

SK TELECOM CO LTD
Form 20-F/A
July 25, 2005

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
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, 2004

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)

**11, EULJIRO2-GA
JUNG-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 Registered
AMERICAN DEPOSITARY SHARES, EACH REPRESENTING ONE-NINTH OF ONE SHARE OF COMMON STOCK COMMON STOCK, PAR VALUE WON 500 PER SHARE	NEW YORK STOCK EXCHANGE, INC. 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.

NONE

(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.

82,276,711 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.

Yes No

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

Item 17 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, 2004 in order to correct certain typographical errors contained in its annual report on Form 20-F filed on May 31, 2005 (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.

This report on Form 20-F/A shall be deemed to be incorporated by reference in the prospectuses included in Registration Statements on Form F-3 (File No. 333-126120) filed with the Securities and Exchange Commission and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

OVERVIEW OF THE COMPANY S WIRELESS NETWORK

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 had approximately 19.1 million subscribers as of April 30, 2005 and our share of the Korean wireless market was approximately 51.2%, based on the number of subscribers. We currently provide the following core services:

Cellular services we provide digital cellular services to our subscribers using CDMA (code division multiple access) technology, with our network covering approximately 99% of the Korean population;

Wireless Internet services we provide to subscribers of our wireless Internet services the ability to access the Internet over our networks using laptops, personal digital assistants and other devices; and

Internet content and Internet access under our NATE brand name, we allow our wireless subscribers to access various websites designed for cellular use, such as access to information and on-line banking services.

In addition, we provide various services outside of Korea, including in China, Mongolia, Vietnam and the United States.

We provide our core services through our CDMA networks and we currently have 2 x 25 MHz of spectrum (i.e., 25 MHz for transmissions from handsets to cell sites and 25 MHz for transmissions from cell sites to handsets) in the 800 MHz range. In October 2000, we became the world s first wireless operator to commercially launch CDMA 1xRTT technology, a CDMA-based advanced radio transmission technology for high-speed wireless data and wireless Internet services. This technology allows transmission of data at speeds of up to 144 Kbps, compared to the 64 Kbps possible over our original CDMA network. In addition to higher data transfer speeds, CDMA 1xRTT technology uses packet-based data transmission technology, which permits more efficient use of the existing wireless spectrum and packet-based pricing of data services.

Beginning in 2002, we launched an upgrade of our CDMA 1xRTT network to employ more advanced CDMA 1xEV/DO technology, and as of December 31, 2004, our upgrade has been completed in 84 cities in Korea. CDMA 1xEV/DO is a more advanced CDMA-based technology which enables data to be transmitted at speeds of up to 2.4 Mbps. This technology allows us to provide advanced wireless data services such as streaming video and audio services.

We are also in the process of installing our wide-band code division multiple access, or W-CDMA network. We were one of the two wireless telecommunications providers to receive a W-CDMA license from the MIC in 2001. W-CDMA, which is commonly referred to as 3G, is a digital cellular technology which uses a 2 × 20 MHz of radio frequency spectrum in the 2 GHz band. We expect that once fully implemented, this new network will allow our subscribers to access a wider range of services, including multimedia content and communications, as this technology enables data to be transmitted at significantly higher data transmission speeds than our principal data network. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build out our W-CDMA network in other metropolitan areas of Korea.

In March 2004, the MIC assigned us frequency for satellite digital multimedia broadcasting, or DMB, a service which allows broadcasting of multimedia content by satellite to various mobile devices including satellite DMB handsets. In October 2004, we granted the rights to our satellite, satellite orbit and frequency to TU Media Corp., one of our affiliates, which received a license from the MIC as a satellite DMB provider on December 30, 2004. On May 1, 2005, TU Media Corp. began to provide satellite DMB services.

We have also received a license from the MIC to provide wireless broadband, or WiBro services, which we believe will serve as a complementary solution to our existing networks and technologies. WiBro is a portable Internet which is expected to deliver broadband connections to users. Once implemented, WiBro will offer subscribers wireless Internet services at a competitive price in the metropolitan areas of Korea where there is a high demand for high-speed and large packet data services.

We established our telecommunications business in March 1984 under the name of Korea Mobile Telecommunications Services Co., Ltd., under the laws of Korea. We changed our name to Korea Mobile Telecommunications Co., Ltd. in 1988. We changed our name to SK Telecom Co., Ltd. effective March 21, 1997. Our registered office is at 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea and our telephone number is 82-2-6100-1563.

In this report, we refer to third generation or 3G mobile communications systems. Second generation systems or 2G systems were designed primarily with voice communications in mind. 3G systems are designed to facilitate voice, high speed data and multimedia service.

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 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, from April 1, 2000 onwards, all references to our number of subscribers shall include subscribers attributable to Shinsegi Telecomm, Inc.

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

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

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

Unless otherwise indicated, translations of Won amounts into Dollars in this report were made at the noon buying rate in The City of New York for cable transfers in Won per US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, the translations of Won into Dollars were made at the noon buying rate in effect on December 31, 2004, which was Won 1,035.1 to US\$1.00. On December 31, 2003, the noon buying rate was Won 1,192.0 to US\$1.00. On May 25, 2005, the noon buying rate was Won 1,000.0 to US\$1.00. See Item 3. Key Information Exchange Rates .

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 , considering , depends , estimate , expect , plan , planning , planned , project and similar expressions, or that certain events, actions or results will , may , should or could occur, be taken or be achieved.

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

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

our implementation of CDMA 1xEV/ DO technology and other technologies such as W-CDMA, which is commonly referred to as third generation, or 3G, wireless technology;

our plans to spend approximately Won 1.6 trillion for capital expenditures in 2005 for a range of projects, including expansion and improvement of our wireless networks, investments in our Internet-related businesses and expansion of our W-CDMA network and our expected future capital expenditures on various initiatives;

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

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

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

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

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the effect of the number portability system that allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number and the use of the common prefix identification system;

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

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

We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. Risks and uncertainties associated with our business, include but are not limited to, risks related to changes in the regulatory environment; technology changes; potential litigation and governmental actions; changes in the competitive environment; political changes; foreign exchange currency risks; foreign ownership limitations; credit risks and other risks and uncertainties that are more fully described under the heading **Key Information Risk Factors** beginning on page 12 of this report, and elsewhere in this report. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a corporation with limited liability organized under the laws of Korea. All of our directors and officers and certain other persons named in this annual report reside in Korea, and all or a significant portion of the assets of the directors and officers and certain other persons named in this annual report and substantially all of our assets are located in Korea. As a result, it may not be possible for you to effect service of process within the United States upon such persons or to enforce against them or against us in U.S. courts judgments predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of U.S. courts, of civil liabilities predicated on the U.S. federal securities laws.

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Not applicable.

Item. 2 Offer Statistics and Expected Timetable

Not applicable.

Item. 3 Key Information**SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA**

You should read the selected consolidated financial and operating data below in conjunction with the consolidated financial statements and the related notes included elsewhere in this report. The selected consolidated financial data for the five years ended December 31, 2004 are derived from our audited consolidated financial statements and related notes thereto. 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. Shinsegi was merged into SK Telecom in January 2002.

Our consolidated financial statements are prepared in accordance with Korean GAAP, which differ in certain respects from U.S. GAAP. For more detailed information you should refer to notes 30 and 31 of the notes to our audited consolidated financial statements included in this annual report.

	As of or for the Year Ended December 31,						
	2000	2001	2002	2003	2004	2004*	
	(In billions of Won and millions of Dollars, except per share and percentage data)						
INCOME STATEMENT DATA							
Korean GAAP:							
Total Operating Revenue ⁽¹⁾	(Won) 7,423.1	(Won) 8,371.9	(Won) 9,324.0	(Won) 10,272.1	(Won) 10,570.6	US\$	10,212.2
Cellular Service ⁽¹⁾	7,245.1	8,203.0	9,156.8	10,091.8	10,297.6		9,948.4
Paging Service ⁽²⁾	57.7	8.8					
Other ⁽³⁾	120.3	160.1	167.2	180.3	273.0		263.8
Operating Expenses	5,927.6	6,047.4	6,526.4	7,167.0	8,130.9		7,855.2
Operating Income	1,495.5	2,324.5	2,797.6	3,105.1	2,439.7		2,357.0

Income before Income Taxes and Minority Interest	1,287.8	1,976.7	2,218.8	2,754.3	2,123.2	2,051.2
Income before Minority Interest	920.5	1,126.4	1,520.3	1,965.3	1,493.4	1,442.8
Net Income	972.3	1,146.0	1,487.2	1,966.1	1,491.5	1,440.9
Income per Share of Common Stock ⁽⁴⁾	11,146	13,242	17,647	26,187	20,261	19.57
Diluted Net Income per Share of Common Stock ⁽⁴⁾	11,146	13,242	17,647	26,187	20,095	19.41
Dividends per Share of Common Stock ⁽⁵⁾	540	690	1,800	5,500	10,300	9.95
Weighted Average Number of Shares	87,226,559	86,545,041	84,270,450	75,078,219	73,614,297	73,614,297
U.S. GAAP: Net Income Income per Share of Common Stock ⁽⁴⁾	(Won) 895.4	(Won) 1,111.6	(Won) 1,301.1	(Won) 2,062.7	(Won) 1,553.1	US\$ 1,500.4
Diluted Net Income per Share of Common Stock ⁽⁴⁾	10,265	12,844	15,440	27,475	21,097	20.38
Diluted Net Income per Share of Common Stock ⁽⁴⁾	10,265	12,844	15,439	27,475	20,921	20.21
Dividends per Share of Common Stock ⁽⁵⁾	540	690	1,800	5,500	10,300	9.95
Weighted Average Number of Shares	87,226,559	86,545,041	84,270,450	75,078,219	73,614,297	73,614,297

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	As of or for the Year Ended December 31,						
	2000	2001	2002	2003	2004	2004*	
	(In billions of Won and millions of Dollars, except per share and percentage data)						
BALANCE SHEET DATA							
Korean GAAP:							
Working Capital (Deficiency) ⁽⁶⁾	(Won) (374.6)	(Won) 668.2	(Won) (189.7)	(Won) (461.4)	(Won) 1,323.8	US\$ 1,278.9	
Fixed Assets Net	4,543.2	4,174.7	4,569.4	4,641.5	4,703.9	4,544.4	
Total Assets	11,044.2	13,326.3	14,228.7	13,818.2	14,283.4	13,799.1	
Long-term Liabilities ⁽⁷⁾	1,727.2	3,498.4	3,693.4	3,193.5	4,010.7	3,874.7	
Total Shareholders Equity	6,142.7	6,149.3	6,231.9	6,093.8	7,205.7	6,961.4	
U.S. GAAP:							
Working Capital (Deficiency)	(332.5)	729.6	(108.2)	(445.5)	1,311.3	1,266.8	
Total Assets	11,182.8	13,841.0	15,720.7	15,586.2	15,576.8	15,048.6	
Total Shareholders Equity	6,117.9	5,820.1	6,356.2	7,014.7	8,237.0	7,957.7	
OTHER FINANCIAL DATA							
Korean GAAP:							
EBITDA ⁽⁸⁾	(Won) 2,941.7	(Won) 3,932.4	(Won) 3,954.1	(Won) 4,706.4	(Won) 4,085.8	US\$ 3,947.3	
Capital Expenditures ⁽⁹⁾	2,241.1	1,382.1	2,024.7	1,647.6	1,704.3	1,646.5	
R&D Expenses ⁽¹⁰⁾	117.1	153.7	253.3	300.7	336.1	324.7	
Internal R&D	78.8	130.7	194.3	235.8	267.1	258.0	
External R&D	38.3	23.0	59.0	64.9	69.0	66.7	
Depreciation and Amortization	1,456.4	1,759.6	1,543.3	1,646.3	1,741.6	1,682.5	
Cash Flow from Operating Activities	3,043.5	2,423.9	4,267.8	3,328.8	2,516.1	2,430.8	
Cash Flow from Investing Activities	(4,667.8)	(1,972.8)	(3,063.4)	(1,414.4)	(1,469.5)	(1,419.7)	

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Cash Flow from Financing Activities	1,629.3	331.2	(1,418.2)	(2,261.0)	(968.6)	(935.8)
Margins (% of total sales):						
EBITDA Margin ⁽⁸⁾	39.6%	47.0%	42.4%	45.8%	38.7%	38.7%
Operating Margin	20.1	27.8	30.0	30.2	23.1	23.1
Net Margin	13.1	13.7	15.9	19.1	14.1	14.1
U.S. GAAP:						
EBITDA ⁽⁸⁾	2,930.5	3,859.1	3,620.7	4,679.1	3,970.4	3,835.8
Capital Expenditures ⁽⁹⁾	2,241.1	1,382.1	2,024.7	1,647.6	1,704.3	1,646.5
Cash Flow from Operating Activities	3,043.5	2,423.8	3,708.9	3,281.3	2,985.9	2,884.7
Cash Flow from Investing Activities	(4,667.8)	(1,972.8)	(2,995.2)	(1,422.5)	(1,393.2)	(1,346.0)
Cash Flow from Financing Activities	1,629.3	331.2	(927.5)	(2,205.5)	(1,514.8)	(1,463.4)

As of or for the Year Ended December 31,

2000 2001 2002 2003 2004

SELECTED OPERATING DATA

Population of Korea (millions) ⁽¹¹⁾		47.0		47.4		47.6		47.9		48.2
Our Wireless Penetration ⁽¹²⁾		30.7%		32.0%		36.1%		38.2%		39.0%
Number of Employees ⁽¹³⁾		7,279		5,693		6,241		6,286		7,353
Total Sales per Employee (millions)	(Won)	1,019.8	(Won)	1,470.6	(Won)	1,494.0	(Won)	1,634.1	(Won)	1,437.6
Wireless Subscribers ⁽¹⁴⁾		14,452,683		15,179,163		17,219,562		18,313,315		18,783,338
Average Monthly Outgoing Voice Minutes per Subscriber ⁽¹⁵⁾		148		172		191		197		194
Average Monthly Revenue per Subscriber ⁽¹⁶⁾	(Won)	32,906	(Won)	36,400	(Won)	38,383	(Won)	39,739	(Won)	39,689

Average Monthly Churn Rate ⁽¹⁷⁾	2.8%	1.4%	1.4%	1.2%	1.7%
Digital Cell Sites ⁽¹⁸⁾	7,008	6,056	7,384	8,309	9,458

* The conversion into Dollars was made at the rate of Won 1,035.1 to US\$1.00. See note 2(a) of the notes to our consolidated financial statements.

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- (1) Includes Won 494.0 billion for 2000, Won 702.4 billion for 2001, Won 534.0 billion for 2002, Won 612.0 billion for 2003 and Won 649.8 billion for 2004 from the sale of digital handsets by our subsidiary, SK Teletech Co., Ltd., and Won 1,312.4 billion for 2000, Won 1,339.9 billion for 2001, Won 1,043.2 billion for 2002, Won 1,017.1 billion for 2003 and Won 849.4 billion for 2004 of interconnection revenue (including interconnection revenue in respect of calls between mobile users starting in 2000). Shinsegi was merged into us on January 13, 2002. See Business 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. Consequently, the results of the paging business are no longer included in our revenues after such date.
- (3) For more information about our other revenue, see Operating and Financial Review and Prospects and Business .
- (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 of common stock has been adjusted to give effect to the 10-for-1 stock split of our common shares of common stock which became effective on April 21, 2000. On January 1, 2002, we 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 similar to U.S. GAAP. In order to reflect this accounting change, our prior year's financial statements have been restated accordingly. See note 2(w) of the notes to our consolidated financial statements.
- (6) Working capital means current assets minus current liabilities.
- (7) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rate of Won 1,260 to US\$1.00 as of December 31, 2000, Won 1,326 to US\$1.00 as of December 31, 2001, Won 1,200 to US\$1.00 as of December 31, 2002, Won 1,198 to US\$1.00 as of December 31, 2003 and Won 1,044 to US\$1.00 as of December 31, 2004, the rates of exchange permitted under Korean GAAP as of those dates. See note 2(s) of the notes to our consolidated financial statements.
- (8) 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. We use EBITDA as a measurement of operating performance because it assists us in comparing our performance on a consistent basis as it removes from our operating results the impact of our capital structure, which includes interest expense from our outstanding debt, and our asset base, which includes depreciation and amortization of our property and equipment. However, EBITDA should not be construed as an alternative to operating income or any other measure of performance determined in accordance with Korean GAAP or U.S. GAAP or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities. Other companies may define EBITDA differently than we do. EBITDA under U.S. GAAP

is computed using interest income, interest expense, depreciation, amortization and income taxes under U.S. GAAP which may differ from Korean GAAP for these items.

- (9) Consists of investments in property, plant and equipment.
- (10) Includes donations to Korean research institutes and educational organizations. See Operating and Financial Review and Prospects Research and Development .
- (11) Population estimates based on historical data published by the National Statistical Office of Korea.
- (12) Wireless penetration is determined by dividing subscribers by total estimated population, as of the end of the period.
- (13) Includes regular employees and temporary employees. See Employees . Includes 1,687 and 1,332 Shinsegi employees as of December 31, 2000 and 2001, respectively.
- (14) Wireless subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history. 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.
- (15) 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.
- (16) 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, Won 44,546 for 2003 and Won 43,542 for 2004. 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 .
- (17) 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.
- (18) Includes 2,532 cell sites of Shinsegi as of December 31, 2000 and 1,685 cell sites as of December 31, 2001.
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, 2000, 2001, 2002, 2003 and 2004.

Table of Contents**RECONCILIATION OF NET INCOME TO EBITDA UNDER U.S. GAAP**

	As of or for the Year Ended December 31,					
	2000	2001	2002	2003	2004	2004*
	(In billions of Won and millions of Dollars)					
Net Income	(Won) 895.4	(Won) 1,111.6	(Won) 1,301.1	(Won) 2,062.7	(Won) 1,553.1	US\$ 1,500.4
ADD: Interest income	(67.6)	(101.8)	(90.8)	(93.9)	(86.7)	(83.8)
Interest expense	215.1	274.4	396.6	387.1	291.0	281.2
Taxes	408.5	791.3	585.0	811.5	611.1	590.4
Depreciation and Amortization	1,479.1	1,783.6	1,428.8	1,511.7	1,601.9	1,547.6
EBITDA	(Won) 2,930.5	(Won) 3,859.1	(Won) 3,620.7	(Won) 4,679.1	(Won) 3,970.4	US\$ 3,835.8

* The conversion into Dollars was made at the rate of Won 1,035.1 to US\$1.00. See note 2(a) of the notes to our consolidated financial statements.

