SK TELECOM CO LTD
Form 20-F
June 30, 2011

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As filed with the Securities and Exchange Commission on June 30, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 20-F

(Mark One)

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

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010

OR

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

OR

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

Date of event requiring this shell company report
For the transition period from to

Commission file number 1-14418
SK Telecom Co., Ltd.
(Exact name of Registrant as specified in its charter)

SK Telecom Co., Ltd.
(Translation of Registrant s name into English)

The Republic of Korea
(Jurisdiction of incorporation or organization)
SK T-Tower
11, Euljiro 2-Ga, Jung-gu, Seoul, Korea
(Address of principal executive offices)
Mr. Won Tuh Chung
11, Euljiro 2-Ga, Jung-gu, Seoul, Korea
Telephone No.: 82-2-6100-2114
Facsimile No.: 82-2-6100-7830

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

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

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

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

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

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

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

71,094,999 shares of common stock, par value ₩500 per share (not including 9,650,712 shares of common stock held by the company as treasury shares)

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

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

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

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

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

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

U.S. GAAP o IFRS o Other þ

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

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

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CERTAIN DEFINED TERMS AND CONVENTIONS USED IN THIS REPORT

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

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

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

All references to Won , (Won) or W in this report are to the currency of Korea, all references to Dollars , $ or U to the currency of the United States of America and all references to Yen or ¥ are to the currency of Japan.

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

Unless otherwise indicated, all financial information in this report is presented in accordance with Korean generally accepted accounting principles (Korean GAAP).

Unless otherwise indicated, translations of Won amounts into Dollars in this report were made at the noon buying rate in The City of New York for cable transfers in Won per US$1.00 as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate) in effect on December 31, 2010, which was Won 1,130.6 to US$1.00. On June 24, 2011, the noon buying rate was Won 1,078.7 to US$1.00. See Item 3.A. Selected Financial Data Exchange Rates .

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements , as defined in Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our current expectations, assumptions, estimates and projections about our company

and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate , believe , considering , depends , estimate , expect , intend , plan , planning , planned , project and similar expressio
events, actions or results may , might , should or could occur, be taken or be achieved.

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

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

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

- our plans for capital expenditures in 2011 for a range of projects, including investments in our backbone networks, investments to improve our WCDMA network-based products and services, investments to build our LTE network, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course;

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

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

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

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

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

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

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

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

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

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

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

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PART I

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

Item 1.A. *Directors and Senior Management*

Not applicable.

Item 1.B. *Advisers*

Not applicable.

Item 1.C. *Auditor*

Not applicable.

Item 2. *OFFER STATISTICS AND EXPECTED TIMETABLE*

Not applicable.

Item 3. *KEY INFORMATION*

Item 3.A. *Selected Financial Data*

You should read the selected consolidated financial and operating data below in conjunction with the consolidated financial statements and the related notes included elsewhere in this report. The selected consolidated financial data for the five years ended December 31, 2010 is derived from our audited consolidated financial statements and related notes thereto.

Our consolidated financial statements are prepared in accordance with Korean GAAP, which differs in certain respects from U.S. GAAP. For more detailed information you should refer to notes 32 and 33 of the notes to our audited consolidated financial statements included in this annual report.

	As of or for the Year Ended December 31,					
	2006	2007	2008	2009	2010	2010*
	(In billions of Won and millions of dollars, except per share and percentage data)					
COME ATEMENT TA						
rean GAAP:						
erating Revenue(1)	₩ 10,979.6(2)	₩ 11,821.5(2)	₩ 13,951.0(2)	₩ 14,512.3(2)	₩ 15,435.4	$ 13,652
erating Expenses	8,356.2(2)	9,711.3(2)	12,190.7(2)	12,631.1(2)	13,493.1	11,934
erating Income	2,623.4(2)	2,110.2(2)	1,760.3(2)	1,881.2(2)	1,942.3	1,717
ome from ntinuing Operation	2,026.6(2)	2,284.5(2)	1,277.5(2)	1,405.8(2)	1,673.7	1,480

ore Income Tax											
Income(3)		1,449.6		1,562.3		972.3		1,055.6		1,297.2	1,147
Income per Share		19,801		22,696		16,707		17,239		19,177	16.9
uted Net Income											
Share		19,523		22,375		16,559		17,046		18,888	16.7
idends Declared											
Share		8,000		9,400		9,400		9,400		9,400	8.3
ighted Average											
mber of Shares		73,305,026		72,650,909		72,765,557		72,346,763		71,942,387	71,942,38
. GAAP:											
erating Revenue	₩	10,529.4	₩	11,192.0	₩	11,132.5	₩	12,619.9	₩	14,173.8	$ 12,536
erating Expenses		7,705.8		9,123.9		9,380.1		10,745.5		12,359.4	10,931
erating Income		2,823.6		2,068.1		1,752.4		1,874.4		1,814.4	1,604
Income(4)		1,876.4		1,451.1		951.7		1,356.7		1,396.6	1,235
Income per Share											
ibutable to SK											
ecom(4)(5)		25,624		20,720		14,744		20,453		21,199	18.7
uted Net Income											
Share attributable											
SK Telecom(4)(5)		25,207		20,379		14,606		20,145		20,841	18.4

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	As of or for the Year Ended December 31,					
	2006	2007	2008	2009	2010	2010*
	(In billions of Won and millions of dollars, except per share and percentage data)					
BALANCE SHEET DATA						
Korean GAAP:						
Working Capital(6)	₩ 1,455.5	₩ 1,796.2	₩ 793.6	₩ 1,475.7	₩ 1,057.7	$ 935.5
Property and Equipment, Net	4,507.3	4,969.4	7,437.7	8,165.9	7,864.6	6,956.1
Total Assets	16,240.0	19,048.9	22,473.7	23,206.3	22,651.7	20,035.1
Non-current Liabilities(7)	3,548.5	4,344.4	6,020.4	5,966.7	4,257.8	3,766.0
Capital Stock	44.6	44.6	44.6	44.6	44.6	39.5
Total Shareholders Equity	9,483.1	11,687.6	11,824.4	12,344.6	12,478.6	11,037.2
U.S. GAAP:						
Working Capital	₩ 1,286.2	₩ 1,751.1	₩ 738.0	₩ 1,815.6	₩ 1,078.6	$ 954,0
Total Assets(4)	17,909.4	20,173.6	21,239.2	25,788.3	25,298.7	22,376.4
Total Shareholders Equity(4)	10,718.4	12,897.6	12,562.0	14,260.8	14,572.7	12,889.4

	As of or for the Year Ended December 31,					
	2006	2007	2008	2009	2010	2010*
	(In billions of Won and millions of dollars, except per share and percentage data)					
OTHER FINANCIAL DATA						
Korean GAAP:						
EBITDA(3)(8)	₩ 3,881.2	₩ 4,370.1	₩ 4,009.9	₩ 4,262.5	₩ 4,729.5	$ 4,183.2
Capital Expenditures(9)	1,498.1	1,804.1	2,236.9	2,162.3	2,316.9	2,049.3
R&D Expenses(10)	279.0	293.1	299.7	293.2	352.0	311.3
Internal R&D	212.0	218.7	226.7	236.3	270.4	239.1
External R&D	67.0	74.4	73.0	56.9	81.6	72.2
Depreciation and Amortization	1,698.2	1,968.6	2,755.4	2,730.0	2,868.8	2,537.4
Cash Flow from Operating Activities(11)	3,590.5	3,721.0	3,293.0	2,932.6	4,021.0	3,556.5
Cash Flow from Investing Activities(11)	(2,535.0)	(2,415.4)	(3,877.0)	(1,826.0)	(2,358.7)	(2,086.2)
Cash Flow from Financing Activities(11)	(952.4)	(1,041.3)	866.8	(1,207.0)	(1,818.3)	(1,608.3)
Margins (% of total sales):						
EBITDA Margin(8)(12)	35.3%	37.0%	28.7%	29.4%	30.6%	30.6%
Operating Margin(12)	23.9	17.9	12.6	13.0	12.6	12.6
Net Margin(12)	13.2	12.3	7.0	7.3	8.4	8.4
U.S. GAAP:						
EBITDA(4)(8)	₩ 4,527.7	₩ 3,909.5	₩ 3,146.7	₩ 4,155.6	₩ 4,613.4	$ 4,080.7

Capital Expenditures(9)	1,538.0	1,854.0	1,861.0	2,160.5	2,316.4	2,048.8
Cash Flow from Operating Activities(11)	3,615.5	3,284.1	2,696.3	3,063.7	3,979.6	3,519.9
Cash Flow from Investing Activities(11)	(2,560.4)	(2,436.2)	(3,932.6)	(2,124.6)	(2,407.4)	(2,129.3)
Cash Flow from Financing Activities(11)	(940.6)	(631.3)	1,118.7	(840.0)	(1,785.9)	(1,579.6)

	As of or for the Year Ended December 31,					
	2006	2007	2008	2009	2010	2010*
ECTED CRATING DATA						
ulation of Korea ions)(13)	48.3	48.5	48.6	48.7	48.9	48
Wireless tration(14)	42.0%	45.3%	47.4%	50.6%	50.6%	50
ber of loyees(15)	7,676	9,485	10,626	10,714	20,143	20,14
l Sales per Employee nillions of Won and sands of Dollars)	₩ 1,430.4	₩ 1,246.3	₩ 1,312.9	₩ 1,354.5	₩ 766.3	$ 677
eless Subscribers(16)	20,271,133	21,968,169	23,032,045	24,269,553	25,705,049	25,705,04
rage Monthly going Voice Minutes Subscriber(17)	201	201	200	197	199	19
rage Monthly enue per criber(18)	₩ 40,220	₩ 40,154	₩ 38,526	₩ 38,171	₩ 37,287	$ 32.9
rage Monthly Churn (19)	2.0%	2.6%	2.7%	2.7%	2.7%	2
tal Cell Sites	12,515	16,099	17,213	15,979	17,483	17,48

* The translation into Dollars was made at the rate of Won 1,130.6 to US$1.00. See note 2(a) of the notes to our consolidated financial statements.

(1) Includes interconnection revenue of Won 1,033.4 billion for 2006, Won 1,062.2 billion for 2007, Won 1,149.2 billion for 2008, 1,245.4 billion for 2009 and Won 1,237.5 billion for 2010. Includes digital handset sales revenue of Won 185.3 billion in 2009 and Won 534.4 billion in 2010 from PS&Marketing which is our consolidated subsidiary.

(2) As a result of our sale of HELIO, LLC to Virgin Mobile USA, Inc. in August 2008, HELIO s results of operations have been classified as discontinued operations. We and SK Communications Co., Ltd., one of our subsidiaries, sold the Spicus division, a telephone English education division, to Spicus Inc., a subsidiary of Altos Ventures, in August 2009 and sold Etoos Co., Ltd. to Cheong Sol in October 2009. In addition, we sold shares of iHQ, Inc. in April and July 2010 and liquidated SK-KTB Music Investment Fund in October 2010. Operating revenue, operating expenses, operating income and income before income taxes and minority interest for the years ended December 31, 2006, 2007, 2008 and 2009 have been revised to exclude results of operations of HELIO, the Spicus division, Etoos, iHQ, Inc. and SK-KTB Music Investment Fund.

(3) As of January 1, 2007, we adopted Statements of Korean Accounting Standards, or SKAS No. 25. Pursuant to adoption of SKAS No. 25, net income is allocated to equity holders of the parent and minority interest. In addition, when a subsidiary is purchased during the fiscal year, the subsidiary s statement of income is included in consolidation as though it had been acquired at the beginning of the fiscal year, and pre-acquisition earnings are presented as a separate deduction within the consolidated statements of income. The consolidated statement of

income for the year ended December 31, 2006 has been reclassified in accordance with SKAS No. 25.

(4) Adjusted to retroactively reflect our acquisition of an additional 38.7% equity stake in SK Broadband in March 2008, increasing our total equity interest in SK Broadband to 43.4%. According to revised Accounting Standard Codification Topic 810 Consolidation, net income (loss) attributable to the non-controlling interest is included in net income. The net loss attributable to the non-controlling interest for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 was Won (4.1 billion), Won (54.3 billion), Won (121.1 billion), Won (123.0 billion) and Won (128.5 billion), respectively.

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

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

(7) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rate of Won 929.6 to US$1.00 as of December 31, 2006, Won 938.2 to US$1.00 as of December 31, 2007, Won 1,257.5 to US$1.00 as of December 31, 2008, Won 1,167.6 to US$1.00 as of December 31, 2009

and Won 1,138.9 to US$1.00 as of December 31, 2010, the rates of exchange permitted under Korean GAAP as of those dates. See note 2(u) of the notes to our consolidated financial statements.

(8) EBITDA refers to income before interest income, interest expense, taxes, depreciation and amortization. EBITDA as used here is a non-GAAP measure and is commonly used in the telecommunications industry to analyze companies on the basis of operating performance. Since the telecommunications business is a very capital intensive business, capital expenditures and level of debt and interest expenses may have a significant impact on net income for companies with similar operating results. Therefore, for a telecommunications company such as ourselves, we believe that EBITDA provides a useful reflection of our operating results. We use EBITDA as a measurement of operating performance because it assists us in comparing our performance on a consistent basis as it removes from our operating results the impact of our capital structure, which includes interest expense from our outstanding debt, and our asset base, which includes depreciation and amortization of our property and equipment. However, EBITDA should not be construed as an alternative to operating income or any other measure of performance determined in accordance with Korean GAAP or U.S. GAAP or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities. Other companies may define EBITDA differently than we do. EBITDA under U.S. GAAP is computed using interest income, interest expense, depreciation, amortization and income taxes under U.S. GAAP, which may differ from Korean GAAP for these items.

(9) Consists of investments in property, plant and equipment. Under U.S. GAAP, interest costs incurred during the period required to complete an asset or ready an asset for its intended use are capitalized based on the interest rates a company pays on its outstanding borrowings. Under Korean GAAP, such interest costs are expensed as incurred.

(10) Includes donations to Korean research institutes and educational organizations. See Item 5.C. Research and Development .

(11) Cash flow activities from discontinued operation for the years ended December 31, 2006, 2007, 2008, 2009 and 2010 have been excluded.

