SK TELECOM CO LTD
Form 20-F
June 30, 2008

Table of Contents

As filed with the Securities and Exchange Commission on June 30, 2008

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

Form 20-F

(Mark One)

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

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2007

OR

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

OR

o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report For the transition period from to

Commission file number 1-14418

SK Telecom Co., Ltd.
(Exact name of Registrant as specified in its charter)

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

The Republic of Korea

(Jurisdiction of incorporation or organization)
11, Euljiro 2-Ga, Jung-gu, Seoul, Korea
(Address of principal executive offices)
Mr. Jinmo Kim
11, Euljiro 2-Ga, Jung-gu, Seoul, Korea
Telephone No.: 82-2-6100-2114
Facsimile No.: 82-2-6100-7948
(Name, telephone, email and/or facsimile number and address of company contact person)

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

Title of each class	Name of each exchange on which registered
American Depositary Shares, each representing one-ninth of one shares of Common Stock	New York Stock Exchange
Common Stock, par value ₩500 per share	New York Stock Exchange, Inc.*

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

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.
None

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

81,193,711 shares of common stock, par value ₩500 per share

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

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

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

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

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

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

U.S. GAAP o IFRS o Other þ

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

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

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes o No o

TABLE OF CONTENTS

Table of Contents

Table of Contents

CERTAIN DEFINED TERMS AND CONVENTIONS USED IN THIS REPORT

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

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

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

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

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

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

Unless otherwise indicated, translations of Won amounts into Dollars in this report were made at the noon buying rate in The City of New York for cable transfers in Won per US$1.00 as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, the translations of Won into Dollars were made at the noon buying rate in effect on December 31, 2007, which was Won 935.8 to US$1.00. On June 27, 2008, the noon buying rate was Won 1,041.8 to US$1.00. See Item 3.A. Selected Financial Data Exchange Rates .

Table of Contents

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 may, might, could occur, be taken or be achieved.

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

- our ability to anticipate and respond to various competitive factors affecting the wireless telecommunications industry, including new services that may be introduced, changes in consumer preferences, economic conditions and discount pricing strategies by competitors;
- our implementation of high-speed downlink packet access, or HSDPA, technology, high-speed uplink packet access, or HSUPA, technology and wireless broadband internet, or WiBro, technology;
- our plans to spend approximately Won 1.75 trillion for capital expenditures in 2008 for a range of projects, including investments in our backbone networks (and expansion of our WiBro network in particular), investments to improve our WCDMA network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid-to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course;
- our efforts to make significant investments to build, develop and broaden our businesses, including developing and providing wireless data, multimedia, mobile commerce and Internet services;
- our ability to comply with governmental rules and regulations, including the regulations of the KCC, related to telecommunications providers, rules related to our status as a market-dominating business entity under the Korean Monopoly Regulation and Fair Trade Act, or the Fair Trade Act, and the effectiveness of steps we have taken to comply with such regulations;
- our ability to manage effectively our bandwidth and to implement timely and efficiently new bandwidth-efficient technologies;
- our expectations and estimates related to interconnection fees; tariffs charged by our competitors; regulatory fees; operating costs and expenditures; working capital requirements; principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases; and research and development expenditures and other financial estimates;
- the success of our various joint ventures and investments in other telecommunications service providers;
- our ability to successfully manage our recent acquisition of an additional 38.6% stake in hanarotelecom inc., a fixed-line telecommunications operator and broadband Internet service provider; and
- the growth of the telecommunications industry in Korea and other markets in which we do business and the effect that economic, political or social conditions have on our number of subscribers, call volumes and results of operations.

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

Table of Contents

PART I

Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Item 1.A. Directors and Senior Management

Not applicable.

Item 1.B. Advisers

Not applicable.

Item 1.C. Auditor

Not applicable.

Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

Item 3. KEY INFORMATION

Item 3.A. Selected Financial Data

You should read the selected consolidated financial and operating data below in conjunction with the consolidated financial statements and the related notes included elsewhere in this report. The selected consolidated financial data for the five years ended December 31, 2007 are derived from our audited consolidated financial statements and related notes thereto.

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 33 and 34 of the notes to our audited consolidated financial statements included in this annual report.

	As of or for the Year Ended December 31,					
	2003	2004	2005	2006	2007	2007
	(In billions of Won and millions of dollars, except per share and percentage data)					
COME ATEMENT TA						
rean GAAP:						
al Operating venue[1]	₩ 10,272.1	₩ 10,570.6	₩ 10,721.8	₩ 11,028.0	₩ 12,018.2	US$ 12,842.
lular Service[1]	10,091.8	10,297.6	10,361.9	10,515.6	11,237.2	12,008.
er[2]	180.3	273.0	359.9	512.4	781.0	834.
erating Expenses	7,167.0	8,130.9	8,051.2	8,406.9	10,207.8	10,908.
erating Income	3,105.1	2,439.7	2,670.6	2,621.1	1,810.4	1,934.
	2,754.3	2,123.2	2,561.6	2,021.6	1,985.3	2,121.

ome before ome Taxes and ority Interest						
Income[3]	1,965.3	1,493.4	1,868.3	1,449.6	1,562.3	1,669.
Income per re of Common ck[4]	26,187	20,261	25,443	19,801	22,696	24.
uted Net Income Share of nmon Stock[4]	26,187	20,092	25,036	19,523	22,375	23.
idends Declared Share of nmon Stock	5,500	10,300	9,000	8,000	9,400	10.
ighted Average mber of Shares	75,078,219	73,614,296	73,614,296	73,305,026	72,650,909	72,650,909

Table of Contents

	As of or for the Year Ended December 31,					
	2003	2004	2005	2006	2007	2007
	(In billions of Won and millions of dollars, except per share and percentage data)					
U.S. GAAP:						
Total Operating Revenue	₩ 10,225.1	₩ 10,534.6	₩ 10,701.4	₩ 10,541.8	₩ 11,212.4	US$ 11,981.6
Operating Expenses	7,044.5	8,137.6	7,847.7	7,720.0	9,144.3	9,771.6
Operating Income	3,180.6	2,397.0	2,853.7	2,821.8	2,068.1	2,210.0
Net Income	2,062.7	1,553.1	2,027.6	1,880.5	1,506.1	1,609.4
Net Income per Share of Common Stock[(4)]	27,475	21,097	27,543	25,653	20,731	22.15
Diluted Net Income per Share of Common Stock[(4)]	27,475	20,918	27,089	25,236	20,390	21.79
BALANCE SHEET DATA						
Korean GAAP:						
Working Capital (Deficiency)[(5)]	₩ (461.4)	₩ 1,323.8	₩ 1,735.2	₩ 1,455.5	₩ 1,796.2	US$ 1,919.4
Property and Equipment, Net	4,641.5	4,703.9	4,663.4	4,507.3	4,969.4	5,310.3
Total Assets	13,818.2	14,283.4	14,704.8	16,240.0	19,048.9	20,355.8
Non-current Liabilities[(6)]	3,193.5	4,010.7	3,513.9	3,548.5	4,344.4	4,642.5
Capital Stock	44.6	44.6	44.6	44.6	44.6	47.7
Total Shareholders Equity	6,093.8	7,205.7	8,327.5	9,483.1	11,687.6	12,489.5
U.S. GAAP:						
Working Capital (Deficiency)	(445.5)	1,311.3	1,587.2	1,286.2	1,751.1	1,871.2
Total Assets	15,586.2	15,576.8	16,351.2	17,929.5	20,214.9	21,601.7
Total Shareholders Equity	7,014.7	8,237.0	9,472.4	10,738.5	12,699.11	13,570.3
OTHER FINANCIAL DATA						
Korean GAAP:						
EBITDA[(3)(7)]	₩ 4,705.6	₩ 4,087.7	₩ 4,429.5	₩ 3,879.1	₩ 4,357.7	US$ 4,656.6
Capital Expenditures[(8)]	1,647.6	1,631.9	1,416.6	1,498.1	1,816.0	1,940.5
R&D Expenses[(9)]	300.7	336.1	321.1	279.0	293.1	313.2
Internal R&D	235.8	267.1	252.0	212.0	218.7	233.7
External R&D	64.9	69.0	69.1	67.0	74.4	79.5
Depreciation and Amortization	1,646.3	1,752.5	1,675.5	1,698.4	2,000.7	2,138.0
Cash Flow from Operating Activities	3,329.4	2,527.9	3,407.1	3,589.8	3,710.7	3,965.3
Cash Flow from Investing Activities	(1,415.1)	(1,470.3)	(1,938.2)	(2,535.2)	(2,399.0)	(2,563.6)
Cash Flow from Financing Activities	(2,261.0)	(968.6)	(1,429.0)	(952.4)	(856.0)	(914.7)
Margins (% of total sales):						

EBITDA Margin[7]	45.8 %	38.7%	41.4%	35.2%	36.6%	36.6%
Operating Margin	30.2	23.1	24.9	23.8	15.1	15.1
Net Margin	19.1	14.1	17.5	13.2	13.0	13.0

Table of Contents

	As of or for the Year Ended December 31,					
	2003	2004	2005	2006	2007	2007
	(In billions of Won and millions of dollars, except per share and percentage data)					
U.S. GAAP:						
EBITDA[7]	4,679.1	3,970.4	4,412.2	4,529.6	3,961.7	4,233.5
Capital Expenditures[8]	1,668.0	1,656.9	1,429.3	1,538.0	1,854.0	1,981.2
Cash Flow from Operating Activities	3,144.3	3,237.9	3,296.8	3,614.8	3,284.8	3,510.2
Cash Flow from Investing Activities	(1,285.5)	(1,634.1)	(1,816.5)	(2,560.6)	(2,435.7)	(2,602.8)
Cash Flow from Financing Activities	(2,205.5)	(1,514.8)	(1,439.3)	(940.6)	(631.3)	(674.6)

	As of or for the Year Ended December 31,					
	2003	2004	2005	2006	2007	20
D NG DATA						
of Korea 0)	47.9	48.2	48.3	48.3	48.5	
ss (11)	38.2%	39.0%	40.4%	42.0%	45.3%	
(12)	6,286	7,353	6,646	7,676	9,485	
per millions)	₩ 1,634.1	₩ 1,437.6	₩ 1,613.3	₩ 1,436.7	₩ 1,267.1	US$
ubscribers(13)	18,313,135	18,783,338	19,530,117	20,271,133	21,968,169	21,9
onthly oice Minutes ber(14)	197	194	197	201	201	
onthly er 15)	₩ 39,739	₩ 39,689	₩ 40,205	₩ 40,220	₩ 40,154	US$
onthly Churn	1.2%	1.7%	1.8%	2.0%	2.6%	
l Sites	8,310	9,458	10,142	12,515	16,099	

* The conversion into Dollars was made at the rate of Won 935.8 to US$1.00. See note 2(a) of the notes to our consolidated financial statements.

(1) Includes revenues from SK Teletech Co., Ltd. of Won 612.0 billion for 2003, Won 649.8 billion for 2004 and Won 294.6 billion for 2005 from the sale of digital handsets and Won 1,017.1 billion for 2003, Won 849.4 billion for 2004, Won 898.6 billion for 2005, Won 1,033.4 billion for 2006 and Won 1,062.2 billion for 2007 of interconnection revenue. Following our sale of a 60% equity interest in SK Teletech to Pantech & Curitel in July 2005, our equity interest in the company was reduced to 29.1% (which subsequently became a

22.7% interest in Pantech following the merger of SK Teletech into Pantech in December 2005) and SK Teletech ceased to be our consolidated subsidiary. Following the exclusion of SK Teletech from consolidation, we did not derive revenues from digital handset sales until the inclusion of HELIO LLC, as our consolidated subsidiary, as of November 1, 2007. See Item 4.B. Business Overview Interconnection .

(2) For more information about our other revenue, see Item 5. Operating and Financial Review and Prospects and Item 4.B. Business Overview .

(3) As of January 1, 2007, we adopted Statements of Korean Accounting Standards, or SKAS, No. 25. Pursuant to adoption of SKAS No. 25, net income is allocated to equity holders of the parent and minority interest. In addition, when a subsidiary is purchased during the fiscal year, the subsidiary s statement of income is included in consolidation as though it had been acquired at the beginning of the fiscal year, and pre-acquisition earnings are presented as a separate deduction within the consolidated statements of income. The consolidated statements of income for the years ended December 31, 2005 and 2006 appearing in our consolidated financial statements included elsewhere in this report have been reclassified in accordance with SKAS No. 25.

(4) Income per share of common stock is calculated by dividing net income attributable to majority interest by the weighted average number of shares outstanding during the period. Diluted net income per share of common stock is calculated by dividing adjusted net income by adjusted weighted average number of shares outstanding during the period, taking into account the issuance of convertible bonds in 2004, 2005, 2006 and 2007.

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

(6) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rate of Won 1,198 to US$1.00 as of December 31, 2003, Won 1,044 to US$1.00 as of December 31, 2004, Won 1,013 to US$1.00 as of December 31, 2005, Won 930 to US$1.00 as of December 31, 2006 and Won 938 to US$1.00 as of December 31, 2007, the rates of exchange permitted under Korean GAAP as of those dates. See note 2(w) of the notes to our consolidated financial statements.

(7) 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 intense 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.

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

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

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

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

(12) Includes regular employees and temporary employees. See Item 6.D. Employees .

(13) 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.

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

(15) The average monthly revenue per subscriber excludes interconnection revenue and is derived by dividing the sum of total initial subscription fees, monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services, value-added service fees and other miscellaneous revenues for the period by the monthly weighted average number of subscribers for the period, then dividing that number by the number of months in the period. Including interconnection revenue, average monthly revenue per subscriber was Won 44,546 for 2003, Won 43,542 for 2004, Won 44,167 for 2005, Won 44,599 for 2006 and Won 44,416 for 2007.

(16) The average monthly churn rate for a period is the number calculated by dividing the sum of voluntary and involuntary deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period, then dividing that number by the number of months in the period. Churn includes

subscribers who upgrade to CDMA lxRTT or CDMA 1xEV/ DO-capable handsets by terminating their service and opening a new subscriber account.

As a measure of our operating performance, we believe that the most directly comparable U.S. and Korean GAAP measure to EBITDA is net income. The following table reconciles our net income under U.S. GAAP to our definition of EBITDA on a consolidated basis for each of the five years ended December 31, 2007.

	As of or for the Year Ended December 31,					
	2003	2004	2005	2006	2007	2007(1)
	(In billions of Won and millions of dollars)					
Net Income	₩ 2,062.7	₩ 1,553.1	₩ 2,027.6	₩ 1,880.5	₩ 1,506.1	US $ 1,609.4
LESS: Interest income	(93.9)	(86.7)	(62.6)	(86.8)	(99.0)	(105.8)
ADD: Interest expense	387.1	291.0	226.8	241.7	204.0	218.0
Taxes	811.5	611.1	667.1	686.8	576.9	616.5
Depreciation and Amortization	1,511.7	1,601.9	1,553.3	1,807.4	1,773.7	1,895.4
EBITDA	₩ 4,679.1	₩ 3,970.4	₩ 4,412.2	₩ 4,529.6	₩ 3,961.7	US $ 4,233.5

(1) The conversion into Dollars was made at the rate of Won 935.8 to US$1.00. See note 2(a) of the notes to our consolidated financial statements.

6

Table of Contents

The following table reconciles our net income under Korean GAAP to our definition of EBITDA on a consolidated basis for each of the five years ended December 31, 2007.

	As of or for the Year Ended December 31,					
	2003	2004	2005	2006	2007	2007[1]
	(In billions of Won and millions of dollars)					
Net Income	₩ 1,965.3	₩ 1,493.4	₩ 1,868.3	₩ 1,449.6	₩ 1,562.3	US $ 1,669.4
LESS: Interest income	(86.5)	(80.5)	(61.1)	(80.0)	(93.9)[2]	(100.4)[2]
ADD: Interest expense	391.5	303.4	253.5	239.1	235.3 (2)	251.5 (2)
Taxes	789.0	629.8	693.3	572.0	686.2 (2)	733.3 (2)
Depreciation and Amortization	1,646.3	1,741.6	1,675.5	1,698.4	1,967.8 (2)	2,102.8 (2)
EBITDA	₩ 4,705.6	₩ 4,087.7	₩ 4,429.5	₩ 3,879.1	₩ 4,357.7	US $ 4,656.6

(1) The conversion into Dollars was made at the rate of Won 935.8 to US$1.00. See note 2(a) of the notes to our consolidated financial statements.

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

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.

	At End of Year Ended December 31,			
	Period	Average Rate[1]	High	Low

2003	1,192	1,193	1,262	1,146
2004	1,035	1,145	1,195	1,035
2005	1,010	1,023	1,060	997
2006	930	951	1,003	914
2007	936	928	950	903

	Past Six Months	
	High	**Low**
	(Won per US$1.00)	
December 2007	943	919
January 2008	953	935
February 2008	948	937
March 2008	1,021	947
April 2008	1,005	974
May 2008	1,047	1,004
June 2008 (through June 27, 2008)	1,044	1,016

(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 June 27, 2008, the noon buying rate was Won 1,041.8 to US$1.00.

Item 3.B. Capitalization and Indebtedness

Not applicable.

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

Not applicable.

Item 3.D. Risk Factors

Competition may reduce our market share and harm our results of operations 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. For 2007, our churn rate ranged from 2.0% to 3.2%, with an average churn rate of 2.6%, compared to an average churn rate of 2.0% for 2006. We cannot assure you that our churn rates will not increase in the future. 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 49.5%, in terms of numbers of wireless service subscribers, as of December 31, 2007. Furthermore, in 2001, the Government awarded three companies the licenses to provide high-speed third generation, or 3G, wireless telecommunications services. In Korea, this 3G license is also known as the IMT-2000 license. IMT-2000 is the global standard for 3G wireless communications, as defined by the International Telecommunication Union, an organization established to standardize and regulate international radio and telecommunications. One of these licenses was awarded to our former subsidiary, SK IMT Co., Ltd., which was merged into us on May 1, 2003, 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 LG Telecom, Ltd., or LGT. In addition, our wireless voice businesses compete with Korea s fixed-line operators, and our wireless Internet businesses compete with providers of fixed-line data and Internet services.

Since 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 then the fifth largest wireless operator in terms of numbers of wireless service subscribers. 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 53.0% interest in KTF as of December 31, 2007. 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.

In addition, in March 2006 the MIC partially lifted, and in March 2008 the KCC fully lifted, the prohibition on the provision of handset subsidies, which had been in place since June 2000. See   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 . This recent decision by the MIC has intensified competition among mobile service providers and may increase our marketing expenses relating to the provision of handset subsidies, which could, in turn, adversely affect our results of operations.

Table of Contents

Furthermore, in 2007, the MIC announced a road map highlighting revisions in regulations to promote deregulation of the telecommunications industry. In accordance with the road map and pursuant to the Combined Sales Regulation, promulgated in May 2007, telecommunications service providers are now permitted to bundle their services, such as wireless data service, wireless voice service, broadband Internet access service and fixed-line telephone service, at a discounted rate; provided, however, that we and KT Corporation, which are designated as market-dominating business entities under the Telecommunications Business Act, allow other competitors to employ the services provided by us and KT Corporation, respectively, so that such competitors can provide similar discounted package services. The road map also includes plans to amend the regulations and provisions under the Telecommunications Business Act to permit licensed transmission service providers to offer local, domestic long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses. The proposed amendment is currently being considered by the KCC. The introduction of bundled services may further increase competition in the telecommunications sector, as well as cause downward price pressure on the fees we charge for our services, which, in turn, may have a material adverse effect on our results of operations, financial position and cash flows.

We expect competition to intensify as a result of such consolidation, regulatory changes 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.

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

The telecommunications industry has been characterized by continuous improvement and advances in technology and this trend is expected to continue. For example, we and our competitors have implemented technology upgrades from basic code division multiple access, or CDMA, networks to more advanced high-speed wireless telecommunications networks based on CDMA 1xRTT and CDMA 1xEV-DO technology. Korean wireless telecommunications companies, including us, have also implemented newer technologies such as wide-band code division multiple access, or WCDMA, which is the 3G technology implemented by us. In 2005, we began to upgrade our WCDMA network to support high-speed downlink packet access, or HSDPA, technology. HSDPA, which represents an evolution of the WCDMA standard, is a more advanced 3G technology than the initial WCDMA technology we implemented and is sometimes referred to as 3.5G technology. Our HSDPA-capable WCDMA network, which was completed in March 2007, supports data transmission services at significantly higher data transmission speeds than our basic CDMA, CDMA 1xRTT and CDMA 1xEV-DO networks. We are currently further upgrading our WCDMA network to support even more advanced high-speed uplink packet access, or HSUPA, technology. The more successful operation of a 3G network by a competitor, including better market acceptance of a competitor s 3G-based services, 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, in March 2005, we also obtained a license from the MIC to provide wireless broadband internet, or WiBro, services. WiBro enables us to offer high-speed and large-packet data services, including wireless broadband Internet access to portable computers and other portable devices, but does not support voice transmission. We commercially launched WiBro service in June 2006, initially to 24 hot zone areas, which are neighborhoods and districts that we have determined to be high-data traffic areas, in seven cities in Korea. By the end of 2007, we had extended WiBro service to hot zone areas in 23 cities throughout Korea. In 2008, we plan to expand WiBro service to hot zone areas in 42 cities. Beyond 2008, our WiBro expansion plans will depend, in part, on subscriber demand for WiBro services. As the implementation of WiBro service in Korea is relatively new, we cannot assure you that there will be sufficient demand for our WiBro services. Our WiBro services may not be commercially successful if market conditions are unfavorable or service demand is weak.

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

Table of Contents

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

Implementation of 3G and WiBro technologies has required, and may continue to require, significant capital and other expenditures, which we may not recoup.

We have invested significant capital and resources to develop and implement our 3G technologies, including investments related to the commercial development of WCDMA technology and the build-out of our WCDMA network. We completed nationwide expansion of our WCDMA network, which is fully HSDPA-capable, in the first quarter of 2007. In 2007, our capital expenditures related to expansion of our WCDMA network amounted to Won 1,044.3 billion. We also expect to devote additional capital resources in 2008 to enhance our 3G service quality and increase our WCDMA network capacity, including through the installation of additional small cell sites and cellular repeaters to improve reception quality in subterranean areas, buildings or any remaining blind spots where reception quality may not be optimal, as well as the implementation of HSUPA upgrades to our WCDMA network. We expect our WCDMA network to be fully HSUPA-capable by the end of 2009. HSUPA technology represents yet the next stage in the evolution of the WCDMA standard. The HSUPA upgrades may be accomplished through relatively simple channel card replacements at relatively low cost. For a more detailed description of our backbone networks, see Item 4.B. Business Overview Digital Cellular Network .

We cannot assure you that demand for our 3G services will be sufficient to recoup our aggregate capital expenditures in developing and implementing our 3G technologies, including costs related to the procurement of our IMT-2000 license and construction our WCDMA network. Also, we cannot assure you that there will be sufficient demand for our 3G services, as a result of competition or otherwise, to permit us to recoup or profit from our investment.

We have also made, and intend to continue to make, capital investments to develop and launch our WiBro services. In addition to the initial Won 117.0 billion WiBro license fee we paid to the MIC in March 2005, we spent Won 153.6 billion in capital expenditures in 2007 to build and expand our WiBro network. We plan to spend additional amounts to expand our WiBro network in 2008, and may make further capital investments related to our WiBro service in the future. Our WiBro-related investment plans are subject to change, and will depend, in part, on market demand for WiBro services, the competitive landscape for provision of such services and the development of competing technologies. We cannot assure you that there will be sufficient demand for our WiBro services, as a result of competition or otherwise, to permit us to recoup or profit from our WiBro-related capital investments. KT Corporation commercial launched its WiBro service in 2006. The more successful operation of a WiBro network by KT Corporation, or another competitor, including better market acceptance of a competitor s WiBro services, could also materially and adversely affect our business.

