SK TELECOM CO LTD
Form 20-F/A
June 30, 2003

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 30, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

FORM 20-F/A

AMENDMENT NO. 1

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2002
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)

99, SEORIN-DONG
JONGRO-GU
SEOUL, KOREA
(Address of principal executive offices)

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

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERE
AMERICAN DEPOSITARY SHARES, EACH REPRESENTING ONE-NINTH OF ONE SHARE OF COMMON STOCK	NEW YORK STOCK EXCHANGE, INC.
COMMON STOCK, PAR VALUE WON 500 PER SHARE	NEW YORK STOCK EXCHANGE, INC.*

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

NONE
(Title of Class)

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

$230,000,000 7 3/4% NOTES DUE 2004
(Title of Class)

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.

84,821,311 SHARES OF COMMON STOCK, PAR VALUE WON 500 PER SHARE

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.

[X] Yes   No [ ]

Indicate by check mark which financial statement item the registrant has elected to follow.

[ ] Item 17   [X] Item 18

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

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EXPLANATORY NOTE

SK Telecom Co., Ltd. ("SK Telecom") is filing this amendment no. 1 to its annual report on Form 20-F/A (the "Amendment No. 1") for the fiscal year ended December 31, 2002 in order to correct certain typographical errors contained in its annual report on Form 20-F filed on June 3, 2003 (the "Original Annual Report"). This Amendment No. 1 does not reflect events occurring after the filing of the Original Annual Report and does not modify or update the disclosure therein in any way other than as required to reflect the amendments

described herein and reflected below. No other changes have been made to the Original Annual Report. The filing of this Amendment No. 1 should not be understood to mean that any statements contained herein are true or complete as of any date subsequent to the date of the original filing of the Original Annual Report.

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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 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. Unless otherwise indicated, all references to our number of subscribers shall include Shinsegi Telecomm, Inc.'s subscribers from April 1, 2000.

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.

All references to "Won" or "W" in this report are to the currency of Korea, all references to "Dollars", "$" or "US$" are to the currency of the United States of America and all references to "Yen" or "Y" are to the currency of Japan.

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. Unless otherwise stated, the translations of Won into Dollars were made at the noon buying rate in effect on December 31, 2002, which was Won 1,186.3 to US$1.00. On May 30, 2003, the noon buying rate was Won 1,210.0 to US$1.00.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements", as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, 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", "estimate", "expect", "intend", "project", "should", and similar expressions. Those statements include, among other things, the discussions of our business strategy and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. 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. The uncertainties in this regard include, but are not limited to, those identified in the risk factors discussed elsewhere in this report. See "Key Information -- Risk Factors" beginning on page 11 of 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.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

You should read the selected consolidated financial 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, 2002 are derived from our audited consolidated financial statements and related notes. Information as of and for the years ended December 31, 2000 and 2001 includes information as of and for the nine months ended December 31, 2000 and the year ended December 31, 2001, respectively, for Shinsegi unless otherwise specified.

Our consolidated financial statements are prepared in accordance with Korean generally accepted accounting principles, or Korean GAAP, which differ in certain respects from U.S. GAAP. For more detailed information you should refer to notes 30 and 31 of our notes to consolidated financial statements.

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	200
	(IN BILLIONS OF WON AND MILLIONS OF DOLLARS, EXCEPT PER SHARE AND PERCENTAGE DATA)					
INCOME STATEMENT DATA						
KOREAN GAAP:						
Total Operating Revenue(1)...	W 3,552.3	W 4,441.9	W 7,423.1	W 8,371.9	W 9,324.0	US$ 7,
Cellular Service(1)........	2,974.1	4,141.5	7,245.1	8,203.0	9,156.8	7,
Paging Service(2)..........	558.6	215.3	57.7	8.8	--	
Other(3)..................	19.6	85.1	120.3	160.1	167.2	
Operating Expenses...........	3,062.2	4,134.7	5,927.6	6,047.4	6,526.4	5,
Operating Income............	490.1	307.2	1,495.5	2,324.5	2,797.6	2,
Income before Income Taxes and Minority Interest......	287.4	385.0	1,287.8	1,976.7	2,218.8	1,
Income before Minority Interest..................	154.2	283.8	920.5	1,126.4	1,520.3	1,
Net Income..................	154.3	282.2	972.3	1,146.0	1,487.2	1,
Income per Share of Common Stock(4)..................	2,410	3,835	11,146	13,242	17,647.0	
Dividends per Share of Common Stock(5)..................	90	118	185	540	690	
U.S. GAAP:						

Net Income..................	280.7	284.1	895.4	1,111.6	1,301.1	1,
Income per Share of Common Stock(4)..................	4,384	3,862	10,265	12,844	15,440	
Dividends per Share of Common Stock(5)..................	90	118	185	540	690	
BALANCE SHEET DATA						
KOREAN GAAP:						
Working Capital (Deficiency)(6)...........	W 218.7	W 253.9	W (374.6)	W 668.2	W (259.9)	US$ (
Fixed Assets -- Net..........	2,103.1	2,441.8	4,543.2	4,174.7	4,569.4	3,
Total Assets................	4,107.4	6,263.9	11,044.2	13,326.3	14,228.7	11,
Current Portion of Facility Deposits(7)................	8.6	7.4	10.0	10.4	18.4	

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	AS OF OR FOR THE YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	200
	(IN BILLIONS OF WON AND MILLIONS OF DOLLARS, EXCEPT PER SHARE AND PERCENTAGE DATA)					
Long-term Liabilities(8).....	1,384.4	1,021.5	1,727.2	3,498.4	3,693.4	3,
Facility Deposits(7).......	151.9	74.5	61.8	56.5	46.9	
Total Shareholders' Equity...	1,503.6	3,752.6	6,142.7	6,149.3	6,231.9	5,
U.S. GAAP:						
Total Assets................	4,246.3	6,143.7	11,182.8	13,841.0	15,720.7	13,
Total Shareholders' Equity...	1,621.4	3,616.6	6,117.9	5,820.1	6,356.2	5,
OTHER FINANCIAL DATA						
KOREAN GAAP:						
EBITDA(9)...................	W 1,355.8	W 1,133.8	W 2,941.7	W 3,932.4	W 3,954.1	US$ 3,
Capital Expenditures(10).....	859.6	1,123.8	2,241.1	1,382.1	2,024.7	1,
R&D Expenses(11)............	141.3	96.6	117.1	153.7	253.3	
Internal R&D..............	77.3	66.4	78.8	130.7	194.3	
External R&D..............	64.0	30.2	38.3	23.0	59.0	
Depreciation and Amortization..............	951.5	709.1	1,456.4	1,759.7	1,543.3	1,
Cash Flow from Operating Activities................	654.9	1,123.6	3,043.5	2,423.9	4,267.8	3,
Cash Flow from Investing Activities................	(927.6)	(2,120.8)	(4,667.8)	(1,972.8)	(3,063.4)	(2,
Cash Flow from Financing Activities................	324.7	1,075.8	1,629.3	331.2	(1,418.2)	(1,
Margins (% of total sales):						
EBITDA Margin(9)..........	38.2%	25.5%	39.6%	47.0%	42.4%	
Operating Margin..........	13.8	6.9	20.1	27.8	30.0	
Net Margin................	4.3	6.4	13.1	13.7	15.9	
U.S. GAAP:						
EBITDA(9)...................	1,474.7	1,137.0	2,930.5	3,859.1	3,620.7	3,
Capital Expenditures(10).....	859.6	1,123.8	2,241.1	1,382.1	2,024.7	1,
Cash Flow from Operating Activities................	654.9	1,123.6	3,043.5	2,423.8	3,708.9	3,
Cash Flow from Investing Activities................	(1,104.9)	(2,120.8)	(4,667.8)	(1,972.8)	(2,995.2)	(2,
Cash Flow from Financing Activities................	324.7	1,075.8	1,629.3	331.2	(927.5)	(

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
	1998	1999	2000	2001	2002
SELECTED OPERATING DATA					
Population of Korea (millions)(12)	46.4	46.9	47.1	47.4	47.6
Our Wireless Penetration(13)	12.9%	21.6%	30.7%	32.0%	36.1
Number of Employees(14)	5,673	6,736	7,279	5,693	6,241
Total Sales per Employee (millions)	626.2	659.4	1,019.8	1,470.6	1,494.0
Wireless Subscribers(15)	5,966,474	10,110,371	14,452,683	15,179,163	17,219,562
Digital(15)	5,400,616	10,110,371	14,452,683	15,179,163	17,219,562
Analog(16)	565,858	--	--	--	--
Average Monthly Outgoing Voice Minutes per Subscriber(17)	134	143	148	172	191
Average Monthly Revenue per Subscriber(18)	36,344	33,473	32,906	36,400	38,383
Average Monthly Churn Rate(19)	1.9%	2.2%	2.8%	1.4%	1.4
Digital Cell Sites(20)	2,323	3,255	7,008	6,056	7,384

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(1) Includes Won 3.0 billion for 1998, Won 116.5 billion for 1999, Won 494.0 billion for 2000, Won 702.4 billion for 2001 and Won 534.0 billion for 2002 from the sale of digital handsets and Won 729.4 billion for 1998 (including Won 119.5 billion in refunded interconnection charges from 1996 and 1997 which were received in 1998), Won 801.0 billion for 1999, Won 1,312.4 billion for 2000, Won 1,339.9 billion for 2001 and Won 1,043.2 billion for 2002 of interconnection revenue (including interconnection revenue in respect of calls between mobile users starting in 2000). See "Information on the Company -- Business Overview -- Interconnection".

(2) In March 2001, we transferred our paging business to Real Telecom Co., Ltd. (formerly known as INTEC Telecom Co., Ltd.) in exchange for 9.9% of Real Telecom's newly issued shares and bonds with a principal amount of Won 9.5 billion that can be converted into an additional 7.8% interest in Real Telecom.

(3) For more information about our other revenue, see "Operating and Financial Review and Prospects" and "Information on the Company".

(4) Income per share of common stock is calculated by dividing net income by the weighted average number of shares outstanding during the period, giving effect to the 10-for-1 stock split of our common shares which became effective on April 21, 2000 and resulted in the par value of each share being reduced from Won 5,000 to Won 500.

(5) Dividend per share has been adjusted to give effect to the 10-for-1 stock split of our common shares which became effective on April 21, 2000. On January 1, 2002, we early adopted Statement of Korea Accounting Standards ("SKAS") No. 6, "Events Occurring after Balance Sheet Date". This statement requires that proposed cash dividends be reflected on the balance sheet when the appropriations are approved by shareholders which is the same as

U.S. GAAP. In order to reflect this accounting change, prior year's financial statements have been restated. See note 2(v) of our notes to consolidated financial statements.

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

(7) We require new subscribers (other than some corporate and government subscribers) to post a non-interest bearing facility deposit of Won 200,000 which we may utilize to offset a defaulting subscriber's outstanding account balance. See "Information on the Company -- Business Overview -- Revenues, Rates and Facility Deposits".

(8) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rate of Won 1,208 to US$1.00 as of December 31, 1998, Won 1,145 to US$1.00 as of December 31, 1999, Won 1,260 to US$1.00 as of December 31, 2000, Won 1,326 to US$1.00 as of December 31, 2001 and Won 1,200 to US$1.00 as of December 31, 2002, the rates of exchange permitted under Korean GAAP as of those dates. See note 2(r) of our notes to consolidated financial statements.

(9) EBITDA refers to income before interest income, interest expense, taxes, depreciation and amortization. EBITDA is commonly used in the telecommunications industry to analyze companies on the basis of operating performance, leverage and liquidity. 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. 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 income, interest expense, depreciation, amortization and income taxes under U.S. GAAP which may differ from Korean GAAP for these items. Part of the funds depicted by EBITDA are used for repayment of indebtedness and related interest expenses and payment of income tax. In addition, we have used and will continue to use a substantial portion of the funds depicted by EBITDA for capital expenditures on our wireless network construction.

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 U.S. GAAP to our definition of EBITDA on a consolidated basis for the five years ended December 31, 1998, 1999, 2000, 2001 and 2002.

RECONCILIATION OF NET INCOME TO EBITDA UNDER US GAAP

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	
	(IN BILLIONS OF WON AND MILLIONS OF DOLLARS)					
NET INCOME............................	W 280.7	W 284.1	W 895.4	W1,111.6	W1,301.1	US
ADD: Interest income..................	(103.9)	(84.2)	(67.6)	(101.8)	(90.8)	
Interest expense.................	220.6	125.6	215.1	274.4	396.6	
Taxes............................	127.5	102.1	408.5	791.3	585.0	

Depreciation and Amortization.....	949.7	709.4	1,479.1	1,783.6	1,428.8	
EBITDA...............................	W1,474.7	W1,137.0	W2,930.5	W3,859.1	W3,620.7	US

The following table reconciles our net income under Korean GAAP to our definition of EBITDA on a consolidated basis for the five years ended December 31, 1998, 1999, 2000, 2001 and 2002.

RECONCILIATION OF NET INCOME TO EBITDA UNDER KOREAN GAAP

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,					
	1998	1999	2000	2001	2002	
	(IN BILLIONS OF WON AND MILLIONS OF DOLLARS)					
NET INCOME...........................	W 154.3	W 282.2	W 972.3	W1,146.0	W1,487.2	US
ADD: Interest income.................	(103.9)	(84.2)	(67.6)	(97.4)	(86.0)	
Interest expense.................	220.6	125.6	213.4	273.9	311.1	
Taxes............................	133.2	101.2	367.3	850.3	698.5	
Depreciation and Amortization.....	951.5	709.1	1,456.4	1,759.6	1,543.3	
EBITDA...............................	W1,355.8	W1,133.9	W2,941.9	W3,932.4	W3,954.1	US

As a measure of our liquidity, we believe that the most directly comparable U.S. and Korean GAAP measure to EBITDA is net cash provided by operating activities. The following table reconciles our cash provided by operating activities under U.S. GAAP to our definition of EBITDA on a consolidated basis for the five years ended December 31, 1998, 1999, 2000, 2001 and 2002.

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO EBITDA UNDER US GAAP

	AS OF OR FOR THE YEAR ENDED DECEMBE				
	1998	1999	2000	2001	2
	(IN BILLIONS OF KOREAN WON AND MILLIONS				
NET CASH PROVIDED BY OPERATING ACTIVITIES..............................	W 654.9	W1,123.6	W3,043.5	W2,423.9	W3,
Provision for severance indemnities........	(72.0)	(26.1)	(34.7)	(56.9)	
Loss on disposal and impairment of property and equipment..........................	(13.0)	(25.2)	(18.1)	(41.8)	(
Loss on disposal and impairment of investment assets.......................	(129.8)	(71.2)	--	(24.0)	(
Provision for bad debts...................	(55.2)	(20.9)	(35.3)	(56.7)	
Other expenses not involving cash payments................................	(22.8)	(72.1)	(92.8)	(54.4)	
Income not involving cash receipts.........	149.5	70.0	106.6	35.8	

Changes in assets and liabilities related to operating activities	740.1	38.1	(260.2)	984.4	(
Interest income	(103.9)	(84.2)	(67.6)	(101.8)	
Interest expense	220.6	125.6	215.1	274.4	
Income taxes paid	106.3	79.4	74.0	476.2	
EBITDA	W1,474.7	W1,137.0	W2,930.5	W3,859.1	W3,

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The following table reconciles our net cash provided by operating activities under Korean GAAP to our definition of EBITDA on a consolidated basis for the five years ended December 31, 1998, 1999, 2000, 2001 and 2002.

RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO EBITDA UNDER KOREAN GAAP

	AS OF OR FOR THE YEAR ENDED DECEMBE				
	1998	1999	2000	2001	20
	(IN BILLIONS OF KOREAN WON AND MILLIONS				
NET CASH PROVIDED BY OPERATING ACTIVITIES	W654.9	W1,123.6	W3,043.5	W2,423.9	W4,2
Reconciliation:					
Provision for severance indemnities	(72.0)	(26.1)	(34.7)	(56.9)	(
Loss on disposal and impairment of property and equipment	(13.0)	(25.2)	(18.1)	(41.8)	(2
Loss on disposal and impairment of Investment assets	--	(71.2)	--	(24.0)	(1
Loss on valuation of investments	(129.8)	--	--	--	
Provision for bad debts	(55.2)	(20.9)	(35.3)	(56.7)	(
Other expenses not involving cash payments	(22.8)	(72.1)	(92.8)	(54.4)	(
Income not involving cash receipt	149.5	70.0	108.8	35.8	
Changes in assets and liabilities related to operating activities	621.1	34.9	(247.3)	1,054.0	(7
Interest Income	(103.9)	(84.2)	(67.6)	(97.4)	(
Interest expense	220.6	125.6	213.4	273.9	3
Income taxes	106.3	79.4	74.0	476.2	6
EBITDA	W1,355.8	W1,133.8	W2,941.9	W3,932.4	W3,9

(10) Consists of investments in property, plant and equipment.

(11) Includes donations to Korean research institutes and educational organizations. See "Operating and Financial Review and Prospects -- Research and Development".

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

(13) Wireless penetration is determined by dividing subscribers by total

estimated population, as of the end of the period.

(14) Includes regular employees and temporary employees. See "Directors, Senior Management and Employees -- Employees". Includes 1,687 and 1,332 Shinsegi employees as of December 31, 2000 and 2001, respectively.

(15) 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 (454,795 subscribers as of April 30, 2003) 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 (643,282 subscribers as of April 30, 2003). Wireless subscribers also include 3,517,831 Shinsegi subscribers as of December 31, 2000 and 3,311,874 as of December 31, 2001. Shinsegi was merged into SK Telecom on January 13, 2002.