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, 2000, 2001, 2002, 2003 and 2004.

RECONCILIATION OF NET INCOME TO EBITDA UNDER KOREAN GAAP

	As of or for the Year Ended December 31,					
	2000	2001	2002	2003	2004	2004*
	(In billions of Won and millions of Dollars)					
Net Income	(Won) 972.3	(Won) 1,146.0	(Won) 1,487.2	(Won) 1,966.1	(Won) 1,491.5	US\$ 1,440.9
ADD: Interest income	(67.6)	(97.4)	(86.0)	(86.5)	(80.5)	(77.7)
Interest expense	213.3	273.9	311.1	391.5	303.4	293.1
Taxes	367.3	850.3	698.5	789.0	629.8	608.5
Depreciation and Amortization	1,456.4	1,759.6	1,543.3	1,646.3	1,741.6	1,682.5
EBITDA	(Won) 2,941.7	(Won) 3,932.4	(Won) 3,954.1	(Won) 4,706.4	(Won) 4,085.8	US\$ 3,947.3

* The conversion into Dollars was made at the rate of Won 1,035.1 to US\$1.00. See note 2(a) of the notes to our consolidated financial statements.

Table of Contents**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) (Won per US\$1.00)	High	Low
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
2003	1,192	1,193	1,262	1,146
2004	1,035	1,145	1,195	1,035
Past Six Months			High	Low
			(Won per US\$1.00)	
November 2004			1,119	1,046
December 2004			1,067	1,035
January 2005			1,058	1,024
February 2005			1,044	1,001
March 2005			1,024	998
April 2005			1,019	997
through May 25, 2005			1,009	997

(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).

On May 25, 2005, the noon buying rate was Won 1,000 to US\$1.00.

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RISK FACTORS

An investment in our American Depositary Shares, or ADSs, and our debt securities 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 consolidation of market leaders and the development of new technologies, products and services. We expect that such trends will continue to put downward pressure on the prevailing tariffs we can charge our subscribers. Also, 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 need to 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 48.9%, in terms of numbers of wireless service subscribers, as of April 30, 2005. Furthermore, in 2001, the Government awarded to three companies licenses to provide high-speed third generation, or 3G, wireless telecommunications services. One of these licenses was awarded to SK Telecom's former subsidiary, SK IMT Co., Ltd., which was merged into SK Telecom on May 1, 2003, and the other two licenses were awarded to consortia led by or associated with KT Corporation, Korea's principal fixed-line operator and the parent of KTF, one of our principal wireless competitors, and to LGT. 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 47.9% interest in Hansol M.Com (formerly 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 KTF in May 2001. In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. KT Corporation had a 48.7% interest in KTF as of December 31, 2004. It is widely believed that KT Corporation is likely to operate more efficiently and be managed more effectively and profitably following its privatization. Such consolidation has created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings. Future business combinations and alliances in the telecommunications industry may also create significant new competitors and could harm our business and results of operations.

We expect competition to intensify as a result of such consolidation and as a result of 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.

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

The telecommunications industry has been characterized by continuous improvement and advances in technology and this trend is expected to continue. For example, we and our competitors have introduced new network technology upgrades from our basic CDMA network to a more advanced high-speed wireless telecommunications network based on CDMA 1xRTT and CDMA 1xEV/DO technology. Recently, Korean wireless telecommunications companies, including us, have begun to implement even newer technologies such as W-CDMA and CDMA2000, both of which are commonly referred to as 3G technology. W-CDMA service is also known as IMT-2000 service in Korea. Such new networks are expected to support data transmission services with more advanced features and significantly higher data transmission speeds than our principal data network. We commenced provision of our W-CDMA services on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA network in other metropolitan areas of Korea. 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 our 3G network or our other businesses. In addition, although it is in its very nascent stages, it is our understanding that many industry participants, both in Korea and elsewhere, including us, are developing what is known as 4G technologies, which when developed, is intended to provide even greater speeds and capacity than that offered by the current 3G technologies. We could be harmed if we fail to adapt to technological or other changes in the telecommunications sector in a timely manner. For a description of some of the difficulties that we are facing with respect to W-CDMA, see 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 .

In March 2005, we obtained a license from the MIC to provide WiBro services, which will offer high-speed and large packet data services at a competitive price and serve as a complementary solution to the existing mobile communication services such as W-CDMA. We currently plan to invest approximately Won 800 billion to provide WiBro services; however, our investment plans may change depending on the market demand for such services, competitors offering similar services and development of competing technologies. We cannot assure you, however, that there will be sufficient demand for our WiBro services as a result of competition or otherwise.

W-CDMA technology may require significant capital and other expenditures for implementation which we may not recoup and such technology may be difficult to integrate with our existing technology and business.

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 or our CDMA 1xEV/DO network. Under the terms of our W-CDMA license received in 2001 from the MIC, we were required to commence provision of W-CDMA services by the end of 2003. We commenced our W-CDMA based services on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build out our W-CDMA network in other metropolitan areas of Korea. Although we developed and launched in March 2005 dual band/dual mode handsets, one of the prerequisites for a nationwide deployment of W-CDMA, the actual scope and timing of the full nationwide roll-out of our W-CDMA network will depend on various other factors, including the availability of network equipment, ability to overcome technical problems currently affecting W-CDMA performance, 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 nationwide W-CDMA network or provide W-CDMA services in a timely, effective and cost-efficient manner. Several companies in other countries have announced delays in the roll-out of their 3G services as a result of technological problems and difficulties with software, equipment and

handset supply. We believe that we may be vulnerable to similar problems, and if such problems are not resolved effectively as they arise, 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. We believe that we are currently in compliance with all material terms of the license. Also, even if we complete our W-CDMA network in a timely basis, 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 the build-out of our W-CDMA network may require external financing, and we cannot assure you that such financing will be available at a cost acceptable to us, or at all. Also, 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 existing networks.

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

As a part of our growth strategy, we plan to seek business opportunities abroad. For example, we recently entered into a joint venture project with China Unicom in February 2005 to market and offer wireless Internet service in China and have established a joint venture with EarthLink in the United States, to provide voice and data services as a mobile virtual network operator in the United States. We also have ongoing projects in Vietnam and Mongolia and will continue to seek other opportunities to expand our business abroad as circumstances present themselves. Entering these new businesses and regions, in which we have limited experience, 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 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, 2005 was approximately 77.1%, which is high compared to many industrialized countries. It is unlikely that the penetration rates for wireless telecommunications service will grow at the same pace as it has in the past given such high penetration rates. Slowed growth in penetration rates without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition and results of operations.

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, subject to certain exceptions stipulated in the Telecommunications Business Act, from providing any such handset subsidies beginning June 1, 2000. The MIC has, on several occasions between March 2002 and May 2005, imposed various types of sanctions and fines against us and the other wireless service providers for violating restrictions on providing handset subsidies and other activities which were deemed to be disruptive to fair competition. We paid the fines and believe that we have complied in all material respects with the other sanctions imposed by the MIC. For details on these and other government penalties, see [Legal Proceedings](#).

On May 25, 2004, a policy advisory committee to the MIC announced the results of its review of the merger conditions related to our acquisition of Shinsegi in January 2002 and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we had violated a merger condition by providing subsidies to handset buyers. On the same day, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. On June 7, 2004, the MIC imposed a Won 11.9 billion fine on us and extended the post-merger monitoring period until January 2007 in accordance with the policy advisory committee's recommendation. On the same day, the MIC also issued a suspension that prohibited us from acquiring new subscribers for a period of 40 days beginning August 20, 2004. The MIC also issued suspensions to three other telecommunications companies that prohibited them from acquiring new subscribers for periods ranging from 20 to 30 days. KTF was issued a 30-day suspension beginning July 21, 2004; LGT was issued a 30-day suspension beginning on June 21, 2004; and KT Corporation was issued a 20-day suspension beginning July 21, 2004. These suspensions resulted from MIC's determination that we violated the ban on providing subsidies to handset purchasers. During the suspensions, each company was able to continue regular business activities, including replacement of handsets, changes in user names, changes in mobile phone numbers and changes in tariff plans applicable to the existing subscribers. Because of the length and timing of our suspension relative to our competitors,

we believe the suspension had a negative impact on the number of new subscribers to our services in August and September of 2004.

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 to comply with such regulation, we expect our subscriber growth rate to decrease, which could adversely affect our results of operations.

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Our business and results of operations may be adversely affected if we fail to acquire adequate additional 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. We have been allocated 2 x 25 MHz of spectrum in the 800 MHz band. As a result of bandwidth constraints, our CDMA 1xRTT network is currently operating near its capacity in the Seoul metropolitan area and although capacity constraints are not as severe on our CDMA 1xEV/DO network, this network generally operates at high utilization rates. While we believe that we can address this through system upgrades and efficient allocation of bandwidth, inability to address such capacity constraints in a timely manner may adversely affect our business and results of operations.

The growth of our wireless data businesses has increased our utilization of our bandwidth, since wireless data applications are generally more bandwidth-intensive than voice services. This trend has been offset in part by the implementation of our CDMA 1xRTT network and CDMA 1xEV/DO network, which use bandwidth more efficiently for voice and data traffic than our CDMA networks. If the current trend of increased data transmission use by our subscribers continues, our bandwidth capacity requirements are likely to increase. Growth of our wireless business will depend in part upon our ability to manage effectively our bandwidth capacity and to implement timely and efficiently new bandwidth-efficient technologies if they become available. We cannot assure you that bandwidth constraints will not adversely affect the growth of our wireless business.

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

As a network-based wireless telecommunications provider, we have had in the past and expect to continue to have significant capital expenditure requirements, as we continue to build-out and maintain our networks. We estimate that we will spend approximately Won 1.6 trillion for capital expenditures in 2005 for a range of projects, including expansion and improvement of our wireless networks, investments in our Internet-related businesses and expansion of our W-CDMA network. We currently plan to invest Won 600 billion on expansion of our W-CDMA network in 2005. For a more detailed discussion of our capital expenditure plans and a discussion of other factors which may affect our future capital expenditures, see Operating and Financial Review and Prospects Liquidity and Capital Resources . At December 31, 2004, we had approximately Won 500.0 billion in contractual payment obligations due in 2005 of which almost all involve repayment of debt obligations. See Operating and Financial Review and Prospects Contractual Obligation & Commitments .

We have not arranged firm financing for all of our current or future capital expenditure plans and contractual payment obligations. We have in the past obtained funds for our proposed capital expenditure and payment obligations from various sources, including our cash flow from operations as well as from financings, primarily debt and equity financings. Although we believe that we have sufficient capital resources from operations and financings to meet our capital expenditure requirements and debt payment obligations in the near term, inability to fund such capital expenditure requirements may have a material adverse effect on our financial condition, results of operations and business. In addition, although we currently anticipate that the capital expenditure levels estimated by us will be adequate to meet our business needs, such estimates may need to be adjusted based on developments in technology and markets. No assurance can be given that we will be able to meet any such increased expenditure requirements or obtain adequate financing for such requirements, on terms acceptable to us, or at all.

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Termination or impairment of our relationship with a small number of key suppliers for network equipment and for lease lines 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. and LG Electronics Inc. To date, we have purchased substantially all of the equipment for our CDMA 1xRTT and CDMA 1xEV/DO networks from Samsung Electronics. Samsung Electronics also currently manufactures more than 40% 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 and CDMA 1xEV/DO networks. With respect to the introduction of 3G services, various wireless telecommunications service providers globally have had difficulty in obtaining adequate quantities of various types of 3G equipment, including handsets, from suppliers. Inability to obtain the needed equipment for our networks in a timely manner may have an adverse effect on our business, financial condition and results of operations.

In addition, we rely on KT Corporation and SK Networks to provide a substantial majority of our leased lines used for our wireless services. In 2004, KT Corporation and SK Networks provided approximately 21% and 65%, respectively, 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. Inability to lease adequate lines, at commercially reasonable rates may impact the quality of the services we offer and may result in damaging our reputation and our business.

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.

All of our businesses are subject to extensive government supervision and regulation. 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 plans 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. After discussions with the MIC, in October 2003, we reduced our monthly charges for caller ID service from Won 2,000 to Won 1,000. In addition, after discussions with the MIC, effective September 1, 2004, we reduced our monthly basic charge by 7.1% from Won 14,000 to Won 13,000.

The Korean 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 telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Charges for interconnection affect our revenues and operating results. The MIC determines the basic framework for interconnection arrangements, including interconnection policies relating to interconnection rates 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. See Information on the Company Interconnection Domestic Calls .

In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. In accordance with the plan published by the MIC, the number portability system was adopted by SK Telecom first, starting from January 1, 2004. KTF and LGT were required to introduce number portability starting from July 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 has required all new subscribers to be given numbers with the 010 prefix starting January 2004, and it has been gradually retracting the mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services.

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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 the 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 of marketing as a result of maintaining the number portability system, increased subscriber deactivations, increased churn rate and higher marketing costs, all of which had, and may continue to have, an adverse effect on our results of operations. See *Operating and Financial Review and Prospects*. See *Information on the Company Law and Regulation Number Portability*.

In December 2002, the MIC implemented a wireless Internet 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. In December 2002, KT Corporation connected to our IWF but has not yet commenced service. In July 2003, the MIC approved the basic terms regarding the implementation of a network co-system. In January 2004, we entered into a memorandum of understanding with Onse to establish a co-share system, under which we plan on launching these services in June 2005. Currently, our subscribers can access portals provided by outside parties. In addition, the MIC has requested that a third party oversee wireless operators customer billing procedures with respect to third-party content providers who are seeking to provide their content directly to subscribers without going through an individual operator's portal, as third-party content providers have experienced difficulties in the past in providing their content service directly to 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 wireless portal.

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. We are currently designated by the MIC as a market dominant service provider in respect of our wireless telecommunications business. As such, we are subject to additional regulation to which our competitors are not subject. For example, under current government regulations, we must obtain prior approval from the MIC to change our existing rates or introduce new rates while our competitors may generally change their rates or introduce new rates at their discretion. See *Information on the Company Law and Regulation Rate Regulation*. As of April 30, 2005, our standard peak usage charge rate was approximately 11.1% 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 were required to introduce number portability earlier than our competitors, KTF and LGT.

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In addition, when the MIC approved the merger of Shinsegi into us in January 2002, the MIC imposed certain conditions on us. The MIC periodically reviews our compliance with the conditions related to our merger with Shinsegi. On May 25, 2004, a policy advisory committee to the MIC announced the results of its review and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we have violated the conditions related to our merger with Shinsegi by providing subsidies to handset buyers. In June 2004, the MIC imposed a Won 11.9 billion fine on us and extended the post-merger monitoring period until January 2007 pursuant to the policy advisory committee's recommendation. On May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. We can give no assurance that the MIC will not take action that may have a material adverse effect on our business, operations and financial condition. See **Risk Factors** Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition .

In addition, we qualify as a market-dominating business entity under the Fair Trade Act. The Fair Trade Commission of Korea, or the FTC, approved our acquisition of Shinsegi on various conditions, one of which was 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. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001. We are not currently subject to any market share limitations; however, on May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. We can give no assurances that the Government will not impose restrictions on our market share in the future or that we will not undertake to voluntarily restrict our market share in the future. If we are subject to market share limitations in the future, our ability to compete effectively will be impeded. 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. The limitation on the number of handsets we may purchase annually from SK Teletech does not apply to W-CDMA handsets.

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.

Financial difficulties and charges of financial statement irregularities at our affiliate, SK Networks (formerly SK Global), may cause disruptions in our business.

Charges of financial statement irregularities by certain directors and executives at SK Networks have culminated in the resignation of four of our board members and executives, although none of these resignations were related to any allegations of wrongdoing in connection with their role in our business. SK Telecom was not implicated in any of the charges against SK Networks' management. Furthermore, continuing financial difficulties at SK Networks could result in our having to look for alternative sources for handset distribution and fixed network line needs. In February 2004, Mr. Kil Seung Son and Mr. Tae Won Chey, who both received prison terms of three years in the court of first instance and appealed to the Seoul High Court in connection with allegations of financial misconduct at SK Networks, resigned from our board of directors, along with Mr. Moon Soo Pyo, our president and Mr. Jae Won Chey, our executive vice president. See **Directors, Senior Management and Employees** Certain Legal Proceedings .

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The financial future of SK Networks remains uncertain. In March 2003, the principal creditor banks of SK Networks commenced corporate restructuring procedures against SK Networks after the company announced that its financial statements understated its total debt by Won 1.1 trillion and overstated its profits by Won 1.5 trillion. These banks agreed to a temporary rollover of approximately Won 6.6 trillion of SK Networks' debt until June 18, 2003 and subsequently decided to put SK Networks into corporate restructuring. In October 2003, SK Networks' foreign and domestic creditors agreed to a restructuring plan which, among other things, allowed the foreign creditors to have their debts repaid at a buyout rate of 43% of the face value of the outstanding debt owed to them. In November 2003, SK Networks underwent a capital reduction and sold approximately Won 1 trillion of its assets as part of its restructuring plan, and SK Corporation approved a Won 850 billion debt-for-equity swap. SK Networks is still under the joint management of its domestic creditors in accordance with its business normalization plan.

SK Networks is the exclusive distributor of all of the handsets sold by our subsidiary, SK Teletech, to our nationwide network of dealers. SK Networks 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 Networks from the beginning of April 2003 for two to three weeks because of the credit risk of SK Networks. 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 Networks, in the event SK Networks 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.

In addition, in 2004, we leased approximately 65% of our fixed network lines, which connect our various cell sites and switching stations, from SK Networks. If there is a material disruption of SK Networks' ability to maintain and operate this business due to its financial difficulties, we may need to seek alternative sources. Although we do not believe that this will have a materially adverse effect on our business, 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 our business and we could be subject to litigation relating to these health concerns.