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

As a part of our growth strategy, we plan to selectively seek business opportunities abroad. In February 2005, we established a joint venture company, UNISK Information Technology Co., Ltd., with China Unicom Ltd., China s second largest mobile operator, to market and offer wireless data service in China. In July 2006, we also acquired US$1 billion in aggregate principal amount of China Unicom s convertible bonds, which, in August 2007, we converted into a 6.6% equity interest in China Unicom. In May 2008, China Unicom announced that it may merge with China NetCom, a leading broadband communications and fixed-line telecommunications operator in China. In the event the merger is consummated, we expect our equity interest in China Unicom to decrease to 3.8% from 6.6%. We also have ongoing projects in Vietnam. In addition, in May 2006 our subsidiary, HELIO, launched cellular voice and data services across the United States. In June 2008, we and EarthLink, our joint venture partner in HELIO, entered into an agreement with Virgin Mobile USA, Inc. and certain of its affiliates, pursuant to which Virgin Mobile

USA, Inc. and certain of its affiliates agreed to acquire our aggregate equity interest in HELIO in exchange for limited partnership units in Virgin Mobile USA, L.P. (Virgin Mobile USA, Inc. s operating company), subject to regulatory approvals. In June 2008, we also agreed to invest US$25 million to acquire mandatory convertible preferred stock, convertible into common stock of Virgin Mobile USA, Inc. See Item 4.B. Business Overview Our Business Strategy Global Business United States for more information regarding our investments in HELIO and Virgin Mobile USA, Inc. These global businesses may require further investment from us. We continue to seek other opportunities to expand our business abroad, particularly in Asia and the United States, as such opportunities present themselves. For a more detailed description of our investments in our global business, see Item 4.B. Business Overview Our Services Global Business .

We have also pursued convergence growth opportunities. For example, in March 2008, we completed the acquisition of an additional equity stake in hanarotelecom, Korea s second-largest fixed-line operator, for approximately Won 1.1 trillion and currently hold a 43.4% equity stake in the company. While we are hoping to benefit from a range of synergies from this acquisition, including by offering our customers bundled fixed-line and mobile telecommunications services, we may not be able to realize those expected benefits in the near term, or at all. In particular, we may experience difficulties in integrating hanarotelecom s fixed-line telecommunications and broadband Internet services with our existing products and services and we may be unsuccessful in retaining hanarotelecom s existing customers. In addition, in April and May 2008, more than 3,000 customers filed a lawsuit against hanarotelecom with the Seoul Central District court alleging that hanarotelecom had violated customers privacy, and an investigation against hanarotelecom was initiated by the Seoul Central Prosecutor s Office, the KCC and the Korea Trade Commission. In connection with this investigation, on June 24, 2008, the KCC suspended hanarotelecom from soliciting new subscribers to its broadband Internet services for a period of 40 days and, in addition, imposed an administrative fine of Won 180 million on the grounds that hanarotelecom had violated the Telecommunication Business Act and standard customer contracts. hanarotelecom has the right to file an administrative appeal within 90 days of this ruling. For more information regarding this lawsuit, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings Hanarotelecom Litigation .

We believe that we must continue to make significant investments to build, develop and broaden our existing businesses, including by developing and improving our wireless data, multimedia, mobile commerce and Internet services. We will need to respond to market and technological changes and the development of services which we may have little or no experience in providing. Entering into these new businesses and regions in which we have limited experience may require us to make substantial investments and, in spite of such investments, we may still be unsuccessful in these efforts to expand and diversify. In addition, when we enter into these businesses and regions with partners through joint ventures or other strategic alliances, we and those partners may have disagreements with respect to strategic directions or other aspects of business, or may otherwise be unable to coordinate or cooperate with each other, any of which could materially and adversely affect our operations in such businesses and regions.

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

According to data published by the 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 December 31, 2007 was approximately 89.8%, which is high compared to many industrialized countries. Therefore, it is unlikely that the penetration rates for wireless telecommunications service in Korea will grow significantly. As a result of the already high penetration rates in Korea for wireless services coupled with our large market share, we expect our subscriber growth rate to decrease. Slowed growth in penetration rates without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition, results of operations and cash flows.

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

One of the principal limitations on a wireless network s subscriber capacity is the amount of spectrum available for use by the system. We have been allocated 2 x 22.5 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, although capacity constraints are not as severe for transmissions utilizing CDMA 1xEV-DO technology. While we believe that we can address this issue through system upgrades and efficient allocation of bandwidth, inability to address such capacity constraints in a timely manner may adversely affect our business, results of operations, financial position and cash flows.

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

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

As a network-based wireless telecommunications provider, we have had, and expect to continue to have, significant capital expenditure requirements as we continue to build out, maintain and upgrade our networks. We estimate that we will spend approximately Won 1.75 trillion for capital expenditures in 2008 for a range of projects, including investments in our backbone networks (and expansion of our WiBro network in particular), investments to improve our WCDMA network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course. In 2008, we plan to continue HSUPA upgrades to our WCDMA network, as well as expand our WiBro service to hot zone areas in 42 cities. For a more detailed discussion of our capital expenditure plans and a discussion of other factors that may affect our future capital expenditures, see Item 5.B. Liquidity and Capital Resources.

At December 31, 2007, we had approximately Won 818.2 billion in contractual payment obligations due in 2008 of which almost all involve repayment of debt obligations. See Item 5.F. Tabular Disclosure of Contractual Obligations.

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

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

We purchase wireless network equipment from a small number of suppliers. We purchase our principal wireless network equipment from Samsung Electronics Co., Ltd. and LG Nortel Co., Ltd. To date, we have purchased substantially all of the equipment for our CDMA 1xRTT and CDMA 1xEV-DO networks from Samsung Electronics and substantially all of the equipment for our WCDMA network, including the software and firmware used to implement HSDPA and HSUPA upgrades, from Samsung Electronics and LG Nortel. In addition, to date, we have purchased substantially all of the equipment for our WiBro network from Samsung Electronics. We believe Samsung

Electronics currently manufactures approximately half of the wireless handsets sold to our subscribers. Although other manufacturers sell the equipment we require, sourcing such equipment from other manufacturers could result in unanticipated costs in maintenance and upkeep of the CDMA 1xRTT, CDMA 1xEV-DO and WCDMA networks, as well as in the planned expansion of our WiBro network. Inability to obtain the needed equipment for our networks in a timely manner may have an adverse effect on our business, financial condition, results of operations and cash flows.

In addition, we rely on KT Corporation and SK Networks to provide a substantial majority of the transmission lines we lease. For a more detailed discussion of the lines we lease from fixed-line operators, see Item 4.B. Business Overview Digital Cellular Network Network Infrastructure .

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 damage to 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, financial condition and cash flows.

All of our businesses are subject to extensive governmental 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 degree of tariff reductions in response to MIC recommendations. After discussions with the MIC, we began to provide Caller ID service to our customers free of charge from January 1, 2006. In addition, after discussions with the MIC, effective September 1, 2004, we reduced our monthly plan-based fees by 7.1%. Based on the MIC s recommendation, in January 2007, we and other wireless telecommunications providers, including KTF and LGT, reduced usage fees for wireless Internet services by 30%.

The Government also plays an active role in the selection of technology to be used by telecommunications operators in Korea. The MIC adopted the WCDMA and CDMA2000 technologies as the only standards available in Korea for implementing 3G services. The KCC may impose similar restrictions on the choice of technology used in future telecommunications services and it is possible that technologies promoted by the Government in the future may not provide the best commercial returns for us. In addition, the KCC may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control 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. We believe we are currently in compliance with the material terms of all our cellular licenses, including our IMT-2000 and WiBro licenses.

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

In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. In addition, 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. We believe that the use of the common prefix identification system has posed, and continues to pose, a greater risk to us compared to the other wireless telecommunications providers because, historically, 011 has had high brand recognition in Korea as the premium wireless telecommunications service. The MIC s adoption of the number portability system has resulted in and could continue to 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,

13

Table of Contents

increased subscriber deactivations and increased churn rate, all of which had, and may continue to have, an adverse effect on our results of operations. See Item 5. Operating and Financial Review and Prospects and Item 4.B. Business Overview Law and Regulation Competition Regulation Number Portability .

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 past years can, at least in part, be attributed to such subsidies on handsets given to new subscribers. During the period between June 2000 and March 2008, the MIC prohibited all wireless telecommunications service providers, subject to certain exceptions stipulated in the Telecommunications Business Act, from providing any such handset subsidies. The MIC has, on several occasions between March 2002 and February 2008, 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 that 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 Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings . Beginning in March 2006 the MIC partially lifted, and, in March 2008 fully lifted, its prohibition on the provision of handset subsidies. We currently provide subsidies of between Won 130,000 to Won 170,000 to subscribers who enter into long-term subscription agreements of one to two years. As a result of the Government s recent decision to allow handset subsidies, we have faced increased competition from other mobile service providers. The provision of handset subsidies has increased, and may continue to increase, our marketing expenses, which in turn, has had, and may continue to have, a material adverse effect on our results of operations.

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

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

The KCC s policy is to promote competition in the Korean telecommunications markets through measures designed to prevent a 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 KCC as the market dominant service provider in respect of our wireless telecommunications business. As such, we are subject to additional regulation to which certain of our competitors are not subject. For example, under current Government regulations, we must obtain prior approval from the KCC 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 Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation . We could also be required by the KCC to charge higher usage rates than our competitors for future services. In addition, we were required to introduce number portability earlier than our competitors, KTF and LGT. The MIC also awarded the IMT-2000 license to provide 3G services to LGT at a fee lower than our license fee and on terms generally more favorable than the terms of our license.

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 our 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. 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. Although we were no longer subject to any market share limitations, we voluntarily undertook to limit our market share to 52.3%, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002, until the end of 2007. We can give no assurance that the Government will not impose restrictions on our market share in the future or that we will not

Table of Contents

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

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 our affiliate SK Networks culminated in the resignation of four of our board members and executives in March 2004, although none of these resignations were related to any allegations of wrongdoing in connection with their role in our business. We were not implicated in any of the charges against SK Networks management. However, 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, both of whom served on our board of directors at the time, were each sentenced to three-year prison terms by the Court of First Instance (which terms were suspended for five years by the Appellate Court) in connection with allegations of financial misconduct at SK Networks. In connection with such allegations, Mr. Kil Seung Son and Mr. Tae Won Chey resigned from our board of directors. The sentence of the Court of First Instance was affirmed by the Supreme Court in May 2008. See Item 6.A. Directors and Senior Management Involvement In Certain Legal Proceedings .

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. 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 Holdings Co., Ltd. (formerly known as SK Corporation) approved a Won 850 billion debt-for-equity swap. See Item 7.A. Major Shareholders for more information regarding the corporate reorganization of the entity formerly known as SK Corporation. SK Networks graduated from its debt restructuring program in April 2007.

SK Networks also serves as a distributor of handsets manufactured by third parties to our nationwide network of dealers. SK Networks was also the exclusive distributor of all of the handsets sold by our former subsidiary, SK Teletech, prior to our sale of the company to Pantech & Curitel in July 2005. Samsung Electronics Co., Ltd., LG Electronics Inc., Motorola Korea, Inc. and Pantech & Curital suspended their supply handsets to SK Networks for two to three weeks in April 2003 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 handset manufacturers will be able to find another distributor to replace SK Networks in the event SK Networks is no long able to distribute handsets, there may be difficulties in efficiently distributing handsets to our subscribers and other customers in the short term.

In addition, as of December 31, 2007, we leased a majority of our leased lines from SK Networks. For a more detailed discussion of the lines we lease from fixed-line operators, see Item 4.B. Business Overview Digital Cellular Network Network Infrastructure . 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, which may result in a disruption of our services in the short term, which, in turn, may have a material adverse effect on our business.

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

Table of Contents

telecommunications devices could have an adverse effect on us by reducing our number of subscribers or our usage per subscriber.

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

We are incorporated in Korea and a significant portion of our operations is based in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. The economic indicators in Korea in recent years have shown mixed signs, and future growth of the Korean economy is subject to many factors beyond our control. Events related to the terrorist attacks in the United States on September 11, 2001, recent developments in the Middle East including the war in Iraq and its aftermath, higher oil prices, the general weakness of the global economy due in part to problems with the U.S. housing market and the reduced availability of credit in the U.S. have increased the uncertainty of global economic prospects and may continue to adversely affect the Korean economy. Any future deterioration of the Korean and global economy could adversely affect our business, financial condition, results of operations and cash flows.

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

- a slowdown in consumer spending and the overall economy;
- adverse changes or volatility in foreign currency reserve levels, commodity prices, exchange rates, interest rates or stock markets;
- adverse developments in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;
- the continued emergence of the Chinese economy, to the extent its benefits (such as increased exports to China) are outweighed by its costs (such as competition in export markets or for foreign investment and the relocation of manufacturing bases from Korea to China);
- the economic impact of any pending or future free trade agreements, including the Free Trade Agreement recently negotiated with the United States;
- social and labor unrest;
- substantial decreases in the market prices of Korean real estate;
- a decrease in tax revenues and a substantial increase in the Government s expenditures for unemployment compensation and other social programs that, together, would lead to an increased government budget deficit;
- financial problems or lack of progress in restructuring Korean conglomerates, other large troubled companies, their suppliers or the financial sector;
- loss of investor confidence arising from corporate accounting irregularities and corporate governance issues of certain Korean conglomerates;
- geo-political uncertainty and risk of further attacks by terrorist groups around the world;

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

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

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

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

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

Table of Contents

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 37.9% of our total consolidated long-term debt, including current portion, as of December 31, 2007; 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 Stock Market Division of the Korea Exchange, or the KRX Stock Market. These fluctuations also will affect:

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

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

the secondary market price of the ADSs.

For historical exchange rate information, see Item 3.A. Selected Financial Data 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 throughout Korea s modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea s nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea s actions and possible responses from the international community. In 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. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, China, Japan and Russia have held numerous rounds of six party multi-lateral talks in an effort to resolve issues relating to North Korea s nuclear weapons program.

In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council passed a resolution that prohibits any United Nations member state from conducting transactions with North Korea in connection with any large scale arms and material or technology related to missile development or weapons of mass destruction and from providing luxury goods to North Korea, imposes an asset freeze and travel ban on persons associated with North Korea s weapons program, and calls upon all United Nations member states to take cooperative action, including through inspection of cargo to or from North Korea. In response, North Korea agreed in February 2007 at the six-party talks to shut down and seal the Yongbyon nuclear facility, including the reprocessing facility, and readmit international inspectors to conduct all necessary monitoring and verifications. In October 2007, Korea and North Korea held a summit meeting to discuss easing tensions and fostering peace on the Korean peninsula. Mr. Lee Myung Bak, who became the President of Korea in February 2008, has announced that no further summit meetings will be held until North Korea discontinues its nuclear weapons program.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tension, including a breakdown of high-level contacts between Korea and North Korea or occurrence of military hostilities, could have a material adverse effect on our operations and the market value of our common shares.

If SK Holdings 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 an amendment to the Telecommunications Business Act, which became effective in May 2004, a Korean entity, such as SK Holdings, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the issued voting stock of the Korean entity. As of March 31, 2008, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.09%, of our issued shares. If SK Holdings were considered to be a foreign shareholder, then its shareholding in us would be included in the calculation of our aggregate foreign shareholding and our aggregate foreign shareholding (based on our foreign ownership level as of March 31, 2008, which we believe was 48.19%) would exceed the 49% ceiling on foreign shareholding. As of March 31, 2008, a foreign investment fund and its related parties collectively held a 4.81% stake in SK Holdings. We could breach the foreign ownership limitations if the number of shares of our common stock or ADSs owned by other foreign persons significantly increases.

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

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

The amendment to the Telecommunications Business Act in May 2004 also authorizes the KCC to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year and a penalty of Won 50 million. For a description of further actions that the KCC could take, see Item 4.B. Business Overview Law and Regulation Foreign Ownership and Investment Restrictions and Requirements .

If our convertible notes are converted by foreign holders and the conversion would cause a violation of the foreign ownership restrictions of the Telecommunications Business Act, or in certain other circumstances, we may sell common stock in order to settle the converting holders conversion rights in cash in lieu of delivering common stock 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. As of March 31, 2008, these convertible notes were convertible by the holders into shares of our common stock at the rate of Won 204,636 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 our common stock to satisfy the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we may sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Business Act or other legal restrictions. The number of shares sold in these circumstances might be substantial. We cannot assure you that such sales would not adversely affect the market prices of our common stock or ADSs.

Sales of our shares by companies in the SK Group, POSCO and/or other large shareholders may adversely affect the prices of our common stock and ADSs.

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

As of December 31, 2007, POSCO owned 2.88% of our issued common stock. POSCO has not agreed to any restrictions on its ability to dispose of our shares. See Item 7.A. Major Shareholders . Companies in the SK Group, which collectively owned 23.09% of our issued common stock as of December 31, 2007, 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 Item 4.B. Business Overview Law and Regulation Competition Regulation . 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 legislation allowing class action suits related to securities transactions may expose us to additional litigation risk.

The Securities-related Class Action Act of Korea enacted in January 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX 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 and omission of material information in such documents; (ii) insider trading and (iii) market manipulation. 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 1,317,494 shares as of March 31, 2008, 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 association 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 Item 10.B. Memorandum and Articles of Association 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.

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

- a registration statement filed by us under the U.S. Securities Act 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 Holdings, through one or more special purpose vehicles, has engaged and may in the future engage in monetization transactions relating to its ownership interest in us. These transactions have included and may include offerings of securities that are convertible or exchangeable into our ADSs. Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or 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 our underlying common shares, 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 our underlying common shares of 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.

Failing to report, or under-reporting, the securities transaction tax will result in a penalty of between 10% to 40% of the actual tax amount due, depending on the nature of the improper reporting. The failure to pay the securities transaction tax due will result in imposition of interest at 10.95% per annum on the unpaid tax amount for the period from the day immediately following the last day of the tax payment period to the day of the issuance of the tax notice. 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 Item 10.E. Taxation Korean Taxation .

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

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

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

Companies in Korea, including us, are subject to corporate governance standards applicable to Korean public companies, which may differ in some respects from standards applicable in other countries, including the United States. As a reporting company registered with the 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

Item 4.A. History and Development of the Company

As Korea s first wireless telecommunications service provider, we have a recognized history of leadership and innovation in the domestic telecommunications sector. Today, we remain Korea s leading wireless telecommunications services provider and have continued to pioneer the commercial development and implementation of state-of-the-art wireless technologies. We have also strengthened our global competitiveness by expanding into key overseas markets and we continue to look outside Korea for investment and growth opportunities. We believe we are also a leader in developing new products and services that reflect the increasing convergence of telecommunications technologies, as well as the growing synergies between the telecommunications sector and other industries. One of our most recent efforts to pursue new opportunities in the convergence business area is our acquisition of an additional 38.6% stake in hanarotelecom, Korea s second-largest fixed-line operator, which was completed in March 2008.

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

As of December 31, 2007, we had approximately 22.0 million subscribers throughout Korea, of which 19.3 million owned data-capable handsets, which are handsets that support cellular voice and data transmission. As of December 31, 2007, our share of the Korean wireless market was approximately 50.5%, based on number of subscribers, according to the MIC.

On May 31, 2008, we had a market capitalization of approximately Won 16.5 trillion (US$15.8 billion, as translated at the noon buying rate of June 27, 2008) or approximately 1.60% of the total market capitalization on the KRX Stock Market, making us the eighth 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. In January 2002, Shinsegi, which was then the third-largest wireless telecommunications service provider in Korea, was merged into us. Our registered office is at 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea and our telephone number is 82-2-6100-2114.

Korean Telecommunications Industry

Established in March 1984, we became the first wireless telecommunications service provider in Korea. We remained the sole provider of wireless telecommunications services until April 1996, when Shinsegi commenced cellular service. The Government began to introduce competition into the fixed-line and wireless telecommunications services markets in the early 1990 s. During this period, the Government allowed new competitors to enter the fixed-line sector, sold a controlling stake in us to the SK Group, and granted a cellular license to our first competitor, Shinsegi. In October 1997, three additional companies, KTF, 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 us. Additionally, two of the other wireless telecommunications services operators merged. See Item 4.B. Business Overview Competition . Thus, there are currently three providers of wireless voice telecommunications services in Korea, us, KTF, which is a subsidiary of KT Corporation, and LGT. According to the MIC, as of December 31, 2007, we had 50.5% market share of the Korean wireless telecommunications market in terms of subscribers, while KTF and LGT had market shares of 31.5% and 18.0%, respectively.

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

A one-way mobile number portability, or MNP, system was first implemented in the beginning of January 2004 when our subscribers were allowed to transfer to KTF and LGT. From July 2004, a two-way MNP was implemented so that KTF subscribers could transfer to us 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 2005, 2006 and 2007, approximately 2.2 million, 2.9 million and 3.4 million, respectively, of our subscribers transferred to our competitors. Approximately 0.7 million, 0.8 million and 1.1 million of LGT s subscribers in 2005, 2006 and 2007, respectively, and approximately 1.5 million, 2.1 million and 2.3 million in 2005, 2006 and 2007, respectively, of KTF s subscribers migrated to our service.

In January 2005, the Government granted KT Corporation and us a license to offer WiBro service. According to an MIC report published in April 2006, the number of WiBro subscribers is expected to rise to more than 8 million subscribers by the end of 2010.

Telecommunications industry growth in Korea has been among the most rapid in the world, with fixed-line penetration increasing from under five lines per 100 population in 1978 to 47.7 lines per 100 population as of

Table of Contents

December 31, 2007, and wireless penetration increasing from 7.0 subscribers per 100 population in 1996 to 89.8 subscribers per 100 population as of December 31, 2007. The table below sets forth certain subscription and penetration information regarding the Korean telecommunications industry as of the dates indicated:

	As of or for the Year Ended December 31,				
	2003	2004	2005	2006	2007
	(In thousands, except for per population amounts)				
Population of Korea[1]	47,849	48,082	48,294	48,297	48,456
Wireless Subscribers[2]	33,592	36,586	38,342	40,197	43,498
Wireless Subscribers per 100 Population	70.2	76.1	79.4	83.2	89.8
Telephone Lines in Service[2]	22,877	22,871	22,920	23,119	23,130
Telephone Lines per 100 Population	47.8	47.6	47.5	47.9	47.7

(1) Source: National Statistical Office of Korea

(2) Source: MIC

The Korean telecommunications industry is one of the most developed in the world in terms of wireless penetration and in terms of the growth of wireless data services, including wireless Internet services. The wireless penetration rate, which is calculated by dividing the number of wireless subscribers by the population, was 89.8% as of December 31, 2007 and the number of wireless subscribers has increased from approximately 3.2 million in 1996 to approximately 43.5 million as of December 31, 2007.

Since the introduction of short text messaging in 1998, Korea s wireless data market has grown rapidly. This growth has been driven, in part, by the rapid development of wireless Internet service since its introduction in the second half of 1999. All of the Korean wireless operators have developed extensive wireless Internet service portals. As of December 31, 2007, approximately 11.1 million of Korean wireless subscribers owned Internet-enabled handsets capable of accessing advanced wireless Internet services. The table below sets forth certain penetration information regarding the number of Internet-enabled handsets and wireless subscribers in Korea as of the dates indicated:

	As of December 31,				
	2003	2004	2005	2006	2007
	(In thousands)				
Number of Wireless Internet Enabled Handsets	31,431	35,017	37,202	38,894	41,598
Total Number of Wireless Subscribers	33,592	36,586	38,342	40,197	43,498
Penetration of Wireless Internet Enabled Handsets	93.6 %	95.7 %	97.0 %	96.8 %	95.6 %

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 Korea Network Information Center, or KRNIC, the number of Internet subscribers in Korea increased from approximately 3.1 million at the end of 1998 to approximately 34.8 million at the end of 2007, a 30.8% compound annual growth rate. From the end of 2003 to the end of 2007, the number of broadband Internet access subscribers increased from approximately 11.2 million to approximately 14.7 million, a 7.0% compound annual growth rate. The table below sets forth certain information regarding Internet users and broadband subscribers as of the dates indicated:

	As of December 31,				
	2003	**2004**	**2005**	**2006**	**2007**
Number of Internet Users[1]	29,220	31,580	33,010	34,120	34,820
Number of Broadband Subscribers[2]	11,172	11,921	12,191	14,043	14,709

(1) Source: KRNIC.

(2) Source: MIC. Includes subscribers accessing Internet service using digital subscriber line, or xDSL, connections; cable modem connections; local area network, or LAN, connections; and satellite connections.