(12) Operating revenue and operating income used in the calculation of these ratios exclude the operating revenue and operating income from the discontinued operation, but include the operating revenue and operating income of newly-consolidated subsidiaries prior to the date of consolidation.

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

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

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

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

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

(18) The average monthly revenue per subscriber excludes interconnection revenue and is derived by dividing the sum of total initial subscription fees, monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services, value-added service fees and other miscellaneous revenues for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months

in the period. Including interconnection revenue, average monthly revenue per subscriber was Won 44,599 for 2006, Won 44,416 for 2007, Won 43,016 for 2008, Won 42,469 for 2009 and Won 41,374 for 2010.

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

As a measure of our operating performance, we believe that the most directly comparable U.S. and Korean GAAP measure to EBITDA is net income. The following table reconciles our net income under Korean GAAP to our definition of EBITDA on a consolidated basis for each of the five years ended December 31, 2010.

	As of or for the Year Ended December 31,					
	2006	**2007**	**2008**	**2009**	**2010**	**2010***
	(In billions of Won and millions of dollars)					
Korean GAAP:						
Net Income	₩ 1,449.6	₩ 1,562.3	₩ 972.3	₩ 1,055.6	₩ 1,297.2	$ 1,147.4
LESS: Interest income(1)	(79.2)	(92.6)	(128.7)	(186.4)	(234.8)	(207.7)
ADD: Interest expense(1)	237.8	234.0	337.9	439.9	396.5	350.7
Taxes(1)	571.9	695.6	188.9	359.3	404.3	357.6
Depreciation and Amortization(1)	1,701.1	1,970.8	2,639.5	2,594.1	2,866.3	2,535.2
EBITDA	₩ 3,881.2	₩ 4,370.1	₩ 4,009.9	₩ 4,262.5	₩ 4,729.5	$ 4,183.2

* The translation into Dollars was made at the rate of Won 1,130.6 to US$1.00. See note 2(a) of the notes to our consolidated financial statements.

(1) In accordance with SKAS No. 25, which we adopted in 2007, when a subsidiary is purchased during the fiscal year, the subsidiary s statement of income is included in consolidation as though it had been acquired at the beginning of the fiscal year, and pre-acquisition earnings are presented as a separate deduction within the consolidated statements of income. For purposes of reconciling net income under Korean GAAP with EBITDA, the interest income, interest expense, taxes and depreciation and amortization amounts for 2007, 2008, 2009 and 2010 shown in the table above exclude, with respect to subsidiaries newly consolidated in 2007, 2008, 2009 or 2010 the income earned and expense incurred by such subsidiaries prior to the date of consolidation. In addition, interest income, interest expense, taxes and depreciation and amortization amounts for 2006, 2007, 2008, 2009 and 2010 shown in the table above include income earned and expense incurred from discontinued operations. As a result, the interest income, interest expense, taxes and depreciation and amortization amounts for 2007, 2008, 2009 and 2010 that appear in the table above differ from those set forth in our consolidated statements of income and consolidated statements of cash flows for the years ended December 31, 2007, 2008, 2009 and 2010, respectively.

The following table reconciles our net income under U.S. GAAP to our definition of EBITDA on a consolidated basis for each of the five years ended December 31, 2010.

	As of or for the Year Ended December 31,					
	2006	**2007**	**2008**	**2009**	**2010**	**2010***
	(In billions of Won and millions of dollars)					
U.S. GAAP:						
Net Income(1)	₩ 1,876.4	₩ 1,451.1	₩ 951.7	₩ 1,356.7	₩ 1,396.6	$ 1,235.3
LESS: Interest income(2)	(85.9)	(97.7)	(125.4)	(207.4)	(225.0)	(199.0)
ADD: Interest expense(2)	240.4	202.7	233.5	374.3	339.3	300.1
Taxes(2)	686.7	576.7	161.9	486.7	389.1	344.3
Depreciation and Amortization(2)	1,810.1	1,776.7	1,925.0	2,145.3	2,713.4	2,400.0
EBITDA(1)	₩ 4,527.7	₩ 3,909.5	₩ 3,146.7	₩ 4,155.6	₩ 4,613.4	$ 4,080.7

* The translation into Dollars was made at the rate of Won 1,130.6 to US$1.00. See note 2(a) of the notes to our consolidated financial statements.

(1) Adjusted to retroactively reflect our acquisition of an additional 38.7% equity stake in SK Broadband in March 2008, increasing our total equity interest in SK Broadband to 43.4%.

(2) Interest income, interest expense, taxes and depreciation and amortization amounts for 2006, 2007, 2008, 2009 and 2010 shown in the table above include income earned and expense incurred from discontinued operations.

Exchange Rates

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

Year Ended December 31,	At End of Period	Average Rate(1)	High	Low
	(Won per US$1.00)			
2006	930.0	954.3	1,002.9	913.7
2007	935.8	929.0	950.2	903.2
2008	1,262.0	1,098.7	1,507.9	935.2
2009	1,163.7	1,274.6	1,570.1	1,149.0
2010	1,130.6	1,155.7	1,253.2	1,104.0

	Past Six Months	
	High	Low
	(Won per US$1.00)	
December 2010	1,155.2	1,130.0
January 2011	1,128.1	1,111.0
February 2011	1,130.6	1,100.9
March 2011	1,135.6	1,097.3
April 2011	1,091.8	1,068.4
May 2011	1,101.6	1,065.5
June 2011 (through June 24)	1,091.2	1,073.9

Source: Federal Reserve Bank of New York.

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

On June 24, 2011, the noon buying rate was Won 1,078.7 to US$1.00.

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

Not applicable.

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

Not applicable.

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Item 3.D. *Risk Factors*

Risks Relating to Our Business

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

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

Prior to April 1996, we were the only wireless telecommunications service provider in Korea. Since then, several new providers have entered the market, offering wireless voice and data services that compete directly with our business. The collective market share of these providers amounts to approximately 49.4%, in terms of numbers of wireless service subscribers, as of December 31, 2010. Since 2000, there has also been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors, including the merger of KT Freetel Co., Ltd., or KTF, one of our principal wireless competitors before the merger, into KT Corporation, or KT, Korea s principal fixed-line operator, in June 2009 and the merger in January 2010 of LG DACOM Corporation and LG Powercomm Co., Ltd. into LG Telecom Co., Ltd., which subsequently changed its name to LG Uplus Corp., or LG U+. Such consolidation has created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings. In addition, our broadband Internet access service provided through SK Broadband competes with other providers of Internet access services, including KT, LG U+, and cable companies, and our fixed-line telephone service provided through SK Broadband competes with KT, as well as providers of voice over Internet protocol, or VoIP, services. Future business combinations and alliances in the telecommunications industry may also create significant new competitors or enhance the abilities of our current competitors to offer more competitive services and could harm our business and results of operations.

Continued competition from the other wireless and fixed-line service providers has also resulted in, and may continue to result in, a substantial level of deactivations among our subscribers. Subscriber deactivations, or churn, may significantly harm our business and results of operations. In 2010, the churn rate in our wireless business ranged from 2.3% to 3.1%, with an average churn rate of 2.7%, compared to an average churn rate of 2.7% in 2009. Intensification of competition in the future may cause our churn rates to increase. The increased competition may cause us to increase our marketing expenses as a percentage of sales to attract and retain subscribers.

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

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

In 2007, the KCC introduced certain regulations to allow telecommunication service providers to bundle their services as well as allow our competitors to employ services provided by us so that they can offer similar discounted package services. Competition intensified as licensed transmission service providers were permitted to offer local, domestic long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses. Moreover, beginning in September 2010, we are required to lease our networks to a mobile virtual network operator, or MVNO, at such MVNO s request, at a rate mutually agreed upon that complies with the standards set by the KCC. An MVNO has commenced providing wireless data services in March 2011 and we expect that a few additional MVNOs will commence providing wireless telecommunications services using the networks leased from us beginning in the second half of 2011. For more detailed discussion of the Government s rate regulations, see Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation . In addition, Korea Mobile Internet, or KMI, announced in 2010 a plan to enter the wireless telecommunications market as a fourth telecommunication service provider in Korea and provide wireless Internet and mobile VoIP services based on the wireless broadband Internet, or WiBro, technologies. While the KCC rejected KMI s application for a license to provide wireless services in February 2011 based on its insufficient technological and financial capabilities, among other factors, KMI may reapply after amending its application. We believe the introduction of bundled services and the entrance of MVNOs and KMI into the wireless telecommunications market may further increase competition in the telecommunications sector, as well as cause downward price pressure on the fees we charge for our services, which, in turn, may have a material adverse effect on our results of operations, financial position and cash flows.

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

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

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

In March 2005, we obtained a license from the MIC to provide WiBro services. WiBro enables us to offer high-speed and large-packet data services, including wireless broadband Internet access to portable computers and other portable devices. We commercially launched WiBro service in June 2006, initially to 24 hot zone areas, which are neighborhoods and districts that we have determined to be high-data traffic areas, in seven cities in Korea. By the end of 2010, we have extended WiBro service to hot zone areas in 84 cities throughout Korea. In 2011, we plan to further expand WiBro service to more extensive hot zone areas in the 84 cities. Beyond 2011, our WiBro expansion plans will depend, in part, on subscriber demand for WiBro services. As the implementation of WiBro service in Korea is relatively new, we cannot assure you that there will continue to be sufficient demand for our WiBro services. Our WiBro services may not be commercially successful if market conditions are unfavorable or service demand is weak.

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

Our business could also be harmed if we fail to implement, or adapt to, future technological advancements in the telecommunications sector in a timely manner.

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

We have made, and intend to continue to make, capital investments to develop and launch our WiBro and LTE services. In 2010, we spent Won 119.9 billion in capital expenditures to build and expand our WiBro network. In 2011, we plan to spend approximately Won 34 billion to expand our WiBro network and may make further capital investments related to our WiBro service in the future. We also plan to invest in developing and building our LTE networks in 2011. Our WiBro and LTE-related investment plans are subject to change, and will depend, in part, on market demand for WiBro and LTE services, the competitive landscape for provision of such services and the development of competing technologies. There may not be sufficient demand for our WiBro and LTE services, as a result of competition or otherwise, to permit us to recoup or profit from our WiBro and LTE-related capital investments. KT commercially launched its WiBro service in 2006 and announced its plan to commence its commercial LTE service in early 2012, while LG U+ announced its plan to commence its commercial LTE service in July 2011. The more successful operation of WiBro and LTE networks by KT, LG U+ or another competitor, including better market acceptance of a competitor s WiBro and LTE services, could also materially and adversely affect our business.

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

As a part of our growth strategy, we plan to selectively seek business opportunities abroad. In May 2006 our subsidiary, HELIO, LLC, launched cellular voice and data services across the United States. In August 2008, together with EarthLink Inc., our joint venture partner in HELIO, we sold our equity interest in HELIO to Virgin Mobile USA, Inc., in exchange for an equity stake in Virgin Mobile USA, Inc. In November 2009, we sold our equity interest in Virgin Mobile USA, Inc. to Sprint Nextel Corporation in connection with the merger of Virgin Mobile USA, Inc. with and into Sprint Nextel Corporation, in exchange for a 0.6% equity interest in Sprint Nextel Corporation. In 2010, we sold all of the shares of Sprint Nextel Corporation held by us. In connection with our investment in HELIO, we have recognized a cumulative loss of Won 355 billion through the end of 2010. See Item 4.B. Business Overview Our Business Strategy Global Business United States for more information regarding our investments in HELIO and Virgin Mobile USA, Inc. We continue to seek other opportunities to expand our business abroad, particularly in Asia and the United States, as such opportunities present themselves. These global businesses may require further investment from us. For a more detailed description of our investments in our global business, see Item 4.B. Business Overview Our Services Global Business .

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

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

We have pursued convergence growth opportunities. For example, in 2008 and 2009, we acquired an additional equity stake in SK Broadband, Korea s second-largest fixed-line operator, for an aggregate purchase price of approximately Won 1.45 trillion and currently hold a 50.6% equity stake in the company. In February 2010, we acquired a 49% equity stake in Hana SK Card Co., Ltd. for the purchase price of Won 402 billion in order to provide cross-over services between telecommunication and finance. In September 2009, we also acquired the leased-line business of SK Networks Co., Ltd. for Won 892.8 billion and assumed Won 611.4 billion of debt as part of the transaction. While we are hoping to benefit from a range of synergies from the acquisitions, including by offering our customers bundled fixed-line and mobile telecommunications services, we may not be able to integrate our new businesses and may fail to realize the expected benefits in the near term, or at all.

In particular, we may experience difficulties in operating SK Broadband s fixed-line telecommunications and broadband Internet services with our existing products and services, and we may be unsuccessful in retaining SK Broadband s existing customers. Since April 2008, customers of SK Broadband have filed lawsuits against SK Broadband in the Seoul Central District Court, alleging that SK Broadband had violated customers privacy, and an investigation against SK Broadband was initiated by the Seoul Central Prosecutor s Office, the KCC and the

Korea Trade Commission. In connection with its investigation, the KCC suspended SK Broadband from soliciting new subscribers for its broadband Internet services for a period of 40 days from July 1, 2008 and, in addition, imposed an administrative fine of Won 178 million. As of March 31, 2011, the number of plaintiffs was 23,930 and the aggregate amount of damages claimed by such plaintiffs was approximately Won 24.1 billion. For more information regarding this lawsuit, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings SK Broadband Litigation .

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

According to data published by the KCC and our population estimates based on historical data published by the National Statistical Office of Korea, the penetration rate for the Korean wireless telecommunications service industry as of December 31, 2010 was approximately 103.9%, which is high compared to many industrialized countries. Therefore, the penetration rates for wireless telecommunications service in Korea will not grow significantly. As a result of the already high penetration rates in Korea for wireless services coupled with our leading market share, we expect our subscriber growth rate to decrease. Slowed growth in penetration rates without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition, results of operations and cash flows.

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

One of the principal limitations on a wireless network s subscriber capacity is the amount of spectrum available for use by the system. According to the KCC s final plan announced in February 2010, the amount of spectrum in the 800 MHz band allocated to us will be reduced to 2 x 15 MHz of spectrum beginning in July 2011 from the current 2 x 22.5 MHz. Instead, we have been allocated an additional 2 x 10 MHz of spectrum in the 2.1 GHz band for our use until December 2016, which we have been using for our 3G services since October 2010. We currently use our CDMA and WCDMA technologies to provide nationwide services to our subscribers.