In the past, allegations that serious health risks may result from the use of wireless telecommunications devices or other transmission equipment have adversely affected share prices of some wireless telecommunications companies in the United States. We cannot assure you that these health concerns will not adversely affect our business. Several class action and personal injury lawsuits have been filed in the United States against several wireless phone manufacturers and carriers, asserting product liability, breach of warranty and other claims relating to radio transmissions to and from wireless phones. Certain of these lawsuits have been dismissed. We could be subject to liability or incur significant costs defending lawsuits brought by our subscribers or other parties who claim to have been harmed by or as a result of our services. In addition, the actual or perceived risk of wireless telecommunications devices could have an adverse effect on 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, which could have an adverse effect on our business.

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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 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 had lowered the outlook on the long-term ratings of Korea from positive to negative in February 2003 before raising it to stable in June 2004 in response to a series of six party talks involving Korea, the United States, North Korea, China, Japan and Russia that suggested lessened tension over the nuclear weapons program of North Korea.

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, 2002, 2003 and 2004 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 related to terrorist attacks in the United States that took place on September 11, 2001, recent developments in the Middle East, including the war in Iraq, higher oil prices and the general weakness of the global economy have increased the uncertainty of world economic prospects in general and continue to have an adverse effect on the Korean economy. Any future deterioration of the Korean economy would adversely affect our financial condition and results of operations. Developments that could hurt Korea's economy in the future include:

financial problems relating to Korean conglomerates, or *chaebols*, or their suppliers, and their potential adverse impact on Korea's financial sector, including as a result of recent investigations relating to unlawful political contributions by chaebols;

failure of restructuring of large troubled companies, including LG Card and other troubled credit card companies and financial institutions;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including depreciation of the Dollar or Yen), interest rates and stock markets;

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

adverse developments in the economies of countries such as the United States, China and Japan to which Korea exports, or in emerging market economies in Asia or elsewhere that could result in a loss of confidence in the Korean economy;

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

social and labor unrest or declining consumer confidence or spending resulting from lay-offs, increasing unemployment and lower levels of income;

another widespread outbreak of severe acute respiratory syndrome, or SARS, or any similar contagion, in Asia and other parts of the world;

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

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

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.

Any developments that could adversely affect Korea's economic recovery will likely also decrease demand for our services and adversely affect our financial condition and 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 18.7% of our total consolidated long-term debt, including current portion, as of December 31, 2004; and

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

Fluctuations in the exchange rate between the Won and the Dollar will affect the Dollar equivalent of the Won price of the shares of our common stock on the KRX Stock Market. These fluctuations also will affect the amounts a registered holder or beneficial owner of ADSs will receive from the ADR depository in respect of:

dividends, which will be paid in Won to the ADR depository and converted by the ADR depository 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.

For historical exchange rate information, see [Key Information](#) [Exchange Rate](#) .

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 over most of Korea's history. The level of tension between Korea and North Korea has fluctuated and may increase or change abruptly as a result of current and future events, including ongoing contacts at the highest levels of the governments of Korea and North Korea and increasing hostility between North Korea and the United States. In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant and evicted inspectors from the United Nations International Atomic Energy Agency, and has reportedly resumed activity at its Yongbyon power plant. In January 2003, North Korea announced its intention to withdraw from the Nuclear Non-Proliferation Treaty, demanding that the United States sign a non-aggression pact as a condition to North Korea dismantling its nuclear program. In August 2003, representatives of Korea, the United States, North Korea, China, Japan and Russia held multilateral talks in an effort to resolve issues relating to the nuclear weapons program of North Korea. While the talks concluded without resolution, participants in the August meeting indicated that further negotiations may take place in the future and, in February 2004, six party talks resumed in Beijing, China. Since the last six party talks in June 2004, however, the talks involving the six countries aimed at dismantling the North Korea's nuclear programs

have been stalled. In February 2005, North Korea claimed that it had nuclear weapons and was pulling

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out of the six party talks. Any further increase in tensions, resulting for example from a break-down in contacts, test of long-range nuclear missiles coupled with continuing nuclear programs by North Korea or an outbreak in military hostilities, could hurt our business, results of operations and financial condition and could lead to a decline in the market value of our common stock and the ADSs.

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

There is currently a 49% limit on the aggregate foreign ownership of our issued shares. Under a newly adopted amendment to the Telecommunications Business Law, which became effective on May 9, 2004, a Korean entity, such as SK Corporation, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the issued voting stock of the Korean entity. As of December 31, 2004, SK Corporation owned 17,663,127 shares of our common stock, or approximately 21.47%, of our issued shares. If SK Corporation were considered a foreign shareholder of SK Telecom, then its shareholding in SK Telecom would be included in the calculation of the aggregate foreign shareholding of SK Telecom and the aggregate foreign shareholding in SK Telecom (based on our foreign ownership level as of December 31, 2004, which we believe was 48.33%) would exceed the 49% ceiling on foreign shareholding. As of December 31, 2004, a foreign investment fund and its related parties collectively held a 14.85% stake in SK Corporation. We could breach the foreign ownership limitations if the number of shares of our common stock or ADSs owned by other foreign persons significantly increases.

If the aggregate foreign shareholding limit in SK Telecom is exceeded, the MIC may issue a corrective order to SK Telecom, the breaching shareholder (including SK Corporation if the breach is caused by an increase in foreign ownership of SK Corporation) and the foreign investment fund and its related parties who own in the aggregate 15% or more of SK Corporation. Furthermore, if SK Corporation is considered a foreign shareholder, it may not exercise its voting rights with respect to the shares held in excess of the 49% ceiling, which may result in a change in control of us. In addition, the 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%. If a corrective order is issued to us by the MIC arising from the violation of the foregoing foreign ownership limit, and we do not comply within the prescribed period under such corrective order, the MIC may (1) suspend all or part of our business, or (2) if the suspension of business is deemed to result in significant inconvenience to our customers or be detrimental to the public interest, impose a one-time administrative penalty of up to 3% of our sales revenues. The amendment to the Telecommunications Business Law in May 2004 also authorizes the MIC to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year and a penalty of Won 50 million. For a description of further actions that the MIC could take, see Information on the Company Law and Regulation Foreign Ownership and Investment Restrictions and Requirements .

If our convertible notes are converted by foreign holders and the conversion would cause a violation of the foreign ownership restrictions of the Telecommunications Business Law, or in certain other circumstances, we may have to sell common stock in order to settle the converting holders' conversion rights in cash rather than by issuing common stock to them, and these sales might adversely affect the market price of our common stock or ADRs.

In May 2004, we sold US\$329.5 million in zero coupon convertible notes due 2009. These convertible notes are convertible by the holders into shares of our common stock at the rate of Won 235,625 per share. These notes are held principally by foreign holders. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock upon conversion of these notes would result in a violation of applicable Korean law or (2) we do not have a sufficient number of shares of

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our common stock to satisfy the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we intend to sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Law or other legal restrictions. The number of shares sold in these circumstances might be substantial. We cannot assure you that such sales would not adversely affect the market prices of our common stock or ADSs.

Sales of 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, 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 common stock.

As of December 31, 2004, POSCO owned 4.98% 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 24.03% of our issued common stock as of December 31, 2004, 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. We understand that SK Networks, which owned 2.55% of our shares as of December 31, 2004, has agreed with its creditors in connection with its corporate restructuring to sell certain of its assets, which may include our shares. We can make no prediction as to the timing or amount of any sales of our common stock. We cannot assure you that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will not adversely affect the market prices of the shares of our common stock or ADSs prevailing from time to time.

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

A new law enacted on January 12, 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX Stock Market for losses incurred in connection with purchases and sales of securities and other securities transactions arising from (i) false or inaccurate statements provided in the registration statements, prospectuses, business reports and audit reports; (ii) insider trading and (iii) market manipulation. This law became effective starting from January 1, 2005 with respect to companies whose total assets are equal to or greater than Won 2.0 trillion as of the end of the fiscal year immediately preceding January 1, 2005. However, in the event that certain elements of a financial statement for the fiscal year ended before January 1, 2005, were not in compliance with the then effective accounting standards, this law does not apply, if such non-compliance is cured or addressed in the financial statements for the fiscal year ending on December 31, 2006, and such corrected information is submitted to the Financial Supervisory Commission or the Korea Exchange Inc., or the KRX, or made publicly available. This law permits 50 or more shareholders who collectively hold 0.01% of the shares of a company to bring a class action suit against, among others, the issuer and its directors and officers. It is uncertain how the courts will apply this law. Litigation can be time-consuming and expensive to resolve, and can divert management time and attention from the operation of a business. We are not aware of any basis under which such suit may be brought against us, nor are any such suits pending or threatened. Any such litigation brought against us could have a material adverse effect on our business, financial condition and results of operations.

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 the terms of the deposit agreement, as amended, the depositary bank is required to obtain our prior consent to any such deposit if, after giving effect to such deposit, the total number of shares of our common stock on deposit, which was 22,514,442 shares as of April 30, 2005, exceeds a specified maximum, subject to adjustment under certain circumstances. In addition, the depositary bank or the custodian may not accept deposits of our common shares for issuance of ADSs under certain circumstances, including (1) if it has been determined by us that we should block the deposit to prevent a violation of applicable Korean laws and regulations or our articles of incorporation or (2) if a person intending to make a deposit has been identified as a holder of at least 3% of our common stock on October 7, 2002. See [Additional Information](#) [Description of American Depositary Shares](#) . 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.

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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 depository, after consultation with us, may make the rights available to an ADS holder or use reasonable efforts to dispose of the rights on behalf of the ADS holder and make the net proceeds available to the ADS holder. The ADR depository, however, is not required to make available to an ADS holder any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

a registration statement filed by us under the U.S. Securities Act of 1933, as amended, 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.

After the exchange of ADSs into the underlying common shares of SK Telecom, seller or purchasers of the underlying common shares may have to pay securities transaction tax upon the transfer of the shares.

Under Korean tax law, transfer of a company's common shares after the exchange of ADSs into the underlying common shares of SK Telecom will be subject to securities transaction tax (including an agricultural and fishery special tax) at the rate of 0.3% of the sales price if traded on the KRX Stock Market.

Securities transaction tax, if applicable, generally must be paid by the transferor of the shares or the person transferring 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. In case the sale takes place outside the KRX Stock Market, without going through a securities settlement company or a securities company, between two non-residents or between a non-resident seller and a Korean resident purchaser, the purchaser will have to withhold securities transaction tax at the rate of 0.5% of the sales price of the common shares.

Failure to pay the securities transaction tax will result in a penalty of 10% of the tax due. The penalty is imposed on the party responsible for paying the securities transaction tax or, if the securities transaction tax is to be paid via withholding, the penalty is imposed on the party that has the withholding obligation. See Additional Information Taxation Korean Taxation .

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

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

Item. 4 Information on the Company

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 served approximately 19.1 million subscribers throughout Korea as of April 30, 2005, including 18.4 million subscribers who owned data-capable handsets. As of April 30, 2005, our share of the Korean wireless market was approximately 51.2%, 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 possible over our CDMA network. 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, 2005, approximately 17.7 million of our subscribers had 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 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 video and audio services. CDMA 1xEV/DO-capable handsets became available in Korea in June 2002. As of December 31, 2004, CDMA 1xEV/DO network upgrade has been completed in 84 cities in Korea.

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 × 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

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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 have commenced construction of the W-CDMA network and began providing W-CDMA service on a limited basis in Seoul at 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 × 25 MHz of spectrum in the 800 MHz range.

In 2003, we commenced construction of our W-CDMA network and began providing W-CDMA service on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build out our W-CDMA network in other metropolitan areas of Korea.

In March 2004, we were assigned by the MIC frequency for satellite DMB. In October 2004, we granted the right to use such satellite, satellite orbit and frequency to TU Media Corp., one of our affiliates, which received a license from the MIC as a satellite DMB provider on December 30, 2004. In April 2005, SK Teletech launched its own brand handsets for use in connection with satellite DMB services. On May 1, 2005, TU Media Corp. began to provide satellite DMB services.

In March 2005, we obtained a license from the MIC to provide WiBro services, which will serve as a complementary solution to the existing mobile communication services such as W-CDMA. WiBro will offer wireless Internet services at a competitive price in the metropolitan areas where there is a high demand for high-speed and large packet data services. In April 2005, we were assigned by the MIC a 27 MHz of spectrum in the 2.3GHz (2,300,2,327MHz) range in connection with WiBro services.

On May 24, 2005, we had a market capitalization of approximately Won 14.5 trillion (US\$14.4 billion, as translated at the noon buying rate of May 23, 2005) or approximately 3.01% of the total market capitalization on the KRX Stock Market, making us the sixth largest company listed on the KRX Stock Market based on market capitalization on that date. Our ADSs, each representing one-ninth of one share of our common stock, have traded on the New York Stock Exchange since June 27, 1996.

We established our telecommunications business in March 1984 under the name of Korea Mobile Telecommunications Co., Ltd., under the laws of Korea. We changed our name to SK Telecom Co., Ltd., effective March 21, 1997.

Our registered office is at 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea and our telephone number is 82-2-6100-1639.

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 increased competition. Our business strategy is to enhance shareholder value by maintaining and consolidating our leading position in the 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 and Liquid Screen Small Payment Service, wireless credit and payment systems which allow subscribers to provide merchants with credit card information and payment authorization using chips embedded in their wireless handsets), mobile community portal services (such as Mobile Cyworld, which allows subscribers to enjoy Cyworld, our on-line community portal service, through their cellular phone) and mobile finance services (such as M BANK, M-Stock and Moneta Card) that can be accessed using handsets and other devices, including personal computers, personal digital assistants and vehicle mounted terminals.

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Retain and capitalize on our large, high-quality wireless subscriber base. With approximately 19.1 million subscribers as of April 30, 2005, 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 more advanced CDMA 1xRTT and CDMA 1xEV/DO networks.

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, or 4G, wireless technology, which is expected to enable wireless data transmission at speeds of up to 155 Mbps, 70 times faster than 3G technology. We acquired a license to develop and operate a W-CDMA network using 2×20 MHz of spectrum in the 2 GHz band. We have commenced provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build out our W-CDMA network in other metropolitan areas of Korea. In the first half of 2006, we plan to start deploying high speed download packet access (HSDPA), also known as 3.5G technology, which enables data to be transmitted at speeds of up to two to three times faster than 1xEV/DO. We have commenced testing of the system that will enable such upgrade to HSDPA by simply upgrading applicable software and without requiring any new infrastructure.

Take initiative in transitioning to what is being referred to as a convergent and ubiquitous era in mobile communications. We are striving to satisfy our customers' needs by launching such new services as Telematics, Broadband Convergence Networks and Digital Home. In particular, we obtained a 2.3Ghz portable Internet (WiBro) service license in March of 2005. This service will be deployed in a way that will maximize its synergistic effect with conventional mobile phone services. We are actively implementing new businesses with an objective of achieving significant synergies between our subsidiary and affiliate companies. In this regard, TU Media Corp., one of our affiliates, successfully launched satellite DMB service in May 2005. TU Media's satellite DMB service became commercially operational on May 1, 2005 and had surpassed 30,000 subscribers as of May 22, 2005. From July 2005, TU Media will additionally provide DMB services to KT Freetel Co., Ltd., or KTF, and LG Telecom, Ltd., or LGT, subscribers.

New business expansion into the wireless Internet contents sector such as music. In May 2005, we announced the acquisition of a 60% stake in YBM Seoul Records Inc., Korea's largest music recording company in terms of records released and revenues, for Won 29.2 billion. The acquisition of YBM Seoul Records secures a larger content pool to provide subscribers through our MelOn digital music service. We currently plan to have YBM distribute and invest in digital music. Also in May 2005, we announced the formation of a Won 30 billion fund co-investing with local Korean investment companies to produce and distribute music products, seek strategic partnerships with other recording companies, and vitalize Korea's music industry. Furthermore, in May 2005, we announced our plan to invest in a Won 20 billion fund to strengthen our ability to obtain movie contents.

Continue to expand into overseas markets. We have been seeking to expand into various overseas markets. Through the launch of a joint venture company with China Unicom in February 2004, we began extending our wireless Internet service in China. We are also providing a CDMA cellular service in the Vietnamese market. In addition, we have been exporting what we refer to as our coloring solution, which allows the calling party to hear music or an audio clip selected by a subscriber instead of the standard ringback tone that is heard until the call is connected, and wireless Internet platforms and solutions, to countries such as Taiwan and Thailand. We established a joint venture with EarthLink, Inc., a Delaware corporation, the third largest Internet service provider in the U.S., to launch voice and data services across the U.S. as a mobile virtual network operator (MVNO) in 2005. In May 2005 we

announced our pending entry into the European GSM market with the global positioning system based safety service for children called i-Kids . We signed a contract to sell the GSM-based i-Kids solution to SF-Alert, a mobile security firm in the Netherlands. In connection with this transaction, we acquired a 20% stake in SF-Alert in April 2005.

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.

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The attractiveness of our merger with Shinsegi derived in large measure from the synergies, growth opportunities and cost savings we hoped to achieve by integrating Shinsegi's operations and customer base with those of SK Telecom and our plans to reallocate the spectrum used by Shinsegi to 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 transferred Shinsegi's 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 do not have to purchase new handsets, are allowed to use the same mobile telephone numbers and have 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.

Redeployed a portion of Shinsegi's former network equipment to SK Telecom's CDMA network or sold it to wireless operators outside of Korea. The remainder of Shinsegi's network equipment was discarded and written off and we recorded an impairment loss of Won 185.8 billion in 2002.

We also identified and implemented other cost saving measures, such as the elimination of redundant distribution centers. Shinsegi's business has been fully integrated into our business.

KOREAN TELECOMMUNICATIONS INDUSTRY

Until April 1996, we were the sole provider of wireless telecommunications services in Korea. Beginning in the early 1990's, the Government began to introduce competition into the fixed-line and wireless telecommunications services markets. In the early 1990's, the Government allowed new competitors to enter the fixed-line sector, sold a controlling stake in us to the SK Group, and granted a cellular license to our first competitor, Shinsegi. In October 1997, three additional companies, KTF, LGT, and Hansol PCS, began providing wireless services under government licenses granting them the right to provide wireless telecommunications services.