Item 4.B. Business Overview

Overview

We are Korea s leading wireless telecommunications services provider and continue to pioneer the commercial development and implementation of state-of-the-art wireless technologies. We had approximately 22.0 million subscribers as of December 31, 2007 and, in 2007, our share of the Korean wireless market was approximately 50.5%, based on the number of subscribers, according to the MIC. We provide the following core services:

> *Cellular voice services.* We provide wireless voice transmission services to our subscribers through our backbone cellular networks and also offer wireless global roaming services though service agreements with various foreign wireless telecommunications service providers. (Accordingly, while cellular voice services principally refer to our core wireless voice transmission services, they also comprise our wireless voice and data global roaming services.)
>
> *Wireless data services.* We also provide wireless data transmission services, including wireless Internet access services, which allow subscribers to access a wide range of online digital contents and services, as well as to send and receive text and multimedia messages, using their mobile phones.
>
> *Digital convergence and new businesses.* We have pioneered new services that reflect the growing convergence within the telecommunications sector, as well as between the telecommunications sector and other industries, including satellite digital media broadcasting, or satellite DMB, service, which enables satellite broadcasting to mobile devices and Telematics service, which makes use of global positioning system, or GPS, technology. In addition, in March 2008, we completed the acquisition of an additional 38.6% stake in hanarotelecom, which is the second-largest fixed-line operator in Korea. For more information about our acquisition of an additional equity interest in hanarotelecom, see Our Services Digital Convergence and New Business below.

In addition, we actively participate in various overseas markets, including in the United States, China and Vietnam.

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

Our Business Strategy

Core Business Strategies

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. Against the backdrop of these industry trends, we aim to enhance shareholder value by maintaining and consolidating our leading position in the Korean market for wireless services, including wireless voice and data transmission services, as well as by leveraging our competitive strengths to exploit new opportunities arising from increasing digital convergence and the globalization of the telecommunications market.

Our principal strategies are to:

Enhance the technical capabilities of our wireless networks to improve data transmission rates and service quality and to enable us to offer an increased range of services, including in connection with our development of new and advanced wireless technologies. We believe we have the most extensive and advanced wireless telecommunications network in Korea and we are committed to ensuring that our delivery platforms keep pace with the latest technological advancements. In March 2007, we completed the nationwide build-out of our HSDPA-capable WCDMA network and are currently expanding the coverage area of our WiBro service. In June 2007, we began HSUPA upgrades to our WCDMA network, which we expect to complete by the end of 2009. We plan to continue upgrading and expanding our backbone network infrastructure in line with new developments in wireless telecommunications technology. We believe that ensuring the quality and technical sophistication of our wireless networks will, among other things, allow us to provide our subscribers with top-quality service, enable us to more quickly introduce the latest wireless telecommunications products and services and allow us to efficiently implement new wireless technologies as market opportunities arise.

Offer a broad range of new and innovative wireless data contents and services. We plan to improve the service quality and expand the range of our wireless data contents and services, principally through our integrated wireless and fixed-line Internet portal, NATE, with a view to increasing revenues from these services to complement our core cellular revenues. In particular, we believe demand for wireless access to entertainment-related digital contents and services, wireless access to community and social networking platforms and wireless access to financial-related contents and services, or m-commerce services, will continue to grow. We continue to actively seek partnerships with, as well as strategic investments in, digital media content providers, financial services providers and wireless application developers to improve the breadth and quality of the wireless data contents and services we offer to our subscribers.

Leverage our extensive network infrastructure, technical know-how and leading market position to exploit opportunities that arise from an increasingly convergent era in telecommunications and to pioneer new businesses. We believe that increasing convergence among communications technologies, as well as between the telecommunications sector and other industries, creates growth opportunities for incumbent telecommunications service providers, like us, whose existing infrastructure, know-how and extensive subscriber base provide us with a competitive advantage. We further believe that digital convergence will support demand for increasingly integrated products and services. In March 2008 we completed the acquisition of an additional 38.6% equity stake in hanarotelecom, Korea s second-largest fixed-line operator. We hope to benefit from a range of synergies from this acquisition, including by offering our customers bundled fixed-line and wireless services and by creating greater convergence opportunities across various media platforms. We also plan to continue to improve our existing convergence services, such as Telematics and the satellite DMB service operated by our subsidiary, TU Media.

Continue global expansion by seeking opportunities in overseas markets. We continue to seek opportunities to expand into various overseas markets. In light of the high saturation of the Korean wireless market, we believe that strategic expansion into overseas markets offers important opportunities for future growth. We plan to leverage our homegrown technical expertise and operational know-how to gain entry into foreign markets particularly those with less mature and/or rapidly growing wireless telecommunications sectors. To this end, we have made selective majority and minority investments in mobile telecommunications companies operating in key foreign markets and formed strategic alliances with many leading international telecommunications service providers. We have also actively participated in regional and international cooperative organizations to reinforce our global competencies and keep pace with advancements in overseas telecommunications markets. In addition, we believe that our continued expansion into international markets will better position us to ensure that our network technologies and wireless applications remain compatible with emerging global standards. We believe this will provide us with a competitive advantage as the wireless telecommunications paradigm moves toward increasingly interconnected regional networks responsive to growing consumer demands for seamless universal access to wireless products and services.

Our Services

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

We first introduced digital cellular service using CDMA technology in January 1996 and substantially completed the geographic build-out of our basic CDMA network in 1998. In October 2000, we began offering 2G wireless voice and data transmission services on our more advanced CDMA 1xRTT network, which we then fully upgraded to the even more advanced CDMA 1xEV-DO technology, beginning in 2002. Our CDMA networks cover 84 cities nationwide, or approximately 99% of the Korean population.

Table of Contents

We launched WCDMA services, our 3G wireless voice and data transmission services, in 2003. In 2005, we completed commercial development of HSDPA technology and integrated this technology in the subsequent build-out of our WCDMA network. HSDPA, which represents an evolution of the WCDMA standard, is a more advanced 3G technology than the initial WCDMA technology we implemented and is sometimes referred to as 3.5G technology. In March 2007, we completed nationwide expansion of our HSDPA-capable WCDMA network, which currently reaches approximately 99% of the Korean population. In June 2007, we commenced a further upgrade of our WCDMA network to support HSUPA technology. We expect these updates to be complete by the end of 2009. Our WCDMA network enables significantly faster and higher-quality voice and data transmission than our 2G networks and supports more sophisticated wireless data transmission services, including video telephony and other multimedia communications. We believe these enhanced transmission capabilities may encourage increased subscriber usage of our wireless data transmission services.

We also began to offer wireless broadband Internet access through our WiBro service in May 2006. A data-only transmission technology, WiBro supports wireless data transmission at even higher speeds than possible on our WCDMA network. We believe that our WiBro service will complement our other wireless telecommunications services by allowing us to enhance our data transmission service options in metropolitan areas where there is a high demand for large packet data services, particularly wireless Internet access. We currently offer WiBro service to hot zone areas in 23 cities in Korea and plan to expand coverage to hot zone areas in 42 cities by the end of 2008.

For a more complete discussion of our backbone networks, see Digital Cellular Network below.

Cellular Voice Services

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

To complement our basic voice transmission services, in recent years, we have begun to offer increasingly sophisticated and differentiated subscriber-oriented value-added services made possible due to rapid advancements in network technology. Our most popular value-added voice-related services in 2006 included services that provide a record of missed calls in the event a subscriber s mobile phone is engaged or switched off, known as our Call Keeper service; services that play a ring back melody in lieu of a conventional dial tone when callers dial a subscriber s mobile phone, known as COLORing service, as well as COLORing services that periodically change the default ring-back melody according to the subscriber s music category selection, known as Auto COLORing service; and services that alert subscribers when a dialed number that was engaged when first dialed, is no longer engaged.

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

Our global roaming service is offered in three basic technologies, in part depending on which mobile phone standards are available in a particular region: CDMA, GSM and WCDMA roaming. We currently offer CDMA voice roaming services in 20 countries, including countries in Asia, North and South America, as well as, Guam, Saipan and New Zealand; GSM voice roaming services in 155 countries, including countries in Europe, North America, Africa, the Middle East and Asia; and WCDMA voice roaming services in 54 countries, including countries in Asia, Europe, the

Middle East, Africa and Australia. In addition, we offer CDMA global data roaming services in 8 countries, including China, Japan, Taiwan, Thailand, Indonesia, Vietnam, Guam and Saipan, and WCDMA global data roaming services in 49 countries in Asia, Europe, the Middle East and Africa. In 2007, approximately 3.0 million subscribers utilized our global roaming services. The global roaming service we provide to foreigners traveling to Korea is generally WCDMA-based.

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

Wireless Data Services (including Wireless Internet Services)

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

SMS and MMS Services. We provide wireless data communication services, including our basic short text message service, or SMS, which allows subscribers to send and receive short text messages to and from their mobile phones. SMS, which is also known as our phone mail service, continues to be one of our most popular data transmission services. In addition to text-only SMS, we also offer a multimedia message service, or MMS. MMS allows subscribers to send and receive multimedia messages containing graphic, audio and video clips to and from their mobile phones. While MMS is possible through our CDMA 1 x EV-DO network, the implementation of WCDMA technology has significantly increased the quality, speed and range of our multimedia message services.

Wireless Internet Services. In addition to our wireless data communications services, we also offer our subscribers wireless access to the Internet, primarily through our NATE portal, which is our integrated wired and wireless Internet platform that utilizes wireless application protocol, or WAP, technology, to provide a gateway between our cellular network and the Internet. Through our NATE portal, subscribers can access a wide variety of multimedia contents and interactive services, as well as send and receive email and instant text and multimedia messages, using their mobile phones and other wireless devices. As of December 31, 2007, approximately 19.3 million, or 87.7%, of our subscribers owned WAP-enabled handsets capable of accessing our CDMA 1xRTT network, or any of our more advanced networks.

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

Ø *MelOn*, a music portal that provides wireless access to a wide range of digital music contents. To aggregate and manage our digital music contents offerings, we also operate an integrated wireless and fixed-line MelOn website, which subscribers can access using wireless devices, such as their mobile phones and MP3 players, as well as fixed-line devices, such as personal computers. As of December 31, 2007, we had approximately 9.8 million subscribers to our MelOn service;

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

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

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

Since November 2002, we have also provided our subscribers access to multimedia content through June , a wireless data service that provides streaming content, primarily using our CDMA 1xEV-DO technology.

Table of Contents

Content provided through the June service includes digital video and music downloads; television programs, which can be viewed real-time; June subscribers with EV-DO- or WCDMA-capable handsets can also access the Internet through NATE.

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

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

- *Moneta Transportation*, a mobile payment technology that allows subscribers to use their mobile phones to pay for public transportation fares in lieu of cash payment or pre-paid transportation cards. Moneta Transportation requires a WCDMA-capable handset with a built-in universal subscriber identity module, or USIM, card;

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

- *11th Street*, an online shopping mall that links wired and wireless shopping services; and

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

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

Digital Convergence and New Businesses

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

One of our most recent efforts to pursue new opportunities in the convergence business area is our acquisition of an additional 38.6% stake in hanarotelecom for Won 1.1 trillion in March 2008. hanarotelecom is Korea s second-largest fixed-line operator and currently provides fixed-line telephone and broadband-based Internet services. hanarotelecom also operates Hana TV , a video-on-demand service and plans to roll out real-time Internet protocol TV, or IP TV, services in the future. We are hoping to benefit from a range of synergies from this acquisition, including by offering our customers bundled fixed-line and mobile telecommunications services. We also believe the acquisition creates opportunities to aggregate and broadcast digital content across various media platforms.

Our other convergence services include:

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

We launched a satellite DMB in March 2004. In October 2004, we granted the right to use the satellite DMB to our then-affiliate, TU Media. TU Media began to provide commercial satellite DMB service in May 2005 and today remains Korea s sole operator of satellite digital mobile broadcasting services. TU Media currently offers a range of broadcast content including education, games, drama, music, news and culture over more than 35 channels, including TUBOX, a pay-per-view movie channel that broadcasts movies before their DVD release. As of December 31, 2007, TU Media had more than 1.3 million subscribers.

In February 2007, we purchased 4,615,798 new shares of TU Media for Won 32.4 billion, increasing our equity interest from 29.6% as of December 31, 2006 to 32.7%. Following this equity investment, TU Media became our consolidated subsidiary. In March 2008, we made an additional Won 55.0 billion capital contribution to TU Media, increasing our equity interest to 44.2%. We are currently TU Media s largest shareholder.

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

We believe that Telematics also creates opportunities for synergy between mobile telecommunications and other industries. Under an agreement entered into in April 2002 with Renault Samsung Motors and Samsung Electronics, we are co-developing a customized Telematics system for use in Renault Samsung vehicles. The implementation of more advanced 3G transmission technologies has also facilitated the increased integration of our wireless platforms customized for vehicular use and, in particular, created synergies between our Telematics services and satellite DMB broadcasting services. We offer bundled Telematics and satellite DMB broadcasting services through a single, integrated vehicle-mounted device.

We are currently developing additional applications for our telematics service in cooperation with companies in the logistics and insurance industries. We also see potential applications of Telematics technology in the tourism industry. In December 2004, we launched Telematics service on Jeju Island and, in August 2005, were selected as the pilot Telematics service provider for Jeju Island as part of the MIC and Jeju Island s joint effort to showcase the island as a model for Telematics service.

Global Business

We actively participate in various overseas markets, particularly in the United States, China and Vietnam. We continue to seek opportunities to expand our global business, primarily through joint ventures and other strategic alliances with local partners.

Our global business strategy is to focus primarily on those regions in which we have already made strategic investments. However, we will also continue to study new opportunities for expansion into new regions abroad.

United States. On March 24, 2005, we and EarthLink, a major Internet services provider in the United States, completed the formation of HELIO, LLC. (formerly named SK-EarthLink LLC.), a Delaware limited liability company, to provide wireless voice and data services in the United States. We hold our interests in HELIO through our wholly-owned U.S. subsidiary, SK Telecom USA Holdings, Inc. Together with our joint venture partner, EarthLink, we made a combined initial investment in HELIO of US$440 million in cash and non-cash assets.

In July 2007, we and EarthLink entered into a lending agreement with HELIO pursuant to which we and EarthLink could lend up to US$200 million to HELIO, and each made an initial loan to HELIO of US$30 million. In November 2007, we and EarthLink cancelled such lending agreement and HELIO issued to each of us a US$30 million secured exchangeable promissory note, bearing interest at 10% per annum and payable at maturity in July 2010. The notes are exchangeable for membership units of HELIO at any time up to the maturity date. The notes may also be prepaid by HELIO at any time without penalty.

In November 2007, we and EarthLink also amended and restated HELIO s joint venture agreements, whereby we agreed to make up to US$270 million in additional equity contributions to HELIO. In February 2008, HELIO s joint venture agreements were further amended to make certain modifications to the terms of the outstanding membership interests owned by us, EarthLink and the other HELIO investors. In 2007 and the first quarter of 2008, we made additional equity contributions of US$150 million, in aggregate, to HELIO. As a result, as of March 31, 2008, we were HELIO s largest shareholder, with a 68.8% equity interest in the company. As of the same date, EarthLink, HELIO s second-largest shareholder, held a 27.9% equity interest.

In June 2008, we and EarthLink entered into an agreement with Virgin Mobile USA, Inc., a leading provider of wireless communications services in the United States that was founded as a joint venture between Sprint Nextel and the Virgin Group, and certain of its affiliates, pursuant to which Virgin Mobile USA, Inc. and certain of its affiliates agreed to acquire our aggregate equity interest in HELIO. As consideration, we and EarthLink will acquire limited partnership units of Virgin Mobile USA, L.P. (Virgin Mobile USA, Inc. s operating company), equivalent to 13 million shares of Virgin Mobile USA, Inc. s Class A common stock (valued at approximately US$39 million). This transaction is expected to close in the third quarter of 2008, subject to regulatory approvals and the satisfaction of other closing conditions. In addition, in June 2008, we and the Virgin Group agreed to each invest US$25 million of equity capital in Virgin Mobile USA, Inc. in exchange for mandatory convertible preferred stock, convertible into Virgin Mobile USA, Inc. s Class A common stock, pending the approval of Virgin Mobile USA, Inc. s shareholders. The preferred shares will carry a four-year maturity and a 6% annual dividend. Upon the approval of Virgin Mobile USA, Inc. s shareholders, the preferred stock will convert into Class A common shares when the shares reach the conversion price of US$8.50 per share or upon maturity.

HELIO is a non-facilities-based nationwide mobile virtual network operator (MVNO) offering cellular voice and data services to wireless consumers by renting networks from network operators. HELIO commercially launched its MVNO services extensively across the United States in May 2006. HELIO taps into the previously under-served but rapidly growing wireless data, entertainment, and voice market in the United States, also leverages 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. As of March 31, 2008, HELIO had approximately 186,000 subscribers.

Since 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-based telecommunications service provider in China, established a joint venture company called UNISK Information Technology Co., Ltd., with an aggregate initial investment of approximately US$6 million. We 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. In addition, on July 5, 2006, we purchased US$1 billion in aggregate principal amount of zero coupon convertible bonds issued by China Unicom, convertible into common shares of China Unicom. In August 2007, we converted such bonds into shares representing a 6.6% equity interest in China Unicom to become China Unicom s second-largest shareholder. In May 2008, China Unicom announced that it may merge with China NetCom, a leading broadband communications and fixed-line telecommunications operator in China. The merger remains subject to approval by the board of directors of China Unicom during a meeting expected to be held in September 2008. In the event the merger is consummated, we expect our equity interest in China Unicom to decrease to 3.8% from 6.6%.

In July 2004, we, through our subsidiary U-Land Company Ltd., acquired ViaTech, an Internet portal service and mobile contents provider in China, to enhance our wireless Internet contents and expand our service area. Through ViaTech, we offer a Chinese-language version of Cyworld to subscribers in China. ViaTech had more than 4 million Cyworld subscribers as of December 31, 2007.

Table of Contents

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

In February 2008, we, through our wholly-owned Chinese subsidiary, SK Telecom China Holding Company, invested Won 13.9 billion to acquire a 65.5% equity interest in Shenzhen E-eye High Tech Co., Ltd., a global positioning system service company in China. We believe the acquisition of Shenzhen E-eye High Tech will allow us to leverage opportunities created by the rapidly growing telematics market in China.

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

Vietnam. With a wireless telecommunications service penetration rate of only 46% as of December 31, 2007, we believe that the Vietnamese mobile communication market offers significant opportunity for future growth. In July 2003, our subsidiary, SKT Vietnam PTE Ltd., entered into a business cooperation contract with Saigon Post & Telecommunication Services Corporation to establish a joint venture company, S-Telecom, to provide mobile telecommunications services and commercial CDMA service, the first of its kind in Vietnam, under the brand name S-Fone . Pursuant to such contract, in the event that the cash inflow for the business is insufficient to cover the cash outflow necessary to cover the expenditures necessary to operate the business, SKT Vietnam and Saigon Post & Telecommunication Services Corporation have agreed to equally contribute the necessary working capital. We held a 73.3% equity interest in SKT Vietnam as of December 31, 2007. With respect to our involvement in S-Telecom, our maximum exposure to loss was approximately Won 167.6 billion as of December 31, 2007.

In December 2005, SKT Vietnam began expanding the CDMA network to all of Vietnam in order to meet the needs of a growing subscriber base. By September 2006, network coverage was expanded to cover all 64 provinces, including Ho Chi Min and Hanoi. S-Fone had approximately 3.5 million subscribers as of December 31, 2007 and had a 9.0% market share according to Vietnam s Ministry of Posts and Telematics, based on the number of wireless subscribers in Vietnam, as of such date.

Mongolia. In July 1999, we acquired a 27.8% equity interest in Skytel Co., Ltd., Mongolia s second-largest cellular service provider, by providing approximately Won 1.5 billion worth of analog infrastructure. We, together with Skytel, have been providing cellular service in Mongolia since July 1999, and CDMA service since February 2001. In April 2001, we completed installation of the equipment necessary to provide WAP service. In December 2002, we increased our equity interest in Skytel to 28.6% through the subscription of newly issued common shares in return for an additional investment of approximately US$500,000. As of December 31, 2007, our equity interest in Skytel was 26.4%.

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

Provision of Wireless Internet Platforms and Cellular Network Solutions to Foreign Cellular Network Operators. We have also sought to expand our global business through sales of our wireless Internet platforms and cellular network solutions, as well as provision of consulting services in the field of mobile communications. For example, in July 2004, we entered into an agreement with TA Orange, a GSM-based mobile communications operator in Thailand, to provide wireless Internet platforms, including our NATE portal platform, for

Table of Contents

US$6.3 million. We completed this project in June 2005. In addition, we have also been successful in exporting to other Asian countries and the United States, the technological solutions underlying certain value-added and other wireless services, such as our color mail solution, which is a messaging service that allows subscribers to send messages containing multimedia files containing graphic, audio and video clips.

Other Products and Services

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 provides affordable international call services under the brand name 00700 and has been offering commercial long-distance telephony service since February 2005. SK Telink also offers Voice over Internet Protocol, or VoIP, service through the Internet. VoIP is an advanced technology that transmits voice data through an Internet Protocol network. SK Telink also operates certain value-added domestic telephone services, including a 080 service that allows companies to establish toll-free customer service telephone hotlines, for which all call charges would be paid by the company, as well as a general corporate number service that automatically routes calls made to a company s general telephone number to the caller s nearest local branch.

Other Portal Services.

> *Fixed-line NATE portal service.* Our subsidiary, SK Communications, offers a fixed-line portal service under our NATE brand name and at the website *www.NATE.com*. NATE.com includes information and content formerly offered under our Netsgo brand as well as the content and services formerly available on Lycos Korea, which our subsidiary, SK Communications 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. SK Communications also operates NATE-ON, an instant messaging service available to NATE users. NATE-ON allows users to chat online using a variety of wireless, as well as wired, devices, such as mobile phones, personal digital assistants and portable computers.
>
> *Community Portal Service.* Cyworld , also operated by SK Communications, is one of the most popular online community portal services in Korea. Cyworld is a social networking site that encompasses an ever-expanding virtual forum where subscribers can meet to exchange information and ideas and share multimedia contents, including through the publication of personal homepages and blog sites. As of December 31, 2007, our Cyworld portal service had approximately 22 million subscribers. We have also sought to expand our global reach by launching Cyworld service in overseas markets, including the United States, Japan, China and Taiwan. While retaining many aspects of the original Korean version that make Cyworld unique among social networking sites, we have redesigned foreign versions of Cyworld to make it more appealing to local audiences. We plan to continue expanding our Global Cyworld community, including to other countries in Asia.

In March 2004, we launched Mobile Cyworld , allowing wireless subscribers to access the Cyworld portal community site through their cellular phones.

In November 2007, SK Communications merged with Empas Corp., an internet search engine and portal site. We believe the merger will create valuable convergence synergies among our NATE, Cyworld and Empas services.

Revenues, Rates and Facility Deposits

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

	As of or for the Year Ended December 31,					
	2005		2006		2007	
	(In billions of Won)					
Initial Subscription Fees	₩	232.3	₩	252.4	₩	392.4
Monthly Fees		3,365.1		3,629.5		3,949.8
Usage Charges(1)		5,538.8		5,565.9		5,763.0
Interconnection Revenue		898.6		1,033.4		1,062.2
Revenue from Sales of Digital Handsets(2)		294.6				51.7
Other Cellular Revenue(3)		32.5		34.4		18.1
Total	₩	10,361.9	₩	10,515.6	₩	11,237.2
Additional Facility Deposits	₩	3.4	₩	9.0	₩	2.4
Refunded Facility Deposits		11.0		11.7		17.1
Facility Deposits at Period End		23.8		21.1		6.4

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

(2) Until its sale to Pantech & Curitel in July 2005, our revenue from handset sales consisted of sales by our former subsidiary, SK Teletech. With the inclusion of HELIO as a consolidated subsidiary as of November 2007, revenue from handset sales currently consists of sales by HELIO.

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

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

We offer a variety of differentiated Standard Rate Plans that are designed to meet a wide range of subscriber needs and interests. Popular Standard Rate Plans include our couples discount plan, region discount plan and friends and family discount plan. The basic monthly fee for our Standard Rate Plans ranges from Won 9,900 to Won 90,000.

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

Data Plans, which target subscribers with high usage patterns for wireless data transmission and wireless Internet services. We offer four Data Plans that provide unlimited wireless data services for monthly fees ranging from Won 3,500 to Won 25,000. Our Data Plans include NATE only plans, as well as NATE + June plans. We also offer a Data Plan that allows subscribers to use up to Won 100,000 of wireless Internet services each month for a fixed monthly fee of Won 10,000.

Videoconferencing Plans, for subscribers to our 3G services, which we provide primarily using our WCDMA network. The basic monthly fee for our Videoconferencing Plans ranges between Won 10,000 and Won 30,000.

We also offer discounts to subscribers committing to long-term contracts. To long-term subscribers who initially became our subscribers as a result of Shinsegi s merger into us in January 2002 and who continue to remain our subscribers, we offer discounts on monthly plan-based fees ranging from 5% to 20%. For all other long-term subscribers, we offer discounts on usage charges ranging from 5% to 10%.