(16) We discontinued our analog service on December 31, 1999.

(17) The average monthly outgoing voice minutes per subscriber is computed by dividing the total minutes of outgoing voice usage for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. The monthly weighted average number of subscribers is the sum of the average number of subscribers for the month, calculated by taking the simple average number of subscribers at the beginning of the month and at the end of the month, divided by the number of months in the period. Shinsegi's subscribers and outgoing voice minutes are included from April 1, 2000.

(18) The average monthly revenue per subscriber excludes interconnection revenue and is computed by dividing total initial connection fees, monthly access fees, usage charges for voice and data, international charges, value-added service fees and interest on overdue accounts (net of telephone tax) for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. Including interconnection revenue, consolidated average monthly revenue per subscriber was Won 43,958 for 2002. Shinsegi's subscribers and revenue are included from April 1, 2000. For information about the average monthly revenue per subscriber of SK Telecom and Shinsegi on a stand-alone basis, see "Operating and Financial Review and Prospects -- Overview".

(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 and dividing the quotient by the number of months in the period. Churn includes subscribers who upgrade to CDMA 1xRTT or CDMA 1xEV/DO-capable handsets by terminating their service and opening a new subscriber account.

(20) Includes 2,532 cell sites of Shinsegi as of December 31, 2000 and 1,685 cell sites as of December 31, 2001.

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EXCHANGE RATES

The following table sets forth, for the periods and dates indicated, certain information concerning 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. 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)			
1998	1,206	1,367	1,812	1,196
1999	1,136	1,188	1,243	1,125
2000	1,267	1,140	1,267	1,106
2001	1,314	1,293	1,369	1,234
2002	1,186	1,250	1,332	1,161
December	1,186	1,207	1,221	1,186
2003 (through May 2003)	1,210	1,208	1,262	1,165
January	1,165	1,177	1,197	1,165
February	1,194	1,190	1,206	1,173
March	1,252	1,237	1,260	1,185
April	1,216	1,231	1,262	1,204
May	1,210	1,201	1,217	1,192

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(1) The average rates for the annual periods were calculated based on the average noon buying rate on the last day of each month (or portion thereof) during the period. The average rate for the monthly periods were calculated based on the average noon buying rate of each day of the month (or portion thereof).

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RISK FACTORS

An investment in our American Depositary Shares, or ADSs, and the debt securities issued under an indenture dated as of September 5, 1997 between us and the Bank of New York involves various risks. If you own or are considering purchasing our ADSs or our debt securities, you should carefully review the information contained in this report. You should particularly refer to the following:

COMPETITION MAY REDUCE OUR MARKET SHARE AND HARM OUR RESULTS OF OPERATION AND FINANCIAL CONDITION.

We face substantial competition in the wireless telecommunications sector in Korea. We expect competition to intensify as a result of the entry of new competitors, consolidation of market leaders and the development of new technologies, products and services. Continued competition from the other wireless and fixed-line service providers has 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 addition, increased competition may cause our marketing expenses to increase as a percentage of sales, reflecting higher advertising expenses and other costs of new marketing activities which may be introduced to attract and retain 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 own. Together, these providers had a market share of approximately 46.3%, in terms of

numbers of wireless service subscribers, as of April 30, 2003. Further, in 2001, the Government awarded to three companies the licenses to provide high-speed third generation, or 3G, wireless telecommunications services. One of these licenses was awarded to our former subsidiary, SK IMT Co., Ltd., which was merged into SK Telecom on May 1, 2003, and the other two licenses to consortia led by or associated with KT Corporation (formerly known as Korea Telecom Corp.), Korea's principal fixed-line operator and the parent of KT Freetel Co., Ltd., one of our principal wireless competitors, and to LG Telecom, Ltd. In addition, our wireless voice businesses compete with Korea's fixed-line operators, and our wireless data and 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 Corporation acquired a substantial stake in Hansol M.Com (formerly known as Hansol PCS Co., Ltd.), which was the fifth largest wireless operator in terms of numbers of wireless service subscribers at such time. Hansol M.Com subsequently changed its name to KT M.Com and merged into KT Freetel in May 2001. In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. It is widely believed that KT Corporation is likely to operate more efficiently and be managed more effectively and profitably as a privatized business. Such consolidations have created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings.

We expect competition to intensify as a result of the consolidations 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. Future business combinations and alliances in the telecommunications industry may create significant new competitors and could harm our business and results of operations.

SIGNIFICANT TECHNOLOGICAL ADVANCEMENTS AFFECTING THE WIRELESS INDUSTRY MAY HARM OUR BUSINESS.

Significant advances in technology are occurring that may affect our businesses, including the roll-out by us and our competitors of advanced high-speed wireless telecommunications networks based on CDMA 1xEV/DO technology and other technologies such as W-CDMA and cdma2000, both of which are commonly referred to as third generation, or 3G, wireless technology. Such networks are expected to support data transmission services with more advanced features and significantly higher data transmission rates than our principal data network, which uses a technology called CDMA 1xRTT. The successful introduction and operation of a 3G network by a competitor could materially and adversely affect our existing wireless

businesses as well as the returns on future investments we may make in a 3G network or our other businesses. We could also be harmed if we fail to timely adapt to technological or other changes in the telecommunications sector.

W-CDMA TECHNOLOGY MAY REQUIRE SIGNIFICANT CAPITAL AND OTHER EXPENDITURES FOR IMPLEMENTATION WHICH WE MAY NOT RECOUP AND MAY BE DIFFICULT TO INTEGRATE WITH OUR OTHER BUSINESSES.

W-CDMA is a high-speed wireless communication technology that we believe will allow us to offer even more sophisticated wireless data transmission services at faster speeds than our current CDMA 1xRTT network. Under the terms of our W-CDMA license received in 2001, we must commence provision of W-CDMA

services by the end of 2003. We currently plan to commence provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul by the end of 2003. However, the actual scope and timing of the roll-out of our W-CDMA network will depend on several factors, including the availability of network equipment, progress of dual band/dual mode handset developments, adoption of CDMA 1xEV/ DO service, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market.

We cannot assure you that we will be able to construct a W-CDMA network or provide W-CDMA services in a timely and cost efficient manner, or at all. Several companies in other countries have recently announced delays in the roll-out of their 3G services as a result of technological problems and difficulties with software, equipment and handset supply. If we experience similar problems, our financial condition or results of operations could be adversely affected. In addition, the MIC is empowered to take various measures against us ranging from the suspension of our business to the revocation of our W-CDMA license if we fail to comply with the terms of our W-CDMA license. Also, we cannot assure you that there will be sufficient demand for our W-CDMA services, as a result of competition or otherwise, to permit us to recoup or profit from our investment in the W-CDMA license and network. In addition, demand for our W-CDMA services will depend in part on the availability of attractive content and services. We cannot assure you that such content and services will become available in a timely manner, or at all.

We expect that construction of any future expansion of W-CDMA network may require external funding, and we cannot assure you that such funding will be available at a cost acceptable to us, or at all. In addition, we cannot assure you that we will be able to successfully integrate W-CDMA services into our existing businesses in a timely or cost-effective manner or that the W-CDMA business will not adversely affect our current wireless businesses, including the services currently provided on our networks and new services. The MIC also awarded the W-CDMA license to provide 3G services based on a technology different from ours to LG Telecom for a fee lower than the fee we are required to pay for our W-CDMA license and on terms generally more favorable than the terms of our license, which may give LG Telecom a competitive advantage. See "Information on the Company -- Business Overview -- Planned W-CDMA Network" and "Operating and Financial Review and Prospects -- Liquidity and Capital Resources".

WE MAY MAKE SIGNIFICANT INVESTMENTS IN NEW BUSINESSES AND REGIONS, INCLUDING BUSINESSES AND REGIONS IN WHICH WE HAVE LIMITED EXPERIENCE.

We believe that we must continue to make significant investments to build, develop and broaden our businesses, including developing and providing wireless data, multimedia, mobile commerce and Internet services as well as possibly investing in a satellite-based digital multimedia broadcasting (DMB) business. We will need to respond to market and technological changes and other services which we may have little or no experience in providing. We may also make investments in wireless telecommunications and other businesses outside of Korea. Entering these new businesses and regions may require us to make substantial investments and no assurance can be given that we will be successful in our efforts.

DUE TO THE EXISTING HIGH PENETRATION RATE OF WIRELESS SERVICES IN KOREA AND THE KOREAN GOVERNMENT'S PROHIBITION ON HANDSET SUBSIDIES, WE ARE UNLIKELY TO MAINTAIN OUR SUBSCRIBER GROWTH RATE WHICH COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

According to data published by the Korean Ministry of Information and Communication, or MIC, 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 April 30, 2003 was approximately 69.1%, which is high compared to many industrialized countries. In the past, wireless telecommunications service providers provided handsets at below retail prices to attract new subscribers, offsetting a significant portion of the cost of handsets. The rapid growth in penetration rate in recent years can, at least in part, be attributed to such subsidies on handsets given to new subscribers. The MIC prohibited all wireless telecommunications service providers from providing any such handset subsidies beginning June 1, 2000. In March 2002, the MIC concluded that certain incentive payments made to wireless handset dealers by us and other wireless network service providers were being passed on to purchasers of wireless handsets and therefore constituted improper handset subsidies. In May 2002, we, KT Freetel and LG Telecom were fined an aggregate of Won 20.0 billion by the MIC in respect of these incentive payments. We were assessed and have paid in full a fine of Won 10.0 billion. On November 15, 2002, we received an order from the MIC prohibiting us from signing up new subscribers for 30 days (from November 21, 2002 through December 20, 2002) for violating MIC's handset subsidy regulation. KT Freetel and LG Telecom were also prohibited from signing up new subscribers for 20 days. As a result of the already high penetration rates in Korea for wireless services, our large market share, the MIC's handset subsidy regulation and the steps we have taken in response to such regulation, we expect our subscriber growth rate to decrease, which could adversely affect our results of operations.

OUR BUSINESS AND RESULTS OF OPERATIONS MAY BE ADVERSELY AFFECTED IF WE FAIL TO ACQUIRE ADEQUATE SPECTRUM OR USE EFFICIENTLY OUR BANDWIDTH 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. SK Telecom's networks have been allocated 2 x 25 Mhz of spectrum in the 800 Mhz band.

As a result of bandwidth constraints, SK Telecom's CDMA 1xRTT network is currently operating near its capacity in the Seoul metropolitan area. The inability to address such capacity constraints may adversely affect our business and results of operations.

The growth of our wireless data businesses has increased our utilization of our bandwidth, since data applications tend to be more bandwidth-intensive than voice services. This trend has been offset in part by the implementation of our CDMA 1xRTT network, which uses bandwidth more efficiently for voice and data traffic than our CDMA networks. If current upward trends in data transmission by our subscribers continue, our bandwidth capacity requirements could increase further.

Future growth in our wireless business will depend in part upon our ability to manage effectively our bandwidth and to implement timely and efficiently new bandwidth-efficient technologies if they become available. We cannot assure you that bandwidth constraints will not in the future adversely affect the growth of our wireless businesses.

WE WILL HAVE SUBSTANTIAL CAPITAL REQUIREMENTS FOR WHICH WE HAVE NOT ARRANGED FIRM FINANCING.

We estimate that we will spend approximately Won 2.0 trillion for capital expenditures in 2003 for a range of projects, including expansion and improvement of our wireless networks, investments in our Internet-related businesses and commencement of construction of our W-CDMA network and provision of W-CDMA services on a limited basis in Seoul by the end of 2003. We expect to plan our future capital expenditures after we have reviewed the progress of the

introduction and marketability of our W-CDMA service. For a more detailed discussion of our capital expenditure plans and a discussion of other factors which may affect our capital expenditures in the future, see "Operating and Financial Review and Prospects -- Liquidity and Capital Resources".

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We have not arranged firm financing for all of our capital expenditure plans. We have in the past obtained funds for our proposed capital investments from various sources, including our cash flow from operations as well as debt and equity financing transactions. If, for any reason, adequate capital is not available at the time it is needed, our business and prospects could be adversely affected. If the overall cost of our proposed capital investment projects increases above expected levels or if spending is required at a different rate than we now project, we may not be able to finance the projects in the manner currently intended, and we may be required to seek additional sources of funding for these projects. We cannot assure you that these additional funds will be available at a cost acceptable to us, or at all.

TERMINATION OR IMPAIRMENT OF OUR RELATIONSHIP WITH A SMALL NUMBER OF KEY SUPPLIERS COULD ADVERSELY AFFECT OUR RESULTS OF OPERATIONS.

We purchase wireless network equipment from a small number of suppliers. We purchase our principal wireless network equipment from Samsung Electronics Co., Ltd., LG Electronics Inc. and Hyundai Syscomm Inc. (formerly Hyundai Electronics Industries Co., Ltd.). To date, we have purchased substantially all of the equipment for our CDMA 1xRTT network from Samsung Electronics. Samsung Electronics also currently manufactures more than 50% 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 delays and additional costs in our roll-out or expansion of the CDMA 1xRTT network. Carriers globally have had difficulty in obtaining adequate quantities of various types of 3G equipment, including handsets, from suppliers. In addition, we rely on KT Corporation to provide a substantial majority of our leased lines. 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.

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 AND FINANCIAL CONDITION.

Our telecommunications businesses are subject to extensive regulation and supervision by the Government. Through the MIC, the Government agency primarily responsible for the regulation and oversight of the telecommunications industry in Korea, the Government directly or indirectly controls licensing, pricing, competition, marketing, required customer deposits, foreign investment, frequency allocation, technology choices, recommended levels of research and development spending, interconnection arrangements and other aspects of the Korean telecommunications industry. Government policies and regulations involving the telecommunications industry (including regulation of us as a "market dominant service provider") may change, which could have a material adverse effect on our results of operations and financial condition. See "Operating and Financial Review and Prospects -- Overview -- Revenue" and "Financial Information -- Legal Proceedings -- MIC Proceedings".

We operate our telecommunications businesses pursuant to various licenses granted by the MIC. The MIC may suspend or revoke our licenses or impose fines on us under certain circumstances, including for violation of telecommunications laws and regulations. In addition, the MIC may impose different or additional conditions for the continuation of our licenses.

The MIC 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 level of tariff reductions in response to these suggestions. After discussions with the MIC, effective January 1, 2003, we reduced our standard rate plan's monthly access fee by Won 1,000, increased our free air time from 7 minutes to 10 minutes per month and reduced our peak usage charges from Won 21 to Won 20 per minute.

The Government plays an active role in the selection of technology to be used by telecommunications operators in Korea. The MIC has adopted the W-CDMA and cdma2000 technologies as the only standards available in Korea for implementing 3G services. The MIC may impose similar restrictions on the choice of

technology used in future telecommunications services and we can give no assurance that the technologies promoted by the Government will provide the best commercial returns for us.

Our wireless telecommunication 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 MIC determines the basic framework for interconnection arrangements in Korea and 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 MIC's interconnection policies. With respect to the interconnection arrangement for calls from fixed-line networks to wireless networks, for the years 1999 through 2001, fixed-line operators' payments to wireless network service providers were calculated based on the actual imputed costs in 1998 of the leading wireless network service provider, which is us. For 2002 and 2003, these payments are calculated based on each wireless operator's actual imputed costs in 2000. This change reduced the interconnection revenue we received from each call made from a fixed-line network terminating on our network, adversely affecting our interconnection revenue compared to previous years. The MIC also implemented interconnection charges for calls between wireless network service providers beginning in January 2000, affecting both our revenue and our expenses. These charges were also reduced beginning in January 2002 and in January 2003. The MIC is expected to introduce a new method of calculating interconnection payments, based on the originator's long-run incremental cost, in 2004. We believe that our interconnection revenue may be reduced even further under the new framework. For more information about our interconnection revenue and expenses, see "Information on the Company -- 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 will allow wireless subscribers to switch wireless service operators while retaining the same mobile phone number. According to the plan published by the MIC, the number portability will be adopted for SK Telecom first, starting from January 1, 2004. KT Freetel and LG Telecom will be required to introduce number portability starting from June 1, 2004 and January 1, 2005, respectively.

In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the new services, the MIC plans 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 will be given the '010' prefix starting in January 2004, while existing users can maintain their mobile service identification number unless and until they switch to a different wireless service provider. We believe that the use of the common prefix identification system may pose a greater risk to us compared to the other wireless telecommunications providers because '011' has a very high brand recognition in Korea as the premium wireless telecommunications service. The MIC's adoption of number portability system could also result in a deterioration of our market share as a result of weakened customer loyalty, 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. See "Information on the Company -- Business Overview -- Law and Regulation -- Number Portability".

In December 2002, the MIC implemented a network co-share system that permits the wireless application protocol gateway, or WAP gateway, of a fixed-line operator to connect to a wireless network service provider's IWF (inter-working function) device. IWF is a device that connects cellular network with an IP (Internet Protocol) network while WAP Gateway converts hypertext transfer protocol, or HTTP protocol, into WAP protocol. This co-share system would allow subscribers of a wireless network service provider to have access to wireless Internet content provided by a fixed-line operator. As of May 2003, only KT Corporation has connected to our IWF and commenced service, although it has yet to begin actively promoting its services to our subscribers. In addition, the MIC has requested that we provide customer billing service to third-party content providers who are seeking to provide their content directly to our subscribers without going through our NATE portal. Third-party content providers have not been able to provide their content service directly to our subscribers due to the lack of resources for billing users. We

believe that such a co-share system, if widely adopted, will have the effect of giving our users access to a wide variety of content using their handsets which may in turn increase revenues attributable to our data services. However, this system could also place significant competitive pressure on the revenues and profits attributable to our NATE platform.

