

SK TELECOM CO LTD
Form 20-F
April 30, 2012
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As filed with the Securities and Exchange Commission on April 30, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2011

OR

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

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Date of event requiring this shell company report

For the transition period from to

Commission file number 1-14418

SK Telecom Co., Ltd.

(Exact name of Registrant as specified in its charter)

SK Telecom Co., Ltd.

(Translation of Registrant's name into English)

The Republic of Korea

(Jurisdiction of incorporation or organization)

SK T-Tower

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

(Address of principal executive offices)

Mr. Won Tuh Chung

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

Telephone No.: 82-2-6100-2114

Facsimile No.: 82-2-6100-7830

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

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

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

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

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

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

None

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

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

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

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

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

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

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

Large accelerated filer **Accelerated filer** **Non-accelerated filer**

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

U.S. GAAP **IFRS** **Other**

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

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

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CERTAIN DEFINED TERMS AND CONVENTIONS USED IN THIS REPORT

All references to Korea contained in this report shall mean The Republic of Korea. All references to the Government shall mean the government of The Republic of Korea. All references to we, us, our or the Company shall mean SK Telecom Co., Ltd. and, unless the context otherwise requires, its consolidated subsidiaries. References to SK Telecom shall mean SK Telecom Co., Ltd., but shall not include its consolidated subsidiaries. All references to U.S. shall mean the United States of America.

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

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

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

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

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

our ability to anticipate and respond to various competitive factors affecting the wireless telecommunications industry, including new services that may be introduced, changes in consumer preferences, economic conditions and discount pricing strategies by competitors;

our implementation of high-speed downlink packet access, or HSDPA, technology, high-speed uplink packet access, or HSUPA, technology, evolved high-speed uplink packet access, or HSPA+, technology, wireless broadband Internet, or WiBro, technology and long term evolution, or LTE, technology;

our plans for capital expenditures in 2012 for a range of projects, including investments in our backbone networks, investments to improve our WCDMA network-based products and services, investments to build our LTE network, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course;

our efforts to make significant investments to build, develop and broaden our businesses, including developing and providing wireless data, multimedia, mobile commerce and Internet services;

our ability to comply with governmental rules and regulations, including the regulations of the KCC related to telecommunications providers, rules related to our status as a market-dominating business entity under the Korean Monopoly Regulation and Fair Trade Act, or the Fair Trade Act, and the effectiveness of steps we have taken to comply with such regulations;

our ability to manage effectively our bandwidth and to implement timely and efficiently new bandwidth-efficient technologies;

our expectations and estimates related to interconnection fees, tariffs charged by our competitors, regulatory fees, operating costs and expenditures, working capital requirements, principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases, and research and development expenditures and other financial estimates;

the success of our various joint ventures and investments in other telecommunications service providers;

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our ability to successfully manage our acquisition in 2008 and 2009 of a majority stake in SK Broadband Co., Ltd. (formerly, Hanarotelecom Incorporated), a fixed-line telecommunications operator and broadband Internet service provider;

our ability to successfully manage our acquisition in 2009 of the leased-line business of SK Networks Co., Ltd., which provides a substantial portion of the transmission lines we use;

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our ability to successfully manage our acquisition in 2012 of a stake in Hynix Semiconductor Inc., a memory-chip maker;

our ability to successfully manage our investment in Packet One Networks (Malaysia) Sdn. Bhd., a Malaysian wireless broadband company;

our ability to successfully attract and retain subscribers under the KCC's new guideline on the marketing expenses of the telecommunication service providers; and

the growth of the telecommunications industry in Korea and other markets in which we do business and the effect that economic, political or social conditions have on our number of subscribers, call volumes and results of operations.

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

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Not applicable.

Item 1.B. Advisers

Not applicable.

Item 1.C. Auditors

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION**Item 3.A. Selected Financial Data**

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

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

	2010	As of or for the Year Ended December 31, 2011	2011*
(In billions of Won and millions of dollars, except per share and percentage data)			
INCOME STATEMENT DATA			
Operating Revenue	(Won) 15,599.2	(Won) 15,988.3	\$ 13,800.8
Operating Expenses	13,313.3	13,856.8	11,961.0
Operating Income	2,285.9	2,131.5	1,839.8
Income from Continuing Operation before Income Tax	2,318.1	2,182.9	1,884.2
Income from Continuing Operation	1,773.6	1,583.8	1,367.1
Net Income	1,766.8	1,582.1	1,365.6

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Net Income per Share from Continuing Operation(1)	25,653	22,864	19.74
Net Income per Share(1)	25,598	22,848	19.72
Diluted Net Income per Share from Continuing Operation(2)	24,995	22,238	19.20
Diluted Net Income per Share(2)	24,942	22,223	19.18
Dividends Declared per Share	9,400	9,400	8.11
Weighted Average Number of Shares	71,942,387	70,591,937	70,591,937

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	As of or for the Year Ended December 31,		
	2010	2011	2011*
(In billions of Won and millions of dollars, except per share and percentage data)			
BALANCE SHEET DATA			
Working Capital (Deficit)(3)	(Won) 451.8	(Won) (556.1)	\$ (480.0)
Property and Equipment, Net	8,153.4	9,031.0	7,795.4
Total Assets	23,132.4	24,366.0	21,032.4
Non-current Liabilities(4)	4,522.2	4,959.7	4,281.2
Capital Stock	44.6	44.6	38.5
Total Shareholders' Equity	12,408.0	12,732.7	10,990.7

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

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

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

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

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attributable to SK Telecom adjusted for dilution by the potential dilutive weighted average number of common shares outstanding during the period, taking into account the conversion of outstanding of convertible bonds.

- (3) Working capital means current assets minus current liabilities.
- (4) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rates prevailing at the end of each reporting period. See note 2.c. of the notes to our consolidated financial statements.
- (5) Consists of investments in property, plant and equipment.
- (6) Includes donations to Korean research institutes and educational organizations. See Item 5.C. Research and Development, Patents and Licenses, etc. .

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- (7) Operating revenue and operating income used in the calculation of these ratios exclude the operating revenue and operating income from discontinued operations.
- (8) Population estimates based on historical data published by the National Statistical Office of Korea.
- (9) Wireless penetration is determined by dividing our subscribers by total estimated population, as of the end of the period.
- (10) Includes regular employees and temporary employees. The number of employees as of December 31, 2010 and 2011 includes employees of Service Ace Co., Ltd., Service Top Co., Ltd., and Network O&S Co., Ltd., our wholly-owned subsidiaries established in 2010, who were previously employed by third-party outsourcing companies. See Item 6.D. Employees .
- (11) Wireless subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history.
- (12) The average monthly outgoing voice minutes per subscriber is derived by dividing the total minutes of outgoing voice usage for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period. The monthly average number of subscribers is derived by dividing (i) the sum of the average number of subscribers for each month in the period, calculated as the average of the number of subscribers on the first and last days of the relevant month, by (ii) the number of months in the period.
- (13) The average monthly churn rate for a period is the number calculated by dividing the sum of voluntary and involuntary deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period, then dividing that number by the number of months in the period. Churn includes subscribers who upgrade to the next generation service, such as CDMA 1xEV/ DO, WCDMA or LTE, by terminating their service and opening a new subscriber account.

Exchange Rates

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

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

	Past Six Months High	Low (Won per US\$1.00)
October 2011	1,197.5	1,102.5
November 2011	1,162.0	1,110.6

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December 2011	1,175.5	1,124.5
January 2012	1,160.0	1,120.1
February 2012	1,128.9	1,115.7
March 2012	1,139.8	1,116.0
April 2012 (through April 20)	1,143.4	1,122.4

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Source: Federal Reserve Bank of New York.

(1) The average rates for the annual periods were calculated based on daily noon buying rates for cable transfers in New York City certified for customs purposes by the Federal Reserve Bank of New York. On April 20, 2012, the noon buying rate was Won 1,138.1 to US\$1.00.

Item 3.B. *Capitalization and Indebtedness*

Not applicable.

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

Not applicable.

Item 3.D. *Risk Factors*

Risks Relating to Our Business

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

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

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

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

However, on May 13, 2010, the KCC announced a guideline recommending that telecommunication service providers limit their marketing expenses to 22% of their annual sales, which was lowered to 20% of annual sales with respect to fiscal years 2011 and 2012. Such marketing expenses include initial commissions, monthly commissions and retention commissions paid to our authorized dealers and subscribers, including

handset subsidies,

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but do not include advertising expenses. While the guideline is not binding, we, as well as our competitors, nonetheless try to adhere to such guideline when feasible, which may have a material adverse effect on our businesses and results of operations.

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

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

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

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

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

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

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adversely affect our existing wireless businesses as well as the returns on future investments we may make in our 4G network or our other businesses.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Malicious and abusive Internet practices could impair our services.

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

Labor disputes may disrupt our operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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the KCC to charge higher usage rates than our competitors for future services. In addition, we were required to introduce number portability earlier than our competitors, KT and LG U+.

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

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

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

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

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

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

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

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

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

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

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

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

an increase in the amount of Won required by us to make interest and principal payments on our foreign currency-denominated debt; and

an increase, in Won terms, of the costs of equipment that we purchase from overseas sources which we pay for in Dollars or other foreign currencies.

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

the amounts a registered holder or beneficial owner of ADSs will receive from the American Depositary Receipt (ADR) depositary in respect of dividends, which will be paid in Won to the ADR depositary and converted by the ADR depositary into Dollars;

the Dollar value of the proceeds that a holder will receive upon sale in Korea of the common shares; and

the secondary market price of the ADSs.

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

Risks Relating to Korea

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

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

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Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economy have increased the uncertainty of global economic prospects in general and have adversely affected, and may continue to adversely affect, the Korean economy. Due to liquidity and credit concerns and volatility in the global financial markets, the value of the Won relative to the U.S. dollar has also fluctuated

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significantly in recent years. Furthermore, as a result of adverse global and Korean economic conditions, there has been continuing volatility in the stock prices of Korean companies. Any future deterioration of the Korean or global economy could adversely affect our business, financial condition, results of operations and cash flows.

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

difficulties in the housing and financial sectors in the United States and elsewhere and increased sovereign default risks in selected countries and the resulting adverse effects on the global financial markets;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar or Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates and stock markets;

continuing adverse conditions in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;

substantial decreases in the market prices of Korean real estate;

increasing delinquencies and credit defaults by consumer and small-and medium-sized enterprise borrowers;

declines in consumer confidence and a slowdown in consumer spending;

the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);

social and labor unrest;

a decrease in tax revenues and a substantial increase in the Korean government's expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Korean government budget deficit;

financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

loss of investor confidence arising from corporate accounting irregularities and corporate governance issues at certain Korean conglomerates;

the economic impact of any pending or future free trade agreements, including the free trade agreements with the United States and the European Union;

geo-political uncertainty and risk of further attacks by terrorist groups around the world;

the recurrence of severe acute respiratory syndrome or an outbreak of swine or avian flu in Asia and other parts of the world;

deterioration in economic or diplomatic relations between Korea and its trading partners or allies, including deterioration resulting from trade disputes or disagreements in foreign policy;

political uncertainty or increasing strife among or within political parties in Korea;

the occurrence of severe earthquakes, tsunamis or other natural disasters in Korea and other parts of the world, particularly in trading partners (such as the March 2011 earthquake and tsunami in Japan, which also resulted in the release of radioactive materials from a nuclear plant that had been damaged by the earthquake);

hostilities or political or social tensions involving oil producing countries in the Middle East and North Africa and any material disruption in the supply of oil or increase in the price of oil; and

an increase in the level of tensions or an outbreak of hostilities between North Korea and Korea or the United States.

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

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

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

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

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

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

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

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

The Securities-related Class Action Act of Korea enacted in January 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX KOSPI Market for losses incurred in connection with purchases and sales of securities and other securities transactions arising from (i) false or inaccurate statements provided in the registration statements, prospectuses, business reports, audit reports, semi-annual or quarterly reports and material fact reports and omission of material information in such documents, (ii) insider trading, (iii) market manipulation and (iv) unfair trading. This law permits 50 or more shareholders who collectively hold 0.01% of the shares of a company to bring a class action suit against, among others, the issuer and its directors and officers. Because of the relatively recent enactment of the act, there is not enough judicial precedent to predict

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how the courts will apply the law. Litigation can be time-consuming and expensive to resolve, and can divert management time and attention from the operation of a business. We are not aware of any basis upon which such suit may be brought against us, nor are any such suits pending or threatened. Any such litigation brought against us could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Securities

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

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

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

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

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

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

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

As of December 31, 2011, SK Holdings owned 25.22% of our total issued common stock and has not agreed to any restrictions on its ability to dispose of our shares. See Item 7.A. Major Shareholders . We can make no

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prediction as to the timing or amount of any sales of our common stock. We cannot assure you that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will not adversely affect the market prices of the shares of our common stock or ADSs prevailing from time to time.

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

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

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

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

a registration statement filed by us under the Securities Act is in effect with respect to those shares; or

the offering and sale of those shares is exempt from, or is not subject to, the registration requirements of the Securities Act.

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

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

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

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

We are a corporation with limited liability organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this document reside in Korea, and all or a significant portion of the assets

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

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

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

Item 4. INFORMATION ON THE COMPANY**Item 4.A. History and Development of the Company**

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

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

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

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

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

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

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

Korean Telecommunications Industry

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

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

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

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

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

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

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

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

(1) Source: National Statistical Office of Korea.

(2) Source: KCC.

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

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

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

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

Source: KCC.

In addition to its well-developed wireless telecommunications sector, Korea has one of the largest Internet markets in the Asia Pacific region. According to Korea Internet & Security Agency, or KISA, the number of Internet subscribers in Korea increased from approximately 3.1 million at the end of 1998 to approximately 37.2 million as of the end of July 2011, representing a 22.0% compound annual growth rate. From the end of 2005 to the end of 2011, the number of broadband Internet access subscribers increased from approximately 12.2 million to approximately

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17.9 million, representing a 6.6% compound annual growth rate. The table below sets forth certain information regarding Internet users and broadband subscribers as of the dates indicated:

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

(1) Source: KISA.

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(2) As of July 31, 2011.

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

Item 4.B. Business Overview
Overview

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

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

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

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

Digital convergence and new businesses. We have pioneered new services that reflect the growing convergence within the telecommunications sector, as well as between the telecommunications sector and other industries, including 11th Street, an online shopping mall, and T Store, an online open marketplace for mobile applications, as well as Telematics service, which makes use of global positioning system, or GPS, technology. In addition, we engage in the industry productivity enhancement, or IPE, business that provides customized business solutions and applications to corporate customers. In October 2011, in order to develop a management system and corporate culture that is more suitable for the platform business and facilitate the expeditious execution of business strategies, we spun off our platform business, including 11th Street and T Store, to a new wholly-owned subsidiary, SK Planet Co., Ltd. We provide our wireless services through our proprietary backbone networks based on CDMA, WCDMA and LTE technologies. We also offer wireless data transmission and wireless Internet access services through our WiBro network. For more information on our backbone networks, see Digital Cellular Network .

Our Business Strategy

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

Our principal strategies are to:

Enhance the technical capabilities of our wireless networks to improve data transmission speed and service quality and to offer an increased range of services, including in connection with our development of new and advanced wireless technologies. We believe we have the most extensive and advanced wireless telecommunications network in Korea, and we are committed to ensuring that our delivery platforms keep

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pace with the latest technological advancements. In March 2007, we completed the nationwide build-out of our HSDPA-capable WCDMA network. In 2011, we further upgraded our WCDMA network to support HSUPA and HSPA+ technology and expanded the coverage area of our WiBro service. We commenced commercial LTE services in July 2011 and LTE smartphone services in September 2011, and expanded the coverage area of our LTE services to nationwide by April 2012. We plan to continue upgrading and expanding our backbone network infrastructure in line with new developments in wireless telecommunications technology. We believe that ensuring the quality and technical sophistication of our wireless networks will, among other things, allow us to provide our subscribers with top-quality service, to introduce the latest wireless telecommunications products and services more quickly and to efficiently implement new wireless technologies as market opportunities arise.

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

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

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

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

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current B2B business model. Once we establish prototypes categorized by business and size of the business, we intend to expand and apply such IPE models to other businesses in the same field. We are in the process of working with various clients in finance, education, health, shopping and other areas.

Pursue diversification and growth through our investment in the semiconductor business. In February 2012, we acquired a 21.05% equity stake in Hynix, the world's second-largest memory-chip maker by revenue, and became its largest shareholder. By investing in the export-driven semiconductor business, we plan to achieve a more diversified business portfolio, as well as seek global growth opportunities utilizing Hynix's overseas network.

Continue global expansion by seeking opportunities in overseas markets. We participate in various overseas markets and continue to seek opportunities to expand our global business. In light of the highly penetrated Korean wireless market, we believe that strategic expansion into overseas markets offers important opportunities for future growth.