Table of Contents

We began to provide Caller ID service to customers free of charge commencing January 1, 2006. Also, effective September 1, 2004, we reduced our tariffs by 3.7% and reduced our monthly plan-based fees by 7.1%, resulting in a decrease in the monthly fee for our basic standard rate plan from Won 14,000 to Won 13,000. In January 2007, we reduced our usage fees for wireless Internet services by 30% and, in October 2007 we reduced usage fees for voice calls between our subscribers by 50%. In addition, in January 2008 we reduced our SMS usage charges from Won 30 per message to Won 20 per message. See Item 5.A. Operating Results Overview .

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

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

We offer wireless Internet access services to our subscribers through NATE. Subscribers using our 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 variable, usage basis. Standard usage rates for NATE range from Won 7 to Won 15 for ten seconds of airtime. Since April 23, 2001, a subscriber using our CDMA 1xRTT and CDMA 1xEV-DO networks is charged based on the amount of data that is transmitted to such subscriber s handset. Subscribers using our WCDMA network are also charged based on the amount of data transmitted. The data transmitted is measured in packets of 512 bytes. We charge Won 4.55 per text packet, Won 0.9 per multimedia packet, for large volume data transfers, and Won 1.75 per multimedia packet, for smaller volume data transfers. In addition, we charge subscribers for purchases of certain digital contents and for certain wireless services, such as m-commerce transaction services.

We generally require new subscribers (other than certain 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 6.4 billion as of December 31, 2007. 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 , any modification to our fees, charges or the terms and condition of our service, including promotional rates and facility deposits, requires prior approval by the MIC.

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

Table of Contents

Subscribers

We had 22.5 million subscribers as of April 30, 2008, representing a market share of 50.5%, 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 networks, including with high-speed data capabilities;

increasing consumer awareness of the benefits of wireless telecommunications;

an effective marketing strategy;

our focus on customer service;

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

our acquisition of Shinsegi in January 2002.

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,		
	2005	**2006**	**2007**
Subscribers	19,530,117	20,271,133	21,968,169
Subscribers Growth Rate	4.0 %	3.8 %	8.4 %
Activations	5,057,176	5,573,799	8,344,784
Deactivations	4,310,397	4,832,783	6,647,748
Average Monthly Churn Rate(1)	1.8 %	2.0 %	2.6 %

(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 lxEV-DO-capable handsets by terminating their service and opening a new subscriber account.

We had 22.0 million subscribers as of December 31, 2007. For the year ended December 31, 2007, we had 8.3 million activations and 6.6 million deactivations, representing an average monthly churn rate of 2.6% 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.

Market Share Limitations

As a condition to our merger with Shinsegi consummated in January 2002, we were required to comply with certain market share limitations imposed by the FTC. Although we were no longer subject to mandatory market share limitations, until the end of 2007, we voluntarily limited our market share to no more than 52.3%, which was the combined market share held by us and Shinsegi at the time the MIC approved the merger. We can give no assurance 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.

Number Portability

Prior to January 2003, Korea s wireless telecommunications system was based on a network-specific prefix system, in which a unique prefix was assigned to all the phone numbers of a specific network operator. We were assigned the 011 prefix, and all of our subscriber s mobile phone numbers began with 011 (former Shinsegi subscribers use the 017 prefix) and our subscribers could not change their wireless phone service to another

35

wireless operator and keep their existing numbers. In January 2003, the MIC announced a plan to implement number portability with respect to wireless telecommunications services in Korea, allowing wireless subscribers to switch wireless service operators while retaining the same mobile phone number. Subscribers who switch operators using different frequencies, however, may be required to purchase a new handset. We use frequencies that are different from those used by KTF and LGT, while KTF and LGT use the same frequencies. As mandated by the MIC, we were the first wireless telecommunications provider to introduce number portability in January 1, 2004, allowing our customers to transfer their numbers to our competitors. Our competitors customers were not able to transfer their number to our service, however, until 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.

In 2005, 2006 and 2007, respectively, approximately 2.2 million, 2.9 million and 3.4 million subscribers switched their wireless telecommunications service provider from us to KTF or LGT and approximately 2.2 million, 2.8 million and 3.4 million subscribers switched from KTF or LGT to us.

In 2005, 2006 and 2007, respectively, we gained approximately 0.7 million, 0.7 million and 1.7 million new subscribers, which represented approximately 42.5%, 39.9% and 51.4% of the aggregate number of new wireless subscribers gained by us, KTF and LGT in each year.

In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the services, the 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. We believe that the adoption of the common prefix identification system has had, and may continue to have, a greater negative effect on us than on our competitors because, historically, 011 has had very high brand recognition in Korea as the premium wireless telecommunications service. Adoption of the number portability system has resulted in, and may continue to result in, increased competition among wireless service providers, increased subscriber deactivations, increased churn rates and higher marketing costs.

For 2007, our churn rate ranged from 2.0% to 3.2%, with an average churn rate of 2.6% for 2007, compared to an average churn rate of 2.0% for 2006. We cannot assure you that our churn rates will not increase in the future. See Item 3.D. Risk Factors Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition . In addition, for details regarding certain fines imposed on us by the MIC in connection with our marketing efforts related to the number portability system, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings MIC Proceedings .

Marketing and Service Distribution

Marketing, Sales and Service Network

We market our services and provide after-sales service support to customers through 29 sales centers, 45 branch offices and a network of 1,173 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 plan-based and usage charges from domestic calls for the first four years. In order to strengthen our relationships with our exclusive dealers, we offer a dealer financing plan, pursuant to which we provide to each authorized dealer an interest-free or low-interest loan of up to Won 2.0 billion with a repayment period of up to three years. As of December 31, 2007, we had an aggregate of Won 115 billion in loans to authorized dealers outstanding.

When we were the only cellular service provider in Korea, we were able to maintain a low level of marketing and advertising expenses. However, 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. In 2005, 2006 and 2007, advertising expenditures amounted to 2.6%, 2.8% and 3.3% of our revenues, respectively.

Marketing Strategies and Marketing Information Management

Next Generation Marketing Project. In December 2003, we launched our Next Generation Marketing project to develop more effective marketing strategies and to implement related improvements to our information technology systems and infrastructure. In connection with this project, we have, from time to time, engaged third-party service providers to provide information technology consulting, design and other related services. In particular, in June 2005, we entered into a Won 53.5 billion agreement with SK C&C Co., Ltd. to provide such marketing-related information technology consulting and design services. The Next Generation Marketing project was completed in October 2006. Information technology improvements we have implemented in connection with this project include the introduction of more advanced and integrated accounts receivable, accounts payable and customer relationship management systems, as well as more effective information security controls. We believe these upgrades have enhanced our ability to process and utilize marketing- and subscriber-related data, which, in turn, has helped us to develop more effective and targeted marketing strategies, as well as improved the overall accuracy and management of certain financial data.

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

New T -brand Marketing Strategy. To increase brand awareness and promote our corporate image, in August 2006, we launched our T -brand marketing campaign. Our new T brand signifies the centrality of Telecommunications and Technology to our business and also seeks to emphasize our commitment to providing Top quality, Trustworthy products and services to our customers. We have begun to market all new products and services under the T brand, while brands existing prior to August 2006 will be re-branded and gradually integrated under the T brand umbrella.

Interconnection

Our networks interconnect with the public switched telephone networks operated by KT Corporation, hanarotelecom incorporated, DACOM Corporation and KINX, 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 governmental agency under the MIC.

For 2005, our total interconnection revenues were Won 898.6 billion and our total interconnection expenses were Won 989.4 billion. For 2006, our total interconnection revenues were Won 1,033.4 billion and our total interconnection expenses were Won 1,014.9 billion. For 2007, our total interconnection revenues were Won 1,062.2 billion and our total interconnection expenses were Won 1,078.7 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 remits to us an interconnection charge. Interconnection with KT Corporation accounts for substantially all of our fixed-line-to-wireless interconnection revenue and expenses.

In July 2004, the MIC introduced a new method of calculating interconnection rates for calls from fixed-line networks to wireless networks, based on the long-run incremental cost of each wireless service provider, taking into consideration technology development and future expected costs. The long-run incremental cost method has been adopted by other countries such as the United States, the United Kingdom and Japan. The interconnection rates paid by fixed-line network service providers to each wireless network service provider are set out below. The MIC announced the interconnection rates for 2007 in September 2006. Interconnection rates for 2008 are expected to be decided in September 2008 and once decided, will be applied retroactively to January 1, 2008.

	Rate per Minute		
Applicable Year	**SK Telecom**	**KTF**	**LGT**
2004	₩ 31.81	₩ 47.66	₩ 58.55
2005	31.19	46.70	54.98
2006	33.13	40.06	47.01
2007	32.78	39.60	45.13

The impact on our operations of the decrease in our interconnection rate for 2007 was more than offset by an increase in incoming call volume in 2007, which resulted in an overall increase of Won 28.8 billion in interconnection revenues. Our interconnection expenses, however, also increased in 2007 by Won 63.8 billion, primarily due to higher subscriber numbers resulting in higher call volume. The Won 63.8 billion increase in interconnection expenses includes the increase in the mobile-to-mobile interconnection expenses that were paid to other wireless service providers.

Wireless-to-Wireless. The MIC implemented interconnection charges for calls between wireless telephone networks in Korea starting in January 2000. Under these arrangements, the operator originating the call pays an interconnection charge to the operator terminating the call. For all operators, the amount of the charge is derived from our imputed cost, which was Won 31.19 per minute, Won 33.13 per minute and Won 32.78 per minute for 2005, 2006 and 2007, respectively. Our revenues from the wireless-to-wireless charge were Won 502.7 billion in 2005, Won 606.8 billion in 2006 and Won 651.5 billion in 2007. Our expenses from these charges were Won 644.6 billion in 2004, Won 748.8 billion in 2005, Won 737.5 billion in 2006 and Won 784.7 billion in 2007. The charges above were agreed among the parties involved and confirmed by the MIC.

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 hanarotelecom, and we receive interconnection charges from such operators. If an international call is received by our subscriber, KT Corporation, DACOM or hanarotelecom pays interconnection charges to us based on our imputed costs.

International Roaming Arrangements

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

Table of Contents

Digital Cellular Network

We offer wireless voice and data telecommunications services throughout Korea using digital wireless networks, including a CDMA network, which currently reaches approximately 99% of the population, a CDMA 1xRTT/CDMA 1xEV-DO network, which currently reaches approximately 90% of the population, an HSDPA-capable WCDMA network, which currently reaches approximately 99% of the population and a WiBro network, which currently services hot zone districts in 23 cities in Korea.

CDMA Networks

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

CDMA technology is currently in commercial operation in several countries including Korea, Hong Kong and the United States. 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.

CDMA 1xRTT and CDMA 1x EV-DO Networks

In October 2000, we began offering wireless voice and data services on our CDMA 1xRTT network. CDMA 1xRTT is an advanced CDMA-based technology that allows transmission of data at speeds of up to 144 Kbps (compared to a maximum of 64 Kbps for our basic CDMA network).

Unlike our CDMA network, our CDMA 1xRTT network has been designed to allow upgrades in step with advances in wireless technology. In the first half of 2002, we launched an upgrade of our CDMA 1xRTT network to a more advanced technology called CDMA 1xEV-DO. CDMA 1xEV-DO is a CDMA-based technology, similar to CDMA 1xRTT, but which enables data to be transmitted at speeds of up to 2.4 Mbps. This higher transmission speed permits interactive transmission of data required for videophone services, a high-speed wireless Internet connection, as well as a multitude of multimedia services. In 2004, we completed the full upgrade of our CDMA 1xRTT network to CDMA 1xEV-DO technology. For details of our capital expenditures relating to CDMA 1xRTT and CDMA 1xEV-DO, see Item 5.B. Liquidity and Capital Resources .

WCDMA Network

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

In 2005, we completed commercial development of HSDPA technology and integrated this technology in the subsequent build-out of our WCDMA network. HSDPA, which represents an evolution of the WCDMA standard, is a more advanced 3G technology than the initial WCDMA technology we implemented and is sometimes referred to as 3.5G technology. In March 2007, we completed nationwide expansion of our HSDPA-capable WCDMA network, which currently reaches approximately 99% of the Korean population. Our WCDMA network enables significantly faster and higher-quality voice and data transmission and supports more sophisticated wireless data transmission services, including video telephony and other multimedia communications, than is possible through our 2G networks. In June 2007, we began HSUPA upgrades to our WCDMA network and expect such upgrades to be complete by the end of 2009. HSUPA technology represents yet the next stage in the evolution of the WCDMA standard. In particular, while HSDPA enables significantly improved downlink data transmission speeds, HSUPA permits faster uplink speeds. Our implementation of HSDPA and HSUPA technology will allow us to offer significantly improved, and a wider range of, wireless data transmission services, including more sophisticated multimedia digital contents and products. We also plan to continue enhancing our 3G service quality in 2008, including through the installation of additional small cell sites or cellular repeaters to improve reception quality in subterranean areas, buildings or any remaining blind spots where reception quality may not be optimal. For more information about our capital expenditures relating to our WCDMA-based network, see Item 5.B. Liquidity and Capital Resources, and for more information about risks relating to our WCDMA-based network, see Item 3.D. Risk Factors Implementation of 3G technology has required, and may continue to require, significant capital and other expenditures, which we may not recoup and such technology may be difficult to integrate with our existing technology and business.

WiBro

We have also received a license from the MIC to provide wireless broadband, or WiBro services, which we believe will complement our existing networks and technologies. WiBro is a data-only transmission technology that enables high-speed wireless broadband access to portable computers, mobile phones and other portable devices. We conducted initial pilot testing of WiBro service in limited areas of metropolitan Seoul in May 2006 and currently service hot zone areas in 23 cities. Hot zone areas are districts and neighborhoods that are characterized by high levels of wireless data traffic, primarily financial districts and university environs. We plan to further expand service to hot zone areas in 42 cities by the end of 2008. Beyond 2008, our WiBro expansion plans will depend, in part, on subscriber demand for WiBro services.

Network infrastructure

The principal components of our wireless networks are:

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

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

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

As of December 31, 2007, our CDMA, CDMA 1RTT, CDMA 1xEV-DO, WCDMA and WiBro networks had an aggregate of 16,099 cell sites.

We purchase our principal digital wireless equipment for our CDMA networks from LG Electronics and Samsung Electronics. We have purchased substantially all of the equipment for our CDMA 1xRTT and CDMA 1xEV-DO networks from Samsung Electronics and have purchased substantially all of the equipment for our WCDMA network, including the software and firmware used to implement HSDPA and HSUPA upgrades, from Samsung Electronics and LG Nortel. We have purchased substantially all of the equipment for our WiBro network from Samsung Electronics.

Most of the transmission lines we use, including virtually all of the lines linking switching stations, as well as a portion of the lines linking cell sites to switching stations, comprise optical fiber lines that we own and operate directly. However, we have not undertaken to install optical fiber lines to link every cell site and switching station. In places where we have not installed our own transmission lines, we lease lines from SK Networks, KT Corporation and, to a lesser extent, hanarotelecom, LG Powercomm Co., Ltd. and Dreamline. Under applicable Korean law, those Korean fixed-line operators that satisfy applicable conditions regarding market share and sales volume set forth in the Telecommunications Business Act may not decline to provide leased line services to us without reasonable cause.

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 Content Providers and Application Providers

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

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

We currently hold a 37.1% equity interest in iHQ Inc., an entertainment management firm that produces films, manages entertainers and operates online game services. We also hold a 60.0% stake in Loen Entertainment Inc. (formerly, Seoul Records Inc.), Korea s largest music recording company in terms of records released and revenues. In July, 2007, we also acquired a 66.7% equity interest in Ntreev Soft Co., Ltd., an online game developer, particularly known for its multi-player sports games and anime-based games. Through our investments in companies such as iHQ, Loen Entertainment and Ntreev Soft, we are able to offer customers of our MelOn, Cizle and Gaming portal services access to an expanded range of music- and entertainment-related digital contents and mobile games, respectively.

In July and October 2005, we and certain other Korean investment companies invested an aggregate Won 40 billion to establish three funds to invest in the music industry and seek strategic partnerships with recording companies. As of December 31, 2007, our contribution to the funds amounted to Won 40 billion. Furthermore, in September, October and December 2005, we and co-investors invested an aggregate Won 55.8 billion to establish four movie-production funds to strengthen our ability to obtain movie content. We had invested Won 28.5 billion in the funds as of December 31, 2007. Such investments reflect our business strategy of diversification into new areas, such as media and entertainment.

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

Other Investments

Our other investments include:

POSCO. We currently own a 2.9% interest in the outstanding capital stock of POSCO, with a book value as of December 31, 2007 of Won 1,426.8 billion. POSCO is the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world.

hanarotelecom. We currently own a 43.4% interest in hanarotelecom with a book value, following our acquisition of a 38.6% equity stake in the company in March 2008, of Won 1,206.3 billion as of March 31,

2008. hanarotelecom currently provides fixed-line telephone and broadband-based Internet services and Hana TV , a video-on-demand service and plans to roll out real-time IP TV services in the future.

LG Powercomm. We currently own a 5.0% interest in LG Powercomm (formerly Powercomm Corporation), with a book value as of December 31, 2007 of Won 89.4 billion. 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.

SK C&C. We currently own a 30.0% equity interest in SK C&C, with a book value as of December 31, 2007 of Won 1,037.6 billion. SK C&C is an information technologies services provider. We are party to several service contracts with SK C&C related to development and maintenance of our information technologies systems. See Item 7.B. Related Party Transactions . We intend to dispose of our entire equity interest in SK C&C in the initial public offering of SK C&C s common shares on the Korea Exchange, expected to be completed in July 2008. We can provide no assurance, however, that the initial public offering will be consummated on a timely basis or at all.

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

Competition

We were Korea s only provider of cellular telecommunications services until April 1996, when Shinsegi began offering its CDMA service. In 1996, the Government issued three additional licenses to KTF, LGT and Hansol PCS to operate CDMA services. 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.

Significant advances in technology are occurring that may affect our businesses, including the roll-out or the planned roll-out by us and our competitors of advanced high-speed wireless telecommunications networks based on technologies including CDMA 1xEV-DO, WCDMA, CDMA2000 and WiBro.

See Item 3.D., Risk Factors Competition may reduce our market share and harm our results of operations and financial condition .

As of December 31, 2007, according to the MIC, KTF and LGT had 13.7 million and 7.8 million subscribers, respectively, representing approximately 31.5% and 18.0%, respectively, of the total number of wireless subscribers in Korea on such date. As of December 31, 2007, we had 22.0 million subscribers, representing a market share of approximately 50.5%.

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

Under a multilateral agreement on basic telecommunications services among the members of the World Trade Organization effective November 1997, the Government has agreed to gradually reduce the restrictions on foreign and individual shareholdings in telecommunications service providers, including us, in Korea. The relevant Korean law, the Telecommunications Business Act, was amended to give effect to the provisions of the WTO agreement. While the WTO agreement enables us to seek foreign investors and strategic partners and to more easily take advantage of opportunities for investments in overseas telecommunications projects, it may also benefit our competitors and further intensify competition in the domestic market.

Table of Contents

Law and Regulation

Overview

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

- entry into the telecommunications industry;
- scope of services provided by telecommunications service providers;
- allocation of radio spectrum;
- setting of technical standards and promotion of technical standardization;
- rates, terms and practices of telecommunications service providers;
- customer complaints;
- interconnection and revenue-sharing between telecommunications service providers;
- disputes between telecommunications service providers;
- research and development budgeting and objectives of telecommunications service providers; and
- competition among telecommunications service providers.

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

Telecommunications service providers are currently classified into three categories: network service providers, value-added service providers, and specific service providers. We are classified as a network service provider because we provide telecommunications services with our own telecommunications networks and related facilities. As a network service provider, we are required to obtain a license from the KCC for each of the services we provide. Our licenses permit us to provide cellular services and third generation wireless services using WCDMA and WiBro technology. Our cellular license does not provide for a fixed term, our IMT-2000 license is valid for 15 years starting from 1999 and our WiBro license is valid for seven years starting from 2005.

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

In May 2007, the MIC issued a request for comments on a proposal to amend the enforcement regulations under the Telecommunications Business Act. Under the proposed amendment, many telecommunications services would fall under a broad class of transmission services . As a result, currently licensed telecommunications service providers would be able to provide local, long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses. The proposed amendment to the enforcement regulations under the Telecommunications Business Act is currently being considered by the KCC .

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

Competition Regulation

The 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 association 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.

Because we belong to the SK Group, which is a large business group, we are subject to the following restrictions under the Fair Trade Act:

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

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

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

Restrictions on equity investments in other domestic companies. Under the Fair Trade Act, a company that is a member of a large business group as designated by the FTC is generally required to limit its total investments in other domestic companies to 40% of its non-consolidated net assets. Depending on the time frame in which such a company acquired shares in excess of the 40% ceiling, the FTC may issue corrective orders requiring, for example, the disposition of the shares held in excess of the 40% ceiling or imposing limitations on the voting rights for such shares and/or monetary sanctions. We were subject to such restrictions on equity investments in other domestic companies until July 3, 2007, when the company formerly known as SK Corporation underwent a corporate reorganization, pursuant to which SK Corporation spun off substantially all of its operating business divisions into a newly established corporation named SK Energy Co., Ltd. and the surviving company, renamed SK Holdings Co., Ltd., became a holding company under the Fair Trade Act. As a holding company under the Fair Trade Act, SK Holdings and its subsidiaries (including us), as well as any subsidiaries of SK Holdings subsidiaries (sub-subsidiaries), are exempted from the Fair Trade Act s restrictions on equity investments in other domestic companies. However, SK Group member companies that are not subsidiaries (or sub-subsidiaries) of SK Holdings remain subject to such restrictions on equity investments in other domestic companies.

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

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 us 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 Subscribers .

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 Subscribers .

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

Prohibitions on Handset Subsidies. Until March 26, 2006, when an amendment to the Telecommunications Business Act came into effect, telecommunications service providers had been prohibited from providing handset subsidies to attract new subscribers under the Telecommunications Business Act. From March 27, 2006 until March 27, 2008, when the prohibition on handset subsidies was fully lifted, the prohibition on handset subsidies was subject to the following exceptions:

- a telecommunications service provider could provide subsidies to subscribers who had maintained their subscription with the same telecommunications service provider for at least 18 months, *provided* that no separate subsidy was provided to the same subscriber for two years thereafter; or

- a telecommunications service provider that had provided a particular telecommunications service for less than six years could provide subsidies to subscribers of such service.

Accordingly, until March 2008 we were permitted to provide handset subsidies only to our subscribers who had been using our services uninterruptedly for at least 18 months, or to our subscribers who were subscribing to our HSDPA or WiBro services. The Telecommunications Business Act required any telecommunications service provider seeking to provide handset subsidies to report to the KCC the qualifying criteria and range of subsidy payments no later than 30 days prior to the effective date of the applicable subsidy payment. Following the full-lifting of handset subsidies in March 2008, telecommunications service providers are no longer subject to the restrictions described above.

Rate Regulation. Most network service providers must report to the KCC 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 KCC. 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 and Internet services, as dominant network service providers subject to this approval requirement. As a condition to its approval of our merger with SK

Table of Contents

IMT, the MIC required that we submit the rates for our third generation mobile services using WCDMA technology to the MIC for approval prior to the launch of such services. The KCC 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.

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 KCC in order to change our rates. Unless the KCC 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.

Furthermore, in 2007, the MIC announced a road map highlighting revisions in regulations to promote deregulation of the telecommunications industry. In accordance with the road map and pursuant to the Combined Sales Regulation, promulgated in May, 2007, telecommunications service providers are now permitted to bundle their services, such as wireless data service, wireless voice service, broadband Internet access service and fixed-line telephone service, at a discounted rate; provided, however, that we and KT Corporation, which are designated as market-dominating business entities under the Telecommunications Business Act, allow other competitors to employ the services provided by us and KT Corporation, respectively, so that such competitors can provide similar discounted package services. The road map also includes plans to amend the regulations and provisions under the Telecommunications Business Act to permit licensed transmission service providers to offer local, domestic long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses. The proposed amendment is currently being considered by the KCC. The introduction of bundled services may increase competition in the telecommunications sector, as well as cause downward price pressure on the fees we charge for our services, which, in turn, may have a material adverse effect on our results of operations.

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 KCC sets and announces the standards for determining the scope, procedures, compensation and other terms and conditions of such provision, interconnection or co-use. We have entered into interconnection agreements with KT 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 KCC grants permits to additional telecommunications service providers.