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

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

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

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

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

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

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

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

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

As a network-based wireless telecommunications provider, we have had, and expect to continue to have, significant capital expenditure requirements as we continue to build out, maintain and upgrade our networks. We spent Won 2,316.5 billion for capital expenditures in 2010 and we expect to spend a similar amount for capital expenditures in 2011 for a range of projects, including investments in our backbone networks, investments to improve our WCDMA network-based products and services, investments to build our LTE network, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course. In 2011, we plan to continue HSUPA and HSPA+ upgrades to our WCDMA network and expand our WiBro service to more extensive hot zone areas in 84 cities, as well as introduce LTE service by July 2011. For a more detailed discussion of our capital expenditure plans and a discussion of other factors that may affect our future capital expenditures, see Item 5.B. Liquidity and Capital Resources

As of December 31, 2010, we had approximately Won 2,392.5 billion in contractual payment obligations due in 2011, almost all of which involve repayment of debt obligations. See Item 5.F. Tabular Disclosure of Contractual Obligations .

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

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

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

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

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

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

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

Labor disputes may disrupt our operations.

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

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

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

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

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

Furthermore, the Government sets the policies regarding the use of frequencies and allocates the spectrum of frequencies used for wireless telecommunications. In February 2010, the KCC announced its final plan to reallocate the spectrum of frequencies among us, KT and LG U+. In addition, in June 2011 the KCC announced its plan to sell 20 MHz of bandwidth in the 1.8 GHz spectrum, 20 MHz of bandwidth in the 2.1 GHz spectrum and 10 MHz of bandwidth in the 800 MHz spectrum. See Item 4.B. Business Overview Law and Regulation Competition Regulation . While we do not believe the reallocation of spectrum will materially impact our ability to maintain sufficient bandwidth capacity, the reallocation and new allocation of the spectrum to our existing or new competitors could increase competition among wireless service providers, which may have an adverse effect on our business.

Pursuant to recent amendments to the Telecommunications Business Act, which became effective as of September 23, 2010, certain mobile network operators designated by the KCC, which currently include only us, are required to lease their networks or allow use of their networks (collectively, wholesale lease) to other network service providers, such as an MVNO, that have requested such wholesale lease in order to provide their own services using the leased networks. An MVNO has commenced providing wireless data services in March 2011 and we expect that a few additional MVNOs will commence providing wireless telecommunications services using the networks leased from us beginning in the second half of 2011. We believe that leasing a portion of our bandwidth capacity to an MVNO would impair our ability to use our bandwidth in ways that would generate maximum revenues and would strengthen our MVNO competitors by granting them access and lowering their costs to enter into our markets. Accordingly, our profitability may be adversely affected.

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

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

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

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

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

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

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

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

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

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

In recent years, difficulties affecting the global financial sectors, adverse conditions and volatility in the worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the global economy have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. The legislators and financial regulators in the United States and other jurisdictions, including Korea, have implemented a number of policy measures designed to add stability to financial markets. The overall impact of these legislative and regulatory efforts on the global financial markets continues to be uncertain, and they may not have the intended stabilizing effects.

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

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

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

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

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

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

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

- the Dollar value of the proceeds that a holder will receive upon sale in Korea of the common shares; and the secondary market price of the ADSs.

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

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Risks Relating to Korea

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

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

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

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

- difficulties in the housing and financial sectors in the United States and elsewhere and increased sovereign default risks in selected countries and the resulting adverse effects on the global financial markets;
- adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar or Japanese Yen exchange rates or revaluation of the Chinese Renminbi), interest rates and stock markets;
- continuing adverse conditions in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;
- substantial decreases in the market prices of Korean real estate;
- increasing delinquencies and credit defaults by consumer and small- and medium-sized enterprise borrowers;
- declines in consumer confidence and a slowdown in consumer spending;
- the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of the manufacturing base from Korea to China);
- social and labor unrest;
- a decrease in tax revenues and a substantial increase in the Korean government s expenditures for fiscal stimulus measures, unemployment compensation and other economic and social programs that, together, would lead to an increased Korean government budget deficit;
- financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

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

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

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

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

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

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

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

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

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

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

Relations between Korea and North Korea have been tense throughout Korea s modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea s nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea s actions and possible responses from the international community. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, China, Japan and Russia have held numerous rounds of six party multi-lateral talks in an effort to resolve issues relating to North Korea s nuclear weapons program.

In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In May 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution in June 2009 that condemned North Korea for the nuclear test and decided to expand and tighten sanctions against North Korea. In March 2010, a Korean warship was destroyed by an underwater explosion, killing many of the crewmen on board. The government formally accused North Korea of causing the sinking in May 2010, and North Korea has denied responsibility for the sinking and has threatened retaliation for any attempt to punish it for the act. In November 2010, North Korean forces fired more than one hundred artillery shells targeting Yeonpyeong Island located near the maritime border between Korea and North Korea on the west coast of the Korean peninsula, killing two Korean soldiers and two civilians as well as causing substantial property damage. Korea responded by firing approximately 80 artillery shells and putting the military on its highest alert level. The Government condemned North Korea for the act and vowed stern retaliation should there be further provocation.

In addition, there recently has been increased uncertainty with respect to the future of North Korea s political leadership and concern regarding its implications for political stability in the region. In September 2010, Kim Jong-il, the North Korean ruler who reportedly suffered a stroke in August 2008, named Kim Jong-un, his third son who is reported to be in his twenties, as the vice chairman of the Central Military Commission and the general of the North Korean army. Although Kim Jong-il has designated his son to be his successor, the implementation of the succession plan remains uncertain. North Korea s economy also faces severe challenges. In November 2009, the North Korean government redenominated its currency at a ratio of 100 to 1 as part of a currency reform undertaken in an attempt to control inflation and reduce income gaps. Such developments may further aggravate social and political tensions within North Korea.

Over the longer term, reunification of the two Koreas could occur. Reunification may entail a significant economic commitment by Korea. In President Lee Myung Bak s national address in August 2010, he suggested the possible adoption of a reunification tax in order to prepare for the long-term economic burden associated with reunification. Such discussions on reunification are preliminary, and it has not been decided whether or when such tax would be implemented. If a reunification tax is implemented, it may lead to a decrease in domestic consumption,

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

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

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

Risks Relating to Securities

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

The Telecommunications Business Act currently sets a 49% limit on the aggregate foreign ownership of our issued shares. Under the Telecommunications Business Act, as amended, a Korean entity, such as SK Holdings, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the issued voting stock of the Korean entity. As of December 31, 2010, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.22%, of our issued shares. If SK Holdings were considered to be a foreign shareholder, then its shareholding in us would be included in the calculation of our aggregate foreign shareholding and our aggregate foreign shareholding (based on our foreign ownership level as of December 31, 2010, which we believe was 49.0%) would exceed the 49% ceiling on foreign shareholding. As of December 31, 2010, a foreign investment fund and its related parties collectively held a 3.1% stake in SK Holdings. We could breach the foreign ownership limitations if the number of shares of our common stock or ADSs owned by other foreign persons significantly increases.

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

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

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In April 2009, we sold US$332.5 million in 1.75% convertible notes due 2014, all of which currently remain outstanding. As of June 1, 2011, these convertible notes were convertible by the holders into shares of our common stock at the rate of Won 211,271 per share. These notes are held principally by foreign holders. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock or ADSs upon conversion of these notes would result in a violation of applicable Korean law or (2) we do not have a sufficient number of shares of our common stock to satisfy the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we may sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Business Act or other legal restrictions. The number of shares sold in these circumstances might be substantial. We cannot assure you that such sales would not adversely affect the market prices of our common stock or ADSs.

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

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

As of December 31, 2010, SK Holdings owned 23.22% of our total issued common stock and has not agreed to any restrictions on its ability to dispose of our shares. See Item 7.A. Major Shareholders . We can make no prediction as to the timing or amount of any sales of our common stock. We cannot assure you that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will not adversely affect the market prices of the shares of our common stock or ADSs prevailing from time to time.

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

Under the deposit agreement, holders of shares of our common stock may deposit those shares with the ADR depositary s custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the ADR depositary and receive shares of our common stock. However, under the terms of the deposit agreement, as amended, the depositary bank is required to obtain our prior consent to any such deposit if, after giving effect to such deposit, the total number of shares of our common stock represented by ADSs, which was 24,321,893 shares as of June 1, 2011, exceeds a specified maximum, subject to adjustment under certain circumstances. In addition, the depositary bank or the custodian may not accept deposits of our common shares for issuance of ADSs under certain circumstances, including (1) if it has been determined by us that we should block the deposit to prevent a violation of applicable Korean laws and regulations or our articles of incorporation or (2) if a person intending to make a deposit has been identified as a holder of at least 3% of our common stock. See Item 10.B. Memorandum and Articles of Incorporation Description of American Depositary Shares . It is possible that we may not give the consent. Consequently, an investor who has surrendered his or her ADSs and withdrawn the underlying shares may not be allowed to deposit the shares again to obtain ADSs.

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

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

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

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

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

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

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

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

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

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

Item 4. *INFORMATION ON THE COMPANY*

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

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

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

As of December 31, 2010, we had approximately 25.7 million wireless subscribers throughout Korea, of which 23.8 million owned Internet-enabled handsets capable of accessing our wireless Internet services. As of December 31, 2010, our share of the Korean wireless market was approximately 50.6%, based on number of subscribers, according to the KCC.

In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. In September 2009, we acquired additional shares of SK Broadband s common stock, increasing our equity stake to 50.6%. Through SK Broadband, we currently provide broadband Internet access service and other Internet-related services, including video-on-demand and Internet protocol TV, or IP TV, services, as well as fixed-line telephone services. As of December 31, 2010, we had approximately 4.0 million broadband Internet access subscribers and 3.8 million fixed-line telephone subscribers (including subscribers to VoIP services).

In September 2009, we completed the acquisition of leased-line business and related ancillary businesses of SK Networks for approximately Won 892.8 billion and assumed Won 611.4 billion of debt as part of the transaction. Historically, we have relied on KT and SK Networks to provide a substantial majority of the transmission lines we lease.

On June 1, 2011, we had a market capitalization of approximately Won 12.9 trillion (US$12.0 billion, as translated at the noon buying rate of June 1, 2011) or approximately 1.08% of the total market capitalization on the KRX KOSPI Market, making us the 19th largest company listed on the KRX KOSPI Market based on market capitalization on that date. Our ADSs, each representing one-ninth of one share of our common stock, have traded on the New York Stock Exchange since June 27, 1996.

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

Korean Telecommunications Industry

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

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

There are currently three providers of wireless voice telecommunications services in Korea: our company, KT (into which KTF merged) and LG U+ (formerly, LG Telecom). According to the KCC, as of December 31, 2010, the market share of the Korean wireless telecommunications market in terms of number of subscribers of KT and LG U+ was 31.6% and 17.8%, respectively (compared to our market share of 50.6%).

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

A one-way mobile number portability, or MNP, system was first implemented in the beginning of January 2004 when our subscribers were allowed to transfer to KTF and LG Telecom. From July 2004, a two-way MNP was implemented so that KTF subscribers could transfer to us and LG Telecom. A three-way MNP has been in effect since January 2005 so that subscribers from each of the wireless service providers may transfer to any other wireless service provider. During 2008, 2009 and 2010, approximately 3.0 million, 3.0 million and 3.6 million, respectively, of our subscribers migrated to our competitors. Approximately 0.6 million, 1.1 million and 1.3 million of LG U+ s subscribers in 2008, 2009 and 2010, respectively, and approximately 2.5 million, 2.0 million and 2.4 million of KT s subscribers in 2008, 2009 and 2010, respectively, migrated to our service.

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

Telecommunications industry growth in Korea has been among the most rapid in the world, with fixed-line penetration increasing from under five lines per 100 population in 1978 to 39.4 lines per 100 population as of December 31, 2010, and wireless penetration increasing from 7.0 subscribers per 100 population in 1996 to 103.9 subscribers per 100 population as of December 31, 2010. The table below sets forth certain subscription and penetration information regarding the Korean telecommunications industry as of the dates indicated:

	As of December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
	(In thousands, except for per population amounts)				
Population of Korea(1)	48,297	48,456	48,607	48,747	48,875
Wireless Subscribers(2)	40,197	43,498	45,607	47,944	50,767
Wireless Subscribers per 100 Population	83.2	89.8	93.8	98.4	103.9
Telephone Lines in Service(2)	23,119	23,130	22,132	20,090	19,273
Telephone Lines per 100 Population	47.9	47.7	45.5	41.2	39.4

(1) Source: National Statistical Office of Korea.

(2) Source: KCC.

The Korean telecommunications industry is one of the most developed in the world in terms of wireless penetration and in terms of the growth of wireless data services, including wireless Internet services. The wireless penetration rate, which is calculated by dividing the number of wireless subscribers by the population, was 103.9% as of December 31, 2010 and the number of wireless subscribers has increased from approximately 3.2 million in 1996 to approximately 50.8 million as of December 31, 2010.

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

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As of December 31, 2010, approximately 48.1 million of Korean wireless subscribers owned Internet-enabled handsets capable of accessing wireless Internet services. The table below sets forth certain penetration information regarding the number of Internet-enabled handsets and wireless subscribers in Korea as of the dates indicated:

	As of December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
			(In thousands)		
Number of Wireless Internet Enabled Handsets	38,894	41,598	42,740	46,301	48,085
Total Number of Wireless Subscribers	40,197	43,498	45,607	47,944	50,767
Penetration of Wireless Internet Enabled Handsets	96.8%	95.6%	93.7%	96.6%	94.7%

Source: KCC.

In addition to its well-developed wireless telecommunications sector, Korea has one of the largest Internet markets in the Asia Pacific region. According to Korea Internet & Security Agency, or KISA, the number of Internet subscribers in Korea increased from approximately 3.1 million at the end of 1998 to approximately 37.0 million at the end of 2010, representing a 23.0% compound annual growth rate. From the end of 2005 to the end of 2010, the number of broadband Internet access subscribers increased from approximately 12.2 million to approximately 17.2 million, representing a 7.2% compound annual growth rate. The table below sets forth certain information regarding Internet users and broadband subscribers as of the dates indicated:

	As of December 31,				
	2006	**2007**	**2008**	**2009**	**2010**
			(In thousands)		
Number of Internet Users(1)	34,120	34,820	35,360	36,580	37,010
Number of Broadband Subscribers(2)	14,043	14,709	15,475	16,349	17,224

(1) Source: KISA.