Digital Cellular Network

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

CDMA Network

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

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

WCDMA Network

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

In 2005, we completed commercial development of HSDPA technology and integrated this technology in the subsequent build-out of our WCDMA network. HSDPA, which represents an evolution of the WCDMA standard, is a more advanced 3G technology than the initial WCDMA technology we implemented and is sometimes referred to as 3.5G technology. In March 2007, we completed nationwide expansion of our HSDPA-capable WCDMA network, which currently reaches approximately 99% of the Korean population. Our WCDMA network enables significantly faster and higher-quality voice and data transmission and supports more sophisticated wireless data transmission services, including video telephony and other multimedia communications, than is possible.

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through our 2G networks. In June 2007, we began HSUPA upgrades to our WCDMA network, which is currently in progress. HSUPA technology represents the next stage in the evolution of the WCDMA standard. In particular, while HSDPA enables significantly improved downlink data transmission speeds, HSUPA permits faster uplink speeds. We are also currently implementing upgrades to enable more evolved high speed packet access, or HSPA+, service. Our implementation of HSDPA, HSUPA and HSPA+ technology will allow us to offer significantly improved, and a wider range of, wireless data transmission services, including more sophisticated multimedia digital contents and products. We also plan to continue enhancing our 3G service quality, including through the installation of additional small cell sites or cellular repeaters to improve reception quality in subterranean areas, buildings or any remaining blind spots where reception quality may not be optimal. For more information about our capital expenditures relating to our WCDMA-based network, see Item 5.B. Liquidity and Capital Resources .

WiBro Network

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

Wi-Fi Network

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

LTE Network

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

Network infrastructure

The principal components of our wireless networks are:

Cell sites, which are physical locations equipped with transmitters, receivers and other equipment that communicate by radio signals with wireless handsets within range of the cell (typically a 3 to 40 kilometer radius);

Switching stations, which switch voice and data transmissions to their proper destinations, which may be, for instance, a mobile phone of one of our subscribers (for which transmissions would originate and terminate on our wireless networks), a mobile phone of a KT or LG U+ subscriber (for which transmissions would be routed to KT's or LG U+'s wireless networks, as applicable), a fixed-line telephone number (for which calls would be routed to the public switched telephone network of a fixed-line network operator), an international number (for which calls would be routed to the network of a long distance service provider) or an Internet site; and

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Transmission lines, which link cell sites to switching stations and switching stations with other switching stations. As of December 31, 2011, our CDMA, WCDMA, LTE and WiBro networks had an aggregate of 21,999 cell sites.

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

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

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

Our Services

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

For a discussion of our backbone networks, see [Digital Cellular Network](#) above.

Cellular Voice Services

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

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

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

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

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

Wireless Data Services (including Wireless Internet Services)

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

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

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

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

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

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

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Gaming Services, which we offer subscribers through our NATE portal. For example, we offer a variety of multi-player, interactive mobile games, as well as animation-based mobile games. In addition, we also offer 3D mobile games that subscribers can download to mobile phones and other wireless devices equipped with a mobile gaming-specific chip;

Nate Movie, a movie portal, which provides subscribers access to a broad range of movie-related contents. As with our MelOn service, we operate an integrated wireless and fixed-line website, which subscribers can access using both wireless and fixed-line devices. Subscribers can also purchase movie tickets, check theater schedules and purchase video-on-demand contents through our Nate portal;

Hoppin, a network-based personalized media platform through which we provide various video contents that can be viewed from multiple devices, including smartphones, tablets and personal computers. We provide more than 10,000 titles of movies, television programs and music videos through Hoppin; and

Mobile Cyworld, a wireless web community portal site, which is a mobile version of the Cyworld community site operated by our consolidated subsidiary, SK Communications Co., Ltd. For a more detailed description of the fixed-line Cyworld portal, see Other Products and Services Other Portal Services Community Portal Service .

Wireless Financial and Commercial Services : We also offer our subscribers a range of wireless finance-related contents and m-commerce services. Our wireless financial and commercial businesses include:

Moneta, a financial portal that allows subscribers to use their mobile phones to access an array of financial contents and services relating to securities trading, insurance, real estate and personal asset management;

T-Money, a mobile payment technology that allows subscribers to use their mobile phones to pay for public transportation fares in lieu of cash payment or pre-paid transportation cards and to make payments at certain affiliated stores. T-cash requires a WCDMA- or LTE-capable handset with a built-in universal subscriber identity module, or USIM, card;

M-Banking, a banking portal, which provides access to certain electronic banking services operated by participating commercial banks, and, accordingly, enables subscribers to perform certain banking transactions, such as account inquiries, wire transfers and credit card payments, through their mobile phones;

11th Street, an online shopping mall operated by our consolidated subsidiary, SK Planet Co., Ltd., that links wired and wireless shopping services. As of December 31, 2011, 11th Street had strengthened its position as one of the three biggest enterprises in its field. In 2012, we intend to continue to expand and reinforce our new businesses to capitalize on future commerce markets such as m-commerce markets;

T Store, an online open marketplace for mobile applications operated by our consolidated subsidiary, SK Planet Co., Ltd. T Store is open to, and operates with, other open markets such as the Android market and manufacturers open markets. We plan to construct an environment where outstanding developers of mobile applications can be nurtured and high-quality content can be produced; and

Gifticon, a service that allows users to pay for and give gifts using their mobile phone. Payments are settled wirelessly and recipients are notified of their gifts by instant messaging or via our NATE data service.

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Wireless News and Search Services : We offer our subscribers a range of wireless news and search services, including access to domestic and international news content, dictionary resources and real-time weather information. Subscribers can also search for and purchase books, DVD s, CDs and lottery tickets, as well as download discount coupons for use at offline stores.

Broadband Internet and Fixed-line Telephone Services

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

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

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

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

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

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

Digital Convergence and New Businesses

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

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

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

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Our other convergence and new businesses include:

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

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

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

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

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

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

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

Portal Services.

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

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

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

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

Global Business

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

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

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

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

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

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

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

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

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

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

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

Table of Contents**Revenues and Rates**

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

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

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

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

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

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

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

Data Plans, which target subscribers with high usage patterns for wireless data transmission and wireless Internet services. We offer various Data Plans that provide wireless data services for monthly fees ranging from Won 3,500 to Won 22,500.

Videoconferencing Plans, for subscribers to our 3G and 4G services. The basic monthly fee for our Videoconferencing Plans ranges between Won 5,000 and Won 30,000.

The KCC has periodically reviewed the tariffs charged by wireless operators and has, from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some tariff reductions in response to KCC recommendations. We began to

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provide Caller ID service to customers free of charge commencing January 1, 2006. In January 2007, we reduced our usage fees for wireless Internet services by 30% and in October 2007 we began providing a 50% discount on usage fees between our subscribers for a fixed payment of Won 2,500 per month. In addition, in January 2008 we reduced our SMS usage charges from Won 30 per message to Won 20 per message. In March 2008, we reduced usage charges for voice calls between family members by 50%. In November 2009, we also adopted various tariff reduction measures, including a reduction of the initial subscription fee from Won 50,000 to Won 36,000 and an increase in discounts for long-term subscribers.

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

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

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

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

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

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

Subscribers

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

our expansion and technical enhancement of our networks, including with high-speed data capabilities;

increasing consumer awareness of the benefits of wireless telecommunications;

an effective marketing strategy;

our focus on customer service;

the introduction of new, value-added services, such as COLORing, wireless Internet services and various mobile applications; and

the negative impact from highly saturated and competitive wireless market conditions.

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

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

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

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

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

Number Portability

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

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

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

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

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

Interconnection

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

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

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

Domestic Calls

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

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

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

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

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

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

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

International Calls

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

International Roaming Arrangements

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

Marketing and Service Distribution**Marketing, Sales and Service Network**

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

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

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

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

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

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

Marketing Strategies and Marketing Information Management

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

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

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

Other Investments and Relationships

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

Wireless Content Providers and Application Providers

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

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

We currently hold a 67.6% stake in Loen Entertainment Inc. (formerly, Seoul Records Inc.), Korea's largest music recording company in terms of records released and revenues. We also hold a 9.4% equity interest in iHQ,

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Inc., an entertainment management firm that produces films, manages entertainers and operates online game services. Through our investments in companies such as Loen Entertainment and iHQ, we are able to offer customers of our MelOn, movie and gaming services access to an expanded range of music- and entertainment-related digital contents and mobile games, respectively.

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

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

Hynix Semiconductor Inc.

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

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

Other Investments

Our other investments include:

POSCO. We currently own a 2.8% interest in the outstanding capital stock of POSCO, with a book value as of December 31, 2011 of Won 942.9 billion. POSCO is the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world.

SKY Property Management. We currently own a 60% equity interest in SKY Property Management Ltd., with a book value as of December 31, 2011 of Won 264.8 billion. SKY Property Management was established in 2008 to manage buildings and real estate developments in China, in which affiliated companies of the SK Group had invested or will invest.

SK Marketing & Company. We currently own a 50% equity interest in SK Marketing & Company Co., Ltd., with a book value as of December 31, 2011 of Won 128.3 billion. SK Marketing & Company Co., Ltd. provides marketing-related services to corporate and individual clients.

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

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Competition

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

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

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

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

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

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

Law and Regulation

Overview

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

- entry into the telecommunications industry;

- scope of services provided by telecommunications service providers;

- allocation of radio spectrum;

- setting of technical standards and promotion of technical standardization;

rates, terms and practices of telecommunications service providers;

customer complaints;

interconnection and revenue-sharing between telecommunications service providers;

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disputes between telecommunications service providers;

research and development budgeting and objectives of telecommunications service providers; and

competition among telecommunications service providers.

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

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

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

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

Competition Regulation

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

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

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

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

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Restriction on cross-investment. A member company of the SK Group may not acquire or hold shares in an affiliate belonging to the SK Group that owns shares in the member company.

Public notice of board resolution on large-scale transactions with specially related persons. If a member company of the SK Group engages in a transaction with a specially related person in the amount of 5% or more of the member company's capital or paid-in capital or for Won 5 billion or more, the transaction must be approved by a resolution of the member company's board of directors and the member company must publicly disclose the transaction.

Restrictions on equity investments in other domestic companies. Under the Fair Trade Act, a company that is a member of a large business group as designated by the FTC was generally required to limit its total investments in other domestic companies to 40% of its non-consolidated net assets. In March 2009, an amendment to the Fair Trade Act abolished such restrictions on total investments in other domestic companies.

Restrictions on investments by subsidiaries and sub-subsidiaries of holding companies. The Fair Trade Act prohibits subsidiaries of holding companies from investing in, or holding shares of common stock of, domestic affiliates that belong to the same large business group, unless such domestic affiliates are their own subsidiaries. Furthermore, any subsidiaries of a holding company's subsidiaries (sub-subsidiaries) are prohibited from investing in, or holding shares of common stock of, domestic affiliates that belong to the same large business group, unless all shares issued by the affiliates are held by the sub-subsidiary. Therefore, we and other subsidiaries of SK Holdings may not invest in any domestic affiliate that is also a member company of the SK Group, except in the case where we invest in our own subsidiary or where another subsidiary of SK Holdings invests in its own subsidiary.

Public notice of the current status of a business group. Pursuant to a recent amendment to the Enforcement Decree of the Fair Trade Act which became effective in June 2009, a member company of the SK Group must publicly disclose the general status of the SK Group, including the name, business scope and financial status of affiliates, information on the officers of affiliates, information on shareholding and cross-investments between member companies of the SK Group, information on transactions with certain related persons and, if a member company engages in a transaction with an affiliated company in the amount of 5% or more of the member company's quarterly sales or Won 5 billion or more, information on transactions with such affiliated company on a quarterly basis.

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

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

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

Rate Regulation. Most network service providers must report to the KCC the rates and contractual terms for each type of service they provide. However, as the dominant network services provider for specific services (based on having the largest market share in terms of number of subscribers and meeting certain revenue thresholds), we must obtain prior approval of the KCC on our rates and terms of service; provided, however, that such pre-approval of the KCC is not required, if we are planning to reduce the rates for any type of services that we provide under the KCC-approved contractual terms. In each year in which this requirement has been applicable, the KCC has

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designated us for wireless telecommunications service, and KT for local telephone and Internet services, as dominant network service providers that are subject to such approval requirement. As a condition to its approval of our merger with SK IMT Co., Ltd., the Government required that we submit the rates for our third generation mobile services using WCDMA technology to the Government for approval prior to the launch of such services. The KCC's policy is to approve rates if they are appropriate, fair and reasonable (that is, if the rates have been reasonably calculated, considering supply costs, profits, classification of costs and profits for each service, cost savings through changes in the way services are provided and the influence on fair competition, among others). The KCC may order changes in the submitted rates if it deems the rates to be significantly unreasonable or against public policy. In May 2007, the Government terminated the monitoring of whether we met the condition for the Government's approval of our merger with SK IMT.

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

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

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

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

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

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

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

Mandatory Contributions and Obligations

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

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

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

In addition to such universal services for the handicapped and low-income citizens, we are also required to make certain monetary contributions to compensate for other service providers' costs for the universal services. The

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

Foreign Ownership and Investment Restrictions and Requirements

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

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

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

revoke our business license;

suspend all or part of our business; or

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

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

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

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

the acquisition by an entity (and its related parties) of 15% or more of the equity of a network services provider;

a change in the largest shareholder of a network services provider;

agreements by a network service provider or its shareholders with foreign governments or parties regarding important business matters of such network services provider, such as the appointment of officers and directors and transfer of businesses; and

a change in the shareholder that actually controls a network services provider.

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

Patents and Licensed Technology

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

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

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

Seasonality of the Business

Our business is not affected by seasonality.

Item 4.C. *Organizational Structure* Organizational Structure

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

Table of Contents**Significant Subsidiaries**

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

Item 4.D. Property, Plants And Equipment

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

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

(1) Include cell sites.

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

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

Item 4A. UNRESOLVED STAFF COMMENTS

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

Item 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

of operations.

Table of Contents**Item 5.A. Operating Results****Overview**

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

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

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

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

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

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

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

- (1) Does not include minutes of incoming calls or minutes of use relating to the use of SMS, MMS and other wireless data services.
- (2) The average monthly outgoing voice minutes per subscriber is derived by dividing the total minutes of outgoing voice usage for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period. The monthly average number of subscribers is derived by dividing (i) the sum of the average number of subscribers for each month in the period, calculated as the average of the number of subscribers on the first and last days of the relevant month, by (ii) the number of months in the period.
- (3) The average monthly revenue per subscriber, excluding interconnection revenue, is derived by dividing the sum of total revenues from voice service, data service and initial subscription fees for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period.
- (4) The average monthly revenue per subscriber, including interconnection revenue, is derived by dividing the sum of total revenues from voice service, data service and initial subscription fees, as well as interconnection revenue, for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period.

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

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

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

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

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

Table of Contents**Operating Results**

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

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

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

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

	Year Ended December 31,			
	2010		2011	
	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue
	(In billions of Won, except percentages)			
Cellular Revenue:				
Wireless Services(1)	(Won) 10,634.5	68.2%	(Won) 10,459.7	65.4%
Interconnection	1,168.7	7.5	1,090.9	6.8
Digital Handset Sales	534.5	3.4	787.5	4.9
Other(2)	582.7	3.7	763.9	4.8
Total Cellular Revenue	12,920.3	82.8	13,101.9	81.9
Fixed-line Telecommunication Service Revenue(3)				
Fixed-line Telephone Service	475.5	3.0	490.7	3.1
Interconnection	88.8	0.6	83.8	0.5
Broadband Internet Service	983.9	6.3	1,000.5	6.3
International Calling Service	289.1	1.9	62.8	0.4
Miscellaneous(4)	390.0	2.5	524.8	3.3
Total Fixed-line Telecommunication Service Revenue	2,227.3	14.3	2,162.6	13.5
Other Revenue:				
Portal Service(5)	239.5	1.5	235.6	1.5
Miscellaneous(6)	212.1	1.4	488.1	3.0
Total Other Revenue	451.6	2.9	723.8	4.5

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Total Operating Revenue	(Won) 15,599.2	100.0%	(Won) 15,988.3	100.0%
Total Operating Revenue Growth	N/A		2.5%	
Operating Expenses:				
Cellular	10,603.5	68.0	11,034.6	69.0
Fixed-line Telecommunication Service	2,279.4	14.6	2,141.3	13.4
Other	430.4	2.8	680.9	4.3
Total Operating Expenses	(Won) 13,313.3	85.3%	(Won) 13,856.8	86.7%
Operating Income (Loss):				
Cellular	2,316.7	14.9	2,067.3	12.9
Fixed-line Telecommunication Service	(52.1)	(0.3)	21.3	0.1
Other	21.2	0.1	42.9	0.3
Total Operating Income	(Won) 2,285.9	14.7%	(Won) 2,131.5	13.3%

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- (1) Wireless services revenue includes revenue from voice service, revenue from data service and initial subscription fees. Revenue from voice service is comprised of monthly plan-based fees, usage charges for outgoing voice calls and value-added-service fees and other miscellaneous cellular revenues, including international interconnection charges.
- (2) Other cellular revenue includes revenue from the sale and licensing of Internet platform solutions.
- (3) Includes revenues from broadband Internet service (including IP-TV service) and fixed-line telephone service provided by SK Broadband Co., Ltd. and international calling service provided by SK Telink Co. Ltd., both of which are our consolidated subsidiaries.
- (4) Includes revenues from leased line, corporate data and Internet solutions businesses.
- (5) Portal service revenue attributable to our subsidiaries (including SK Communications and Paxnet Co., Ltd., which operates Moneta, our financial portal site).
- (6) Miscellaneous revenue attributable to our subsidiaries (including Loen Entertainment Inc., which operates MelOn music portal site that sells digital music contents, SK Telecom China Holdings Co., Ltd. and F&U Credit Information Co., Ltd.).

