

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

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

FOR THE MONTH OF July 2011

COMMISSION FILE NUMBER 333-04906

SK Telecom Co., Ltd.

(Translation of registrant's name into English)

11, Euljiro2-ga, Jung-gu

Seoul 100-999, Korea

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(Address of principal executive offices)

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

Form 20-F Form 40-F

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

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

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

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

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

Yes No

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

QUARTERLY BUSINESS REPORT

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

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

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

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

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

Starting in the first quarter of 2011, SK Telecom Co., Ltd. (the Company) prepares and reports its financial statements under the International Financial Reporting Standards as adopted for use in Korea (K-IFRS). The transition date of the Company and its consolidated companies to K-IFRS is January 1, 2010 and the adoption date is January 1, 2011. The Company's quarterly business report for the quarter ended March 31, 2011 includes the following consolidated subsidiaries:

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

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

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

B. Date of Incorporation: March 29, 1984

C. Location of Headquarters

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

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

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

D. Corporate Purpose of the Company

Business Objectives

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

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

E. Credit Ratings

(1) Corporate Bonds

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

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

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

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

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

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

(3) International Credit Ratings

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

2. Company History

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

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

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

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

A. Location of Headquarters

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

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

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

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

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

B. Significant Changes in Management

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

C. Change in Company Name

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

D. Mergers, Acquisitions and Restructuring

SK Telink Co., Ltd.

(1) Merger

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

SK Communications Co., Ltd.

(1) Merger

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

(2) Spin off

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

(3) Acquisition

1. Acquisition of publishing business division

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

2. Acquisition of the KUKU division

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

3. Acquisition of the Spicus division

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

4. Disposition of shares

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

E. Other Important Matters related to Management Activities

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

3. Total Number of Shares

A. Total number of shares

(As of March 31, 2011)

(Unit: shares)

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

B. Treasury Stock

(1) Acquisitions and Dispositions of Treasury Stocks

(As of March 31, 2011)

(Unit: Shares)

| Acquisition methods | | Type of shares | At the | Changes | | | At the | |
|--|--|----------------------|---------------------|--------------|--------------|-------------|---------------|-----------|
| | | | beginning of period | Acquired (+) | Disposed (-) | Retired (-) | end of period | |
| Acquisition pursuant to the Financial Investment Services and Capital Markets Act of Korea (FSCMA) | Direct acquisition | Common shares | 5,686,02 | | | | 5,686,02 | |
| | | Preferred shares | | | | | | |
| | | Common shares | | | | | | |
| | | Preferred shares | | | | | | |
| | | Sub-total | 5,686,02 | | | | 5,686,02 | |
| | Acquisition through trust and other agreements | Held by trustee | Common shares | 3,886,710 | | | | 3,886,710 |
| | | | Preferred shares | | | | | |
| | | Held in actual stock | Common shares | | | | | |
| | | | Preferred shares | | | | | |
| | | Sub-total | 3,886,710 | | | | 3,886,710 | |
| Other acquisition | Common shares | | 77,974 | | | | 77,974 | |
| | Preferred shares | | | | | | | |
| Total | Common shares | | 9,650,712 | | | | 9,650,712 | |
| | Preferred shares | | | | | | | |

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

4. Status of Voting Rights

(As of March 31, 2011)

(Unit: shares)

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

5. Dividends and Others

A. Dividends

- (1) Distribution of interim dividends of Won 1,000 was approved during the 305th Board of Directors Meeting on July 23, 2009.
- (2) Distribution of cash dividends was approved during the 26th General Meeting of Shareholders held on March 12, 2010.

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

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

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

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

B. Dividends for the Last 3 Fiscal Years

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

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

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

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

II. BUSINESS

Each company in consolidated entity is separate as a legal entity providing independent services and products. The business is majorly distinguished as a wireless telecommunication business consisting of mobile phone, wireless data, information telecommunication, a fixed line telecommunication business consisting of PSTN, high speed Internet, data and network lease service etc. and other telecommunication business composing of Internet portal service, game etc.

1. Business Overview

[Wireless Business]

A. Industry Characteristics

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

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

B. Growth Potential

(Unit: 1,000 persons)

| Classification | | As of March 31, | | As of December 31, | | |
|-----------------------|-------------------|-----------------|---------------|--------------------|---------------|---------------|
| | | 2011 | 2010 | 2009 | 2008 | 2007 |
| Number of subscribers | SK Telecom | 25,989 | 25,705 | 24,270 | 23,032 | 21,968 |
| | Others (KT, LGU+) | 25,376 | 25,062 | 23,675 | 22,575 | 21,529 |
| | Total | 51,365 | 50,767 | 47,944 | 45,607 | 43,497 |

(Source: Korea Communications Commission website)

C. Domestic and Overseas Market Conditions

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

Historical market share of the Company:

(As of March 31, 2011)

(Unit: %)

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

Comparative market share:

(As of March 31, 2011)

(Unit: %)

| Classification | SK Telecom | KT | LG U+ |
|----------------|------------|------|-------|
| Market share | 50.6 | 31.7 | 17.7 |

(Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

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

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

[Fixed Line Business]

A. Industry Characteristics

The Korean telecommunications industry is currently characterized by the introduction of smartphones, tablet computers and other devices with enhanced mobility and the advent of cloud computing, mobile offices and other information and communications technology. In addition, mergers among fixed-line operators and wireless operators have accelerated the convergence within the telecommunications sector, creating a market structure in which groups with both fixed-line and wireless capabilities compete for greater market share to secure a more solid footing in the market. Spurred on by the introduction of various bundled products, growth in the subscriber base for IP TV services and a paradigm shift in the voice telephone market towards Internet-based telephone services, the broadband and fixed-line telecommunications market is playing a key role in the accelerated consolidation of the service providers as well as heightened competition in a growing market. The increased usage of smartphones has greatly increased the demand for wireless data transmissions, thereby putting into greater relief the importance of fixed-line networks.

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

B. Growth Potential

(Unit: 1,000 persons)

| Classification | | As of March 31, 2011 | As of December 31, 2010 | |
|--------------------|----------------------------|-------------------------|----------------------------|--------|
| Fixed Line | High Speed Internet | 17,399 | 17,224 | 16,348 |
| | Fixed Line | 18,953 | 19,273 | 20,089 |
| Subscribers | IPTV | 2,915 | 2,740 | 1,742 |

(Source: Korea Communications Commission website)

C. Domestic and Overseas Market Conditions

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

Historical market share of the Company:

(As of March 31, 2011)

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

Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

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

SK Telink, a material consolidated subsidiary of ours, provides international telecommunications service. SK Telink has been able to establish itself as a market leader as a result of its affordable pricing, proactive marketing and the quality of its services. We launched a mobile phone-based international calling service under the brand name 00700 in 1998, creating a new niche market within the long-distance telephony market that was otherwise dominated by existing service providers. In 2003, SK Telink was designated a common carrier for international calling services, which allowed us to expand our international calling services to fixed-line international calling services. In addition, in 2010, we were again ranked first in the four major independent customer satisfaction surveys, including the Korea Nation Customer Satisfaction Index, after having been ranked first in 2009. The revenue from our international calling services in 2010 was Won 323.4 billion, which represents a 7% growth from 2009.

[Other Business]

A. Industry Characteristics

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

B. Growth Potential

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

C. Domestic and Overseas Market Conditions

(1) Market Characteristics

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

(2) Competition

Internet portal service providers provide more or less identical types of services, including search, social networking sites, email service, news and other contents. However, for each type of service, a small number of service providers with specialized expertise are enjoying relatively large market shares. However, the portal services market has a relatively light entry barrier and there is increased competition from new entrants. In addition, the ease of access to services provided by competitive foreign providers is also adding to a strongly competitive market environment. We plan to continue to playing a leading role in this market by building on our Cyworld network, which is the largest social networking site in Korea, and its contents library, the brand power of NATE portal service, which is our integrated wired and wireless Internet platform, the instant text and multimedia message services provided through NATE-ON and other key areas in which we believe we have the competitive advantage.