In 2000 and 2001, the Korean wireless telecommunications market experienced significant consolidation. In January 2002, Shinsegi was merged into SK Telecom. Additionally, two of the other wireless telecommunications services operators merged. See *Business Competition*. Thus, there are currently three providers of wireless voice telecommunications services in Korea, ourselves (including Shinsegi), KTF, which is a subsidiary of KT Corporation, and LGT. As of April 30, 2005, SK Telecom had 51.2% market share of the Korean wireless telecommunications market in terms of subscribers, while KTF and LGT had market shares of 32.4% and 16.5%, respectively.

On December 15, 2000, the MIC awarded to two companies the right to receive a license to provide 3G services using W-CDMA, an extension of the Global System for Mobile Communication standard for wireless telecommunications which is the most widely used wireless technology globally. These rights were awarded to two consortia of companies, one led by SK Telecom's former subsidiary, SK IMT Co., Ltd., and the other to a consortium that included KT Corporation (formerly known as Korea Telecom Corp.). SK IMT Co., Ltd. was merged into SK Telecom on May 1, 2004. The right to acquire an additional license to operate a network using CDMA2000 technology was awarded to LGT in August 2001.

A one-way mobile number portability (MNP) system was first implemented in the beginning of January 2004 when our subscribers were allowed to transfer to KTF and LGT. From July 2004, a two-way MNP was implemented so that KTF subscribers could transfer to SK Telecom and LGT. A three-way MNP has been in effect since January 2005 so

that subscribers from each of the wireless service providers may transfer to any other wireless service provider. During the entire year of 2004, approximately 2.1 million of our subscribers transferred to our competitors, and 567,413 of KTF's subscribers moved to our service during the same period.

In January 2005, the government decided to grant to KT Corporation and us a license to offer a new high-speed wireless Internet service called WiBro, which will provide mobile Internet users a more stable connection at speeds which are much higher than currently available. According to the MIC report titled "Introduction and Use of WiBro Service," published on March 11, 2005, the number of WiBro subscribers is expected to rise to more than 9 million subscribers within the next six years.

Telecommunications industry growth in Korea has been among the most rapid in the world, with fixed-line penetration increasing from under 5 lines per 100 population in 1978 to 47.6 lines per 100 population as of December 31, 2004, and wireless penetration increasing from 7.0 subscribers per 100 population in 1996 to 76.1 subscribers per 100 population as of December 31, 2004. The table below sets forth certain subscription and penetration information regarding the Korean telecommunications industry as of the dates indicated:

	2000	As of December 31,			2004
		2001	2002	2003	
		(In thousands, except for per population amounts)			
Population of Korea ⁽¹⁾	47,008	47,354	47,615	47,849	48,082
Wireless Subscribers ⁽²⁾	26,816	29,046	32,342	33,592	36,586
Wireless Subscribers per 100 Population	57.0	61.3	67.9	70.2	76.1
Telephone Lines in Service ⁽²⁾	21,932	22,725	23,490	22,877	22,871
Telephone Lines per 100 Population	46.7	48.0	49.3	47.8	47.6

(1) Source: National Statistical Office of Korea

(2) Source: MIC

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The Korean telecommunications industry is one of the most developed in Asia in terms of wireless penetration, and in terms of the growth of the wireless data and Internet services markets. The wireless penetration rate, which is calculated by dividing the number of wireless subscribers by the population, is 77.1% as of April 30, 2005 and the number of wireless subscribers has increased from approximately 3.2 million in 1996 to approximately 37.2 million as of April 30, 2005.

The following graph sets forth the wireless penetration rates for countries in the Asia/Pacific region as of December 31, 2004.

Asia/Pacific wireless penetration rates as of December 31, 2004⁽¹⁾

Source: IDC Market Analysis Asia/Pacific.

(1) Percentages may differ depending on method selected for determining population.

Since the introduction of text messaging in 1998, Korea's wireless data market has grown rapidly. Wireless Internet service in Korea has grown rapidly since its introduction in the second half of 1999. All of the Korean wireless operators have developed extensive wireless data and Internet service portals. In Korea, SK Telecom launched the world's first CDMA 1xRTT network, which enabled it to provide advanced data services, in November 2000. As of April 30, 2005, approximately 35.9 million of Korean wireless subscribers owned Internet-enabled handsets capable of accessing advanced wireless data and Internet services. The table below sets forth certain penetration information regarding the ownership of Internet-enabled handsets by Korean wireless subscribers as of the dates indicated:

	2000	2001	2002	2003	2004
	(In thousands)				
Wireless Internet Enabled Handsets	15,785	23,874	29,085	31,431	35,016
WAP/ME Type	8,820	18,190	25,981	29,804	34,220
I-SMS Type	6,965	5,684	3,104	1,627	797
Total Number of Wireless Subscribers	26,816	29,046	32,342	33,592	36,586
Penetration of Advanced Handsets	58.9%	82.2%	89.9%	93.6%	95.7%

Source: MIC.

In addition to its well-developed wireless telecommunications sector, Korea has one of the largest Internet markets in the Asia/Pacific region. According to the Korean Network Information Center (KNIC), the number of Internet subscribers in Korea increased from approximately 3.1 million at the end of 1998 to approximately 31.6 million at the end of 2004, a 47.2% compound annual growth rate. From the end of 2000 to the end of 2004, the number of broadband Internet access subscribers increased from approximately 3.9 million to approximately 12.0 million, a 32.5% annual growth rate. The table below sets forth certain information regarding Internet users and broadband subscribers as of the dates indicated:

	2000.12.	2001.12.	2002.12.	2003.12.	2004.12.
	(In thousands)				
Number of Internet Users ⁽¹⁾	19,040	24,380	26,270	29,220	31,580

<u>Number of Broadband Subscribers⁽²⁾</u>	3,870	7,806	10,405	11,172	11,921
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(1) Source: Korea Network Information Center (KRNIC).

(2) Source: MIC. Broadband service includes xDSL (Digital Subscriber Line), Cable Modem, Apartment LAN (Local Area Network) and Satellite.

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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, namely us, KTF and LGT.

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 our network in 1998. On December 31, 1999, we terminated our analog service. Our digital network provides wireless telecommunications service to an area covering approximately 99% 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, Sprint and Alltel in the United States, KDDI in Japan, Telstra in Australia, China Unicom in China, Hutchison Telecom in Hong Kong, Telecom New Zealand in New Zealand, Telus Mobility and Bell Mobility in Canada, Guamcell in Guam and Saipan, Hutchison CAT Wireless Multimedia in Thailand, Iuacell in Mexico, VIVO in Brazil, Telefonica Moviles del Peru in Peru, Pelephone in Israel, Asia Pacific Broadband Wireless in Taiwan, and Mobile 8 in Indonesia.

In order to enhance our ability to provide wireless data services to our customers, we continue to expand our existing wireless network based on CDMA 1xRTT technology. Subscribers to our 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, 2005, approximately 17.7 out of 19.1 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 network or to our even more advanced networks.

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Beginning in 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 technology enables data to be transmitted to CDMA 1xEV/DO-capable handsets, which became available in Korea in June 2002, at speeds up to 2.4 Mbps, which is 16 times faster than CDMA 1xRTT's maximum transmission speed. CDMA 1xEV/DO technology allows us to provide advanced wireless data services such as streaming video and audio services. As of December 31, 2004, we completed our CDMA 1xEV/DO network upgrade in 84 cities in Korea. CDMA 1xEV/DO technology allows us to provide advanced wireless data services, as well as allow us to use our spectrum more efficiently.

In December 2001, we acquired a license from the MIC to develop, construct and operate a W-CDMA network using 2 X 20 MHz of spectrum in the 2 GHz band. W-CDMA is a 3G level high capacity wireless communication system that enables us to offer a wider range of telecommunications services, including cellular, paging, data communications, video-conferencing, multimedia services and satellite communications. We commenced provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA network in other metropolitan areas of Korea.

On Line Services and Internet Access

We offer a wide variety of Internet content and services in addition to providing 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 gain access to a wide variety of services including securities trading and on-line banking services. Subscribers can purchase goods and services through their wireless devices, send and receive e-mail and gain access to various third party Internet websites configured to work with wireless technology. Subscribers access NATE using WAP technology. WAP technology allows wireless data transmission and has been adopted by over 200 major telecommunications operators worldwide. As of April 30, 2005, approximately 18.2 million, or 95.5%, of our subscribers owned WAP-enabled handsets 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 the 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 e-mail accounts. During the month of April 2005, approximately 23.3 million unique users visited this website.

We offer an instant messaging service to our Nate.com and NATE users. This service, which we call NATE-ON, allows users to chat on-line through a variety of devices, including personal computers, wireless handsets and personal digital assistants. As of April 30, 2005, the number of NATE-ON subscribers reached approximately 10.3 million, surpassing that of MSN Messenger of Microsoft Corporation in Korea, making us the market leader in terms of number of subscribers in Korea in the instant messaging service market according to a survey conducted by an independent consulting firm. We continue to seek to introduce new wireless data services and innovations with a view to increasing revenue from these businesses.

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Global Business

Provision of Wireless Internet Platforms and Cellular Network Solutions to Foreign CDMA Network Operators

We are seeking to expand our global business through sales of our wireless Internet platforms and cellular network solutions, as well as sales of consulting services in the field of mobile communications. 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, to form a strategic alliance in order to carry out co-marketing of our NATE wireless Internet platform solutions in overseas markets. In December 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 provide a wireless Internet solution on a turn-key basis. Under the agreement, APBW was granted a license to use certain of our software and wireless Internet solutions for mobile Internet access and multimedia services. We also signed a contract with TA Orange, a GSM-based mobile communications operator in Thailand, in July of 2004 to provide wireless Internet platforms, including the NATE portal platform and NATE service solutions and contents. In addition, we have also been successful in sales of our other cellular network solutions, such as our color mail solution, which is a messaging service that allows subscribers to send messages containing various multimedia files such as background music, phone camera photos and videos to other handsets.

Overseas Operations

We have been expanding our business operations in overseas markets, including U.S.A., China, Vietnam and Mongolia.

U.S.A. On March 24, 2005, we and EarthLink completed the formation of SK-EarthLink (www.SK-EarthLink.com) to market wireless voice and data services in the United States. We have committed to invest \$220 million over the next three years, of which \$83 million had been invested as of March 24, 2005, and EarthLink has committed to invest \$220 million over the next three years, of which \$83 million had been invested as of the same date. SK-EarthLink is a non-facilities-based nationwide mobile virtual network operator (MVNO) offering cellular voice and data services to wireless consumers located in the United States. SK-EarthLink expects to enter into the previously under-served but rapidly growing wireless data, entertainment, and voice market in the United States. SK-EarthLink will leverage our expertise in developing and implementing 3G technology and other cutting-edge applications and EarthLink's established sales channels, Wi-Fi experience, network data centers and billing capabilities. We and EarthLink each have a 50 percent voting and economic ownership interest in SK-EarthLink.

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

China. In February 2004, we and China Unicom, the second largest telecom operator and the only CDMA service provider in China, established a joint venture company called UNISK Information Technology Co., Ltd. (UNISK), with an aggregate initial investment of approximately \$6 million. We own a 49% stake of UNISK and China Unicom holds a 51% stake. UNISK offers wireless Internet service in China under a brand name that means "community of young elites" in Chinese. As of December 31, 2004, UNISK had over 75,000 subscribers.

In July 2004, we acquired ViaTech, an Internet portal service provider in China, to enhance our wireless Internet contents and expand our service area.

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Vietnam. In October 2000, with an aim toward commercializing CDMA cellular service in Vietnam, we, LG Electronics and Dongah Elecomm established a joint venture company named SLD Telecom . On July 1, 2003, the company started its own commercial CDMA cellular service, the first of its kind in Vietnam. The S-Fone (SLD Telecom s operator in Vietnam) service is now being offered in 13 major provinces in Vietnam, including HoChiMin and Hanoi, and has been increasing its subscriber base through clear call quality, customized tariff plans and value-added services. The number of S-Fone subscribers had surpassed 165,000 as of December 2004. As only approximately 5% of Vietnam s population of approximately 82 million had subscribed to cellular service as of December 31, 2004, we believe that the Vietnamese mobile communication market offers significant opportunity for future growth.

Mongolia. In July 1999, we acquired a 27.8% equity interest in Skytel, Mongolia s second-largest cellular service provider, by providing approximately Won 1.5 billion worth of analog infrastructure. As of December 31, 2004, Skytel had approximately 76,000 subscribers. We, together with Skytel, have been providing cellular service in Mongolia since July 1999, and CDMA service since February 2001. In April 2001, we completed installation of the equipment necessary to provide WAP service. In December 2002, we increased our equity interest in Skytel to 28.6% through the subscription of newly issued common shares in return for an additional investment of approximately \$500,000. As of December 31, 2004, our equity interest in Skytel was 28.6%.

As we have in the past, we expect to continue to seek opportunities to create value utilizing our core competencies abroad. We are currently studying various opportunities overseas, in particular in Asian countries such as Vietnam and India. We will continue to seek opportunities for additional capital contributions in our investee companies or for new investments in a disciplined manner, consistent with our core values and philosophies.

M-Commerce

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 strip. 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. In addition, we have established payment systems with major department stores and discount stores (such as E-Mart) and affiliated merchant stores (such as Starbucks and TGI). We expanded the commercial use of the Moneta payment system to 68% of affiliated merchant stores as of the end of 2004. 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.

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 an array of financial services relating to insurance, real estate, personal asset management and investment trust funds.

In August and November 2003, we launched Mobile Trading System and Stock Investment Information Service, respectively. Unlike other trading services where customers have to use stock trading programs and terminals designated by securities firms, the Mobile Trading System service provides a program that permits customers to carry out a variety of stock trading, including futures, options and ECN trading transactions.

As of May 26, 2005, we provide chip-based mobile banking services in conjunction with 16 banks in Korea. Through this mobile banking services, we offer e-bankbook services as well as a variety of e-commerce services.

Multimedia

In November 2002, we introduced June, a wireless data service that provides streaming content using our CDMA 1xEV/DO technology. Content provided through the June service includes Video on Demand (VOD), Music on Demand (MOD), television programs and multimedia messaging. June allows subscribers to view real-time news aired by a Korean news channel and permits subscribers to view on their cellular phones television programs aired by the four main domestic broadcasting stations. In addition, subscribers to June can access the Internet through NATE, our wired and wireless integrated Internet platform. As of April 30, 2005, June had 4.3 million subscribers.

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In September 2003, we also invested in a satellite-based DMB business, a service which allows broadcasting of multimedia content through transmission by satellite to various mobile devices, including to satellite DMB handsets. This technology allows our subscribers to view satellite television broadcasts on their cellular handsets or from video monitors enabled to receive DMB transmission installed in their cars. We launched the satellite in March 2004. In October 2004, we granted the right to use our satellite, satellite orbit and frequency to TU Media Corp., an affiliate of ours of which we owned 28.5% at December 31, 2004. TU Media Corp. received a license from the MIC as a satellite DMB provider on December 30, 2004. On May 1, 2005, TU Media Corp. began to provide satellite DMB services. We believe that this business will enable us to improve the breadth of services that we already offer and remain competitive in the face of increasing convergence in the telecommunications, finance and broadcasting industries.

In November 2004, we introduced a music portal service called MelOn, a new music service concept from a combined wireless and wired network. This service allows subscribers to access digital music through cellular phones on a wireless network, while paying airtime charges and monthly flat rates. This service also offers real-time streaming from on-line web sites, and digital music through MP3 phones and MP3 once downloaded from personal computers. In addition, the service presented a new method of promoting the digital music market by protecting the rights of music copyright holders using Digital Right Management, or DRM, technology. The technology prevents the illegal distribution and use of digital music content. We had revenue of Won 5.5 billion from the MelOn service in the first quarter of 2005 and had 320,000 subscribers as of March 31, 2005. We expect demand for this service to grow.

Other Products and Services

Handset Manufacturing

Through our 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 held a significant minority interest in SK Teletech before selling all of its interest in SK Teletech to us in March 2004. We increased our stake in SK Teletech to 89.1% in March 2004. On May 3, 2005, our board of directors approved the sale of 60% of the total issued and outstanding shares common stock of SK Teletech to Pantech & Curitel, a handset maker in Korea. Once such transfer is consummated, our ownership in SK Teletech will decrease from 89.1% to 29.1%. Currently, all of SK Teletech's domestic sales of digital handsets are to our affiliate, SK Networks, 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, which will remain in effect 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. We initially believed that to ensure the availability of handsets which would be capable of accessing the services that we offer, we needed to control handset manufacturing. Increasingly, handsets are becoming complicated consumer electronic devices, for which manufacturing scale is critical. We therefore believe that control by Pantech & Curitel will benefit SK Teletech. Our retained 29.1% stake will allow us to continue to exert some influence at SK Teletech.

International Calling Services

Through our 90.8% owned subsidiary, SK Telink Co., Ltd., we provide international telecommunications services, including direct-dial as well as pre- and post-paid card calling services, bundled services for corporate customers, voice services using Internet protocol, Web-to-phone services, and data services. SK Telink handled approximately 788 million total call minutes in 2004, which generated Won 133.9 billion in revenues. SK Telink obtained a domestic long distance telephone service business license in July 2004 and began commercial service of providing domestic long distance service in Korea in February 2005. SK Telink's efforts will be directed at continuing to reinforce its existing core businesses such as international and domestic long distance telephone service and seeking to create new sources of revenue.

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In 2000, we established SK Telink America, Inc., to extend our international telecommunications service to the United States. We closed down business operations at SK Telink America, Inc. in June 2003 because the business proved to be unprofitable. We recorded US\$1.2 million in losses relating to impairment of our investment in common stock of SK Telink America, Inc. in our consolidated financial statements for 2003. We dissolved the company as of May 28, 2004.

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 a 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 and launched a commercial product in September 2003. Pursuant to the agreement, we provide the cellular phone network and NATE Drive service, Samsung Electronics provides Telematics terminals for vehicles and Renault Samsung Motors installs Telematics-enabled terminals in the vehicles it sells. In an effort to further promote the Telematics business, in February 2005, we entered into a memorandum of understanding with Renault Samsung Motors under which we and Renault Samsung agreed to focus on improving the Telematics service platform and infrastructure. We plan to launch new handsets equipped with autonomous GPS for NATE Drive service in June 2005. Also, in cooperation with the MIC and Jeju island's joint effort to establish Jeju island as a model city for Telematics service, we launched Telematics services in Jeju Island on a pilot basis in December 2004 and began providing Telematics on a commercial basis in May 2005.