2011 Compared to 2010

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

Cellular Telephone Telecommunication Service Business

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

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

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

Our average monthly revenue per subscriber for the wireless services, excluding interconnection revenue, decreased by 4.0% to Won 34,350 in 2011 from Won 35,771 in 2010, due to decreases in average monthly revenue per subscriber from voice service and initial subscription fees, partially offset by an increase in average monthly revenue per subscriber from data service. Our average monthly revenue per subscriber from voice service decreased by 11.4% to Won 23,252 in 2011 from Won 26,243 in 2010, primarily due to increased subscription by smartphone

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users to fixed rate all-in-one plans with no or low call charges, as well as a reduction of the monthly fee by Won 1,000 for every subscriber effective from September 16, 2011. Our average monthly revenue per subscriber from data service, which includes usage charges for SMS and wireless Internet services, increased by 20.3% to Won 9,924 in 2011 from Won 8,248 in 2010, attributable mainly to an increase in the number of smartphone users.

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

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

Fixed-line Telecommunication Service Business

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

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

Other Businesses

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

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

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

Cellular Telephone Telecommunication Service Business

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

Table of Contents**Fixed-line Telecommunication Service Business**

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

Other Businesses

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

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

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

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

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

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

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

Inflation

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

Item 5.B. Liquidity and Capital Resources***Liquidity***

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

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

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

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

N/A = Not applicable.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Capital Requirements

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

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

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

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

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

(2) We commenced LTE service in July 2011.

(3) We commenced WiBro service in May 2006.

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

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

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

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

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

We expect that our capital expenditure amount in 2012 will be similar to that of 2011. Our expenditures will be for a range of projects, including investments in our backbone networks, investments to improve our WCDMA network-based products and services, investments to expand the coverage of our LTE network, investments in our wireless Internet-related and convergence businesses and funding for mid-to long-term research and development

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projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course. However, our overall expenditure levels and our allocation among projects remain subject to many uncertainties. We may increase, reduce or suspend our planned capital expenditures for 2012 or change the timing and area of our capital expenditure spending from the estimates described above in response to market conditions or for other reasons. We may also make additional capital expenditure investments as opportunities arise. Accordingly, we periodically review the amount of our capital expenditures and may make adjustments based on the current progress of capital expenditure projects and market conditions. No assurance can be given that we will be able to meet any such increased expenditure requirements or obtain adequate financing for such requirements, on terms acceptable to us, or at all.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Contractual Obligations and Commitments

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

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

Total contractual cash
obligations

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

(2) Related to acquisition of frequency licenses. See note 14 of the notes to our consolidated financial statements.
See note 29 of the notes to our consolidated financial statements for details related to our other commitments and contingencies.

Transition to IFRS Starting in 2011

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

Critical Accounting Policies, Estimates And Judgments

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

Allowances for Doubtful Accounts

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

Fair Value Measurement of Financial Instruments

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

Table of Contents***Estimated Useful Lives***

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

Impairment of Long-lived Assets Including the Frequency Usage Rights

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

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

Impairment of Goodwill

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

Provisions for Handset Subsidy, Point Program and Restoration

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

For our marketing purposes, we grant Rainbow Points and Point Box Points to our subscribers based on their usage of our services. We estimate a provision for such points based on the historical usage experience and our

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marketing policy. Such provision is recorded as provisions or long-term provisions in accordance with the expected points usage duration from the end of the reporting period. Points expire after five years and all unused points are expired on their fifth anniversary.

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

Deferred Revenue relating to Initial Subscription Fees

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

Retirement Benefit Plans

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

Income Taxes

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

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

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

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

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

	As of and for the Year Ended December 31,	
	2010	2011
	(In billions of Won)	
Internal R&D Expenses	(Won) 270.4	(Won) 271.4

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External R&D Expenses	81.6	20.0
Total R&D Expenses	(Won) 352.0	(Won) 291.4

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

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

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

Internal Research and Development

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

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

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

The *IT R&D center*, which focuses on improving the quality and operation of our core networks; building a flexible service infrastructure that will support the introduction of new products and services and enable easy maintenance; and developing new services based on customer needs.

The *emerging technology R&D center*, which is responsible for developing industry productivity enhancement solutions and other new technologies. Current projects include the development of an intelligent video security system, intelligent audio system, smart audio technology and quantum technology.

The *health care center*, which develops diagnostic instruments and chemicals, by combining information technology and health care technology and analyzing computer data relating to health information.

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

External Research and Development

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

Item 5.D. *Trend Information*

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

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

None.

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

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

Table of Contents**Item 5.G. Safe Harbor**

These matters are discussed under Forward-Looking Statements.

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**Item 6.A. Directors and Senior Management**

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

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

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

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

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

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

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

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

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

Involvement in Certain Legal Proceedings

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

Item 6.B. Compensation

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

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Remuneration for the directors is determined by shareholder resolution. Severance allowances for directors are determined by the board of directors in accordance with our regulation on severance allowances for officers, which

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was adopted by shareholder resolution. The regulation provides for monthly salary, performance bonus, severance payment and fringe benefits. The amount of performance bonuses is independently decided by a resolution of the board of directors.

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

Item 6.C. Board Practices

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

Termination of Directors, Services

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

Audit Committee

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

examine the agenda for the general meeting of shareholders;

examine financial statements and other reports to be submitted by the board of directors to the general meeting of shareholders;

review the administration by the board of directors of our affairs; and

examine the operations and asset status of us and our subsidiaries.

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

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

Independent Director Nomination Committee

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

Capex Review Committee

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

Table of Contents**Compensation Review Committee**

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

Corporate Citizenship Committee

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

Item 6.D. Employees

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

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

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

Labor Relations

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

Employee Stock Ownership Association and Other Benefits

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

We are required to pay a severance amount to eligible employees who voluntarily or involuntarily cease employment with us, including through retirement. This severance amount is based upon the employee's length of service with us and the employee's salary level at the time of severance. As of December 31, 2011, the accrued and unpaid retirement and severance benefits of Won 188.1 billion for all of our employees are reflected in our consolidated financial statements as a liability, of which a total of Won 102.2 billion was funded. Under Korean

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laws and regulations, we are prevented from involuntarily terminating a full-time employee except under certain limited circumstances. In September 2002, we entered into an employment stabilization agreement with the union. Among other things, this agreement provides for a one-year guarantee of the same wage level in the event that we reorganize a department into a separate entity or we outsource an employee to a separate entity where the wage is lower.

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

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

Item 6.E. Share Ownership

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

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

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**Item 7.A. Major Shareholders**

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

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

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

- (1) Represents shares owned by our employee stock ownership association. See Item 6.D. Employees .
- (2) Treasury shares do not have any voting rights; includes 2,308,406 treasury shares that were deposited with Korea Securities Depository to be reserved and used to satisfy the conversion rights of the holders of US\$332.5 million in 1.75% convertible notes that were sold in April 2009.
- (3) Based on the data collected by the KRX KOSPI Market under the Foreign Exchange Transaction Laws.
- (4) On January 9, 2009, the Company purchased (using retained earnings) and cancelled 448,000 common shares. As a result of such retirement of common shares, the total number of shares decreased to 80,745,711 from 89,278,946 which is the total number of shares issued to date.
- (5) Represents total issued shares excluding treasury shares.
- The following table sets forth significant changes in the percentage ownership held by our major shareholders during the past three years:

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

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

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

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

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

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

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

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

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

Item 7.B. Related Party Transactions **SK Networks**

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

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

Other Related Parties

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

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

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

Item 7.C. Interests of Experts and Counsel Not applicable.

Item 8. FINANCIAL INFORMATION

Item 8.A. Consolidated Statements and Other Financial Information
See Item 18. Financial Statements and pages F-1 through F-94.

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Legal Proceedings

FTC Proceedings

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

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

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

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

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

MIC and KCC Proceedings

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

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

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

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

SK Broadband Litigation

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

SK Communications Litigation

In July 2011, a leak of personal information of subscribers of Nate and Cyworld websites operated by SK Communications Co., Ltd., our consolidated subsidiary, occurred. As of December 31, 2011, seven lawsuits were filed on behalf of approximately 4,000 plaintiffs against SK

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Communications, alleging that the leak was caused by its poor management of subscribers' personal information and seeking damages of approximately Won 4.0 billion. On April 26, 2012, Gumi City Court rendered a judgment that accepted a plaintiff's claim in part, ordering a payment of Won 1 million to him, while other cases remain pending at various district courts in Korea. SK Communications is considering an appeal of Gumi City Court's judgment.

Table of Contents**ColoRing Litigation**

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

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

Dividends

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

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

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

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

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

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

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

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

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

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

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

Item 8.B. *Significant Changes*

Not applicable.

Item 9. *THE OFFER AND LISTING*

Item 9.A. *Offering and Listing Details*

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

Item 9.B. *Plan of Distribution*

Not applicable.

Item 9.C. *Markets*

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

The ADSs are traded on the New York Stock Exchange and the London Stock Exchange. The ADSs have been issued by the ADR depository and are traded on the New York Stock Exchange under the ticker symbol `SKM`. Each ADS represents one-ninth of one share of our common

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stock. As of March 31, 2012, ADSs representing 22,223,578 shares of our common stock were outstanding.

Table of Contents**Shares of Common Stock**

The following table sets forth the high, low and closing prices and the average daily trading volume of the shares of common stock on the KRX KOSPI Market since January 1, 2007:

Calendar Year	Prices			Average Daily Trading Volume (Number of shares)
	High(1)	Low(1) (Won per shares)	Close	
2007	274,000	188,500	249,000	244,056
First Quarter	223,000	190,500	191,500	206,155
Second Quarter	215,000	188,500	213,000	220,091
Third Quarter	221,000	192,000	210,000	198,816
Fourth Quarter	274,000	204,500	249,000	349,701
2008	232,000	178,000	209,000	322,706
First Quarter	232,000	178,500	186,500	330,196
Second Quarter	212,000	180,000	190,500	265,973
Third Quarter	210,500	178,000	205,500	317,506
Fourth Quarter	227,500	187,500	209,000	374,768
2009	218,000	166,000	169,500	332,913
First Quarter	218,000	180,500	192,000	231,340
Second Quarter	183,500	170,500	174,000	278,545
Third Quarter	185,500	166,000	182,500	242,112
Fourth Quarter	190,500	169,500	169,500	171,571
2010	188,000	158,500	173,500	193,937
First Quarter	188,000	168,500	173,500	306,532
Second Quarter	178,000	158,500	160,500	202,245
Third Quarter	171,500	158,500	171,500	145,561
Fourth Quarter	180,500	168,500	173,500	127,235
2011				
First Quarter	172,500	156,000	163,500	124,796
Second Quarter	169,000	152,500	161,500	160,839
Third Quarter	161,500	131,000	149,500	324,018
Fourth Quarter	165,000	141,500	141,500	249,500
2012 (through April 27)				
First Quarter				
January	143,000	134,500	142,500	211,072
February	145,500	136,000	145,500	192,518
March	146,000	136,500	139,500	176,890
Second Quarter (through April 27)				
April (through April 27)	142,500	134,500	137,000	402,864

Source: Korea Exchange

(1) Both high and low prices are based on the daily closing prices for the period.

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The following table sets forth the high, low and closing prices and the average daily trading volume of the ADSs on the New York Stock Exchange since January 1, 2007:

Calendar Year	Prices			Average Daily Trading Volume (Number of ADSs)
	High	Low (US\$ per ADS)	Close	
2007	33.33	22.46	29.84	1,379,370
First Quarter	26.41	22.46	23.42	1,046,780
Second Quarter	28.02	23.41	27.35	1,498,295
Third Quarter	30.30	26.15	29.70	1,498,032
Fourth Quarter	33.33	29.00	29.84	1,462,495
2008	27.96	14.63	18.18	1,762,329
First Quarter	27.96	19.90	21.61	1,992,134
Second Quarter	23.47	20.67	20.77	1,106,308
Third Quarter	22.29	18.68	18.82	1,663,854
Fourth Quarter	19.51	14.63	18.18	2,297,794
2009	18.64	12.59	16.26	1,246,873
First Quarter	18.35	12.59	15.45	1,280,533
Second Quarter	16.73	14.84	15.15	1,161,833
Third Quarter	17.50	14.82	17.45	990,400
Fourth Quarter	18.64	15.97	16.26	1,788,667
2010	19.13	14.73	18.63	1,288,546
First Quarter	18.33	16.32	17.26	1,422,379
Second Quarter	18.51	14.73	14.73	1,486,937
Third Quarter	17.48	14.84	17.47	1,294,034
Fourth Quarter	19.13	17.74	18.63	960,206
2011				
First Quarter	19.02	16.83	18.81	1,639,731
Second Quarter	19.80	17.36	18.70	1,640,469
Third Quarter	18.77	13.47	14.07	2,125,730
Fourth Quarter	15.89	13.49	13.61	2,060,180
2012 (through April 27)				
First Quarter				
January	14.08	12.90	14.01	1,501,615
February	14.45	13.40	14.45	1,542,437
March	14.60	13.51	13.91	1,862,616
Second Quarter (through April 27)				
April (through April 27)	14.13	13.25	13.50	2,418,768

The Korean Securities Market*The Korea Exchange Inc.*

With the enactment of the Korea Stock and Futures Exchange Act, which came into effect on January 27, 2005, the three existing spot and futures exchanges (which were the Korea Stock Exchange, Korean Futures Exchange, and KOSDAQ) and KOSDAQ Committee, a sub-organization of Korea Securities Dealers Association, were merged and integrated into the Korea Exchange Inc. as a joint stock company. There are three different markets run by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market (the KRX KOSDAQ Market) and the KRX Derivatives Market. The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a limited liability company, the shares of which are held by (i) securities companies and futures companies that were formerly members of the Korea Stock Exchange or the Korea Futures Exchange, (ii) the Small Business Corporation, (iii) the Korea Securities Finance Corporation and

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(iv) the Korea Securities Dealers Association. Currently, the Korea Exchange is the only stock exchange in Korea and is run by membership, having most of Korean securities companies and some Korean branches of foreign securities companies as its members.

As of December 31, 2011, the aggregate market value of equity securities listed on the KRX KOSPI Market was approximately Won 1,042.0 trillion. For the year ended December 31, 2010, the average daily trading volume of equity securities was approximately 380.9 million shares with an average transaction value of Won 5,619.7 billion. For the year ended December 31, 2011, the average daily trading volume of equity securities was approximately 353.8 million shares with an average trading value of Won 6,863.1 billion.

The Korea Exchange has the power in some circumstances to suspend trading in the shares of a given company or to de-list a security. The Korea Exchange also restricts share price movements. All listed companies are required to file accounting reports annually, semi-annually and quarterly and to release immediately all information that may affect trading in a security.

The Government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector business community that can have the intention or effect of depressing or boosting the market. In the past, the Government has informally both encouraged and restricted the declaration and payment of dividends, induced mergers to reduce what it considers an excess capacity in a particular industry and induced private companies to publicly offer their securities.

The Korea Exchange publishes the Korea Composite Stock Price Index, or KOSPI, every ten seconds, which is an index of all equity securities listed on the KRX KOSPI Market. On January 1, 1983, the method of computing KOSPI was changed from the Dow Jones method to the aggregate value method. In the new method, the market capitalizations of all listed companies are aggregated, subject to certain adjustments, and this aggregate is expressed as a percentage of the aggregate market capitalization of all listed companies as of the base date, January 4, 1980.