WE ARE SUBJECT TO ADDITIONAL REGULATION AS A RESULT OF OUR MARKET POSITION, WHICH COULD HARM OUR ABILITY TO COMPETE EFFECTIVELY.

The MIC's policy is to promote competition in the Korean telecommunications markets through measures designed to prevent the dominant service provider in a telecommunications market from exercising its market power to prevent the emergence and development of viable competitors. SK Telecom is currently designated by the MIC as a "market dominant service provider" in respect of our wireless telecommunications business. As such, we are subject to more stringent regulation than our competitors. For example, under current government regulations, we must obtain prior approval from the MIC to change our existing rates or introduce new rates although our competitors may generally change their rates or introduce new rates at their discretion. See "Information on the Company -- Business Overview -- Law and Regulation -- Rate Regulation". As of April 30, 2003, our standard peak usage charge rate is approximately 11% higher than those charged by our competitors. We could also be required by the MIC to charge higher usage rates than our competitors for future services. In addition, we must introduce number portability earlier than our competitors, KT Freetel and LG Telecom. The MIC also awarded the W-CDMA license to provide 3G services based on a technology different from ours to LG Telecom for a fee lower than the fee we are required to pay for our W-CDMA license and on terms generally more favorable than the terms of our license. As a result, our wireless businesses may operate at a competitive disadvantage to that of LG Telecom. The additional

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

The MIC approved our merger of SK IMT into SK Telecom on April 30, 2003, subject to certain conditions imposed by the MIC to ensure fair competition and customer protection. These conditions include, among others, commencing provision of W-CDMA IMT-2000 services using 2 X 20 MHz of spectrum in the 2GHz band by the end of 2003, obtaining approval from the MIC on the initial tariff plan for the W-CDMA services and submission of an implementation plan to open our wireless Internet network to other telecommunication operators and an implementation plan for number portability. Although we believe that our efforts to meet these conditions will not restrict our future business activities, we may not be able to meet some of the conditions imposed by the MIC due to factors outside of our control.

In addition, we qualify as a "market-dominating business entity" under the Korean Monopoly Regulation and Fair Trade Act, or the Fair Trade Act. The Fair Trade Commission of Korea, or the FTC, approved our acquisition of Shinsegi on the condition that SK Telecom's and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50.0% 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. As of June 30, 2001, our market share was approximately 49.7%, so we are no longer subject to this restriction. The FTC, also as a condition to the Shinsegi acquisition, imposed a maximum limit of 1,200,000 on the number of digital handsets we may purchase annually from our subsidiary, SK Teletech Co., Ltd., until December 31, 2005. This restriction does not apply to W-CDMA handsets.

FINANCIAL DIFFICULTIES AND CHARGES OF FINANCIAL STATEMENT IRREGULARITIES AT OUR AFFILIATE, SK GLOBAL, MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS AND FINANCIAL CONDITION.

In March 2003, the Seoul Public Prosecutor's Office charged SK Global and certain of its directors and executives, including Mr. Chey and Mr. Son, with fraudulently overstating SK Global's results of operations and alleged that SK Global overstated its revenues and understated its expenses for its 2001 fiscal year, in violation of the securities laws as they relate to the external audit of companies. SK Global has restated its earnings for its fiscal year 2002. SK Global is reported to be insolvent and to be in restructuring negotiations with various domestic and international creditors. Recent press reports have also indicated that SK Global's

creditors may petition or take action to force SK Global into an involuntary corporate reorganization procedure in the near future.

SK Global is the exclusive distributor of all of the handsets sold by our subsidiary, SK Teletech, to our nationwide network of dealers. SK Global also serves as a distributor of handsets manufactured by third parties to our nationwide network of dealers. Samsung Electronics Co. Ltd., LG Electronics Inc, Motorola Korea, Inc. and Pantech & Curitel suspended their supply of handsets to SK Global from beginning of April for two to three weeks because of the credit risk of SK Global. In May 2003, all suppliers resumed their supply of handsets on the condition that payment on their mobile phones be made in cash within one week of delivery. Although we believe that we will be able to find another distributor to replace SK Global, in the event SK Global is no longer able to distribute handsets, we may encounter difficulties in efficiently distributing the handsets to our subscribers and other customers in the short term. See

"Major Shareholders and Related Party Transactions -- Certain Relationships and Related Party Transactions -- SK Global".

In addition, in the first quarter of 2003, we leased approximately 30% of our fixed network lines, which connect our various cell sites and switching stations, from SK Global. If there is a material disruption of SK Global's ability to maintain and operate this business due to its financial difficulties, we may need to seek alternative sources and this may result in a disruption of our services in the short term.

CONCERNS THAT RADIO FREQUENCY EMISSIONS MAY BE LINKED TO VARIOUS HEALTH CONCERNS COULD ADVERSELY AFFECT THE MARKET PRICES OF OUR ADSS AND COMMON STOCK 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. We cannot assure you that these health concerns will not adversely affect the market prices of our ADSs and common stock. 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 us by reducing our number of subscribers or our usage per subscriber.

OUR BUSINESSES MAY BE ADVERSELY AFFECTED BY DEVELOPMENTS AFFECTING THE KOREAN ECONOMY.

We generate substantially all of our revenue from operations in Korea. Our future performance will depend in large part on Korea's future economic growth. Adverse developments in Korea's economy or in political or social conditions in Korea may have an adverse effect on our number of subscribers, call volumes and results of operations. In addition, a deterioration of economic, political or social conditions in Korea could have an adverse effect on the prices of our common stock and the ADSs.

In 1997 and 1998, Korea experienced a significant increase in the number and size of companies filing for corporate reorganization and protection from their creditors. As a result of these corporate failures, high levels of short-term foreign currency borrowings from foreign financial institutions and the consideration of non-market oriented factors in making lending decisions, Korea's financial institutions experienced a sharp increase in non-performing loans and a deterioration in their capital adequacy ratios. These developments led to a substantial increase in the number of unemployed workers, reducing the purchasing power of consumers in Korea. These developments also led international credit rating agencies to downgrade the credit ratings of

Korea and various companies and financial institutions in Korea to below investment grade, although Standard & Poor's, or S&P, and Moody's raised the credit rating of Korea back to investment grade levels in early 1999. The current long-term foreign currency rating of Korea by S&P is A- and the current foreign currency rating on bond obligations of Korea by Moody's is A3. Prompted by heightened security concerns stemming from nuclear weapons program of Democratic People's Republic of Korea, or North Korea, Moody's changed the outlook on the long-term ratings of Korea from positive to negative in February

2003.

Although the Korean economy began to experience a recovery in 1999, the pace of the recovery has since slowed and has been volatile. The economic indicators in 2001 and 2002 have shown mixed signs of recovery and uncertainty, and future recovery or growth of the economy is subject to many factors beyond our control. Events such as the terrorist attacks in the United States that took place on September 11, 2001, the war in Iraq and the outbreak of severe acute respiratory syndrome (SARS) in Asia and other parts of the world have increased the uncertainty of world economic prospects in general and continue to have an adverse effect on the world economy, and may thus adversely affect the Korean economy. Any future deterioration of the Korean economy could adversely affect our financial condition and results of operations. Many factors could adversely affect Korea's prospects for future economic growth, including the following:

- adverse developments in the economies of countries to which Korea exports, including the United States, Japan, China and Russia or elsewhere, that would result in a loss of confidence in the Korean economy;

- the financial problems of Korean business groups, or their suppliers, and their potential impact on Korea's financial sector;

- failure of restructuring of other Korean companies;

- a slowdown in consumer spending and the overall economy;

- social and labor unrest;

- a decrease in tax revenues and a substantial increase in the Government's expenditures for unemployment compensation and other social programs that, together, may lead to an increased government budget deficit;

- adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates, interest rates and the stock markets;

- increased reliance on exports to service foreign currency debts, which could cause friction with Korea's trading partners;

- political uncertainty or increased strife among and within political parties in Korea;

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

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

- hostilities involving oil producing countries in the Middle East and any material disruption in the supply of oil or increase in the price of oil resulting from those hostilities; and

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

Any developments that could adversely affect Korea's economic recovery will likely also decrease demand for our services and adversely affect our results of operations.

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 ON THE PRICES OF OUR COMMON STOCK AND THE 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, which accounted for approximately 7.3% of our total long-term debt, including current portion, as of December 31, 2002; and

- an increase in Won terms in 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 Korea Stock Exchange. These fluctuations also will affect the amounts a registered holder or beneficial owner of ADSs will receive from the 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 shares; and

- the secondary market price of the ADSs.

INCREASED TENSIONS WITH NORTH KOREA COULD HAVE AN ADVERSE EFFECT ON US AND THE PRICES OF OUR COMMON STOCK AND THE ADSS.

Relations between Korea and North Korea have been tense throughout most of Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase or change abruptly as a result of current developments, including renewed contacts at the highest levels of the governments of Korea, North Korea, increased hostility between North Korea and the United States, and future events that cannot be foreseen at this time. In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant, evicted inspectors from the United Nations International Atomic Energy Agency and has reportedly resumed processing weapons grade plutonium at the Yongbyon power plant. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty and demanded that the United States sign a non-aggression pact before North Korea dismantles its nuclear power and arms program. North Korea has also test-fired at least two missiles, engaged an unarmed U.S. military aircraft and is most recently reported to have developed nuclear weapons. As a result of these events, the level of tension between the two Koreas, as well as between North Korea and other countries including the United States, has increased. While discussions between North Korea and other countries, including Korea, the United States and China, to resolve these issues peacefully have taken place, any further increase in the tension or occurrence of military hostilities could have a material adverse effect on our results of operations and the price of our common stock and the ADSs.

A CHANGE IN THE FOREIGN OWNERSHIP LIMITATIONS ON SK TELECOM'S COMMON STOCK MAY HAVE AN ADVERSE EFFECT ON THE PRICE OF THE ADSS.

The Telecommunications Business Law limits maximum aggregate foreign shareholding in SK Telecom to 49.0% of its voting shares. The outstanding ADSs

have at times in the past traded at prices higher than that of the underlying shares traded in Korea, at least in part due to the limitation on aggregate foreign ownership of the shares. The limitation may be raised further or lifted in the future. As of May 13, 2003, foreign shareholders own 34,307,066 shares of our common stock or approximately 40.5% of our issued common stock. The increase or elimination of the 49.0% limit could have an adverse effect on the price of the ADSs, and we can give no assurance that ADSs will trade at a premium to the underlying shares.

IF SK CORPORATION BREACHES THE FOREIGN OWNERSHIP LIMITATIONS ON SK TELECOM, IT MAY RESULT IN A CHANGE OF CONTROL OF US.

As of May 13, 2003, SK Corporation owns 17,663,127 shares of our common stock, or approximately 20.8%, of our issued shares. As of April 30, 2003, a foreign investment fund held a 14.99% stake in SK Corporation, as the largest shareholder. According to the MIC, upon such foreign investment fund's acquisition of an additional 0.01% or more stake in SK Corporation, SK Corporation would be considered a foreign shareholder and its shareholding in SK Telecom would be included in the calculation of the aggregate foreign shareholding of SK Telecom. If SK Corporation's shareholding in SK Telecom is included in the calculation of the aggregate foreign shareholding of SK Telecom, then the aggregate foreign shareholding in SK Telecom, assuming foreign ownership level as of May 13, 2003, would reach 61%, exceeding the 49% ceiling. If the aggregate foreign shareholding in SK Telecom is exceeded, the MIC may issue a corrective order to SK Telecom and the breaching shareholder, SK Corporation. Furthermore, SK Corporation may not exercise its voting rights with respect to the shares held in breach of the 49% ceiling, which may result in a change in control of us. In addition, the MIC may refuse to grant us licenses or permits necessary for entering into new telecommunications businesses until the aggregate foreign shareholding of SK Telecom is reduced to below 49%. See "Information on the Company -- Business Overview -- Law and Regulation -- Foreign Ownership and Investment Restrictions and Requirements".

SALES OF SK TELECOM SHARES BY COMPANIES IN THE SK GROUP, POSCO AND/OR OTHER LARGE SHAREHOLDERS MAY ADVERSELY AFFECT THE PRICES OF SK TELECOM'S COMMON STOCK AND THE ADSS.

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

As of May 13, 2003, POSCO owned 6.8% of our issued common stock. POSCO has not agreed to any restrictions on its ability to dispose of our shares. See "Major Shareholders and Related Party Transactions -- Major Shareholders". Companies in the SK Group, which collectively owned 24.1% of our issued common stock as of May 13, 2003, may sell their shares of our common stock in order to comply with the Fair Trade Act's limits on the total investments that companies in a large business group, such as the SK Group, may hold in other domestic companies. See "Information on the Company -- Business Overview -- Law and Regulation -- Competition Regulation". Recently, as a result of significant financial difficulties and prosecutors' discovery of alleged fraudulent accounting practices at SK Global, it has been reported in the press that SK Global may sell its 3% stake in SK Telecom to raise capital.

We can make no prediction as to the timing or amount of any such sales. 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 ADSS TO WITHDRAW THE UNDERLYING SHARES, HE 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 current Korean laws and regulations, the depositary bank is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit which exceeds the difference between (1) the aggregate number of shares deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs) and (2) the number of shares on deposit with the depositary bank at the time of such proposed deposit. It is possible that we may not give the consent. Consequently, an investor who has surrendered his ADSs and withdrawn the underlying shares may not be allowed to deposit the shares again to obtain ADSs. See "Additional Information -- Korean Foreign Exchange Controls and Securities Regulations".

AN INVESTOR IN OUR ADSS MAY NOT BE ABLE TO EXERCISE PREEMPTIVE RIGHTS FOR ADDITIONAL SHARES AND MAY SUFFER DILUTION OF HIS 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 any rights to subscribe for additional shares of our common stock or any rights of any other 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 U.S. 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 U.S. 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 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 Corporation, 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 through 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.

SUBSEQUENT HOLDERS OF ADSS MAY NEED TO PAY KOREAN SECURITIES TRANSACTION TAX UPON WITHDRAWAL OF COMMON SHARES.

Under Korean tax law, a securities transaction tax (including an agricultural and fisheries special surtax) is imposed on transfers of shares listed on the Korea Stock Exchange, including the common shares of the Company, at the rate of 0.3% of the sales price if traded on the Korea Stock Exchange. According to a tax ruling issued by the Korean tax authorities, foreign shareholders are not subject to a securities transaction tax upon the deposit of underlying shares and receipt of depositary shares or upon the surrender of depositary shares and withdrawal of originally deposited underlying shares. However, questions have been raised as to whether this ruling also applied to the surrender of depositary shares and withdrawal of underlying shares by holders other than the initial holders of depositary shares. It is not clear as to whether, on whom, when and in what amount the securities transaction tax will be imposed in the case of withdrawals of underlying shares by holders of depositary shares other than initial holders. Accordingly, there can be no assurance that holders of ADSs other than initial holders will not be subject to the securities transaction tax when they withdraw our shares upon surrendering the ADSs.

Securities transaction tax, if applicable, generally must be paid by the transferor of the shares of the rights to subscribe to such shares. When the transfer is effected through a securities settlement company, such

settlement company is generally required to withhold and pay the tax to the tax authority. When such transfer is made through a securities company, such securities company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a securities company, the transferee is required to withhold the securities transaction tax. See "Taxation -- Korean Taxation".

OUR OUTSTANDING NOTES MAY HAVE LIMITED LIQUIDITY.

As of April 30, 2003, we have outstanding $200 million of $230 million in aggregate principal amount of Notes due 2004, which bear an interest rate of 7 3/4%. The notes are securities with no established trading market. No assurance can be given as to the liquidity of, or the trading markets for, these notes.

ITEM 4. INFORMATION ON THE COMPANY

HISTORY AND DEVELOPMENT
OF THE COMPANY

INTRODUCTION

We are Korea's leading wireless telecommunications services provider and a pioneer in the commercial development and provision of high-speed wireless data and Internet services. We serve approximately 17.7 million subscribers throughout Korea as of April 30, 2003, including 15.8 million subscribers who own data-capable handsets. As of April 30, 2003, our share of the Korean wireless market was approximately 53.7%, based on the number of subscribers.

We provide our services principally through networks using CDMA technology. In October 2000, we became the world's first wireless operator to commercially launch CDMA 1xRTT, a CDMA-based advanced radio transmission technology for high-speed wireless data and wireless Internet services. CDMA 1xRTT allows transmission of data at speeds of up to 144 Kbps, compared to the 64 Kbps currently possible over our CDMA networks. In addition to higher data transfer speeds, CDMA 1xRTT technology uses packet-based data transmission, which permits more efficient use of wireless spectrum and packet-based pricing of data services. As of April 30, 2003, we had approximately 11.6 million subscribers with handsets capable of accessing our CDMA 1xRTT network.

In the first half of 2002, we launched an upgrade of our CDMA 1xRTT network in 26 cities in Korea to an advanced technology called CDMA 1xEV/DO. CDMA 1xEV/DO is a more advanced CDMA-based technology which enables data to be transmitted at speeds of up to 2.4 Mbps. CDMA 1xEV/DO technology allows us to provide advanced wireless data services such as streaming color video and streaming audio services. CDMA 1xEV/DO-capable handsets became available in Korea in June 2002. We completed our CDMA 1xEV/DO upgrade in 81 cities in Korea at the end of 2002.