(3) Market Share

Historical market share of the Company:

(As of March 31, 2011)

(Unit: %)

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

Source: Korea Communications Commission website)

D. Business Overview and Competitive Strengths

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

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

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

2. Major Products & Services

A. Updates on Major Products and Services

| Business fields | Sales type | Item | Major trademarks | Sales amount (ratio) |
|-------------------|---|--|--|----------------------|
| Mobile | SK Telecom Co., Ltd., Commerce Planet Co., Ltd., PS&Marketing Corporation, Service Ace Co., Ltd., Service Top Co. Ltd., Network O&S Co., Ltd. | Mobile Phone, Wireless Data, Information Telecommunication | NATE, T Store and others | 3,250,811(83%) |
| Fixed Line | SK Broadband Co., Ltd., Broadband D&M Co., Ltd., Broadband Media Co., Ltd., Broadband CS Co., Ltd., SK Telink Co., Ltd. | Phone, High Speed Internet, Data and Network lease service | B tv , 00700 international call and others | 543,163(14%) |
| Other | SK Communications Co., Ltd., PAXNet Co., Ltd., Loen Entertainment, Inc., SKT Americas, Inc., SK Telecom China Holdings Co., Ltd. | Internet Portal Service, Game | NATE, Cyworld and others | 114,887(3%) |
| | | | Others | 3,908,861(100%) |

B. Price Fluctuation Trend of Major Products and Services

[Mobile Business]

Previously, based on the Company's Basic Plan for monthly subscription, the basic service fee was Won 13,000 per month and the usage fee was Won 20 per 10 seconds and based on the Company's Standard Plan, basic service fee was Won 12,000 per month and the usage fee was Won 18 per 10 seconds. As of December 31, 2010, based on the Company's Basic Plan for monthly subscription, the basic service fee was Won 13,000 per month and the usage fee was Won 2 per 1 second and based on the Company's Standard Plan, basic service fee was Won 12,000 per month and the usage fee was Won 1.8 per 1 second.

[Fixed Line Business]

SK Broadband provides broadband Internet access service, telephony, TV, corporate data services and other services for both individual and corporate customers. For the quarter ended March 31, 2011, broadband Internet services comprises 49.5% of SK Broadband's revenue, telephony service 25.5%, corporate data services 16.4% and other telecommunications services 8.6%.

3. Investment Status

A. Investment in Progress

(Unit: in 100 millions of Won)

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

B. Future Investment Plan

(Unit: in 100 millions of Won)

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

4. Revenues

(Unit: in millions of Won)

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

(Unit: in millions of Won)

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

5. Derivative TransactionsSK Telecom Co., Ltd.

A. Currency Swap

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

(2) Contract Terms

Currency swap contract applying cash flow risk hedge accounting

The Company has entered into a currency and interest rate swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated floating rate long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of March 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated loss on valuation of derivatives amounting to Won 3,186,132,000 (excluding tax effect totaling Won 456,795,000 and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling Won 15,920 million) was accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a currency and interest rate swap contract with two banks including HSBC in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (56-2) with face amounts totaling JPY 12,500,000,000 issued on November 13, 2007. As of March 31, 2011, in connection with this unsettled currency and interest rate swap contracts, an accumulated gain on valuation of derivatives amounting to Won 1,822,556,000 (excluding tax effect totaling Won 1,012,592,000 and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling Won 62,442,968,000) was accounted for as accumulated other comprehensive gain.

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

In addition, the Company has entered into a currency and interest rate swap contract with The Bank of Tokyo-Mitsubishi in order to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds (60-2) with face amounts totaling JPY 5,000,000,000 issued on March 5, 2009. As of March 31, 2011, in connection with this unsettled currency and interest rate swap contract, an accumulated gain on valuation of derivatives amounting to Won 1,101,418,000 (excluding tax effect totaling Won 310,657,000 and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling Won 12,013,476,000) was accounted for as accumulated other comprehensive gain.

In addition, the Company has entered into a currency swap contract with six banks including Morgan Stanley to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds (with face amounts totaling US\$400,000,000) issued on July 20, 2007, and has applied cash flow risk hedge accounting to this foreign currency swap contract starting from May 12, 2010. Accordingly, as of March 31, 2011, in connection with this unsettled foreign currency swap contract, an accumulated loss on valuation of currency swap of Won 27,259,253,000 that has accrued since May 12, 2010 (excluding tax effect totaling Won 7,688,507,000 and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling Won 14,397,710,000) was accounted for as accumulated other comprehensive loss. Meanwhile, a loss on valuation of currency swap of Won 129,806,021,000 incurred prior to the date of applying cash flow risk hedge accounting was charged to current operations.

B. Interest Rate Swap

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

(2) Contract Terms

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

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

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

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

SK Broadband Co., Ltd.

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

(Won in thousands)

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

6. Major Contracts

[SK Telecom]*

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

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

[SK Broadband]

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

[SK Communications]

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

7. R&D Investments

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

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

1.75%

2.28%

8. Other information relating to investment decisions

A. Trademark Policies

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

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

B. Business-related Intellectual Properties

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

III. FINANCIAL INFORMATION

1. Summary Financial Information (Consolidated)

A. Summary Financial Information (Consolidated)

(Unit: in million Won)

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

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

2. Summary Financial Information (Non-Consolidated)

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

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

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

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

IV. AUDITOR S OPINION

1. Auditor (Consolidated)

Quarter ended

March 31, 2011
Deloitte Anjin LLC

Year ended December 31,

| | |
|--------------------|--------------------|
| 2010 | 2009 |
| Deloitte Anjin LLC | Deloitte Anjin LLC |

2. Audit Opinion (Consolidated)

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

| | |
|--------------------------|---------------------|
| Auditor s opinion | Issues noted |
| Unqualified | |
| Unqualified | |

3. Auditor (Non-Consolidated)

Quarter ended

March 31, 2011
Deloitte Anjin LLC

Year ended December 31,

| | |
|--------------------|--------------------|
| 2010 | 2009 |
| Deloitte Anjin LLC | Deloitte Anjin LLC |

4. Audit Opinion (Non-Consolidated)

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

| | |
|--------------------------|---------------------|
| Auditor s opinion | Issues noted |
| Unqualified | |
| Unqualified | |

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

A. Audit Contracts

(Unit: in thousands of Won)

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

B. Non-Audit Services Contract with External Auditors

(Unit: in thousands of Won)

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

V. CORPORATE ORGANIZATION INCLUDING BOARD OF DIRECTORS AND AFFILIATED COMPANIES
1. Board of Directors**A. Overview of Board of Directors Composition**

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

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

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

| Meeting | Date | Agenda | Approval |
|--|----------------------|---|--|
| 322th (the first meeting of 2011) | January 21, 2011 | <ul style="list-style-type: none"> - Financial Statements as of and for the year ended December 31, 2010. - Annual Business Report as of and for the year ended December 31, 2010 - Report for Internal Accounting Management System - Report for Subsequent Events following 4Q 2010 | Approved as proposed Approved as amended |
| 323th (the second meeting of 2011) | February 10, 2011 | <ul style="list-style-type: none"> - Convocation of the 27th Annual General Meeting of Shareholders - Cooperation and share swap with KB Financial Group - Result of Internal Accounting Management System Evaluation | Approved as proposed Approved as proposed |
| 324th (the third meeting of 2011) | March 11, 2011 | <ul style="list-style-type: none"> - Election of the Company's CEO - Amendment of committee regulation - Election of committee member - Fund Management Transaction with Affiliated Financial Company (SK Securities) | Approved as proposed Approved as proposed Approved as proposed Approved as proposed |
| 325th (the fourth meeting of 2011) | March 30, 2011 | <ul style="list-style-type: none"> - Establishment of new entity with respect to a proposed business and acquisition of assets relating thereto | Approved as proposed |
| 326th (the fifth meeting of 2011) | April 28, 2011 | <ul style="list-style-type: none"> - Additional investment in network equipment in 2011 - Report for Subsequent Events following 1Q 2011 | Approved as proposed |

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

C. Committees within Board of Directors

(1) Committee Structure

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

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

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

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

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

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

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

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

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

a) Independent Director Nomination Committee

(As of May 30, 2011)

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

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

b) Audit Committee

(As of May 30, 2011)

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

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

* Agendas filled in with hyphens are for reporting purpose only

D. Directors Independence

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

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

| Name | Independent Director | Task |
|--------------|-----------------------------|-------------------------------------|
| Sung Min Ha | No | |
| Jin Woo So | No | |
| | | Nomination of independent directors |
| Rak Yong Uhm | Yes | |
| Jae Ho Cho | Yes | |

2. Audit System

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

Major activities of the Audit Committee are as follows.