Frequency Allocation. The KCC has the discretion to allocate and adjust the frequency band for each type of service. Upon allocation of new frequency bands or adjustment of frequency bands, the KCC is required to give a public notice. The KCC also regulates the frequency to be used by each radio station, including the transmission frequency used by equipment in our cell sites. All of our frequency allocations are for an indefinite term. We pay fees to the KCC for our frequency usage that are determined based upon our number of subscribers, frequency usage by our networks and other factors. For 2005, 2006 and 2007, the fee amounted to Won 156.1 billion, Won 159.0 billion and Won 164.1 billion, respectively.

In addition, we paid Won 650 billion of the Won 1.3 trillion cost of the IMT-2000 license in March 2001 and are required to pay the remainder of the license cost in annual installments for a five-year period from 2007 through 2011. For more information, see note 2(k) and note 8 of the notes to our consolidated financial statements for the years ended December 31, 2005, 2006 and 2007.

Mandatory Contributions and Obligations

Contributions to the Fund for Development of Information Telecommunications. The Ministry of Knowledge Economy has the authority to recommend to network service providers that they provide funds for national research and development of telecommunications technology and related projects. For 2007, the MIC recommended 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.

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 for the previous year and have recorded no net loss in the current period. Under the policy, the maximum amount of the annual contribution to be made cannot exceed 70% of the net profit for the corresponding period of each company. Our contribution to this fund in 2005, 2006 and 2007 was Won 68.5 billion, Won 66.1 billion and Won 73.7 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 KCC (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 KCC designates universal services and the service provider who is required to provide each service. Currently, we are required to offer free subscription fee and 35% 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 KCC guidelines which differ from our accounting practices). In 2005, our contribution amount was Won 25.5 billion for our fiscal year 2004. In 2006, our contribution amount was Won 23.7 billion for our fiscal year 2005. In 2007, our contribution amount was Won 23.9 billion for our fiscal year 2006. 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.

Contribution to 114 Directory Service. Prior to 1998, the cost incurred by KT Corporation to provide 114 directory service was shared among network service providers through the Non-Traffic Sensitive, or NTS, 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 the network service providers and the MIC. Since 1999, this cost has been shared among network service providers pursuant to an agreement among themselves. For the period between 2002 and 2004, our share of such costs was determined to be Won 18.3 billion, based on the number of calls made to the 114 directory service through our network. Our contribution amount for 2005 has not yet been determined. Following renegotiation of our agreement with KT Corporation with respect to 114 directory service, beginning in January 2006, we are no longer required to make contributions to the 114 directory service.

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) is the largest shareholder and 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 KCC may require other corrective action.

As of March 31, 2008, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.09% of our issued shares. As of March 31, 2008, a foreign investment fund and its related parties collectively held a 4.81% stake in SK Holdings. Effective from May 9, 2004, if the foreign investment fund and its related parties increase their shareholdings in SK Holdings to 15% or more and such foreign investment fund and its related parties collectively constitute the largest shareholder of SK Holdings, SK Holdings will be considered a foreign shareholder, and its shareholding in us would be included in the calculation of our aggregate foreign shareholding. If SK Holdings shareholding in us is included in the calculation of our aggregate foreign shareholding, then our aggregate foreign shareholding, assuming the foreign ownership level as of March 31, 2008 (which we believe was 48.19%), would reach 71.28%, exceeding the 49% ceiling on foreign shareholding.

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

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

Additionally, an amendment to the Telecommunications Business Act in May 2004 also authorizes the KCC to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year and a penalty of Won 50 million. See Item 3.D. Risk Factors If SK Holdings causes us to breach the foreign ownership limitations on shares of our common stock, we may experience a change of control .

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

A newly adopted amendment to the Telecommunications Business Act effective from May 9, 2004 provides for the creation of a Public Interest Review Committee under the MIC (and, now, the KCC) to review investments in or changes in the control of network services providers. The following events would be subject to review by the Public Interest Review Committee:

- the acquisition by an entity (and its related parties) of 15% or more of the equity of a network services provider;
- a change in the largest shareholder of a network services provider;
- agreements by a network service provider or its shareholders with foreign governments or parties regarding important business matters of such network services provider, such as the appointment of officers and directors and transfer of businesses; and

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

If the Public Interest Review Committee determines that any of the foregoing transactions or events would be detrimental to the public interest, then the KCC may issue orders to stop the transaction, amend any agreements, suspend voting rights, or divest the shares of the relevant network services provider. Additionally, 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.

Table of Contents

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 WCDMA technology.

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

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

Organizational Structure

We are a member of the SK Group, based on the definition of group under the Fair Trade Act of Korea. As of December 31, 2007, SK Group members owned in aggregate 23.1% of the shares of our issued common stock as of December 31, 2007. 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.

Item 4.C. Organizational Structure

These matters are discussed under Item 4B. where relevant.

Table of Contents

Item 4.D. Property, Plants And Equipment

The following table sets forth certain information concerning our principal properties as of December 31, 2007:

Location	Primary Use	Approximate Area in Square Feet
Seoul Metropolitan Area	Corporate Headquarters	988,455
	Regional Headquarters	1,095,992
	Customer Service Centers	384,223
	Training Centers	397,574
	Central Research and Development Center	482,725
	Others	639,791
Busan	Regional Headquarters	363,272
	Others	245,811
Daegu	Regional Headquarters	153,578
	Others	317,440
Cholla and Jeju Provinces	Regional Headquarters	265,595
	Others	359,784
Choongchung Province	Regional Headquarters	565,421
	Others	481,978

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

In October 2004, we paid Won 30 billion to purchase certain land and buildings (including incidental movables) with an aggregate area of 589,625 square feet from SK Life Insurance Co., Ltd. This property is used as a training facility for our employees.

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

Item 4A. UNRESOLVED STAFF COMMENTS

We do not have any unresolved comments from the Securities and Exchange Commission staff regarding our periodic reports under the Exchange Act of 1934.

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 33 and 34 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 2005, 2006 and 2007. In addition, you should read carefully the section titled Critical Accounting Policies, Estimates and Judgments as well as note 2 of the notes to our consolidated financial statements which provide summaries of certain critical accounting policies that require our management to make difficult, complex or subjective judgments relating to matters which are highly uncertain and that may have a material impact on our financial conditions and results of operations.

Table of Contents

Item 5.A. Operating Results

Overview

Revenue

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

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

Market Share Limitations. We have historically been, and continue to be, the market leader in the wireless telecommunications sector in terms of number of subscribers. Our wireless subscriber base has steadily increased over the years from approximately 10.1 million subscribers at the end of 1999 to approximately 22.0 million subscribers at the end of 2007. As a result of our dominant market share, we have been designated by the Government as the market dominant service provider in respect our wireless telecommunications business. As such, we are subject to additional regulation to which certain of our competitors are not subject. For a more detailed discussion of Government mandated and voluntary measures we have undertaken to limit our market share, see Item 4.B. Business Overview Subscribers Market Share Limitations and Item 4.D. Risk Factors We are subject to additional regulation as a result of our dominant market position in the wireless telecommunications sector, which could harm our ability to compete effectively .

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

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

Handset Subsidies. In March 2006, the MIC partially lifted, and in March 2008 fully lifted, the prohibition on the provision of handset subsidies, which had been in place since June 2000, and began to allow mobile service providers to subsidize the purchase of new handsets by certain qualifying customers. As a result of the MIC s decision to allow handset subsidies, we have faced increased competition from other mobile service providers. In addition, in order to compete more effectively, we have begun providing such handset subsidies, which has increased, and which may continue to increase, our marketing expenses. For a more detailed discussion of the change in handset subsidy regulation, see Item 4.B. Business Overview Law and Regulation Competition Regulation Prohibitions on Handset Subsidies .

Table of Contents

Changes in Tariffs and Interconnection Fees. Under current regulations, we must obtain prior KCC approval of the rates and fees we charge subscribers for our cellular services. Generally, the rates we charge for our services have been declining. We can give no assurance that rate changes will not negatively affect our results of operations. For more information about the rates we charge, see Item 4.B. Business Overview Revenues, Rates and Facility Deposits and Item 4.B. Business Overview Law and Regulation Competition Regulation Rate Regulation .

In addition, our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Charges for interconnection affect our revenues and operating results. The KCC determines the basic framework for interconnection arrangements in Korea and has changed this framework several times in the past. We cannot assure you that we will not be adversely affected by future changes in the KCC 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. For more information about our interconnection revenue and expenses, see Item 4.B. Business Overview Interconnection .

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

	Year Ended December 31,					
		2005		2006		2007
Outgoing voice minutes (in thousands)(1)		45,243,761		47,980,107		51,295,166
Average monthly outgoing voice minutes per subscriber(2)		197		201		201
Average monthly revenue per subscriber, excluding interconnection revenue(3)	₩	40,205	₩	40,220	₩	40,154
Average monthly revenue per subscriber, including interconnection revenue(4)	₩	44,167	₩	44,599	₩	44,416

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

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

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

(4) The average monthly revenue per subscriber, including interconnection revenue, is derived by dividing the sum of total initial subscription fees, monthly plan-based fees, usage charges for outgoing voice and wireless data

transmissions, charges for purchases of digital contents, value-added service fees, other miscellaneous revenues and interconnection revenue for the period by the monthly weighted average number of subscribers for the period, then dividing that number by the number of months in the period.

Our average monthly outgoing minutes of voice traffic per subscriber increased by 2.0% in 2006 and remained constant in 2007. We believe that this trend principally reflects the existing high penetration rate of wireless services in Korea and the general maturation of the Korean wireless market.

Our average monthly revenue per subscriber, excluding interconnection revenue decreased by 0.2% to Won 40,154 in 2007 from Won 40,220 in 2006 but increased by 0.04% in 2006 from Won 40,205 in 2005. The slight decrease in average monthly revenue per subscriber in 2007 reflects the net effect of several offsetting factors, including decreases in average monthly revenue per subscriber from usage charges for outgoing voice calls, usage charges for wireless data services and interconnection fees, partially offset by increases in average monthly revenue per subscriber for initial subscription fees, monthly plan-based fees and value-added and other services, as further described in Operating Results below.

Table of Contents

Operating Expenses and Operating Margins. Our operating expenses consist principally of commissions paid to authorized dealers (including, beginning in March 2006, handset subsidies), depreciation and amortization, network interconnection, labor costs, leased line expenses, advertising expenses and the cost of goods sold for handsets and inventories for our online shopping businesses. Operating income represented 24.9% of our operating revenue in 2005, 23.8% in 2006 and 15.1% in 2007. We cannot assure you that our operating margin will not decrease in future periods.

Reclassification of Prior Year Financial Statements

Through December 31, 2007, the Korean Accounting Standards Board issued Statements of Korea Accounting Standards (SKAS) No. 1 through No. 25. As of January 1, 2007, we adopted SKAS No. 11, SKAS No. 21 through SKAS No. 23 and SKAS No. 25. Pursuant to adoption of SKAS No. 21, certain amounts that had been classified as capital adjustments through 2006 are now classified as accumulated other comprehensive income (loss). In addition, certain amounts that had been classified as investment assets through 2006 are now classified as other non-current assets. The consolidated balance sheets as of December 31, 2005 and 2006 appearing in our consolidated financial statements included elsewhere in this report have been reclassified in accordance with SKAS No. 21. Pursuant to adoption of SKAS No. 25, net income is allocated to equity holders of the parent and minority interest. In addition, when a subsidiary is purchased during the fiscal year, the subsidiary s statement of income is included in consolidation as though it had been acquired at the beginning of the fiscal year, and pre-acquisition earnings are presented as a separate deduction within the consolidated statements of income. The consolidated statements of income for the years ended December 31, 2005 and 2006 appearing in our consolidated financial statements included elsewhere in this report have been reclassified in accordance with SKAS No. 25.

Operating Results

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

	For the Year Ended December 31,					
	2005		2006		2007	
	(In billions of Won, except percentage data)					
Operating Revenue	₩ 10,721.8	100.00 %	₩ 11,028.0	100.0 %	₩ 12,018.2	100.00 %
Operating Expenses	8,051.2	75.09	8,406.9	76.23	10,207.8	84.94
Operating Income	2,670.6	24.91	2,621.1	23.77	1,810.4	15.06
Other Income	392.6	3.66	284.9	2.58	867.2	7.22
Other Expenses	501.6	4.68	884.4	8.02	692.4	5.76
Income Before Income Taxes and Minority Interest	2,561.6	23.89	2,021.6	18.33	1,985.3	16.52
Income Taxes	693.3	6.47	572.0	5.19	686.2	5.71
Preacquisition Net Loss of Subsidiaries					263.1	2.2
Net Income Attributable to:						

Majority Interest		1,873.0	17.47		1,451.5	13.16		1,648.9	13.72
Minority Interests		(4.7)	(0.04)		(1.9)	(0.02)		(86.6)	(0.72)
Net Income	₩	1,868.3	17.43 %	₩	1,449.6	13.14	₩	1,562.3	13.00
Depreciation and Amortization(1)	₩	1,546.3	14.42 %	₩	1,553.6	14.09 %	₩	1,851.8	15.41 %

(1) Excludes the depreciation and amortization allocated to internal research and development costs and manufacturing costs of Won 126.9 billion, Won 144.8 billion and Won 148.9 billion for the years ended December 31, 2005, 2006 and 2007, respectively.

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

	Year Ended December 31,					
	2005		2006		2007	
	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
	(In billions of Won, except percentages)					
Cellular Revenue:						
Wireless Services(1)	₩ 9,168.7	85.5 %	₩ 9,482.2	86.0 %	₩ 10,123.3	84.2 %
Interconnection	898.6	8.4	1,033.4	9.4	1,062.2	8.8
Digital Handset Sales(2)	294.6	2.7		0.0	51.7	0.5
Total Cellular Revenue	10,361.9	96.6	10,515.6	95.4	11,237.2	93.5
Other Revenue:						
International Calling Service(3)	138.7	1.3	176.4	1.6	211.8	1.8
Portal Service(4)	126.9	1.2	165.6	1.5	178.7	1.5
Miscellaneous(5)	94.3	0.9	170.4	1.5	390.5	3.2
Total Other Revenue	359.9	3.4	512.4	4.6	781.0	6.5
Total Operating Revenue	₩ 10,721.8	100.0 %	₩ 11,028.0	100.0 %	₩ 12,018.2	100.0 %
Total Operating Revenue Growth	1.4 %		2.9 %		9.0 %	

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

(2) Until July 2005, we consolidated revenues derived from sales of digital handsets made through our former subsidiary, SK Teletech. In July 2005, we sold 4,542,000 shares of SK Teletech owned by us to Pantech & Curitel, Inc., a Korean mobile handset manufacturer, reducing our equity interest in SK Teletech from 89.1% to 29.1%, which became a 22.7% equity interest in Pantech following the merger of SK Teletech (renamed SKY Teletech following our sale of the company to Pantech & Curitel) into Pantech in December 2005. Following the exclusion of SK Teletech from consolidation, we did not derive revenues from digital handset sales until the inclusion of HELIO as our consolidated subsidiary, as of November 1, 2007.

(3) Provided by SK Telink Co. See Item 4.B. Business Overview Our Services Other Products and Services International Calling Services .

(4) Portal service revenue attributable to our subsidiaries (including SK Communications, Paxnet Co., Ltd., which operates a financial portal site, and U-Land Company Limited, the Hong Kong-incorporated holding company through which we hold our interest in ViaTech).

(5) Miscellaneous revenue attributable to our subsidiaries (including neotam.com, an online outlet shopping mall; Morning365.com, an online bookstore; cherrya.com, an online cosmetics store; and TU Media).

2007 Compared to 2006

Operating Revenue. Our operating revenue increased by 9.0% to Won 12,018.2 billion in 2007 from Won 11,028.0 billion in 2006, principally due to a 6.1% increase in our cellular revenue to Won 11,153.0 billion in 2007 from Won 10,515.6 billion in 2006 and a 178.6% increase in miscellaneous revenue to Won 474.7 billion in 2007 from Won 170.4 billion in 2006.

The increase in our cellular revenue was principally due to an increase in our wireless services revenue, as well as an increase in our interconnection revenue. Wireless services revenue increased 6.8% to Won 10,123.3 billion in 2007 from Won 9,482.2 billion in 2006, primarily as a result of an 8.4% increase in the number of our wireless subscribers to approximately 22.0 million subscribers as of December 31, 2007 from approximately 20.3 million subscribers as of December 31, 2006, as well as increased subscriptions to service plans with higher monthly charges.

Table of Contents

Our average monthly revenue per subscriber, excluding interconnection revenue, remained relatively flat in 2007 compared to 2006, decreasing by 0.2% to Won 40,154 in 2007 from Won 40,220 in 2006, which reflects the net effect of several offsetting factors, including decreases in average monthly revenue per subscriber from usage charges for outgoing voice calls, usage charges for wireless data services and interconnection fees, partially offset by increases in average monthly revenue per subscriber for initial subscription fees, monthly plan-based fees and value-added and other services. Our average monthly revenue per subscriber from usage charges for outgoing calls decreased in 2007, primarily due to discounts we offered for voice calls between subscribers. Our average monthly minutes per user remained constant at 201 minutes in 2007. Our average monthly revenue per subscriber from wireless data services, which includes usage charges for SMS and wireless Internet services, decreased in 2007, primarily reflecting discounts we implemented, beginning in January 2007, on wireless data usage charges. Our average monthly revenue per subscriber for initial subscription fees increased in 2007, primarily reflecting increased subscriber numbers. Our average monthly revenue per subscriber from monthly plan-based fees increased in 2007, primarily as a result of increased subscriptions to service plans with higher monthly charges.

Interconnection revenue increased by 2.8% to Won 1,062.2 billion in 2007 from Won 1,033.4 billion in 2006. The increase was primarily due to increases in mobile-to-mobile interconnection traffic volume, partially offset by decreases in interconnection rates. See Item 4.B. Business Overview Interconnection . Our average monthly revenue per subscriber, including interconnection revenue, decreased slightly by 0.4% to Won 44,416 in 2007 from Won 44,599 in 2006.

Portal service revenues increased by 7.9% to Won 178.7 billion in 2007 from Won 165.6 billion in 2006, primarily due to increased revenues of our subsidiary, SK Communications, in part as a result of the merger of Empas into SK Communications in November 2007.

International call service revenues increased by 20.1% to Won 211.8 billion in 2007 from Won 176.4 billion in 2006 as a result of general increases in outbound and inbound international traffic volume.

Miscellaneous revenue increased by 129.2% to Won 390.5 billion in 2007 from Won 170.4 billion in 2006, primarily as a result of the inclusion of TU Media as a consolidated subsidiary beginning in April 2007, as well as revenues from our subsidiaries neotam.com, an online outlet shopping mall, acquired in August 2007; Morning365.com, an online bookstore, acquired in July 2007; and cherrya.com, on online cosmetics store acquired in August 2007.

Operating Expenses. Our operating expenses in 2007 increased by 21.4% to Won 10,207.8 billion from Won 8,406.9 billion in 2006, primarily due to increases in commissions paid, depreciation and amortization, cost of goods sold and labor costs.

Commissions paid, including to our authorized dealers, increased by 28.3% to Won 4,224.5 billion in 2007 from Won 3,293.2 billion in 2006, primarily attributable to our increased marketing efforts to broaden our WCDMA subscriber base, as well as increased commissions paid to authorized dealers in connection with new subscriptions and, to a lesser extent, increases in non-marketing related commissions paid for global roaming services, in line with increased usage of our expanded global voice and data roaming services.

Depreciation and amortization increased 19.2% to Won 1,851.8 billion in 2007 from Won 1,553.6 billion in 2006, primarily due to an increase in our capital expenditures related to expansion and upgrade of our WCDMA network services.

Cost of goods sold increased by 156.8% to Won 311.7 billion in 2007 from Won 121.4 billion in 2006, primarily due to the inclusion of inventory costs of neotam.com, Morning365.com and cherrya.com, as well as, the inclusion of costs related to handset sales by HELIO, which became our consolidated subsidiary as of November 1, 2007.

Labor costs increased by 20.7% to Won 593.8 billion in 2007 from Won 491.8 billion in 2006, primarily as a result of an increase in salaries and an increase in the number of our employees, as well as the inclusion of TU Media and HELIO as consolidated subsidiaries in April and November 2007, respectively.

Operating Income. Our operating income decreased by 30.9% to Won 1,810.4 billion in 2007 from Won 2,621.1 billion in 2006 due to the factors discussed above.

Other Income. Other income consists primarily of gain on conversion of convertible bonds and equity in earnings of affiliates, as well as interest income, dividend income and commissions. Other income increased by 204.4% to Won 867.2 billion in 2007 from Won 284.9 billion in 2006, due primarily to a one-time gain of Won 373.1 billion derived from our conversion of China Unicom convertible bonds into shares in August 2007, as well as a more than four-fold increase in equity in earnings of affiliates to Won 247.4 billion in 2007 from Won 45.8 billion in 2006. Such increase in equity in earnings of affiliates in 2007 was primarily attributable to a more than five-fold increase in equity in earnings of SK C&C to Won 230.3 billion in 2007 from Won 37.8 billion in 2006, which was primarily a result of the recognition of previously unrealized gain on the valuation of SK C&C s investment in the common stock of SK Energy Co., Ltd. in connection with a change in the accounting method used to account for such shares from available-for-sale securities to securities accounted for using the equity method, in the third quarter of 2007. Such change in accounting treatment followed the corporate reorganization of SK Corporation in July 2007 and subsequent changes in shareholdings among SK Group member companies, including changes in SK C&C s equity interests in SK Holdings and SK Energy. See Item 7.A. Major Shareholders for more information regarding the corporate reorganization of the entity formerly known as SK Corporation. In the fourth quarter of 2007, our equity interest in SK C&C was also reclassified to available-for-sale securities from equity securities accounted for using the equity method. See note 4(b) of the notes to our consolidated financial statements for more information regarding the reclassification of our investment in SK C&C. As a percentage of operating revenue, other income increased to 7.2% in 2007 compared to 2.6% in 2006.

Other Expenses. Other expenses consist primarily of interest and discount expenses, equity in losses of affiliates, external research and development costs and donations. Other expenses decreased by 21.7% to Won 692.4 billion in 2007 from Won 884.4 billion in 2006. This decrease was primarily attributable to a one-time payment of Won 144.0 billion in special severance indemnities related to a change in our severance payment policy in 2006 compared with no such payment in 2007. For a discussion of the change in our severance payment policy in 2006, see Item 6.D. Employees Employment Stock Ownership Association and Other Benefits . Equity in losses of affiliates also decreased by 17.0% to Won 175.5 billion in 2007 from Won 211.5 billion in 2006, primarily due to losses of Won 55.9 billion from our investments in Pantech in 2006, which caused our investments in Pantech to be reduced to zero, compared to no such losses in 2007, as well as a 76.6% decrease in losses of TU Media to Won 5.9 billion in 2007 from Won 25.1 billion in 2006. As a percentage of operating revenue, other expenses decreased to 5.8% in 2007 compared to 8.0% in 2006.

Income Tax. Provision for income taxes increased by 20.0% to Won 686.2 billion in 2007 from Won 572.0 billion in 2006. Our effective tax rate in 2007 increased to 34.6% from an effective tax rate of 28.3% in 2006. See note 18 of the notes to our consolidated financial statements.

Net Income. Principally as a result of the factors discussed above, our net income, after adjusting for minority interests, increased by 7.8% to Won 1,562.2 billion in 2007 from Won 1,449.6 billion in 2006. Net income as a percentage of operating revenues was 13.0% in 2007 compared to 13.1% in 2006.

2006 Compared to 2005

Operating Revenue. Our operating revenue increased by 2.9% to Won 11,028.0 billion in 2006 from Won 10,721.8 billion in 2005, principally due to a 1.5% increase in our cellular revenue to Won 10,515.6 billion in 2006 from Won 10,361.9 billion in 2005, a 30.5% increase in portal service revenues to Won 165.6 billion in 2006 from Won 126.9 billion in 2005 and, to a lesser extent, a 27.2% increase in international call service revenues to Won 176.4 billion in 2006 from Won 138.7 billion in 2005.

The increase in our cellular revenue was principally due to an increase in our wireless services revenue, as well as an increase in our interconnection revenue. This increase was offset, in part, by the elimination of revenue attributable to handset sales by our former subsidiary, SK Teletech, from cellular revenue beginning in July 2005. As of such date, our equity interest in SK Teletech was reduced from 89.1% to 29.1% and the company was excluded from consolidation. Revenue attributable to sales of digital handsets amounted to Won 294.6 billion, or 2.7% of our operating revenue, in 2005.