In December 2001, we acquired a license to develop, construct and operate a wide-band code division multiple access, or W-CDMA, digital cellular network using 2 X 20 MHz of radio frequency spectrum (i.e., 20 MHz for transmissions from handsets to cell sites and 20 MHz for transmissions from cell sites to handsets) in the 2 GHz band. In May 2003, we merged SK IMT, a subsidiary established for the principal purpose of operating and developing our W-CDMA services, into SK Telecom because we felt that we could better manage the technology, marketing and operations of the W-CDMA business as one entity. We expect to commence construction of the W-CDMA network and provision of W-CDMA service in Seoul by the end of 2003.

In January 2002, we acquired the remaining 29.6% interest in Shinsegi, the second wireless operator to introduce wireless voice services in Korea, which we did not yet own, and merged Shinsegi into SK Telecom. As a result of this merger, we now have a combined 2 X 25 MHz of spectrum in the 800 MHz range.

On May 30, 2003, we had a market capitalization of approximately Won 16.1 trillion or approximately 6.4% of the total market capitalization on the Korea Stock Exchange, making us the second largest company listed on the Korea Stock Exchange 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., under the laws of Korea. We changed our name to SK Telecom Co., Ltd., effective March 21, 1997.

Our registered office is at 99 Seorin-dong, Jongro-gu, Seoul 110-728, Korea and our telephone number is 82-2-2121-4599.

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OUR BUSINESS STRATEGY

We believe that trends in the Korean telecommunications industry during the next decade will mirror those in the global market and that the industry will be characterized by rapid technological change, reduced regulatory barriers and increasing competition. Our business strategy is to enhance shareholder value by maintaining and solidifying our leading position in the growing Korean market for wireless services, including voice, data and Internet services. As the Korean market continues to mature, we will continue to focus on these core businesses in order to expand and enhance the range and quality of our wireless telecommunications services. Our principal strategies are to:

- Enhance the technical capabilities of our wireless networks to improve data transmission rates and service quality and to enable us to offer an increased range of services. We are expanding the geographic coverage and subscriber capacity of our existing CDMA 1xRTT network and are progressively upgrading this network to employ CDMA 1xEV/DO technology, capable of data transmission at speeds of up to 2.4 Mbps.

- Offer a broad range of new and innovative wireless data and Internet services. Through our integrated wireless and on-line portal, NATE, we plan to continue expanding the range of our wireless data and Internet services with a view to increasing revenue from these services. Our strategy includes the introduction of sophisticated multimedia services (such as June, a premium wireless data service that provides streaming multimedia video content through our CDMA 1xEV/DO technology), mobile commerce services (such as Moneta, a wireless credit and payment system which allows subscribers to provide merchants with credit card information and payment authorization using chips embedded in their wireless handsets) and mobile finance services (such as NeMo, a mobile payment solution which allows subscribers to transfer money from their accounts to the accounts of other NeMo subscribers by typing in the recipient's wireless handset number) that can be accessed using handsets and other devices such as personal computers, personal digital assistants and vehicle mounted terminals.

- Retain the loyalty of, and capitalize on, our large, high-quality wireless subscriber base. With approximately 17.7 million subscribers as of April 30, 2003, we have the largest wireless subscriber base in Korea. We focus on maintaining and expanding our high-quality subscriber base through the provision of enhanced wireless services, particularly advanced wireless data and Internet based applications, at higher speeds than previously available. As part of this strategy, we encourage our CDMA subscribers to migrate to our CDMA 1xRTT network.

- Position ourselves to be a leader in implementing new and improved wireless technologies. We pursue a research and development program designed to allow us to implement new wireless technologies as market opportunities arise. We operate a network research and development center which is focused on wireless network design, digital cellular technologies and wireless telecommunications applications. This center includes a research team that is helping to develop fourth generation wireless technology, which is expected to enable wireless data transmission at speeds of up to 155 Mbps, 70 times faster than 3G technology. We have acquired a license to develop and operate a W-CDMA network using 2 X 20 MHz of spectrum in the 2 GHz band.

MERGER WITH SHINSEGI

In a series of transactions between December 1999 and April 2000, we acquired a 51.2% interest in the common stock of Shinsegi. In subsequent transactions between March and September 2001, we increased our interest to 70.4%. On January 13, 2002, Shinsegi merged into SK Telecom.

The attractiveness of our merger with Shinsegi derived in large measure from the synergies, growth opportunities and cost savings we hope to achieve by integrating Shinsegi's former operations and customer base with those of SK Telecom and our plans to use the spectrum formerly owned and operated by Shinsegi in SK Telecom's networks.

In 2001, we began integrating Shinsegi's operations with those of SK Telecom. In 2002, we completed the following steps to realize additional benefits from our merger with Shinsegi:

- Decommissioned Shinsegi's former network and transfer Shinsegi's former subscribers to SK Telecom's networks. We have allowed transferred subscribers to continue receiving services under their existing rate plans. However, after the merger, no new subscribers have been accepted under Shinsegi's plans and further marketing efforts have been limited to the SK Telecom brands. Shinsegi's subscribers did not have to purchase new handsets, were allowed to use the same telephone numbers assigned to them and had access to the same services as before the merger.

- Re-allocated the spectrum formerly used by Shinsegi's network to SK Telecom's CDMA and CDMA 1xRTT networks.

- A portion of Shinsegi's former network equipment was re-deployed in SK Telecom's CDMA network or sold for use outside Korea. The remainder of Shinsegi's former network equipment was discarded and written off and an impairment loss of Won 185.8 billion was recorded in 2002.

We also identified and implemented other cost saving measures, such as the elimination of redundant distribution centers.

BUSINESS OVERVIEW

CELLULAR SERVICES

SK Telecom was the sole provider of cellular services in Korea from 1988, when we began network operations, to April 1996, when Shinsegi began operating a digital cellular system in several regions of Korea. In October 1997, three additional companies commenced providing wireless telecommunications services. As a result of consolidation in the wireless telecommunications industry in Korea since 2000, there are currently three providers of wireless telecommunications services in Korea, SK Telecom, KT Freetel, whose largest shareholder is KT Corporation, and LG Telecom.

We introduced our digital cellular service using CDMA technology in the Seoul metropolitan area in January 1996 and substantially completed the geographic build out of the network in 1998. On December 31, 1999, we terminated our analog service. Our digital network provides service to an area covering approximately 99.0% of the Korean population. We continue to increase the capacity of our wireless networks to keep pace with the growth of our subscriber base and the resulting increase in usage of voice and wireless data services by our subscribers.

To complement the services we provide to our subscribers in Korea, we have entered into roaming service agreements with various foreign wireless telecommunications service providers, including Verizon Wireless in the United

States, KDDI Corporation in Japan, China United Telecommunications Corporation and China Mobile Communications Corporation in certain areas in China, Telstra Corporation Limited in Australia, Hutchison-Whampoa in Hong Kong, Telecom New Zealand in New Zealand, Telus Mobility in Canada, Guamcell in Guam and CAT in Thailand.

In order to enhance our ability to provide wireless data services to our customers, we constructed and are expanding a new wireless network based on CDMA 1xRTT technology. CDMA 1xRTT is an improved code division multiple access add-on technology which allows wireless data transmission at speeds of up to 144 Kbps compared to 64 Kbps for CDMA technology. Subscribers to our new CDMA 1xRTT based services, in addition to having access to our wireless data services at higher speeds, also have access to other enhanced wireless data applications, such as the ability to download music videos from the Internet to their handsets. To enjoy these services, subscribers must purchase CDMA 1xRTT-capable handsets. As of April 30, 2003, approximately 11.6 million of our subscribers owned handsets capable of accessing our CDMA 1xRTT network. Over time, we intend to continue migrating our existing CDMA subscribers to this new network.

In the first half of 2002, we launched an upgrade of our CDMA 1xRTT network in 26 cities in Korea to an advanced technology called CDMA 1xEV/DO. CDMA 1xEV/DO is a CDMA-based technology, which enables data to be transmitted at speeds up to 2.4 Mbps, which is 16 times faster than CDMA 1xRTT's maximum transmission speed. CDMA 1xEV/DO-capable handsets became available in Korea in June 2002. CDMA 1xEV/DO technology allows us to provide advanced wireless data services such as streaming color video and streaming audio services. We completed the expansion of our CDMA 1xEV/DO network in 81 cities in Korea at the end of 2002. The CDMA 1xEV/DO technology allows us to provide wireless data services which require faster transmission speeds to our subscribers, as well as allow us to use our spectrum more efficiently.

WIRELESS INTERNET SERVICES

We are a world leader in developing and commercializing wireless Internet services. We were the first in the world to commercialize CDMA 1xRTT and CDMA IxEV/DO technologies and are a pioneer in developing and commercializing various wireless commerce services. In terms of revenue, we are the leading wireless Internet service provider in Korea.

ON-LINE SERVICES AND INTERNET ACCESS

We offer a wide variety of Internet content and services as well as provide our wireless subscribers access to the Internet.

Under our brand name "NATE", we offer our wireless subscribers access to the Internet, where subscribers can access a wide variety of content including current news and stock quotes and other information, as well as have access to a wide variety of services including securities trading as well as online banking services. Subscribers can purchase goods and services through their wireless devices as well as send and receive email and have access to various third party Internet websites configured to work with wireless technology. Subscribers access NATE using wireless application protocol, or WAP, technology. WAP is a technology that allows wireless data transmission and has been adopted by over 200 major telecommunications operators worldwide. As of April 30, 2003, approximately 14.7 million, or 83.2%, of our subscribers owned WAP-enabled handsets including approximately 11.6 million, or 65.5%, of which are capable of accessing our CDMA 1xRTT network.

Under our "NATE.com" brand name, we offer a portal service at our website,

www.NATE.com. NATE.com includes information and content formerly offered under our Netsgo brand as well as those content and services formerly available on Lycos Korea, which our subsidiary, SK Communications Co., Ltd., acquired in 2002. Nate.com offers a wide variety of content and services, including an Internet search engine as well as access to free email accounts. In the month of April 2003, approximately 15 million users have visited this website at least once.

We offer an instant messaging service to our Nate.com and NATE users. This service, which we call "NATE-ON" allows users to chat online through a variety of devices, including personal computers, wireless handsets and personal digital assistants. We continue to seek to introduce new wireless data services and innovations with a view to increasing revenue from these businesses.

We are also seeking to market our NATE wireless Internet platform to other CDMA operators worldwide. In April 2002, we entered into an agreement with Pelephone Communications Ltd., an Israeli CDMA operator, to supply our NATE wireless Internet platform to Pelephone on a turnkey basis. In May 2002, we entered into a memorandum of understanding with Openwave of the United States, a wireless Internet-based communication software and application provider that currently has more than a 50% share in the wireless Internet gateway and mobile browser markets, to form a strategic alliance in order to carry out co-marketing of our NATE wireless Internet platform solutions in overseas markets. In November 2002, we entered into an agreement with Asia Pacific Broadband Wireless Communications (APBW), one of five companies licensed to offer 3G mobile services in Taiwan, to offer wireless Internet solution on a turn-key basis. Under the agreement, APBW will license software and applications used to offer mobile Internet access and multimedia services.

FINANCIAL ENABLER

In November 2001, we introduced NeMo, a mobile payment solution which allows NeMo subscribers to deposit money from their individual bank accounts into SK Telecom's bank account and transfer money from SK Telecom's bank account to the individual bank accounts of other NeMo subscribers by typing in the recipient's wireless handset number. As of April 2002, the number of NeMo service subscribers exceeded 3.0 million.

In April 2002, we introduced Moneta, a wireless credit and payment system, which allows holders of mobile credit cards to provide merchants with credit card information and payment authorization using chips embedded in their wireless handsets instead of a traditional plastic credit card with a magnetic stripe. The wireless handset contains an infrared transmitter which transmits transaction information to the merchant's reader system. Users do not need to manually enter their credit card number when they make payments using this system. The system is based on an international technological standard developed by Europay, Mastercard and Visa. We receive a fee from the card issuer for each card issued and a transaction fee, based on the transaction value, for each transaction effected using the mobile commerce card. In May 2002, we entered

into a technological cooperation agreement with Visa pursuant to which Visa has agreed to adopt our wireless credit and payment system as the international standard for Visa's worldwide operations. We have entered into a business alliance agreement with Korea Exchange Bank Credit Service Co., Ltd. and plan to enter into a few more alliances with credit card companies by the end of 2003. In addition, we have established payment system with major department stores and discount stores (such as E-Mart) and affiliated merchant stores (such as Starbucks and TGI). We currently plan to expand the commercial use of Moneta payment system to 80% of affiliated merchant stores by the end of 2003.

In October 2002, we acquired Paxnet, an on-line financial portal offering services related to securities trading. We expect to expand our services provided through Paxnet to include a vast array of financial services relating to insurance, real estate, personal asset management and investment trust funds. We are also developing other uses for mobile credit card technology to provide other services, such as payment for transportation and to serve as a secure means of identification.

MULTIMEDIA

In November 2002, we introduced June, a wireless data service that provides multimedia content through streaming method using our CDMA 1xEV/DO technology. Content provided through the June service includes Video on Demand (VOD), Music on Demand (MOD), TV broadcastings and multimedia messaging.

We may also invest in a satellite-based digital multimedia broadcasting (DMB) business, a service which allows broadcasting of multimedia content through transmission by satellite to various wireless channels, including to satellite DMB handsets. See "Key Information -- Risk Factors -- We may make significant investments in new businesses and regions, including businesses and regions in which we have limited experience."

OTHER PRODUCTS AND SERVICES

HANDSET MANUFACTURING

Through our 61.7%-owned subsidiary, SK Teletech, we design, market and sell digital handsets under the brand name "Sky". The handsets are principally manufactured by third parties under contracts with SK Teletech. We established SK Teletech together with Kyocera Corporation of Japan, which, as of April 30, 2003, held a significant minority interest in SK Teletech. Currently, all of SK Teletech's domestic sales of digital handsets are to our affiliate, SK Global, which distributes them principally to our network of dealers for sale to our subscribers and other consumers. Due to an FTC-imposed condition to our acquisition of Shinsegi, until the end of 2005, SK Teletech may not sell more than 1,200,000 handsets (excluding W-CDMA handsets) per year to SK Telecom and its affiliates.

INTERNATIONAL CALLING SERVICES

Through our 90.8% owned subsidiary, SK Telink, 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 handled approximately 402 million total call minutes in 2002, which generated Won 101.6 billion in revenues. For the four months ended April 30, 2003, SK Telink handled approximately 136 million total call minutes, which generated Won 32.2 billion in revenue. In 2000, we established SK Telink America, Inc., to extend our international telecommunications service to the United States. We plan to close down our business operations of SK Telink America, Inc. by the end of 2003 because the business proved to be unprofitable.

TELEMATICS

In February 2002, we introduced a Telematics service called NATE Drive. NATE Drive is an interactive communication service designed to guide vehicle drivers using the satellite-based global positioning system (GPS) and a wireless network to provide drivers with real-time location and traffic information. In April 2002,

we entered into an agreement with Renault Samsung Motors and Samsung Electronics to jointly develop a Telematics business with a goal of jointly launching a commercial product in August 2003. Under the agreement, we will provide the cellular phone network and NATE Drive service, Samsung Electronics will develop Telematics terminals for vehicles and Renault Samsung Motors will promote and install Telematics-enabled terminals in the vehicles it sells.

PLANNED W-CDMA NETWORK

In December 2000, the MIC awarded a consortium we lead the right to acquire a license to operate a W-CDMA network using 2 X 20 MHz of spectrum in the 2 GHz band. W-CDMA is a high-speed wireless communication technology that we believe will allow us to offer even more sophisticated data transmission services at faster speeds than our current CDMA 1xRTT network. In March 2001, we incorporated SK IMT to hold the license and develop our W-CDMA business and we, together with Shinsegi, invested Won 985.2 billion for a 61.6% interest in SK IMT. In December 2001, we disposed of 144,000 shares of SK IMT worth Won 3.9 billion. After giving effect to the transaction, we own a 61.3% equity interest in SK IMT. On May 1, 2003, SK IMT merged into SK Telecom.

The W-CDMA license was awarded by the MIC to SK IMT on December 4, 2001. The total license cost to SK IMT was Won 1.3 trillion. SK IMT paid Won 650 billion of this amount in March 2001, and we are required to pay the remainder of the license cost in annual installments from 2007 through 2011. For more information, see note 2(i) of our notes to consolidated financial statements. According to the terms of the license, we may commence provision of services after the network has been constructed in accordance with the business plan submitted with our application for the license and certain other conditions have been satisfied, and we are required to commence provision of W-CDMA services by the end of 2003.

On April 30, 2003, the MIC approved the proposed merger of SK IMT into SK Telecom, subject to certain conditions imposed by the MIC to ensure fair competition and to protect customer interests. In addition, if such merger is determined by the MIC to seriously impair fair market competition or harm subscribers due to factors such as increased market share or discrimination between cellular subscribers and W-CDMA service subscribers, the MIC may implement additional measures to remedy such situation.

We are planning to commence provision of IMT-2000 services based on our W-CDMA network on a limited basis in Seoul by the end of 2003. On May 23, 2003, we initially selected Samsung Electronics to supply W-CDMA network equipment which will be used to provide our W-CDMA services in Seoul by the end of 2003 and LG Electronics to supply W-CDMA network equipment which will be used to provide our W-CDMA services in area to be decided by us at a later date. In addition, we are currently negotiating with Nortel, our pre-selected potential supplier, in order to ensure the adequate and timely supply of W-CDMA network equipment to us. However, the actual scope and timing of the roll-out of our W-CDMA network will depend on several factors, including the availability of network equipment, progress of dual band/dual mode handset developments, adoption of CDMA 1xEV/DO service, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. See "Key Information -- Risk Factors -- W-CDMA technology will require significant capital and other expenditures for implementation which we may not recoup, may be difficult to integrate with our other businesses and may not be competitive with other technologies."