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

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

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

3. Shareholders Exercises of Voting Rights

A. Voting System and Exercise of Minority Shareholders Rights

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

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

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

4. Affiliated Companies

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

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

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

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

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

Invested companies

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

Invested companies

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

Invested companies

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

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

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

(As of March 31, 2011)

(Unit: Shares, %)

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

B. Overview of the Largest Shareholder

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

Details of SK Corporation's subsidiaries are as follows:

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

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

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

2. Changes in shareholdings of the Largest Shareholder

Changes in shareholdings of the largest shareholder are as follows.

(Unit: Shares, %)

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

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

3. Distribution of Shares

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

(As of December 31, 2010)

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

* As of March 31, 2011

B. Shareholder Distribution

(As of December 31, 2010)

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

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

A. Domestic Securities Market

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

B. Domestic Securities Market

New York Stock Exchange

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

VIII. EMPLOYEES

(As of March 31, 2011)

(Unit: persons, in millions of Won)

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

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

(As of March 31, 2011)

(Unit: in millions of Won)

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

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

A. Investment and Disposition of Investment

None.

B. Transfer of Assets

(Units: in millions of Won)

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

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

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

(Unit: in millions of Won)

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

(Unit: in millions of Won)

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

X. OTHER INFORMATION RELATING TO THE PROTECTION OF INVESTORS

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

A. Status and Progress of Major Management Events

Date of

Disclosure

Title

Report

Reports status

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

B. Summary Minutes of the General Meeting of Shareholders

Date

Agenda

Resolution

| | | |
|---|--|--|
| 23 rd Fiscal Year Meeting of Shareholders (March 9, 2007) | <p>1. Approval of the financial statements for the year ended December 31, 2006</p> <p>2. Remuneration limit for Directors</p> <p>3. Election of Directors</p> <p>Election of inside directors</p> | <p>Approved (Cash dividend, Won 7,000 per share)</p> <p>Approved (Won 12 billion)</p> <p>Approved (Jung Nam Cho, Sung Min Ha)</p> <p>Approved (Dal Sup Shim)</p> |
|---|--|--|

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| | | |
|--|--|---|
| | Election of independent directors as Audit Committee members | |
| | 1. Approval of the Financial Statements for the year ended December 31, 2007 | Approved (Cash dividend, Won 8,400 per share) |
| | 2. Amendment to Articles of Incorporation | Approved |
| | 3. Approval of Remuneration Limit for Directors | Approved (Won 12 billion) |
| 24 th Fiscal Year Meeting of Shareholders (March 14, 2008) | 4. Election of Directors | Approved (Shin Bae Kim, Young Ho Park) |
| | Election of inside directors | Approved (Rak Yong Uhm, Jay Young Chung) |
| | Election of independent directors | Approved (Jae Ho Cho) |
| | Election of independent directors as Audit Committee member | |
| 25 th Fiscal Year Meeting of Shareholders (March 13, 2009) | 1. Approval of the financial statements for the year ended December 31, 2008 | Approved (Cash dividend, Won 8,400 per share) |
| | 2. Approval of Remuneration Limit for Directors | Approved (Won 12 billion) |
| | 3. Amendment to Company Regulation on Executive Compensation | Approved |
| | 4. Election of Directors | Approved (Jae Won Chey, Man Won Jung) |
| | Election of inside directors | Approved (Hyun Chin Lim) |
| | Election of independent directors | Approved (Hyun Chin Lim) |

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Election of independent directors as Audit
Committee member

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

2. Contingent Liabilities

[SK Telecom]

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

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

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

B. Other Matters

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

[SK Broadband]

A. Material Legal Proceedings

(Unit: thousand won)

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

(Won)

3,721,149

B. Other contingent Liabilities

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

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

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

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

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

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

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

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

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

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

3. Status of sanctions, etc.

[SK Telecom]

Due to the Company's ineffective measures taken with respect to phone numbers that are used for sending illegal unsolicited bulk messages, the Korea Communications Commission, on April 23, 2009, ordered the Company to improve its work procedures. The Company completed the upgrade of the related computer system to prevent illegal messages on October 10, 2009.

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

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

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

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

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

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

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

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

[SK Broadband]

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

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

[Loen Entertainment]

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

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

SK Telecom Co., Ltd

Report on the consolidated financial statements

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

Management's responsibility for the consolidated financial statements

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

Independent accountants' responsibility

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

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

Review conclusion

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

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

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

/s/ Deloitte Anjin LLC

May 27, 2011

Notice to Readers

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

SK TELECOM CO., LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

MARCH 31, 2011 AND DECEMBER 31, 2010

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

(Continued)

SK TELECOM CO., LTD.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)

MARCH 31, 2011 AND DECEMBER 31, 2010

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

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD.

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

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| | | | | | | | | |
|--|-------|-------|-------|-------|----|------|----|------|
| (In Korean won and U.S. dollars) (Note 22) | (Won) | 7,418 | (Won) | 5,066 | \$ | 6.76 | \$ | 4.62 |
|--|-------|-------|-------|-------|----|------|----|------|

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Continued)

SK TELECOM CO., LTD.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

| | Share capital | Paid-in surplus | Share premium Treasury stock | Loss on disposal of treasury stock | Other | Retained earnings | Reserves | Attributable to Owners of the Company | Non-controlling interests | Total |
|---------------------------------------|---------------|-----------------|---------------------------------|------------------------------------|--------------|-------------------|------------|---------------------------------------|---------------------------|---------------|
| (In thousands of U.S. dollars) | | | | | | | | | | |
| Balance, January 1, 2010 | \$ 40,683 | \$ 2,657,450 | (\$ 1,815,523) | (\$ 14,468) | (\$ 674,462) | \$ 8,716,282 | \$ 838,309 | \$ 9,748,271 | \$ 1,049,674 | \$ 10,797,945 |
| Cash dividends | | | | | | (553,836) | | (553,836) | | (553,836) |
| Total comprehensive income (loss): | | | | | | | | | | |
| Net income | | | | | | 342,298 | | 342,298 | (29,433) | 312,865 |
| Other comprehensive income (Note 19) | | | | | | (93) | (144,285) | (144,378) | (6,945) | (151,323) |
| Changes in subsidiaries | | | | | (1,033) | | | (1,033) | (1,840) | (2,873) |
| Balance, March 31, 2010 | \$ 40,683 | \$ 2,657,450 | (\$ 1,815,523) | (\$ 14,468) | (\$ 675,495) | \$ 8,504,651 | \$ 694,024 | \$ 9,391,322 | \$ 1,011,456 | \$ 10,402,778 |
| Balance, January 1, 2011 | \$ 40,683 | \$ 2,657,450 | (\$ 2,007,235) | (\$ 14,468) | (\$ 707,702) | \$ 9,771,018 | \$ 586,062 | \$ 10,325,808 | \$ 982,462 | \$ 11,308,270 |
| Cash dividends | | | | | | (544,267) | | (544,267) | | (544,267) |
| Total comprehensive income (loss): | | | | | | | | | | |
| Net income | | | | | | 494,449 | | 494,449 | (4,799) | 489,650 |
| Other comprehensive income (Note 19) | | | | | | (3,473) | (55,427) | (58,900) | (2,681) | (61,581) |
| Changes in subsidiaries | | | | | 5,879 | | | 5,879 | 60 | 5,939 |
| Balance, March 31, 2011 | \$ 40,683 | \$ 2,657,450 | (\$ 2,007,235) | (\$ 14,468) | (\$ 701,823) | \$ 9,717,272 | \$ 530,635 | \$ 10,222,969 | \$ 975,042 | \$ 11,198,011 |

See accompanying notes to consolidated financial statements.

SK TELECOM CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

(Continued)

SK TELECOM CO., LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

See accompanying notes to consolidated financial statements.