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 speeds faster than our current CDMA 1xRTT and CDMA 1xEV/DO networks. 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. 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 the notes to our consolidated financial statements. In accordance with the terms of the license, we commenced provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA network in other metropolitan areas of Korea. See Risk Factors 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. We believe that we are currently in compliance with all material terms of the license.

On April 30, 2003, the MIC approved the proposed merger of SK IMT into SK Telecom, subject to the satisfaction of certain conditions imposed by the MIC to ensure fair competition and to protect customer interests. We believe that we have satisfied these conditions. 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 developed and launched in March 2005 dual band/dual mode handsets, one of the key factors in a nationwide deployment of W-CDMA. However, the actual scope and timing of the full nationwide roll-out of our W-CDMA network will depend on other several factors, including the availability of network equipment, ability to overcome technical problems currently affecting W-CDMA performance, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. See Risk Factors 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 .

Table of Contents**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,		
	2002	2003	2004
	(In billions of Won)		
Initial Connection Fees	(Won) 230.4	(Won) 176.6	(Won) 198.4
Monthly Access Fees	3,055.4	3,132.2	3,266.1
Usage Charges	3,415.6	3,615.1	5,300.7
Interconnection Revenue	1,043.2	1,017.1	849.4
Revenue from Sales of Digital Handsets ⁽¹⁾	534.0	612.0	649.8
Other Revenue ⁽²⁾	878.2	1,538.8	33.2
Total	(Won)9,156.8	(Won)10,091.8	(Won)10,297.6
Additional Facility Deposits	(Won) 11.0	(Won) 5.0	(Won) 31.8
Refunded Facility Deposits	20.6	7.7	44.6
Facility Deposits at Period End	46.9	44.2	31.4

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

(2) 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 Business Interconnection . Monthly access fees for some plans include free airtime and/or discounts for designated calling numbers.

SK Telecom currently offers four basic types of service plans: the Standard rate plans, the TTL plans, the Ting plans and the long-term contract discount plans. We also offer June plans, designed for multimedia wireless data service using CDMA 1xEV/DO technology, and Free plans offering free airtime on weekends or between 12 a.m. and 6 a.m. on weekdays for an additional monthly fee of Won 10,000 to Won 15,000.

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 Standard plans range from Won 11,000 to Won 16,000, and generally target the adult market segment. The monthly access fees for the TTL plans range from Won 16,000 to Won 22,000 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 27,000 and generally target youths between the ages of 13 and 18.

In February 2005, we simplified our 26 different types of June plans into four types of flat fee based plans. The monthly access fees range from Won 3,500 to 15,000 and any unused minutes are carried over to the following month.

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In January 2004, we introduced discount plans for subscribers committing to long-term contracts with a duration of 18 months or 24 months based on usage levels. Subscribers with the highest usage per month (whose monthly charges are above Won 70,000) and on a two-year contract benefit from the highest level of discount.

With the approval of the MIC, effective from January 1, 2003, we reduced our Speed011 Standard rate plans 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. Subsequently, in October 2003, we reduced our monthly charges for caller ID service from Won 2,000 to Won 1,000, and, effective September 1, 2004, we reduced our tariffs by 3.7% and reduced our monthly basic charges from Won 14,000 to Won 13,000. 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 Business Interconnection .

The following table summarizes some of SK Telecom's cellular rate plans as of December 31, 2004:

	Monthly Access Fee	Included Airtime/ Discount ⁽¹⁾⁽²⁾	Peak Usage Charges (per 10 seconds) ⁽²⁾	Off-Peak Usage Charges (per 10 seconds) ⁽²⁾	Night-Time Usage Charges (per 10 seconds)
Standard					
Regular	(Won) 13,000	10 minutes	(Won) 20	(Won) 13	(Won) 10
Slim	12,500	19	19	19	19
Family	13,000	5 minutes	18	12	9
Silver ⁽³⁾	11,000	30 minutes	38	38	38
TTL Plans					
TTL Discount ⁽⁴⁾	15,500-22,000	7 minutes	9-21	9-20	9-12
Ting Plans					
Ting	12,500-15,000	70 minutes	12-37	12-24	9-18
Data Free Plan⁽⁵⁾					
Free Holiday		(6)			
Free Eleven		(7)			

(1) Discounts may include free text messages, ring tone downloads, coloring and NATE minutes.

(2) Excludes a 5% discount on domestic calls for customers who have subscribed to our cellular services for over 1 year; a 10% discount for customers who have subscribed to our cellular services over 2 years; a 15% discount

for customers who have subscribed to our cellular services over 3 years and a 20% discount for customers who have subscribed to our cellular services over 5 years.

- (3) Subscribers must be 65 years old or older and each subscriber is limited to one silver Plan.
- (4) Includes TTL plan for designated numbers, designated area and TTL plan for couples.
- (5) Includes unlimited use of data service. Plan will be offered until September 30, 2005 and offer is effective until June 30, 2005.
- (6) 11 hours of free weekend airtime for an additional Won 10,000 per month.
- (7) 11 hours of free airtime exceeding the average number of minutes used in November and December 2003 for an additional Won 15,000 per month.

We offer a variety of value-added services including voice-activated calling, voice mail, text messaging, caller ID and call waiting. Depending on the rate plan selected by the subscriber, the monthly fee may or may not include these value-added services.

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We offer wireless data services to our subscribers through NATE. Subscribers using SK Telecom's CDMA network may elect to pay a monthly fee, which includes a fixed amount of airtime or data packets, or may elect to pay on a per-use basis. Standard rates for NATE range from Won 7 to Won 15 for ten seconds of airtime. Since April 23, 2001, subscribers using our CDMA 1xRTT and CDMA 1xEV/DO networks are charged based on the amount of data that is transmitted to the subscriber's handset. The data transmitted is measured in packets of 512 bytes. We charge Won 6.5 per text packet and Won 1.3 per multimedia packet. Prior to April 23, 2001, our CDMA 1xRTT subscribers were charged time-based fees.

We offer wireless multimedia data services through June. In February 2005, we simplified our 26 different types of June plans into four types of flat fee based plans. The monthly access fees range from Won 3,500 to 15,000 and any unused minutes are carried over to the following month. For a limited time until the end of June 2005, subscribers may elect to pay a fixed monthly fee of Won 26,000 for unlimited use of data service.

We generally require new subscribers (other than some corporate and government subscribers) to pay a non-interest bearing facility deposit of Won 200,000, which we may utilize to offset a defaulting subscriber's outstanding account balance. In lieu of paying the facility deposit, subscribers who meet the credit qualifications required by the Seoul Guarantee Insurance Company may elect to be covered under insurance provided by the Seoul Guarantee Insurance Company. We pay a Won 10,000 premium to the Seoul Guarantee Insurance Company on behalf of such subscribers. Seoul Guarantee Insurance Company reimburses us up to Won 350,000 for each insured subscriber that defaults on any payment obligations. We refund the facility deposit to any existing subscriber who had initially made a facility deposit and later elects the facility insurance option. We bill subscribers on a monthly basis and subscribers may make payment at a bank, post office, any of our regional headquarters or sales offices, or at any of our authorized dealers. As a result of the facility insurance program, we have refunded a substantial amount of facility deposits, and facility deposits decreased from Won 61.8 billion as of December 31, 2000 to Won 31.4 billion as of December 31, 2004. We do not expect to have to refund a significant amount of facility deposits in the future, because we believe that most of our subscribers who wish to be covered by the Seoul Guarantee Insurance Company have already elected to so.

Because we have been designated by the MIC as a market dominant service provider, our establishment or amendment of fees, charges, and terms and conditions of service, including promotional rates and facility deposits, requires prior approval by the MIC.

In December 2000, with effect from September 1, 2001, the National Assembly abolished the 10.0% telephone tax previously charged to our customers as part of their monthly service charges. Since September 1, 2001, we have instead charged our customers a 10.0% value-added tax. We can offset the value-added tax we collect from our customers against value-added tax refundable to us by the Korean tax authorities. We remit taxes we collect from our customers to the Korean tax authorities. We record revenues in our financial statements net of such taxes.

Subscribers

We had 19.1 million subscribers as of April 30, 2005, representing a market share of 51.2%, the largest market share among Korean wireless service providers. We believe that, historically, our subscriber growth has been due to many factors, including:

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

increasing consumer awareness of the benefits of wireless telecommunications;

until June 2000, when the MIC prohibited subsidies on handset sales, the decline in handset prices in Korea through the payment of subsidies to subscribers, which effectively lowered the cost of initiating service;

an effective marketing strategy;

our focus on customer service;

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the introduction of new, value-added services, such as voicemail services, call-forwarding, caller ID, three-way calling and wireless data and Internet services provided by NATE; and

our acquisition of Shinsegi.

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

	As of or for the Year Ended December 31,		
	2002	2003	2004
Subscribers	17,219,562	18,313,153	18,783,338
Subscribers Growth Rate	13.4%	6.4%	2.6%
Activations	4,769,612	3,688,312	4,407,087
Deactivations	2,729,113	2,594,721	3,936,884
Average Monthly Churn Rate ⁽¹⁾	1.4%	1.2%	1.7%

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

We had 18.1 million subscribers as of December 31, 2004. For the year ended December 31, 2004, we had 4,407,087 activations and 936,884 deactivations, representing an average monthly churn rate of 1.7% during the same period. Our subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history.

Our subscriber growth rate was adversely affected by actions we took to comply with certain requirements of the FTC regarding our acquisition of Shinsegi. 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. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001. We are not currently subject to any market share limitations; however, on May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, which was the combined market share held by SK Telecom and Shinsegi at the time of the approval of SK Telecom's merger with Shinsegi in January 2002. We can give no assurances that the Government will not impose restrictions on our market share in the future. If we are subject to market share limitations in the future, our ability to compete effectively will be impeded, and our subscriber growth rate may decline.

Prior to January 2003, Korea's wireless telecommunications system was based on a network-specific prefix system in which a unique prefix was assigned to all the phone numbers of a specific network operator. We were assigned the 011 prefix, and all of our subscribers' mobile phone numbers began with 011 (former Shinsegi subscribers use the 017 prefix) and our subscribers could not change their wireless phone service to another wireless operator and keep their existing numbers. In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications services in Korea, which allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. However, subscribers who switch operators must purchase a new handset, as each operator utilizes a different frequency. In accordance with the plan published by the MIC, the number portability system was adopted by SK Telecom starting from January 1, 2004. We were required to adopt the number

portability system earlier than our competitors, allowing our customers to transfer their numbers to our competitors but not allowing our competitors' customers to transfer their number to our service. KTF and LGT introduced number portability beginning July 1, 2004 and January 1, 2005, respectively. Subscribers who choose to transfer to a different wireless operator have the right to return to their original service provider without paying any penalties within 14 days of their initial transfer.

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The following table sets forth the number of subscribers of the three wireless mobile telecommunications operators who transferred from one operator to another during each month following the implementation of the number portability system:

Month	SKT®KTF	SKT®LGT	KTF®SKT	KTF®LGT	LGT®SKT	LGT®KTF	Total
January 2004	203,853	101,414					305,267
February 2004	102,282	81,594					183,876
March 2004	111,077	103,155					214,232
April 2004	139,508	122,146					261,654
May 2004	167,228	92,414					259,642
June 2004	137,489	73,100					210,589
July 2004	53,611	23,116	277,751	20,504			374,982
August 2004	29,698	60,240	67,743	45,724			203,405
September 2004	90,075	49,959	5,744	42,995			188,773
October 2004	64,563	46,169	62,131	39,701			212,564
November 2004	74,478	56,135	59,578	51,802			241,993
December 2004	97,210	47,635	94,466	41,773			281,084
January 2005	145,295	71,142	135,862	75,069	115,197	106,024	649,589
February 2005	120,638	32,654	106,099	33,629	49,159	57,555	399,734
March 2005	125,453	43,690	112,711	47,696	48,823	56,743	435,116
April 2005	120,781	69,318	131,266	72,072	55,483	47,863	496,783
Total	1,783,239	1,073,881	1,053,351	470,965	268,662	268,185	4,919,283

In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the services, the MIC has begun to integrate mobile telephone identification numbers into a common prefix identification number 010 and to gradually retract the current mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services, starting from 2004. All new subscribers were given the 010 prefix starting January 2004.

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The following table sets forth, based on data from the MIC, new subscribers for each major wireless cellular provider following the adoption of the 010 prefix in January 2004:

Month	New Wireless Subscribers					
	SK Telecom		KTF		LGT	
	Number of Subscribers	Percentage of Total	Number of Subscribers	Percentage of Total	Number of Subscribers	Percentage of Total
January 2004	382,420	42.1	375,181	41.3	149,737	16.5
February 2004	422,816	43.6	329,066	33.9	218,435	22.5
March 2004	405,199	39.0	356,003	34.3	276,537	26.6
April 2004	448,997	41.2	330,441	30.3	309,736	28.4
May 2004	499,799	48.1	353,389	34.0	186,011	17.9
June 2004	327,863	43.7	305,488	40.7	117,594	15.7
July 2004	332,833	63.5	132,141	25.2	59,151	11.3
August 2004	185,687	42.2	112,455	25.5	142,308	32.3
September 2004	28,626	6.7	256,558	60.3	140,351	33.0
October 2004	276,359	48.3	169,364	29.6	125,994	22.0
November 2004	278,694	45.7	183,200	30.0	148,562	24.3
December 2004	240,306	43.6	200,054	36.3	110,269	20.0
January 2005	233,921	40.6	209,182	36.3	132,639	23.0
February 2005	248,073	43.1	231,803	40.3	95,236	16.6
March 2005	257,062	43.0	229,202	38.4	111,036	18.6
April 2005	214,949	45.5	148,820	31.5	108,962	23.0

Marketing and Service Distribution

We market our services and provide after-sales service support to customers through 29 sales centers, 45 branch offices and a network of 1,492 authorized exclusive dealers located throughout Korea. Our dealers are connected via computer to our database and are capable of assisting customers with account information. In addition, approximately 200,000 independent retailers (principally handset dealers) assist new subscribers to complete activation formalities, including processing subscription applications and accepting facility deposits or arranging for insurance with Seoul Guarantee Insurance Company.

Currently, authorized dealers are entitled to an initial commission for each new subscriber registered by the dealer as well as an average ongoing commission calculated as a percentage of that subscriber's monthly access and usage charges from domestic calls for the first four years. In order to strengthen our relationships with our exclusive dealers, we offer a dealer financing plan, pursuant to which we provide to dealers an interest-free or low-interest loan of up to Won 1.0 billion with a repayment period of up to three years.

We operate a customer information system designed to provide us with an extensive customer database. Our customer information system includes a billing system which provides us with comprehensive account information for internal purposes and enables us to efficiently respond to customer requests. In May 2000, we launched 011e-station.co.kr, a website through which SK Telecom customers can change their service plans, verify the charges accrued on their accounts, receive their bills on-line and send text messages to our other subscribers.

When we were the only cellular service provider in Korea, we were able to maintain a low level of marketing and advertising expenses. Over the last several years, competition in the wireless telecommunications business has caused

us to increase significantly our marketing and advertising expenses and, with continuing competition, we expect that such expenses will remain high. We have implemented a range of marketing measures, including more extensive promotions to attract new customers as well as to encourage loyalty of our existing subscribers and discourage migration to other service providers. In 2001, advertising expenditures as a percentage of revenues amounted to 4.1%, principally for promotion of our voice and wireless data services. Our marketing expenses were lowered during the first half of 2001 due to the elimination of handset subsidies and our efforts to satisfy the FTC-imposed 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. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001, and this market share limitation no longer applies, although we are voluntarily limiting our market share through the end of 2005 to 52.3% of the wireless telecommunications market. In 2002, 2003 and 2004 advertising expenditures amounted to 4.8%, 3.7% and 3.3% of our revenues, respectively.

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In March 2004, we entered into a Won 120 billion agreement with IBM Business Consulting Services for a term of two years in connection with our efforts to improve our marketing system. IBM has been implementing a new process and application infrastructure consisting of a new customer relationship management system, as well as billing, partner relationship management and content management systems. In May 2005, we and IBM decided to terminate the March 2004 agreement with an understanding that another system integration company is better suited for our needs in light of the enhanced features of the new systems to cover data for our customers of newly launched services. Until the date of termination, we had paid Won 60.1 billion to IBM for their services and expect to pay an additional Won 19.6 billion during the third quarter of 2005. We are currently searching for other firms to replace IBM and expect to enter into an agreement with one or more firms for such services before the end of July of 2005.

Interconnection

Our networks interconnect with the public switched telephone networks operated by KT Corporation, Hanaro Telecom, DACOM and Onse, as well as the networks of the other wireless telecommunications service providers in Korea. These connections enable our subscribers to make and receive calls from telephones outside our networks. Under Korean law, service providers are required to permit other service providers to interconnect to their networks. If a new service provider desires interconnection with the networks of an existing service provider but the parties are unable to reach an agreement within 90 days, the new service provider can appeal to the Korea Communications Commission, a government agency under the MIC. We estimate that approximately 39.7% in 2002, approximately 37.9% in 2003 and approximately 34.0% in 2004 of our incoming and outgoing calls originated from or were routed to the networks of KT Corporation and Hanaro Telecom or the international gateways of KT Corporation, DACOM and Onse.

With respect to the interconnection arrangement for calls from fixed-line networks to wireless networks, for the years 2000 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 was us. For 2002, these payments were calculated based on each wireless operator's actual imputed costs in 2001. 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. For 2003, pursuant to a new MIC policy, an operator's interconnection fees were derived from that operator's actual interconnection fees for 2001 and actual imputed costs for 2001. Interconnection charges for calls between wireless service providers, first implemented by the MIC beginning in January 2000, were also reduced beginning in January 2002 and in January 2003, affecting both our revenue and our expenses. On July 9, 2004, the MIC introduced a new method of calculating interconnection payments, based on the terminator's long-run incremental cost in 2004 and the competitive market situation in the telecommunication service industry of Korea. The long-run incremental cost method has been adopted by other countries such as the United States, the United Kingdom and Japan. The new interconnection rates paid to each wireless network service provider are as follows:

Year	SK		
	Telecom	KTF	LGT
	(Won/Minute)		
2003	41.02	47.99	52.89
2004	31.81	47.66	58.55
2005	31.19	46.70	54.98

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The new rates had a negative impact on our operations in 2004 in the amount of approximately Won 289.2 billion, resulting from an estimated Won 168.7 billion reduction in revenue and Won 120.5 billion increase in interconnection expenses. The Won 120.5 billion increase in interconnection expenses includes the increase in the land-to-mobile interconnection expenses that were paid to fixed-line service providers. See Operating and Financial Review and Prospects Overview Revenue .

