861,631	(Won) 12,344,625
Adjustments:				
Changes in scope of consolidation	b-(1)	(62,440)	3,735	(66,175)
Property and equipment	b-(3)	69,538		69,538
Employee benefits and retirement benefit obligation	b-(2)	15	25,048	(25,033)
Transfer of financial assets	b-(5)	416,242	400,753	15,489
Non-refundable activation fees	b-(6)		593,981	(593,981)
Other adjustments	b-(8)	(107,730)	(73,521)	(34,209)
Deferred tax and tax effect of adjustments	b-(7)	(185,157)	(322,948)	137,791
Total adjustment		130,468	627,048	(496,580)
Based on IFRS		(Won) 23,336,724	(Won) 11,488,679	(Won) 11,848,045

(2) Reconciliations of equity at December 31, 2010 and total comprehensive income for the year ended December 31, 2010(in million of Korean won):

	Note	Total assets	Total liabilities	Net equity	Total comprehensive income
Based on Korean GAAP		(Won) 22,651,704	(Won) 10,173,055	(Won) 12,478,649	(Won) 1,021,501
Adjustments:					
Changes in scope of consolidation	b-(1)	(103,743)	(13,053)	(90,690)	1,247
Property and equipment	b-(3)	477,044		477,044	407,811
Goodwill	b-(4)	151,900		151,900	142,176
Employee benefits and retirement benefit obligation	b-(2)	17	38,799	(38,782)	(5,514)
Transfer of financial assets	b-(5)				(15,489)
Effects on equity method investments	b-(9)	18,430		18,430	7,717
Nonrefundable activation fees	b-(6)		533,783	(533,783)	60,199
Other adjustments	b-(8)	44,507	94,943	(50,436)	598
Deferred tax and tax effect of adjustments	b-(7)	(107,470)	(103,137)	(4,333)	(140,695)
Total adjustment		480,685	551,335	(70,650)	458,050
Based on IFRS		(Won) 23,132,389	(Won) 10,724,390	(Won) 12,407,999	(Won) 1,479,551

(3) Details of cash flow adjustments

Under IFRS, dividends received, interest received, interest paid, and income tax paid which were not presented separately in the consolidated statement of cash flows under Korean GAAP, are now separately presented and the related income (expense) and assets (liabilities) have been adjusted for accordingly. Also, under IFRS, foreign currency translation amounts are presented gross as part of the related transactions and deducted against the effects of foreign exchange rate changes on the balance of cash held in foreign currencies. No other significant differences between the consolidated statements of cash flows prepared under Korean GAAP compared to IFRS have been noted.

(4) Details on reclassification from operating to non-operating income due to the transition to IFRS from Korean GAAP, refer to FN 22 Other Operating Income and Expense.

4. FINANCIAL INSTRUMENTS

a. Details of financial assets as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011				
	Financial assets designated as FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	(Won)	(Won)	(Won) 1,650,794	(Won)	(Won) 1,650,794
Financial Instruments			987,192		987,192
Short-term investment securities		94,829			94,829
Long-term investment securities (Note a)	16,617	1,521,328			1,537,945
Trade receivables, net (Note c)			1,835,641		1,835,641
Loan and other receivables, net (Note b)			1,377,750		1,377,750
Derivatives assets	1,018			252,935	253,953
Total	(Won) 17,635	(Won) 1,616,157	(Won) 5,851,377	(Won) 252,935	(Won) 7,738,104

	December 31, 2010				
	Financial assets designated as FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	(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 (Note a)		1,680,582			1,680,582
Trade receivables, net (Note c)			1,971,815		1,971,815
Loan and other receivables, net (Note b)			3,518,690		3,518,690
Derivatives assets	1,961			201,421	203,382
Total	(Won) 1,961	(Won) 2,081,113	(Won) 6,717,179	(Won) 201,421	(Won) 9,001,674

	January 1, 2010				
	Financial assets designated as FVTPL	Available-for-sale financial assets	Loans and receivables	Derivatives designated as hedging instruments	Total
Cash and cash equivalents	(Won)	(Won)	(Won) 905,561	(Won)	(Won) 905,561
Financial Instruments			478,535		478,535
Short-term investment securities		376,722			376,722
Long-term investment securities (Note a)		2,443,978			2,443,978
Trade receivables, net (Note c)			1,865,874		1,865,874
Loan and other receivables, net (Note b)			3,594,065		3,594,065
Derivatives assets	148,569			166,089	314,658
Total	(Won) 148,569	(Won) 2,820,700	(Won) 6,844,035	(Won) 166,089	(Won) 9,979,393

(Note a) Long-term investment securities designated as FVTPL consist of financial instruments with an embedded derivative (convertible options) which cannot be bifurcated from the host contract; as such the entire financial instrument is measured at fair value whose changes are recognized in current period income.