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

SK Telecom Co., Ltd. (SK Telecom) was incorporated in March 1984 under the laws of Korea to engage in providing cellular telephone communication services in the Republic of Korea. SK Telecom Co., Ltd. and its subsidiaries (the Company) mainly provide wireless telecommunications in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and London Stock Exchange. As of March 31, 2011, the Company's total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|---|------------------|---|
| SK Holdings, Co., Ltd. | 18,748,452 | 23.22 |
| Tradewinds Global Investors, LLC | 4,050,518 | 5.02 |
| POSCO Corp. | 2,341,569 | 2.90 |
| Institutional investors and other minority stockholders | 45,954,460 | 56.91 |
| Treasury stock | 9,650,712 | 11.95 |
| | 80,745,711 | 100.00 |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company maintains its official accounting records in Republic of Korean won (Won) and prepares consolidated financial statements in conformity with Korean statutory requirements and Korean International Reporting Standards (K-IFRS), in the Korean language (Hangul). Accordingly, these consolidated financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, income, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

The accompanying consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of (Won)1,097.25 to US\$1.00, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the three months ended March 31, 2011. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

a. Basis of Presentation

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

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

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

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

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

b. Basis of Consolidation

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

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

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

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

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

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

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

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

c. Business Combination

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

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

d. Foreign Currency Exchange

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

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

Exchange differences are recognized in profit or loss in the period in which they arise except for:

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

exchange differences on transactions entered into in order to hedge certain foreign currency risks below for hedging accounting policies); and

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

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

e. Cash Equivalents

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

f. Financial Assets

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

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

1) *Classification of financial assets*

1-1) *Financial assets at fair value through profit or loss (FVTPL)*

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

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

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

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

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

1-4) *Loans and receivables*

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

2) *Impairment of financial assets*

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity securities, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

3) *Derecognition of financial assets*

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

g. *Inventories*

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

h. *Investments in Associates*

Associates are those entities over which the Company has significant influence but doesn't control or has joint control, over the financial and operating policies. Significant influence is presumed to exist when the Company holds between 20 and 50 percent of the voting power of another entity.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with K-IFRS 1105

Non-current Assets Held for Sale and Discontinued Operations . Under the equity method, an investment in an associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate. When the Company's share of losses of an associate exceeds the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and assessed for impairment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. When the Company or its subsidiary transacts with its associate, unrealized gains from the transactions are eliminated to the extent of interests in the associate and unrealized losses are eliminated too, so far as the transactions provide a basis of impairment for the assets transferred.

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

i. **Property and Equipment**

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

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

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

| Assets | Useful lives (years) |
|--------------------------|----------------------|
| Buildings and structures | 15 ~ 50 |
| Machinery | 3 ~ 15 |
| Other | 4 ~ 10 |

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

j. **Investment Property**

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

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

k. Goodwill

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

l. Intangible Assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives ranging from 3 ~ 20 years. The Company reviews the amortization method, the estimated useful lives and residual values of intangible assets at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment at the end of each annual reporting period. At the case of amortizable intangible assets, the Company reviews impairment at each time whether the carrying amount is not recoverable.

m. Government Grants

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

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

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

n. Borrowing Costs

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

o. Financial Liabilities and Equity Instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. And the financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

1) *Equity instruments*

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

2) *Financial liabilities at FVTPL*

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

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

3) *Other financial liabilities*

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

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

4) *Derecognition of financial liabilities*

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

p. *Lease*

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

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

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

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

q. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. For derivative instruments designated as hedges, the effective portions of the gains or losses on the hedging instruments are recorded as part of other comprehensive income (loss)

r. Retirement Benefit Obligation

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

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

s. Provisions

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

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

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

t. Revenue Recognition

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

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

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

u. Income Tax and Deferred Tax

Income tax consists of current tax and deferred tax.

1) Current tax

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred tax for the year

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

v. Handset Subsidies to Long-term Mobile Subscribers

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

w. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

1) Fair value measurement of financial instruments

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

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

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

3) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

4) Measurement of property and equipment, intangible assets

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

5) Retirement benefit plans

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

6) Deferred tax

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

3. TRANSITION TO K-IFRS

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

a. First-time adoption of K-IFRS

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

1) *Business combination*

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

2) *Fair value or revaluation as deemed cost*

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

b. Explanation of transition to K-IFRS

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

1) *Scope of consolidation*

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

| Changes | Name of entities |
|-------------|--|
| Newly added | Broadband D&M Co., Ltd., Broadband CS Co., Ltd. |
| Excluded | F&U Credit information Co., Ltd., IHQ, Inc., BMC Movie Expert Fund, BMC Digital Culture and Contents Fund |

2) *Employee benefits and retirement benefit obligation*

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

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

3) *Change in depreciation method*

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

4) *Goodwill acquired by business combinations*

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

5) *Transfer of financial assets*

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under K-IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

6) *Deferment of non-refundable activation fees*

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

7) *Income tax*

Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities assuming that all differences from one entity are recovered or settled together. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse. Under K-IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.

Under Korean GAAP, difference between the carrying value and the tax base of the investments in subsidiaries, branches and associates and interest in joint ventures were considered as temporary differences and recognized as deferred tax assets and liabilities. Under K-IFRS, the temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures is recognized as deferred assets and liabilities reflecting the manner in which Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

8) *Other reclassifications*

8-1) Memberships

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

8-2) Investment property

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

c. Explanation of effect of transition to K-IFRS

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

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

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

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

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

4. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

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

5. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

6. INVENTORIES

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

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

7. INVESTMENT SECURITIES

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

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

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

8. INVESTMENTS IN ASSOCIATES

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

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

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

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

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

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

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Ltd. and other

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

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

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

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

9. PROPERTY AND EQUIPMENT

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

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

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

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

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

10. INVESTMENT PROPERTY

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

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

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

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

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

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

| | March 31, 2011 | December 31, 2010 |
|-----------|----------------------|----------------------|
| Land | (Won) 40,540 | (Won) 39,082 |
| Buildings | 174,322 | 176,465 |
| | (Won) 214,862 | (Won) 215,547 |

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

11. GOODWILL

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

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

12. INTANGIBLE ASSETS

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

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

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

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

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

(note a) The Company purchased the W-CDMA license from KCC on December 3, 2001. Amortization of the W-CDMA license commenced once the Company began its commercial W-CDMA services on December 29, 2003, under a straight-line basis over the remaining useful life of the license. The W-CDMA license will expire in December 2016

(note b) The Company purchased an additional W-CDMA license from KCC on May 2010. Amortization of the additional W-CDMA license commenced once the Company started its related commercial W-CDMA services on October 7, 2010, under a straight-line basis over the remaining useful life of the W-CDMA license. The additional W-CDMA license will expire in December 2016.

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

13. BORROWINGS AND BONDS PAYABLE

a. Short-term borrowings

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

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

b. Long-term borrowings

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

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

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

c. Bonds payable

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

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

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

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

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

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

- (note e) According to the covenants of foreign currency debentures, when a private person or other corporation except for AIG-Newbridge-TVG Consortium acquires more than 45% of ownership of SK Broadband Co., Ltd., a subsidiary of the Company, and its credit rating on global bond (US\$ 500,000 thousand) is downgraded by S&P or Moody's, SK Broadband Co., Ltd. is required to offer a buy-back of all foreign currency debentures at the price of 101% of the principal. If the Company does not comply with the covenant, it may be required to perform an immediate redemption.
- (note f) On April 7, 2009, the Company issued convertible bonds with a maturity of five years in the principal amount of US\$332,528,000 for US\$326,397,463 with conversion price of (Won)230,010 per share of the Company's common stock, which was greater than market value at the date of issuance. The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 100% of the principal amount on April 7, 2012 (3 years from the issuance date). The conversion right may be exercised during the period from May 18, 2009 to March 24, 2014 and the number of common shares that can be converted as of March 31, 2011 is 2,177,389 shares.

Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock. If such 49% ownership limitation is violated due to the exercise of conversion rights, the Company will pay a bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five or twenty business days. The Company intends to sell treasury shares held in trust by the Company that corresponds to the number of shares of common stock that would have been delivered in the absence of the 49% foreign shareholding restrictions. Unless either previously redeemed or converted, the notes are redeemable at 100% of the principal amount at maturity.