For 2003, our total interconnection revenues were Won 1,017.1 billion and our total interconnection expenses were Won 771.5 billion. For 2004, our total interconnection revenues were Won 849.4 billion and our total interconnection expenses were Won 913.7 billion.

Domestic Calls

Guidelines issued by the MIC require that all interconnection charges levied by a regulated carrier take into account (i) the actual costs to that carrier of carrying a call or (ii) imputed costs. The interconnecting parties are required to calculate the relevant imputed costs on an annual basis. In the event of a dispute regarding the imputed costs, the Korea Communications Commission is empowered to act as arbitrator.

Wireless-to-Fixed-line. According to our interconnection arrangement with KT Corporation, for a call from our wireless network to KT Corporation's fixed-line network, we collect the usage rate from our wireless subscriber and in turn pay KT Corporation the interconnection charges based on KT Corporation's imputed costs.

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

For 2000, KT Corporation's payments to network service providers were calculated based on a discount of 7.76% to our actual imputed costs in 1998 and for 2001, a discount of 14.92%. According to this calculation, KT Corporation was required to pay interconnection charges of Won 68.94 per minute (exclusive of value-added taxes) for fixed-line to mobile calls to network operators in 2000 and Won 63.59 per minute in 2001.

In April 2002, the MIC announced new interconnection arrangements effective January 1, 2002 which reduced the interconnection fees payable among Korean wireless operators by between 10.2% and 28.1%, depending upon the operators involved. For 2002, KT Corporation's payments to network service providers were calculated based on a discount of 28.1% to our actual imputed costs for 2000. According to this calculation, KT Corporation was required to pay interconnection charges of Won 45.7 per minute (exclusive of value-added taxes). This was reduced to Won 41.0 per minute for 2003. On July 9, 2004, the MIC introduced a new method of calculating interconnection payments, based on the terminating network's long-term incremental cost for 2004 and the competitive market situation in the telecommunication service industry of Korea. The new interconnection rates for us under the new method are Won 31.8 per minute for 2004 and Won 31.2 per minute for 2005. The MIC determines the charges and notifies the wireless operators.

Wireless-to-Wireless. The MIC did not determine interconnection charges for calls between wireless telephone networks in Korea prior to 2000; instead, the interconnection charges were negotiated among the operators. The MIC implemented interconnection charges for such calls starting in January 2000. Under these arrangements, the operator originating the call pays an interconnection charge to the operator terminating the call. For all operators, the amount of the charge is derived from SK Telecom's imputed cost, which was Won 45.7 per minute for 2002. This was reduced to Won 41.0 per minute for 2003 and further reduced to Won 31.8 per minute and Won 31.2 per minute for 2004 and 2005, respectively. The charge for 2006 has not been determined yet. Our revenues from the wireless-to-wireless

charge were Won 365.6 billion (including Won 86.1 billion for Shinsegi) in 2000, Won 435.2 billion (including Won 86.6 billion for Shinsegi) in 2001, Won 350.9 billion in 2002, Won 412.2 billion in 2003 and Won 426.6 billion in 2004. Our expenses from these charges were Won 429.6 billion (including Won 106.7 billion for Shinsegi), Won 496.0 billion (including Won 105.5 billion for Shinsegi) in 2001, Won 482.7 billion in 2002, Won 518.2 billion in 2003 and Won 644.6 billion in 2004. The charges above were agreed among the parties involved and confirmed by the MIC.

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International Calls

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

International Roaming Arrangements

We currently have CDMA automatic roaming agreements with several wireless telecommunications service providers, including Verizon Wireless, Sprint and Alltel in the United States, KDDI in Japan, Telstra in Australia, China Unicom in China, Hutchison Telecom in Hong Kong, Telecom New Zealand in New Zealand, Telus Mobility and Bell Mobility in Canada, Guamcell in Guam and Saipan, Hutchison CAT Wireless Multimedia in Thailand, Iuacell in Mexico, VIVO in Brazil, Telefonica Moviles del Peru in Peru, Pelephone in Israel, Asia Pacific Broadband Wireless in Taiwan and Mobile 8 in Indonesia. We plan to enter into similar arrangements with other wireless telecommunications service providers.

We have also begun to introduce inter-standard roaming, which allows subscribers from our network to roam on networks employing GSM technology and vice-versa. From March 2002, we have established a roaming arrangement with Telefonica Moviles Espana S.A. of Spain. Under this arrangement, GSM subscribers can use their own SIM cards (Subscriber Information Module Card) with CDMA handsets that are compatible with such GSM SIM cards by renting such CDMA handsets from us. Roaming users are able to receive calls made to their normal mobile telephone numbers. We are seeking to enter into these arrangements with many GSM operators worldwide. As of April 30, 2005, we had entered into inter-standard roaming agreements with 180 operators in 90 nations.

Digital Cellular Network

We offer wireless voice and data telecommunications services throughout Korea using digital wireless networks. SK Telecom operates a CDMA network which currently reaches approximately 99% of the population, and a CDMA 1xRTT network which currently reaches approximately 90% of the population. Shinsegi operated a CDMA network prior to its merger into SK Telecom that we completely decommissioned by July 2002.

CDMA Networks

In January 1996, SK Telecom introduced a digital wireless network based on CDMA technology. This network has been the core platform for our wireless telecommunications business. CDMA technology is a continuous digital transmission technology that accommodates higher throughput than analog technology by using various coding sequences to allow concurrent transmission of voice and data signals for wireless communication. CDMA technology provides customers with a high degree of call quality and security.

CDMA technology is currently in commercial operation in several countries including Korea, Hong Kong and the United States. A majority of the digital wireless networks currently in use around the world are based on either the European Global System for Mobile Communication standard or other time division multiple access technologies. Unlike the continuous digital transmission method of CDMA technology, these technologies break voice signals into sequential pieces of a defined length, place each piece into an information conduit at specific intervals and then reconstruct the pieces at the end of the conduit.

Table of Contents***CDMA 1xRTT Network***

In October 2000, we began offering wireless voice and data services on our CDMA 1xRTT network. CDMA 1xRTT is an advanced CDMA-based technology which allows transmission of data at speeds of up to 144 Kbps (compared to a maximum of 64 Kbps for our CDMA networks) and constitutes what is sometimes referred to as a 2.5G network. As of December 31, 2004, our CDMA 1xRTT network covered 84 cities in Korea, or approximately 90% of the population. In areas where the CDMA 1xRTT network is currently unavailable, CDMA 1xRTT-enabled handsets are capable of accessing the CDMA network.

Unlike our CDMA network, our CDMA 1xRTT network has been designed to be upgraded in step with advances in wireless technology. 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, similar to CDMA 1xRTT, which enables data to be transmitted at speeds of up to 2.4 Mbps. This speed permits interactive transmission of data required for videophone services, a high-speed wireless Internet connection, as well as a multitude of multimedia services. CDMA 1xEV/DO-capable handsets became available in Korea in June 2002. We are expanding our CDMA 1xEV/DO network and completed the upgrade in 84 cities in Korea as of the end of 2004. This network permits 3G capabilities. A significant portion of our capital expenditures is expected to be used for the future expansion and upgrading of our CDMA 1xRTT network as well as our CDMA 1xEV/DO network. For details of our capital expenditure plans relating to CDMA 1xRTT and CDMA 1xEV/DO, see *Operating and Financial Review and Prospects Liquidity and Capital Resources* .

W-CDMA Network

W-CDMA is a 3G-level high capacity wireless communication system that is expected to enable us to offer a wider range of telecommunications services, including cellular, paging, data communications, video-conferencing, multimedia services and satellite communications. We commenced provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. Although we developed and launched in March 2005 dual band/dual mode handsets, one of the key factors in a nationwide deployment of W-CDMA, the actual scope and timing of the full nationwide roll-out of our W-CDMA network will depend on several other factors, including the availability of network equipment, ability to overcome technical problems currently affecting W-CDMA performance, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA network in other metropolitan areas of Korea. For more information about our capital expenditure plans relating to W-CDMA, see *Operating and Financial Review and Prospects Liquidity and Capital Resources* , and for more information about risks relating to W-CDMA, see *Risk Factors* 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 .

In the first half of 2006, we plan to start deploying HSDPA, which enables data to be transmitted at speeds of up to two to three times faster than 1xEV/DO. We have commenced testing of the system that will enable such upgrade to HSDPA by simply upgrading applicable software and without requiring any new infrastructure.

Network infrastructure

The principal components of our wireless networks are:

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

base station transceiver subsystems, which manage the radio transmission by the equipment located at one or more cell sites, including radio-channel management, message transport and hand-off of calls between cell sites;

switching stations, which switch calls to the proper destinations; and

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leased lines, microwave links or other connections which link the switching stations, the cell sites and the public switched telephone networks of KT Corporation and Hanaro Telecom.

The following table sets forth some basic information about our wireless networks at December 31, 2004:

	Cell Sites	Switching Stations
CDMA Network (excluding CDMA 1xRTT and CDMA 1xEV/DO)	5,484	56
CDMA 1xRTT Network and CDMA 1xEV/DO	3,348	55
W-CDMA	626	3

We purchase our principal digital wireless equipment for our CDMA networks from LG Electronics and Samsung Electronics. We have purchased from Samsung Electronics substantially all of the equipment for our CDMA 1xRTT and CDMA 1xEV/DO networks. Several manufacturers, including Samsung Electronics, Pantech & Curitel, LG Electronics and Motorola Korea, Inc., currently produce handsets for use on our CDMA, CDMA 1xRTT network. Samsung Electronics, SK Teletech and Motorola Korea, Inc. currently manufacture most of the handsets for use on our CDMA 1xEV/DO network.

Under applicable Korean law, Korean fixed-line operators may not decline to provide leased line services to us without reasonable cause. We have completed installation of substantially all optical fiber lines between our switching stations. In addition, we own several microwave links in areas to serve certain sections of the network formerly owned and operated by Shinsegi. We have also installed optical fiber lines linking base stations with switching stations and other base stations. Where we have not installed optical fiber lines, we continue to use lines leased by us from SK Networks and KT Corporation. KT Corporation's fixed charges for the leased lines are based on line capacity, length and type.

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

Other Investments and Relationships

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

Wireless Application Developers and Content Providers. As part of our strategy to develop additional applications and content for our wireless data services, we invest in companies which develop wireless applications and provide Internet content, including content accessible by users of our wireless networks. These investments include:

Information Technology and Content Providers. We hold investments in approximately 40 companies, with an aggregate book value of approximately Won 36.0 billion as of December 31, 2004, which develop technology and content for use in our fixed-line and wireless data and Internet businesses and for continuing development of our

multimedia platforms and networks.

Joint Ventures. We own a 50% interest in a joint venture with Hewlett-Packard Company to support development of next generation wireless multi-media and mobile commerce services and a 50% interest in a joint venture with Qualcomm Incorporated, formed for the purpose of funding venture startup companies engaged in development and commercialization of new applications or services utilizing CDMA technology. We have committed to invest US\$5 million in each of these ventures. As of December 31, 2004, we invested Won 5.1 billion in our joint venture with Qualcomm and Won 5.3 billion in our joint venture with Hewlett-Packard. In addition, pursuant to an agreement entered into on March 20, 2003, we established UNISK, a joint venture company with China Unicom in December 2003. See Global Business Overseas Operations . In September 2003, we reached a business cooperation agreement with Teliasonera for the purpose of jointly developing and commercializing new businesses, cross-licensing, partnership exchange and joint advancement into overseas markets. On September 16, 2003, we signed a memorandum of understanding with Alcatel for joint development of a Mobile Payment Service by combining our Nemo with Alcatel s Prepayment Instant Billing System.

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Mobile Broadcasting Corporation. In September 2003, we entered into an agreement with Mobile Broadcasting Corporation, a wireless multi-media company in Japan, for the purposes of co-owning and launching a satellite for the satellite DMB business. MBCO is a developer and provider of content and technology related to wireless multimedia services and has developed new services in Satellite DMB. Under the terms of the agreement, SK Telecom is committed to fund 34.7% of the cost of launching and maintaining the operations of the satellite, which is approximately Won 100.8 billion. As of December 31, 2004, we had invested a total of Won 27.3 billion and had a 7.3% interest in MBCO. We launched the satellite in March 2004. In March 2004, the MIC assigned us a frequency for satellite DMB. In October 2004, we granted the right to use our satellite, satellite orbit and frequency to TU Media Corp., one of our affiliates, which received a license from the MIC as a satellite DMB provider on December 30, 2004. On May 1, 2005, TU Media Corp. began to provide satellite DMB services. See [Multimedia](#) .

Mobile Data and Digital Content Market. In order to generate new revenue from the growing mobile data and digital content market, we plan to increase our investment in the entertainment sector, particularly in music, movies and games. As mobile data and digital content market has become increasingly important in the growth of our business, we are seeking to secure valuable mobile data and digital contents by making equity investments in various content providers. In March 2005, we acquired 8 million shares, or 21.66% of the issued and outstanding shares of iHQ Inc., for Won 14.44 billion, with an option to purchase 5 million additional shares from Mr. Hun-Tak Jeong, a majority shareholder of iHQ Inc., during the period starting March 15, 2006 and ending April 30, 2006. iHQ Inc. is an entertainment management firm producing films, managing entertainers and operating on-line game services. In addition, on May 3, 2005, our board of directors approved our investment of up to Won 20 billion in one or more funds investing in the movie industry and on May 27, 2005 our investment of up to Won 29.7 billion in one or more funds investing in the music industry, each in partnership with local investment companies, to expand our business to media and entertainment. Once the funds are formed, we expect to hold a 26.7% interest in the movie fund and a 99.0% interest in the music fund. On May 27, 2005, our board of directors also approved a resolution to purchase a 60% interest in YBM Seoul Records, the largest music recording company in Korea, whose music sources are critical in our advancement into digital music business from the offline record label business, for Won 29.2 billion.

Other Investments. Our other investments include:

Hanaro Telecom. As of December 31, 2004, we owned a 4.8% interest in the outstanding capital stock of Hanaro Telecom. On September 2, 2003, we purchased Won 120.0 billion of Hanaro Telecom commercial paper in order to provide Hanaro Telecom with short-term liquidity while it attempted to secure a foreign investor that would inject new capital into the company. The decision to provide liquidity support to Hanaro Telecom was made to protect the value of our stake in Hanaro Telecom. Following an investment in Hanaro Telecom by a consortium led by AIG and Newbridge, we disposed of the Hanaro Telecom commercial paper in December 2003. In May 2004, we

purchased from Samsung Electronics Co., Ltd. 13,870,000 shares of Hanaro Telecom, representing 3.0% of the outstanding shares of Hanaro, for Won 39.3 billion as part of our strategic efforts in consideration of increasing convergence between wireless and fixed-line services. As a result of the acquisition, our equity interest in Hanaro increased to 4.8% as of December 31, 2004, up from 1.8% as of December 31, 2003.

Powercomm. We currently own a 5.0% interest in Powercomm Corporation with a book value as of December 31, 2004 of Won 71.6 billion. For more information, see note 3 of the notes to our consolidated financial statements. Powercomm is an operator of fixed-line networks that provides wholesale fixed-line network services, such as leased lines, to telecommunications, Internet and cable television service providers in Korea. We have no current plans to either increase or decrease our investment in Powercomm.

SKC&C. We currently own a 30.0% equity interest in SKC&C Co., Ltd. with a book value as of December 31, 2004 of Won 201.4 billion. SKC&C is an information technologies services provider. Substantially all of SKC&C's revenue is generated from services provided to member companies of the SK Group, including us. We are party to several service contracts with SKC&C related to development and maintenance of our information technologies systems. See Certain Relationships and Related Party Transactions .

SK Group Japan Co., Ltd. In December 2001, we invested Won 5.3 billion in SK Group Japan Co., Ltd., a trading company. We held a 16.5% equity interest in SK Group Japan with an acquisition cost of Won

16.4 billion, which was written off due to an impairment. SK Group Japan was dissolved as of January 17, 2005.

SK Communications. In August 2002, we purchased a 44.5% interest from Mirae Corporation in Lycos Korea, one of Korea's leading Internet portals, for Won 12.3 billion. Subsequently, we subscribed for additional shares in Lycos Korea and increased our interest in Lycos Korea to 90.3%. Lycos Korea was renamed SK Communications after it acquired Netsgo Co., Ltd. and business rights to Nate.com service in November 2002. SK Communications subsequently consolidated services from Lycos and Nate.com to offer portal service on-line.

In February 2001, we transferred our paging business to Real Telecom and received a 9.9% interest in Real Telecom, as well as convertible bonds with a principal amount of Won 9.5 billion. Such convertible bonds and accrued interest were exchanged for bonds issued by Real Telecom in May 2003 with a principal amount of Won 10.6 billion which can be converted into 371,018 shares of common stock of Real Telecom as of April 2004. On December 31, 2004, we wrote off Real Telecom's debt on the bonds as it was very doubtful we would ever collect on the bonds.

We have from time to time engaged in discussions with several wireless telecommunications services providers including KDDI Corporation and Sprint PCS about strategic relationships of various types.

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Competition

SK Telecom was Korea's only provider of cellular telecommunications services until April 1996, when Shinsegi began offering its CDMA service using 10 MHz of spectrum in the 800 MHz band under a license issued in 1994. In 1996, the Government issued three additional licenses to KTF, LGT and Hansol PCS to operate CDMA services, each using 10 MHz of spectrum in the 1700-1800 MHz band. Each of KTF, LGT and Hansol PCS commenced operation of its CDMA service in October 1997.

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 47.9% of Hansol M.Com's outstanding shares and renamed the company KT M.Com. KT M.Com merged into KTF in May 2001. In 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 following its privatization. KT Corporation had a 48.7% interest in KTF as of December 31, 2004.