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

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

Overview

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

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

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

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

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Digital convergence and new businesses. We have pioneered new services that reflect the growing convergence within the telecommunications sector, as well as between the telecommunications sector and other industries, including 11th Street, an online shopping mall, and T Store, an online open marketplace for mobile applications, as well as Telematics service, which makes use of global positioning system, or GPS, technology. In addition, we engage in industry productivity enhancement, or IPE, business that provides customized business solutions and applications to corporate customers.

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

Our Business Strategy

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

Our principal strategies are to:

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

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

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

Leverage our extensive network infrastructure, technical know-how and leading market position to exploit opportunities that arise from an increasingly convergent era in telecommunications and to pioneer new businesses. We believe that increasing convergence among communications technologies, as well as between the telecommunications sector and other industries, creates growth opportunities for incumbent telecommunications service providers, like us, whose existing infrastructure, know-how and extensive subscriber base provide a competitive advantage. We further believe that digital convergence will support demand for increasingly integrated products and services. We hope to create greater convergence opportunities across our various network platforms through various acquisitions, such as the acquisition of an equity stake in SK Broadband, Korea s second largest fixed-line operator, or the acquisition of a leased-line business from SK Networks. We also plan to continue to improve our new convergence services, such as 11th Street, an online shopping mall, and T Store, an online open marketplace for mobile applications.

Pursue platform business and industry productivity enhancement business. We laid the foundation for our platform business in 2010 by expanding various platforms, including our T Store and MelOn music services, as well as establishing support systems for third-party content developers. We plan to grow our platform business by sharing our telecommunication infrastructure with other service providers and application developers. In addition, we plan to grow our industry productivity enhancement, or IPE, business division to generate greater value and growth for both us and our customers and partners around the globe. IPE is a concept that endeavors to provide customized value-added services such as applications and solutions to clients in different businesses based on the existing network infrastructure. Building on existing infrastructures, we anticipate that value-added services to business clients will generate greater revenues compared to the current B2B business model. Once we establish prototypes categorized by business and size of the business, we intend to expand and apply such IPE models to other businesses in the same field. We are in the process of working with various clients in finance, education, health, shopping and other areas.

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

Digital Cellular Network

We offer wireless voice and data telecommunications services throughout Korea using digital wireless networks, including a CDMA network, a WCDMA network, a WiBro network and a Wi-Fi network. We are currently building our LTE network with a goal of commencing commercial LTE services by July 2011.

CDMA Network

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

In October 2000, we began offering wireless voice and data services on our CDMA2000 1X network. CDMA2000 1X is an advanced CDMA-based technology that allows transmission of data at speeds of up to 153.6 Kbps (compared to a maximum of 64 Kbps for our basic CDMA network). In the first half of 2002, we launched an upgrade of our

CDMA2000 1X network to a more advanced technology called CDMA 1xEV-DO. CDMA 1xEV-DO is a CDMA-based technology, similar to CDMA2000 1X, but enables data to be transmitted at speeds of up to 2.4 Mbps. This higher transmission speed permits interactive transmission of data required for videophone services, a high-speed wireless Internet connection, as well as a multitude of multimedia services. In 2004, we completed the full upgrade of our CDMA2000 1X network to CDMA 1xEV-DO technology.

WCDMA Network

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

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

WiBro Network

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

Wi-Fi Network

Wi-Fi technology enables our subscribers with Wi-Fi-capable devices such as smartphones, laptops and tablet computers to access mobile Internet at a speed faster than WCDMA or WiBro networks, while the service range of each Wi-Fi hot zone is smaller than that of WCDMA or WiBro networks. We started to build our Wi-Fi hot zones from 2010 and, as of March 31, 2011, we had more than 32,000 Wi-Fi hot zones in public areas such as shopping malls, restaurants, coffee shops, subways and airports where, generally, the demand for high-speed wireless Internet service is high. While each Wi-Fi hot zone typically has a radius of approximately 20-30 meters, some of our Wi-Fi hot zones, including those installed at public transportation facilities and amusement parks, have much wider service areas. We plan to increase the number of Wi-Fi hot zones substantially, as well as provide Wi-Fi services in the 5GHz range, where the radio traffic is light, in order to reduce radio interference and increase speed.

LTE Network

We are currently building more advanced networks based on LTE technology, which is generally referred to as a 4G technology, with a goal of commencing commercial LTE services by July 2011. Several wireless carriers in the United States, Europe and Asia commenced LTE services in 2010 and 2011 and LTE technology is expected to be widely accepted globally as the standard 4G technology. LTE technology enables data to be transmitted at a speed faster than WCDMA or WiBro networks, up to 75 Mbps for downloading and up to 37.5 Mbps for uploading. We expect that the faster data transmission speed of the LTE network will allow us to offer significantly improved

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wireless data transmission services, providing our subscribers with faster wireless access to multimedia content. We are building new access networks and evolved packet cores for our LTE network, while we plan to utilize our existing WCDMA network for other parts of our LTE network.

Network infrastructure

The principal components of our wireless networks are:

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

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

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

As of December 31, 2010, our CDMA, WCDMA and WiBro networks had an aggregate of 17,483 cell sites.

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

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

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

Our Services

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

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

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Cellular Voice Services

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

To complement our basic voice transmission services, in recent years, we have begun to offer increasingly sophisticated and differentiated subscriber-oriented value-added services made possible due to rapid advancements in network technology. Our most popular value-added voice-related services in 2010 included services that provide a record of missed calls in the event a subscriber s mobile phone is engaged or switched off, known as our Call Keeper service; services that play a ring back melody in lieu of a conventional dial tone when callers dial a subscriber s mobile phone, known as COLORing service, as well as COLORing services that periodically change the default ring-back melody according to the subscriber s music category selection, known as Auto COLORing service, and services that alert subscribers when a dialed number that was engaged when first dialed is no longer engaged.

We also offer cellular global roaming services, branded as our T-Roaming service, through service agreements with various foreign wireless telecommunications service providers. Global roaming services allow subscribers traveling abroad to make and receive calls, often using their regular mobile phone numbers. Subscribers using EV-DO-and WCDMA-capable handsets are able to make and receive calls using their regular mobile phone number without changing their handsets. In addition, we provide global roaming service to foreigners traveling to Korea. In such cases, we generally receive a fee from the traveler s local wireless service provider.

Our global roaming service is offered in three technologies, in part depending on which mobile phone standards are available in a particular region: CDMA, GSM and WCDMA roaming. We currently offer CDMA voice roaming services in 19 countries, GSM voice roaming services in 183 countries and WCDMA voice roaming services in 74 countries. In addition, we offer CDMA data roaming services in 9 countries, GSM data roaming services in 76 countries and WCDMA data roaming services in 72 countries. In 2010, approximately 7.6 million subscribers utilized our global roaming services.

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

Wireless Data Services (including Wireless Internet Services)

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

We plan to take advantage of the efficiency of our wireless network in order to enable our clients to easily access the Internet. We are in the process of expanding and upgrading our main 3G network, as well as building an LTE network for commercialization by July 2011. We also continue to invest in our Wi-Fi network by, among other things, utilizing WiBro as a backhaul. We plan to increase the number of Wi-Fi hot zones substantially, as well as provide Wi-Fi services in the 5GHz range, where the radio traffic is light, in order to reduce radio interference and increase speed.

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

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Wireless Internet Services. In addition to our wireless data communications services, we also offer our subscribers wireless access to the Internet, primarily through our NATE portal, which is our integrated wired and wireless Internet platform that utilizes wireless application protocol, or WAP, technology, to provide a gateway between our cellular network and the Internet. We also provide our smartphone subscribers with direct access to the Internet using mobile Internet technology. Through our NATE portal, subscribers can access a wide variety of multimedia contents and interactive services, as well as send and receive email and instant text and multimedia messages, using their mobile phones and other wireless devices. As of December 31, 2010, approximately 23.8 million, or 92.7%, of our subscribers owned Internet-enabled handsets capable of accessing our wireless Internet services.

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

MelOn, a music portal operated by our consolidated subsidiary, Loen Entertainment, Inc., that provides wireless access to a wide range of digital music contents. To aggregate and manage our digital music contents offerings, we also operate an integrated wireless and fixed-line MelOn website, which subscribers can access using wireless devices, such as their mobile phones, smartphones, tablet computers and MP3 players, as well as fixed-line devices, such as personal computers. As of December 31, 2010, we had approximately 14.9 million subscribers to our MelOn service;

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

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

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

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

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

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

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

11th Street, an online shopping mall that links wired and wireless shopping services. As of December 31, 2010, 11th Street had strengthened its position as one of the three biggest enterprises in its field. In 2011, we intend to continue to expand and reinforce our new businesses to capitalize on future commerce markets such as m-Commerce markets;

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

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

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

Broadband Internet and Fixed-line Telephone Services

In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. In 2009, we purchased additional shares of SK Broadband s common stock, further increasing our equity interest to 50.6%. Through SK Broadband, we currently provide broadband Internet access service and other Internet-related services, including video-on-demand and IP TV services, as well as fixed-line telephone services and corporate data services.

SK Broadband is the second largest provider of broadband Internet access services in Korea in terms of both revenue and subscribers, and its network covers 85% of households in Korea as of December 31, 2010. Its fixed-line telephone services comprise local, domestic long distance, international long distance and voice over Internet Protocol, or VoIP, services. VoIP is an advanced technology that transmits voice data through an Internet Protocol network. SK Broadband has offered video-on-demand services since 2006 and has rolled out real-time IP TV services since January 2009. For the year ended December 31, 2010, SK Broadband had revenues of Won 2,111.8 billion and net loss of Won 60.6 billion.

As of December 31, 2010, SK Broadband had approximately 4.0 million broadband Internet access subscribers. According to the KCC, its market share of Korean broadband Internet access subscribers was approximately 20.9%. Broadband Internet access services (including revenues from video-on-demand services) accounted for 52.4% of SK Broadband s revenues for the year ended December 31, 2010.

As of December 31, 2010, SK Broadband had approximately 3.8 million fixed-line telephone subscribers (including subscribers to VoIP services). Since the nationwide implementation of fixed line number portability on August 1, 2004, SK Broadband has been expanding the coverage and subscriber base with its integrated services of long distance and international telephony as well as VoIP services. Fixed-line telephone services accounted for 27.3% of SK Broadband s revenues for the year ended December 31, 2010.

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

DMB service after its merger with TU Media in November 2010.

Digital Convergence and New Businesses

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

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

In February 2010, we purchased shares newly issued by Hana SK Card Co., Ltd., a credit card and related services provider, for a total purchase price of Won 402 billion. As a result, we currently hold 49.0% of the total outstanding shares of Hana SK Card. We expect that this acquisition of shares will enable us to provide cross-over services between telecommunication and finance.

Our other convergence and new businesses include:

Platform Business. We laid the foundation for our platform business in 2010 by expanding various platforms, including our T Store and MelOn music services, as well as establishing support systems for third-party content developers. We plan to grow our platform business by sharing our telecommunication infrastructure with other service providers and application developers. In addition, we plan to grow our industry productivity enhancement, or IPE, business division to generate greater value and growth for both us and our customers and partners around the globe. For a discussion of IPE, see Our Business Strategy.

In May 2011 we announced our plan to spin off our platform business into a wholly-owned subsidiary in order to develop a management system and corporate culture that is suitable for the platform business and facilitate the expeditious execution of business strategies. Details of the spin-off plan have not been decided yet and the plan is subject to the final approval by our Board of Directors.

Satellite DMB Business. In September 2003, we entered into an agreement with Mobile Broadcasting Corporation for the purposes of co-owning and launching a satellite for the satellite DMB business. Under the terms of the agreement, we committed to fund 34.7% of the cost of launching and maintaining the operations of the satellite. The aggregate acquisition cost of the satellite was approximately Won 205.2 billion, of which we committed to pay Won 71.2 billion. DMB technology allows broadcasting of multimedia content through transmission by satellite to various mobile devices. For example, DMB technology allows users to view satellite television broadcasts on mobile phones, portable handsets or vehicle-mounted televisions that are enabled to receive DMB transmission. We believe that this business will enable us to improve the breadth of wireless multimedia services that we already offer and to remain competitive in the face of increasing convergence in the telecommunications and broadcasting industries.

We launched a satellite DMB in March 2004. In October 2004, we granted the right to use the satellite DMB to our then-affiliate, TU Media, which began to provide commercial satellite DMB services in May 2005. In February 2007, we purchased 4,615,798 new shares of TU Media for Won 32.4 billion, increasing our equity interest to 32.7%. Following this equity investment, TU Media became our consolidated subsidiary. In March 2008, we made an additional Won 55.0 billion capital contribution to TU Media, increasing our equity interest to 44.2%. In November 2010, TU Media merged with and into SK Telink Co., Ltd., our consolidated subsidiary. SK Telink is currently Korea s sole operator of satellite DMB services. SK Telink currently offers a range of broadcast content including education, games, drama, music, news and culture over more than 35 channels, including TUBOX, a pay-per-view movie channel that broadcasts movies before their DVD release. As of December 31, 2010, SK Telink had more than 1.8 million subscribers to its satellite DMB services.

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

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

Portal Services.

Fixed-line NATE portal service. Our subsidiary, SK Communications, offers a fixed-line portal service under our NATE brand name and at the website *www.NATE.com*. NATE.com includes information and content formerly offered under our Netsgo brand as well as the content and services formerly available on Lycos Korea, which our subsidiary, SK Communications, acquired in 2002. NATE.com offers a wide variety of content and services, including an Internet search engine, as well as access to free e-mail accounts. SK Communications also operates NATE-ON, an instant messaging service available to NATE users. NATE-ON allows users to chat online using a variety of wireless, as well as wired, devices, such as mobile phones, personal digital assistants and portable computers.