(Note b) Details of loan and other receivables as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Short-term loans, net	(Won) 100,429	(Won) 94,924	(Won) 75,941
Accounts receivable other, net	908,836	2,531,847	2,421,874
Advanced payments and other (*)	22,309	30,157	20,431
Long-term loans, net	95,565	84,323	81,109
Long-term accounts receivable other, net	5,393	527,106	761,735
Guarantee deposits	245,218	250,333	232,975
	(Won) 1,377,750	(Won) 3,518,690	(Won) 3,594,065

(*) Advanced payments and other noted above is included in the Company s statement of financial position, current assets, Advance payments and other line balance. However, the financial statement line item includes additional other balances not shown in above schedule.

(Note c) Details of Trade receivables, net as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts receivable trade, net	(Won) 1,823,170	(Won) 1,949,397	(Won) 1,832,697
Long-term trade receivables, net (*) (FN 5.b)	12,471	22,418	33,177
	(Won) 1,835,641	(Won) 1,971,815	(Won) 1,865,874

(*) Long-term trade receivables, net are included in the Company s statement of financial position, non-current assets and other.

b. Details of financial liabilities as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011			
	Financial liabilities designated as FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Accounts payable-trade	(Won)	(Won) 195,391	(Won)	(Won) 195,391
Derivatives liabilities			4,645	4,645
Borrowings (FN 13.a, 13.b)		1,035,074		1,035,074
Bonds payable (Note a) (FN 13.c)	397,886	4,363,002		4,760,888
Other payables (Note b)		3,312,642		3,312,642
Total	(Won) 397,886	(Won) 8,906,109	(Won) 4,645	(Won) 9,308,640

	December 31, 2010			
	Financial liabilities designated as FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Accounts payable-trade	(Won)	(Won) 195,777	(Won)	(Won) 195,777
Derivatives liabilities	5,043		25,111	30,154
Borrowings (FN 13.a, 13.b)		1,272,056		1,272,056
Bonds payable (Note a) (FN 13.c)	461,655	4,071,328		4,532,983
Other payables (Note b)		2,485,789		2,485,789
Total	(Won) 466,698	(Won) 8,024,950	(Won) 25,111	(Won) 8,516,759

	January 1, 2010			
	Financial liabilities designated as FVTPL	Financial liabilities at amortized cost	Derivatives designated as hedging instruments	Total
Accounts payable-trade	(Won)	(Won) 164,314	(Won)	(Won) 164,314
Derivatives liabilities	3,372		67,441	70,813
Borrowings (FN 13.a, 13.b)		1,548,251		1,548,251
Bonds payable (Note a) (FN 13.c)	442,422	4,904,309		5,346,731
Other payables (Note b)		2,246,413		2,246,413
Total	(Won) 445,794	(Won) 8,863,287	(Won) 67,441	(Won) 9,376,522

(Note a) Bonds payables designated as FVTPL consist of financial instruments with an embedded derivative (convertible options) which cannot be bifurcated from the host contract, as such the entire financial instrument is measured at fair value with changes recognized in current period income or expenses.

(Note b) Details of other payables as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts payables-other	(Won) 1,507,458	(Won) 1,433,812	(Won) 1,306,486
Withholdings	10,835	5,137	5,069
Accrued expenses	744,673	677,480	419,816
Current portion of LT payables and other (Note c)	120,452	214,416	219,810
Long-term payables other	847,496	54,783	170,953
Finance lease liabilities	41,940	60,075	77,709
Other non-current liabilities	39,788	40,086	46,570
	(Won) 3,312,642	(Won) 2,485,789	(Won) 2,246,413

(Note c) Details of current portion of long-term debt, net as of December 31, 2011, December, 2010 and January 1, 2010 are as follows (in millions of Korean won);