Significant advances in technology are occurring that may affect our businesses, including the roll-out or the planned roll-out by us and our competitors of advanced high-speed wireless telecommunications networks based on CDMA 1xEV/DO technology and other technologies such as W-CDMA and CDMA2000. In October 2000, we launched the world's first CDMA 1xRTT network, which enables us to provide advanced data services. Since then one of our two principal competitors, KTF has also launched a network using CDMA 1xRTT technology. As of December 31, 2004, our CDMA 1xEV/DO network upgrade had been completed in 84 cities in Korea. KTF has expanded its CDMA 1xEV/DO network to cover 75 cities in Korea as of December 31, 2004. In addition, we and our competitors also have licenses to provide 3G services using W-CDMA technology (in the case of us and KTF) or CDMA2000 technology (in the case of LGT). 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. We commenced provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. Although we, together with other manufacturers of mobile phones, developed and launched in March 2005 dual band/dual mode handsets, one of the key factors in a nationwide deployment of W-CDMA, the actual scope and timing of the full nationwide roll-out of our W-CDMA network will depend on other several factors, including the availability of network equipment, ability to overcome technical problems currently affecting W-CDMA performance, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA network in other metropolitan areas of Korea. See Risk Factors Competition may reduce our market share and harm our results of operations and financial condition .

As of April 30, 2005, according to the MIC, KTF and LGT had 12.0 million and 6.1 million subscribers, respectively, representing approximately 32.4% and 16.5%, respectively, of the total number of wireless subscribers in Korea on such date. As of April 30, 2005, we had 19.1 million subscribers, representing a market share of approximately 51.2%. On May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002.

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

Under current government regulations, as the designated market dominant service provider for wireless network services, we must obtain prior MIC approval for any change in our wireless telecommunications service rates, although our competitors may change their rates at their discretion. The MIC gave new entrants similar price advantages when DACOM started competing with KT Corporation in international long distance service in 1991 and domestic long distance service in 1996. On April 9, 2003, the MIC announced its plan to adopt a reserved reporting system for setting new rates as a measure to relax the stringent regulation on pricing. Under the reserved reporting system, we would have to report our proposed new rate plan with the MIC in order to change our rates. Unless the MIC objects to the proposed rate plan within a certain period of time, such rates would be automatically adopted. We believe that this system, if implemented, would give us greater flexibility in setting our wireless communications service rates in response to market conditions in a timely manner, but we can give no assurance that such a system will be adopted as currently contemplated, or at all, or that the rates allowed by such a system will allow us to remain profitable.

For a description of our rates and subscription plans, see **Revenues, Rates and Facility Deposits** . In addition, the FTC approved our acquisition of Shinsegi on two conditions. First, the FTC required 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. As a result, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers for three months, from April 1, 2001 through June 30, 2001. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001, and this market share limitation no longer applies. On May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. As of April 30, 2005, we had approximately 19.1 million subscribers, representing a market share of approximately 51.2%. Second, the FTC imposed a maximum limit of 1,200,000 on the number of digital handsets we may purchase annually from our subsidiary, SK Teletech, until December 31, 2005. This restriction does not apply to W-CDMA handsets.

In February 1997, member governments of the World Trade Organization, or WTO, reached the WTO Agreement on Basic Telecommunications Services, which became effective in November 1997. As part of this agreement and to expedite the opening of the telecommunications market and promote competition, the Government has amended the Telecommunications Business Law several times to, among other things, increase the allowed foreign shareholding ownership threshold (up to an aggregate of 49.0%) and participation in telecommunications service providers, including us.

While we believe that these measures will enable us to more easily take advantage of opportunities for investments in overseas telecommunications projects, they have increased and may in the future increase competition and the financial and technological resources of our competitors in the domestic market.

Law and Regulation

Overview

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

entry into the telecommunications industry;

scope of services provided by telecommunications service providers;

allocation of radio spectrum;

setting of technical standards and promotion of technical standardization;

rates, terms and practices of telecommunications service providers;

customer complaints;

interconnection and revenue-sharing between telecommunications service providers;

disputes between telecommunications service providers;

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

competition among telecommunications service providers.

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Telecommunications service providers are currently classified into three categories: network service providers, value-added service providers, and specific service providers. We are classified as a network service provider because we provide telecommunications services with our own telecommunications networks and related facilities. As a network service provider, we are required to obtain a license from the MIC for each of the services we provide. Our licenses permit us to provide cellular services and third generation wireless services using W-CDMA technology. Our cellular license is valid for an indefinite term and our W-CDMA license is valid for 15 years starting from 1999.

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

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

Rate Regulation

Most network service providers must report to the MIC the rates and contractual terms for each type of service they provide, but generally they may set rates at their discretion. However, as the dominant network services provider for specific services (based on having the largest market share in terms of number of subscribers and meeting certain revenue thresholds), we must obtain prior approval of our rates and terms of service from the MIC. In each of the years in which this requirement has been applicable, the MIC has designated us for wireless telecommunications service, and KT Corporation for local telephone service, as dominant network service providers subject to this approval requirement. As a condition to its approval of SK Telecom's merger with SK IMT, the MIC required that we submit the rates for our third generation mobile services using W-CDMA technology to the MIC for approval prior to the launch of such services. The MIC's policy is to approve rates if they are appropriate, fair and reasonable and if they are calculated in a transparent and appropriate manner. It may order changes if it deems the rates to be significantly unreasonable or against public policy.

Interconnection

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

Wireless Internet Network Co-Share

In December 2002, the MIC implemented a wireless Internet network co-share system that permits the 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 a cellular network with an IP (Internet Protocol) network, while WAP Gateway converts 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. In December 2002, KT

Corporation connected to our IWF in December 2002 but has not yet commenced service. In July 2003, the MIC approved the basic terms regarding the implementation of a network co-system. In January 2004, we entered into a memorandum of understanding with Onse to establish a co-share system, under which we launched these services in June 2005. Currently, our subscribers can access portals provided by outside parties. In addition, the MIC has requested that a third party oversee wireless operators' customer billing procedures with respect to third-party content providers who are seeking to provide their content directly to subscribers without going through an individual operator's portal, as third-party content providers have experienced difficulties in providing their content service directly to 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 services available on our NATE platform.

Table of Contents***Contributions to the Fund for Development of Information Telecommunications***

The MIC has the authority to recommend to network service providers that they provide funds for national research and development of telecommunications technology and related projects. For 2005, the MIC recommends that we contribute 0.75% of budgeted revenues (calculated pursuant to MIC guidelines that differ from our accounting practices) to the Fund for Development of Information Telecommunications operated by the MIC. Although these recommendations were not mandatory prior to 2002, we have in the past contributed the recommended amounts. Our contribution to this fund in 2000 was Won 38.3 billion (including Won 0.6 billion for Shinsegi) based on the MIC recommendation of 1.5% of MIC-calculated revenues for 2000. Our contribution to this fund in 2001 was Won 23.0 billion (including nil for Shinsegi) based on the MIC-recommended minimum level of contribution of 1.0% of MIC-calculated revenues for 2001.

In May 2002, the MIC announced significant changes to the government contribution system. Starting from 2002, the contributions became mandatory, and the annual contribution which was set at 1.0% of total revenues for the previous year was lowered to 0.5% (0.75% for market dominant service providers like us) of total revenues for the previous year, and will be applicable only to those network service providers who have Won 30 billion in total sales and recorded net profits for the previous year. Under the policy, the amount of the annual contribution does not need to exceed the net profit of each company. Our contribution to this fund in 2002, 2003 and 2004 was Won 59.0 billion, Won 64.9 billion and Won 69.0 billion, respectively, based on the new MIC requirement of 0.75% of MIC-calculated revenues.

Universal Service Obligation

All telecommunications service providers other than value-added service providers, specific service providers and regional paging service providers or any telecommunications service providers whose net annual revenue is less than an amount determined by the MIC (currently set at Won 30 billion) are required to provide universal telecommunications services including local telephone services, local public telephone services, telecommunications services for remote islands and wireless communication services for ships and telephone services for the handicapped and low-income citizens, or contribute toward the supply of such universal services. The MIC designates universal services and the service provider who is required to provide each service. Currently, we are required to offer free subscription fee and 30% discount of our monthly fee for cellular services to the handicapped and the low-income citizens. In addition to such universal services for the handicapped and low-income citizens, we are also required to make certain monetary contributions to compensate for other service providers' costs for the universal services. The size of a service provider's contribution is based on its net annual revenue (calculated pursuant to MIC guidelines which differ from our accounting practices). In 2002, we paid Won 28.9 billion, which was our estimated contribution amount based on our net annual revenue for our fiscal year 2001 pursuant to MIC guidelines. We received a refund in the amount of Won 1.8 billion from the MIC after calculating our required contribution amount based on our net annual revenue for our fiscal year 2001, which effectively reduced our actual contribution amount to Won 27.1 billion. In 2003, our contribution amount was Won 80.7 billion for our fiscal year 2002. In 2004, our contribution amount was Won 46.6 billion for our fiscal year 2003. Our contribution amount in 2005 for fiscal year 2004 has not yet been determined, but is expected to be Won 48.2 billion. With the introduction of a new calculation method based on the long-run incremental cost to be applicable to the calculation of our contribution for 2006, we anticipate that our contribution amount in 2006 for fiscal year 2005 will be lower than that of the previous year. As a wireless telecommunications services provider, we are not considered a provider of universal telecommunications services and do not receive funds for providing universal service. Other network service providers that do provide universal services make all or a portion of their contribution in the form of expenses related to the universal services they provide.

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Frequency Allocation

The MIC has the discretion to allocate and adjust the frequency band for each type of service. Upon allocation of new frequency bands or adjustment of frequency bands, the MIC is required to give a public notice. The MIC also regulates the frequency to be used by each radio station, including our base stations, by the terms of its approval for each radio station. All of our frequency allocations are for an indefinite term. We pay fees to the MIC for our frequency usage which are determined based upon our number of subscribers, frequency usage by our networks and other factors. For 2001, 2002, 2003 and 2004 the fee amounted to Won 78.9 billion, Won 119.2 billion, Won 129.5 billion and Won 143.0 billion, respectively.

In addition, we have paid Won 650 billion of the Won 1.3 trillion cost of the W-CDMA license in March 2001. We are required to pay the remainder of the license cost in annual installments for a five-year period from 2007 through 2011. For more information, see note 2(i) of the notes to our consolidated financial statements for the years ended December 31, 2002, 2003 and 2004.

Competition Regulation

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

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

Under the Fair Trade Act, a company that is a member of a large business group as designated by the FTC, such as ourselves, as a company in the SK Group, is generally required to limit its total investments in other domestic companies to 25% of its non-consolidated net assets. Investment in companies engaging in similar business is not included in calculating the 25% limit. Depending on the time frame in which such a company acquired shares in excess of the 25% ceiling, the FTC may issue corrective orders requiring, for example, the disposition of the shares held in excess of the 25% ceiling or imposing limitations on the voting rights for such shares and/or monetary sanctions. SK Telecom's total investments in other domestic companies (excluding investments in Hanaro Telecom, Powercomm, SK Telink, Enterprise Networks and Real Telecom, companies engaging in similar business) amounted to Won 787.4 billion as of March 31, 2005.

Number Portability

Previously, Korea's wireless telecommunications system was based on a network-specific prefix system in which a unique prefix was assigned to all the phone numbers of a network operator. We were assigned the 011 prefix, and all of our subscriber's mobile phone numbers began with 011 (former Shinsegi subscribers use the 017 prefix). Our subscribers could not change their wireless phone service to another wireless operator and keep their existing numbers. In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications services in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. However, subscribers who switch operators must

purchase a new handset, as we use a different frequency than KTF and LGT. In accordance with the plan published by the MIC, the number portability system was adopted by SK Telecom starting from January 1, 2004. KTF and LGT introduced number portability beginning on July 1, 2004 and January 1, 2005, respectively. For details of the number of subscribers who transferred to the services of our competitors following the implementation of the number portability system, see Business Subscribers .

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In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the new services, the MIC has begun to integrate mobile telephone identification numbers into a common prefix identification number 010 and to gradually retract the current mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services, starting from January 1, 2004. All new subscribers have been given the 010 prefix starting January 2004. For details of the number of new subscribers for each of the major wireless cellular providers following the adoption of the 010 prefix January 2004, see Business Subscribers .

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

Contribution to 114 Directory Service

The MIC has been negotiating with network service providers on sharing the cost of providing 114 directory services through KT Corporation. Prior to 1998, this cost was shared among service providers through the NTS (Nontraffic Sensitive) Participation Program. The NTS Participation Program included both the Universal Service Provider Program and contributions for 114 directory services before it came to a halt due to disagreements between network service providers and the MIC. The MIC has determined SK Telecom's share of such costs for the period between 1998 and 2001 to be Won 40.6 billion, based on the number of calls made to the 114 directory service through its network. KTF and LGT were charged Won 16.8 billion and Won 6.7 billion, respectively. This amount is to be paid in monthly installments over a 20-month period. Contributions for the 114 directory service for 2002, 2003 and 2004 have not been determined yet.

Foreign Ownership and Investment Restrictions and Requirements

Because we are a network service provider, foreign governments, individuals, and entities (including Korean entities that are deemed foreigners, as discussed below) are prohibited from owning more than 49% of our voting stock. Effective from May 9, 2004, Korean entities where a foreign government or a foreigner (together with any of its related parties) (i) is the largest shareholder and (ii) owns 15% or more of the outstanding voting stock are deemed foreigners. If this 49% ownership limitation is violated, certain of our foreign shareholders will not be permitted to exercise voting rights in excess of the limitation and the MIC may require other corrective action.

As of December 31, 2004, SK Corporation owned 17,663,127 shares of our common stock, or approximately 21.47% of our issued shares. As of April 4, 2005, a foreign investment fund and its related parties collectively held a 14.9% stake in SK Corporation. Effective from May 9, 2004, if the foreign investment fund and its related parties increase their shareholdings in SK Corporation to 15% or more and such foreign investment fund and its related parties collectively constitute the largest shareholder of SK Corporation, SK Corporation will be considered a foreign shareholder of SK Telecom, 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 the foreign ownership level as of December 31, 2004 (which we believe was 48.36%), would reach 69.83%, exceeding the 49% ceiling on foreign shareholding.

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If the aggregate foreign shareholding limit in SK Telecom is exceeded, the MIC may issue a corrective order to SK Telecom, the breaching shareholder (including SK Corporation if the breach is caused by an increase in foreign ownership of SK Corporation) and the foreign investment fund and its related parties who own in the aggregate 15% or more of SK Corporation. Furthermore, SK Corporation may not exercise its voting rights with respect to the shares held in excess of the 49% ceiling, which may result in a change in control of us. In addition, the 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%. If a corrective order is issued to us by the MIC arising from the violation of the foregoing foreign ownership limit, and we do not comply within the prescribed period under such corrective order, the MIC may (1) suspend all or part of our business, or (2) if the suspension of business is deemed to result in significant inconvenience to our customers or be detrimental to the public interest, impose a one-time administrative penalty of up to 3% of our sales revenues. Additionally, an amendment to the Telecommunications Business Law in May 2004 also authorizes the MIC to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year and a penalty of Won 50 million. See Risk Factors If SK Corporation breaches the foreign ownership limitations on SK Telecom, it may result in a change of control of us .

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

A newly adopted amendment to the Telecommunications Business Law effective from May 9, 2004 provides for the creation of a Public Interest Review Committee under the MIC to review investments in or changes in the control of network services providers. The following events would be subject to review by the Public Interest Review Committee: (i) the acquisition by an entity (and its related parties) of 15% or more of the equity of a network services provider, (ii) a change in the largest shareholder of a network services provider, (iii) agreements by a network service provider or its shareholders with foreign governments or parties regarding important business matters of such network services provider, such as the appointment of officers and directors and transfer of businesses and (iv) a change in the entity that actually controls a network services provider. If the Public Interest Review Committee determines that any of the foregoing transactions or events would be detrimental to the public interest, then the MIC may issue orders to stop the transaction, amend any agreements, suspend voting rights, or divest the shares of the relevant network services provider. Additionally, effective from May 9, 2004, if a dominant network services provider (which would currently include us and KT Corporation), together with its specially related persons (as defined under the Korean Securities and Exchange Act) holds more than 5% of the equity of another dominant network services provider, the voting rights on the shares held in excess of the 5% limit may not be exercised.

Patents and Licensed Technology

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

We also license a number of patented processes and trademarks under cross-licensing, technical assistance and other agreements. The most important agreement is with Qualcomm Inc. and relates mainly to CDMA applications

technology. This agreement generally grants us a non-exclusive license to manufacture handsets in return for royalty payment or a sub-license to manufacture and sell certain products both in Korea and overseas

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during a fixed, but usually renewable term. We consider our technical assistance and licensing agreements to be important to our business and believe that we will be able to renew this agreement on commercially reasonable terms that will not adversely affect our ability to use the relevant technologies.

We are not currently involved in any material litigation regarding patent infringement.

Organizational Structure

We are a member of the SK Group (formerly the Sunkyong Group), whose members owned in aggregate 24.03% of the shares of our issued common stock as of December 31, 2004. The SK Group is a diversified group of companies incorporated in Korea with interests in, among other things, telecommunications, trading, energy, chemicals, engineering and leisure industries. Until mid-1994, our largest shareholder was KT Corporation (formerly known as Korea Telecom Corp.), Korea's principal fixed-line operator and the parent of KTF, one of our principal wireless competitors.

Significant subsidiaries

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

PROPERTY, PLANTS AND EQUIPMENT

The following table sets forth certain information concerning our principal properties as of May 20, 2005:

	Approximate Area in Square Feet	Primary Use	Nature of Interest
Seoul	988,654	Corporate Headquarters	Ownership
Seoul	607,246	Regional Headquarters	Ownership
Seoul	162,406	Customer Service Center	Ownership
Taegu	153,623	Regional Headquarters	Ownership
Taejon	565,773	Regional Headquarters	Ownership
Kwangju	265,610	Regional Headquarters	Ownership
Pusan	363,422	Regional Headquarters	Ownership
Sungnam	482,783	Central Research and Development Laboratory	Ownership
Ichon	279,550	Training Center	Ownership
Wonju	116,562	Regional Headquarters	Ownership
Yongin	589,625	Training Center	Ownership

In December 2004, we constructed a new building with an area of approximately 82,624 square feet, in which we have full ownership, for use as our corporate headquarters. We relocated our corporate offices into the new building in January 2005. In addition, we own or lease various locations for cell sites and switching equipment. We do not anticipate that we will need a significant number of new cell sites in connection with the expansion of our CDMA networks which is planned for 2005, and we expect to lease or acquire new sites as needed. We do expect that we will need new cell sites in constructing our W-CDMA network. Our current plan is to share sites with our existing network, and therefore, we do not at this time expect to have to obtain a significant number of new cell site locations. We do not anticipate that we will encounter material difficulties in meeting our future needs for any existing or prospective leased space for our cell sites. See Cellular Services .