Wireless services revenue increased 3.4% to Won 9,482.2 billion in 2006 from Won 9,168.7 billion in 2005, primarily as a result of a 4.1% increase in the number of our wireless subscribers to approximately 20.3 million as of December 31, 2006 from approximately 19.5 million subscribers as of December 31, 2005.

Our average monthly revenue per subscriber, excluding interconnection revenue, remained relatively flat in 2006 compared to 2005, increasing by 0.1% to Won 40,220 in 2006 from Won 40,205 in 2005, which was primarily a result of increases in our average monthly revenue per subscriber from wireless data services and initial subscriptions, which were substantially offset by decreases in our average monthly revenue per subscriber from value-added services. Our average monthly revenue per subscriber from wireless data services, which includes usage charges for wireless data services, as well as monthly plan-based fees paid by subscribers to our optional Data Plan and Convergence Service plans, increased in 2006, primarily due to increased use of our SMS and MMS services, increased purchases of digital contents and increased subscriptions to our Data Plan service plans. Our average monthly revenue per subscriber from initial subscription fees also increased in 2006, primarily reflecting increased subscriber numbers. On the other hand, our average monthly revenue per subscriber from value-added services decreased in 2006, primarily as a result of our elimination of charges for Caller ID service beginning in January 2006.

Interconnection revenue increased to Won 1,033.4 billion in 2006 from Won 898.6 billion in 2005. The increase was primarily due to increases in mobile-to-mobile interconnection and fixed-line-to-mobile traffic volume, as well as an increase in interconnection rates. See Item 4.B. Business Overview Interconnection. Our average monthly revenue per subscriber, including interconnection revenue, increased by 1.0% to Won 44,599 in 2006 from Won 44,167 in 2005.

Portal service revenues increased to Won 165.6 billion in 2006 from Won 126.9 billion in 2005, primarily due to increased use by our subscribers of portal services, such as portal services offered through our *www.NATE.com* website and community portal services offered by Cyworld.

International call service revenues increased to Won 176.4 billion in 2006 from Won 138.7 billion in 2005 as a result of general increases in outbound international traffic volume.

Operating Expenses. Our operating expenses in 2006 increased by 4.4% to Won 8,406.9 billion from Won 8,051.2 billion in 2005, primarily due to increases in commissions paid and advertising expenses, which more than offset decreases in cost of goods sold and provision for bad debts.

Commissions paid, including to our authorized dealers, increased by 15.2% to Won 3,293.2 billion in 2006 from Won 2,859.6 billion in 2005, primarily attributable to our increased marketing activities as a result of heightened competition in the wireless telecommunications sector following the MIC s partial lifting of restrictions on handset subsidies beginning in March 2006, as well as increased commissions paid to authorized dealers in connection with new subscriptions and, to lesser extent, increases in non-marketing related commissions paid for global roaming services, in line with increased usage of our expanded global voice and data roaming services.

Advertising expenses increased 10.0% to Won 307.2 billion in 2006 from Won 279.4 billion in 2005 primarily attributable to World Cup-related advertising and sponsorship in the second quarter of 2006 and advertising related to the launch of our new T brand in the fourth quarter of 2006.

Cost of goods sold decreased by 49.6% to Won 121.4 billion in 2006 from Won 240.7 billion in 2005, primarily due to the elimination of costs related to handset sales, following the sale of our controlling interest in SK Teletech and its exclusion from consolidation beginning in July 2005, as discussed above.

Operating Income. Our operating income decreased by 1.9% to Won 2,621.1 billion in 2006 from Won 2,670.6 billion in 2005 due to the factors discussed above.

Other Income. Other income consists primarily of interest income, commission income, dividend income, as well as equity in earnings of affiliates and gains on disposal of consolidated subsidiaries. Other income decreased by 27.4% to Won 284.9 billion in 2006 from Won 392.6 billion in 2005, due primarily to an extraordinary gain of Won 178.7 billion from our sale of a 60% equity interest in SK Teletech in July 2005. Such decrease was offset, in part, by increases in other items, including an increase in interest income reflecting higher interest rates in 2006 and an increase in equity in earnings of affiliates, primarily reflecting higher earnings of SK C&C in 2006.

Other Expenses. Other expenses consist primarily of interest and discount expenses, donations and equity losses of affiliates. Other expenses increased by 76.3% to Won 884.4 billion in 2006 from Won 501.6 billion in 2005. This increase was primarily attributable to a one-time payment of Won 144.0 billion in special severance indemnities related to a change in our severance payment policy effective as of March 31, 2006, as well as a Won 165.7 billion net loss in investments in equity of affiliates largely due to losses of Won 88.3 billion from investments in HELIO, reflecting higher expenses related to the commercial launch of HELIO s MVNO services in May 2006, and losses of Won 55.9 billion from our investments in Pantech, reflecting the deterioration of Pantech s liquidity in the fourth quarter of 2006. For a discussion of the change in our severance payment policy in March 2006, see Item 6.D. Employees Employment Stock Ownership Association and Other Benefits . Donations increased by 35.6% to Won 103.3 billion in 2006 from Won 76.2 billion in 2005, primarily due to an increase in our charitable donations, including contributions to educational institutions and other non-profit organizations. As a percentage of operating revenue, other expenses increased to 8.0% in 2006 compared from 4.7% in 2005.

Income Tax. Provision for income taxes decreased by 17.5% to Won 572.0 billion in 2006 from Won 693.3 billion in 2005. Our effective tax rate in 2006 increased to 28.3% from an effective tax rate of 27.1% in 2005. See note 18 of the notes to our consolidated financial statements.

Net Income. Principally as a result of the factors discussed above, our net income, after adjusting for minority interests, decreased by 22.4% to Won 1,449.6 billion in 2006 from Won 1,868.3 billion in 2005. Net income as a percentage of operating revenues was 13.1% in 2006 compared to 17.4% in 2005.

Item 5.B. Liquidity and Capital Resources

Capital Resources

Liquidity

We had a working capital (current assets minus current liabilities) surplus of Won 1,735.2 billion, Won 1,455.5 billion and Won 1,796.2 billion as of December 31, 2005, 2006 and 2007, respectively.

We had cash, cash equivalents, short-term financial instruments and trading securities of Won 1,262.5 billion as of December 31, 2005, Won 1,249.4 billion as of December 31, 2006 and Won 1,669.4 billion as of December 31, 2007. We had outstanding short-term borrowings of Won 1.0 billion as of December 31, 2005, Won 58.3 billion as of December 31, 2006 and Won 24.6 billion as of December 31, 2007. As of December 31, 2007, we had credit lines with several local banks that provided for borrowings of up to Won 1,458.1 billion, of which Won 26.0 billion was outstanding and Won 1,432.1 billion available for borrowing.

Table of Contents

Operating cash flow and debt financing have been our principal sources of liquidity. Cash and cash equivalents increased to Won 885.8 billion in 2007 from Won 486.0 billion in 2006 and Won 378.4 billion in 2005.

	Year Ended December 31,			Change			
	2005	2006	2007	2005 to 2006		2006 to 2007	
	(In billions of Won, except percentages)						
Net Cash Flow from Operating Activities	₩ 3,407.1	₩ 3,589.8	₩ 3,710.7	₩ 182.7	5.4%	₩ 120.9	3.4%
Net Cash Used in Investing Activities	(1,938.2)	(2,535.1)	(2,399.0)	(596.9)	(30.8)	136.1	5.4
Net Cash Used in Financing Activities	(1,429.0)	(952.4)	(856.0)	476.6	33.4	96.4	10.1
Effect of Exchange Rate Changes on Cash and Cash Equivalents Held in Foreign Currencies	(3.0)	(9.3)	2.8	(6.3)	210.0	12.1	130.1
Net Cash Flow due to Changes in Consolidated Subsidiaries	(29.1)	14.6	154.2	43.7	150.1	139.6	956.2
Preacquisition Cash Flows of Subsidiaries(1)	₩	₩	₩ (263.1)		N/A	₩ (263.1)	N/A*
Net Increase in Cash and Cash Equivalents due to Merger(2)			50.4		N/A	50.4	N/A**
Net Increase (Decrease) in Cash and Cash Equivalents	₩ 7.8	₩ 107.6	₩ 400.0	₩ 99.8	1,279.5	₩ 292.4	271.7
Cash and Cash Equivalents at Beginning of Period	370.6	378.4	486.0	7.8	2.1	107.6	28.4

Cash and Cash Equivalents at End of Period	₩	378.4	₩	486.0	₩	886.0	₩	107.6	28.4%	₩	400.0	82.3%

N/A = Not applicable.

* Pre-acquisition cash flows of subsidiaries was Won (263.1) billion in 2007 compared to none in 2006.

** Net increase in cash and cash equivalents due to merger was Won 50.4 billion in 2007 compared to none in 2006.

(1) In 2007, we adopted SKAS No. 25. Pursuant to SKAS No. 25, when a subsidiary is acquired during the year, such subsidiary s statement of income is included in consolidation as if it had been acquired at the beginning of the year, and pre-acquisition earnings (losses) are presented as deduction (addition) at the bottom of the consolidated statements of income. In addition, in connection with our adoption of SKAS No. 25, we have also begun to present pre-acquisition cash flows of subsidiaries as a separate deduction (addition) at the bottom of our consolidated statements of cash flows.

(2) Net increase in cash and cash equivalents due to merger for the year ended December 31, 2007 relates to the merger of Empas into SK Communications in November 2007.

Net Cash Flow from Operating Activities. Net cash flow provided by operations was Won 3,407.1 billion in 2005, Won 3,589.8 billion in 2006 and Won 3,710.7 billion in 2007. Net income was Won 1,868.3 billion in 2005, Won 1,449.6 billion in 2006 and Won 1,562.3 billion in 2007. Depreciation and amortization were Won 1,675.5 billion in 2005, Won 1,698.4 billion in 2006 and Won 2,000.7 billion in 2007.

Net Cash from Investing Activities. Net cash used in investing activities Won 1,938.2 billion in 2005, Won 2,535.1 billion in 2006 and Won 2,399.0 billion in 2007. Cash inflows from investing activities were Won 666.1 billion in 2005, Won 714.2 billion in 2006 and Won 360.9 billion in 2007. The primary contributor to such inflows, in 2005, related to proceeds from the sale of consolidated subsidiaries of Won 291.0 billion and, in 2006, related to proceeds from the disposal of long-term investment securities of Won 306.0 billion, largely attributable to the sale of Won 296.4 billion in aggregate amount of currency stabilization bonds. Cash inflows in 2007 largely related to the collection of short-term loans of Won 119.6 billion. Cash outflows for investing activities were Won 2,604.3 billion in 2005, Won 3,249.3 billion in 2006 and Won 2,759.9 billion in 2007. The primary contributors to the overall cash outflows for investing activities were expenditures related to the acquisition of property and equipment, which were Won 1,416.6 billion in 2005, Won 1,498.1 billion in 2006 and Won 1,816.0 billion in 2007, all primarily relating to expenditures in connection with the maintenance and build-out of our wireless network, including upgrades to and expansion of our HSDPA-capable WCDMA network, as well as, in 2006 and 2007, initial build-out of our WiBro network; acquisition of long-term investment securities, which were Won 319.1 billion in 2005, Won 1,127.4 billion in 2006 (which was primarily due to our purchase in July 2006 of convertible bonds issued by China Unicom for US$1 billion) and Won 417.5 billion in 2007 (which was primarily due to our purchase of beneficiary certificates for Won 351.4 billion); acquisition of equity securities accounted for using the equity method, which were Won 231.8 billion in 2005, Won 244.3 billion in 2006 and Won 76.6 billion in 2007; and acquisition of intangible assets, which were Won 199.5 billion in 2005, Won 74.0 billion in 2006 and Won 115.1 billion in 2007.

Net Cash from Financing Activities. Net cash used in financing activities was Won 1,429.0 billion in 2005, Won 952.4 billion in 2006 and Won 856.0 billion in 2007. Cash inflows from financing activities were primarily driven by issuances of bonds, which provided cash of Won 193.7 billion in 2005, Won 385.0 billion in 2006 and Won 761.1 billion in 2007. Proceeds from short-term borrowings of Won 51.2 billion in 2006 and Won 35.9 billion in 2007 and proceeds from long-term borrowings of Won 294.8 billion in 2006 and Won 28.3 billion in 2007 also contributed to cash inflows from financing activities in 2006 and 2007. We had no cash inflows from proceeds from short-term borrowings or from long-term borrowings in 2005. Cash outflows for financing activities included payment of short-term borrowings, payments of current portion of long-term debt, payment of dividends and acquisition and retirement of treasury stock, among other items. Payments of short-term borrowings were Won 376.9 billion in 2005, none in 2006 and Won 86.6 billion in 2007. Payments of current portion of long-term debt were Won 500.0 billion in 2005, Won 815.3 billion in 2006 and Won 907.2 billion in 2007. Payment of dividends were Won 758.2 billion in 2005, Won 662.8 billion in 2006 and Won 581.3 billion in 2007. The acquisition of treasury shares, and subsequent retirement of such shares, also accounted for Won 209.1 billion and Won 118.5 billion of cash outflows for financing activities in 2006 and 2007, respectively.

As of December 31, 2005, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 2,314.4 billion, which included bonds in the amount of Won 2,314.2 billion and bank and institutional borrowings in the amount of Won 0.2 billion. We had long-term facility deposits of Won 23.8 billion as of December 31, 2005. As of December 31, 2006, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 2,288.3 billion, which included bonds in the amount of Won 1,995.3 billion and bank and institutional borrowings in the amount of Won 293.0 billion. We had long-term facility deposits of Won 21.1 billion as of December 31, 2006. As of December 31, 2007, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 2,672.1 billion, which included bonds in the amount of Won 2,348.7 billion and bank and institutional borrowings in the amount of Won 323.4 billion. We had long-term facility deposits of Won 6.4 billion as of December 31, 2007. For a description of our long-term liabilities, see notes 9, 10, 11 and 23 of the notes to our consolidated financial statements.

As of December 31, 2007, substantially all of our foreign currency-denominated long-term debt, which amounted to approximately 37.9% of our total outstanding long-term debt, including current portion as of such date, was denominated in Dollars. Appreciation of the Won against the Dollar will result in net foreign exchange and translation gains, while depreciation of the Won against the Dollar will result in net foreign exchange and translation losses. Changes in foreign currency exchange rates will also affect our liquidity because of the effect of such changes on the amount of funds required for us to make interest and principal payments on our foreign currency-denominated debt.

In March 2005, we issued Won-denominated bonds with a principal amount of Won 200.0 billion. These bonds will mature in March 2010 and have an annual interest rate of 4.0%. The proceeds of these bonds were primarily used for repayment of maturing long-term debt.

In late May 2004, we issued zero coupon convertible notes with a maturity of five years in the principal amount of US$329,450,000, with an initial conversion price of Won 235,625 per share of our common stock, subject to

Table of Contents

certain redemption rights. Subsequently, the initial conversion price was adjusted to Won 211,099 per share in accordance with anti-dilution provisions contained in the terms of the notes. For the year ended December 31, 2006, convertible notes in the principal amount of US$25,210,000 were converted into 136,163 shares of our common stock and the principal amount of the convertible notes decreased from US$329,450,000 to US$304,240,000. During the year ended December 31, 2007, holders of a principal amount of US$75,080,000 of convertible notes exercised their conversion rights. In order not to exceed the 49% limit on aggregate foreign ownership of our shares, we converted only a portion of those convertible notes into shares. See Item 4.B. Business Overview Law and Regulation Foreign Ownership and Investment Restrictions and Requirements for a more detailed discussion of foreign share ownership restrictions. Accordingly, a principal amount of US$38,820,000 of convertible notes were converted into 216,347 shares of our common stock. In addition, we paid W43.0 billion in cash to holders of a principal amount of US$36,260,000 of convertible notes. As a result of these transactions, the principal amount of the convertible bonds decreased from US$304,240,000 to US$229,160,000 in 2007. As of December 31, 2007, 1,277,164 shares of common stock were deposited with the Korea Securities Depository and reserved in favor of the noteholders conversion rights.

In September and November 2006, we issued Won-denominated corporate bonds, in each case, in aggregate principal amount of Won 200 billion. These bonds will mature in September 2016 and November 2013, respectively, and have annual interest rates of 5.0% and 4.0%, respectively. The proceeds of these Won-denominated bond offerings were primarily used for the repayment of maturing long-term debt. See note 9 of the notes to our consolidated financial statements.

In June 2006, we issued floating rate discounted bills in aggregate principal amount of Won 200 billion. The discounted bills have a five-year maturity and an interest rate based on a 91-day certificate of deposit yield plus 0.25%. In October 2006, we also made long-term borrowings in aggregate principal amount of US$100 million with a maturity of seven years and an interest rate based on six-month LIBOR plus 0.29%. These amounts were used for our operations.

In July 2007, we issued U.S. dollar-denominated bonds in the principal amount of US$400,000,000 with a maturity of twenty years and an interest rate of 6.625%. The proceeds from the offering were used for general corporate purposes.

In November 2007, we issued Japanese Yen-denominated notes in the principal amount of Japanese Yen 12,500,000,000 with a maturity of five years and an interest rate of Yen LIBOR plus 0.55%. The proceeds from the offering were used for the refinancing of maturing long-term debt.

In November 2007, we issued Korean Won-denominated bonds in the principal amount of Won 200 billion with a maturity of seven years and an interest rate of 5.00%. The proceeds from the offering were used for the refinancing of maturing long-term debt.

We also have long-term liabilities in respect of facility deposits received from subscribers, which stood at Won 23.8 billion at December 31 2005, Won 21.1 billion at December 31, 2006 and Won 6.4 billion at December 31, 2007. These non-interest bearing deposits are collected from some subscribers when they initiate service and returned (less unpaid amounts due from the subscriber for our services) when the subscriber s service is deactivated. See Item 4.B. Business Overview Revenues, Rates and Facility Deposits .

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

Capital Requirements

Historically, capital expenditures, repayment of outstanding debt and research and development expenditures have represented our most significant use of funds. In recent years, we have also increasingly dedicated capital resources to develop new and growing business areas, including our wireless Internet business, convergence businesses and overseas operations, including through acquisitions and strategic alliances. In addition, we have used funds for the acquisition of treasury shares and payment of retirement and severance benefits.

To fund our scheduled debt repayment and planned capital expenditures over the next several years, we intend to rely primarily on funds provided by operations, as well as bank and institutional borrowings, and offerings of debt or equity in the domestic or international markets. We believe that these sources will be sufficient to fund our planned capital expenditures for 2008. Our ability to rely on these alternatives could be affected by the liquidity of the Korean financial markets or by Government policies regarding Won and foreign currency borrowings and the issuance of equity and debt. Our failure to make needed expenditures would adversely affect our ability to sustain subscriber growth and provide quality services and, consequently, our results of operations.

Capital Expenditures. The following table sets forth our actual capital expenditures for 2005, 2006 and 2007:

	Year Ended December 31,		
	2005	2006	2007
	(In billions of Won)		
CDMA Networks[1]	₩ 376	₩ 280	₩ 198
WCDMA Network	575	781	1,044
WiBro[2]		53	154
Others[3]	466	384	420
Total[4]	₩ 1,417	₩ 1,498	₩ 1,816

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

(2) We commenced WiBro service in May 2006.

(3) Includes investments in infrastructure consisting of equipment necessary for the provision of data services and marketing.

(4) Also, see note 7 of the notes to our consolidated financial statements.

We set our capital expenditure budget for an upcoming year on an annual basis. Our actual capital expenditures in 2005 were Won 1,416.6 billion. Of such amount, we spent approximately Won 574.5 billion on capital expenditures related to expansion of our WCDMA network and development of HSDPA technology, Won 375.8 billion related to general upkeep of our CDMA 1xRTT and CMDA EV-DO networks and Won 466.3 billion on other capital expenditures and projects. Our actual capital expenditures in 2006 were Won 1,498.1 billion. Of such amount, we spent approximately Won 780.5 billion on capital expenditures related to upgrade and expansion of our HSDPA-capable WCDMA network, Won 53.4 billion related to development and initial roll out of our WiBro network, Won 279.9 billion related to general upkeep of our CDMA 1xRTT and CMDA EV-DO networks and Won 384.3 billion on other capital expenditures and projects. Our actual capital expenditures in 2007 were Won 1,816.0 billion. Of such amount, we spent approximately Won 1,044.3 billion on capital expenditures related to upgrade and expansion of our WCDMA network, Won 153.6 billion related to development and expansion of our WiBro network, Won 198.4 billion related to general upkeep of our CDMA 1xRTT and CMDA EV-DO networks and Won 419.7 billion on other capital expenditures and projects. We are required to pay the remainder of the cost of our IMT-2000 license in annual installments for a five-year period from 2007 through 2011. For more information, see note 2(k) and note 8 of the notes to our consolidated financial statements for the years ended December 31, 2005, 2006 and 2007.

In March 2005, we obtained a license from the MIC to provide WiBro services and paid the related Won 117.0 billion WiBro license fee. We currently provide WiBro service to hot zone areas in 23 cities. We are planning to make additional capital expenditures in 2008 to build and expand our WiBro network to hot zone areas in 42 cities, and we may also make further capital investments to expand our WiBro service in the future. Our investment plans are subject to change depending on the market demand for WiBro services, the competitive landscape for similar services and development of competing technologies.

We estimate that we will spend approximately Won 1.75 trillion for capital expenditures in 2008 for a range of projects, including investments in our backbone networks (and our WiBro network in particular), investments to improve our WCDMA network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid-to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course. However, our overall expenditure levels and our allocation among projects remain subject to many uncertainties. We may increase, reduce or suspend our planned capital expenditures for 2008 or change the timing and area of our capital expenditure spending from

Table of Contents

the estimates described above in response to market conditions or for other reasons. We may also make additional capital expenditure investments as opportunities arise. Accordingly, we periodically review the amount of our capital expenditures and may make adjustments, including based on the current progress of capital expenditure projects and market conditions. No assurance can be given that we will be able to meet any such increased expenditure requirements or obtain adequate financing for such requirements, on terms acceptable to us, or at all.

Repayment of Outstanding Debt. As of December 31, 2007, our principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases outstanding were as follows for the periods indicated:

Year Ending December 31,		**Total (In billions of Won)**
2008	₩	526.4
2009		630.9
2010		435.2
After 2010		1,654.8

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

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

For example, we, via SK Telecom USA Holdings, Inc., our wholly-owned subsidiary in the United States, had invested US$370 million in HELIO as of March 31, 2008. In addition, we hold a US$30 million secured exchangeable promissory note, exchangeable into membership units of HELIO. In June 2008, we and EarthLink entered into an agreement with Virgin Mobile USA, Inc. and certain of its affiliates, pursuant to which Virgin Mobile USA, Inc. and certain of its affiliates agreed to acquire our aggregate equity interest in HELIO in exchange for limited partnership units in Virgin Mobile USA, L.P. In June 2008, we also agreed to make an additional US$25 million equity investment in Virgin Mobile USA, Inc. These transactions remain subject to regulatory and shareholder approvals. For a more detailed description of our investments in HELIO and Virgin Mobile USA, Inc., see Item 4. Information on the Company Item 4.B. Business Overview Global Business Overseas Operations .

We have been providing CDMA cellular service in Vietnam since 2003 through our overseas subsidiary, SKT Vietnam, and through S-Telecom, a joint venture between SKT Vietnam and Saigon Post & Telecommunication Services Corporation. In November 2005, our board of directors approved an additional US$280 million investment in SKT Vietnam to fund expansion of its CDMA network to all of Vietnam. In January 2006, we acquired 100 million additional shares of SKT Vietnam s unissued common stock for US$100 million, increasing our equity interest in that company from 55.1% to 73.3%.

In March 2008, we completed the acquisition of an additional 38.6% equity stake in hanarotelecom, Korea s second-largest fixed-line operator, for approximately Won 1.1 trillion, increasing our total equity interest in hanarotelecom to 43.4% as of March 31, 2008. We may make additional capital investments in order to develop hanarotelecom s business in line with our growth strategy.

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

Acquisition of Treasury Shares. In October 2001, in accordance with the approval of our board of directors, we established trust funds with four Korean banks with a total funding of Won 1.3 trillion for the purpose of acquiring our shares at market prices plus or minus five percent. Each of the trust funds has an initial term of three years but is terminable at our option six months after the establishment of the trust fund and at the end of each succeeding six-month period thereafter. While held by the trust funds, our shares are not entitled to voting rights or dividends. Upon termination of the trust funds, we are required to resell the shares acquired by the trust funds. In October 2004, we extended trust funds with a balance of Won 982 billion, for another three years and, in October 2007, we extended the trust funds with a balance of Won 982 billion, for an additional three years.