	December 31, 2011	December 31, 2010	January 1, 2010
Current portion of LT payables (FN 14)	(Won) 89,144	(Won) 168,948	(Won) 149,217
Current portion of finance lease liabilities (FN 16)	31,308	45,468	70,593
Current portion of LT payables and other	120,452	214,416	219,810
Current portion of LT borrowings (FN 13.b)	(Won) 10,510	(Won) 512,378	(Won) 149,142
Current portion of bonds-payables, net (FN 13.c)	1,531,879	874,437	893,431
	(Won) 1,662,841	(Won) 1,601,231	(Won) 1,262,383

c. Financial Instruments Hierarchy

The following table provides an analysis of the Company s financial instruments that are measured subsequent to initial recognition at fair value, classified as Level 1, 2, or 3, based on observable or unobservable fair value of the instrument.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;

Level 3: Inputs that are not based on observable market data.

Fair values of financial instruments by hierarchy level as of December 31, 2011 and 2010 are as follows (in millions of Korean won):

	December 31, 2011			
Type	Level 1	Level 2	Level 3	Total
Financial assets designated as FVTPL	(Won)	(Won) 16,617	(Won) 1,018	(Won) 17,635
Available- for-sale financial assets (*)	1,192,386	532	197,019	1,389,937

Derivatives assets designated as hedging instruments		252,935		252,935
Financial liabilities designated as FVTPL	397,886			397,886
Derivatives liabilities designated as hedging instruments		4,645		4,645

(*) Certain AFS securities which the Company was not able to reasonably estimate its fair value are recognized at acquisition cost, as such, excluded from above fair value disclosure.

Type	December 31, 2010 Level 1	Level 2	Level 3	Total
Financial assets designated as FVTPL	(Won)		(Won) 1,961	(Won) 1,961
Available- for-sale financial assets	1,613,857	3,097	288,951	1,905,905
Derivatives assets designated as hedging instruments		201,421		201,421
Financial liabilities designated as FVTPL	461,655	5,043-		466,698
Derivatives liabilities designated as hedging instruments		25,111		25,111

For the year ended December 31, 2011 and 2010, there is no transfer between Level 1 and Level 2.

Details of changes in financial assets classified as Level 3 for the year ended December 31, 2011 and 2010 are as follows (In millions of Korean won):

Type	Beginning Balance	Acquisition	For the year ended December 31, 2011 Income /(loss)	Comprehensive Income	Transfer	Disposal	Ending Balance
Financial assets designated as FVTPL	(Won) 1,961	(Won)	((Won) 943)	(Won)	(Won)	(Won)	(Won) 1,018
Available- for-sale financial assets	288,951	1,976		(93,593)		(315)	197,019

Type	Beginning Balance	Acquisition	For the year ended December 31, 2010 Income /(loss)	Comprehensive Income	Transfer	Disposal	Ending Balance
Financial assets designated as FVTPL	(Won) 1,235	(Won)	(Won) 726	(Won)	(Won)	(Won)	(Won) 1,961
Available- for-sale financial assets	225,664			82,280	(18,993)	)	288,951

5. TRADE AND OTHER RECEIVABLES

a. Details of short-term trade and other receivables as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Accounts receivable trade	(Won) 2,063,611	(Won) 2,198,050	(Won) 2,066,492
Less allowance for doubtful accounts	(240,441)	(248,653)	(233,525)
Accounts receivable trade, net	1,823,170	1,949,397	1,832,967
Short-term loans	102,693	96,353	80,819
Less allowance for doubtful accounts	(2,264)	(1,429)	(4,878)
Short-term loans, net	100,429	94,924	75,941
Accounts receivable - other	953,821	2,577,961	2,471,992
Less allowance for doubtful accounts	(44,985)	(46,114)	(50,118)
Accounts receivable other, net	908,836	2,531,847	2,421,874
Accrued income	21,989	29,579	13,478
Less allowance for accrued income	(142)		(266)
Accrued income, net	21,847	29,579	13,212
Other	462	579	7,219
	(Won) 2,854,744	(Won) 4,606,326	(Won) 4,351,213

b. Details of long-term trade and other receivables as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Long-term accounts receivable trade	(Won) 12,471	(Won) 22,418	(Won) 32,907
Long-term loans	126,553	115,509	113,002
Less allowance for doubtful accounts	(30,988)	(31,186)	(31,893)
Long-term loans, net	95,565	84,323	81,109