Movements in KOSPI are set out in the following table together with the associated dividend yields and price to earnings ratios:

Year	Opening	High	Low	Closing	Period Average	
					Dividend Yield(1) (%)	Price Earnings
1980	100.00	119.36	100.00	106.87	20.9	2.6
1981	97.95	165.95	93.14	131.37	13.2	3.1
1982	123.60	134.49	106.00	127.31	10.5	3.4
1983	122.52	134.46	115.59	121.21	6.9	3.8
1984	116.73	142.46	114.37	142.46	5.1	4.5
1985	139.53	163.37	131.40	163.37	5.3	5.2
1986	161.40	279.67	153.85	272.61	4.3	7.6
1987	264.82	525.11	264.82	525.11	2.6	10.9
1988	532.04	922.56	527.89	907.20	2.4	11.2
1989	919.61	1,007.77	844.75	909.72	2.0	13.9
1990	908.59	928.77	566.27	696.11	2.2	12.8
1991	679.75	763.10	586.51	610.92	2.6	11.2
1992	624.23	691.48	459.07	678.44	2.2	10.9
1993	697.41	874.10	605.93	866.18	1.6	12.7
1994	879.32	1,138.75	860.47	1,027.37	1.2	16.2
1995	1,013.57	1,016.77	847.09	882.94	1.2	16.4
1996	888.85	986.84	651.22	651.22	1.3	17.8
1997	653.79	792.29	350.68	376.31	1.5	17.0
1998	385.49	579.86	280.00	562.46	1.9	10.8
1999	587.57	1,028.07	498.42	1,028.07	1.1	13.5
2000	1,059.04	1,059.04	500.60	504.62	2.4	15.3
2001	520.95	704.50	468.76	693.70	1.7	29.3
2002	724.95	937.61	584.04	829.44	1.8	15.6

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Year	Opening	High	Low	Closing	Period Average Dividend Yield(1) (%)	Price Earnings
2003	635.17	822.16	515.24	810.71	2.1	10.1
2004	821.26	936.06	719.59	895.92	2.1	15.8
2005	893.71	1,379.37	870.84	1,379.37	1.7	11.0
2006	1,389.27	1,464.70	1,192.09	1,434.46	1.7	11.4
2007	1,435.26	2,064.85	1,355.79	1,897.13	1.4	16.8
2008	1,853.45	1,888.88	938.75	1,124.47	2.6	9.0
2009	1,157.4	1,718.88	1,018.81	1,682.77	1.2	23.7
2010	1,696.14	2,052.97	1,532.68	2,051.00	1.1	17.8
2011	2,070.08	2,228.96	1,652.71	1,825.74	1.5	10.9
2012 (through April 27)	1,826.37	2,049.28	1,826.37	1,975.35	1.4	12.1

Source: Korea Exchange

(1) Dividend yields are based on daily figures. Before 1983, dividend yields were calculated at the end of each month. Dividend yields after January 3, 1984 include cash dividends only.

(2) The price to earnings ratio is based on figures for companies that record a profit in the preceding year. KOSPI closed at 1,975.35 on April 27, 2012.

Shares are quoted ex-dividend on the first trading day of the relevant company's accounting period. Since the calendar year is the accounting period for the majority of listed companies, this may account for the drop in KOSPI between its closing level at the end of one calendar year and its opening level at the beginning of the following calendar year.

With certain exceptions, principally to take account of a share being quoted ex-dividend and ex-rights, upward and downward movements in share prices of any category of shares on any day are limited under the rules of the Korea Exchange to 15.0% of the previous day's closing price of the shares, rounded down as set out below:

Previous Day's Closing Price (Won)	Rounded Down to (Won)
Less than 5,000	5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

As a consequence, if a particular closing price is the same as the price set by the fluctuation limit, the closing price may not reflect the price at which persons would have been prepared, or would be prepared to continue, if so permitted, to buy and sell shares. Orders are executed on an auction system with priority rules to deal with competing bids and offers.

Due to a recent deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange by the securities companies. In addition, a securities transaction tax of 0.15% of the sales price will generally be imposed on the transfer of shares or certain securities representing rights to subscribe for shares. A special agricultural and fishery tax of 0.15% of the sales prices will also be imposed on transfer of these shares and securities on the KRX KOSPI Market. See Item 10.E. Taxation Korean Taxation .

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The following table sets forth the number of companies listed on the KRX KOSPI Market, the corresponding total market capitalization and the average daily trading volume at the end of the periods indicated:

Year	Number of Listed Companies	Market Capitalization on the Last Day of Each Period		Average Daily Trading Volume, Value		
		(Billions of Won)	(Millions of US\$)(1)	Thousands of Shares	(Millions of Won)	(Thousands of US\$)(1)
1981	343	(Won) 2,959	US\$ 4,223	10,565	(Won) 8,708	US\$ 12,427
1982	334	3,001	4,012	9,704	6,667	8,914
1983	328	3,490	4,361	9,325	5,941	7,425
1984	336	5,149	6,207	14,847	10,642	12,829
1985	342	6,570	7,362	18,925	12,315	13,798
1986	355	11,994	13,863	31,755	32,870	37,991
1987	389	26,172	32,884	20,353	70,185	88,183
1988	502	64,544	93,895	10,367	198,364	288,571
1989	626	95,477	140,119	11,757	280,967	412,338
1990	669	79,020	109,872	10,866	183,692	255,412
1991	686	73,118	95,541	14,022	214,263	279,973
1992	688	84,712	107,027	24,028	308,246	389,445
1993	693	112,665	138,870	35,130	574,048	707,566
1994	699	151,217	190,762	36,862	776,257	979,257
1995	721	141,151	181,943	26,130	487,762	628,721
1996	760	117,370	138,490	26,571	486,834	928,418
1997	776	70,989	41,881	41,525	555,759	327,881
1998	748	137,799	114,261	97,716	660,429	547,619
1999	725	349,504	307,662	278,551	3,481,620	3,064,806
2000	704	188,042	148,415	306,163	2,602,211	2,053,837
2001	689	255,850	194,785	473,241	1,997,420	1,520,685
2002	683	258,681	216,071	857,245	3,041,598	2,540,590
2003	684	355,363	298,624	542,010	2,216,636	1,862,719
2004	683	412,588	398,597	372,895	2,232,109	2,156,419
2005	702	655,075	648,589	467,629	3,157,662	3,126,398
2006	731	704,588	757,622	279,096	3,435,180	3,693,742
2007	746	951,900	1,017,205	363,732	5,539,588	5,919,697
2008	765	576,888	457,122	355,205	5,189,644	4,112,238
2009	770	887,316	762,528	485,657	5,795,552	4,980,494
2010	777	1,114,882	1,260,486	379,171	5,607,749	6,340,121
2011	791	1,041,999	899,438	353,759	6,863,146	5,924,166
2012 (through April 27)	788	1,137,650	999,605	519,041	5,652,173	4,966,324

Source: Korea Exchange

(1) Converted at the noon buying rate on the last business day of the period indicated.

The Korean securities markets are principally regulated by the Financial Services Commission of Korea and became subject to the Financial Investment Services and Capital Markets Act beginning in February 2009. The law imposes restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests.

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Further Opening of the Korean Securities Market

Stock index futures market was opened on May 3, 1996 and a stock index option market was opened on July 7, 1997, in each case at the Korea Stock Exchange. Remittance and repatriation of funds in connection with investment in stock index futures and options are subject to regulations similar to those that govern remittance and repatriation in the context of foreign investment in Korean stocks.

In addition, the Korea Stock Exchange opened new option markets for stocks of seven companies including our shares of common stock and common stock of six other companies on January 28, 2002. Foreigners will be permitted to invest in such options for individual stocks subject to certain procedural requirements.

Starting from May 1, 1996, foreign investors were permitted to invest in warrants representing the right to subscribe for shares of a company listed on the Korea Stock Exchange or registered on the KOSDAQ, subject to certain investment limitations. A foreign investor may not acquire such warrants with respect to shares of a class of a company for which the ceiling on aggregate investment by foreigners has been reached or exceeded.

As of December 30, 1997, foreign investors were permitted to invest in all types of corporate bonds, bonds issued by national or local governments and bonds issued in accordance with certain special laws without being subject to any aggregate or individual investment ceiling. The Financial Services Commission of Korea sets forth procedural requirements for such investments. The Government announced on February 8, 1998 its plans for the liberalization of the money market with respect to investment in money market instruments by foreigners in 1998. According to the plan, foreigners have been permitted to invest in money market instruments issued by corporations, including commercial paper, starting February 16, 1998 with no restrictions as to the amount. Starting May 25, 1998, foreigners have been permitted to invest in certificates of deposit and repurchase agreements.

Currently, foreigners are permitted to invest in securities including shares of most Korean companies that are not listed on the KRX KOSPI Market or the KRX KOSDAQ Market and in bonds that are not listed.

Protection of Customer's Interest in Case of Insolvency of Financial Investment Companies with a Brokerage License

Under Korean law, the relationship between a customer and a financial investment company with a brokerage license in connection with a securities sell or buy order is deemed to be consignment and the securities acquired by a consignment agent (i.e., the financial investment company with a brokerage license) through such sell or buy order are regarded as belonging to the customer in so far as the customer and the consignment agent's creditors are concerned. Therefore, in the event of a bankruptcy or rehabilitation procedure involving a financial investment company with a brokerage license, the customer of such financial investment company is entitled to the proceeds of the securities sold by such financial investment company.

When a customer places a sell order with a financial investment company with a brokerage license which is not a member of the Korea Exchange and this financial investment company places a sell order with another financial investment company with a brokerage license which is a member of the Korea Exchange, the customer is still entitled to the proceeds of the securities sold received by the non-member company from the member company regardless of the bankruptcy or rehabilitation of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a financial investment company with a brokerage license which is a member of the Korea Exchange breaches its obligation in connection with a buy order, the Korea Exchange is obliged to pay the purchase price on behalf of the breaching member.

When a customer places a buy order with a non-member company and the non-member company places a buy order with a member company, the customer has the legal right to the securities received by the non-member company from the member company because the purchased securities are regarded as belonging to the customer in so far as the customer and the non-member company's creditors are concerned.

As the cash deposited with a financial investment company with a brokerage license is regarded as belonging to such financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the financial investment company with a brokerage license if a bankruptcy or

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rehabilitation procedure is instituted against such financial investment company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that Korea Deposit Insurance Corporation will, upon the request of the investors, pay investors up to Won 50 million per investor in case of such financial investment company's bankruptcy, liquidation, cancellation of securities business license or other insolvency events. Pursuant to the Financial Investment Services and Capital Markets Act, subject to certain exceptions, financial investment companies with a brokerage license are required to deposit the cash received from their customers with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by financial investment companies with a brokerage license is prohibited. The premiums related to this insurance under the Depositor Protection Act are paid by financial investment companies with a brokerage license.

Item 9.D *Selling Shareholders*

Not Applicable.

Item 9.E. *Dilution*

Not Applicable.

Item 9.F. *Expenses of the Issue*

Not Applicable.

Item 10. *ADDITIONAL INFORMATION***Item 10.A. *Share Capital***

Not Applicable.

Item 10.B. *Memorandum and Articles of Incorporation***Description of Capital Stock**

This section provides information relating to our capital stock, including brief summaries of material provisions of our articles of incorporation, the Financial Investment Services and Capital Markets Act, the Korean Commercial Code, the Telecommunications Business Act and related laws of Korea, all as currently in effect. The following summaries are subject to, and are qualified in their entirety by reference to, our articles of incorporation and the applicable provisions of the Financial Investment Services and Capital Markets Act, the Korean Commercial Code and the Telecommunications Business Act. We have filed copies of our articles of incorporation and the Telecommunications Business Act as exhibits to our annual reports on Form 20-F.

General

The name of our company is SK Telecom Co., Ltd. We are registered under the laws of Korea under the commercial registry number of 110111-0371346. As specified in Article 2 (Objectives) of our articles of incorporation, as amended and approved at our general shareholders meeting held on August 31, 2011, the company's objectives are the rational management of the telecommunications business, development of telecommunications technology, and contribution to public welfare and convenience. In order to achieve these objectives, we are engaged in the following:

information and communication business;

sale and lease of subscriber handsets;

new media business;

advertising business;

mail order business;

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development, management and leasing of real estate properties;

research and technology development relating to the first four items above;

overseas and import/export business relating to the first four items above;

manufacture and distribution business relating to the first four items above;

tourism;

electronic financial services business;

film business (production, import, distribution and screening);

lifetime education and management of lifetime educational facilities;

electric engineering business;

information- and communication-related engineering and construction business;

ubiquitous city construction and related service business;

any related business through investment, management and operation of our Korean or offshore subsidiaries and investment companies;
and

any business or undertaking incidental or conducive to the attainment of the objectives stated above.

Currently, our authorized share capital is 220,000,000 shares, which consists of shares of common stock, par value Won 500 per share, and shares of non-voting stock, par value Won 500 per share (common shares and non-voting shares together are referred to as shares). Under our articles of incorporation, we are authorized to issue up to 5,500,000 non-voting preferred shares. As of March 31, 2012, 80,745,711 common shares were issued, of which 11,050,712 shares were held by us in treasury. We have never issued any non-voting preferred shares. All of the issued and outstanding common shares are fully-paid and non-assessable and are in registered form. We issue share certificates in denominations of 1, 5, 10, 50, 100, 500, 1,000 and 10,000 shares.

Board of Directors

Meetings of the board of directors are convened by the representative director as he or she deems necessary or upon the request of three or more directors. The board of directors determines all important matters relating to our business. In addition, the prior approval of the majority of the independent non-executive directors is required for certain matters, which include:

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investment by us or any of our subsidiaries in a foreign company in equity or acquisition of such foreign company's other overseas assets in an amount equal to 5.0% or more of our shareholders' equity under our most recent balance sheet; and

contribution of capital, loans or guarantees, acquisition of our subsidiaries' assets or similar transactions with our affiliated companies in excess of Won 10 billion through one or a series of transactions.

Resolutions of the board are adopted in the presence of a majority of the directors in office and by the affirmative vote of a majority of the directors present. No director who has an interest in a matter for resolution may exercise his or her vote upon such matter.

There are no specific shareholding requirements for director's qualification. Directors are elected at a general meeting of shareholders if the approval of the holders of the majority of the voting shares present at such meeting is obtained and if such majority also represents at least one-fourth of the total number of shares outstanding. Under the Korean Commercial Code, unless otherwise stated in the articles of incorporation, holders of an aggregate of 1% or more of the outstanding shares with voting rights may request cumulative voting in any election for two or more directors. Our articles of incorporation do not permit cumulative voting for the election of directors.

The term of office for directors is until the close of the third annual general shareholders meeting convened after he or she commences his or her term. Our directors may serve consecutive terms and our shareholders may remove them from office at any time by a special resolution adopted at a general meeting of shareholders.

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Dividends

We distribute dividends to our shareholders in proportion to the number of shares owned by each shareholder. The common shares represented by the ADSs have the same dividend rights as other outstanding common shares. For a detailed discussion of our dividend policy, see Item 8.A. Consolidated Statements and Other Financial Information – Dividends.

Distribution of Free Shares

In addition to paying dividends in shares out of our retained or current earnings, we may also distribute to our shareholders an amount transferred from our capital surplus or legal reserve to our stated capital in the form of free shares. We must distribute such free shares to all our shareholders in proportion to their existing shareholdings.

Preemptive Rights and Issuance of Additional Shares

We may at times issue authorized but unissued shares, unless otherwise provided in the Korean Commercial Code, on terms determined by our board of directors. All our shareholders are generally entitled to subscribe to any newly-issued shares in proportion to their existing shareholdings. We must offer new shares on uniform terms to all shareholders who have preemptive rights and are listed on our shareholders registry as of the relevant record date. We must give public notice of the preemptive rights regarding new shares and their transferability at least two weeks before the relevant record date. Our board of directors may determine how to distribute shares for which preemptive rights have not been exercised or where fractions of shares occur.

Under the Korean Commercial Code and our articles of incorporation, we may issue new shares pursuant to a board resolution to persons other than existing shareholders only if (1) the new shares are issued for the purpose of issuing depository receipts in accordance with the relevant regulations or through an offering to public investors and (2) the purpose of such issuance is deemed necessary by us to achieve a business purpose, including, but not limited to, the introduction of new technology or the improvement of our financial condition. Under our articles of incorporation, only our board of directors is authorized to set the terms and conditions with respect to such issuance of new shares.

In addition, under our articles of incorporation, we may issue convertible bonds or bonds with warrants, each up to an aggregate principal amount of Won 400 billion, to persons other than existing shareholders, where such issuance is deemed necessary by us to achieve a business purpose, including, but not limited to, the introduction of new technology or the improvement of our financial condition.

Members of our employee stock ownership association, whether or not they are our shareholders, generally have a preemptive right to subscribe for up to 20.0% of the shares publicly offered pursuant to the Financial Investment Services and Capital Markets Act. This right is exercisable only to the extent that the total number of shares so acquired and held by members of our employee stock ownership association does not exceed 20.0% of the sum of the number of shares then outstanding and the number of newly-issued shares. As of March 31, 2012, approximately 0.37% of the issued shares were held by members of our employee stock ownership association.

General Meeting of Shareholders

We generally hold the annual general meeting of shareholders within three months after the end of each fiscal year. Subject to a board resolution or court approval, we may hold an extraordinary general meeting of shareholders:

as necessary;

at the request of holders of an aggregate of 3.0% or more of our outstanding common shares;

at the request of shareholders holding an aggregate of 1.5% or more of our outstanding shares and preferred shares for at least six months; or

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at the request of our audit committee.

Holders of non-voting preferred shares may request a general meeting of shareholders only after the non-voting shares become entitled to vote or enfranchised, as described under [Voting Rights](#) below.

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We must give shareholders written notice setting out the date, place and agenda of the meeting at least two weeks before the date of the general meeting of shareholders. However, for holders of less than 1.0% of the total number of issued and outstanding voting shares, we may give notice by placing at least two public notices in at least two daily newspapers at least two weeks in advance of the meeting. Currently, we use The Korea Economic Daily News and Mail Business Newspaper, both published in Seoul, for this purpose. Shareholders who are not on the shareholders registry as of the record date are not entitled to receive notice of the general meeting of shareholders or attend or vote at the meeting. Holders of non-voting preferred shares, unless enfranchised, are not entitled to receive notice of or vote at general meetings of shareholders.