In a series of open market purchases in the period between August 1, 2006 and August 14, 2006, we acquired 491,000 shares of our common stock at an aggregate purchase price of Won 92.5 billion, all of which were cancelled on August 17, 2006. In a subsequent series of open market purchases in the period between September 4, 2006 and September 27, 2006, we acquired an additional 592,000 shares of our common stock at an aggregate purchase price of Won 116.6 billion, all of which were cancelled on September 29, 2006. In connection with the cancellation of these treasury shares, we reduced our retained earnings before appropriations by Won 209.1 billion in accordance with Korean law.

In a series of open market purchases in the period between November 1, 2007 and December 31, 2007, we acquired 471,000 shares of our common stock at an aggregate purchase price of Won 118.5 billion. As of December 31, 2007, the total number of our common stock outstanding was 81,193,711.

Severance Payments. The total accrued and unpaid retirement and severance benefits for our employees as of December 31, 2007 of Won 44.3 billion was reflected in our consolidated financial statements as a liability, which is net of deposits with insurance companies totaling Won 45.9 billion to fund a portion of the employees severance indemnities.

Effective March 31, 2006, we implemented certain changes to our severance payment policy in respect of employees who had joined our company on or before December 31, 2002. As a result of such policy change, we required applicable employees to receive and settle all severance benefits accrued as of March 31, 2006. These accrued severance payments were made in April 2006. As compensation for the mandatory early settlement of their accrued severance benefits, we also paid such employees additional special bonuses of Won 125.9 billion in aggregate amount. We recorded the special bonus payments as special severance indemnities in other expenses for the year ended December 31, 2006. In 2006, we also sponsored a voluntary early retirement plan with respect to certain eligible employees. These early retirees were also paid special bonuses of Won 18.1 billion in the aggregate, which amount was also reflected in special severance indemnities in other expenses for the year ended December 31, 2006. We may, in the future, again sponsor early retirement plans, in part, to improve operational efficiencies.

Also see Item 6.D. Employees Employee Stock Ownership Association and Other Benefits and note 2(o) of the notes to our consolidated financial statements.

Dividends. Total payments of cash dividends amounted to Won 662.5 billion in 2005, Won 582.4 billion in 2006 and Won 682.4 billion in 2007.

In March 2008, we distributed annual dividends at Won 8,400 per share to our shareholders for an aggregate payout amount of Won 609.7 billion.

Table of Contents

Contractual Obligations and Commitments

The following summarizes our contractual cash obligations at December 31, 2007, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

	Payments Due by Period[1]				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(In billions of Won)				
Bonds					
Principal	₩ 2,920.1	₩ 523.3	₩ 835.9	₩ 585.6	₩ 975.3
Interest	797.3	109.2	162.7	117.8	407.6
Long-term borrowings					
Principal	324.3	0.9	229.5	0.1	93.8
Interest	61.2	19.2	28.1	9.3	4.6
Capital lease obligations	2.9	2.2	0.7		
Operating leases	28.8	7.7	11.6	3.8	5.7
Purchase obligations					
Facility deposits	14.0	7.6			6.4
Derivatives	123.4	12.6	23.1	85.2	2.5
Other long-term payables[2]					
Principal	560.0	110.0	280.0	170.0	
Interest	68.4	25.5	35.1	7.8	
Total contractual cash obligations[3]	₩ 4,900.4	₩ 818.2	₩ 1,606.7	₩ 979.6	₩ 1,495.9

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

(2) Related to acquisition of IMT-2000 license. See note 2(k) and note 8 of the notes to our consolidated financial statements.

(3) This amount does not include our future investments in the CDMA market in Vietnam, which we expect to make through our overseas subsidiary SKT Vietnam under a business cooperation contract with Saigon Post & Telecommunication Service Corporation. See Item 4.B. Business Overview Global Business Overseas Operations and Critical Accounting Policies, Estimates And Judgments Off-Balance Sheet Arrangements .

See note 23 of the notes to our consolidated financial statements for details related to our other commitments and contingencies.

Inflation

We do not consider that inflation in Korea has had a material impact on our results of operations in recent years. According to data published by The Bank of Korea, annual inflation in Korea was 2.7% in 2005, 2.2% in 2006 and 2.5% in 2007.

U.S. GAAP Reconciliation

Our consolidated financial statements are prepared in accordance with Korean GAAP, which differs in certain significant respects from U.S. GAAP. For a discussion of significant differences between Korean GAAP and U.S. GAAP, see notes 33 and 34 of our notes to consolidated financial statements.

Our net income in 2005 under U.S. GAAP is higher than net income under Korean GAAP by Won 159.3 billion, primarily due to reversal of goodwill amortization under U.S. GAAP, deferred income tax adjustments due to the difference in accounting principles and the differing treatment of loss on valuation of currency swaps, partially offset by the differing treatment of nonrefundable activation fees and intangible assets. Our net income in 2006

Table of Contents

under U.S. GAAP is higher than under Korean GAAP by Won 430.9 billion, primarily due to the differing treatment of unrealized gains or losses on valuation of convertible notes and reversal of goodwill amortization under U.S. GAAP, partially offset by the tax effect of the reconciling items. Our net income in 2007 under U.S. GAAP is lower than under Korean GAAP by Won 56.2 billion, primarily due to the differing treatment of unrealized gains or losses on the valuation of convertible notes and the differing treatment of nonrefundable activation fees under U.S GAAP, partially offset by the differing treatment of reclassification of our investment in the common stock of SK C&C, reversal of goodwill amortization and the tax effect of reconciling items under U.S. GAAP.

Our shareholders equity at December 31, 2006 under U.S. GAAP is higher than under Korean GAAP by Won 1,255.4 billion and our shareholders equity at December 31, 2007 under U.S. GAAP is higher than under Korean GAAP by Won 1,011.5 billion, in each case, primarily due to: increases from the differing treatment of intangible assets, reversal of goodwill amortization and tax effect of the reconciling items, partially offset by decreases from the differing treatment of nonrefundable activation fees and minority interest of equity in consolidated affiliates and, in 2007, reclassification of investment in the common stock of SK C&C.

New Accounting Pronouncements under U.S. GAAP

In June 2006, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 06-3, How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation) (EITF Issue No. 06-3). EITF Issue No. 06-3 requires that companies disclose their accounting policy regarding the gross or net presentation of certain taxes. Taxes within the scope of EITF Issue No. 06-3 are any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but is not limited to, sales, use, value added and some excise taxes. Effective January 1, 2007, we adopted EITF Issue No. 06-3 for our annual reporting period ended December 31, 2007. The adoption of such accounting standards did not have an effect on our consolidated financial position as of December 31, 2007.

In June 2006, the Financial Accounting Standard Board (FASB) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), an interpretation of SFAS No. 109, Accounting for Income Taxes (SFAS No. 109). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Effective January 1, 2007, we adopted FIN 48 for our annual reporting period ended December 31, 2007. As a result of our adoption of FIN 48, retained earnings as of January 1, 2007 decreased by Won 11,853 million and income tax provision for the year ended December 31, 2007 increased by Won 1,320 million.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement (SFAS No. 157), which provides guidance for using fair value to measure assets and liabilities when required for recognition or disclosure purposes. SFAS No. 157 is intended to make the measurement of fair value more consistent and comparable and improve disclosures about these measures. Specifically, SFAS No. 157 (1) clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability, (2) establishes a fair value hierarchy that prioritizes the information used to develop those assumptions, (3) clarifies the information required to be used to measure fair value, (4) determines the frequency of fair value measures and (5) requires companies to make expanded disclosures about the methods and assumptions used to measure fair value and the fair value measurement s effect on earnings. However, SFAS No. 157 does not expand the use of fair value to any new circumstances or determine when fair value should be used in the financial statements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with some exceptions. SFAS No. 157 is to be applied prospectively as of the first interim period for the fiscal year in which it is initially adopted, except for a limited form of retrospective application for some specific items.

In February 2008, the FASB issued Staff Position No. 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for

Table of Contents

Purpose of Lease Classification or Measurement Under Statement 13 (FSP 157-1) in order to amend SFAS No. 157 to exclude FASB Statement No. 13, Accounting for Leases (SFAS No. 13) and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. In addition, in February 2008, the FASB issued Staff Position No. 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008 for non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in an entity s financial statements on a recurring basis (at least annually). We are currently evaluating the impact that SFAS No. 157, FSP 157-1 and FSP 157-2 may have on consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115 (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are required to be included in earnings. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the impact that SFAS No. 159 may have on consolidated financial statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141(R)) which replaces FASB Statement No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. SFAS No. 141(R) also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the potential impact, if any, the adoption of SFAS No. 141(R) may have on consolidated financial statements.

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 (SFAS No. 160). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest, changes in a parent s ownership interest, and the valuation of retained non controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This statement is effective for us beginning January 1, 2009. We are currently evaluating the potential impact of the adoption of SFAS No. 160 on ourconsolidated financial position, results of operations or cash flows.

In May 2008, the FASB issued FASB Staff Position (FSP) APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1). FSP APB 14-1 clarifies that convertible debt instruments that may be settled in cash upon conversion (including partial cash settlement) are not addressed by APB Opinion No. 14, Accounting for Convertible Debt and Debt Issued with Stock Purchase Warrants . Additionally, FSP APB 14-1 specifies that issuers of such instruments should separately account for the liability and equity components in a manner that will reflect the entity s nonconvertible debt borrowing rate when interest cost is recognized in subsequent periods. FSP APB 14-1 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early adoption is prohibited. We are currently evaluating the impact of adopting FSP APB 14-1 on our consolidated financial condition, operating results and cash flows.

Significant Changes in Korean GAAP

On January 1, 2005, we and our subsidiaries adopted SKAS No. 15 through No. 17. The adoption of such accounting standards did not have an effect on our consolidated financial position as of December 31, 2005, except as follows:

Through 2004, when our equity interests in the equity method investees were diluted as a result of the equity method investees direct sales of their unissued shares to third parties, the changes in the our proportionate equity of investees were accounted for as capital transactions. Effective January 1, 2005, such transactions are accounted for as income statement treatment, pursuant to adoption of SKAS No. 15, Investments: Equity Method . As a result of adopting SKAS No. 15, net income for the year ended December 31, 2005 increased by Won 6.3 billion (net of tax effect of Won 2.4 billion).

Through 2004, tax effects of temporary differences related to capital surplus or capital adjustments were excluded in determining the deferred tax assets or liabilities. Effective January 1, 2005, such tax effects of temporary differences are included in determining the deferred tax assets or liabilities, pursuant to adoption of SKAS No. 16 Income Taxes . Accordingly, adjustments made directly to capital surplus or capital adjustments, which result in temporary differences, are recorded net of related tax effects. In addition, effective January 1, 2005, deferred income tax assets and liabilities which were presented on the balance sheet as a single non-current net number through 2004, are separated into current and non-current portions. As a result of adopting SKAS No. 16, total assets and total liabilities as of December 31, 2005 increased by Won 67.6 billion and Won 97.8 billion, respectively, and total stockholders equity as of December 31, 2005 decreased by Won 30.2 billion, which was directly reflected in capital surplus or capital adjustments. See note 18 of the notes to our consolidated financial statements.

Through 2004, provisions were recorded at nominal value. Effective January 1, 2005, provisions are recorded at the present value when the effect of the time value of money is material, pursuant to adoption of SKAS No. 17 Provisions, Contingent Liabilities and Contingent Assets . SKAS No. 17 is prospectively applied and as a result of adopting such accounting standard, total liabilities as of December 31, 2005 decreased by Won 7.4 billion and ordinary income and net income for the year ended December 31, 2005 increased by Won 5.4 billion. See note 25 of the notes to our consolidated financial statements.

Such newly adopted accounting standards were prospectively applied as allowed by SKAS No. 15 through No. 17. As a result, our consolidated balance sheet as of December 31, 2004 and our consolidated statements of income and cash flows for the year ended December 31, 2004 were not adjusted to reflect the effect of adoption of SKAS No. 15 through No. 17.

On January 1, 2006, we adopted SKAS No. 18 through No. 20. The adoption of such accounting standards did not have an effect on our consolidated financial position as of December 31, 2006 or our consolidated ordinary income and net income for the year ended December 31, 2006.

On January 1, 2007, we adopted SKAS No. 11, SKAS No. 21 through SKAS No. 23, and SKAS No. 25. The adoption of such accounting standards did not have an effect on our consolidated financial position as of December 31, 2007 or our consolidated net income for the year ended December 31, 2007. Details of the primary changes due to such adoption of these SKASs are as follows:

Pursuant to adoption of SKAS No. 21, Preparation and Presentation of Financial Statements , certain amounts classified as capital adjustments through 2006 are classified as accumulated other comprehensive income (loss) such amounts include unrealized gain/loss on available-for-sale securities, equity in capital adjustments of affiliates and gain/loss on valuation of derivative instruments. In addition, certain amounts classified as investment assets through 2006 are classified as other non-current assets such amounts include long-term loans, guarantee deposits, long-term deposits and others. The consolidated balance sheets as of December 31, 2005 and 2006, which appear in the consolidated financial statements included elsewhere in this report, have been reclassified in accordance with SKAS No. 21.

Pursuant to adoption of SKAS No. 25, Consolidated Financial Statements , net income is allocated to equity holders of the parent and minority interest. In addition, when a subsidiary is purchased during the year, such subsidiary s statement of income is included in consolidation as though it had been acquired as of January 1 of the relevant year, and preacquisition earnings are presented as deduction at the bottom of the consolidated statements of income. The accompanying consolidated statements of income for the years ended December 31, 2005 and 2006, which appear in the consolidated financial statements included elsewhere in this report, have been reclassified in accordance with SKAS No. 25. In addition, in connection with our adoption of SKAS No. 25, we also began to present pre-acquisition cash flows of subsidiaries as a separate deduction (addition) at the bottom of our consolidated statements of cash flows.

Table of Contents

Critical Accounting Policies, Estimates And Judgments

Our consolidated financial statements are prepared in accordance with Korean GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. We continually evaluate our estimates and judgments including those related to revenue recognition, allowances for doubtful accounts, inventories, useful lives of property and equipment, intangible assets, investments, employee stock option compensation plans and income taxes. We base our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We also provide a summary of significant differences between accounting principles followed by us and our subsidiaries and U.S. GAAP. We believe that of our significant accounting policies, the following may involve a higher degree of judgment or complexity:

Allowances for Doubtful Accounts

An allowance for doubtful accounts is provided based on a review of the status of individual receivable accounts at the end of the year. We maintain allowances for doubtful accounts for estimated losses that result from the inability of our customers to make required payments. We base our allowances on the likelihood of recoverability of accounts receivable based on past experience and taking into account current collection trends that are expected to continue. If economic or specific industry trends worsen beyond our estimates, we increase our allowances for doubtful accounts by recording additional expenses.

Estimated Useful Lives

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

Impairment of Long-lived Assets Including the WCDMA Frequency Usage Right

Long-lived assets generally consist of property, plant and equipment and intangible assets. We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not recoverable. In addition, we evaluate our long-lived assets for impairment each year as part of our annual forecasting process. An impairment loss would be considered when estimated undiscounted future net cash flow expected to result from the use of the asset and its eventual disposition are less than its carrying amount. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Our intangible assets include the WCDMA frequency usage right, which has a contractual life of 15 years and is amortized from the date commercial service is initiated through the end of its contractual life, which is December 15, 2015. We started to amortize this frequency usage right on December 1, 2003. Because WCDMA presents risks and challenges to our business, any or all of which, if realized or not properly addressed, may have a material adverse effect on our financial condition, results of operations and cash flows, we review the WCDMA frequency usage right for impairment on an annual basis. In connection with our review, we utilize the estimated long-term revenue and cash flow forecasts. The use of different assumptions within our cash flow model could result in different amounts for the WCDMA frequency usage right. The results of our review using the testing method described above did not indicate any need to impair the WCDMA frequency usage right for 2007.

Impairment of Investment Securities

When the declines in fair value of individual available-for-sale and held-to-maturity securities below their acquisition cost are other than temporary and there is objective evidence of impairment, the carrying value of the securities is adjusted to their fair value with the resulting valuation loss charged to current operations.

As part of this review, the investee s operating results, net asset value and future performance forecasts as well as general market conditions are taken into consideration. If we believe, based on this review, that the market value of an equity security or a debt security may realistically be expected to recover, the loss will continue to be classified as temporary. If economies or specific industry trends worsen beyond our estimates, valuation losses previously determined to be recoverable may need to be charged as an impairment loss in current operations.

Significant management judgment is involved in the evaluation of declines in value of individual investments. The estimates and assumptions used by management to evaluate declines in value can be impacted by many factors, such as our financial condition, earnings capacity and near-term prospects in which we have invested and, for publicly-traded securities, the length of time and the extent to which fair value has been less than cost. The evaluation of these investments is also subject to the overall condition of the economy and its impact on the capital markets.

Employee Stock Option Compensation Plan

We adopted the fair value based method of accounting for the employee stock option compensation plan. The plan was established, effective as of March 17, 2000, to reward the performance of management who have contributed, or have the ability to contribute, significantly to our company. Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period. For stock options, fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock, expected dividends and the current risk-free interest rate for the expected life of the option. However, as permitted under Korean GAAP, we exclude the volatility factor in estimating the value of our stock options, which results in measurement at minimum value. The total compensation cost of an option estimated at the grant date is not subsequently adjusted for changes in the price of the underlying stock or its volatility, the life of the option, dividends on the stock, or the risk-free interest rate.

Income Taxes

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

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

Off-Balance Sheet Arrangements

In July 2003, SKT Vietnam (formerly SLD Vietnam), our overseas subsidiary, entered into a business cooperation contract with Saigon Post & Telecommunication Services Corporation to establish cellular mobile communication services and provide CDMA service throughout Vietnam. Pursuant to such contract, in the event that the cash inflow for the business is insufficient to cover the cash outflow necessary to cover the expenditures necessary to operate the business, SKT Vietnam and Saigon Post & Telecommunication Services Corporation have agreed to contribute the necessary funds to the business and to bear additional cash shortfalls, on an equal basis. With respect to our involvement in the business, our maximum exposure to loss was approximately Won 167.6 billion as of December 31, 2007.

In March 2005, we, through our overseas subsidiary, SK Telecom USA Holdings, and EarthLink, an Internet service provider in the U.S., established HELIO, a joint venture company, to provide wireless voice and data services across the U.S. In November 2007, we and EarthLink amended and restated HELIO s joint venture

Table of Contents

agreements, whereby we agreed to make up to US$270 million in additional equity contributions to HELIO. From September to December 2007, we made additional equity contributions to HELIO of US$100 million in aggregate and in the first quarter of 2008, we made further equity contributions of US$50 million in aggregate. In June 2008, we and EarthLink agreed to acquire limited partnership units in Virgin Mobile USA, L.P. in exchange for our aggregate equity interest in HELIO. In addition, in June 2008 we agreed to invest an additional US$25 million of equity capital in Virgin Mobile USA, Inc. in exchange for mandatory convertible preferred stock, convertible into Virgin Mobile USA, Inc. s Class A common shares. These transactions remain subject to regulatory and shareholder approvals. For a more detailed description of our investments in HELIO and Virgin Mobile USA, Inc., see Item 4. Information on the Company Item 4.B. Business Overview Global Business Overseas Operations .

Item 5.C. Research and Development

In conformity with the MIC s guidance, we have maintained a high level of spending on research and development activity. Prior to 1996, the majority of our research and development expense consisted of MIC-directed donations to several Korean research institutes and educational organizations. More recently, we have sharply increased our spending for our internal research activity, resulting in such amounts exceeding our spending on external research. We believe that we must maintain a substantial in-house technology capability to achieve our strategic goals.

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

	As of and for the Year Ended December 31,		
	2005	2006	2007
	(In billions of Won)		
Internal R&D Expenses	₩ 252.0	₩ 212.0	₩ 218.7
External R&D Expenses	69.1	67.0	74.4
Total R&D Expenses	₩ 321.1	₩ 279.0	₩ 293.1

Our total research and development expenses equaled 3.0% in 2005, 2.5%, in 2006 and 2.4% in 2007, respectively, of operating revenue.

Our external research and development expenses have been influenced by the MIC, which makes annual recommendations concerning our minimum level of contribution to the MIC-run Fund for Development of Information and Telecommunications. The MIC s recommended minimum level of contribution was 0.75% for each of 2005, 2006 and 2007. We are not obligated to make donations to any other external research institutes.

Internal Research and Development

The main focus of our internal research and development activity is the development of new wireless technologies and services and value-added technologies and services for our CDMA-based, WCDMA-based and WiBro networks, such as wireless data communications, as well as development of new technologies that reflect the growing convergence between telecommunications and other industries. In addition, together with the Chinese government, we have been jointly researching and developing China s TD-SDMA technology. We spent approximately Won 218.7 billion on internal research and development in 2007.

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

The *access technology R&D center*, which has pioneered the development of 3G and 3.5G technologies. This center is developing next-generation technologies, including with a view toward leading global standardization of mobile telecommunications technologies. Current projects include the development of multimedia handsets and location-based services, as well as development of network technologies, including with respect to WiBro, personal area network, ubiquitous sensor and broadband convergence

Table of Contents

networks, The access technology R&D center is also spearheading our joint development of TD-SCDMA technology with the Chinese government.

The *service technology R&D center*, which focuses on improving the quality and operation of our core networks; building a flexible service infrastructure that will support the introduction of new products and services and enable easy maintenance; and developing new services based on customer needs. Specifically, this center has been developing an array of value-added services, including COLORing services and developing new wireless data and convergent products and services.

The *technology innovation center*, which is responsible for developing and maintaining our overall management and information technology infrastructure, including billing and subscriber information security systems. The information technology R&D center is also currently upgrading our customer relationship management system.

As of December 31, 2007, our research center housed 494 research engineers (including both full time and temporary research engineers).

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

External Research and Development

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

Item 5.D. Trend Information

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

Item 5.E. Off-Balance Sheet Arrangements

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

Item 5.F. Tabular Disclosure of Contractual Obligations

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

Item 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Item 6.A. Directors and Senior Management

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

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

The term of offices for directors is until the close of the third annual general shareholders meeting convened after he or she commences his or her term. Our directors may serve consecutive terms. Our shareholders may

Table of Contents

remove them from office by a resolution at a general meeting of shareholders adopted by the holders of at least two-thirds of the voting shares present or represented at the meeting, and such affirmative votes also represent at least one-third of our total voting shares then issued and outstanding.

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

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

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

Name	Date of Birth	Director Since	Expiration of Term	Position	Other Principal Directorships and Positions	Business Experience
Shin Bae Kim	Oct. 15, 1954	2002	2011	President, Chief Executive Officer, Chief Officer & Representative Director	Chairman, Korea Association of RFID/USN	Senior Vice President and Head of Strategic Planning Group (SK Telecom); Director, KORMS
Sung Min Ha	Mar. 24, 1957	2004	2010	Head of Mobile Network Operations Business		Head of Strategic Planning Group, SK Telecom; Director, SK Telink; Auditor, SK C&C; Chairman and Representative Director, SKT Vietnam; Auditor, SK Teletech

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

Name	Date of Birth	Director Since	Expiration of Term	Position	Other Principal Directorships and Positions	Business Experience
Young Ho Park*	Jul. 31, 1947	2008	2011	President & Chief Executive Officer of SK Holdings		President, Executive Vice President, Corporate Management Office, SK Corporation, Senior Vice President,

						Marketing Support Division, SK Corporation
Hyun Chin Lim	Apr. 26, 1949	2006	2009	Independent Non-executive Director	Dean, College of Social Science, Seoul National University	President, Korea Sociological Association; Dean, Faculty of Liberal Education, Seoul National University; President, Korean Association of NGO Studies
Dal Sup Shim	Jun. 27, 1950	2007	2010	Independent Non-executive Director	Research Fellow, Institute for Global Economics	Auditor, Korea Credit Guarantee Fund; Financial Attaché, Korean Embassy in the United States; Audit Officer, Korea Customs Service; Tax & Customs Office, Ministry of Strategy and Finance (formerly Ministry of Finance and Economy)

Table of Contents

Name	Date of Birth	Director Since	Expiration of Term	Position	Other Principal Directorships and Positions	Business Experience
Rak Young Uhm	Jun. 23, 1948	2008	2011	Independent Non-executive Director	Visiting Professor Graduate School of Public Administration, Seoul National University	Independent Non-executive Director, Tong Yang Insurance Co., Ltd., Non-Standing Director KOTRA; President, Korea Development Bank
Jay Young Chung	Oct. 15, 1944	2008	2011	Independent Non-executive Director	Professor, Graduate School of Business Administration, Sung Kyun Kwan University	Chief, Asia-Pacific Economic Association; Vice President, Sung Kyun Kwan University; Independent Non-executive Director, POSCO
Jae Ho Cho	Jan. 18, 1955	2008	2011	Independent Non-executive Director	Professor of Finance, College of Business Administration, Seoul National University	Director, Kyung Hee Foundation; Visiting Professor, Graduate School of Economics, University of Tokyo, Advisory Committee Member, Samsung Securities

* Mr. Young Ho Park is a non-standing director but not an independent director.