Long-term accounts receivable - other	5,393	527,106	761,735
Guarantee deposits	245,218	250,333	232,975
	(Won) 358,647	(Won) 884,180	(Won) 1,108,726

c. Details of changes in allowance for doubtful accounts for the years ended December 31, 2011 and December 31, 2010 are as follows (In millions of Korean won):

	For the years ended	
	December 31, 2011	December 31, 2010
Beginning balance	(Won) 327,382	(Won) 320,680
Increase of bad debt	96,595	90,073
Reversal of allowance for doubtful accounts	(2,301)	(805)
Write-off	(121,805)	(97,979)
Collection of receivables written off	18,839	15,782
Change in scope of consolidation and foreign exchange differences	110	(369)
Ending balance	(Won) 318,820	(Won) 327,382

d. Details of accounts receivable-trade and other receivables, overdue but not impaired, and impaired-accounts receivable as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010		January 1, 2010	
	Accounts receivable-trade	Other receivables (Note)	Accounts receivable-trade	Other receivables (Note)	Accounts receivable-trade	Other receivables (Note)
Accounts receivable	(Won) 1,417,574	(Won) 1,287,606	(Won) 1,573,968	(Won) 3,413,129	(Won) 1,474,817	(Won) 3,521,278
Overdue but not impaired accounts receivable	34,030	32,144	69,105	25,035	41,475	18,269
Impaired-accounts receivable	624,478	136,379	577,395	159,256	583,107	141,673
Sub-total	2,076,082	1,456,129	2,220,468	3,597,420	2,099,399	3,681,220
Doubtful accounts	(240,441)	(78,379)	(248,653)	(78,729)	(233,525)	(87,155)
Ending balance	(Won) 1,835,641	(Won) 1,377,750	(Won) 1,971,815	(Won) 3,518,691	(Won) 1,865,874	(Won) 3,594,065

(Note) Consists of short-term loans, net, accounts-receivable-other, net, accrued income, net, long-term loans, net, long-term accounts receivable-other, net, guarantee deposits, and other.

The Company estimates allowance for doubtful accounts for the period based on the aging of accounts receivables at the end of the period, past customer default experience and their credit status, and economic and industrial factors.

Details of aging analysis of accounts receivable which are overdue but not impaired as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	December 31, 2011		December 31, 2010		January 1, 2010	
	Accounts receivable-trade	Other receivable (Note)	Accounts receivable-trade	Other receivable (Note)	Accounts receivable-trade	Other receivable (Note)
Less than 1 month	(Won) 9,125	(Won) 15,384	(Won) 9,070	(Won) 4,823	(Won) 5,445	(Won) 3,355
1 ~ 3 months	8,063	3,147	6,149	3,046	1,127	1,205
3 ~ 6 months	4,124	713	3,579	1,677	25,561	1,220
More than 6 months	12,718	12,900	50,307	15,489	9,342	12,489
	(Won) 34,030	(Won) 32,144	(Won) 69,105	(Won) 25,035	(Won) 41,475	(Won) 18,269

(Note) Consist of short-term loans, net, accounts-receivable-other, net, accrued income, net, long-term loans, net, long-term accounts receivable-other, net, guarantee deposits, and other.

6. INVENTORIES

Inventories as of December 31, 2011, December 31, 2010 and January 1, 2010 consist of the following (in millions of Korean won):

	December 31, 2011	December 31, 2010	January 1, 2010
Raw materials and supplies	(Won) 4,630	(Won) 3,319	(Won) 3,347
Work in process and semi-finished goods	286	475	
Finished goods and merchandise	219,823	147,445	117,273
Total	224,739	151,239	120,620
Write-down of Inventory	(5,149)	(2,016)	(1,303)
Net	(Won) 219,590	(Won) 149,223	(Won) 119,317

Cost of inventory recognized as an expenses for the years ended December 31, 2011 and 2010 were (Won) 959,276 million and (Won) 640,933 million, respectively.

7. INVESTMENT SECURITIES

a. Short-term Investment Securities

Short-term investment securities as of December 31, 2011, December 31, 2010 and January 1, 2010 are as follows (in millions of Korean won):

	Acquisition cost at December 31, 2011	Fair value at December 31, 2011	Carrying amount		
			December 31, 2011	December 31, 2010	January 1, 2010
Beneficiary certificate (Note)	(Won) 94,251	(Won) 91,539	(Won) 91,539	(Won) 204,716	(Won) 370,125
Current portion of long-term investment securities	3,004	3,290	3,290	195,815	6,597