REVENUES, RATES AND FACILITY DEPOSITS

Our wireless revenues are generated principally from initial connection fees, monthly access fees, usage charges for outgoing calls and wireless data, interconnection fees and access fees for value-added services. The

following table sets forth information regarding our cellular revenues (net of taxes) and facility deposits for the periods indicated:

	AS OF AND FOR THE YEAR ENDED DECEMBER 31,		
	2000(1)(2)	2001(1)(2)	2002
	(IN BILLIONS OF WON)		
Initial Connection Fees	W 231.1	W 146.7	W 230.4
Monthly Access Fees	2,505.2	2,733.8	3,055.4
Usage Charges	2,592.1	3,071.2	3,415.6
Interconnection Revenue	1,312.4	1,339.9	1,043.2
Revenue from Sales of Digital Handsets(3)	494.0	702.4	534.0
Other Revenue(4)	110.3	209.0	878.2
Total	W7,245.1	W8,203.0	W9,156.8
Additional Facility Deposits	W 105.5	W 74.0	W 11.0
Refunded Facility Deposits	125.8	79.2	20.6
Facility Deposits at Period End	61.1	56.5	46.9

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(1) Information as of and for the year ended December 31, 2000 and 2001 includes information as of and for the year ended December 31, 2000 and 2001, respectively, for Shinsegi.

(2) The following table sets forth information regarding Shinsegi's cellular revenues (net of taxes) and facility deposits for the periods indicated:

	AS OF AND FOR THE YEAR ENDED DECEMBER 31,	
	2000	2001
	(IN BILLIONS OF WON)	
Initial Connection Fees	W 43.2	W 33.4
Monthly Access Fees	470.9	590.0
Usage Charges	402.1	548.9
Interconnection Revenue	250.8	269.0
Revenues from Sales of Digital Handsets	245.1	376.1
Other Revenues*	19.8	78.5
Total	W1,431.9	W1,895.9
Additional Facility Deposits	W 10.3	W 15.1
Refunded Facility Deposits	12.7	14.9
Facility Deposits at Period End	6.6	6.8

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* Other revenue includes revenue from value-added services offered by Shinsegi, including voice-activated dialing, caller ID, call forwarding, call waiting and three-way calling.

(3) Our revenue from handset sales consists of sales by our subsidiary, SK Teletech.

(4) Other revenue includes revenue from value-added services, including voice-activated dialing, caller ID, call forwarding, call waiting and three-way calling.

On their initial subscription, we charge our new customers an initial connection fee for service activation. After their initial connection, we require our customers to pay a monthly access fee and usage, or airtime, charges for outgoing calls and access to wireless data services. Prior to April 1, 1999, all network service providers had mandatory subscription periods. However, since April 1, 1999, in accordance with MIC guidelines, new wireless service subscribers cannot be subjected to any mandatory subscription periods. We do not charge our customers for incoming calls, although we do receive interconnection charges from KT Corporation and other companies for calls from the fixed-line network terminating on our networks and, since 2000, interconnection revenues from other wireless network operators. See "-- Interconnection". Monthly access fees for some plans include free airtime and/or discounts for designated calling numbers.

SK Telecom currently offers five basic types of service plans, the Speed011 rate plans, the TTL plans, the Ting plans, the UTO plans and the CARA plans. We also offer June plans, designed for multimedia wireless

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data service using CDMA2000 1xEV-DO technology, and Free plans offering free airtime on weekends or between 12 am and 6 am on weekdays for an additional monthly fee of Won 10,000 to Won 15,000. As of April 30, 2003, approximately 33.1% of our subscribers subscribed to the Standard rate plan, which is one of the Speed011 rate plans.

Higher rate plans generally include a fixed monthly amount of usage time while the lower rate plans are generally usage-based. The monthly access fees for the Speed011 plans range from Won 12,000 to Won 52,000, and generally target the adult market segment. The monthly access fees for the TTL plans range from Won 16,500 to Won 17,500 and target young adults between the ages of 19 and 24. The monthly access fees for the Ting plans range from Won 13,500 to Won 16,000 and generally target youths between the ages of 13 and 18. The monthly access fees for the UTO plans range from Won 15,000 to Won 18,000 and generally target wireless users between the ages of 25 and 35.

Following the successful 2001 launch of the Ting plans and the UTO plans, we introduced a new service plan, CARA in August 2002. The monthly access fees for the CARA plans range from Won 13,500 to Won 15,500 and is exclusive to female subscribers. CARA plans offer benefits designed for women, such as discounts to hair salons, spas, on-line shopping, restaurants and offers free gift certificates and discounts for Lotte department store, women's magazines, personal hygiene products and travel packages.

In November 2002, we introduced the June plans, a new set of rates designed for subscribers using our CDMA 1xEV/DO service. These plans charge monthly

access fees of between Won 5,000 and Won 50,000. Under a standard rate plan, subscribers to June are charged based on the amount of data transmitted, measured in packets of 512 bytes. The rates per packet differ according to the type of content.

After discussions with the MIC, effective from January 1, 2003, we reduced our Standard rate plan's monthly access fee by Won 1,000, included 10 minutes of free air time per month and reduced our peak usage charges from Won 21 to Won 20 per minute. See "Operating and Financial Review and Prospects -- Overview".

For all calls made from our subscribers' handsets in Korea to any destination in Korea, we charge usage fees based on the subscriber's cellular rate plan (as described in the table below). 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".

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The following table summarizes some of SK Telecom's popular cellular rate plans as of April 30, 2003:

	MONTHLY ACCESS FEE	INCLUDED AIRTIME/ DISCOUNT(1)(2)	PEAK USAGE CHARGES (PER 10 SECONDS)(2)	OFF-PEAK USAGE CHARGE (PER 10 SECONDS
SPEED011 PLANS				
Standard............	W14,000S15,500	10 minutes	W 20	W 13
Premium.............	52,000S55,000	380 minutes	17	11
Family..............	14,000	5 minutes	18	12
Silver(3)...........	12,000	20 minutes	38	38
View(4).............	9,100	10 minutes	60	60
TTL PLANS				
TTL Discount(5)......	16,000S17,500	7 minutes	9S21 le assets	

**(4.1
)**

(1.6
)

Net cash used in investing activities

**(12.9
)**

(6.3
)

Financing activities

Proceeds from issue of common shares

4.0

0.8

Credit facility fees paid

**(0.2
)**

(1.0
)

(Repayment of)/proceeds from short-term borrowings

**(4.0
)**

3.1

Repayment of long-term debt

(50.9
)

Net cash used in financing activities

**(0.2
)**

(48.0
)

Effect of exchange rate changes on cash and cash equivalents

**(0.2
)**

1.0

Cash and cash equivalents at beginning of period

302.1

316.2

Increase in cash and cash equivalents

92.2

129.9

Cash and cash equivalents at end of period

394.1

447.1

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SIGNET JEWELERS LIMITED

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY

(Unaudited)

	Common shares at par value $million	Additional paid-in capital $million	Other reserves $million	Treasury shares $million	Retained earnings $million	Accumulated other comprehensive loss $million	Total shareholders equity $million
Balance at January 29, 2011	15.5	196.8	235.2		1,662.3	(170.8)	1,939.0
Net income					75.4		75.4
Foreign currency translation						12.0	12.0
Changes in fair value of derivative instruments, net						8.4	8.4
Pension plan, net						0.3	0.3
Share options exercised		4.0					4.0
Share-based compensation expense		5.4					5.4
Balance at April 30, 2011	**15.5**	**206.2**	**235.2**		**1,737.7**	**(150.1)**	**2,044.5**

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

	13 weeks ended	
	April 30, 2011 $million	May 1, 2010 $million
Net income	**75.4**	50.3
Foreign currency translation	**12.0**	(11.2)
Changes in fair value of derivative instruments	**13.7**	5.2
Pension plan	**0.4**	0.9
Deferred tax on items recognized in equity	**(5.4)**	(2.0)
Comprehensive income	**96.1**	43.2

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Principal accounting policies and basis of preparation

Basis of preparation

Signet Jewelers Limited (the Company) and its subsidiaries (collectively, Signet) is a leading retailer of jewelry, watches and associated services. Signet manages its business as two geographical segments, being the United States of America (the US) and the United Kingdom (the UK). The US division operates retail stores under brands including Kay Jewelers, Jared The Galleria Of Jewelry and various regional brands, while the UK division s retail stores operate under brands including H.Samuel and Ernest Jones.

These condensed consolidated financial statements included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) have been condensed or omitted from this report, as is permitted by such rules and regulations. In the opinion of management, the accompanying condensed consolidated financial statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of the results for the interim periods. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and notes included in Signet s Annual Report on Form 10-K for the year ended January 29, 2011.

Use of estimates

The preparation of these financial statements, in conformity with US GAAP and SEC regulations for reporting, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are primarily made in relation to the valuation of receivables, inventory and deferred revenue, depreciation and asset impairment, the valuation of employee benefits, income taxes and contingencies.

Fiscal year

The Company s fiscal year ends on the Saturday nearest to January 31. Within these financial statements, the first quarter of the fiscal year 2012 and 2011 refers to the 13 weeks ended April 30, 2011 and May 1, 2010, respectively.

Seasonality

Signet s sales are seasonal, with the first and second quarters each normally accounting for slightly more than 20% of annual sales, the third quarter a little under 20% and the fourth quarter for about 40% of sales, with December being by far the most important month of the year. Sales made in November and December are known as the Holiday Season . Due to sales leverage, Signet s operating income is even more seasonal, with nearly all of the UK division s, and about 50% of the US division s operating income normally occurring in the fourth quarter. Selling, general and administrative costs are spread more evenly over the fiscal year.

Correction of immaterial error

During the third quarter of Fiscal 2011, Signet changed its accounting for extended service plans. Previously, revenue from the sale of extended service plans was deferred, net of direct costs arising from the sale, and was recognized in proportion to the historical actual claims incurred. Signet has conducted a review of the claims cost patterns, including estimates of future claims costs expected to be incurred, and concluded that the deferral period required extension and that claims cost is a more appropriate basis for revenue recognition than the number of claims incurred. In addition, Signet now defers all revenues and recognizes direct costs in proportion to the revenue recognized. The policy is in accordance with ASC 605-20-25. The impact resulted in an overstatement of extended service plan revenue and an understatement of deferred revenue. These plans are only sold by the US division and therefore only affect the US segment reporting.

Signet evaluated the effects individually and in the aggregate and determined that its prior period financial statements were not materially misstated. However, Signet determined that the cumulative effect of adjusting this in the third quarter of Fiscal 2011 would be material to the Fiscal 2011 financial statements. Therefore, Signet adjusted the affected prior periods and presented the results in this quarterly report.

As a result of applying this correction, the following consolidated balance sheet, consolidated income statement and consolidated statement of cash flows were impacted as follows:

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Impact on consolidated balance sheet

	May 1, 2010 $million	
	Amounts previously reported	As corrected
Assets		
Current assets:		
Other current assets	51.1	69.0
Total current assets	2,447.8	2,465.7
Non-current assets:		
Other assets	12.0	59.1
Deferred tax assets	52.8	111.4
Total assets	2,911.4	3,035.0
Liabilities and Shareholders equity		
Current liabilities:		
Deferred revenue	115.9	134.7
Total current liabilities	612.9	631.7
Non-current liabilities:		
Deferred revenue	143.1	343.6
Total liabilities	1,065.8	1,285.1
Total shareholders equity	1,845.6	1,749.9
Total liabilities and shareholders equity	2,911.4	3,035.0

Impact on consolidated income statement

	13 weeks ended May 1, 2010 $million	
	Amounts previously reported	As corrected
Sales	810.0	805.4
Cost of sales	(513.7)	(511.8)
Gross margin	296.3	293.6
Operating income	85.5	82.8
Income before income taxes	76.8	74.1
Income taxes	(24.8)	(23.8)
Net income	52.0	50.3
Earnings per share basic	$ 0.61	$ 0.59
diluted	$ 0.60	$ 0.58

Impact on consolidated statement of cash flows

	13 weeks ended May 1, 2010 $million	
	Amounts previously reported	As corrected
Cash flows from operating activities:		
Net income	52.0	50.3
Adjustments to reconcile net income to cash provided by operating activities:		
Deferred income taxes	6.3	5.3
Changes in operating assets and liabilities:		
Decrease in other receivables and other asset	3.7	2.3
Decrease in other current assets	10.0	9.5
(Increase)/decrease in deferred revenue	(1.8)	2.8
Net cash provided by operating activities	184.2	184.2

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

New accounting pronouncements adopted during the period

Revenue recognition multi-deliverable arrangements

In October 2009, the FASB issued ASU 2009-13, which amends ASC 605-25 Revenue Recognition Multi-Deliverable Arrangements. ASU 2009-13 requires arrangement consideration to be allocated to all deliverables at inception using a relative selling price method and establishes a selling price hierarchy for determining the selling price of a deliverable. The update also expands the disclosure requirements to include additional detail regarding the deliverables, method of calculation of selling price and the timing of revenue recognition. ASU 2009-13 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. The adoption of this amendment did not have a material impact on Signet.

Fair value measurements and disclosures

In January 2010, the FASB issued ASU 2010-06 Fair Value Measurements and Disclosures: Improving Disclosures about Fair Value Measurements (ASU 2010-06). ASU 2010-06 updates FASB ASC 820 Fair Value Measurements. ASU 2010-06 requires new disclosures and provides amendments to clarify existing disclosures. The new requirements include disclosing transfers in and out of Levels 1 and 2 fair value measurements and the reasons for the transfers and further disaggregating activity in Level 3 fair value measurements. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the new disclosure regarding the activity in Level 3 measurements, which will be effective for fiscal years and interim periods beginning after December 15, 2010. Adoption of ASU 2010-06 increased disclosure requirements but did not affect Signet s financial position, operating results or cash flows.

Disclosures about the credit quality of financing receivables

In July 2010, the FASB issued ASU 2010-20 Disclosures About the Credit Quality of Financing Receivables and the Allowance for Credit Losses (ASU 2010-20), which requires entities to provide disclosures designed to facilitate financial statement users evaluation of (i) the nature of credit risk inherent in the entity s portfolio of financing receivables, (ii) how that risk is analyzed and assessed in arriving at the allowance for credit losses and (iii) the changes and reasons for those changes in the allowance for credit losses. Disclosures must be disaggregated by portfolio segment, the level at which an entity develops and documents a systematic method for determining its allowance for credit losses, and class of financing receivable, which is generally a disaggregation of portfolio segment. The required disclosures include, among other things, a roll forward of the allowance for credit losses as well as information about modified, impaired, non-accrual and past due loans and credit quality indicators. ASU 2010-20 was effective for the Company s financial statements as of January 29, 2011, as it relates to disclosures required as of the end of a reporting period. Disclosures that relate to activity during a reporting period are required for the Company s consolidated financial statements that include periods beginning on or after January 30, 2011. Adoption of ASU 2010-20 increased disclosure requirements but did not affect Signet s financial position, operating results or cash flows. See Note 6.

2. Segmental information

Signet s sales are derived from the retailing of jewelry, watches, other products and services. Signet is managed as two geographical operating segments, being the US and UK divisions. These segments represent channels of distribution that offer similar merchandise and services and have similar marketing and distribution strategies. Both divisions are managed by executive committees, which report through a divisional Chief Executive to Signet s Chief Executive Officer who in turn reports to the Board. Each divisional executive committee is responsible for operating decisions within parameters set by the Board. The performance of each segment is regularly evaluated based on sales and operating income. The operating segments do not include certain central costs. There are no material transactions between the operating segments.

13 weeks ended

	April 30, 2011 $million	May 1, 2010 $million
Sales:		
US	**738.0**	662.5
UK	**149.3**	142.9
Total sales	**887.3**	805.4
Operating income/(loss), net:		
US	**126.2**	88.4
UK	**(0.2)**	(1.4)
Unallocated[1]	**(7.3)**	(4.2)
Total operating income, net	**118.7**	82.8

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	April 30, 2011 $million	January 29, 2011 $million	May 1, 2010 $million
Total assets:			
US	**2,495.5**	2,345.5	2,343.7
UK	**428.9**	475.0	342.8
Unallocated[1]	**275.2**	269.3	348.5
Total assets	**3,199.6**	3,089.8	3,035.0

(1) Unallocated principally relates to central costs, which include corporate and general administrative functions.

3. Foreign currency translation

The exchange rates used in these financial statements for the translation of UK pound sterling transactions and balances into US dollars are as follows:

	13 weeks ended April 30, 2011	52 weeks ended January 29, 2011	13 weeks ended May 1, 2010
Income statement (average rate)	**1.62**	1.55[1]	1.53
Balance sheet (period end rate)	**1.67**	1.59	1.53

(1) not meaningful to these financial statements as the 52 week income statement is not presented.

The average exchange rate is used to prepare the income statement for the 13 weeks ended April 30, 2011 and May 1, 2010, and is calculated from the weekly average exchange rates weighted by sales of the UK division.

4. Income taxes

Signet has business activity in all states within the US and files income tax returns for the US federal jurisdiction and all applicable states. Signet also files income tax returns in the UK and certain other foreign jurisdictions. Signet is subject to US federal and state examinations by tax authorities for tax years ending after October 28, 2006 and is subject to examination by the UK tax authority for tax years ending after January 31, 2008.