Community Portal Service. Cyworld , also operated by SK Communications, is one of the most popular online community portal services in Korea. Cyworld is a social networking site that encompasses an ever-expanding virtual forum where users can meet to exchange information and ideas and share multimedia contents, including through the publication of personal homepages and blog sites. We have also sought to expand our global reach by launching Cyworld service in overseas markets, including China. While retaining many aspects of the original Korean version that make Cyworld unique among social networking sites, we have redesigned foreign versions of Cyworld to make it more appealing to local audiences. As of December 31, 2010, our Cyworld portal service had over 80 million registered users globally, including 25 million in Korea and 55 million in China. In March 2004, we launched Mobile Cyworld , allowing wireless subscribers to access the Cyworld portal community site through their cellular phones. In September 2009, we launched an application store on Cyworld.

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

Global Business

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

United States. On March 24, 2005, we entered into a joint venture with EarthLink Inc., a major Internet services provider in the United States, and formed HELIO, LLC, a Delaware limited liability company, to provide wireless voice and data services in the United States. We and EarthLink Inc. made a combined investment in HELIO of US$440 million in cash and non-cash assets. In 2007 and the first half of 2008, we made additional equity contributions of US$160 million in aggregate to HELIO.

In August 2008, together with EarthLink, we sold our equity interest in HELIO to Virgin Mobile USA, Inc., a provider of wireless communications services in the United States that was founded as a joint venture between Sprint Nextel Corporation and the Virgin Group, in exchange for limited partnership units of Virgin Mobile USA, L.P. (Virgin Mobile USA, Inc. s operating company), which were valued at approximately US$31 million at the time of sale. In December 2008, we exchanged all of our limited partnership units of Virgin Mobile USA for approximately 11 million shares of Virgin Mobile USA, Inc. s Class A common stock.

In connection with the sale of HELIO, we and the Virgin Group each invested US$25 million of equity capital in Virgin Mobile USA, Inc. in exchange for mandatory convertible preferred stock, convertible into Virgin Mobile

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USA, Inc. s Class A common stock. On November 24, 2009, Virgin Mobile USA, Inc. merged with Sprint Nextel Corporation. Pursuant to the terms of the merger, all of the shares of Class A common stock owned by us, including Class A common stock issuable upon conversion of the preferred stock, were converted into the right to receive shares of series 1 voting common stock of Sprint Nextel Corporation. We received 1.2279 shares of such series 1 voting common stock of Sprint Nextel Corporation per one share of Class A common stock of Virgin Mobile USA, Inc. and cash in lieu of fractional shares. In 2010, we sold all of the shares of Sprint Nextel Corporation held by us.

Since December 2004, we have been also offering our COLORing solution to Verizon Wireless, a major mobile phone service provider in the United States. As an application service provider, we receive a previously agreed percentage of Verizon s COLORing service related revenues.

China. In February 2004, we and China Unicom, the second largest telecom operator and the only CDMA-based telecommunications service provider in China, established a joint venture company called UNISK Information Technology Co., Ltd., with an aggregate initial investment of approximately US$6 million. We owned a 49% stake of UNISK and China Unicom held a 51% stake. In addition, on July 5, 2006, we purchased US$1 billion in aggregate principal amount of zero coupon convertible bonds issued by China Unicom, convertible into common shares of China Unicom. In August 2007, we converted such bonds into shares representing a 6.6% equity interest in China Unicom to become China Unicom s second-largest shareholder. In October 2008, China Unicom merged with China Netcom Group Corporation (Hong Kong) Limited, a leading broadband communications and fixed-line telecommunications operator in China. As a result of the merger, our equity interest in China Unicom, which is the surviving entity after the merger, decreased to 3.8% from 6.6%. On November 5, 2009, we sold all of the shares of the common stock of China Unicom held by us to China Unicom. We no longer hold any shares in China Unicom.

In July 2004, we, through our subsidiary U-Land Company Ltd., acquired ViaTech, an Internet portal service and mobile content provider in China, to enhance our wireless Internet content and expand our service area. Through ViaTech, we offer a Chinese-language version of Cyworld to users in China. ViaTech had more than 55 million registered users of Cyworld as of December 31, 2010.

In August 2006, we entered into a memorandum of understanding with China s National Development and Reform Commission to assist China develop TD-SCDMA technology, China s 3G standard. To support joint research and development in 3G multimedia services, value-added services and development of the TD-SCDMA network, we and the Chinese government established a research and development center in Beijing in February 2007. To further facilitate the commercialization and implementation of TD-SCDMA, we also opened a TD-SCDMA test center in Bundang, Korea in April 2007.

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

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

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

Mongolia. In July 1999, we acquired a 27.8% equity interest in Skytel Co., Ltd., Mongolia s second-largest cellular service provider, by providing approximately Won 1.5 billion worth of analog infrastructure. We, together with Skytel, have been providing cellular service in Mongolia since July 1999, and CDMA service since February 2001. In April 2001, we completed installation of the equipment necessary to provide WAP service. In December 2002, we increased our equity interest in Skytel to 28.6% through the subscription of newly issued common shares in return for an additional investment of approximately US$500,000. In 2010, we reduced our equity interest in Skytel to 17.0% by selling 820,943 shares and sold the remaining shares in January 2011.

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

Regional and International Strategic Alliances. We have also entered into various strategic alliances with leading companies in the Asian and European wireless telecommunications markets. For instance, we are a member of the Bridge Alliance, the largest pan-Asian alliance of its kind, which includes eleven of the region s leading wireless service providers. In June 2007, we also signed a memorandum of understanding with the Freemove Alliance, an alliance of leading European wireless service providers, including Orange SA of France, Telecom Italia Mobile S.p.A. of Italy, T-Mobile International AG & Co. AG of Germany and Teliasonera Mobile Networks AB of Sweden, for the development of expanded WCDMA-based roaming service in Europe. We plan to continue to improve customer service as well as service quality, by developing co-marketing programs and other joint projects with our regional and global partners and by further fostering our regional and international alliances.

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

Revenues, Rates and Subscription Deposits

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

	As of or for the Year Ended December 31,		
	2008	2009	2010
	(In billions of Won)		
Initial Subscription Fees	₩ 400.2	₩ 403.8	₩ 326.2
Monthly Fees	4,348.0	4,945.0	5,453.6
Usage Charges(1)	5,654.9	5,385.6	5,277.5
Interconnection Revenue	1,149.2	1,158.0	1,141.2
Revenue from Sales of Digital Handsets		185.3	534.4
Other Cellular Revenue(2)	26.8	13.9	105.8
Total	₩ 11,579.1	₩ 12,091.6	₩ 12,838.7
Additional Subscription Deposits	₩ 2.7	₩ 2.7	₩ 2.4
Refunded Subscription Deposits	4.3	2.1	2.6
Subscription Deposits at Period End	4.8	5.4	5.2

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

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

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

We offer a variety of differentiated Standard Rate Plans that are designed to meet a wide range of subscriber needs and interests. Popular Standard Rate Plans include our couples discount plan, region discount plan and friends and family discount plan. The basic monthly fee for our Standard Rate Plans ranges from Won 10,000 to Won 110,000. We also offer fixed rate plans to smartphone users with flat rates ranging from Won 35,000 to Won 95,000 per month.

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

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

Videoconferencing Plans, for subscribers to our 3G services, which we provide primarily using our WCDMA and CDMA EV-DO network. The basic monthly fee for our Videoconferencing Plans ranges between Won 3,500 and Won 9,000.

The KCC has periodically reviewed the tariffs charged by wireless operators and has, from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some tariff reductions in response to KCC recommendations. We began to provide Caller ID service to customers free of charge commencing January 1, 2006. In January 2007, we reduced our usage fees for wireless Internet services by 30% and in October 2007 we began providing a 50% discount on usage fees between our subscribers for a fixed payment of Won 2,500 per month. In addition, in January 2008 we reduced our SMS usage charges from Won 30 per message to Won 20 per message. In March 2008, we reduced usage charges for voice calls between family members by 50%. In November 2009, we also adopted various tariff reduction measures, including a reduction of the initial subscription fee from Won 50,000 to Won 36,000 and an increase in discounts for long-term subscribers. In March 2010, we began to charge voice calls on a per-second basis, rather than per ten seconds as previously charged, and effectively reduced the usage charges. In June 2011, we announced further tariff reduction measures, including a reduction of the monthly fee by Won 1,000 for every subscriber, an exemption of SMS usage charges up to 50 messages per month and the introduction of flexible service plans for smartphone users. See Item 5.A. Operating Results Overview .

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

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

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

Until February 2007, we generally required new subscribers (other than certain corporate and Government subscribers) to pay a non-interest bearing subscription deposit of Won 200,000, which we utilized to offset a defaulting subscriber s outstanding account balance. Since March 2007, we generally no longer require new subscribers to pay the subscription deposit. We refund the subscription deposit to any existing subscriber who had initially made a subscription deposit and later requests such subscription deposit to be refunded. As a result of the subscription insurance program and the termination of the subscription deposit requirement, we have refunded a substantial amount of subscription deposits, and subscription deposits decreased from Won 21.1 billion as of December 31, 2006 to Won 5.2 billion as of December 31, 2010. We do not expect to have to refund a significant amount of subscription deposits in the future, because we believe that most of our subscribers who wish to have the subscription deposit refunded have already done so.

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

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

Subscribers

We had 26.0 million wireless subscribers as of March 31, 2011, representing a market share of 50.6%, the largest market share among Korean wireless service providers. We believe that, historically, our subscriber growth has been due to many factors, including:

- our expansion and technical enhancement of our networks, including with high-speed data capabilities;
- increasing consumer awareness of the benefits of wireless telecommunications;
- an effective marketing strategy;
- our focus on customer service;
- the introduction of new, value-added services, such as COLORing, wireless Internet services and various mobile applications; and
- our acquisition of Shinsegi in January 2002.

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

	As of or for the Year Ended December 31,		
	2008	**2009**	**2010**
Wireless:			
Subscribers	23,032,045	24,269,553	25,705,049
Subscribers Growth Rate	4.8%	5.4%	5.9%
Activations	8,493,340	8,821,695	9,651,343
Deactivations	7,429,464	7,284,187	8,215,847
Average Monthly Churn Rate(1)	2.7%	2.7%	2.7%
Broadband Internet:			
Subscribers	3,543,669	3,846,597	4,001,907
Subscribers Growth Rate	(3.1)%	8.5%	4.0%
Fixed-line Telephone (including VoIP):			
Subscribers	2,055,981	3,023,068	3,845,650
Subscribers Growth Rate	1.2%	47.0%	27.2%

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

We had 25.7 million wireless subscribers as of December 31, 2010. For the year ended December 31, 2010, we had 9.7 million activations and 8.2 million deactivations, representing an average monthly churn rate of 2.7% during the same period. Our subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history.

Number Portability

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

In 2008, 2009 and 2010, respectively, approximately 3.0 million, 3.0 million and 3.6 million subscribers switched their wireless telecommunications service provider from us to KT or LG U+ and approximately 3.1 million, 3.1 million and 3.7 million subscribers switched from KT or LG U+ to us.

In 2008, 2009 and 2010, respectively, we gained approximately 1.0 million, 1.2 million and 1.4 million new subscribers, which represented approximately 50.4%, 52.9% and 50.8% of the aggregate number of new wireless subscribers gained by us, KT and LG U+ in each year.

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

For 2010, our churn rate ranged from 2.3% to 3.1%, with an average churn rate of 2.7% for 2010, which remained unchanged from 2009. For details regarding certain fines imposed on us by the MIC in connection with our marketing efforts related to the number portability system, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings MIC and KCC Proceedings .

Interconnection

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

For 2008, our total interconnection revenues were Won 1,149.2 billion, and our total interconnection expenses were Won 1,327.4 billion. For 2009, our total interconnection revenues were Won 1,245.4 billion and our total interconnection expenses were Won 1,317.7 billion. For 2010, our total interconnection revenues were Won 1,237.5 billion and our total interconnection expenses were Won 1,316.3 billion.

Domestic Calls

Guidelines issued by the KCC require that all interconnection charges levied by a regulated carrier take into account (i) the actual costs to that carrier of carrying a call or (ii) imputed costs. The KCC determines interconnection rates applicable to each carrier every two years based on the actual or imputed costs, traffic volume and competitive environment, among others.

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

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

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

	Rate per Minute		
Applicable Year	**SK Telecom**	**KT**	**LG U+**
2006	₩ 33.13	₩ 40.06	₩ 47.01
2007	32.78	39.60	45.13
2008	33.41	38.71	39.09
2009	32.93	37.96	38.53
2010	31.41	33.35	33.64
2011	30.50	31.75	31.93

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

Our revenues from the wireless-to-wireless charge were Won 745.3 billion in 2008, Won 774.0 billion in 2009 and Won 767.4 billion in 2010. Our expenses from these charges were Won 821.3 billion in 2008, Won 849.5 billion in 2009 and Won 825.3 billion in 2010. The charges above were agreed among the parties involved and confirmed by the KCC.

Despite an increase in incoming call volume in 2010, the decrease in our interconnection rate for 2010 led to an overall decrease of Won 7.9 billion in interconnection revenues. Our interconnection expenses slightly decreased in 2010 by Won 1.4 billion, primarily due to a decrease in interconnection rates, partially offset by an increase in outgoing call volume in 2010.

International Calls

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

International Roaming Arrangements

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

Marketing and Service Distribution

Marketing, Sales and Service Network

We market our services and provide after-sales service support to customers through 27 marketing teams, 38 branch offices and a network of 1,179 authorized exclusive dealers located throughout Korea. Our dealers are connected via computer to our database and are capable of assisting customers with account information. In addition, approximately 15,000 independent retailers assist new subscribers to complete activation formalities, including processing subscription applications.

Currently, authorized dealers are entitled to an initial commission for each new subscriber registered by the dealer, as well as an average ongoing commission calculated as a percentage of that subscriber s monthly plan-based and usage charges from domestic calls for the first four years. In order to strengthen our relationships with our exclusive dealers, we offer a dealer financing plan, pursuant to which we provide to each authorized dealer an interest-free or low-interest loan of up to Won 4.0 billion with a repayment period of up to three years. As of December 31, 2010, we had an aggregate of Won 80.0 billion in loans to authorized dealers outstanding.