Our general meetings of shareholders have historically been held in or near Seoul.

Voting Rights

Holders of our common shares are entitled to one vote for each common share, except that voting rights of common shares held by us (including treasury shares and shares held by bank trust funds controlled by us), or by a corporate shareholder in which we own more than 10% equity interest, either directly or indirectly, may not be exercised. The Korean Commercial Code, unless otherwise stated in the articles of incorporation, permits cumulative voting, which would allow each shareholder to have multiple voting rights corresponding to the number of directors to be appointed in the voting and to exercise all voting rights cumulatively to elect one director. Our articles of incorporation do not permit cumulative voting for the election of directors.

Our shareholders may adopt resolutions at a general meeting by an affirmative majority vote of the voting shares present or represented at the meeting if such affirmative votes also represent at least one-fourth of our total voting shares then issued and outstanding. However, under the Korean Commercial Code and our articles of incorporation, the following matters, among others, require approval by the holders of at least two-thirds of the voting shares present or represented at a meeting, and such affirmative votes must also represent at least one-third of our total voting shares then issued and outstanding:

amending our articles of incorporation;

removing a director;

effecting any dissolution, merger or consolidation of us;

transferring the whole or any significant part of our business;

effecting our acquisition of all of the business of any other company or a part of the business of any other company having a material effect on our business;

reducing our capital; or

issuing any new shares at a price lower than their par value.

In general, holders of non-voting preferred shares are not entitled to vote on any resolution or receive notice of any general meeting of shareholders.

However, in case of amendments to our articles of incorporation, or any merger or consolidation of us, or in some other cases which affect the rights or interests of the non-voting preferred shares, approval of the holders of non-voting preferred shares is required. We may obtain the approval by a resolution of holders of at least two-thirds of the non-voting preferred shares present or represented at a class meeting of the holders of non-voting preferred shares, where the affirmative votes also represent at least one-third of our total issued and outstanding non-voting shares. In addition, if we are unable to pay dividends on non-voting preferred shares as provided in our articles of incorporation, the

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holders of non-voting shares will become enfranchised and will be entitled to exercise voting rights beginning at the next general meeting of shareholders to be held after the declaration of non-payment of dividends is made until such dividends are paid. The holders of enfranchised non-voting preferred shares will have the same rights as holders of common shares to request, receive notice of, attend and vote at a general meeting of shareholders.

Shareholders may exercise their voting rights by proxy. A shareholder may give proxies only to another shareholder, except that a corporate shareholder may give proxies to its officers or employees.

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Holders of ADRs exercise their voting rights through the ADR depository, an agent of which is the record holder of the underlying common shares. Subject to the provisions of the deposit agreement, ADR holders are entitled to instruct the ADR depository how to vote the common shares underlying their ADSs.

Limitation on Shareholdings

The Telecommunications Business Act prohibits foreign governments, individuals, and entities (including Korean entities that are deemed foreigners, as discussed below) from owning more than 49% of our voting stock. Korean entities whose largest shareholder is a foreign government or a foreigner (together with any of its related parties) that owns 15% or more of such Korean entities' outstanding voting stock are deemed foreigners. A foreigner who has acquired shares of our voting stock in excess of such limitation may not exercise the voting rights with respect to the shares exceeding such limitation and may be subject to the KCC's corrective orders.

Rights of Dissenting Shareholders

Under Financial Investment Services and Capital Market Act, in some limited circumstances, including the transfer of all or a significant part of our business or our merger or consolidation with another company (with certain exceptions), dissenting shareholders have the right to require us to purchase their shares. To exercise this right, shareholders, including holders of non-voting shares, must submit to us a written notice of their intention to dissent before the general meeting of shareholders. Then, within 20 days after the relevant resolution is passed at a meeting, the dissenting shareholders must request us in writing to purchase their shares. We are obligated to purchase the shares of such dissenting shareholders within one month after the expiration of the 20-day period. The purchase price for the shares is required to be determined through negotiation between the dissenting shareholders and us. If we cannot agree on a price through negotiation, the purchase price will be the average of (1) the weighted average of the daily share prices on the KRX KOSPI Market for the two-month period before the date of the adoption of the relevant board resolution, (2) the weighted average of the daily share price on the KRX KOSPI Market for the one month period before the date of the adoption of the relevant resolution and (3) the weighted average of the daily share price on the KRX KOSPI Market for the one week period before the date of the adoption of the relevant resolution. However, a court may determine the purchase price if we or dissenting shareholders do not accept the purchase price.

Registry of Shareholders and Record Dates

Our transfer agent, Kookmin Bank, maintains the register of our shareholders at its office in Seoul, Korea. It records and registers transfers of shares on the register of shareholders upon presentation of the share certificates.

The record date for annual dividends is December 31. For the purpose of determining the shareholders entitled to annual dividends, the registry of shareholders is closed for the period from January 1 to January 31 of the following year. Further, for the purpose of determining the shareholders entitled to some other rights pertaining to the shares, we may, on at least two weeks' public notice, set a record date and/or close the register of shareholders for not more than three months. The trading of shares and the delivery of share certificates may continue while the register of shareholders is closed.

Annual Report

At least one week before the annual general meeting of shareholders, we must make our annual reports and audited non-consolidated financial statements available for inspection at our principal office and at all of our branch offices. In addition, copies of annual reports, the audited non-consolidated financial statements and any resolutions adopted at the general meeting of shareholders will be available to our shareholders.

Under the Financial Investment Services and Capital Markets Act, we must file with the Financial Services Commission of Korea and the Korea Exchange (1) an annual securities report within 90 days after the end of our fiscal year, (2) a mid-year report within 45 days after the end of the first six months of our fiscal year, and (3) quarterly reports within 45 days after the end of the third month and the ninth month of our fiscal year. Copies of these reports are or will be available for public inspection at the Financial Services Commission of Korea and the Korea Exchange.

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Transfer of Shares

Under the Korean Commercial Code, the transfer of shares is effected by the delivery of share certificates. However, to assert shareholders' rights against us, the transferee must have his or her name, seal and address registered on our registry of shareholders, maintained by our transfer agent. A non-Korean shareholder may file a sample signature in place of a seal, unless he or she is a citizen of a country with a sealing system similar to that of Korea. In addition, a non-resident shareholder must appoint an agent in Korea authorized to receive notices on his or her behalf and file his or her mailing address in Korea.

Under current Korean regulations, the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians may act as agents and provide related services for foreign shareholders. Certain foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Korean citizens. See Item 10.D. Exchange Controls Korean Foreign Exchange Controls and Securities Regulations .

Our transfer agent is Kookmin Bank, located at 24-3, Yoido-dong, Yongdungpo-ku, Seoul, Korea.

Restrictions Applicable to Shares

Pursuant to the Telecommunications Business Act, the maximum aggregate foreign shareholding in us is limited to 49.0%. See Item 4.B. Business Overview Law and Regulation Foreign Ownership and Investment Restrictions and Requirements . In addition, certain foreign exchange controls and securities regulations apply to the acquisition of securities by non-residents or non-Korean citizens. See Item 10.D. Exchange Controls Korean Foreign Exchange Controls and Securities Regulations .

Acquisition of Shares by Us

We may acquire our own shares pursuant to an approval at the general meeting of shareholders, through purchases on the Korea Exchange or a tender offer, or by acquiring the interests in a trust account holding our own shares through agreements with trust companies and asset management companies. The aggregate purchase price for the shares may not exceed the total amount available for distribution as dividends as of the end of the preceding fiscal year less the amount of dividends and mandatory reserves required to be set aside for that fiscal year, subject to certain procedural requirements.

Under the Korean Commercial Code, we may resell or transfer any shares acquired by us to a third party pursuant to an approval by the Board of Directors. In general, corporate entities in which we own a 50% or more equity interest may not acquire our common stock. Under the Financial Investment Services and Capital Markets Act, we are subject to certain selling restrictions with respect to the shares acquired by us. In October 2001, in accordance with the approval of our board of directors, we established trust funds with four Korean banks with a total funding of Won 1.3 trillion for the purpose of acquiring our shares at market prices or within a range of five percent of market prices. In October 2007, in accordance with the approval of our board of directors, we extended the terms of such trust funds until October 2010, but the total amount of funding was reduced to Won 982 billion. In October 2010, upon expiration of the terms of the trust funds, our shares held by the trust funds were transferred to us and are currently held by us as treasury shares. For more details on the trust funds, see Item 5.B. Liquidity and Capital Resources .

Liquidation Rights

In the event of our liquidation, remaining assets after payment of all debts, liquidation expenses and taxes will be distributed among shareholders in proportion to their shareholdings. Holders of non-voting preferred shares have no preference in liquidation. Holders of debt securities have no preference over other creditors in the event of liquidation.

Description of American Depositary Shares

The following is a summary of the deposit agreement dated as of May 31, 1996, as amended by amendment no. 1 dated as of March 15, 1999, amendment no. 2 dated as of April 24, 2000 and amendment no. 3 dated as of

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July 24, 2002, among us, Citibank, N.A., as ADR depository, and all holders and beneficial owners of ADSs, as supplemented by side letters dated as of July 25, 2002, October 1, 2002 and October 1, 2007. The deposit agreement is governed by the laws of the State of New York. Because it is a summary, this description does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the ADR. The deposit agreement has been filed as an exhibit to our registration statement on Form F-3 (File No. 333-91304) filed with the SEC. Copies of the deposit agreement are available for inspection at the principal New York office of the ADR depository, currently located at 388 Greenwich Street, 14th Floor, New York, New York 10013, United States of America, and at the principal London office of the ADR depository, currently located at Canada Square, Canary Wharf, London, E14 5LB, England.

American Depositary Receipts

The ADR depository may execute and deliver ADRs evidencing the ADSs. Each ADR evidences a specified number of ADSs, each ADS representing one-ninth of one share of our common stock to be deposited with the ADR depository's custodian in Seoul. Korea Securities Depository is the institution authorized under applicable law to effect book-entry transfers of our common shares, known as the Custodian. The Custodian is located at 1328 Paeksok-Dong, Ilsan-Ku, Koyang, 411-770, Kyunggi-Do, Seoul, 150-884, Korea. An ADR may represent any number of ADSs. We and the ADR depository will treat only persons in whose names ADRs are registered on the books of the registrar as holders of ADRs.

Deposit and Withdrawal of Shares of Common Stock

Notwithstanding the provisions described below, under the terms of the deposit agreement, the deposit of shares and issuance of ADSs may only be made if the total number of shares represented by ADSs after such deposit does not exceed a specified maximum, 24,321,893 shares as of March 31, 2012. This limit will be adjusted in certain circumstances, including (1) upon the cancellation of existing ADSs, (2) upon future offerings of ADSs by us or our shareholders, (3) rights offerings and (4) adjustments for share reclassifications. The limit also may be decreased in certain circumstances. As of March 31, 2012, the outstanding ADSs represented 22,223,578 shares of our common stock. Notwithstanding the foregoing, the ADR depository and the Custodian may not accept deposits of shares of common stock for issuance of ADSs if it has been notified by us in writing that we block deposits to prevent a violation of applicable Korean laws or regulations or a violation of our articles of incorporation. In addition, the ADR depository may not accept deposits of shares of common stock for issuance of ADSs from a person who identifies him-, her- or itself to the depository, and has been identified in writing by us, as a holder of at least 3% of our shares of common stock.

The shares of common stock underlying the ADSs are delivered to the ADR depository's Custodian in book-entry form. Accordingly, no share certificates will be issued but the ADR depository will hold the shares of common stock through the book-entry settlement system of the Custodian. The delivery of the shares of common stock pursuant to the deposit agreement will take place through the facilities of the Custodian in accordance with its applicable settlement procedures. The ADR depository will execute and deliver ADSs if you or your broker deposit shares or evidence of rights to receive shares of common stock with the Custodian. Upon payment of fees and expenses and any taxes or charges, such as stamp taxes or stock transfer taxes, the ADR depository will register the appropriate number of ADSs in the names you designate. The ADR depository and the ADR depository's Custodian will refuse to accept shares of common stock for deposit whenever we restrict transfer of shares of common stock to comply with ownership restrictions under applicable law or our articles of incorporation or whenever the deposit would cause the total number of shares of common stock deposited to exceed a level we determine from time to time. We may instruct the ADR depository to take certain actions with respect to a holder of ADSs who holds in excess of the ownership limitation set forth in the deposit agreement, including the mandatory sale or disposition of the shares represented by the ADSs in excess of such ownership limitations if, and to the extent, permitted by applicable law.

You may surrender your ADRs to the ADR depository to withdraw the underlying shares of our common stock. Upon payment of the fees and any governmental charges and taxes provided in the deposit agreement, and subject to applicable laws and regulations of Korea and our articles of incorporation, you will be entitled to physical delivery or electronic delivery to an account in Korea or, if permissible under applicable Korean law, outside the

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United States, of the shares of common stock evidenced by the ADRs and any other property at the time represented by ADR you surrendered. If you surrender an ADR evidencing a number of ADSs not evenly divisible by nine, the ADR depository will deliver the appropriate whole number of shares of common stock represented by the surrendered ADSs and will execute and deliver to you a new ADR evidencing ADSs representing any remaining fractional shares of common stock.

If you request withdrawal of shares of common stock, you must deliver to the ADR depository a written order directing the ADR depository to cause the shares of common stock being withdrawn to be delivered or to cause such delivery upon the written order of the person designated in your order, subject to applicable Korean laws and the provisions of the deposit agreement.

Under the provisions of the deposit agreement, the ADR depository may not lend shares of common stock or ADSs. However, subject to the provisions of the deposit agreement and limitations established by the ADR depository, the ADR depository may execute and deliver ADSs before deposit of the underlying shares of common stock. This is called a pre-release of the ADS. The ADR depository may also deliver shares of common stock upon cancellation of pre-released ADSs (even if the cancellation occurs before the termination of the pre-release). The ADR depository may pre-release ADSs only under the following circumstances:

before or at the time of the pre-release, the person to whom the pre-release is being made must represent to the ADR depository in writing that the person, or, in case of an institution its customer, owns the shares of common stock or ADSs to be deposited and show evidence of the ownership to the ADR depository's satisfaction;

before or at the time of such pre-release, the person to whom the pre-release is being made must agree in writing that he or she will hold the shares of common stock or ADSs in trust for the ADR depository until their delivery to the ADR depository or Custodian, reflect on his or her records the ADR depository as owner of such shares of common stock or ADSs and deliver such shares of common stock upon the ADR depository's request;

the pre-release must be fully collateralized with cash or U.S. government securities;

the ADR depository must be able to terminate the pre-release on not more than five business day's notice; and

the pre-release is subject to further indemnities and credit regulations as the ADR depository deems appropriate.

The ADR depository may retain for its own account any compensation received by it in connection with the pre-release, such as earnings on the collateral.

If you want to withdraw the shares of common stock from the depository facility, you must register your identity with the Financial Supervisory Service of Korea before you acquire the shares of common stock unless you intend to sell the shares of common stock within three months. See Item 10.D. Exchange Controls Korean Foreign Exchange Controls and Securities Regulations Restrictions Applicable to Shares .

Dividends, Other Distributions and Rights

If the ADR depository can, in its judgment and pursuant to applicable law, convert Won (or any other foreign currency) into Dollars on a reasonable basis and transfer the resulting Dollars to the United States, the ADR depository will as promptly as practicable convert all cash dividends and other cash distributions received by it on the deposited shares of common stock into Dollars and distribute the Dollars to you in proportion to the number of ADSs representing shares of common stock held by you, after deduction of the fees and expenses of the ADR depository. If the ADR depository determines that in its judgment any currency other than Dollars it receives from us cannot be converted and distributed on a reasonable basis, the ADR depository may distribute the currency it receives to the extent permitted under applicable law or hold the currency for your account if you are entitled to receive the distribution. The ADR depository will not be liable for any interest. Before making a distribution, the ADR depository will deduct any withholding taxes that must be paid.

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In the event that the ADR depositary or the ADR depositary's Custodian receives any distribution upon any deposited shares of common stock in property or securities (other than shares of common stock, non-voting preferred stock or rights to receive shares of common stock or non-voting preferred stock), the ADR depositary will distribute the property or securities to you in proportion to your holdings in any manner that the ADR depositary deems, after consultation with us, equitable and practicable. If the ADR depositary determines that any distribution of property or securities (other than shares of common stock, non-voting preferred stock or rights to receive shares of common stock or non-voting preferred stock) cannot be made proportionally, or if for any other reason the ADR depositary deems the distribution not to be feasible, the ADR depositary may, after consultation with us, dispose of all or a portion of the property or securities in such amounts and in such manner, including by public or private sale, as the ADR depositary deems equitable or practicable. The ADR depositary will distribute to you the net proceeds of any such sale, or the balance of the property or securities, after the deduction of the fees and expenses of the ADR depositary.