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

14. PROVISION

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

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

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

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

15. RETIREMENT BENEFIT OBLIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

16. SHARE CAPITAL AND SHARE PREMIUM

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

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

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

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

17. TREASURY STOCK

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

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

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

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

18. RETAINED EARNINGS

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

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

a. Legal Reserve

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

b. Reserve for Business Expansion and Technology Development

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

19. RESERVES

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

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

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

| | Net change in fair value of available-for- sale financial assets | Share of other comprehensive loss of associates | Gain(loss) on valuation of derivatives | Foreign currency differences from foreign operations | Total |
|--------------------------|--|--|--|--|---------------|
| Balance, January 1, 2011 | (Won) 793,645 | ((Won) 91,413) | ((Won) 56,862) | ((Won) 2,314) | (Won) 643,056 |
| Changes | (112,722) | (3,810) | 50,221 | (9,679) | (75,990) |
| Tax effect | 27,380 | (630) | (11,577) | | 15,173 |
| Balance, March 31, 2011 | (Won) 708,303 | ((Won) 95,853) | ((Won) 18,218) | ((Won) 11,993) | (Won) 582,239 |
| Balance, January 1, 2010 | (Won) 998,526 | ((Won) 91,244) | (Won) 12,553 | (Won) | (Won) 919,835 |
| Changes | (178,535) | 204 | (5,818) | (12,495) | (196,644) |
| Tax effect | 37,532 | | 795 | | 38,327 |
| Balance, March 31, 2010 | (Won) 857,523 | ((Won) 91,040) | (Won) 7,530 | ((Won) 12,495) | (Won) 761,518 |

20. OTHER OPERATING INCOME AND EXPENSES

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

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

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

21. FINANCE INCOME AND COSTS

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

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

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

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

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

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

22. NET INCOME PER SHARE

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

Net income per share

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

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

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

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

Diluted net income per share

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

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

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

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

23. SEGMENT INFORMATION

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

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

For the three months ended March 31, 2011

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

For the three months ended March 31, 2010

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

24. TRANSACTIONS WITH RELATED PARTIES

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

a. Transactions

| | For three months ended March 31, 2011 | | | For three months ended March 31, 2010 | | |
|---|---------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| | Purchases of property and equipment | Commissions paid and other expenses | Commissions earned and other income | Purchases of property and equipment | Commissions paid and other expenses | Commissions earned and other income |
| Ultimate parent company: | | | | | | |
| SK C&C Co., Ltd. | (Won) 26,005 | (Won) 68,397 | (Won) 4,009 | (Won) 9,125 | (Won) 67,019 | (Won) 2,930 |
| Parent Company: | | | | | | |
| SK Holdings Co., Ltd. | | 7,432 | 78 | | 7,049 | 160 |
| Associates: | | | | | | |
| SK Marketing & Company Co., Ltd. | 8 | 30,411 | 2,347 | 15 | 25,563 | 1,773 |
| F&U Credit Information Co., Ltd. | | 10,139 | 420 | | | |
| SK Wyverns Baseball Club Co., Ltd. | | 9,794 | 13 | | 6,500 | 23 |
| HanaSK Card Co., Ltd. | 2 | 44,313 | 17,873 | | | |
| Others | | 5,371 | 228 | | 2,257 | 263 |
| Others: | | | | | | |
| SK innovation Co., Ltd. | | 208 | 825 | | 221 | 995 |
| SK MNS Co., Ltd. | 2 | 2,813 | 6 | | 2,487 | 111 |
| SK Engineering & Construction Co., Ltd. | 9,792 | 5,673 | 1,569 | 154 | | 3,395 |
| SKC Co., Ltd. | | | 352 | | | 200 |
| SK Telesys Co., Ltd. | 17,236 | 6,413 | 37,315 | 18,397 | 7,967 | 605 |
| SK Mobile energy Co., Ltd. | 271 | | 2 | | | 8 |
| SK Networks Co., Ltd. | 178 | 280,025 | 4,409 | 18 | 265,182 | 5,003 |
| MRO Korea Co., Ltd. | 235 | 932 | 10 | 1,662 | 885 | 13 |
| SK Networks Service Co., Ltd. | | 11,061 | 130 | | 7,018 | 99 |
| SK Pinx Co., Ltd. | | 465 | 4 | | | |
| SK Shipping Co., Ltd. | | | 831 | | | 1,285 |
| Others | | 23,122 | 806 | | 856 | 1,125 |
| Total | (Won) 53,729 | (Won) 506,569 | (Won) 71,227 | (Won) 29,371 | (Won) 393,004 | (Won) 17,988 |

b. Account balances

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

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| | As of December 31, 2010 | | | |
|---|-------------------------|--------------------|----------------------|-----------------------------|
| | Accounts receivable | Guarantee deposits | Accounts payable | Guarantee deposits received |
| Ultimate parent company: | | | | |
| SK C&C Co., Ltd. | (Won) 935 | (Won) | (Won) 203,031 | (Won) 3,585 |
| Parent Company: | | | | |
| SK Holdings Co., Ltd. | 480 | | 1,595 | |
| Associates: | | | | |
| SK Marketing & Company Co., Ltd. | 3,382 | | 32,304 | |
| Wave City Development Co., Ltd. | 38,412 | | | |
| HanaSK Card Co., Ltd. | 8,478 | | 19,948 | |
| Others | 2,415 | | 1,826 | |
| Others: | | | | |
| SK innovation Co., Ltd. | 1,204 | 96 | | 23 |
| SK MNS Co., Ltd. | 1,591 | | 4,036 | |
| SK Engineering & Construction Co., Ltd. | 2,610 | | 42,880 | 82 |
| SKC Co., Ltd. | 109 | | 6 | |
| SK Telesys Co., Ltd. | 14,207 | | 63,350 | |
| SK Mobile energy Co., Ltd. | 2 | | 645 | |
| SK Networks Co., Ltd. | 3,203 | 5,513 | 99,284 | 689 |
| MRO Korea Co., Ltd. | 6 | | 1,985 | |
| SK Networks Service Co., Ltd. | 1 | | 10,585 | |
| SK Pinx Co., Ltd. | | | 6 | |
| SK Shipping Co., Ltd. | 69 | | | |
| Others | 850 | | 3,510 | 258 |
| Total | (Won) 77,954 | (Won) 5,609 | (Won) 484,991 | (Won) 4,637 |

c. Compensation for the key management

The Company considers registered directors who have substantial roles and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

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

25. COMMITMENTS AND CONTINGENCIES

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

26. DERIVATIVE INSTRUMENTS

- a. Currency swap contract under cash flow hedge accounting

The Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of March 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)3,186 million (net of tax effect totaling (Won)457 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling (Won)15,920 million) is accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with HSBC and SMBC Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY12,500,000,000 issued on November 13, 2007. As of March 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to (Won)1,823 million (net of tax effect totaling (Won)1,013 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling (Won)62,443 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Mizuho Corporation Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY3,000,000,000 issued on January 22, 2009. As of March 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to (Won)2,413 million (net of tax effect totaling (Won)681 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)6,172 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Bank of Tokyo-Mitsubishi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY5,000,000,000 issued on March 5, 2009. As of March 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to (Won)1,101 million (net of tax effect totaling (Won)311 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)12,013 million) is accounted for as accumulated other comprehensive income.

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

In addition, SK Broadband Co., Ltd., a subsidiary of the Company, has entered into a fixed-to-fixed cross currency swap contract with Korea Development Bank and other five banks to hedge the foreign currency risk of U.S. dollar denominated bonds with face amounts totaling US\$500,000,000 at annual fixed interest rate of 7.0% issued on February 1, 2005. As of March 31, 2011, in connection with unsettled foreign currency swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to (Won)8,618 million (excluding foreign exchange translation loss arising from U.S. dollar denominated bonds totaling (Won)84,235 million) is accounted for as accumulated other comprehensive income. Meanwhile, loss on valuation of currency swap which was incurred before the application of hedge accounting, amounting to (Won)46,856 million was charged to current operations.

b. Interest rate swap contract under cash flow hedge accounting

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

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

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

In addition, SK Communications Co., Ltd., a subsidiary of the Company, sold its shares of Etoos Co., Ltd on October 19, 2009 and acquired convertible bonds on disposal of its shares. In connection with convertible option which is embedded in convertible bonds, no gain (or loss) are incurred for the three months ended March 31, 2011.

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As of March 31, 2011, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments are as follows (in thousands of U.S. dollars, Japanese yen and millions of Korean won):

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

27. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

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

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

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

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

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

28. FINANCIAL RISK MANAGEMENT

Financial Risk Factors

The Company is exposed to credit risk, liquidity risk and market risk. Market risk is the risk due to changes in market prices, such as foreign exchange rates, interest rates and equity prices. The Company implements a risk management system to monitor and manage these specific risks.

The Company's financial assets under financial risk management consist of cash and cash equivalents, financial instruments, financial assets available-for-sale, trade and other receivables, and financial liabilities such as trade and other payables, borrowings, and bonds payables.

a. Market risk

a-(1) Currency risk

The Company is exposed to currency risk its revenue and expenditure that are denominated in a currency other than the functional currency of the Company. The Company primarily transacts in USD, JPY and EUR, besides its functional currency of KRW. The Company and the Company's subsidiaries have hedging policies based on its business characteristic and its current financial instruments (which hedge its currency risks). In addition, the Company analyzes, manages and reports currency risk periodically through its foreign currency denominated receivables and payables management system.