As of January 29, 2011, Signet had approximately $9.0 million of unrecognized tax benefits in respect of uncertain tax positions, all of which would favorably affect the effective income tax rate if resolved in Signet s favor. These unrecognized tax benefits relate to financing arrangements and intra-group charges which are subject to different and changing interpretations of tax law.

During the 13 weeks ended April 30, 2011, agreement was reached with a US state tax authority in respect of the treatment of intra-group charges and a settlement was paid of approximately $0.5 million, excluding interest thereon. This settlement had no impact on income tax expense.

Apart from the above, there has been no material change in the amount of unrecognized tax benefits in respect of uncertain tax positions during the 13 weeks ended April 30, 2011.

Signet recognizes accrued interest and, where appropriate, penalties related to unrecognized tax benefits within income tax expense. As of January 29, 2011, Signet had accrued interest of $1.0 million and there has been no material change in the amount of accrued interest as of April 30, 2011.

Over the next twelve months management believes that it is reasonably possible that there could be a reduction of substantially all of the unrecognized tax benefits as of January 29, 2011, due to settlement of the uncertain tax positions with the tax authorities.

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

5. Earnings per share

	13 weeks ended	
	April 30, 2011	**May 1, 2010**
Net income ($million)	**75.4**	50.3
Basic weighted average number of shares in issue (million)	**86.1**	85.5
Dilutive effect of share options (million)	**0.8**	0.7
Diluted weighted average number of shares in issue (million)	**86.9**	86.2
Earnings per share basic	**$ 0.87**	$ 0.59
Earnings per share diluted	**$ 0.87**	$ 0.58

The basic weighted average number of shares excludes non-vested time based restricted shares, shares held by the Employee Stock Ownership Trust, or as Treasury Shares, as such shares are not considered outstanding and do not qualify for dividends. The effect of this is to reduce the average number of shares in the 13 week period ended April 30, 2011 by 532,187 shares (13 week period ended May 1, 2010: 211,138 shares). The calculation of fully diluted earnings per share for the 13 week period ended April 30, 2011 excludes options to purchase 335,117 shares (13 week period ended May 1, 2010: 985,817 shares) on the basis that their effect on earnings per share was anti-dilutive.

6. Accounts receivable, net

Signet s accounts receivable primarily consist of US customer in-house finance programs (financing receivables), which are comprised of a large volume of transactions with no one customer representing a significant balance. The initial acceptance of customer finance arrangements is based on consumer credit scores. Subsequent to the initial finance purchase, Signet monitors the credit quality of its customer finance receivable portfolio based on payment activity that drives the aging of receivables. This credit quality indicator is assessed on a real-time basis by Signet.

The finance receivables within this population are of similar characteristics and are evaluated collectively for impairment rather than evaluating each finance receivable on an individual basis. The allowance is an estimate of the losses as of the balance sheet date, and is calculated using a proprietary model that analyzes factors such as delinquency rates and recovery rates. A 100% allowance is made for any amount that is 90 days aged on a recency basis, as well as an allowance for those under 90 days aged based on historical loss information and payment performance. The calculation is reviewed by management to assess whether, based on economic events, additional analyses are required to appropriately estimate losses inherent in the portfolio.

	April 30, 2011 $million	**January 29, 2011 $million**	**May 1, 2010 $million**
Accounts receivable by portfolio segment, net:			
US customer in-house finance receivables	**897.3**	927.7	796.7
Other	**7.0**	8.2	5.0
Total accounts receivable, net	**904.3**	935.9	801.7

Other is comprised primarily of gross accounts receivable relating to the UK division of $7.5 million (January 29, 2011 and May 1, 2010: $8.7 million and $5.9 million, respectively) with a respective valuation allowance of $0.5 million (January 29, 2011 and May 1, 2010: $0.5 million and $0.9 million, respectively).

Signet grants credit to customers based on a variety of credit quality indicators, including consumer financial information and prior payment experience. On an ongoing basis, management monitors the credit exposure based on past due status and collection experience, as it has found a meaningful correlation between the past due status of customers and the risk of loss.

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Allowance for Credit Losses on US Customer In-House Finance Receivables:

	13 weeks ended April 30, 2011 $million	52 weeks ended January 29, 2011 $million	13 weeks ended May 1, 2010 $million
Valuation allowance:			
Beginning balance	**(67.8)**	(72.2)	(72.2)
Charge-offs	**18.9**	119.0	26.1
Recoveries	**5.5**	17.4	4.7
Provision	**(17.6)**	(132.0)	(21.8)
Ending balance	**(61.0)**	(67.8)	(63.2)
Ending balance evaluated for impairment	**958.3**	995.5	859.9
US customer in-house finance receivables, net	**897.3**	927.7	796.7

Credit Quality Indicator and Age Analysis of Past Due US Customer In-House Finance Receivables:

	April 30, 2011		January 29, 2011		May 1, 2010	
	Gross $million	Valuation allowance $million	Gross $million	Valuation allowance $million	Gross $million	Valuation allowance $million
Performing:						
Current	**784.7**	**(23.2)**	804.4	(24.3)	687.1	(20.3)
0-90 days aged	**139.9**	**(4.1)**	152.1	(4.5)	133.9	(4.0)
Non Performing:						
More than 90 days aged	**33.7**	**(33.7)**	39.0	(39.0)	38.9	(38.9)
	958.3	**(61.0)**	995.5	(67.8)	859.9	(63.2)

Amounts that are more than 90 days aged are placed on non-accrual status. Signet s bad debt expense for total accounts receivable is net of recoveries of $5.5 million (January 29, 2011 and May 1, 2010: $17.4 million and $4.7 million, respectively).

7. Deferred revenue and warranty reserve

	April 30, 2011 $million	January 29, 2011 $million	May 1, 2010 $million

Warranty deferred revenue	**491.0**	481.1	466.7
Voucher promotions	**12.0**	18.1	11.6
Total deferred revenue	**503.0**	499.2	478.3
Disclosed as:			
Current liabilities	**142.5**	146.0	134.7
Non-current liabilities	**360.5**	353.2	343.6
Total deferred revenue	**503.0**	499.2	478.3

	13 weeks ended	
	April 30, 2011 $million	**May 1, 2010 $million**
Warranty deferred revenue, beginning of period	**481.1**	458.3
Warranties sold	**48.2**	44.8
Revenues recognized	**(38.3)**	(36.4)
Warranty deferred revenue, end of period	**491.0**	466.7

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

The warranty reserve for diamond and gemstone guarantees provided by the US division, included in accrued expenses and other current liabilities, is as follows:

	13 weeks ended April 30, 2011 $million	52 weeks ended January 29, 2011 $million	13 weeks ended May 1, 2010 $million
Beginning balance	13.0	12.3	12.3
Warranty expense	1.6	5.9	1.5
Utilized	(1.5)	(5.2)	(1.5)
Ending balance	13.1	13.0	12.3

8. Financial instruments and fair value

Signet s principal financial instruments are comprised of cash, cash deposits/investments and overdrafts, accounts receivable and payable, derivatives and a revolving credit facility. Signet does not enter into derivative transactions for trading purposes. Derivative transactions are used by Signet for risk management purposes to address risks inherent in Signet s business operations and sources of finance. The main risks arising from Signet s operations are interest rate risk, liquidity risk, and market risk including foreign currency risk and commodity risk. Signet uses derivatives and these other financial instruments to manage and mitigate these risks under policies reviewed and approved by the Board.

Interest rate risk

Signet s operations were financed principally by fixed rate notes under the US Private Placement until these were prepaid in full on November 26, 2010. Signet may enter into various interest rate protection agreements in order to limit the impact of movements in interest rates on its cash or borrowings. There were no interest rate protection agreements outstanding at April 30, 2011, January 29, 2011 or May 1, 2010.

Liquidity risk

Signet s objective is to ensure that it has access to, or the ability to generate sufficient cash from either internal or external sources in a timely and cost-effective manner to meet its commitments as they become due and payable. Signet manages liquidity risks as part of the overall risk management policy. Management produces forecasting and budgeting information that is reviewed and monitored by the Board. Cash generated from operations and external financing are the main sources of funding supplementing Signet s resources in meeting liquidity requirements.

The main external source of funding at April 30, 2011 and January 29, 2011 was the unsecured revolving credit facility under which there were no borrowings as of April 30, 2011, January 29, 2011 and May 1, 2010 (see Note 13). At May 1, 2010, borrowings of $229.1 million were outstanding under the Private Placement Notes, which were repaid in full on November 26, 2010.

Market risk

Signet generates revenues and incurs expenses in pounds sterling and US dollars. As a portion of Signet s UK division purchases are denominated in US dollars, Signet enters into foreign currency forward exchange contracts, foreign currency option contracts and foreign currency swaps to manage this exposure to the US dollar. The fair value of these contracts is recorded in other assets and other liabilities.

Signet holds a fluctuating amount of pounds sterling cash reflecting the cash generative characteristics of the UK division. Signet s objective is to minimize net foreign exchange exposure to the income statement on pound sterling denominated items through managing this level of cash, pound sterling denominated intercompany balances and US dollar to pound sterling swaps. In order to manage the foreign exchange exposure and minimize the level of pound sterling cash held by the company, the pound sterling denominated subsidiaries pay dividends regularly to their immediate holding companies and excess pounds sterling are sold in exchange for US dollars.

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Credit risk and concentrations of credit risk

Credit risk represents the loss that would be recognized at the reporting date if counterparties failed to perform as contracted. Signet does not anticipate non-performance by counterparties of its financial instruments. Signet does not require collateral or other security to support cash investments or financial instruments with credit risk; however it is Signet s policy to only hold cash and cash equivalent investments and to transact financial instruments with financial institutions with a certain minimum credit rating. Management does not believe Signet is exposed to any significant concentrations of credit risk that arise from cash and cash equivalent investments, derivatives or accounts receivable.

Derivatives

Signet enters into forward foreign currency exchange contracts and foreign currency option contracts, principally in US dollars, in order to limit the impact of movements in foreign exchange rates on its forecast foreign currency purchases. The total notional amount of these foreign currency contracts outstanding as of April 30, 2011 was $51.9 million (January 29, 2011 and May 1, 2010: $39.5 million and $31.5 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 24 months (January 29, 2011 and May 1, 2010: 12 months and 14 months, respectively).

Signet enters into forward purchase contracts and option purchase contracts for commodities in order to reduce its exposure to significant movements in the price of the underlying precious metal raw material. The total notional amount of commodity contracts outstanding as of April 30, 2011 was $131.4 million (January 29, 2011 and May 1, 2010: $154.3 million and $74.8 million, respectively). These contracts have been designated as cash flow hedges and will be settled over the next 12 months (January 29, 2011 and May 1, 2010: 12 months and 9 months, respectively).

For derivatives that are designated and qualify as a cash flow hedge, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period in which the hedged item affects net income or loss. Gains and losses on derivatives that do not qualify for hedge accounting, together with any hedge ineffectiveness, are recognized immediately in other operating income, net. Signet does not hold derivative contracts for trading purposes.

Foreign currency contracts not designated as cash flow hedges are used to hedge currency flows through Signet s bank accounts to mitigate Signet s exposure to foreign currency exchange risk in its cash and borrowings.

The bank counterparties to the derivative contracts expose Signet to credit-related losses in the event of their nonperformance. However, to mitigate that risk, Signet only contracts with counterparties that meet certain minimum requirements under its counterparty risk assessment process. As of April 30, 2011, the Company believes that this credit risk did not materially change the fair value of the foreign currency or commodity contracts.

The following table summarizes the fair value and presentation of derivative instruments in the condensed consolidated balance sheets:

		Derivative assets		
			Fair value	
	Balance sheet location	**April 30, 2011 $million**	**January 29, 2011 $million**	**May 1, 2010 $million**
Derivatives designated as hedging instruments:				
Foreign currency contracts	Other current assets		0.2	1.6
Commodity contracts	Other current assets	**15.3**	2.4	6.6

Total derivative assets	**15.3**	2.6	8.2

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

	Balance sheet location	Derivative liabilities April 30, 2011 $million	Fair value January 29, 2011 $million	May 1, 2010 $million
Derivatives designated as hedging instruments:				
Foreign currency contracts	Other current liabilities	**(2.4)**	(0.6)	
Commodity contracts	Other current liabilities		(2.5)	
		(2.4)	(3.1)	
Derivatives not designated as hedging instruments:				
Foreign currency contracts	Other current liabilities	**(0.4)**		
		(0.4)		
Total derivative liabilities		**(2.8)**	(3.1)	

The following tables summarize the effect of derivative instruments on the unaudited condensed consolidated income statements:

	Amount of gain/(loss) recognized in OCI on derivatives (Effective portion) 13 weeks ended		Location of gain/(loss) reclassified from accumulated OCI into income (Effective portion)	Amount of gain/(loss) reclassified from accumulated OCI into income (Effective portion) 13 weeks ended	
	April 30, 2011 $million	May 1, 2010 $million		April 30, 2011 $million	May 1, 2010 $million
Derivatives in cash flow hedging relationships:					
Foreign currency contracts	**(1.8)**	1.8	Cost of sales	**0.1**	1.4
Commodity contracts	**18.8**	8.1	Cost of sales	**(3.0)**	3.3
Total	**17.0**	9.9		**(2.9)**	4.7

The ineffective portion of hedging instruments taken into other operating income, net in the 13 weeks ended April 30, 2011 was $0.4 million profit (13 weeks ended May 1, 2010: $0.0 million).

	Location of gain recognized in income on derivatives	Amount of gain recognized in income on derivatives 13 weeks ended April 30, 2011	May 1, 2010

		$million	$million
Derivatives not designated as hedging instruments:			
Foreign currency contracts	Other operating income, net	**0.4**	
Total		**0.4**	

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Fair value

The estimated fair value of Signet s financial instruments held or issued to finance Signet s operations is summarized below. Certain estimates and judgments were required to develop the fair value amounts. The fair value amounts shown below are not necessarily indicative of the amounts that Signet would realize upon disposition nor do they indicate Signet s intent or ability to dispose of the financial instrument. Assets and liabilities that are carried at fair value are required to be classified and disclosed in one of the following three categories:

Level 1 - quoted market prices in active markets for identical assets and liabilities

Level 2 - observable market based inputs or unobservable inputs that are corroborated by market data

Level 3 - unobservable inputs that are not corroborated by market data

Signet determines fair value based upon quoted prices when available or through the use of alternative approaches, such as discounting the expected cash flows using market interest rates commensurate with the credit quality and duration of the investment. The methods Signet uses to determine fair value on an instrument-specific basis are detailed below:

	April 30, 2011 $million		**January 29, 2011 $million**		**May 1, 2010 $million**	
	Carrying Value	**Fair Value (Level 2)**	**Carrying Value**	**Fair Value (Level 2)**	**Carrying Value**	**Fair Value (Level 2)**
Assets:						
Forward foreign currency contracts and swaps			0.2	0.2	1.6	1.6
Forward commodity contracts	**15.3**	**15.3**	2.4	2.4	6.6	6.6
Liabilities:						
Loans and overdrafts	**(28.0)**	**(28.0)**	(31.0)	(31.0)	(276.3)	(307.6)
Forward foreign currency contracts and swaps	**(2.8)**	**(2.8)**	(0.6)	(0.6)		
Forward commodity contracts			(2.5)	(2.5)		

The fair value of derivative financial instruments has been determined based on market value equivalents at the balance sheet date, taking into account the current interest rate environment, current foreign currency forward rates or current commodity forward rates. These are held as assets and liabilities within other receivables and other payables, and all contracts have a maturity of less than 24 months. At May 1, 2010, Signet held $229.1 of Private Placement Notes under a Note Purchase Agreement. The fair value of this debt was determined by discounting to present value the known future coupon and final Note redemption amounts at market yields as of the balance sheet date. These Private Placement Notes were paid in full on November 26, 2010 (see Note 12). The carrying amounts of cash and cash equivalents, accounts receivable, other receivables, accounts payable and accrued liabilities approximate fair value because of the short-term maturity of these amounts.

9. Pensions

Signet operates a defined benefit pension plan in the UK (the UK Plan). The components of net periodic pension cost were as follows:

13 weeks ended

	April 30, 2011 $million	May 1, 2010 $million
Components of net periodic benefit cost:		
Service cost	**1.4**	1.3
Interest cost	**2.7**	2.5
Expected return on UK Plan assets	**(3.5)**	(3.0)
Amortization of unrecognized prior service credit	**(0.2)**	(0.3)
Amortization of unrecognized actuarial loss	**0.6**	1.2
Net periodic benefit cost	**1.0**	1.7

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SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

In the 13 weeks to April 30, 2011, Signet contributed $3.6 million to the UK Plan and expects to contribute a minimum aggregate of $15.1 million at current exchange rates to the UK Plan in Fiscal 2012. These contributions are in accordance with a deficit recovery plan that was in response to the funding deficit indicated by the April 5, 2009 actuarial valuation.