If a distribution by us consists of a dividend in, or free distribution of, our shares of common stock, the ADR depositary may, with our approval, and will, if we request, deposit the shares of common stock and either (1) distribute to you, in proportion to your holdings, additional ADSs representing those shares of common stock, or (2) reflect on the records of the ADR depositary the increase in the aggregate number of ADSs representing those number of shares of common stock, in both cases, after the deduction of the fees and expenses of the ADR depositary. If the ADR depositary deems that such distribution for any reason is not feasible, the ADR depositary may adopt, after consultation with us, any method as it may deem equitable and practicable, including by public or private sale of all or part of the shares of common stock received. The ADR depositary will distribute to you the net proceeds of any such sale in the same way as it does with cash. The ADR depositary will only distribute whole ADSs. If the ADR depositary does not distribute additional ADSs, then each outstanding ADS will also represent the new shares so distributed.

If a distribution by us consists of a dividend in, or free distribution of, shares of non-voting preferred stock, the ADR depositary will deposit such shares of non-voting preferred stock under a non-voting preferred stock deposit agreement to be entered into among us, the ADR depositary and all holders and beneficial owners of depositary shares. The ADR depositary will deliver to you, in proportion to your holdings of ADSs, depositary shares issued under the non-voting preferred stock deposit agreement representing the number of non-voting shares received as such dividend or distribution. If the ADR depositary deems such distribution for any reason is not feasible, the ADR depositary may adopt, after consultation with us, any method as it may deem equitable and practicable, including by public or private sale of all or part of the nonvoting shares received. The ADR depositary will distribute to you the net proceeds of any such sale in the same way as it does with cash. The ADR depositary will only distribute whole depositary shares. We are not obligated to list depositary shares representing non-voting shares on any exchange.

If we offer holders of our securities any rights to subscribe for additional shares of common stock or any other rights, the ADR depositary may make these rights available to you. The ADR depositary must first determine whether it is lawful and feasible to do so. If the ADR depositary determines that it is not lawful or feasible to make these rights available to you, then upon our request, the ADR depositary will sell the rights and distribute the proceeds in the same way as it would do with cash. The ADR depositary may allow these rights that are not distributed or sold to lapse. In that case, you will receive no value for these rights.

If we issue any rights with respect to non-voting shares, the securities issuable upon any exercise of such rights by holders or beneficial owners will be depositary shares representing those non-voting shares issued under the provisions of a non-voting preferred stock deposit agreement.

If a registration statement under the Securities Act is required with respect to the securities to which any rights relate in order for us to offer the rights to you and to sell the securities represented by these rights, the ADR depositary will not offer such rights to you until such a registration is in effect, or unless the offering and sale of such securities and such rights to you are exempt from the registration requirements of the Securities Act or any required filing, report, approval or consent has been submitted, obtained or granted. We or the ADR depositary will not be obligated to register the rights or securities under the Securities Act or to submit, obtain or request any filing, report, approval or consent.

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The ADR depositary may not be able to convert any currency or to sell or dispose of any distributed or offered property or rights in a timely manner or at a specified price, or at all.

Record Dates

The ADR depositary will fix a record date, after consultation with us, in each of the following situations:

any cash dividend or other cash distribution becomes payable;

any distribution other than cash is made;

rights are issued with respect to deposited shares of common stock;

the ADR depositary causes a change in the number of shares of common stock that are represented by each ADS; or

the ADR depositary receives notice of any shareholders' meeting.

The record date will, to the extent practicable, be as near as the record date fixed by us for the shares of common stock. The record date will determine (1) the ADR holders who are entitled to receive the dividend, distribution or rights, or the net proceeds of the sale of the rights; or (2) the ADR holders who are entitled to receive notices or exercise rights.

Voting of the Underlying Shares of Common Stock

We will give the ADR depositary a notice of any meeting or solicitation of shareholder proxies immediately after we finalize the form and substance of such notice but not less than 14 days before the meeting. As soon as practicable after it receives our notice, the ADR depositary will fix a record date, and upon our written request, the ADR depositary will mail to you a notice that will contain the following:

the information contained in our notice to the ADR depositary including an English translation, or, if requested by us, a summary of the information provided by us;

a statement that the ADR holders as of the close of business on a specified record date will be entitled to instruct the ADR depositary as to how to exercise their voting rights for the number of shares of deposited shares of common stock, subject to the provisions of applicable Korean law and our articles of incorporation, which provisions, if any, will be summarized in the notice to the extent that they are material; and

a statement as to the manner in which the ADR holders may give their instructions.

Upon your written request received on or before the date set by the ADR depositary for this purpose, the ADR depositary will endeavor, in so far as practicable, to vote or cause to be voted the deposited shares of common stock in accordance with the instructions set forth in your written requests. The ADR depositary may not itself exercise any voting discretion over any deposited shares of common stock. You may only exercise the voting rights in respect of nine ADSs or multiples of nine ADSs. ADR holders may not be entitled to give instruction to vote the shares represented by the ADSs if, and to the extent, the total number of shares represented by the ADSs of an ADR holder exceeds the limit set under applicable law. We can give no assurance to you, however, that we will notify the ADR depositary sufficiently in advance of the scheduled date of a meeting or solicitation of consents or proxies to enable the ADR depositary to make a timely mailing of notices to you, or that you will receive the notices sufficiently in advance of a meeting or solicitation of consents or proxies to give instructions to the ADR depositary.

Inspection of Transfer Books

The ADR depository will keep books at its principal New York office, which is currently located at 388 Greenwich Street, 14th Floor, New York, New York 10013, for the registration and transfer of ADRs. You may inspect the books of the ADR depository as long as the inspection is not for the purpose of communicating with holders in the interest of a business or object other than our business or a matter related to the deposit agreement or the ADRs.

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Reports and Notices

On or before the first date on which we give notice, by publication or otherwise, of any meeting of shareholders, or of any adjourned meeting of shareholders, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of the shares of common stock, we will transmit to the Custodian and the ADR depository sufficient copies of the notice in English in the form given or to be given to shareholders. We will furnish to the ADR depository English language versions of any reports, notices and other communications that we generally transmit to holders of our common stock, including our annual reports, with annual audited consolidated financial statements prepared in conformity with IFRS and unaudited non-consolidated semiannual financial statements prepared in conformity with IFRS. The ADR depository will arrange for the prompt mailing of copies of these documents, or, if we request, a summary of any such notice provided by us to you or, at our request, make notices, reports (other than the annual reports and semiannual financial statements) and other communications available to you on a basis similar to that for the holders of our common stock or on such other basis as we may advise the ADR depository according to any applicable law, regulation or stock exchange requirement.

Notices to you under the deposit agreement will be deemed to have been duly given if personally delivered or sent by mail or cable, telegraph or facsimile transmission, confirmed by letter, addressed to you at your address as it appears on the transfer books of the ADR depository or at such other address as you have notified the ADR depository.

In addition, the ADR depository will make available for inspection by holders at its principal New York office and its principal London office any notices, reports or communications, including any proxy soliciting materials, received from us that we generally transmit to the holders of our common stock or other deposited securities, including the ADR depository. The ADR depository will also send to you copies of reports and communications we will provide as provided in the deposit agreement.

Changes Affecting Deposited Shares of Common Stock

In case of a change in the par value, or a split-up, consolidation or any other reclassification of shares of our common stock or upon any recapitalization, reorganization, merger or consolidation or sale of assets affecting us, any securities received by the ADR depository or the Custodian in exchange for, in conversion of or in respect of deposited shares of our common stock will be treated as new deposited shares of common stock under the deposit agreement. In that case, ADSs will, subject to the terms of the deposit agreement and applicable laws and regulations, including any registration requirements under the Securities Act, represent the right to receive the new deposited shares of common stock, unless additional ADRs are issued, as in the case of a stock dividend, or unless the ADR depository calls for the surrender of outstanding ADRs to be exchanged for new ADRs.

Amendment and Termination of the Deposit Agreement

We may agree with the ADR depository to amend the deposit agreement and the ADSs without your consent for any reason. If the amendment adds or increases fees or charges, except for taxes and other governmental charges or certain expenses of the ADR depository, or prejudices any substantial existing right of ADR holders, it will only become effective 30 days after the ADR depository notifies you of the amendment. If you continue to hold your ADSs at the time an amendment becomes effective, you will be considered to have agreed to the amendment and to be bound by the deposit agreement as amended. Except as otherwise required by any mandatory provisions of applicable law, no amendment may impair your right to surrender your ADSs and to receive the underlying deposited securities.

The ADR depository will terminate the deposit agreement if we ask it to do so with 90 days prior written notice. The ADR depository may also terminate the deposit agreement if the ADR depository has notified us at least 90 days in advance that it would like to resign and we have not appointed a new depository. In both cases, the ADR depository must notify you at least 30 days before the termination date.

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If any ADRs remain outstanding after the date of termination, the ADR depository will stop performing any further acts under the deposit agreement, except:

to collect dividends and other distributions pertaining to the deposited shares of common stock;

to sell property and rights and the conversion of deposited shares of common stock into cash as provided in the deposit agreement; and

to deliver deposited shares of common stock, together with any dividends or other distributions received with respect to the deposited shares of common stock and the net proceeds of the sale of any rights or other property represented by those ADSs in exchange for surrendered ADRs.

At any time after the expiration of six months from the date of termination, the ADR depository may sell any remaining deposited shares of common stock and hold uninvested the net proceeds in an unsegregated account, together with any other cash or property then held, without liability for interest, for the pro rata benefit of the holders of ADSs that have not been surrendered by then.

Charges of ADR Depository

The fees and expenses of the ADR depository as agreed between us and the ADR depository include:

taxes and other governmental charges;

registration fees applicable to transfers of shares of common stock on our shareholders' register, or that of any entity acting as registrar for the shares, to the name of the ADR depository or its nominee, or the Custodian or its nominee, when making deposits or withdrawals under the deposit agreement;

cable, telegraph and facsimile transmission expenses that are expressly provided in the deposit agreement;

expenses incurred by the ADR depository in the conversion of foreign currency into Dollars under the deposit agreement;

a fee of up to US\$5.00 per 100 ADSs, or portion thereof, for execution and delivery of ADSs and the surrender of ADRs under the deposit agreement; and

a fee of up to US\$0.02 per ADS held for cash distributions, a sale or exercise of rights or the taking of any other corporate action involving distributions to shareholders.

For a detailed description of fees and charges payable by the holders of ADSs under the deposit agreement, see Item 12.D. American Depositary Shares - Fees and Charges under the Deposit Agreement .

General

Neither we nor the ADR depository will be liable to you if prevented or delayed by law, governmental authority, any provision of our articles of incorporation or any circumstances beyond our or its control in performing our or its obligations under the deposit agreement. The deposit agreement provides that the ADR depository will hold the shares of common stock for your sole benefit. Our obligations and those of the ADR depository under the deposit agreement are expressly limited to performing, in good faith and without negligence, our and its respective duties

specified in the deposit agreement.

The ADSs are transferable on the books of the ADR depositary, provided that the ADR depositary may, after consultation with us, close the transfer books at any time or from time to time, when deemed expedient by it in connection with the performance of its duties. As a condition precedent to the execution and delivery of any ADSs, registration of transfer, split-up, combination of any ADR or surrender of any ADS for the purpose of withdrawal of deposited shares of common stock, the ADR depositary or the Custodian may require payment from the depositor of the shares of common stock or a holder of ADSs of a sum sufficient to reimburse the ADR depositary for any tax or other governmental charge and any stock transfer or registration fee and payment of any applicable fees payable by the holders of ADSs.

Any person depositing shares of common stock, any holder of an ADS or any beneficial owner may be required from time to time to file with the ADR depositary or the Custodian a proof of citizenship, residence,

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exchange control approval, payment of applicable Korean or other taxes or governmental charges, or legal or beneficial ownership and the nature of their interest, to provide information relating to the registration on our shareholders' register (or our appointed agent for the transfer and registration of shares of common stock) of the shares of common stock presented for deposit or other information, to execute certificates and to make representations and warranties as we or the ADR depository may deem necessary or proper or to enable us or the ADR depository to perform our and its obligations under the deposit agreement. The ADR depository may withhold the execution or delivery or registration of transfer of all or part of any ADR or the distribution or sale of any dividend or other distribution of rights or of the proceeds from their sale or the delivery of any shares deposited under the deposit agreement and any other securities, property and cash received by the ADR depository or the Custodian until the proof or other information is filed or the certificates are executed or the representations and warranties are made. The ADR depository shall provide us, unless otherwise instructed by us, in a timely manner, with copies of any of these proofs and certificates and these written representations and warranties.

The delivery and surrender of ADSs and transfer of ADSs generally may be suspended during any period when our or the ADR depository's transfer books are closed or, if that action is deemed necessary or advisable by us or the ADR depository, at any time or from time to time in accordance with the deposit agreement. We may restrict, in a manner as we deem appropriate, transfers of shares of common stock where the transfers may result in ownership of shares of common stock in excess of limits under applicable law. Except as described in "Deposit and Withdrawal of Shares of Common Stock" above, notwithstanding any other provision of the deposit agreement, the surrender of outstanding ADRs and withdrawal of Deposited Securities (as defined in the deposit agreement) represented by the ADRs may be suspended, but only as required in connection with (1) temporary delays caused by closing the transfer books of the ADR depository or the issuer of any Deposited Securities (or the appointed agent or agents for such issuer for the transfer and registration of such Deposited Securities) in connection with voting at a shareholders' meeting or the payment of dividends, (2) payment of fees, taxes and similar charges, or (3) compliance with any United States or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of the Deposited Securities.

Governing Law

The deposit agreement and the ADRs will be interpreted under, and all rights under the deposit agreement or the ADRs are governed by, the laws of the State of New York.

We have irrevocably submitted to the non-exclusive jurisdiction of New York State or United States Federal Courts located in New York City and waived any objection to legal actions or proceedings in these courts whether on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum.

This submission was made for the benefit of the ADR depository and the holders and will not limit the right of any of them to take legal actions or proceedings in any other court of competent jurisdiction nor will the taking of legal actions or proceedings in one or more jurisdictions preclude the taking of legal actions or proceedings in any other jurisdiction (whether concurrently or not), to the extent permitted under applicable law.

Information Relating to the ADR Depository

Citibank, N.A. has been appointed as ADR depository pursuant to the deposit agreement. Citibank is an indirect wholly-owned subsidiary of Citigroup Inc., a Delaware corporation whose principal office is located in New York, New York. Citibank is a global financial services organization serving individuals, businesses, governments and financial institutions in approximately 100 countries around the world.

Citibank was originally organized on June 16, 1812, and now is a national banking association organized under the National Bank Act of 1864 of the United States of America. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal office is at 399 Park Avenue, New York, NY 10022.

The consolidated balance sheets of Citibank are set forth in Citigroup's most recent annual report on Form 10-K and quarterly report on Form 10-Q, each on file with the SEC.

Citibank's Articles of Association and By-laws, each as currently in effect, together with Citigroup's most recent annual and quarterly reports will be available for inspection at the Depository Receipt office of Citibank, N.A., 388 Greenwich Street, 14th Floor, New York, New York 10013.

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Item 10.C. *Material Contracts*

We have not entered into any material contracts since January 1, 2009, other than in the ordinary course of our business. For information regarding our agreements and transactions with entities affiliated with the SK Group, see Item 7.B. Related Party Transactions and note 28 of the notes to our consolidated financial statements. For a description of certain agreements entered into during the past three years related to our capital commitments and obligations, see Item 5B. Liquidity and Capital Resources .

Item 10.D. *Exchange Controls*

Korean Foreign Exchange Controls and Securities Regulations

General

The Foreign Exchange Transaction Act and the Presidential Decree and regulations under that Act and Decree, collectively referred to as the Foreign Exchange Transaction Laws, regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Non-residents may invest in Korean securities pursuant to the Foreign Exchange Transaction Laws. The Financial Services Commission of Korea has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets Act, regulations that restrict investment by foreigners in Korean securities and regulate issuance of securities outside Korea by Korean companies.

Subject to certain limitations, the MOSF has authority to take the following actions under the Foreign Exchange Transaction Laws:

if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the MOSF may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea, a foreign exchange stabilization fund, certain other governmental agencies or financial companies; and

if the Government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries are likely to adversely affect the Won, exchange rate or other macroeconomic policies, the MOSF may take action to require any person who intends to effect or effects a capital transaction to deposit all or a portion of the means of payment acquired in such transactions with The Bank of Korea, a foreign exchange stabilization fund, certain other governmental agencies or financial companies.

Under the regulations of the Financial Services Commission amended on February 4, 2009, (i) if a company listed on the KRX KOSPI Market or a company listed on the KRX KOSDAQ Market has submitted a public disclosure of material matters to a foreign financial investment supervisory authority pursuant to the laws of the foreign jurisdiction, then it must submit a copy of the public disclosure and a Korean translation thereof to the Financial Services Commission of Korea and the Korea Exchange, and (ii) if a KRX KOSPI Market-listed company or KRX KOSDAQ Market-listed company is approved for listing on a foreign stock market or determined to be de-listed from the foreign stock market or actually listed on, or de-listed from a foreign stock market, then it must submit a copy of any document, which it submitted to or received from the relevant foreign government, foreign financial investment supervisory authority or the foreign stock market, and a Korean translation thereof to the Financial Services Commission of Korea and the Korea Exchange.