In April 2009, we established a wholly-owned subsidiary to diversify our sales activities. The new subsidiary, PS & Marketing Co., Ltd., was established with an investment of Won 150 billion and began operating 13 stores in May 2009. As of December 31, 2010, PS & Marketing Co., Ltd. had 42 stores in 14 cities in Korea with 1,233 employees. In addition, we established two wholly-owned subsidiaries, Service Ace Co., Ltd. and Service Top Co., Ltd., in June 2010, in order to provide customer service directly through our subsidiaries to enhance the quality of services compared to outsourcing.

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

Over the last several years, competition in the wireless telecommunications business has caused us to increase significantly our marketing and advertising expenses. However, we expect such expenses to stabilize due to the KCC s new guideline on marketing expenses recommending that telecommunication service providers limit their marketing expenses to 22% of their annual sales. Such marketing expenses include initial commissions, monthly commissions and retention commissions paid to our authorized dealers and subscribers, including handset subsidies, but do not include advertising expenses. In 2008, 2009 and 2010, such marketing expenses amounted to 26.2%, 26.9% and 26.5% of our wireless revenues, respectively. In 2008, 2009 and 2010, advertising expenditures amounted to 2.6%, 2.2% and 2.1% of our revenues, respectively.

Marketing Strategies and Marketing Information Management

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

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

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

Other Investments and Relationships

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

Wireless Content Providers and Application Providers

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

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

We currently hold a 63.5% stake in Loen Entertainment Inc. (formerly, Seoul Records Inc.), Korea s largest music recording company in terms of records released and revenues. We currently hold a 63.7% equity interest in Ntreev Soft Co., Ltd., an online game developer, particularly known for its multi-player sports games and anime-based games. We also hold a 9.4% equity interest in iHQ, Inc., an entertainment management firm that produces films, manages entertainers and operates online game services. Through our investments in companies such as Loen Entertainment, Ntreev Soft and iHQ, we are able to offer customers of our MelOn, movie and gaming portal services access to an expanded range of music- and entertainment-related digital contents and mobile games, respectively.

In 2005, we and certain other Korean investment companies invested an aggregate of Won 40.0 billion to establish three funds to invest in the music industry and seek strategic partnerships with recording companies. As of December 31, 2010, our contribution to the funds amounted to Won 19.8 billion. In addition, in 2005 and in 2008, we and certain co-investors invested an aggregate Won 74.7 billion to establish five movie-production funds to strengthen our ability to obtain movie content. We had invested Won 38.0 billion in the funds as of December 31, 2010. Furthermore, in 2008, we and certain co-investors invested an aggregate Won 105.4 billion to establish six additional funds to invest in the production of various cultural contents, including movies and television dramas. As of December 31, 2010, our contribution to these funds amounted to Won 66.3 billion. Such investments reflect our business strategy of diversification into new areas, such as media and entertainment.

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

Other Investments

Our other investments include:

POSCO. We currently own a 2.8% interest in the outstanding capital stock of POSCO, with a book value as of December 31, 2010 of Won 1,209.6 billion. POSCO is the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world.

SK C&C. We sold 10,500,000 common shares of SK C&C held by us in SK C&C s initial public offering in November 2009, sold an additional 2,450,000 shares to the Government of Kuwait in October 2010 and disposed of the remaining 2,050,000 shares to Kookmin Bank in exchange for a 0.91% stake in KB Financial Group, Kookmin Bank s parent company, in a share swap arrangement in February 2011. As a result, our equity stake in SK C&C decreased from 30.0% in 2008 to 0% in 2011. SK C&C is an information technologies services provider. We are party to several service contracts with SK C&C related to development and maintenance of our information technologies systems. See Item 7.B. Related Party Transactions .

SKY Property Management. We currently own a 60% equity interest in SKY Property Management Ltd., with a book value as of December 31, 2010 of Won 268 billion. SKY Property Management was established in 2008 to manage buildings and real estate developments in China, in which affiliated companies of the SK Group had invested or will invest.

SK Marketing & Company. We currently own a 50% equity interest in SK Marketing & Company Co., Ltd., with a book value as of December 31, 2010 of Won 119 billion. SK Marketing & Company Co., Ltd. provides marketing-related services to corporate and individual clients.

For more information regarding our investment securities, see note 4 of the notes to our consolidated financial statements.

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Competition

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

Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors. In 2000, KT acquired 47.9% of Hansol M.Com s outstanding shares and renamed the company KT M.Com. KT M.Com merged into KTF in May 2001. In June 2009, KTF merged into KT, which had held a 54.25% interest in KTF before the merger. In addition, in January 2010, LG DACOM and LG Powercomm merged into LG Telecom, which subsequently changed its name to LG Uplus Corp.

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

As of December 31, 2010, according to the KCC, KT and LG U+ had 16.0 million and 9.0 million subscribers, respectively, representing approximately 31.6% and 17.8%, respectively, of the total number of wireless subscribers in Korea on such date. As of December 31, 2010, we had 25.7 million subscribers, representing a market share of approximately 50.6%.

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

Law and Regulation

Overview

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

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

customer complaints;

interconnection and revenue-sharing between telecommunications service providers;

disputes between telecommunications service providers;

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

competition among telecommunications service providers.

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

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

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

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

Competition Regulation

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

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

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

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

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

Public notice of board resolution on large-scale transactions with specially related persons. If a member company of the SK Group engages in a transaction with a specially related person in the amount of 10% or more of the member company s capital or paid-in capital or for Won 10 billion or more, the transaction must be approved by a resolution of the member company s board of directors and the member company must publicly disclose the transaction.

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

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

Public notice of the current status of a business group. Pursuant to a recent amendment to the Enforcement Decree of the Fair Trade Act which became effective in June 2009, a member company of the SK Group must publicly disclose the general status of the SK Group, including the name, business scope and financial status of affiliates, information on the officers of affiliates, information on shareholding and cross-investments between member companies in the SK Group and information on transactions with certain related persons on a quarterly basis.

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

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

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

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

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

Moreover, under the amended Telecommunications Business Act, which became effective on September 23, 2010, an MVNO (Mobile Virtual Network Operator) system was adopted. Under the system, KCC may designate and obligate certain telecommunications services providers to allow a mobile virtual network operator, or MVNO, at such MVNO s request, to use their telecommunication facilities at a rate mutually agreed upon that complies with the standards set by the KCC. We were designated as the only telecommunications services provider obligated to allow the other telecommunications services provider to use our telecommunications facilities. An MVNO has commenced providing wireless data services in March 2011 and we expect that a few additional MVNOs will commence providing wireless telecommunications services using the networks leased from us beginning in the second half of 2011.

On May 13, 2010, the KCC announced a guideline recommending that telecommunication service providers limit their marketing expenses to 22% of their annual sales. Such marketing expenses include initial commissions, monthly commissions and retention commissions paid to our authorized dealers and subscribers, including handset subsidies, but do not include advertising expenses. While the guideline is not binding, we, as well as our competitors, nonetheless try to adhere to such guideline when feasible. Given that the competition in the telecommunication industry continues to intensify, such limitation on our ability to expend in marketing may have a material adverse effect on our business.

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

Frequency Allocation. The KCC has the discretion to allocate and adjust the frequency band for each type of service. Upon allocation of new frequency bands or adjustment of frequency bands, the KCC is required to give a public notice. The KCC also regulates the frequency to be used by each radio station, including the transmission frequency used by equipment in our cell sites. All of our frequency allocations are for a definite term. We pay fees to the KCC for our frequency usage that are determined based upon our number of subscribers, frequency usage by our networks and other factors. For 2008, 2009 and 2010, the fee amounted to Won 163.9 billion, Won 159.7 billion and Won 178.8 billion, respectively.

In addition, we paid Won 650 billion of the Won 1.3 trillion as the cost of the IMT-2000 license in March 2001 and are required to pay the remainder of the license cost in annual installments for a five-year period from 2007

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through 2011. We are also required to pay the cost of our additional WCDMA license for 2 x 10 MHz of spectrum in the 2.1 GHz band that we acquired in May 2010 as discussed below in annual installments of Won 17.7 billion each year from 2012 through 2014. For more information, see note 8 of the notes to our consolidated financial statements for the years ended December 31, 2008, 2009 and 2010.

In February 2010, the KCC announced its final plan to reallocate 2 x 10 MHz of spectrum in the 800 MHz band that we are currently using to other service providers starting from July 2011. The KCC s plan also contemplates new allocations of 2 x 10 MHz of spectrum in the 900 MHz band and 2 x 10 MHz of spectrum in the 2.1 GHz band for wireless telecommunication services. KT and LG U+ have been allocated the spectrum in the 900 MHz and 800 MHz bands, respectively. We have been allocated an additional 2 x 10 MHz of spectrum in the 2.1 GHz band for our use until December 2016, which we have been using for our 3G services since October 2010. In addition, in June 2011 the KCC announced its plan to sell 20 MHz of bandwidth in the 1.8 GHz spectrum, 20 MHz of bandwidth in the 2.1 GHz spectrum and 10 MHz of bandwidth in the 800 MHz spectrum. According to the plan, the additional spectrum will be sold in August 2011 through an auction, in which a maximum of 20 MHz bandwidth can be allocated to a service provider. We and KT cannot bid for the additional spectrum in the 2.1 GHz band because we and KT already have a spectrum in the 2.1 GHz band. If we are allocated additional bandwidths, we expect to pay usage fees for such bandwidths.

Mandatory Contributions and Obligations

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

We are currently required to contribute 0.75% of budgeted revenues (calculated pursuant to the Ministry of Knowledge Economy guidelines that differ from our accounting practices) to the Fund for Development of Information Telecommunications operated by the Ministry of Knowledge Economy. Our contribution to this fund in 2008, 2009 and 2010 was Won 71.9 billion, Won 55.5 billion and Won 80.5 billion, respectively.

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

In addition to such universal services for the handicapped and low-income citizens, we are also required to make certain monetary contributions to compensate for other service providers costs for the universal services. The size of a service provider s contribution is based on its net annual revenue (calculated pursuant to KCC guidelines which differ from our accounting practices). In 2008, our contribution amount was Won 32.3 billion for our fiscal year 2007. In 2009, our contribution amount was Won 31.0 billion for our fiscal year 2008. In 2010, our contribution amount was Won 29.2 billion for our fiscal year 2009. As a wireless telecommunications services provider, we are not considered a provider of universal telecommunications services and do not receive funds for providing universal service. Other network service providers that do provide universal services make all or a portion of their contribution in the form of expenses related to the universal services they provide.

Foreign Ownership and Investment Restrictions and Requirements

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

As of December 31, 2010, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.22% of our issued shares. As of December 31, 2010, a foreign investment fund and its related parties collectively held a 3.1% stake in SK Holdings. If the foreign investment fund and its related parties increase their shareholdings in SK Holdings to 15% or more and such foreign investment fund and its related parties collectively constitute the largest shareholder of SK Holdings, SK Holdings will be considered a foreign shareholder, and its shareholding in us would be included in the calculation of our aggregate foreign shareholding. If SK Holdings shareholding in us is included in the calculation of our aggregate foreign shareholding, then our aggregate foreign shareholding, assuming the foreign ownership level as of December 31, 2010 (which we believe was 49.0%), would reach 72.22%, exceeding the 49% ceiling on foreign shareholding.

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

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

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

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

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

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

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

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

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

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

Patents and Licensed Technology

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

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

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

Seasonality of the Business

Our business is not affected by seasonality.

Item 4.C. *Organizational Structure*

Organizational Structure

We are a member of the SK Group, based on the definition of group under the Fair Trade Act of Korea. As of December 31, 2010, SK Group members owned in aggregate 23.2% of the shares of our issued common stock. The

SK Group is a diversified group of companies incorporated in Korea with interests in, among other things, telecommunications, trading, energy, chemicals, engineering and leisure industries. Until mid-1994, our largest shareholder was KT (formerly known as Korea Telecom Corp.), Korea s principal fixed-line operator that merged with KTF, one of our principal wireless competitors.

Significant Subsidiaries

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

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

The following table sets forth certain information concerning our principal properties as of December 31, 2010:

Location	Primary Use	Approximate Area in Square Feet
Seoul Metropolitan Area	Corporate Headquarters	988,447
	Regional Headquarters	1,095,997
	Customer Service Centers	162,406
	Training Centers	670,941
	Central Research and Development Center	482,719
	Others(1)	961,095
Busan	Regional Headquarters	363,282
	Others(1)	569,177
Daegu	Regional Headquarters	40,279
	Others(1)	332,726
Cholla and Jeju Provinces	Regional Headquarters	491,533
	Others(1)	454,410
Choongchung Province	Regional Headquarters	751,710
	Others(1)	470,726

(1) Include cell sites.

In December 2004, we constructed a building with an area of approximately 82,624 square feet, of which we have full ownership, for use as our corporate headquarters. We relocated our corporate offices into the new building in January 2005. In addition, we own or lease various locations for cell sites and switching equipment. We do not anticipate that we will encounter material difficulties in meeting our future needs for any existing or prospective leased space for our cell sites. See Item 4.B. Business Overview Digital Cellular Network Network Infrastructure .

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

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

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

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

You should read the following discussion together with our consolidated financial statements and the related notes thereto which appear elsewhere in this annual report. We prepare our financial statements in accordance with Korean GAAP, which differs in some respects from U.S. GAAP. Notes 32 and 33 of the notes to our consolidated financial statements provide a description of the significant differences between Korean GAAP and U.S. GAAP as they relate to us and provide a reconciliation to U.S. GAAP of our net income and shareholders equity for fiscal years 2008, 2009 and 2010. In addition, you should read carefully the section titled Critical Accounting Policies, Estimates and Judgments as well as note 2 of the notes to our consolidated financial statements which provide summaries of certain critical accounting policies that require our management to make difficult, complex or subjective judgments relating to matters which are highly uncertain and that may have a material impact on our financial conditions and results of operations.

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Item 5.A. *Operating Results*

Overview

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

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

Number Portability and Common Prefix Identification System. In January 2003, the Government announced a plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. In order to manage the availability of phone numbers efficiently and to secure phone number resources for new services, in January 2004, the Government also began implementing a plan to integrate all mobile telephone numbers under the common prefix identification number 010 , including by gradually retracting the current mobile service identification numbers that had been unique to each wireless telecommunications service provider. All new subscribers have been given the 010 prefix starting January 2004.