In October 2004, we purchased certain land and building (including incidental movables) of SK Life Insurance Co., Ltd. accounting for 589,625 square feet for Won 30 billion in order to secure stable training facilities to enhance expertise and leadership of SK Telecom's employees as required by its campaign of new value management.

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

Item. 5 Operating and Financial Review and Prospects

You should read the following discussion together with our consolidated financial statements and the related notes thereto which appear elsewhere in this annual report. We prepare our financial statements in accordance with Korean GAAP, which differs in some respects from U.S. GAAP. Notes 30 and 31 of the notes to our consolidated financial statements provide a description of the significant differences between Korean GAAP and U.S. GAAP as they relate to us and provide a reconciliation to U.S. GAAP of our net income and shareholders' equity for fiscal years 2002, 2003 and 2004. In addition, you should read carefully the section titled "Critical Accounting Policies, Estimates and Judgments" as well as note 2 of the notes to our consolidated financial statements which provide summaries of certain critical accounting policies that require our management to make difficult, complex or subjective judgments relating to matters which are highly uncertain and that may have a material impact on our financial conditions and results of operations.

Overview

Revenue. We earn revenue principally from initial connection fees and monthly access fees, usage charges and value-added service fees paid by subscribers to our wireless services, interconnection fees paid to us by other telecommunications operators for use of our network by their customers and subscribers and sales of wireless handsets by our subsidiary, SK Teletech. The amount of our revenue depends principally upon the number of our wireless subscribers, the rates we charge for our services, subscriber usage of our services and the terms of our interconnection with other telecommunications operators. Government regulation also affects our revenues.

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

	Year Ended December 31,					
	2002		2003		2004	
	(In billions of Won, except percentages)					
	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue	Revenue	Percentage of total revenue
Cellular Revenue:						
	(Won)	81.3	(Won)	82.4	(Won)	83.2
Wireless Services ⁽¹⁾	7,579.6		8,462.7		8,798.4	
Interconnection	1,043.2	11.2	1,017.1	9.9	849.4	8.0
Digital Handset Sales ⁽²⁾	534.0	5.7	612.0	5.9	649.8	6.2
Total Cellular Revenue	9,156.8	98.2	10,091.8	98.2	10,297.6	97.4
Other Revenue:						
International Calling Service ⁽³⁾	101.6	1.1	97.4	1.0	126.3	1.2
Portal Service ⁽⁴⁾	22.8	0.2	42.0	0.4	85.0	0.8
Miscellaneous	42.8	0.5	40.9	0.4	61.7	0.6

Total Other Revenue	167.2	1.8	180.3	1.8	273.0	2.6
	(Won)	100	(Won)	100	(Won)	100
Total Operating Revenue:	9,324.0		10,272.1		10,570.6	
Total Operating Revenue Growth	11.4%		10.2%		2.9%	

(1) Wireless services revenue includes initial connection fees, monthly access fees, usage charges, international charges, wireless Internet service fees, value-added-service fees and interest on overdue subscriber accounts (net of telephone tax).

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(2) Sales of digital handsets are made through our subsidiary, SK Teletech, of which we owned 89.1% at December 31, 2004. We entered into an agreement to sell 4,542,000 shares of SK Teletech owned by us to Pantech & Curitel, Inc., a Korean mobile handset manufacturer, on May 6, 2005. Upon the consummation of such sale, we expect to own approximately 29.1% of the total issued and outstanding shares of SK Teletech.

(3) Provided by our 90.8%-owned subsidiary, SK Telink Co., Ltd.

(4) Portal service revenue attributable to SK Communications Co., Ltd. and, since 2003, Paxnet Co., Ltd.

We have had a dominant market share position in terms of subscribers throughout our history and we continue to be the market leader in terms of number of subscribers. Our wireless subscriber base has continued to increase over the years, growing from approximately 10.1 million subscribers at the end of 1999 to approximately 14.5 million subscribers (including approximately 3.5 million Shinsegi subscribers), 15.2 million subscribers (including approximately 3.3 million Shinsegi subscribers), 17.2 million subscribers, 18.3 million subscribers and 18.8 million subscribers at the end of 2000, 2001, 2002, 2003 and 2004, respectively.

As a condition to its approval of our acquisition of Shinsegi, the FTC required that SK Telecom's and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50% as of June 30, 2001. As a result, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers for three months, from April 1, 2001 through June 30, 2001. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001. On May 25, 2004, a policy advisory committee to the MIC announced the results of its review and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we have violated a merger condition related to our acquisition of Shinsegi by providing subsidies to handset buyers. On the same day, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. On June 7, 2004, the MIC fined us Won 11.9 billion and extended the post-merger monitoring period until January 2007 pursuant to the policy advisory committee's recommendation. As of April 30, 2005, we had approximately 19.1 million subscribers, representing a market share of approximately 51.2%.

Prior to June 2000, wireless telecommunications service providers provided handsets at below retail prices to attract new subscribers, offsetting a significant portion of the cost of handsets. The MIC prohibited all wireless telecommunications service providers, subject to certain exceptions stipulated in the Telecommunications Business Act, from providing 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. On April 8, 2002, we, KTF, LGT and KT Corporation 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 on new subscribers for 30 days (from November 21, 2002 through December 2002) for violating the MIC's handset subsidy regulation. KTF and LGT were also prohibited from signing on new subscribers for 20 days. In February 2004, the MIC imposed upon us a fine of Won 21.7 billion with respect to other incentive payments that were deemed by the MIC to constitute improper handset subsidies and thereby disrupt fair competition. We paid the fine in March 2004. In February 2004, KTF and KT Corporation were also fined Won 7.5 billion and Won 4.1 billion, respectively, in respect of such incentive payments. On March 21, 2005, the MIC ordered us, KTF and LGT, to pay fines of Won 1.4 billion, Won 360 million and Won 230 million, respectively, for changing calling plans and adding value-added services to the subscribers without obtaining express consents of such subscribers. We paid such fine in April 2005. In May 2005, the MIC ordered us to pay a fine of Won 23.1 billion with respect to our payment of improper handset subsidies. LGT and KTF were also fined Won 2.7 billion and Won 1.1 billion, respectively, in respect of such subsidy payments. We were fined more heavily than KTF and

LGT as the MIC found that our efforts to take corrective measures were not sufficient and that such incentive payments were a violation of a merger condition related to our acquisition of Shinsegi in January 2002.

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As a result of the MIC's handset subsidy regulation and steps we have taken as a result, we experienced a significant reduction in our gross and net additions of new subscribers in April and May 2002. The MIC's November 2002 order also resulted in a reduction in our gross and net additions of new subscribers in November and December 2002. We believe that our competitors have also experienced similar reductions and our market share has not been adversely affected. We cannot assure you that the elimination of dealer incentives will not continue to adversely affect the rate at which we attract new subscribers or the rate at which existing subscribers upgrade their wireless handsets to take advantage of the higher data transmission capabilities of our CDMA 1xRTT and CDMA 1xEV/DO network technologies. We also believe that beginning in March 2002, there was an expectation among dealers that dealer incentives would soon be eliminated or reduced as a result of the MIC's actions. This expectation contributed to the unusually high number of gross and net subscriber additions and the higher churn rate that we experienced in March 2002, which was 2.3%, compared to 1.2% in January 2002 and 1.1% in February 2002. Churn rate increased in part because many existing subscribers chose to upgrade their handsets by terminating their service and opening a new subscriber account. For 2005, our churn rate has ranged from 1.7% to 2.3%, with churn rate for May 2005 at 1.9%. We cannot assure you that our churn rates will not increase in the future.

Prior to January 2003, Korea's wireless telecommunications system was based on a network-specific prefix system in which a unique prefix was assigned to all the phone numbers of a specific network operator. We were assigned the 011 prefix, and all of our subscribers' mobile phone numbers began with 011 (former Shinsegi subscribers use the 017 prefix) and our subscribers could not change their wireless phone service to another wireless operator and keep their existing numbers. In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications services in Korea, which allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. However, subscribers who switch operators must purchase a new handset, as each operator utilizes a different frequency. In accordance with the plan published by the MIC, the number portability system was adopted by SK Telecom starting from January 1, 2004. We were required to adopt the number portability system earlier than our competitors, allowing our customers to transfer their numbers to our competitors but not allowing our competitors' customers to transfer their number to our service. KTF and LGT introduced number portability beginning July 1, 2004 and January 1, 2005, respectively. Subscribers who choose to transfer to a different wireless operator have the right to return to their original service providers without paying any penalties within 14 days of their initial transfer.

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 January 1, 2004. All new subscribers have been given the 010 prefix starting January 2004. For details of the number of new subscribers for each of the major wireless cellular providers following the adoption of the 010 prefix January 2004, see Business Subscribers .

We believe that the adoption of the common prefix identification system may pose a greater risk to us as compared to the other wireless telecommunications providers because 011 has a very high brand recognition in Korea as the premium wireless telecommunications service. Adoption of the 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 Risk Factors Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition . In February 2004, the MIC imposed a total fine of Won 2.0 billion on us in connection with our marketing efforts related to the number portability system. For details, see Legal Proceedings MIC Proceedings .

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For cellular services, we charge initial connection fees, monthly access fees, usage charges, wireless Internet service fees and monthly charges for value-added services. Under current regulations, we must obtain prior MIC approval of the terms on which we may offer our services, including all rates and fees charged for these services. See [Business Law and Regulation](#), [Rate Regulation](#) and [Risk Factors](#). We are subject to additional regulation as a result of our market position, which could harm our ability to compete effectively. Generally, the rates we charge for our services have been declining. In September 1997 and April 2000, we implemented revised rate plans, which generally offer rates lower than our previous rates. Effective June 8, 1998, we have been providing a 20% discount for calls made between our cellular customers. Effective May 1, 2001, we implemented a new charge system based on the amount of data that is transmitted to the subscribers' handsets, with respect to subscribers using our CDMA 1xRTT network. CDMA 1xRTT is an advanced CDMA-based technology which allows transmissions of data at speeds of up to 144 Kbps (compared to a maximum of 64 Kbps for our CDMA networks). After discussions with the MIC, effective 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. After discussions with the MIC, in October 2003, we reduced our monthly charges for caller ID service from Won 2,000 to Won 1,000. As of April 30, 2005, our standard peak usage rate was approximately 11% higher than those charged by our competitors. We can give no assurance that these rate changes will not negatively affect our results of operations. For more information about the rates we charge, see [Business Revenues, Rates and Facility Deposits](#).

Our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Charges for interconnection affect our revenues and operating results. The 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. Under our interconnection agreements, we are required to make payments in respect of calls which originate from our networks and terminate in the networks of other Korean telecommunications operators, and the other operators are required to make payments to us in respect of calls which originate in their networks and terminate in our network. See [Business Interconnection](#). 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, these payments were calculated based on each wireless operator's actual imputed costs in 2001. 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. For 2003, pursuant to a new MIC policy, an operator's interconnection fees are derived from that operator's actual interconnection fees for 2001 and actual imputed costs for 2001. 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. On July 9, 2004, the MIC introduced a new method of calculating interconnection payments, based on the terminator's long-run incremental cost in 2004 and the competitive market situation in the telecommunication service industry of Korea. The long-run incremental cost method has been adopted by other countries such as the United States, the United Kingdom and Japan. The new rates had a negative impact on our operations in 2004 in the amount of approximately Won 289.2 billion, resulting in an estimated Won 168.7 billion reduction in revenue and Won 120.5 billion increase in interconnection expenses. The Won 120.5 million increase in interconnection expenses include the increase in the land-to-mobile interconnection expenses that were paid to fixed-line service providers. For more information about our interconnection revenue and expenses, see [Business Interconnection Domestic Calls](#).

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The following table sets forth selected information concerning our wireless telecommunications network during the periods indicated:

	Year Ended December 31,		
	2002⁽¹⁾	2003	2004
Outgoing Voice Minutes (In Thousands): ⁽²⁾	37,629,656	42,175,874	43,184,944
Average Monthly Outgoing Voice Minutes Per Subscriber: ⁽³⁾	191	197	194
	(Won)	(Won)	(Won)
Average Monthly Revenue Per Subscriber: ⁽⁴⁾⁽⁵⁾	38,383	39,739	39,689

- (1) Excludes information relating to Shinsegi for a period of 12 days, from January 1, 2002 to January 12, 2002. Shinsegi merged into SK Telecom on January 13, 2002.
- (2) Does not include minutes of incoming calls or minutes of use relating the use of text messaging and data services.
- (3) 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 months 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.
- (4) 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 subscriber 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.
- (5) Including interconnection revenue, consolidated average monthly revenue per subscriber was Won 43,958 for 2002, Won 44,546 for 2003 and Won 43,542 for 2004.

Our average monthly outgoing minutes of voice traffic increased by 12.1% in 2003 and 5.8% in 2004. We believe that this trend principally reflects generally lower overall tariff levels and increased use of wireless telecommunications as a substitute for fixed-line communications. Due to the existing high penetration rate of wireless services in Korea, we expect the rate of increase to be comparatively lower in 2005 and the near future.

Our consolidated average monthly revenue per subscriber increased by 3.5% to Won 39,739 in 2003 compared to Won 38,383 in 2002. Our consolidated average monthly revenue per subscriber decreased by 0.13% to Won 39,689 in 2004 compared to Won 39,739 in 2003. These changes reflect the net effect of several offsetting trends, including:

reduction of overall tariff by 3.7% in September 2004;

decrease in minutes of use; and

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decrease in caller ID rates by 50% that took effect in October 2003.

Operating Expenses and Operating Margins. Our operating expenses consist principally of depreciation, commissions paid to authorized dealers, network interconnection and leased line expenses, the cost of manufacturing handsets, advertising costs and labor costs. Operating income represented 30.0% of operating revenue in 2002, 30.2% in 2003 and 23.1% in 2004. Our operating margin increased slightly from 30.0% in 2002 to 30.2% in 2003, primarily due to the fact that our operating revenues increased at a faster rate than our operating expenses. In 2004, our operating margin decreased to 23.1% from 30.2% in 2003, primarily due to an increase in our marketing expenses and interconnection charges we paid. We cannot assure you that our operating margin will not decrease in future periods.

Acquisition of Shinsegi. On April 27, 2000, we completed the acquisition of a 51.2% interest in Shinsegi. In subsequent transactions between March and September 2001, we increased our interest to 70.4%. The results of operations of Shinsegi have been consolidated with our results of operations beginning in April 2000. Shinsegi accounted for 12.8% of our consolidated assets and 22.6% of our consolidated revenue as of and for the year ended December 31, 2001. In January 2002, we acquired the remaining 29.6% interest in Shinsegi which we did not yet own, and merged Shinsegi into SK Telecom on January 13, 2002.

Industry Consolidation. Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry resulting in the emergence of stronger competitors. In July 2000, KT Corporation acquired a 47.9% interest in KT M.Com and merged KT M.Com into KTF 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 following its privatization. Such consolidations have created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings. See Risk Factors Competition may reduce our market share and harm our results of operations and financial condition .

On May 1, 2003, we merged with SK IMT, in accordance with a resolution of our board of directors on December 20, 2002 and the approval of shareholders of SK IMT on February 21, 2003. The exchange ratio of common stock between us and SK IMT was 0.11276 share of our common stock with a par value of Won 500 shares to 1 share of common stock of SK IMT with a par value of Won 5,000. Using such exchange ratio, we distributed 126,276 shares of new issued common stock to minority shareholders of SK IMT and we cancelled all shares of SK IMT owned by us and SK IMT upon the merger. The assets and liabilities transferred from SK IMT were accounted for at the carrying amounts of SK IMT. See note 24 of the notes to our consolidated financial statements. The SK IMT merger resulted in an increase in our cash and cash equivalents by Won 328.9 billion and had no impact on our liabilities. Until the date of the merger, SK IMT was not generating any revenue.

On May 23, 2002, we acquired a 9.6% equity interest (29,808,333 shares of common stock) in KT Corporation for Won 1,609 billion. Pursuant to the terms of an agreement between us and KT Corporation dated November 14, 2002, we sold all of our shares of KT Corporation. Under the terms of the agreement, we exchanged the 29,808,333 shares of KT Corporation's common stock for 8,266,923 shares of our common stock that KT Corporation owned and settled the difference in the price in cash on December 30, 2002 and January 10, 2003. The exchange was made at Won 50,900 per share of KT Corporation's common stock and Won 224,000 per share of our common stock.

On September 2, 2003, we purchased Won 120.0 billion of Hanaro Telecom commercial paper in order to provide Hanaro Telecom with short-term liquidity while it attempted to secure a foreign investor that would inject new capital into the company. The decision to provide liquidity support to Hanaro Telecom was made to protect the value of our stake in Hanaro Telecom, as we held a 1.8% stake in Hanaro Telecom as of December 31, 2003. Following an investment in Hanaro Telecom by a consortium led by AIG and Newbridge, we disposed of the Hanaro Telecom commercial paper in December 2003. In May 2004, we purchased from Samsung Electronics Co., Ltd. 13,870,000 shares of Hanaro Telecom, representing 3.0% of the outstanding shares of Hanaro for Won 39.3 billion as part of our

strategic efforts in consideration of increasing convergence between wireless and fixed-line services. As a result of the acquisition, our equity interest in Hanaro increased to 4.8% as of December 31, 2004.

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

	For the Year Ended December 31,					
	2002		2003		2004	
	(In billions of Won, except percentage data)					
	(Won)	100.00%	(Won)	100.00%	(Won)	100.00%
Operating Revenue	9,324.0		10,272.1		10,570.6	
Operating Expenses	6,526.4	70.00	7,167.0	69.77	8,130.9	76.92
Operating Income	2,797.6	30.00	3,105.1	30.23	2,439.7	23.08
Other Income	259.7	&nbs				