Government Review of Issuances of ADSs

In order for us to issue ADSs in excess of US\$30 million, we are required to submit a report to the MOSF with respect to the issuance of the ADSs prior to and after such issuance; provided that such US\$30 million threshold amount would be reduced by the aggregate principal amount of any foreign currency loans borrowed, and any securities offered and issued, outside Korea during the one-year period immediately preceding the report's submission date. The MOSF may at its discretion direct us to take necessary measures to avoid exchange rate fluctuation in connection with its acceptance of report of the issuance of the ADSs.

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Under current Korean laws and regulations, the depository is required to obtain our prior consent for any proposed deposit of common shares if the number of shares to be deposited in such proposed deposit exceeds the number of common shares initially deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent issuances of ADSs by us or with our consent and stock dividends or other distributions related to the ADSs).

In addition to such restrictions under Korean laws and regulations, there are also restrictions on the deposits of our common shares for issuance of ADSs. See Item 10.B. Memorandum and Articles of Incorporation Description of American Depositary Shares . Therefore, a holder of ADRs who surrenders ADRs and withdraws shares may not be permitted subsequently to deposit those shares and obtain ADRs.

We submitted a report to and obtained acceptance thereof by the MOSF for the issuance of ADSs up to an amount corresponding to 24,321,893 common shares. No additional Korean governmental approval is necessary for the issuance of ADSs except that if the total number of our common shares on deposit for conversion into ADSs exceeds 24,321,893 common shares, we may be required to file a report to and obtain acceptance thereof by the MOSF with respect to the increase of such limit and the issuance of additional ADSs.

Reporting Requirements for Holders of Substantial Interests

Under the Financial Investment Services and Capital Markets Act, any person whose direct or beneficial ownership of shares with voting rights, certificates representing the rights to subscribe for shares and equity-related debt securities including convertible bonds and bonds with warrants (collectively referred to as equity securities), together with the equity securities beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5.0% or more of the total outstanding equity securities is required to report the status and purpose (in terms of whether the purpose of shareholding is to affect control over management of the issuer) of the holdings to the Financial Services Commission of Korea and the Korea Exchange within five business days after reaching the 5.0% ownership interest threshold and promptly deliver a copy of such report to the issuer. In addition, any change (i) in the ownership interest subsequent to the report which equals or exceeds 1.0% of the total outstanding equity securities, or (ii) in the shareholding purpose is required to be reported to the Financial Services Commission of Korea and the Korea Exchange within five business days from the date of the change. However, reporting deadline of such reporting requirement is extended to (i) certain professional investors, as specified under the Financial Investment Services and Capital Markets Act, or (ii) persons who hold shares for purposes other than management control by the tenth day of the month immediately following the month of share acquisition or change in their shareholding. Those who reported the purpose of shareholding is to affect control over management of the issuer are prohibited from exercising their voting rights and acquiring additional shares for five days subsequent to the report under the Financial Investment Services and Capital Markets Act.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment and may result in a loss of voting rights with respect to the ownership of unreported equity securities exceeding 5.0%. Furthermore, the Financial Services Commission of Korea may issue an order to dispose of such non-reported equity securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our common shares accounts for 10% or more of the total issued and outstanding shares with voting rights (a major shareholder) must report the status of his or her shareholding to the Securities and Futures Commission and the Korea Exchange within five business days after he or she becomes a major shareholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Securities and Futures Commission and the Korea Exchange by the fifth business day of any changes in his or her shareholding. Violations of these reporting requirements may subject a person to criminal sanctions, such as fines or imprisonment.

Restrictions Applicable to ADSs

No Korean governmental approval is necessary for the sale and purchase of ADSs in the secondary market outside Korea or for the withdrawal of shares underlying ADSs and the delivery of shares in Korea in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment

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registration card from the Financial Supervisory Service, as described below. The acquisition of the shares by a foreigner must be reported by the foreigner or his or her standing proxy in Korea immediately to the Governor of the Financial Supervisory Service.

Persons who have acquired shares as a result of the withdrawal of shares underlying the ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further governmental approval.

In addition, we are required to file a securities registration statement with the Financial Services Commission and such securities registration statement has to become effective pursuant to the Financial Investment Services and Capital Markets Act in order for us to issue shares represented by ADSs, except in certain limited circumstances.

Restrictions Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Laws and the regulations of Financial Services Commission of Korea, together referred to as the Investment Rules, adopted in connection with the stock market opening from January 1992 and after that date, foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or the KRX KOSDAQ Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI Market or the KRX KOSDAQ Market only through the KRX KOSPI Market or the KRX KOSDAQ Market, except in limited circumstances, including, among others:

odd-lot trading of shares;

acquisition of shares by a foreign company as a result of a merger;

acquisition or disposal of shares in connection with a tender offer;

acquisition of shares by exercise of warrant, conversion right under convertible bonds, exchange right under exchangeable bonds or withdrawal right under depositary receipts issued outside of Korea by a Korean company (converted shares);

acquisition of shares through exercise of rights under securities issued outside of Korea;

acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders' rights, including preemptive rights or rights to participate in free distributions and receive dividends;

over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded;

acquisition of shares by direct investment under the Foreign Investment Promotion Law;

acquisition and disposal of shares on an overseas stock exchange market, if such shares are simultaneously listed on the KRX KOSPI Market or KRX KOSDAQ Market and such overseas stock exchange; and

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arm's length transactions between foreigners in the event all such foreigners belong to an investment group managed by the same person.

For over-the-counter transactions of shares between foreigners outside the KRX KOSPI Market or the KRX KOSDAQ Market for shares with respect to which the limit on aggregate foreign ownership has been reached or exceeded, a financial investment company with a brokerage license in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve a financial investment company with a dealing license in Korea as the other party. Foreign investors are prohibited from engaging in margin transactions through borrowing shares from financial investment companies with respect to shares which are subject to a foreign ownership limit.

The Investment Rules require a foreign investor who wishes to invest in shares for the first time on the KRX KOSPI Market or the KRX KOSDAQ Market (including converted shares) and shares being publicly offered for initial listing on the KRX KOSPI Market or the KRX KOSDAQ Market to register its identity with the Financial Supervisory Service prior to making any such investment; however, the registration requirement does not apply to

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foreign investors who acquire converted shares with the intention of selling such converted shares within three months from the date of acquisition of the converted shares or who acquire the shares in an over-the-counter transaction or dispose of shares where such acquisition or disposal is deemed to be a foreign direct investment pursuant to the Foreign Investment Promotion Law. Upon registration, the Financial Supervisory Service will issue to the foreign investor an investment registration card which must be presented each time the foreign investor opens a brokerage account with a financial investment company or financial institution in Korea. Foreigners eligible to obtain an investment registration card include foreign nationals who have not been residing in Korea for a consecutive period of six months or longer, foreign governments, foreign municipal authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by decree promulgated under the Financial Investment Services and Capital Markets Act. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea for the purpose of investment registration. However, a foreign corporation or depository issuing depository receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the KRX KOSPI Market or the KRX KOSDAQ Market, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, where a foreign investor acquires or sells shares outside the KRX KOSPI Market and the KRX KOSDAQ Market, such acquisition or sale of shares must be reported by the foreign investor or such foreign investor's standing proxy to the Governor of the Financial Supervisory Service, or the Governor, at the time of each such acquisition or sale; provided, however, that a foreign investor must ensure that any acquisition or sale of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market in the case of trades in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the Governor by the Korea Securities Depository, financial investment companies with a dealing or brokerage license or securities finance companies engaged to facilitate such transaction. In the event a foreign investor desires to acquire or sell shares outside the KRX KOSPI Market or the KRX KOSDAQ Market and the circumstances in connection with such sale or acquisition do not fall within the exceptions made for certain limited circumstances described above, then the foreign investor must obtain the prior approval of the Governor. In addition, in the event a foreign investor acquires or sells shares outside the KRX KOSPI Market or the KRX KOSDAQ Market, a prior report to the Bank of Korea may also be required in certain circumstances. A foreign investor must appoint one or more standing proxies among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and certain eligible foreign custodians which will act as a standing proxy to exercise shareholders' rights, or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. Generally, a foreign investor may not permit any person, other than his, her or its standing proxy, to exercise rights relating to its shares or perform any tasks related thereto on his, her or its behalf. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the Governor in cases deemed inevitable by reason of conflict between laws of Korea and the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in custody with an eligible custodian in Korea. The Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and certain eligible foreign custodians are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that his, her or its custodian deposits the shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the Governor in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40.0% ceiling on the acquisition of shares by foreigners in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single person within 3.0% of the total number of shares in their articles of incorporation. Currently, Korea Electric Power Corporation is the only designated

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public corporation which has set such a ceiling. Furthermore, an investment by a foreign investor of not less than 10.0% of the outstanding shares with voting rights of a Korean company is defined as a direct foreign investment under the Foreign Investment Promotion Law, which is, in general, subject to the report to, and acceptance by, the Ministry of Knowledge Economy of Korea, which delegates its authority to foreign exchange banks or the Korea Trade-Investment Promotion Agency under the relevant regulations. The acquisition of our shares by a foreign investor is also subject to the restrictions prescribed in the Telecommunications Business Act. The Telecommunications Business Act generally limits the maximum aggregate foreign shareholdings in us to 49.0% of the outstanding shares. A foreigner who has acquired shares in excess of such restriction described above may not exercise the voting rights with respect to the shares exceeding such limitations and may be subject to corrective orders.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to make a portfolio investment in shares of a Korean company listed on the KRX KOSPI Market or the KRX KOSDAQ Market must designate a foreign exchange bank at which he, she or it must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a securities company. Funds in the foreign currency account may be remitted abroad without any governmental approval.

Dividends on shares are paid in Won. No governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any such shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any such shares held by a non-resident of Korea must be deposited either in a Won account with the investor's financial investment companies with a securities dealing, brokerage or collective investment license or the investor's Won account. Funds in the investor's Won account may be transferred to such investor's foreign currency account or withdrawn for local living expenses, provided that any withdrawal of local living expenses in excess of a certain amount is reported to the tax authorities by the foreign exchange bank at which the Won account is maintained. Funds in the investor's Won account may also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Financial investment companies with a securities dealing, brokerage or collective investment license are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, these financial investment companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10.E. *Taxation*
United States Taxation

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

a dealer in securities or currencies;

a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;

a bank;

a life insurance company;

a tax-exempt organization;

a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;

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a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;

a person whose functional currency for tax purposes is not the U.S. dollar; or

a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

For purposes of this summary, you are a U.S. holder if you are the beneficial owner of a common share or an ADS and are:

a citizen or resident of the United States;

a U.S. domestic corporation; or

otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your receipt of the dividend, in the case of common shares, or the depositary's receipt, in the case of ADSs, regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2013 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company as defined for U.S. federal income tax purposes (PFIC). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, as well as relevant market and shareholder data, we believe that we were not a PFIC with respect to our 2011 taxable year. In addition, based on our audited financial statements and current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for our 2012 taxable year.

Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax.

Sale or Other Disposition

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For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

Table of Contents***Foreign Tax Credit Considerations***

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Korean taxes withheld from a distribution of additional shares that is not subject to U.S. tax may be treated for U.S. federal income tax purposes as imposed on general limitation income. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is insubstantial.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient and demonstrates this when required or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Korean Taxation

The following is a summary of the principal Korean tax consequences to owners of the common shares or ADSs, as the case may be, who are non-resident individuals or non-Korean corporations without a permanent establishment in Korea to which the relevant income is attributable or with which the relevant income is effectively connected (Non-resident Holders). The statements regarding Korean tax laws set forth below are based on the laws in force and as interpreted by the Korean taxation authorities as of the date hereof. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the common shares or ADSs, including specifically the tax consequences under Korean law, the laws of the jurisdiction of which they are resident, and any tax treaty between Korea and their country of residence, by consulting their own tax advisors.

Tax on Dividends

Dividends on the common shares or ADSs paid (whether in cash or in shares) to a Non-resident Holder will be subject to Korean withholding taxes at the rate of 22% (including local income tax) or such lower rate as is applicable under a treaty between Korea and such Non-resident Holder's country of tax residence. Free distributions of shares representing a capitalization of certain capital surplus reserves may be subject to Korean withholding taxes.

The tax is withheld by the payer of the dividend. Since the payer is required to withhold the tax, Korean law does not entitle the person who was subject to the withholding of Korean tax to recover from the Government any part of the Korean tax withheld, even if it subsequently produces evidence that it was entitled to have tax withheld at a lower rate, except in certain limited circumstances.

Table of Contents***Tax on Capital Gains***

As a general rule, capital gains earned by Non-resident Holders upon transfer of the common shares or ADSs are subject to Korean withholding tax at the lower of (i) 11% (including local income tax) of the gross proceeds realized or (ii) 22% (including local income tax) of the net realized gains (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs), unless exempt from Korean income taxation under the effective Korean tax treaty with the Non-resident Holder's country of tax residence.

However, a Non-resident Holder will not be subject to Korean income taxation on capital gains realized upon the sale of the common shares through the KRX KOSPI Market if the Non-resident Holder (i) has no permanent establishment in Korea and (ii) did not or has not owned (together with any shares owned by any entity with certain special relationship with such Non-resident Holder) 25% or more of the total issued and outstanding shares of us at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

It should be noted that capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside Korea will generally be exempt from Korean income taxation, provided that the ADSs are deemed to have been issued overseas. If and when an owner of the underlying common shares transfers the ADSs following the conversion of the underlying shares for ADSs, such person will not be exempt from Korean income taxation.

Inheritance Tax and Gift Tax

Korean inheritance tax is imposed upon (1) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea and (2) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and vary according to the identity of the parties involved.

Under Korean inheritance and gift tax laws, securities issued by a Korean corporation are deemed to be located in Korea irrespective of where they are physically located or by whom they are owned.

Securities Transaction Tax

Securities transaction tax is imposed on the transfer of shares issued by a Korean corporation or the right to subscribe for such shares generally at the rate of 0.5% of the sales price. In the case of the transfer of shares listed on the KRX KOSPI Market (such as the common shares), the securities transaction tax is imposed generally at the rate of (i) 0.3% of the sales price of such shares (including agricultural and fishery special surtax thereon) if traded on the KRX KOSPI Market or (ii) subject to certain exceptions, 0.5% of the sales price of such shares if traded outside the KRX KOSPI Market.

Securities transaction tax or the agricultural and fishery special surtax is not applicable if (i) the shares or rights to subscribe for shares are listed on a designated foreign stock exchange and (ii) the sale of the shares takes place on such exchange.

Securities transaction tax, if applicable, must be paid by the transferor of the shares or rights, in principle. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay (to the tax authority) the tax, and when such transfer is made through a financial investment company with a brokerage license only, such company is required to withhold and pay the tax. Where the transfer is effected by a Non-resident Holder without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company with a brokerage license, the transferee is required to withhold the securities transaction tax. Failure to do so will result in the imposition of penalties equal to the sum of (i) between 10% to 40% of the tax amount due, depending on the nature of the improper reporting, and (ii) 10.95% per annum on the tax amount due for the default period.

Tax Treaties

Currently, Korea has income tax treaties with a number of countries, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Ireland, the Netherlands, New Zealand,

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Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on dividend and interest is reduced, generally to between 5% and 16.5% (including local income tax), and the tax on capital gains derived by a non-resident from the transfer of securities issued by a Korean company is often eliminated.

Each Non-resident Holder of common shares should inquire for itself whether it is entitled to the benefits of a tax treaty with Korea. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest, dividend, capital gains or other income to submit to us (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, prior to or at the time of payment, such evidence of tax residence of the party claiming the treaty benefit as the Korean tax authorities may require in support of its claim for treaty protection. In the absence of sufficient proof, we (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, must withhold tax at the normal rates.

Furthermore, in order for a non-resident of Korea to obtain the benefits of tax exemption on certain Korean source income (e.g., capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agent) to submit to the payer of such Korean source income an application for a tax exemption along with a certificate of tax residency of such non-resident issued by a competent authority of the non-resident's country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income.

For a non-resident of Korea to obtain the benefits of treaty-reduced tax rates on certain Korean source income (e.g. capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agents) to submit to the payer of such Korean source income an application for treaty-reduced tax rates prior to receipt of such Korean source income; provided, however, that an owner of ADSs who is a non-resident of Korea is not required to submit such application, if the Korean source income on the ADSs is paid through an account opened at the Korea Securities Depository by a foreign depository.

At present, Korea has not entered into any tax treaty relating to inheritance or gift tax.

Item 10.F. *Dividends and Paying Agents*

Not applicable.

Item 10.G. *Statements by Experts*

Not applicable.

Item 10.H. *Documents on Display*

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's Website at <http://www.sec.gov>.

Documents filed with annual reports and documents filed or submitted to the SEC are also available for inspection at our principal business office during normal business hours. Our principal business office is located at SK T-Tower, 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea.

Item 10.I. *Subsidiary Information*

Not applicable.