We believe that the adoption of the common prefix identification system has had, and may continue to have, a greater negative effect on us than on our competitors because, historically, 011 has had very high brand recognition in Korea as the premium wireless telecommunications service. Adoption of the number portability system has resulted in, and may continue to result in, increased competition among wireless service providers and higher costs as a result of maintaining the number portability system, increased subscriber deactivations, increased churn rate and higher marketing costs. For a more detailed discussion of the common prefix identification number plan, see Item 4.B. Business Overview Subscribers Number Portability and Item 3.D. Risk Factors Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations, financial condition and cash flows .

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

Changes in Tariffs and Interconnection Fees. Under current regulations, we must obtain prior KCC approval of the rates and fees we charge subscribers for our cellular services. Generally, the rates we charge for our services have been declining. The KCC has periodically reviewed the tariffs charged by wireless operators and has, from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some tariff reductions in response to KCC recommendations. For more information about the rates we charge, see Item 4.B. Business Overview Revenues, Rates and Subscription Deposits and Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation .

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

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

	Year Ended December 31,		
	2008	2009	2010
Outgoing voice minutes (in thousands)(1)	54,080,231	56,111,864	60,015,518
Average monthly outgoing voice minutes per subscriber(2)	200	197	199
Average monthly revenue per subscriber, excluding interconnection revenue(3)	₩ 38,526	₩ 38,171	₩ 37,287
Average monthly revenue per subscriber, including interconnection revenue(4)	₩ 43,016	₩ 42,469	₩ 41,374

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

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

(3) The average monthly revenue per subscriber, excluding interconnection revenue, is derived by dividing the sum of total initial subscription fees, monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services, value-added service fees and other miscellaneous revenues for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period.

(4) The average monthly revenue per subscriber, including interconnection revenue, is derived by dividing the sum of total initial subscription fees, monthly plan-based fees, usage charges for outgoing voice and wireless data transmissions, charges for purchases of digital contents, value-added service fees, other miscellaneous revenues and interconnection revenue for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period.

Our average monthly outgoing minutes of voice traffic per subscriber decreased by 1.5% in 2009 and increased by 1.0% in 2010. We believe our average monthly outgoing minutes have been relatively stable in recent years primarily due to the existing high penetration rate of wireless services in Korea and the general maturation of the Korean wireless market.

Our average monthly revenue per subscriber, excluding interconnection revenue, decreased by 0.9% to Won 38,171 in 2009 from Won 38,526 in 2008 and decreased by 2.3% to Won 37,287 in 2010 from Won 38,171 in 2009. The decrease in average monthly revenue per subscriber in 2009 was due to decreases in average monthly revenue per subscriber from usage charges for voice services and initial subscription fees, partially offset by increases in average monthly revenue per subscriber from monthly plan-based fees and wireless data services. The decrease in average monthly revenue per subscriber in 2010 was due to decreases in average monthly revenue per subscriber from usage charges for voice services and initial subscription fees, partially offset by increases in average monthly revenue per subscriber from value-added and other service fees, wireless data services and monthly plan-based fees as further described in Operating Results below.

Acquisition of SK Broadband Shares. In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband, Korea s second-largest fixed-line operator, for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. In July 2009, we acquired additional shares of SK Broadband s common stock, and our equity stake in SK Broadband increased to 50.6%. Following the 2008 acquisition, SK Broadband became our consolidated subsidiary under Korean GAAP and our results of operations beginning in 2009 include those of SK Broadband. SK Broadband and its subsidiaries had revenues of Won 1,886.3 billion, Won 1,904.9 billion and Won 2,122.4 billion and net loss of Won 178.3 billion, Won 263.0 billion and Won 120.8 billion for 2008, 2009 and 2010, respectively. For a more detailed discussion of our acquisition of SK Broadband, see Item 4.B. Business Overview Our Services Broadband Internet and Fixed-line Telephone Services and Item 3.D. Risk Factors Our growth strategy calls for significant investments in new businesses and regions, including businesses and regions in which we have limited experience .

Acquisition of SK Networks Assets. In September 2009, we acquired the leased-line business and related ancillary businesses, including all assets, liabilities and other rights and obligations related to such businesses, of SK Networks. The acquisition price was Won 892.8 billion. As of September 30, 2009, the assets and liabilities of the businesses being acquired amounted to Won 635.9 billion and Won 611.4 billion, respectively.

Acquisition of Hana SK Card Shares. In accordance with the resolution of our board of directors in December 2009, we purchased shares of Hana SK Card for Won 402 billion in February 2010. We currently hold 49% of the total outstanding shares of Hana SK Card.

Operating Expenses and Operating Margins. Our operating expenses consist principally of commissions paid to authorized dealers and our subscribers (including handset subsidies), depreciation and amortization, network interconnection, labor costs, leased line expenses, advertising expenses and rent expenses. Operating income represented 12.5% of our operating revenue in 2008, 12.9% in 2009 and 12.6% in 2010.

Reclassification of Prior Year Financial Statements

Reclassifications related to discontinued operations for comparative purposes have been made as follows. We and SK Communications Co., Ltd., one of our subsidiaries, sold the Spicus division, a telephone English education division, to Spicus Inc., a subsidiary of Altos Ventures, in August 2009 and sold Etoos Co., Ltd. to Cheong Sol in October 2009. Operating revenue, operating expenses, operating income and income before income taxes and minority interest for the year ended December 31, 2008 have been revised to exclude the Spicus division s and Etoos results of operations. In addition, we sold shares of iHQ, Inc. in April and July 2010 and liquidated SK-KTB Music Investment Fund in October 2010. Operating revenue, operating expenses, operating income and income before income taxes and minority interest for the years ended December 31, 2008 and 2009 have been revised to exclude the iHQ, Inc. s and SK-KTB Music Investment Fund s results of operations.

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Operating Results

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

	For the Year Ended December 31,					
	2008		2009		2010	
	(In billions of Won, except percentage data)					
Operating Revenue	₩ 13,951.0	100.0%	₩ 14,512.3	100.0%	₩ 15,435.4	100.0%
Operating Expenses	12,190.7	87.4	12,631.1	87.0	13,493.1	87.4
Operating Income	1,760.3	12.6	1,881.2	13.0	1,942.3	12.6
Other Income	1,055.1	7.6	876.0	6.0	629.4	4.1
Other Expenses	1,537.9	11.0	1,351.4	9.3	898.0	5.8
Income from Continuing Operation before Income Tax	1,277.5	9.2	1,405.8	9.7	1,673.7	10.8
Income Tax for Continuing Operation	299.3	2.1	355.7	2.5	404.3	2.6
Preacquisition Net Loss of Subsidiaries	32.6	0.2	0.0	0.0	23.4	0.2
Income (Loss) from Discontinued Operation(1)	(38.5)	(0.3)	5.5	0.0	4.4	0.0
Net Income Attributable to:						
Controlling Interests	1,215.7	8.7	1,247.2	8.6	1,379.6	8.9
Non-controlling Interests	(243.4)	(1.7)	(191.6)	(1.3)	(82.4)	(0.5)
Net Income	₩ 972.3	7.0%	1,055.6	7.3	1,297.2	8.4
Depreciation and Amortization(2)	₩ 2,599.2	18.6%	₩ 2,593.5	17.9%	₩ 2,723.6	17.6%

(1) Relates to results of operations of HELIO sold in August 2008, the Spicus division sold in August 2009, Etoos Co., Ltd. sold in October 2009, iHQ, Inc. sold in April and July 2010 and SK-KTB Music Investment Fund liquidated in October 2010, which have been classified as discontinued operations after such sale or liquidation.

(2) Excludes the depreciation and amortization allocated to internal research and development costs and manufacturing costs of Won 156.2 billion, Won 136.5 billion and Won 145.2 billion for the years ended December 31, 2008, 2009 and 2010, respectively.

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

	Year Ended December 31,					
	2008		2009		2010	
	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue	Amount	Percentage of Total Revenue
	(In billions of Won, except percentages)					
Cellular Revenue:						
Wireless Services(1)	₩ 10,403.1	74.6%	₩ 10,734.4	74.0%	₩ 11,057.3	71.6%
Interconnection	1,149.2	8.2	1,158.0	8.0	1,141.2	7.4
Digital Handset Sales			185.3	1.3	534.4	3.5
Other(2)	26.8	0.2	13.9	0.1	105.8	0.7
Total Cellular Revenue	11,579.1	83.0	12,091.6	83.4	12,838.7	83.2
Fixed-line Telecommunication Service (3)						
Fixed-line Telephone Service	527.4	3.8	378.6	2.6	266.5	1.7
Interconnection			87.4	0.6	96.3	0.6
Broadband Internet Service	1,384.5	9.9	1,351.1	9.3	1,503.3	9.8
International Calling Service	243.0	1.7	275.0	1.9	298.1	1.9
Total Fixed-line Telecommunication Service	2,154.9	15.4	2,092.1	14.4	2,164.2	14.0
Other Revenue:						
Portal Service(4)	199.7	1.5	201.1	1.4	239.1	1.5
Miscellaneous(5)	17.3	0.1	127.5	0.9	193.3	1.3
Total Other Revenue	217.0	1.6	328.6	2.3	432.4	2.8
Total Operating Revenue	₩ 13,951.0	100.0%	₩ 14,512.3	100.0%	₩ 15,435.3	100.0%
Total Operating Revenue Growth	17.8%		4.0%		6.4%	
Operating Expenses:						
Cellular	9,322.5	66.8	9,719.9	66.9	10,562.8	68.4
Fixed-line Telephone Service	2,132.1	15.3	2,263.2	15.6	2,342.8	15.2
Other	736.1	5.3	648.0	4.5	587.5	3.8
Total Operating Expenses	₩ 12,190.7	87.4%	₩ 12,631.1	87.0%	₩ 13,493.1	87.4%

(1) Wireless services revenue includes initial subscription fees, monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services, value-added-service fees and other miscellaneous cellular revenues, including international interconnection charges, interest on overdue subscriber accounts (net of telephone tax).

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

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

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

(5) Miscellaneous revenue attributable to our subsidiaries (including Loen Entertainment Inc., which operates MelOn music portal site that sells digital music contents, Ntreev Soft Co., Ltd., an on-line game developer, SK Telecom China Holdings Co., Ltd. and F&U Credit Information Co., Ltd.).

2010 Compared to 2009

Operating Revenue. Our operating revenue increased by 6.4% to Won 15,435.4 billion in 2010 from Won 14,512.3 billion in 2009, due to a 6.2% increase in our cellular revenue to Won 12,838.7 billion in 2010 from Won 12,091.6 billion in 2009, a 3.4% increase in our fixed-line telecommunication revenue to Won 2,164.2 billion in 2010 from Won 2,092.1 billion in 2009 and a 31.6% increase in our other revenue to Won 432.4 billion in 2010 from Won 328.6 billion in 2009.

Cellular Telephone Telecommunication Service Business

The operating revenue of our cellular telephone telecommunication service business, which is composed of revenues from wireless services, interconnection, digital handset sales and other services, increased by 6.2% to Won 12,838.7 billion in 2010 from Won 12,091.6 billion in 2009.

The increase in our cellular revenue was principally due to an increase in our digital handset sales, as well as an increase in our wireless services revenue, partially offset by a decrease in interconnection revenue. Digital handset sales, which commenced in April 2009, increased 188.4% to Won 534.4 billion in 2010 from Won 185.3 billion in 2009, primarily as a result of strong demand for smartphones. Wireless services revenue increased 3.0% to Won 11,057.3 billion in 2010 from Won 10,734.4 billion in 2009, primarily as a result of increases in revenues from wireless data services and monthly plan-based fees driven by increased subscription to fixed-price data and voice plans with higher monthly basic charges, due in large part to an increase in the number of smartphone users, as well as a 5.7% increase in our average subscriber base in 2010 over 2009, partially offset by a decrease in revenue from call charges as a result of increase in number of subscribers signing up for call plans with higher monthly basic charges and lower call charges.

Our average monthly revenue per subscriber, excluding interconnection revenue, decreased by 2.3% to Won 37,287 in 2010 from Won 38,171 in 2009, due to decreases in average monthly revenue per subscriber from usage charges for outgoing voice calls and initial subscription fees, partially offset by increases in average monthly revenue per subscriber from value-added and other service fees, wireless data services and monthly plan-based fees. Our average monthly revenue per subscriber from usage charges for outgoing calls decreased in 2010, primarily due to increased subscription to call plans with higher monthly basic charges and lower call charges. Our average monthly revenue per subscriber from initial subscription fees decreased in 2010, primarily due to the reduction of our initial subscription fee from Won 50,000 to Won 36,000 per line from November 2009. Our average monthly revenue per subscriber from value-added and other service fees increased in 2010, primarily due to an increase in revenues from global roaming services and leased-line revenue. Our average monthly revenue per subscriber from wireless data services, which includes usage charges for SMS and wireless Internet services, increased in 2010, attributable mainly to an increase in revenue from data flat rate plans. Our average monthly revenue per subscriber from monthly plan-based fees increased in 2010, primarily as a result of increased subscription to our service plans with higher monthly basic charges.

Our average monthly minutes per user increased to 199 minutes in 2010 from 197 minutes in 2009.

Interconnection revenue decreased by 1.5% to Won 1,141.2 billion in 2010 from Won 1,158.0 billion in 2009. The decrease was due to decreases in interconnection rates in 2010, which more than offset an increase in incoming call volume. Our average monthly revenue per subscriber, including interconnection revenue, decreased 2.6% to Won 41,374 in 2010 from Won 42,469 in 2009.

Fixed-line Telecommunication Service Business

The operating revenue of our fixed-line telecommunication service business, which is composed of revenues from broadband Internet service (including corporate data service), fixed-line telephone service and international calling service, increased by 3.4% to Won 2,164.2 billion in 2010 from Won 2,092.1 billion in 2009, primarily due to increases in revenue from broadband Internet service and international calling service, partially offset by a decrease in revenue from fixed-line telephone service.

The increase in our revenue from broadband Internet service in 2010 resulted primarily from the initiation of services to new corporate customers including members of SK Group as well as an increase in the number of individual subscribers, partially offset by a decrease in average monthly revenue per subscriber. The increase in our international calling service revenue was primarily due to an increase in call volume. The decrease in our fixed-line telephone revenue was primarily due to a decrease in average monthly revenue per subscriber resulting from discounts offered to subscribers of bundled services.