10. Commitments and contingencies

Legal proceedings

In March 2008, private plaintiffs filed a class action lawsuit for an unspecified amount against Sterling Jewelers Inc. (Sterling), a subsidiary of Signet, in the U.S. District Court for the Southern District of New York federal court alleging that US store-level employment practices are discriminatory as to compensation and promotional activities. In June 2008, the District Court referred the matter to private arbitration where the plaintiffs sought to proceed on a class-wide basis. In June 2009, the arbitrator ruled that the arbitration agreements allowed the plaintiff to proceed on a class-wide basis and seek class certification. Sterling challenged the ruling and the District Court vacated the arbitrator s decision in July 2010. The plaintiffs appealed that order to the U.S. Court of Appeals for the Second Circuit, where the matter is currently pending, following argument on the appeal in February 2011. On September 23, 2008, the US Equal Employment Opportunities Commission (EEOC) filed a lawsuit against Sterling in the U.S. District Court for the Western District of New York. The EEOC s lawsuit alleges that Sterling engaged in a pattern or practice of gender discrimination with respect to pay and promotions of female retail store employees from January 1, 2003 to the present. The EEOC asserts claims for unspecified monetary relief and non-monetary relief against the Company on behalf of a class of female employees subjected to these alleged practices. Discovery is now ongoing in the case. Sterling denies the allegations from both parties and intends to defend them vigorously.

11. Share-based compensation expense

Signet recorded share-based compensation expense of $2.7 million for the 13 weeks ended April 30, 2011 related to the Omnibus Plans and Saving Share Plans ($2.3 million for the 13 weeks ended May 1, 2010). The 13 weeks ended May 1, 2010 included a $0.1 million charge that related to the change in fair value during the period of certain awards that have an inflation-related performance condition and were accounted for as liability awards. As of the 13 weeks ended April 30, 2011, these plans were fully vested and no further shares have been granted since the inception of the Omnibus Plan.

12. Loans, overdrafts and long-term debt

At April 30, 2011, Signet maintained a $300 million revolving credit facility with a maturity date of June 26, 2013. In October 2010, this facility was amended to: eliminate the obligation to reduce the amount of the facility by 60% of any reduction in net debt from the prior year; revise the fixed charge cover covenant as defined in the agreement to 1.55:1 for the remaining duration of the agreement; delete the annual limit on capital expenditures; increase the aggregate costs of assets that may be acquired in any fiscal year to $50.0 million; and, remove any restrictions on payments of dividends and share repurchases. At April 30, 2011 and May 1, 2010, no amounts were outstanding under this facility, with no significant intra-period fluctuations. At April 30, 2011, Signet had stand-by letters of credit of $5.5 million (January 29, 2011 and May 1, 2010: $5.5 million and $6.0 million, respectively). This facility was subsequently replaced with a new revolving credit facility agreement on May 24, 2011, see Note 13.

Signet made a prepayment to its Private Placement Note Holders on March 9, 2010 of $50.9 million. Following this prepayment, there were $229.1 million of Private Placement Notes outstanding. These remaining Private Placement Notes were paid in full on November 26, 2010.

13. Subsequent events

On May 24, 2011, Signet Jewelers Limited (the Company) and certain of its subsidiaries as Borrowers entered into a $400 million senior unsecured multi-currency five year revolving credit agreement (the Credit Agreement) with various financial institutions as the lenders (the

Lenders), JPMorgan Chase Bank, N.A., as Administrative Agent, and Barclays Capital, as Syndication Agent, and JPMorgan Securities LLC and Barclays Capital as the joint lead arrangers. The Credit Agreement replaces the Company s existing credit facility, dated June 26, 2008, as amended and restated as of October 27, 2010, which was due to expire in June 2013 (the 2008 Facility); the 2008 Facility was terminated on May 24, 2011. The Company has guaranteed the obligations of the Borrowers under the Credit Agreement and is also directly bound by certain of the covenants contained in the Credit Agreement.

Under the Credit Agreement, the Borrowers are able to borrow from time to time in an aggregate amount up to $400 million, including issuing letters of credit in an aggregate amount at any time outstanding not to exceed $100 million. The Credit Agreement contains an expansion option that, with the consent of the Lenders or the addition of new lenders, and subject to certain conditions, availability under the Credit Agreement may be increased by an additional $200 million at the request of the Borrowers. The Credit Agreement has a five year term and matures in May 2016, at which time all amounts outstanding under the Credit Agreement will be due and payable.

SIGNET JEWELERS LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

Borrowings under the new Credit Agreement will bear interest, at the Borrowers option, at either a base rate (as defined in the Credit Agreement), or an adjusted LIBO rate (a Eurocurrency Borrowing), in each case plus an applicable margin rate based on the Company s Fixed Charge Coverage Ratio (as defined in the Credit Agreement). Interest is payable on the last day of each March, June, September and December, or at the end of each interest period for a Eurocurrency Borrowing, but not less often than every three months. Commitment fee rates range from 0.20% to 0.35% based on the Company s Fixed Charge Coverage Ratio and are payable quarterly in arrears and on the date of termination or expiration of commitments.

Borrowings under the Credit Agreement may be used for working capital and general corporate purposes. As of May 24, 2011, $5.5 million in outstanding letters of credit issued under the 2008 Facility continued in effect as letters of credit outstanding under the Credit Agreement. As a result of the early termination of the 2008 Facility, the Company will write-off $1.3 million of unamortized deferred financing fees from the 2008 Facility. There were no loans outstanding under the 2008 Facility on May 24, 2011.

The Credit Agreement limits the ability of the Company and certain of its subsidiaries to, among other things and subject to certain baskets and exceptions contained therein, incur debt, create liens on assets, make investments outside of the ordinary course, sell assets outside of the ordinary course, enter into merger transactions and enter into unrelated businesses. The Credit Agreement permits the making of dividend payments and stock repurchases so long as the Company (i) is not in default under the Credit Agreement, or (ii) if in default at the time of making such dividend repayment or stock repurchase, has no loans outstanding under the Credit Agreement or more than $10 million in letters of credit issued under the Credit Agreement. The Credit Agreement also contains various customary representations and warranties, financial reporting requirements and other affirmative and negative covenants. The Credit Agreement requires that the Company maintain at all times a Leverage Ratio (as defined in the Credit Agreement) to be no greater than 2.50 to 1.00 and a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) to be no less than 1.40 to 1.00, both determined as of the end of each fiscal quarter of the Company for the trailing twelve months.

The commitments may be terminated and amounts outstanding under the Credit Agreement may be accelerated upon the occurrence of certain events of default as set forth in the Credit Agreement. These include failure to make principal or interest payments when due, certain insolvency or bankruptcy events affecting the Company or certain of its subsidiaries and breaches of covenants and representations or warranties.

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ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements which are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements, based upon management s beliefs and expectations as well as on assumptions made by and data currently available to management, appear in a number of places throughout this document and include statements regarding, among other things, Signet s results of operation, financial condition, liquidity, prospects, priorities, growth, strategies and the industry in which Signet operates. The use of the words expects, intends, anticipates, estimates, predicts, believes, should, potential, may, forecast, o target, and other similar expressions are intended to identify forward-looking statements. These forward-looking statements are not guarantees of future performance and are subject to a number of risks and uncertainties, including but not limited to general economic conditions, the merchandising, pricing and inventory policies followed by Signet, the reputation of Signet and its brands, the level of competition in the jewelry sector, the cost and availability of diamonds, gold and other precious metals, regulations relating to consumer credit, seasonality of Signet s business, financial market risks, deterioration in consumers financial condition, exchange rate fluctuations, changes in consumer attitudes regarding jewelry, management of social, ethical and environmental risks, inadequacy in and disruptions to internal controls and systems, changes in assumptions used in making accounting estimates relating to items such as extended service plans and pensions, and risks relating to Signet being a Bermuda corporation.

For a discussion of these and other risks and uncertainties which could cause actual results to differ materially from those expressed in any forward-looking statement, see the Risk Factors section of Signet s Fiscal 2011 Annual Report on Form 10-K filed with the SEC on March 30, 2011. Signet undertakes no obligation to update or revise any forward-looking statements to reflect subsequent events or circumstances, except as required by law.

OVERVIEW

Signet is the world s largest specialty retail jeweler by sales, with stores in the US, UK, Republic of Ireland and Channel Islands. Signet manages its business as two geographical segments, being the US and the UK divisions.

In the US, Signet operated 1,314 stores in 50 states at April 30, 2011. Its store brands are located nationally in malls and off-mall locations as Kay Jewelers (Kay), and regionally under a number of well-established mall-based brands. Destination superstores are operated nationwide as Jared The Galleria Of Jewelry (Jared).

On April 13, 2011, the US Census Bureau (the Census Bureau) released substantially revised estimates for the US specialty jewelry and watch sales for calendar 2009 and 2010. Based on these revised figures, the US specialty jewelry and watch sales declined by 12.4% in calendar 2009 and grew by 3.8% in calendar 2010. The US division s share of the specialty jewelry market increased to 9.9% in calendar 2009 and 10.3% in calendar 2010 from 8.6% in calendar 2008. These new estimates from the Census Bureau may be subject to further significant revision.

While the Census Bureau has significantly revised published specialty jewelry and watch sales, the US Bureau of Economic Analysis (BEA) has not made any significant revisions to the size of the total market for jewelry and watches. Accordingly the specialty sector saw a decrease in market share to 43.7% in calendar 2009 and 42.2% in calendar 2010 from 48.6% in calendar 2008. BEA estimates may also be subject to significant revision.

In the UK, its store brands are H.Samuel, Ernest Jones and Leslie Davis, which are situated in prime High Street locations (main shopping thoroughfares with high pedestrian traffic) or major shopping malls. The UK division operated 538 stores at April 30, 2011, including 14 stores in the Republic of Ireland and 3 in the Channel Islands.

Non-GAAP measures

Signet provides certain non-GAAP information in reporting its financial results to give investors additional data to evaluate its operations. Management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitute for, financial information prepared in accordance with US GAAP.

Exchange translation impact

Signet has historically used constant exchange rates to compare period-to-period changes in certain financial data. Management considers this a useful measure for analyzing and explaining changes and trends in Signet s results. The impact of the re-calculation, including a reconciliation to Signet s US GAAP results, is analyzed below.

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	13 weeks ended April 30, 2011 $million	13 weeks ended May 1, 2010 $million	Change %	Impact of exchange rate movement $million	13 weeks ended May 1, 2010 at constant exchange rates (non-GAAP) $million	Change at constant exchange rates (non-GAAP) %
US	**738.0**	662.5	11.4%		662.5	11.4%
UK	**149.3**	142.9	4.5%	8.4	151.3	(1.3)%
Sales	**887.3**	805.4	10.2%	8.4	813.8	9.0%
Cost of sales	**(537.6)**	(511.8)	5.0%	(6.2)	(518.0)	3.8%
Gross margin	**349.7**	293.6	19.1%	2.2	295.8	18.2%
Selling, general and administrative expenses	**(263.8)**	(238.5)	10.6%	(2.6)	(241.1)	9.4%
Other operating income, net	**32.8**	27.7	18.4%		27.7	18.4%
Operating income, net	**118.7**	82.8	43.4%	(0.4)	82.4	44.1%
Interest expense, net	**(0.9)**	(8.7)	(89.7)%		(8.7)	(89.7)%
Income before income taxes	**117.8**	74.1	59.0%	(0.4)	73.7	59.8%
Income taxes	**(42.4)**	(23.8)	78.2%	0.1	(23.7)	78.9%
Net income	**75.4**	50.3	49.9%	(0.3)	50.0	50.8%
Earnings per share basic	**$ 0.87**	$ 0.59	47.5%	$ (0.01)	$ 0.58	50.0%
Earnings per share diluted	**$ 0.87**	$ 0.58	50.0%	$	$ 0.58	50.0%
Operating income/(loss), net						
US	**126.2**	88.4	42.8%		88.4	42.8%
UK	**(0.2)**	(1.4)	(85.7)%	(0.1)	(1.5)	(86.7)%
Unallocated	**(7.3)**	(4.2)	73.8%	(0.3)	(4.5)	62.2%
Operating income, net	**118.7**	82.8	43.4%	(0.4)	82.4	44.1%

Net cash

Net cash is the total of loans, overdrafts and long term debt less cash and cash equivalents, and is helpful in providing a measure of the total indebtedness of the business.

	April 30, 2011 $million	January 29, 2011 $million	May 1, 2010 $million
Long-term debt			(229.1)
Loans and overdrafts	**(28.0)**	(31.0)	(47.2)
	(28.0)	(31.0)	(276.3)
Cash and cash equivalents	**394.1**	302.1	447.1
Net cash	**366.1**	271.1	170.8

Free cash flow

Free cash flow is a non-GAAP measure defined as the net cash provided by operating activities less net cash flows used in investing activities. Management considers that it is helpful in understanding how the business is generating cash from its operating and investing activities that can be used to meet the financing needs of the business. Free cash flow does not represent the residual cash flow available for discretionary expenditure.

	13 weeks ended	
	April 30, 2011 $million	May 1, 2010 $million
Net cash provided by operating activities	**105.3**	184.2
Net cash used in investing activities	**(12.9)**	(6.3)
Free cash flow	**92.4**	177.9

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the Financial Statements and the related notes in Part I of this Quarterly Report on Form 10-Q, as well as the financial and other information included in Signet s Fiscal 2011[1] Annual Report on Form 10-K.

In the first quarter, the business continued to utilize its competitive advantages and strong balance sheet to improve sales and enhance operating margins. While the consumer environment improved in the US, the UK consumer environment remained challenging.

First Quarter Highlights (first quarter is the 13 weeks to April 30, 2011)

- Same store sales: up 10.2%, US division up 12.5%
- Income before income taxes: $117.8 million, up $43.7 million, an increase of 59.0%
- Basic and diluted earnings per share: both $0.87, up $0.28 and $0.29, an increase of 47.5% and 50.0%, respectively

(1) Fiscal 2011 is the year ended January 29, 2011 and Fiscal 2012 is the year ending January 28, 2012.

Certain operating data as a percentage of sales were as follows:

Table 1

	First Quarter	
	Fiscal 2012 %	Fiscal 2011 %
Sales	**100.0**	100.0
Cost of sales	**(60.6)**	(63.5)
Gross margin	**39.4**	36.5

Selling, general and administrative expenses	**(29.7)**	(29.6)
Other operating income	**3.7**	3.4
Operating income, net	**13.4**	10.3
Interest expense, net	**(0.1)**	(1.1)
Income before income taxes	**13.3**	9.2
Income taxes	**(4.8)**	(3.0)
Net income	**8.5**	6.2

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Sales

Same store sales were up 10.2%, compared to a rise of 5.8% in the first quarter last year. Total sales rose by 10.2% to $887.3 million in the first quarter (13 weeks to May 1, 2010: $805.4 million), reflecting an underlying increase of 9.0% at constant exchange rates; see non-GAAP measures discussed herein. The breakdown of the sales performance is set out in Table 2 below.

Table 2

		First Quarter	
	US	UK	Signet
Sales, million	**$ 738.0**	**$ 149.3**	**$ 887.3**
% of total	83.2%	16.8%	100.0%
	US %	UK %	Signet %
Change in same store sales	12.5	0.2	10.2
Change in store space	(1.1)	(1.5)	(1.2)
Total change in sales at constant exchange rates[1]	11.4	(1.3)	9.0
Exchange translation impact		5.8	1.2
Change in total sales as reported	11.4	4.5	10.2

(1) See non-GAAP measures discussed herein.

In the first quarter of Fiscal 2012, the US division s sales were $738.0 million (13 weeks to May 1, 2010: $662.5 million) up by 11.4%, and same store sales rose by 12.5% compared to a rise of 7.3% in the first quarter last year. See Table 3 below for additional analysis of sales.

In the first quarter, the US division benefited from its competitive advantages and a recovery in the jewelry market. The bridal category and branded differentiated and exclusive products continued to perform well. The average unit selling price, excluding the charm bracelet category rose by 12.1%, reflecting price increases implemented to offset higher commodity costs and consumers purchasing more expensive items.

Table 3

			Change from previous year		
First quarter Fiscal 2012	**Sales**	**Average unit selling price[1]**	**Total sales**	**Same store sales**	**Average unit selling price[1]**
Kay	$ 435.4m	$ 360	13.4%	13.9%	11.8%
Jared	$ 227.8m	$ 798	12.7%	11.8%	7.7%
Regional brands	$ 74.8m	$ 385	(2.1)%	6.5%	13.7%
US division	**$ 738.0m**	**$ 426**	**11.4%**	**12.5%**	**12.1%**

(1) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.

In the first quarter of Fiscal 2012, the UK division s sales were up by 4.5% to $149.3 million (13 weeks to May 1, 2010: $142.9 million), reflecting an underlying decrease of 1.3% at constant exchange rates; see non-GAAP measures discussed herein. Same store sales were up 0.2%, compared to a decline of 0.2% in the prior year period. See Table 4 below for additional analysis.

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Table 4

			Change from previous year			
First quarter Fiscal 2012	**Sales**	**Average Unit selling price(1)(2)**	**Total sales**	**Sales at constant exchange rates(3)(4)**	**Same store sales**	**Average unit selling price(2)**
H.Samuel	$ 79.5m	£ 61	6.7%	0.7%	2.7%	8.9%
Ernest Jones(5)	$ 69.8m	£ 279	2.1%	(3.5)%	(2.4)%	10.3%
UK division	**$ 149.3m**	**£ 97**	**4.5%**	**(1.3)%**	**0.2%**	**9.0%**

(1) The average unit selling price(2) in the first quarter for H.Samuel was $99, for Ernest Jones was $452 and for the UK division was $157.

(2) Excludes the charm bracelet category, a product with an average unit selling price considerably lower, and a multiple purchase and frequency of purchase much greater, than products historically sold by the division.

(3) See non-GAAP measures discussed herein.

(4) The exchange translation impact on the total sales of H.Samuel was 6.0% and for Ernest Jones was 5.6%.

(5) Includes stores selling under the Leslie Davis nameplate.