Item 11. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Exchange Rate and Interest Rate Risks

We are exposed to foreign exchange rate and interest rate risk primarily associated with underlying liabilities. We have entered into floating-to-fixed cross currency swap contracts to hedge foreign currency and interest rate

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risks with respect to long-term borrowings of US\$100 million borrowed in October 2006, Yen 12.5 billion of bonds issued in November 2007, Yen 3 billion of bonds issued in January 2009, Yen 5 billion of bonds issued in March 2009, US\$220 million of bonds issued in April 2009, US\$250 million of bonds issued in December 2011 and SG\$65 million of bonds issued in December 2011. In addition, we have entered into fixed-to-fixed cross currency swap contracts to hedge the foreign currency risks of US\$400 million of bonds issued in July 2007. In addition, SK Broadband, one of our subsidiaries, has entered into a fixed-to-fixed cross currency swap contract to hedge the foreign currency risks of US\$500 million of bonds issued in February 2005. See note 30 of the notes to our consolidated financial statements. We may consider in the future entering into other such transactions solely for hedging purposes.

The following discussion and tables, which constitute forward looking statements that involve risks and uncertainties, summarize our market-sensitive financial instruments including fair value, maturity and contract terms. These tables address market risk only and do not present other risks which we face in the normal course of business, including country risk, credit risk and legal risk.

Exchange Rate Risk

Korea is our main market and, therefore, substantially all of our cash flow is denominated in Won. We are exposed to foreign exchange risk related to foreign currency denominated liabilities. These liabilities relate primarily to foreign currency denominated debt, primarily in Dollars and Yen. A 10% change in the exchange rate between the Won and all foreign currencies would result in a change in net liabilities (total monetary liabilities minus total monetary assets) of approximately 3.0% or Won 77.4 billion as of December 31, 2011. For a further discussion of our exchange rate risk exposures, see note 34.a.(1) of the notes to our consolidated financial statements.

Interest Rate Risk

We are also subject to market risk exposure arising from changing interest rates. The following table summarizes the carrying amounts and fair values, maturity and contract terms of our exchange rate and interest sensitive short-term and long-term liabilities as of December 31, 2011:

	Maturities							Total	Fair Value
	2012	2013	2014	2015	2016	Thereafter			
	(In billions of Won, except for percentage data)								
Local currency:									
Fixed rate (Won)	606.7	(Won) 606.0	(Won) 640.8	(Won) 249.6	(Won) 578.4	(Won) 381.1	(Won) 3,062.7	(Won) 3,072.2	
Average weighted rate(1)	0.08%	5.23%	4.72%	4.99%	5.22%	4.73%			
Variable rate									
Average weighted rate(1)									
Sub-total	606.7	606.0	640.8	249.6	578.4	381.1	3,062.7	3,072.2	
Foreign currency:									
Fixed rate	683.3		397.9			516.2	1,597.4	1,974.3	
Average weighted rate(1)	5.91%		1.75%			6.57%			
Variable rate	557.5		457.3	86.5	34.6		1,135.9	1,135.9	
Average weighted rate(1)	2.54%		1.87%	3.78%	5.31%				
Sub-total	1,240.8		855.2	86.5	34.6	516.2	2,733.3	3,110.2	
Total	(Won) 1,847.5	(Won) 606.0	(Won) 1,496.0	(Won) 336.1	(Won) 613.1	(Won) 897.2	(Won) 5,796.0	(Won) 6,182.5	

(1) Weighted average rates of the portfolio at the period end.

A 1.0% point change in interest rates would result in a change of approximately 3.6% in the fair value of our liabilities resulting in a Won 154.1 billion change in their value as of December 31, 2011 and a Won 12.4 billion annualized change in interest expenses. For a further discussion of our interest rate risk exposures, see note 34.a.(3) of the notes to our consolidated financial statements.

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Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Item 12.A. Debt Securities

Not applicable.

Item 12.B. Warrants and Rights

Not applicable.

Item 12.C. Other Securities

Not applicable.

Item 12.D. American Depositary Shares

Fees and Charges under Deposit Agreement

The ADR depository will charge the party receiving ADSs up to \$5.00 per 100 ADSs (or fraction thereof), provided that the ADR depository has agreed to waive such fee as would have been payable by us in the case of (i) an offering of ADSs by us or (ii) any distribution of shares of common stock or any rights to subscribe for additional shares of common stock. The ADR depository will not charge the party to whom ADSs are delivered against deposits. The ADR depository will charge the party surrendering ADSs for delivery of deposited securities up to \$5.00 per 100 ADSs (or fraction thereof) surrendered. The ADR depository will also charge the party to whom any cash distribution, or for whom the sale or exercise of rights or other corporate action involving distributions to shareholders, is made with respect to ADSs up to \$0.02 per ADS held plus the expenses of the ADR depository on a per-ADS basis. We will pay the expenses of the ADR depository and any entity acting as registrar for the shares only as specified in the deposit agreement. The ADR depository will pay any other charges and expenses of the ADR depository and the entity acting as registrar for the shares.

Holders of ADRs must pay (i) taxes and other governmental charges, (ii) share transfer registration fees on deposits of shares of common stock, (iii) such cable, telex, facsimile transmission and delivery expenses as are expressly provided in the deposit agreement to be at the expense of persons depositing shares of common stock or holders of ADRs and (iv) such reasonable expenses as are incurred by the ADR depository in the conversion of foreign currency into United States dollars.

Notwithstanding any other provision of the deposit agreement, in the event that the ADR depository determines that any distribution in property (including shares or rights to subscribe therefor or other securities) is subject to any tax or governmental charges which the ADR depository is obligated to withhold, the ADR depository may dispose of all or a portion of such property (including shares and rights to subscribe therefor) in such amounts and in such manner as the ADR depository deems necessary and practicable to pay such taxes or governmental charges, including by public or private sale, and the ADR depository will distribute the net proceeds of any such sale or the balance of any such property after deduction of such taxes or governmental charges to the holders of ADSs entitled thereto in proportion to the number of ADSs held by them respectively.

All such charges may be changed by agreement between the ADR depository and us at any time and from time to time, subject to the deposit agreement. The right of the ADR depository to receive payment of fees, charges and expenses shall survive the termination of this deposit agreement and, as to any depository, the resignation or removal of such depository pursuant to the deposit agreement.

For a detailed summary of the deposit agreement, see Item 10.B. Memorandum and Articles of Incorporation Description of American Depositary Shares .

Table of Contents**Payments made by ADS Depositary**

All fees and other direct and indirect payments reimbursed by the depositary are as following:

	Year Ended December 31, 2011 (In dollars)
Expenses for preparation of SEC filing and submission	\$ 1,114,026
Listing Fees	\$ 326,453
Education/Training	\$ 311,702
Corporate Action	\$ 558,281
Miscellaneous	\$ 884,238
 Total	 \$ 3,194,701

PART II**Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

Item 15. CONTROLS AND PROCEDURES

Our management has evaluated, with the participation of our Chief Executive Officers and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2011. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officers and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officers and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officers and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles

generally accepted in the Republic of Korea and IFRS as issued

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by the IASB. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2011. The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by Deloitte Anjin LLC, an independent registered public accounting firm, as stated in its report which is included herein.

Attestation Report of the Independent Registered Public Accounting Firm

The attestation report of our independent registered public accounting firm is furnished in Item 18 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 16. [RESERVED]**Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

At our annual shareholders meeting in March 2011, our shareholders re-elected the following two members of the Audit Committee: Jay Young Chung and Jae Ho Cho. In addition, they determined and designated that Jae Ho Cho is an audit committee financial expert within the meaning of this Item 16A. The board of directors have approved this re-elected Audit Committee, and reaffirmed the determination by our shareholders that Jae Ho Cho is an audit committee financial expert and further determined that he is independent within the meaning of applicable SEC rules and the listing standards of the New York Stock Exchange. See Item 6.C. Board Practices Audit Committee for additional information regarding our Audit Committee.

Item 16B. CODE OF ETHICS**Code of Ethics for Chief Executive Officer, Chief Financial Officer and Controller**

We have a code of ethics that applies to our Chief Executive Officers, senior accounting officers and employees. We also have internal control and disclosure policy designed to promote full, fair, accurate, timely and understandable disclosure in all of our reports and publicly filed documents. A copy of our code of ethics is available on our website at www.sktelecom.com. If we amend the provisions of our code of ethics that apply to our Chief Executive Officers, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table sets forth the fees we paid to our independent registered public accounting firm Deloitte Anjin LLC for the year ended December 31, 2010 and 2011, respectively:

	Year Ended December 31,	
	2010	2011
	(In millions of Won)	
Audit Fees	(Won) 2,256.8	(Won) 2,389.5
Audit-Related Fees	360.8	60.0
Tax Fees	177.7	315.0
All Other Fees		
Total	(Won) 2,795.3	(Won) 2,764.5

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Audit Fees are the aggregate fees billed by Deloitte Anjin LLC in 2010 and 2011, respectively, for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees are fees charged by Deloitte Anjin LLC in 2010 and 2011, respectively, for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under *Audit Fees*. This category comprises fees billed for advisory services associated with our financial reporting.

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Tax Fees are fees for professional services rendered by Deloitte Anjin LLC in 2010 and 2011, respectively, for tax compliance, tax advice on actual or contemplated transactions and tax planning services.

Fees disclosed under the category *All Other Fees* are fees for professional services rendered by Deloitte Anjin LLC in 2010 and 2011, respectively, primarily for business consulting.

Pre-Approval of Audit and Non-Audit Services Provided by Independent Registered Public Accounting Firm

Our audit committee pre-approves all audit services to be provided by Deloitte Anjin LLC, our independent registered public accounting firm. Our audit committee's policy regarding the pre-approval of non-audit services to be provided to us by our independent auditors is that all such services shall be pre-approved by the Audit Committee. Non-audit services that are prohibited to be provided to us by our independent auditors under the rules of the SEC and applicable law may not be pre-approved. In addition, prior to the granting of any pre-approval, our audit committee must be satisfied that the performance of the services in question will not compromise the independence of our independent registered public accounting firm.

Our audit committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2-01 (c)(7)(i)(C) of Regulation S-X as promulgated by the SEC.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets forth the repurchases of common shares by us or any affiliated purchasers (as defined in Rule 10b-18(a)(3) of the Exchange Act) during the fiscal year ended December 31, 2011:

Period 2011	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Program(2)	Maximum Number of Shares That May Yet be Purchased Under the Plans or Program(2)
January				
February				
March				
April				
May				
June				
July	165,000	(Won) 145,269	165,000	1,235,000
August	739,775	146,526	739,775	495,225
September	495,225	151,912	495,225	
October				
November				
December				
Total	1,400,000	(Won) 148,283	1,400,000	

- (1) Purchased through open market transactions.

- (2) On July 20, 2011, we announced a plan to repurchase up to 1,400,000 common shares during the period between July 21, 2011 and October 10, 2011, and completed such repurchase by September 30, 2011.

Item 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

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Item 16G. CORPORATE GOVERNANCE

The following is a summary of the significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law.

NYSE Corporate Governance Standards

Director Independence

Listed companies must have a majority of independent directors.

Executive Session

Listed companies must hold meetings solely attended by independent directors to more effectively check and balance management directors.

Nomination/Corporate Governance Committee

Listed companies must have a nomination/corporate governance committee composed entirely of independent directors.

Audit Committee

Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.

Audit Committee Additional Requirements

Listed companies must have an audit committee that is composed of more than three directors.

Shareholder Approval of Equity Compensation Plan

Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to the company's equity compensation plan.

Corporate Governance Guidelines

Listed companies must adopt and disclose corporate governance guidelines.

Code of Business Conduct and Ethics

Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers.

Item 16H. MINE SAFETY DISCLOSURE

Not applicable.

Our Corporate Governance Practice

Of the eight members of our board of directors, five are independent directors.

Our Audit Committee, which is comprised solely of four independent directors, holds meetings whenever there are matters related to management directors, and such meetings are generally held once every month.

Although we do not have a separate nomination/ corporate governance committee, we maintain an Independent Director Nomination Committee composed of independent directors and management directors.

We maintain an Audit Committee comprised solely of four independent directors.

Our Audit Committee has four independent directors.

We currently have two equity compensation plans: a stock option plan for officers and directors and employee stock ownership plan for employees (ESOP). We manage such compensation plans in compliance with the applicable laws and our articles of incorporation, provided that, under certain limited circumstances, the grant of stock options or matters relating to ESOP are not subject to shareholders' approval under Korean law.

Although we do not maintain separate corporate governance guidelines, we are in compliance with the Korean Commercial Code in connection with such matters, including the governance of the board of directors.

We have adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees, and such code is also available on our website at www.sktelecom.com.

Table of Contents**PART III****Item 17. FINANCIAL STATEMENTS**

Not applicable.

Item 18. FINANCIAL STATEMENTSIndex of Financial Statements

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Item 19. EXHIBITS

Number	Description
1.1	Articles of Incorporation
2.1	Deposit Agreement dated as of May 31, 1996, as amended by Amendment No. 1 dated as of March 15, 1999, Amendment No. 2 dated as of April 24, 2000 and Amendment No. 3 dated as of July 24, 2002, entered into among SK Telecom Co., Ltd., Citibank, N.A., as Depository, and all Holders and Beneficial Owners of American Depositary Shares (incorporated by reference to Exhibit 2.1 to the Registrant's Annual Report on Form 20-F filed on June 30, 2006)
8.1	List of Subsidiaries of SK Telecom Co., Ltd.
12.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Framework Act on Telecommunications, as amended (English translation) (incorporated by reference to Exhibit 15.1 to the Registrant's Annual Report on Form 20-F filed on June 30, 2011)
15.2	Enforcement Decree of the Framework Act on Telecommunications, as amended (English translation) (incorporated by reference to Exhibit 15.2 to the Registrant's Annual Report on Form 20-F filed on June 30, 2011)
15.3	Telecommunications Business Act, as amended (English translation)
15.4	Enforcement Decree of the Telecommunications Business Act, as amended (English translation)
15.5	Amendment to the Government Organization Act (incorporated by reference to Exhibit 15.5 to the Registrant's Annual Report on Form 20-F filed on June 30, 2008)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

SK Telecom Co., Ltd.

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

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

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

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

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

/s/ Deloitte Anjin LLC

Deloitte Anjin LLC

Seoul, Korea

March 13, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

SK Telecom Co., Ltd.

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

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

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

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

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

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

/s/ Deloitte Anjin LLC

Deloitte Anjin LLC

Seoul, Korea

March 13, 2012

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****DECEMBER 31, 2011, 2010 AND JANUARY 1, 2010**

	<i>Notes</i>	January 1, 2010	Korean won December 31, 2010 (In millions)	December 31, 2011	Translation into U.S. dollars (Note 2) December 31, 2011 (In thousands)
ASSETS					
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)

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)****DECEMBER 31, 2011, 2010 AND JANUARY 1, 2010**

	<i>Notes</i>	January 1, 2010	Korean won December 31, 2010 (In millions)	December 31, 2011	Translation into U.S. dollars (Note 2) December 31, 2011 (In thousands)
LIABILITIES AND STOCKHOLDERS					
EQUITY					
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.

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SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<i>Notes</i>	2010 Korean won	2011	Translation into U.S. dollars (Note 2)
		(In millions except for per share data)		2011 (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 :				
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

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NET INCOME PER SHARE FROM
CONTINUING OPERATION

(In Korean won and U.S. dollars)	25	(Won)	25,653	(Won)	22,864	\$	19.74
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NET INCOME PER SHARE

(In Korean won and U.S. dollars)	25	(Won)	25,598	(Won)	22,848	\$	19.72
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DILUTED NET INCOME PER SHARE FROM
CONTINUING OPERATION

(In Korean won and U.S. dollars)	25	(Won)	24,995	(Won)	22,238	\$	19.20
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DILUTED NET INCOME PER SHARE

(In Korean won and U.S. dollars)	25	(Won)	24,942	(Won)	22,223	\$	19.18
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See accompanying notes to consolidated financial statements.

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SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2011 AND 2010

	<i>Notes</i>	Korean won 2010	2011	Translation into U.S. dollars (Note 2) 2011 (In thousands except for per share data)
		(In millions 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	<i>21,24</i>	(204,325)	(433,546)	(374,230)
Share in other comprehensive income of Investments in associates	<i>8,24</i>	(390)	(2,173)	(1,876)
Gain (loss) on valuation of derivatives	<i>21,24</i>	(76,613)	29,236	25,236
Foreign-based operations translation adjustment		(1,459)	40,673	35,109
Actuarial gains (losses) on retirement benefit obligations	<i>17,24</i>	(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.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****YEARS ENDED DECEMBER 31, 2011 AND 2010**

Notes	Common stock	Paid-in surplus	Treasury stock	Share premium Loss on disposal of treasury stock	Other (In millions of Korean won)	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 (680,043)	(Won) 919,835	(Won) 10,696,290 (680,043)	(Won) 1,151,755	(W
26						1,837,352	(276,779)	1,560,573	(81,022)	
						1,841,613		1,841,613	(74,778)	
						(4,261)	(276,779)	(281,040)	(6,244)	
21			(210,356)					(210,356)		
19					(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 (668,293)	(Won) 643,056	(Won) 11,329,991 (668,293)	(Won) 1,078,008 (2,226)	(W
26						1,589,569	(382,992)	1,206,577	(15,589)	
						1,612,889		1,612,889	(30,816)	
						(23,320)	(382,992)			
21										