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

a-(2) Equity price risk

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

a-(3) Interest rate risk

The Company's interest bearing assets are mostly fixed-interest bearing assets, as such, the Company's revenue and operating cash flow are not influenced by the changes in market interest rates. However, the Company still has interest rate risk arising from borrowings and bonds payables.

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

b. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet his/her contractual obligations. To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading records and other factors; based on such information the Company establishes credit limits for each customer or counterparty.

For the three months ended March 31, 2011, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue. As a result, the Company believes that the possibility of default is low. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy to deal with high credit worthy financial institution.

c. Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Company maintains flexibly enough liquidity under credit lines to maintain and effective & efficient business.

Capital Management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The Company's overall strategy remains unchanged since 2010.

The Company monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total debt divided by total equity; the total debt and equity is extracted from the consolidated financial statements.

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

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

SK TELECOM CO., LTD.

SEPARATE FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

AND INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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Independent Accountants' Review Report

English Translation of a Report Originally Issued in Korean

To the Shareholders and Board of Directors of

SK Telecom Co., Ltd

Report on the consolidated financial statements

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

Management's responsibility for the separate financial statements

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

Independent accountants' responsibility

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

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

Review conclusion

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

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

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

/s/ Deloitte Anjin LLC

May 27, 2011

Notice to Readers

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

SK TELECOM CO., LTD.

SEPARATE STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

MARCH 31, 2011 AND DECEMBER 31, 2010

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

(Continued)

SK TELECOM CO., LTD.

SEPARATE STATEMENTS OF FINANCIAL POSITION (UNAUDITED) (Continued)

MARCH 31, 2011 AND DECEMBER 31, 2010

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

See accompanying notes to separate financial statements.

SK TELECOM CO., LTD.

SEPARATE STATEMENTS OF INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

See accompanying notes to separate financial statements.

SK TELECOM CO., LTD.

SEPARATE STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

See accompanying notes to separate financial statements.

SK TELECOM CO., LTD.

SEPARATE STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Continued)

SK TELECOM CO., LTD.

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

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

See accompanying notes to separate financial statements.

SK TELECOM CO., LTD.

SEPARATE STATEMENTS OF CASH FLOWS (UNAUDITED)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

(Continued)

SK TELECOM CO., LTD.

SEPARATE STATEMENTS OF CASH FLOWS (UNAUDITED) (Continued)

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

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

See accompanying notes to separate financial statements.

SK TELECOM CO., LTD.

NOTES TO SEPARATE FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2011 AND 2010

1. GENERAL:

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of Korea to engage in providing nationwide cellular telephone communication services in the Republic of Korea. The Company mainly provides wireless telecommunications in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange, the New York Stock Exchange and London Stock Exchange. As of March 31, 2011, the Company's total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|---|------------------|---|
| SK Holdings, Co., Ltd. | 18,748,452 | 23.22 |
| Tradewinds Global Investors, LLC | 4,050,518 | 5.02 |
| POSCO Corp. | 2,341,569 | 2.90 |
| Institutional investors and other minority stockholders | 45,954,460 | 56.91 |
| Treasury stock | 9,650,712 | 11.95 |
| | 80,745,711 | 100.00 |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Company maintains its official accounting records in Republic of Korean won (Won) and prepares separate financial statements in conformity with Korean statutory requirements and Korean International Reporting Standards (K-IFRS), in the Korean language (Hangul). Accordingly, these separate financial statements are intended for use by those who are informed about K-IFRS and Korean practices. The accompanying separate financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, income, comprehensive income, changes in shareholders' equity or cash flows, is not presented in the accompanying separate financial statements.

The accompanying separate financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of (Won)1,097.25 to US\$1.00, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the three months ended March 31, 2011. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

x. Basis of Presentation

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

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

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

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

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

y. Foreign Currency Exchange

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

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

Exchange differences are recognized in profit or loss in the period in which they arise except for:

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

exchange differences on transactions entered into in order to hedge certain foreign currency risks below for hedging accounting policies); and

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

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

z. Cash Equivalents

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

aa. Financial Assets

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

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL),

held-to-maturity investments, available-for-sale financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

4) *Classification of financial assets*

1-5) *Financial assets at fair value through profit or loss (FVTPL)*

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

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

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

1-7) Available-for-sale financial assets

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

1-8) Loans and receivables

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

5) Impairment of financial assets

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of available-for-sale equity securities, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

6) *Derecognition of financial assets*

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

bb. Inventories

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

cc. Investments in Subsidiaries and Associates

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

dd. Property and Equipment

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

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

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

| Assets | Useful lives (years) |
|--------------------------|----------------------|
| Buildings and structures | 15, 30 |
| Machinery | 3 ~ 6 |
| Other | 4 ~ 10 |

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

ee. Investment Property

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

While land is not depreciated, all other investment property is depreciated based on the respective assets estimated useful lives ranging from 30 years using the straight-line method.

ff. Goodwill

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

gg. Intangible Assets

Intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives ranging from 3 ~ 20 years. The Company reviews the amortization method, the estimated useful lives and residual values of intangible assets at the end of each annual reporting period. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Intangible assets with indefinite useful lives are not amortized, but tested for impairment at the end of each annual reporting period. At the case of amortizable intangible assets, the Company reviews impairment at each time whether the carrying amount is not recoverable.

hh. Government Grants

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

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

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

ii. Financial Liabilities and Equity Instruments issued by the Company

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. And the financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities .

5) *Equity instruments*

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

6) *Financial liabilities at FVTPL*

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

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

7) *Other financial liabilities*

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

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

8) *Derecognition of financial liabilities*

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

jj. Lease

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

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

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

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

kk. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument. For derivative instruments designated as hedges, the effective portions of the gains or losses on the hedging instruments are recorded as part of other comprehensive income (loss)

ll. Retirement Benefit Obligation

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

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

mm. Provisions

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

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

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

nn. Revenue Recognition

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

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

oo. Income Tax and Deferred Tax

Income tax consists of current tax and deferred tax.

4) Current tax

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

5) Deferred tax

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

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

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

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

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

6) Current and deferred tax for the year

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

pp. Handset Subsidies to Long-term Mobile Subscribers

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

qq. Critical accounting judgments and key sources of estimation uncertainty

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

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

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

7) Fair value measurement of financial instruments

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

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

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

9) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

10) Measurement of property and equipment, intangible assets

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

11) Retirement benefit plans

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

12) Deferred tax

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

3. TRANSITION TO K-IFRS

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

d. First-time adoption of K-IFRS

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

1) *Business combination*

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

2) *Fair value or revaluation as deemed cost*

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

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

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

e. *Explanation of transition to K-IFRS*

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

9) *Employee benefits and retirement benefit obligation*

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

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

10) *Change in depreciation method*

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

11) *Goodwill acquired by business combinations*

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

12) *Transfer of financial assets*

Under Korean GAAP, when the Company transferred a financial asset to financial institutions and it was determined that control over the asset has been transferred the Company derecognized the financial asset. Under K-IFRS, if the Company retains substantially all the risks and rewards of ownership of the asset, the asset is not derecognized but instead the related cash proceeds are recognized as financial liabilities.

13) *Deferment of non-refundable activation fees*

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

14) Income tax

Under Korean GAAP, deferred tax assets and liabilities were classified as either current or non-current based on the classification of their underlying assets and liabilities. If there are no corresponding assets or liabilities, deferred tax assets and liabilities were classified based on the periods the temporary differences were expected to reverse. Under K-IFRS, deferred tax assets and liabilities are all classified as non-current on the statement of financial position.