Other Businesses

The operating revenue of our other businesses, which is composed of revenues from portal service and certain other revenue, increased by 31.6% to Won 432.4 billion in 2010 from Won 328.6 billion in 2009.

Portal service revenues increased 18.9% to Won 239.1 billion in 2010 from Won 201.1 billion in 2009 mainly due to an increase in advertisement revenue from our NATE portal. Miscellaneous revenue increased by 51.6% to Won 193.3 billion in 2010 from Won 127.5 billion in 2009 due among others to an increase in digital music sales at our MelOn music portal.

Operating Expenses. Our operating expenses in 2010 increased by 6.8% to Won 13,493.1 billion from Won 12,631.1 billion in 2009, primarily due to increases in marketing expenses in the form of commissions paid and in cost of goods sold for our digital handset sales, partially offset by a decrease in leased line expense.

Cellular Telephone Telecommunication Service Business

The operating expenses of our cellular telephone telecommunication service business increased by 8.7% to Won 10,562.8 billion in 2010 from Won 9,719.9 billion in 2009, primarily due to increases in commissions paid and cost of goods sold, partially offset by a decrease in leased line expense. The increase in commissions paid, including to our authorized dealers and to our subscribers, was primarily attributable to increases in initial commissions and monthly commissions resulting from an increase in the number of new subscribers. The cost of goods sold increased primarily due to an increase in digital handset sales in 2010, which was driven by strong demand for smartphones. The decrease in leased line expense resulted primarily from the increased use of our own transmission lines following our acquisition of SK Networks leased line business in September 2009.

Fixed-line Telecommunication Service Business

The operating expenses of our fixed-line telecommunication service business increased by 3.5% to Won 2,342.8 billion in 2010 from Won 2,263.2 billion in 2009, primarily due to an increase in license fees paid to the providers of broadcasting programs for our IP TV services, as well as an increase in service fees paid in connection with the operation of our customer service call centers.

Other Businesses

The operating expenses of our other businesses decreased by 9.3% to Won 587.5 billion in 2010 from Won 648.0 billion in 2009, primarily due to the exclusion of operating expenses of certain subsidiaries that were excluded from consolidation in 2010.

Operating Income. Our operating income increased by 3.2% to Won 1,942.3 billion in 2010 from Won 1,881.2 billion in 2009. Due to the factors discussed above, the operating income of our cellular telephone telecommunication service business decreased by 4.0% to Won 2,275.9 billion in 2010 from Won 2,371.6 billion in 2009, the operating loss of our fixed-line telecommunication service business increased by 4.4% to Won 178.5 billion in 2010 from Won 171.0 billion in 2009 and the operating loss of our other businesses decreased by 51.4% to Won 155.1 billion in 2010 from Won 319.4 billion in 2009.

Other Income. Other income consists primarily of interest income, foreign exchange and translation gains and gains on transactions and valuation of derivatives, as well as dividend income and equity in earnings of affiliates. Other income decreased by 28.2% to Won 629.4 billion in 2010 from Won 876.0 billion in 2009, due primarily to a decrease in dividend income, partially offset by an increase in interest income. The decrease in dividend income was primarily due to the decrease in dividends from Global Opportunities Breakaway Fund, a venture capital fund, and our sale of China Unicom and SK C&C shares in 2009.

Other Expenses. Other expenses consist primarily of interest and discount expenses, donations, external research and development cost, loss on disposal of property, equipment and intangible assets, as well as foreign exchange and translation losses and losses on transactions and valuation of derivatives. Other expenses decreased by 33.6% to Won 898.0 billion in 2010 from Won 1,351.4 billion in 2009. This decrease was primarily attributable to the incurrence in 2009 of a loss on our sale of China Unicom shares compared to no such loss in 2010, as well as a decrease in interest and discount expenses and a decrease in net loss on transactions and valuation of derivatives, partially offset by an increase in donations.

Income Tax. Income tax for continuing operation increased by 13.7% to Won 404.3 billion in 2010 from Won 355.7 billion in 2009. Our effective tax rate in 2010 decreased to 24.2% from an effective tax rate of 25.3% in 2009. Income taxes increased in 2010 compared to 2009 primarily due to an increase in our income from continuing operation before income tax.

Net Income. Principally as a result of the factors discussed above, our net income, after adjusting for non-controlling interests, increased by 22.9% to Won 1,297.2 billion in 2010 from Won 1,055.6 billion in 2009. Net income as a percentage of operating revenues was 8.4% in 2010 compared to 7.3% in 2009.

2009 Compared to 2008

Operating Revenue. Our operating revenue increased by 4.0% to Won 14,512.3 billion in 2009 from Won 13,951.0 billion in 2008, due to a 4.4% increase in our cellular revenue to Won 12,091.6 billion in 2009 from Won 11,579.1 billion in 2008 and a 51.4% increase in our other revenue to Won 328.6 billion in 2009 from Won 217.0 billion in 2008, partially offset by a 2.9% decrease in our fixed-line telecommunication revenue to Won 2,092.1 billion in 2009 from Won 2,154.9 billion in 2008.

Cellular Telephone Telecommunication Service Business

The operating revenue of our cellular telephone telecommunication service business, which is composed of revenues from wireless services, interconnection, digital handset sales and other services, increased by 4.4% to Won 12,091.6 billion in 2009 from Won 11,579.1 billion in 2008.

The increase in our cellular revenue was principally due to an increase in our wireless services revenue, as well as digital handset sales of Won 185.3 billion by PS & Marketing, a wholly-owned subsidiary, in 2009 compared to no such sales in 2008. Wireless services revenue increased 3.2% to Won 10,734.4 billion in 2009 from Won 10,403.1 billion in 2008, primarily as a result of a 5.1% increase in our average subscriber base in 2009 over 2008, as well as increased subscriptions to service plans with higher monthly charges, partially offset by a decrease in revenue from call charges as a result of increase in number of subscribers signing up for discount price plans.

Our average monthly revenue per subscriber, excluding interconnection revenue, decreased by 0.9% to Won 38,171 in 2009 from Won 38,526 in 2008, which reflects the net effect of several factors, including a decrease in call charges for voice services and sign up fees, partially offset by increases in average monthly revenue per subscriber from monthly fee plans. Our average monthly revenue per subscriber from wireless data services, which includes usage charges for SMS and wireless Internet services, increased in 2009, attributable mainly to an increase in revenue from flat rate data plans. Our average monthly revenue per subscriber from usage charges for outgoing calls decreased in 2009, primarily due to discounts we offered for voice calls between subscribers. Our average monthly minutes per user declined to 197 minutes in 2009 from 200 minutes in 2008. Our average monthly revenue per subscriber from value-added and other service fees increased in 2009, primarily due to an increase in revenues from global roaming services and leased-line revenue.

Interconnection revenue increased by 0.8% to Won 1,158.0 billion in 2009 from Won 1,149.2 billion in 2008. The increase was due to increases in incoming call volume, which more than offset the decrease in interconnection rates in 2009. Our average monthly revenue per subscriber, including interconnection revenue, decreased 1.3% to Won 42,469 in 2009 from Won 43,016 in 2008.

Fixed-line Telecommunication Service Business

The operating revenue of our fixed-line telecommunication service business, which is composed of revenues from broadband Internet service (including corporate data service), fixed-line telephone service and international calling service, decreased by 2.9% to Won 2,092.1 billion in 2009 from Won 2,154.9 billion in 2008, primarily due to a decrease in average monthly revenue per subscriber resulting from discounts offered to subscribers of bundled services and a decrease in fixed-line call charges, partially offset by an increase in revenues from international calling service and an increase in the number of subscribers to our broadband Internet, IP TV and VoIP services.

Other Businesses

The operating revenue of our other businesses, which is composed of revenues from portal service and certain other revenue, increased by 51.4% to Won 328.6 billion in 2009 from Won 217.0 billion in 2008.

Portal service revenues increased 0.7% to Won 201.1 billion in 2009 from Won 199.7 billion in 2008 mainly due to an increase in revenue from Moneta, our financial portal. Miscellaneous revenue increased by 637.0% to Won 127.5 billion in 2009 from Won 17.3 billion in 2008 due among others to an increase in digital music sales at our MelOn music portal.

Operating Expenses. Our operating expenses in 2009 increased by 3.6% to Won 12,631.1 billion from Won 12,190.7 billion in 2008, primarily due to increases in marketing expenses in the form of commissions paid and in cost of goods sold for our digital handset sales, partially offset by a decrease in leased line expense.

Cellular Telephone Telecommunication Service Business

The operating expenses of our cellular telephone telecommunication service business increased by 4.3% to Won 9,719.9 billion in 2009 from Won 9,322.5 billion in 2008, primarily due to increases in commissions paid, cost of goods sold and provision for bad debt, partially offset by a decrease in leased line expense. Commissions paid, including to our authorized dealers and to our subscribers, increased in 2009, primarily attributable to an increase in initial commissions resulting from intensified marketing competition and in the number of new subscribers. The cost of goods sold increased primarily due to the commencement of digital handset sales in April 2009. The increase in provision for bad debt resulted primarily from the increase in bad debt experience ratio from accounts receivable-trade. The decrease in leased line expense resulted primarily from the increased use of our own transmission lines following our acquisition of SK Networks leased line business in September 2009.

Fixed-line Telecommunication Service Business

The operating expenses of our fixed-line telecommunication service business increased by 6.1% to Won 2,263.2 billion in 2009 from Won 2,132.1 billion in 2008, primarily due to an increase in the marketing expenses paid in the form of commissions to the subscribers as a result of an increase in the number of subscribers.

Other Businesses

The operating expenses of our other businesses decreased by 12.0% to Won 648.0 billion in 2009 from Won 736.1 billion in 2008, primarily due to the exclusion of operating expenses of certain subsidiaries that were excluded from consolidation in 2009.

Operating Income. Our operating income increased by 6.9% to Won 1,881.2 billion in 2009 from Won 1,760.3 billion in 2008. Due to the factors discussed above, the operating income of our cellular telephone telecommunication service business increased by 5.1% to Won 2,371.6 billion in 2009 from Won 2,256.6 billion in 2008 and the operating loss of our other businesses decreased by 38.5% to Won 319.4 billion in 2009 from Won 519.1 billion in 2008. In our fixed-line telecommunication service business, we had operating loss of Won 171.0 billion in 2009 compared to operating income of Won 22.8 billion in 2008.

Other Income. Other income consists primarily of foreign exchange and translation gains and gains on transactions and valuation of derivatives, as well as interest income, dividend income and equity in earnings of affiliates. Other income decreased by 17.0% to Won 876.0 billion in 2009 from Won 1,055.2 billion in 2008, due primarily to a decrease in net foreign exchange and translation gain.

Other Expenses. Other expenses consist primarily of interest and discount expenses, losses on transactions and valuation of derivatives, foreign exchange and translation losses and impairment loss on investment securities. Other expenses decreased by 12.1% to Won 1,351.4 billion in 2009 from Won 1,537.9 billion in 2008. This decrease was primarily attributable to a decrease in net loss on transactions and valuation of derivatives and impairment loss on investment securities.

Income Tax. Income tax for continuing operation increased by 18.8% to Won 355.7 billion in 2009 from Won 299.3 billion in 2008. Our effective tax rate in 2009 increased to 25.3% from an effective tax rate of 23.4% in 2008. Income taxes increased in 2009 compared to 2008 primarily due to an increase in our income from continuing operation before income tax and an increase in valuation allowance, which together more than offset a decrease in corporate income tax rate to 22% in 2009 from 25% in 2008.

Net Income. Principally as a result of the factors discussed above, our net income, after adjusting for non-controlling interests, increased by 8.6% to Won 1,055.6 billion in 2009 from Won 972.3 billion in 2008. Net income as a percentage of operating revenues was 7.3% in 2009 compared to 7.0% in 2008.

Inflation

We do not consider that inflation in Korea has had a material impact on our results of operations in recent years. According to data published by The Bank of Korea, annual inflation in Korea was 4.7% in 2008, 2.8% in 2009 and 2.9% in 2010.

Item 5.B. *Liquidity and Capital Resources*

Liquidity

We had a working capital (current assets minus current liabilities) surplus of Won 793.6 billion, Won 1,475.7 billion and Won 1,057.7 billion as of December 31, 2008, 2009 and 2010, respectively.

We had cash, cash equivalents, short-term financial instruments and short-term investment securities of Won 1,752.7 billion as of December 31, 2008, Won 1,682.3 billion as of December 31, 2009 and Won 1,753.0 billion as of December 31, 2010. We had outstanding short-term borrowings of Won 627.7 billion as of December 31, 2008, Won 677.2 billion as of December 31, 2009 and Won 529.6 billion as of December 31, 2010. As of December 31, 2010, we had credit lines with several local banks that provided for borrowings of up to Won 1,357.2 billion, of which Won 509.4 billion was outstanding and Won 847.8 billion was available for borrowing.

Operating cash flow and debt financing have been our principal sources of liquidity. We had cash and cash equivalents of Won 778.5 billion as of December 31, 2010, Won 953.9 billion as of December 31, 2009 and Won 1,011.3 billion as of December 31, 2008. We believe that we have sufficient working capital available to us for our current requirements and that we have a variety of alternatives available to us to satisfy our financial requirements to the extent that they are not met by funds generated by operations, including the issuance of debt securities and bank borrowings.

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	Year Ended December 31,			Change			
	2008	2009	2010	2008 to 2009		2009 to 2010	
	(In billions of Won, except percentages)						
Net Cash Flow from Operating Activities	₩ 3,293.0	₩ 2,932.6	₩ 4,021.0	₩ (360.4)	(10.9)%	₩ 1,088.4	37.1%
Net Cash Used in Investing Activities	(3,877.0)	(1,826.0)	(2,358.7)	2,051.0	(52.9)	(532.7)	29.2
Net Cash Provided by (Used in) Financing Activities	866.8	(1,207.0)	(1,818.3)	(2,073.8)	N/A	(611.3)	50.6
Effect of Exchange Rate Changes on Cash and Cash Equivalents Held in Foreign Currencies	37.4	(7.4)	(5.2)	(44.8			