The UK consumer environment remained challenging, with disposable income falling for the first time in 30 years, however the UK division benefitted from its competitive advantages. The charm bracelet category continued to perform well, as did gold rings and the fashion watch category. In the first quarter, average unit selling price, excluding the charm bracelet category, increased by 9.0%, primarily reflecting the impact of price increases implemented to largely counter pressure on gross merchandise margin.

Cost of sales and gross margin

Gross margin was $349.7 million for the first quarter (13 weeks to May 1, 2010: $293.6 million), up by $56.1 million or 19.1%. The gross margin rate increased by 290 basis points in the first quarter, see Table 1 above. The gross merchandise margin improved by 50 basis points. The US division s gross merchandise margin rate increased compared to the prior year period by 70 basis points. The gross merchandise margin rate benefited from selective price increases and reduced discounting, which more than offset a higher cost of commodities. The UK division s gross merchandise margin was down by 30 basis points compared to the prior year period, reflecting the impact of an increase in the cost of commodities, a higher value added tax rate, and currency hedging benefits in the first quarter of Fiscal 2011 that were not repeated, being largely offset by a number of price increases.

Gross margin also benefited from an improved net bad debt to total US sales ratio compared to the first quarter of Fiscal 2011, and leverage of store occupancy costs in the US division. In the US division, credit participation was 53.8% in the first quarter (13 weeks to May 1, 2010: 51.9%). The net bad debt to total US sales ratio was 1.6% in the first quarter (13 weeks to May 1, 2010: 2.6%). The reduction reflected a continuation of the improved receivables performance. The average monthly collection rate was 13.9% in the first quarter (13 weeks to May 1, 2010: 14.0%). US net accounts receivable at April 30, 2011 was $897.3 million (May 1, 2010: $796.7 million), primarily reflecting higher sales in the US division.

Selling, general and administrative expenses

Selling, general and administrative expenses were $263.8 million for the first quarter (13 weeks to May 1, 2010: $238.5 million), up by $25.3 million or 10.6%. Selling, general and administrative expenses as a percentage of sales increased by 10 basis points in the first quarter compared to the comparable period in Fiscal 2011.

In the US division, selling, general and administrative expenses were well controlled and increases primarily reflected additional advertising expenses, performance based bonus accruals and targeted increases in other employee-related expenses. In the UK division, selling, general and administrative expenses were also tightly controlled at constant exchange rates, but increased in US dollars due to the movement in exchange rates. Unallocated costs, principally central costs, which include corporate and general administrative functions, not allocated to the US or UK division, were $7.3 million (13 weeks to May 1, 2010: $4.2 million), primarily reflecting changes in executive management structure.

Other operating income, net

Other operating income was $32.8 million in the first quarter (13 weeks to May 1, 2010: $27.7 million), reflecting higher outstanding receivables primarily due to increased US sales.

Operating income, net

First quarter operating income was $118.7 million (13 weeks to May 1, 2010: $82.8 million), up $35.9 million, an increase of 43.4%. Operating margin was 13.4% (13 weeks to May 1, 2010: 10.3%), an improvement of 310 basis points, reflecting sales leverage in the US division.

In the first quarter, the US division s operating income increased by $37.8 million to $126.2 million (13 weeks to May 1, 2010: $88.4 million), an increase of 42.8%. The operating margin in the first quarter was 17.1% (13 weeks to May 1, 2010: 13.3%), up 380 basis points.

In the UK division, there was an operating loss of $0.2 million in the first quarter (13 weeks to May 1, 2010: loss of $1.4 million), a reduction of $1.2 million. The operating margin in the first quarter was (0.1)% (13 weeks to May 1, 2010: (1.0)%), up 90 basis points.

Interest expense, net

Interest income was $0.6 million for the first quarter (13 weeks to May 1, 2010: $0.1 million). Very low interest rates meant that the increase in cash had little impact on interest income. Interest expense declined by $7.3 million to $1.5 million for the first quarter (13 weeks to May 1, 2010: $8.8 million), primarily reflecting the prepayment of the Private Placement Notes in Fiscal 2011 that incurred a blended fixed rate of interest of 8.11%.

Income before income taxes

Income before income taxes was $117.8 million for the first quarter (13 weeks to May 1, 2010: $74.1 million), up by $43.7 million, an increase of 59.0%.

Income taxes

Income tax expense for the first quarter was $42.4 million (13 weeks to May 1, 2010: $23.8 million), being an effective tax rate of 36.0% (13 weeks to May 1, 2010: 32.1%). The increase in the effective tax rate was due to a greater proportion of US income taxed at higher rates and the favorable resolution of non-recurring prior year tax issues in the first quarter of Fiscal 2011.

Net income

Net income was $75.4 million for the first quarter (13 weeks to May 1, 2010: $50.3 million), up by $25.1 million, an increase of 49.9%.

Earnings per share

Basic and diluted earnings per share were both $0.87 for the first quarter (13 weeks to May 1, 2010: $0.59 and $0.58 per share, respectively), an increase of 47.5% and 50.0%, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Highlights

Free cash flow[1] of $92.4 million at April 30, 2011;

Net cash[1] of $366.1 million at April 30, 2011 compared to net cash[1] of $170.8 million at May 1, 2010 and $271.1 million at January 29, 2011.

(1) See non-GAAP measures discussed herein.

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Set out in Table 5 is a summary of Signet s cash flows activity for the first quarters of Fiscal 2012 and Fiscal 2011.

Table 5

	13 weeks to April 30, 2011 $million	13 weeks to May 1, 2010 $million
Summary cash flow		
Net cash provided by operating activities	105.3	184.2
Net cash used in investing activities	(12.9)	(6.3)
Net cash used in financing activities	(0.2)	(48.0)
Increase in cash and cash equivalents	92.2	129.9
Cash and cash equivalents at beginning of period	302.1	316.2
Increase in cash and cash equivalents	92.2	129.9
Effect of exchange rate changes on cash and cash equivalents	(0.2)	1.0
Cash and cash equivalents at end of period	394.1	447.1

Operating activities

During the 13 weeks to April 30, 2011, net cash provided by operating activities was $105.3 million (13 weeks to May 1, 2010: $184.2 million). Net income increased by $25.1 million to $75.4 million, reflecting the improved operating performance of the business. Changes in operating assets and liabilities generated cash flow of $7.8 million (13 weeks to May 1, 2010: $102.2 million). The change in inventories reflected an increase in inventory levels to support sales growth and merchandising initiatives, and higher commodity costs. Accounts receivable decreased primarily reflecting seasonality partly offset by sales growth. Other movements in operating assets and liabilities included a seasonal decrease in accrued expenses and other liabilities and an increase in accounts payable primarily due to timing differences.

Investing activities

In the 13 weeks to April 30, 2011, net cash used in investing activities was $12.9 million (13 weeks to May 1, 2010: $6.3 million). Capital expenditures in the US division were $10.0 million (13 weeks to May 1, 2010: $5.3 million) and in the UK division were $2.9 million (13 weeks to May 1, 2010: $1.0 million), reflecting planned increases in line with Signet s Fiscal 2012 financial objectives.

Stores opened and closed in the 13 weeks to April 30, 2011, together with planned changes for the balance of Fiscal 2012 are set out below in Table 6.

Table 6

US Division

	Kay mall[1]	Kay off-mall	Regional brands	Jared[2]	Total	Annual net space change
January 29, 2011	780	128	229	180	1,317	(2)%
Opened	1	1			2	
Closed	(2)		(3)		(5)	
April 30, 2011	**779**	**129**	**226**	**180**	**1,314**	
Openings, planned	8	11		4	23	
Closures, forecast	(5)	(7)	(18)		(30)	

January 28, 2012	782	133	208	184	1,307	0%

(1) Includes stores in downtown locations.
(2) A Jared store is equivalent in size to about four mall stores.

UK Division

	H.Samuel	Ernest Jones[1]	Total	Annual net space change
January 29, 2011	338	202	540	(2)%
Opened				
Closed	(1)	(1)	(2)	
April 30, 2011	**337**	**201**	**538**	
Openings, planned	1	2	3	
Closures, forecast	(12)	(7)	(19)	
January 28, 2012	326	196	522	(3)%

(1) Includes stores selling under the Leslie Davis nameplate.

Free cash flow

In the 13 weeks to April 30, 2011, positive free cash flow was $92.4 million (13 weeks to May 1, 2010: $177.9 million); see non-GAAP measures discussed herein. The increase in net income adjusted for non-cash items was offset by a lower inflow from changes in operating assets and liabilities.

New credit facility

On May 24, 2011, Signet Jewelers Limited (the Company) and certain of its subsidiaries as Borrowers entered into a $400 million senior unsecured multi-currency five year revolving credit agreement (the Credit Agreement) with various financial institutions as the lenders (the Lenders), JPMorgan Chase Bank, N.A., as Administrative Agent, and Barclays Capital, as Syndication Agent, and JPMorgan Securities LLC and Barclays Capital as the joint lead arrangers. The Credit Agreement replaces the Company s existing credit facility, dated June 26, 2008, as amended and restated as of October 27, 2010, which was due to expire in June 2013 (the 2008 Facility); the 2008 Facility was terminated on May 24, 2011. The Company has guaranteed the obligations of the Borrowers under the Credit Agreement and is also directly bound by certain of the covenants contained in the Credit Agreement.

Under the Credit Agreement, the Borrowers are able to borrow from time to time in an aggregate amount up to $400 million, including issuing letters of credit in an aggregate amount at any time outstanding not to exceed $100 million. The Credit Agreement contains an expansion option that, with the consent of the Lenders or the addition of new lenders, and subject to certain conditions, availability under the Credit Agreement may be increased by an additional $200 million at the request of the Borrowers. The Credit Agreement has a five year term and matures in May 2016, at which time all amounts outstanding under the Credit Agreement will be due and payable.

Borrowings under the new Credit Agreement will bear interest, at the Borrowers option, at either a base rate (as defined in the Credit Agreement), or an adjusted LIBO rate (a Eurocurrency Borrowing), in each case plus an applicable margin rate based on the Company s Fixed Charge Coverage Ratio (as defined in the Credit Agreement). Interest is payable on the last day of each March, June, September and December, or at the end of each interest period for a Eurocurrency Borrowing, but not less often than every three months. Commitment fee rates range from 0.20% to 0.35% based on the Company s Fixed Charge Coverage Ratio and are payable quarterly in arrears and on the date of termination or expiration of commitments.

Borrowings under the Credit Agreement may be used for working capital and general corporate purposes. As of May 24, 2011, $5.5 million in outstanding letters of credit issued under the 2008 Facility continued in effect as letters of credit outstanding under the Credit Agreement. As a result of the early termination of the 2008 Facility, the Company will write-off $1.3 million of unamortized deferred financing fees from the 2008 Facility. There were no loans outstanding under the 2008 Facility on May 24, 2011.

The Credit Agreement limits the ability of the Company and certain of its subsidiaries to, among other things and subject to certain baskets and exceptions contained therein, incur debt, create liens on assets, make investments outside of the ordinary course, sell assets outside of the

ordinary course, enter into merger transactions and enter into unrelated businesses. The Credit Agreement permits the making of dividend payments and stock repurchases so long as the Company (i) is not in default under the Credit Agreement, or (ii) if in default at the time of making such dividend repayment or stock repurchase, has no loans outstanding under the Credit Agreement or more than $10 million in letters of credit issued under the Credit Agreement. The Credit Agreement also contains various customary representations and warranties, financial reporting requirements and other affirmative and negative covenants. The Credit Agreement requires that the Company maintain at all times a Leverage Ratio (as defined in the Credit Agreement) to be no greater than 2.50 to 1.00 and a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) to be no less than 1.40 to 1.00, both determined as of the end of each fiscal quarter of the Company for the trailing twelve months.

The commitments may be terminated and amounts outstanding under the Credit Agreement may be accelerated upon the occurrence of certain events of default as set forth in the Credit Agreement. These include failure to make principal or interest payments when due, certain insolvency or bankruptcy events affecting the Company or certain of its subsidiaries and breaches of covenants and

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representations or warranties.

This description of the Credit Agreement is qualified in its entirety by reference to the full text of the Credit Agreement, a copy of which is attached here to as Exhibit 10.1 and incorporated herein by reference.

Financing activities

During the 13 weeks to April 30, 2011, $4.0 million (13 weeks to May 1, 2010: $0.8 million) was received for the issuance of Common Shares pursuant to Signet s equity compensation programs.

Movement in cash and indebtedness

Debt at April 30, 2011 was $28.0 million (May 1, 2010: $276.3 million), with cash and cash equivalents of $394.1 million (May 1, 2010: $447.1 million). Net cash at April 30, 2011 was $366.1 million (May 1, 2010: $170.8 million); see non-GAAP measures discussed herein.

Signet has significant amounts of cash and cash equivalents invested in numerous AAA rated liquidity funds and at a number of financial institutions. The amount invested in each liquidity fund or at each financial institution takes into account the credit rating and size of the liquidity fund or financial institution and are for various durations of up to one month and have an average duration of under seven days.

At April 30, 2011, Signet maintained a $300 million revolving credit facility which was undrawn at April 30, 2011 and at May 1, 2010.

OBLIGATIONS AND COMMITMENTS

The Company s contractual obligations and commitments at April 30, 2011 and the effects such obligations and commitments are expected to have on the Company s liquidity and cash flows in future periods have not changed materially outside the ordinary course from those disclosed in Signet s Annual Report on Form 10-K for the year ended January 29, 2011, filed with the SEC on March 30, 2011.

SEASONALITY

Signet s sales are seasonal, with the first and second quarters each normally accounting for slightly more than 20% of annual sales, the third quarter a little under 20% and the fourth quarter for about 40% of sales, with December being by far the most important month of the year. Sales made in November and December are known as the Holiday Season . Due to sales leverage, Signet s operating income is even more seasonal, with nearly all of the UK division s, and about 50% of the US division s operating income normally occurring in the fourth quarter. Selling, general and administrative costs are spread more evenly over the fiscal year.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with US GAAP requires management to adopt accounting policies and make significant judgments and estimates to develop amounts reflected and disclosed in the financial statements. In many cases, there are alternative policies or estimation techniques that could be used. Management maintains a process to review the application of Signet s accounting policies and to evaluate the appropriateness of the many estimates that are required to prepare the financial statements of a multinational organization. However, even under optimal circumstances, estimates routinely require adjustment based on changing circumstances and the receipt of new or better information. There have been no material changes to the policies and estimates as discussed in Signet s Annual Report on Form 10-K for the year ended January 29, 2011, filed with the SEC on March 30, 2011.

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ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Signet is exposed to market risk from fluctuations in foreign currency exchange rates, interest rates and precious metal prices, which could affect its consolidated financial position, earnings and cash flows. Signet manages its exposure to market risk through its regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. Signet uses derivative financial instruments as risk management tools and not for trading purposes.

As certain of the UK division s purchases are denominated in US dollars and its net cash flows are in sterling, Signet s policy is to enter into foreign currency forward exchange contracts and foreign currency swaps to manage the exposure to the US dollar. Signet also hedges a significant portion of forecasted merchandise purchases using commodity forward contracts. These contracts are entered into with large, reputable financial institutions, thereby minimizing the credit exposure from our counter-parties.

Signet has significant amounts of cash and cash equivalents invested at several financial institutions. The amount invested at each financial institution takes into account the long-term credit rating and size of the financial institution. However, with the current financial environment and the possible instability of financial institutions, Signet cannot be assured that it will not experience any losses on these balances. The interest rates earned on cash and cash equivalents will fluctuate in line with short-term interest rates.

Signet s market risk profile as of April 30, 2011 has not materially changed since January 29, 2011. The market risk profile as of January 29, 2011 is disclosed in Signet s Fiscal 2011 Annual Report on Form 10-K, filed with the SEC on March 30, 2011.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended. Based on this review, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of April 30, 2011.

Changes in Internal Control over Financial Reporting

During the first quarter of Fiscal 2012, there were no changes in the Company s internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information regarding legal proceedings is incorporated by reference from Note 10 of the Financial Statements set forth in Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of Signet s Fiscal 2011 Annual Report on Form 10-K.

ITEM 5. OTHER INFORMATION

The information set forth under Part I, Item 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Liquidity and Capital Resources *New Credit Facility* is incorporated herein by reference in lieu of filing a Current Report on Form 8-K under Items 1.01, 1.02, 2.03 and 9.01.

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ITEM 6. EXHIBITS

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

Number	Description of Exhibits
10.1*	Credit Agreement dated as of May 24, 2011 among Signet Group Limited, Signet Group Treasury Services, Inc., Signet Jewelers Limited, the Additional Borrowers from time to time party hereto, the Lenders from time to time party hereto, JPMorgan Chase Bank, N.A., as Administrative Agent, Barclays Capital, the investment banking division of Barclays Bank PLC, as Syndication Agent, and Fifth Third Bank, PNC Bank, National Association, RBS Citizens, N.A. and Standard Chartered Bank as Co-Documentation Agents.
31.1*	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.
101**	The following materials from Signet Jewelers Limited s Quarterly Report on Form 10-Q for the quarter ended April 30, 2011, formatted in XBRL: (i) unaudited condensed consolidated income statements, (ii) unaudited condensed consolidated balance sheets, (iii) unaudited condensed consolidated statements of cash flows, (iv) unaudited condensed consolidated statement of shareholders equity (v) unaudited condensed consolidated statements of comprehensive income, and (vi) notes to the unaudited condensed consolidated financial statements.

* Filed herewith
** Furnished herewith

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SIGNET JEWELERS LIMITED
(Registrant)

By: /s/ RONALD RISTAU
Ronald Ristau

May 26, 2011

Chief Financial Officer

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