Under Korean GAAP, difference between the carrying value and the tax base of the investments in subsidiaries, branches and associates and interest in joint ventures were considered as temporary differences and recognized as deferred tax assets and liabilities assuming that all differences from one entity are recovered or settled together. Under K-IFRS, the temporary differences associated with investments in subsidiaries, branches and associates and interest in joint ventures is recognized as deferred assets and liabilities reflecting the manner in which Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

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

7-2) Investment property

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

f. Explanation of effect of transition to K-IFRS

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

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

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

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

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

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

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

4. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

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

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

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

5. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

6. INVESTMENT SECURITIES

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

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

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

7. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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

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

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

| | March 31, 2011 | | Carrying amount | |
|---|------------------|--------------------------|-----------------|-------------------|
| | Number of shares | Ownership percentage (%) | March 31, 2011 | December 31, 2010 |
| SK Telink Co., Ltd. | 1,082,272 | 83.5 | (Won) 144,740 | (Won) 144,740 |
| SK Communications Co., Ltd. | 28,029,945 | 64.7 | 148,831 | 148,831 |
| PAXNet Co., Ltd. | 5,590,452 | 59.7 | 30,611 | 30,611 |
| Loen Entertainment, Inc. | 16,054,812 | 63.5 | 40,234 | 40,234 |
| Stonebridge Cinema Fund | 120 | 45.6 | 8,256 | 8,256 |
| Ntreev Soft Co., Ltd. | 2,064,970 | 63.7 | 7,708 | 7,708 |
| Commerce Planet Co., Ltd. | 29,396 | 100.0 | 139 | 139 |
| SK Broadband Co., Ltd. | 149,638,354 | 50.6 | 1,242,247 | 1,242,247 |
| K-net Culture and Contents Venture Fund | 295 | 59.0 | 28,857 | 28,857 |
| 2nd BMC Focus Investment Fund | 200 | 66.7 | 19,782 | 19,782 |
| Open Innovation Fund | 450 | 98.9 | 44,938 | 44,938 |
| PS&Marketing Corporation | 46,000,000 | 100.0 | 213,934 | 213,934 |
| Service Ace Co., Ltd. | 4,385,400 | 100.0 | 21,927 | 21,927 |
| Service Top Co., Ltd. | 2,856,200 | 100.0 | 14,281 | 14,281 |
| Network O&S Co., Ltd. | 3,000,000 | 100.0 | 15,000 | 15,000 |
| SK Telecom China Holdings Co., Ltd. | | 100.0 | 28,052 | 28,052 |
| Sky Property Mgmt., Ltd. | 22,980 | 60.0 | 264,850 | 264,850 |
| SKT Vietnam PTE., Ltd. | 180,476,700 | 73.3 | 26,264 | 26,264 |
| SKT Americas, Inc. | 109 | 100.0 | 59,167 | 59,167 |
| YTK Investment Ltd | | 100.0 | 41,686 | 41,686 |
| SK Telecom Global Investment B.V | 18,000 | 100.0 | 41,012 | 41,012 |
| Total | | | (Won) 2,442,516 | (Won) 2,442,516 |

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

| | March 31, 2011 | | Carrying amount | |
|---|------------------|--------------------------|-----------------|-------------------|
| | Number of shares | Ownership percentage (%) | March 31, 2011 | December 31, 2010 |
| SK Marketing & Company Co., Ltd. | 5,000,000 | 50.0 | (Won) 112,531 | (Won) 112,531 |
| SK China Company Ltd. | 720,000 | 22.5 | 47,830 | 47,830 |
| SK USA, Inc. | 49 | 49.0 | 5,498 | 5,498 |
| F&U Credit information Co., Ltd. | 300,000 | 50.0 | 4,482 | 4,482 |
| Michigan Global Cinema Fund | 40 | 36.4 | 3,652 | 3,652 |
| 3rd Fund of Isu Entertainment (Note a) | | | | 1,636 |
| Korea IT Fund | 190 | 63.3 | 220,957 | 220,957 |
| JYP Entertainment Corporation | 483,830 | 17.8 | 2,903 | 2,903 |
| BMC Digital Culture and Contents Venture Fund | 50 | 19.9 | 4,912 | 4,912 |
| Wave City Development Co., Ltd. | 382,000 | 19.1 | 1,532 | 1,532 |
| HanaSK Card Co., Ltd. | 57,647,058 | 49.0 | 400,000 | 400,000 |
| Daehan Kanggun BcN Co., Ltd. | 1,461,486 | 29.0 | 7,272 | 7,272 |
| Television Media Korea Ltd. | 18,564,000 | 51.0 | 18,568 | 18,568 |
| BMC Sector Limited Partnership IV | 2,500 | 49.7 | 25,000 | 25,000 |
| NanoEnTek, Inc. (Note b) | 1,807,130 | 9.3 | 11,000 | |
| UNISK(Beijing) Information Technology Co., Ltd. | 49 | 49.0 | 4,247 | 4,247 |
| TR Entertainment | | 42.2 | 7,560 | 7,560 |
| PT. Melon Indonesia | 4,900,000 | 49.0 | 6,492 | 6,492 |
| Packet One Network | 979,474 | 27.2 | 119,856 | 119,856 |
| SK Technology Innovation Company | | 49.0 | 28,146 | 28,146 |
| LightSquared Inc. | 3,387,916 | 3.3 | 72,096 | 72,096 |
| SK Wyverns Baseball Club Co., Ltd. and other | | | 46,709 | 46,709 |
| Total | | | (Won) 1,151,243 | (Won) 1,141,879 |

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

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

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

8. PROPERTY AND EQUIPMENT

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

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

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

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

9. INVESTMENT PROPERTY

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

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

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

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

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

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

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

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

10. GOODWILL

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

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

11. INTANGIBLE ASSETS

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

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

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

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

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

- (note a) The Company purchased the W-CDMA license from KCC on December 3, 2001. Amortization of the W-CDMA license commenced once the Company began its commercial W-CDMA services on December 29, 2003 under a straight-line basis over the remaining useful life of the license. The W-COMA license will expire in December 2016.
- (note b) The Company purchased an the additional W-CDMA license from KCC on May 2010. Amortization of the additional W-CDMA license commenced once the Company started its related commercial W-CDMA services on October 7, 2010, under a straight-line basis over the remaining useful life of the W-CDMA license. The additional W-COMA license will expire in December 2016.
- (note c) The Company purchased a WiBro license from KCC on March 30, 2005. The license period is for 7 years from the purchase date. Amortization of the WiBro license commenced when the Company started its commercial WiBro services on June 30, 2006, under a straight line basis over the remaining useful life.

12. BONDS PAYABLE

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

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

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

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

Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock. If such 49% ownership limitation is violated due to the exercise of conversion rights, the Company will pay a bond holder a cash settlement which will be determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five or twenty business days. The Company intends to sell treasury shares held in trust by the Company that corresponds to the number of shares of common stock that would have been delivered in the absence of the 49% foreign shareholding restrictions. Unless either previously redeemed or converted, the notes are redeemable at 100% of the principal amount at maturity.

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

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

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

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

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

14. PROVISION

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

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

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

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

15. RETIREMENT BENEFIT OBLIGATION

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

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

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

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

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

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

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

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

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

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

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

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

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

16. SHARE CAPITAL AND SHARE PREMIUM

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

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

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

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

17. TREASURY STOCK:

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

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

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

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

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

18. RETAINED EARNINGS

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

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

a. Legal Reserve

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

b. Reserve for Business Expansion and Technology Development

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

19. RESERVES

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

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

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

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

20. OTHER OPERATING INCOME AND EXPENSES

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

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

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

21. FINANCE INCOME AND COSTS

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

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

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

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

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

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

22. NET INCOME PER SHARE

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

Net income per share

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

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

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

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

Diluted net income per share

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

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

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

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

23. TRANSACTIONS WITH RELATED PARTIES

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

| Type | Company | Ownership percentage (%) | Types of business |
|-------------------------|---|-----------------------------|---|
| Ultimate parent company | SK C&C Co., Ltd. | 31.8 (Note a) | Information technology and software production |
| Parent company | SK Holdings Co., Ltd. | 23.2 (Note b) | Holding company |
| Subsidiary | SK Telink Co., Ltd. | 83.5 | Telecommunication service |
| | SK Communications Co., Ltd. | 64.7 | Internet website services |
| | PAXNet Co., Ltd. | 59.7 | Internet website services |
| | Loen Entertainment, Inc. | 63.5 | Release of music disc |
| | Stonebridge Cinema Fund | 45.6 | Investment association |
| | Ntreev Soft Co., Ltd. | 63.7 | Game software production |
| | SK i-media Co., Ltd. | 100.0 (Note c) | Game software production |
| | Commerce Planet Co., Ltd. | 100.0 | Cosmetic wholesale |
| | SK Broadband Co., Ltd. | 50.6 | Internet website services and telecommunication service |
| | Broadband D&M Co., Ltd. | 100.0 (Note c) | Telecommunication service |
| | Broadband media Co., Ltd. | 100.0 (Note c) | Multimedia TV portal service |
| | Broadband CS Co., Ltd. | 100.0 (Note c) | Customer Q&A and Service |
| | K-net Culture and Contents Venture Fund | 59.0 | Investment association |
| | 2nd BMC Focus Investment Fund | 66.7 | Investment association |
| | Open Innovation Fund | 98.9 | Investment association |
| | PS&Marketing Corporation | 100.0 | Retail |
| | Service Ace Co., Ltd. | 100.0 | Customer center management service |
| | Service Top Co., Ltd. | 100.0 | Customer center management service |
| | Network O&S Co., Ltd. | 100.0 | Base station maintenance service |
| | SK Telecom China Holdings Co., Ltd. | 100.0 | Equity investment (Holding company) |
| | Sky Property Mgmt., Ltd. | 60.0 | Equity investment |
| | Shenzhen E-eye High Tech Co., Ltd. | 65.5 (Note c) | GPS manufacturing and selling |
| | YTK Investment Ltd | 100.0 | Investment |
| | SKT Vietnam PTE., Ltd. | 73.3 | Telecommunication service |
| | SKT Americas, Inc. | 100.0 | Telecommunication service |
| | Technology Venture Fund, LP | 100.0 (Note c) | Research & Development |
| | SK Telecom Global Investment B.V | 100.0 | Equity investment |

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

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

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

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

a. Transactions

| | For three months ended March 31, 2011 | | | For three months ended March 31, 2010 | | |
|---|---------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| | Purchases of property and equipment | Commissions paid and other expenses | Commissions earned and other income | Purchases of property and equipment | Commissions paid and other expenses | Commissions earned and other income |
| Ultimate parent company: | | | | | | |
| SK C&C Co., Ltd. | (Won) 25,576 | (Won) 62,684 | (Won) 1,324 | (Won) 6,157 | (Won) 58,791 | (Won) 3,309 |
| Parent Company: | | | | | | |
| SK Holdings Co., Ltd. | | 6,256 | 76 | | 5,902 | 95 |
| Subsidiaries: | | | | | | |
| SK Telink Co., Ltd. | | 25,113 | 18,262 | | 4,081 | 10,407 |
| SK Communications Co., Ltd. | | 2,254 | 2,120 | | 2,864 | 2,754 |
| Loen Entertainment, Inc. | | 9,838 | 950 | | 7,598 | 1,066 |
| Ntreev Soft Co., Ltd. | | | 2,996 | | 210 | 1 |
| Commerce Planet Co., Ltd. | | 41,999 | 2,382 | 1,186 | 23,470 | 1,488 |
| SK Broadband Co., Ltd. | | 51,466 | 19,960 | | 28,617 | 16,283 |
| PS&Marketing Corporation | | 63,467 | 622 | | 81,264 | 519 |
| Service Ace Co., Ltd. | | 28,171 | 2,777 | | | |
| Service Top Co., Ltd. | | 27,448 | 1,611 | | | |
| Network O&S Co., Ltd. | | 18,879 | 567 | | | |
| SK Telecom China Holdings Co., Ltd. | | 4,520 | | | 6,999 | |
| SKT Americas, Inc. | | 3,308 | | | 4,000 | |
| Others | | 251 | 45 | | 37,242 | 7,702 |
| Associates: | | | | | | |
| SK Marketing & Company Co., Ltd. | | 27,382 | 2,182 | | 24,217 | 1,510 |
| F&U Credit Information Co., Ltd. | | 9,742 | 383 | | | |
| SK Wyverns Baseball Club Co., Ltd. | | 9,794 | 13 | | 6,500 | 23 |
| HanaSK Card Co., Ltd. | 2 | 44,313 | 17,793 | | | |
| Others | | 4,164 | 1 | | 2,422 | 1 |
| Others : | | | | | | |
| SK MNS Co., Ltd. | | 2,369 | 4 | | | |
| SK Engineering & Construction Co., Ltd. | 8,023 | 83 | 951 | | | 3,361 |
| SK Telesys Co., Ltd. | 9,017 | 2,257 | 37,208 | 18,397 | 214 | 556 |
| SK Networks Co., Ltd. | 168 | 86,246 | 4,133 | 17 | 120,608 | 3,722 |
| MRO Korea Co., Ltd. | 166 | 588 | 3 | 1,475 | 623 | 13 |
| SK Networks Service Co., Ltd. | | 3,167 | 79 | | 2,511 | 65 |
| Others | 271 | 23,637 | 1,641 | | 4,191 | 2,074 |
| Total | (Won) 43,223 | (Won) 559,396 | (Won) 118,083 | (Won) 27,232 | (Won) 422,324 | (Won) 54,949 |

b. Account balances

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

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As of December 31, 2010

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

c. Compensation for the key management

The Company considers registered directors who have substantial roles and responsibility in planning, operating, and controlling of the business as key management. The considerations given to such key management for the three months ended March 31, 2011 and 2010 are as follows (In millions of Korean won):

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

24. DERIVATIVE INSTRUMENTS:**a. Currency swap contract under cash flow hedge accounting**

The Company has entered into a floating-to-fixed cross currency swap contract with Credit Agricole Corporate & Investment Bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of March 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)3,186 million (net of tax effect totaling (Won)457 million and foreign exchange translation loss arising from U.S. dollar denominated long-term borrowings totaling (Won)15,920 million) is accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with HSBC and SMBC Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY12,500,000,000 issued on November 13, 2007. As of March 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to (Won)1,823 million (net of tax effect totaling (Won)1,013 million and foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling (Won)62,443 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Mizuho Corporation Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY3,000,000,000 issued on January 22, 2009. As of March 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to (Won)2,413 million (net of tax effect totaling (Won)681 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)6,172 million) is accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Bank of Tokyo-Mitsubishi Bank to hedge the foreign currency risk and the interest rate risk of its unguaranteed Japanese yen denominated bonds with face amounts totaling JPY5,000,000,000 issued on March 5, 2009. As of March 31, 2011, in connection with unsettled cross currency interest rate swap contract to which cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to (Won)1,101 million (net of tax effect totaling (Won)311 million and foreign exchange translation gain arising from unguaranteed Japanese yen denominated bonds totaling (Won)12,013 million) is accounted for as accumulated other comprehensive income.

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

b. Interest rate swap contract under cash flow hedge accounting

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

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

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

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As of March 31, 2011, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments are as follows (in thousands of U.S. dollars, Japanese yen and millions of Korean won):

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

25. STATEMENTS OF CASH FLOWS

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

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

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

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

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

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

26. FINANCIAL RISK MANAGEMENT:

Financial Risk Factors

The Company is exposed to credit risk, liquidity risk and market risks (Market risk is the risk due to changes in market prices, such as foreign exchange rates, interest rates and equity prices). The Company implements a risk management system to monitor and manage these specific risks.

The Company's financial assets under financial risk management consist of cash and cash equivalents, financial instruments, financial assets available-for-sale, trade and other receivables, and financial liabilities such as trade and other payables, borrowings, and bonds payable.

a. Market risk

a-(1) Currency risk

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

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

a-(2) Equity price risk

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

a-(3) Interest rate risk

The Company's interest bearing assets are mostly fixed-interest bearing assets, as such, the Company's revenue and operating cash flow are not influenced by the changes in market interest rates. However the Company still has interest rate risk arising from borrowings and bonds payables.

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

b. Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instruments fails to meet his/her contractual obligations. To manage credit risk, the Company evaluates the credit worthiness of each customer or counterparty considering the party's financial information, its own trading record and other factors; based on such information the Company establishes credit limits for each customer or counterparty.

For the three months ended March 31, 2011, the Company has no trade and other receivables or loans which have indications of significant impairment loss or are overdue. As a result, the Company believes that the possibility of default is low. Also, the Company's credit risk can rise due to transactions with financial institutions related to its cash and cash equivalents, financial instruments and derivatives. To minimize such risk, the Company has a policy of dealing with high credit worthy financial institution.

c. Liquidity risk

The Company's approach to managing liquidity is to ensure that it will always maintain sufficient cash equivalents balance and have enough liquidity through various committed credit lines. The Company maintains flexibly enough liquidity under credit lines to maintain an effective & efficient business.

Capital Management

The Company manages its capital to ensure that it will be able to continue as a business while maximizing the return to shareholders through the optimization of its debt and equity balance. The Company's overall strategy remains unchanged since 2010.

The Company monitors its debt-equity ratio as a capital management indicator. This ratio is calculated as total debt divided by total equity; the total debt and equity is extracted from the consolidated financial statements.

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

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SK TELECOM Co., LTD.
(Registrant)

By: /s/ Soo Cheol Hwang
(Signature)

Name: Soo Cheol Hwang
Title: Senior Vice President

Date: July 8, 2011