Involvement In Certain Legal Proceedings

In February 2004, certain members of our board of directors and executive officers resigned following a finding of accounting misconduct at SK Networks and the resulting movement to improve corporate governance in companies in the SK Group. The resignations were tendered by Mr. Tae Won Chey, our former non-standing director of and Chairman and Chief Executive Officer of SK Holdings and Mr. Kil Seung Son, our former Chairman, Chief Executive Officer and Representative Director, a former representative director of SK Networks and a former non-standing director of SK Holdings. None of these resignations were related to any allegations of wrongdoing in connection with their role in our business, and we were not implicated in any of the charges against SK Network s management. For details of the charges against Mr. Tae Won Chey and Mr. Kil Seung Son, see Item 3.D. Risk Factors Financial difficulties and charges of financial statement irregularities at our affiliate, SK Networks (formerly SK Global), may cause disruptions in our business.

Item 6.B. Compensation

The aggregate of the remuneration paid and in-kind benefits granted to the directors (both standing directors, who also serve as our executive officers, and non-standing directors) during the year ended December 31, 2007 totaled approximately Won 5.5 billion.

Remuneration for the directors is determined by shareholder resolutions. Severance allowances for directors are determined by the board of directors in accordance with our regulation on severance allowances for officers, which was adopted by shareholder resolutions. The regulation provides for monthly salary, performance bonus, severance payment and fringe benefits. The amount of performance bonuses is independently decided by a resolution of the board of directors.

In March 2002, pursuant to resolutions of the shareholders, and in accordance with our articles of association, certain of our directors and officers were granted options to purchase our common shares. In 2002, 70 officers were granted options to purchase 65,730 common shares. The exercise price for the shares is Won 267,000. Each stock option agreement also provides for adjustments to the amount and exercise price of the shares in cases where the share price may become diluted as a result of issuance of new shares, stock dividends or mergers. No officer exercised his option to purchase for shares granted in 2002. The board of directors may, by resolution, cancel any

Table of Contents

director s or officer s stock options under certain circumstances. Since 2003, none of our directors and officers have been granted options to purchase our common shares.

Item 6.C. Board Practices

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

Termination of Directors, Services

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

Audit Committee

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

- examine the agenda for the general meeting of shareholders;
- examine financial statements and other reports to be submitted by the board of directors to the general meeting of shareholders;
- review the administration by the board of directors of our affairs; and
- examine the operations and asset status of us and our subsidiaries.

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

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

Independent Non-executive Director Nomination Committee

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

Capex Review Committee

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

Table of Contents

Compensation Committee

This committee oversees our overall compensation scheme for top-level executives and directors. It is responsible for reviewing both the criteria for and level of compensation. It is comprised of all independent directors.

Corporate Citizenship Committee

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

Differences in Corporate Governance Practices

Pursuant to the rules of the New York Stock Exchange applicable to foreign private issuers like us that are listed on the New York Stock Exchange, we are required to disclose significant differences between the New York Stock Exchange s corporate governance standards and those that we follow under Korean law. The following is a summary of such significant differences.

NYSE Corporate Governance Standards	Our Corporate Governance Practice
Director Independence Listed companies must have a majority of independent directors.	Of the eight members of our board of directors, five are independent directors.
Executive Session Listed companies must hold meetings solely attended by non-management directors to more effectively check and balance management directors.	Our Audit Committee, which is comprised solely of three independent directors, holds meetings whenever there are matters related to management directors, and such meetings are generally held once every month.
Nomination/Corporate Governance Committee Listed companies must have a nomination/corporate governance committee composed entirely of independent directors.	Although we do not have a separate nomination/ corporate governance committee, we maintain an Independent Director Recommendation Committee composed of independent directors and management directors.
Audit Committee Listed companies must have an audit committee that satisfies the requirements of Rule 10A-3 under the Exchange Act.	We maintain an Audit Committee comprised solely of three independent directors.
Audit Committee Additional Requirements Listed companies must have an audit committee that is composed of more than three directors.	Our Audit Committee has three independent directors.
Shareholder Approval of Equity Compensation Plan Listed companies must allow its shareholders to exercise their voting rights with respect to any material revision to	We currently have two equity compensation plans: a stock option plan for officers and directors and

the company s equity compensation plan.	employee stock ownership plan for employees (ESOP). We manage such compensation plans in compliance with the applicable laws and our articles of association, provided that, under certain limited circumstances, the grant of stock options or matters relating to ESOP are not subject to shareholders approval under Korean law.

NYSE Corporate Governance Standards	Our Corporate Governance Practice
Corporate Governance Guidelines Listed companies must adopt and disclose corporate governance guidelines.	Although we do not maintain separate corporate governance guidelines, we are in compliance with the Korean Commercial Code in connection with such matters, including the governance of the board of directors.
Code of Business Conduct and Ethics Listed companies must adopt and disclose a code of business conduct and ethics for directors, officers and employees and promptly disclose any waivers of the code for directors or executive officers.	We have adopted a Code of Business Conduct and Ethics for all of our directors, officers and employees, and such code is also available on our website at *www.sktelecom.com.*

Item 6.D. Employees

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

	Regular Employees	Temporary Employees	Total
December 31, 2005	5,727	919	6,646
December 31, 2006	6,178	1,498	7,676
December 31, 2007	7,524	1,961	9,485

The following table sets forth numbers of our regular employees and temporary employees by categories of activity as of December 31, 2007:

	Marketing	Production	Research	Support	New Business	Total
Regular Employees	2,105	2,842	470	1,225	882	7,524
Temporary Employees	888	662	24	279	108	1,961
Total	2,993	3,504	494	1,504	990	9,485

Labor Relations

As of December 31, 2007, we had a company union comprised of 7,524 regular employees. We have never experienced a work stoppage of a serious nature. Every two years, the union and management negotiate and enter into a new collective bargaining agreement that has a two-year duration, which is focused on employee benefits and welfare, except for employee wages, which are separately negotiated on an annual basis. Our wage negotiations completed in September 2006 resulted in an average wage rate increase of 2.0% for 2006 from 2005. Our wage negotiations completed in December 2007 resulted in an average wage increase of 3.5% for 2007 from 2006. We expect to begin negotiations with the union for the new collective bargaining agreement in respect of wages for 2008 in September 2008. We consider our relations with our employees to be good.

Employee Stock Ownership Association and Other Benefits

Since April 1999, we have been required to contribute an amount equal to 4.5% of employee wages toward a national pension plan. Employees are eligible to participate in an employee stock ownership association. We are not required to, and we do not, make any contributions to the employee stock ownership association, although through the Employee Welfare Fund we subsidize the employee stock ownership association by providing low interest rate loans to employees desiring to purchase our stock through the plan in the case of a capitalization by the association. On December 26, 2007 and January 23, 2008, we loaned Won 31.0 billion and Won 29.7 billion, respectively, to our employee stock ownership association to help fund the employee stock ownership association s acquisition of our treasury shares. Such loans will be repaid over a period of five years, beginning on the second anniversary of each loan date. As of March 31, 2008, the employee stock ownership association owned approximately 0.64% of our issued common stock.

Table of Contents

We are required to pay a severance amount to eligible employees who voluntarily or involuntarily cease working for us, including through retirement. This severance amount is based upon the employee s length of service with us and the employee s salary level at the time of severance. As of December 31, 2007, the accrued and unpaid retirement and severance benefits of Won 90.3 billion for all of our employees are reflected in our consolidated financial statements as a liability, of which a total of Won 46.0 billion was funded. Under Korean laws and regulations, we are prevented from involuntarily terminating a full-time employee except under certain limited circumstances. In September 2002, we entered into an employment stabilization agreement with the union. Among other things, this agreement provides for a one-year guarantee of the same wage level in the event that we reorganize a department into a separate entity or we outsource an employee to a separate entity where the wage is lower.

Under the Korean Intra-Company Labor Welfare Fund Law, we may also contribute up to 5% of our annual earnings before tax for employee welfare. Contribution amounts are determined annually following negotiation with the union. The contribution amount for 2006, which was decided in December 2006, was set at 2.1% of our annual earnings before tax, or Won 42.0 billion. The contribution amount for 2007, which was decided in December 2007, was set at 0.9% of our earnings before tax, or Won 21.0 billion. The contribution amount for 2008 has not yet been determined.

Effective March 31, 2006, we implemented certain changes to our severance payment policy in respect of employees who had joined our company on or before December 31, 2002. As a result of such policy change, we required applicable employees to receive and settle all severance benefits accrued as of March 31, 2006. These accrued severance payments were made in April 2006. As compensation for the mandatory early settlement of their accrued severance benefits, we also paid such employees additional special bonuses of Won 125.9 billion in aggregate amount. We recorded the special bonus payments as special severance indemnities in other expenses for the year ended December 31, 2006. In 2006, we also sponsored a voluntary early retirement plan with respect to certain eligible employees. These early retirees were also paid special bonuses of Won 18.1 billion in the aggregate, which amount was also reflected in special severance indemnities in other expenses for the year ended December 31, 2006. We may, in the future, again sponsor early retirement plans, in part, to improve operational efficiencies.

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

Item 6.E. Share Ownership

The following table sets forth the share ownership by our standing and non-standing directors as of March 31, 2008:

Name	Position	Number of Shares Owned	Percentage of Total Shares Outstanding	Special Voting Rights	Options
Standing Directors:					
Shin Bae Kim	President, Chief Executive Officer and Representative Director	1,270	0	None	None
Sung Min Ha	Head of Mobile Network Operations Business	738	0	None	None
Non-Standing Directors:					
Hyun Chin Lim	Independent Non-executive Director	0	0	None	None
Dal Sup Shim	Independent Non-executive Director	0	0	None	None
Rak Young Uhm	Independent Non-executive Director	0	0	None	None
Jay Young Chung	Independent Non-executive Director	0	0	None	None
Jae Ho Cho	Independent Non-executive Director	0	0	None	None

Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Item 7.A. Major Shareholders

As of December 31, 2007, approximately 54.2% of our issued shares were held in Korea by approximately 23,000 shareholders. The following table sets forth certain information as of the close of our shareholders registry on December 31, 2007 with respect to any person known to us to be the beneficial owner of more than 5.0% of the shares of our common stock and with respect to the total amount of such shares owned by our employees and our officers and directors, as a group:

Shareholder/Category	Number of Shares	Percentage Total Shares Issued	Percentage Total Shares Outstanding
Domestic Shareholders			
SK Group(1)	18,748,452	23.09 %	25.83 %
POSCO	2,341,569	2.88	3.23
Employees(2)	311,259	0.38	0.43
Treasury shares(2)(3)	8,609,034	10.60	N/A

Officers and Directors	2,758	0*	0*
Other Domestic Shareholders	14,012,339	17.27	19.30
Foreign Shareholders	37,168,300	45.78	51.21
Total Issued Shares	81,193,711	100.00 %	100.00 %

* Less than 0.00%.

(1) The SK Group s ownership interest consists of the following as of December 31, 2007:

Table of Contents

SK Group Member[a]	Number of Shares	Percentage Total Shares Issued	Percentage Total Shares Outstanding
SK Holdings[b]	17,663,127	21.75 %	24.33 %
SK Networks[b]	1,085,325	1.34	1.50
	18,748,452	23.09 %	25.83 %

(a) The SK Group is a group of affiliated entities. As of December 31, 2007, the ownership interests among the SK Group included, among others:

SK Holdings owned: 21.75% of SK Telecom, 31.18% of SK Energy, 40.47% of SK Networks, 42.50% of SKC and 72.13% of SK Shipping Co., Ltd.

SK Networks owned 1.34% of SK Telecom, 17.71% of SK Shipping, 0.02% of SK Engineering & Construction Co., Ltd., and 22.71% of SK Securities Co., Ltd.

SK Chemicals owned 58.03% of SK Engineering and Construction.

SKC owned 10.06% of SK Shipping and 12.41% of SK Securities.

SK C&C owned 25.42% of SK Holdings.

We owned 30.00% of SK C&C.

(b) On February 25, 2008, SK Holdings purchased 1,085,325 of our common shares from SK Networks, increasing SK Holdings equity interest in us to 23.09% and decreasing SK Network s equity interest in us to zero.

(2) Represents shares owned by our employee stock ownership association. See Item 6.D. Employees . In January 2008, we sold an additional 208,326 of our treasury shares to our employee stock ownership association, increasing the number of shares held by the employee stock ownership association to 519,585 and reducing the number of shares held by us in treasury to 8,400,708.

(3) Treasury shares do not have any voting rights; includes 1,277,164 treasury shares that were deposited with Korea Securities Depository to be reserved and used to satisfy the conversion rights of the holders of US$229.2 million in zero coupon convertible notes that were sold in May 2004.

The following table sets forth significant changes in the percentage ownership held by our major shareholders during the past three years:

Shareholder	2005	As of December 31, 2006 (As a percentage of	2007

	total issued shares)[1]		
SK Group	22.79 %	23.09 %	23.09 %
SK Holdings[2]	21.47	21.75	21.75
SK Networks[2]	1.32	1.34	1.34
POSCO[3]	3.64	2.88	2.88

(1) Includes 8,662,415, 8,526,252 and 8,609,034 shares held in treasury as of December 31, 2005, 2006 and 2007, respectively.

(2) On February 25, 2008, SK Holdings purchased 1,085,325 of our common shares from SK Networks, increasing SK Holdings equity interest in us to 23.09% and decreasing SK Network s equity interest in us to zero.

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

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

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

As of March 31, 2008, SK Holdings held 23.09% of our shares of common stock. For a description of our foreign ownership limitation, see Item 3.D. Risk Factors If SK Holdings causes us to breach the foreign ownership limitations on shares of our common stock, we may experience a change of control and Item 4.B.

Business Overview Law and Regulation Foreign Ownership and Investment Restrictions and Requirements . In the event that SK Holdings announces plans of a sale of our shares, we expect to be able to discuss the details of such sale with them in advance and will endeavor to minimize any adverse effects on our share prices as a result of such sale.

There is currently a 49% limit on the aggregate foreign ownership of our issued shares. As of March 31, 2008, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.09%, of our issued shares. As of March 31, 2008, a foreign investment fund and its related parties collectively held a 4.81% stake in SK Holdings. Under an amendment to the Telecommunications Business Act, which became effective on May 9, 2004, a Korean entity, such as SK Holdings, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the outstanding voting stock of the Korean entity. Thus, effective from May 9, 2004, if the foreign investment fund and its related parties increased their shareholdings in SK Holdings to 15% or more and such foreign investment fund and its related parties collectively constituted the largest shareholder of SK Holdings, SK Holdings would have been considered a foreign shareholder, and its shareholding in us would have been included in the calculation of our aggregate foreign shareholding.

If SK Holdings shareholding in us were included in the calculation of our aggregate foreign shareholding, then our aggregate foreign shareholding, assuming foreign ownership level as of March 31, 2008 (which we believe was 48.19%), would have reached 71.28%, exceeding the 49% ceiling on foreign shareholding. If our aggregate foreign shareholding limit is exceeded, the MIC may issue a corrective order to us, the breaching shareholder (including SK Holdings if the breach is caused by an increase in foreign ownership of SK Holdings) and any foreign investment fund and its related parties who may own in the aggregate 15% or more of SK Holdings. Furthermore, SK Holdings may not exercise its voting rights with respect to the shares held in excess of the 49% ceiling, which may result in a change in control of us. In addition, the MIC may refuse to grant us licenses or permits necessary for entering into new telecommunications businesses until our aggregate foreign shareholding is reduced to below 49%.

If a corrective order is issued to us by the 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

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

The amendment to the Telecommunications Business Act 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 Item 3.D. Risk Factors If SK Holdings causes us to breach the foreign ownership limitations on shares of our common stock, we may experience a change of control and Item 4.B. Business Overview Law and Regulation Foreign Ownership and Investment Restrictions and Requirements .

As of May 31, 2008, the total number of shares of our common stock outstanding was 72,793,003.

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

Item 7.B. Related Party Transactions

SK Networks

If SK Networks is required to sell off its leased line business, this may result in a disruption of the service provided to us. However, we currently believe that it is not likely that its creditors will require SK Networks to sell this business unit. As of December 31, 2007, KT Corporation and SK Networks provided a substantial majority of our leased lines. For a more detailed discussion of the lines we lease from fixed-line operators, see Item 4.B. Business Overview Digital Cellular Network Network Infrastructure .

As of December 31, 2007, we had Won 2.2 billion of accounts receivables from SK Network. As of the same date, we had Won 71.3 billion of accounts payable to SK Networks, mainly consisting of leased line charges and commissions to dealers owned by SK Networks. For more information on SK Networks, see Item 3.D. Risk Factors Financial difficulties and charges of financial statement irregularities at our affiliate, SK Networks (formerly SK Global), may cause disruption in our business .

Other Related Parties

We are party to several contracts with SK Engineering and Construction related to the construction of our new headquarters. The construction of our new headquarters was completed at the end of 2004. The total paid to SK Engineering & Construction, for the demolition of buildings on the site on which our new headquarters was constructed and the construction of our new headquarters was Won 209 billion.

On July 22, 2003, we acquired 2,481,310 shares of POSCO common stock held by SK Holdings at a price of Won 134,000 per share in accordance with a resolution of our board of directors dated July 22, 2003. We decided to purchase the shares for strategic reasons in order to address overhang concerns arising from POSCO s ownership of our shares. As of December 31, 2007, POSCO owned 2.9% of our shares.

We are party to an agreement with SK C&C pursuant to which SK C&C provides us with information technology services. This agreement will expire on December 31, 2009 but may be terminated by us at any time without cause on six months prior notice. The agreement provides that the parties will agree annually on the specific services to be provided and the monthly fees to be paid by us. We also enter into agreements with SK C&C from time to time for specific information technology-related projects. The aggregate fees we paid to SK C&C for information technology services amounted to Won 321.3 billion for 2005, Won 287.6 billion in 2006 and Won 251.4 billion in 2007. We also purchase various information technology-related equipment from SK C&C from time to time. The total amount of such purchases was Won 246.6 billion for 2005, and Won 215.8 billion for 2006 and Won 205.7 billion for 2007.

We are part of the SK Group of affiliated companies. See Item 7.A. Major Shareholders As disclosed in note 25 of our consolidated financial statements, we had related party transactions with a number of affiliated companies of the SK Group during the year ended December 31, 2007.

In September 1994, we provided DSS Mobile Communications, Ltd., a guarantee of a loan from Sumitomo Bank in the amount of US$18,118,863. We paid the loan obligation of DSS Mobile Communications, Ltd. to Sumitomo Bank in 2001 and have a claim against DSS Mobile Communications, Ltd. for such payment.

All other loans were made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with unrelated persons and did not involve more than the normal risks of non-collection or present other unfavorable features.

In October 2005, we invested Won 25.6 billion to acquire an additional 5,122,266 shares of common stock of TU Media to increase our equity interest to 29.6%. In February 2007, we purchased 4,615,798 new shares of TU Media for Won 32.4 billion, increasing our equity interest from 29.6% as of December 31, 2006 to 32.7%. Following this equity investment, TU Media became our consolidated subsidiary. In March 2008, we made an additional Won 55.0 billion capital contribution to TU Media, increasing our equity interest to 44.2%. We are currently TU Media s largest shareholder.

We have been providing CDMA cellular service in Vietnam since 2003 through our overseas subsidiary, SKT Vietnam PTE Ltd. In November 2005, our board of directors approved an additional US$280 million investment to expand our network coverage to all Vietnam. In January 2006, we invested US$100 million in this expansion project through the acquisition of 100 million additional shares of SKT Vietnam PTE s unissued common stock for such amount.

In March 2005, we invested Won 14.4 billion to purchase 8,000,000 shares, representing a 21.5% equity stake, in iHQ, one of Korea s largest entertainment companies and the controlling shareholder of YTN Media, Inc.

Table of Contents

Following this investment, we become iHQ s second largest shareholder. In connection with this transaction, we also received a call option to purchase an additional 5,000,000 shares of iHQ, exercisable in the period between March 15, 2006 and April 30, 2006 at the price of Won 3,000 per share, in respect of 3,000,000 shares, and the price of Won 9,176.24 per share, in respect of 2,000,0000 shares. We exercised our call option in April 2006. The share purchase pursuant to our exercise of the call option was consummated in July 2006, when we invested an additional Won 27.4 billion to increase our equity stake in iHQ to 34.1% and become its largest shareholder. As a result of this increase in our equity interest, iHQ became a consolidated subsidiary. In July 2007, we further invested Won 10 billion in iHQ, increasing our equity interest to 37.1%.

Item 7.C. Interests of Experts and Counsel

Not applicable.

Table of Contents

Item 8. FINANCIAL INFORMATION

Item 8.A. Consolidated Statements and Other Financial Information

See Item 18. Financial Statements and pages F-1 through F-90.

Legal Proceedings

FTC Proceedings

In October 2003, the FTC ordered us, SK Holdings and SK C&C to pay fines of Won 1.0 billion, Won 0.9 billion and Won 0.9 billion, respectively, in connection with loans extended to SK Life. FTC charged that the interest on the loans was below market price. We paid the fine in December 2003. The Seoul High Court, an appellate court, also found in favor of the FTC, but we have filed an appeal at the Supreme Court of Korea, as we believe that the interest on the loans was not below the interest rates customarily charged in the market. In March 2008, the Supreme Court remanded the case to the Seoul High Court, holding that the method the lower court had used to determine that the interest on the loans was below market price was not appropriate and also instructing the lower court to consider certain additional facts of the case. The case is currently pending before the Seoul High Court.

In May 2006, the FTC ordered us to pay a fine of Won 660 million for price collusion with KTF and LGT. The FTC charged that we, along with KTF and LGT, engaged in unfair business practices in 2004 by agreeing to discontinue flat-rate services. KTF and LGT were also fined Won 660 million and Won 462 million, respectively. In December 2006, the FTC fined us Won 330 million in respect of certain allegedly anti-competitive tactics we employed in connection with our MelOn, our digital music portal. We paid such fine in April 2007.

MIC and KCC Proceedings

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 the end of 2006 pursuant to the policy advisory committee s recommendation. Such post-merger monitoring period expired on December 31, 2006. Although we voluntarily undertook to limit our market share to 52.3% through the end of 2007, we are no longer subject to these market share limitations. 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 Item 3.D. Risk Factors Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition .

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 and September 2005, the MIC ordered us to pay fines of Won 23.1 billion and Won 9.3 billion, respectively, with respect to our payment of improper handset subsidies. In May 2005, LGT and KTF were also fined Won 2.7 billion and Won 1.1 billion, respectively, and in September 2005, KTF was fined Won 5.3 billion, in respect of improper subsidy payments. We paid such fines in June 2005 and September 2005, respectively. We were more heavily fined than the other two companies as the FTC found that our efforts to remedy such violations were not sufficient and that our payment of such subsidies was in violation of the conditions related to our merger with Shinsegi in January 2002.

In October 2005, the MIC ordered us to pay fines of Won 1.5 billion, alleging that we have denied our competitors equal access to our wireless data network. We paid such fines in November 2005.

In November 2005, the MIC ordered us to pay fines of Won 540 million, alleging that our wireless Internet NATE service menu was overly complex. KTF and LGT were also fined Won 140 million and Won 90 million on the same grounds. We paid such fines in December 2005.

In March 2006 and April 2006, the MIC ordered us to pay fines of Won 13.8 billion and Won 7.8 billion, respectively, with respect to our payment of improper handset subsidies. In March 2006 and April 2006, KTF and LGT were also fined Won 3.7 billion and Won 1.5 billion and Won 2.1 billion and Won 700 million, respectively, in respect of improper subsidy payments. We paid Won 13.8 billion in March 2006 and Won 7.8 billion in May 2006.

In May 2006, the MIC ordered us to pay fines of Won 1.1 billion, alleging that we had improperly solicited subscribers to our value-added services. KTF and LGT were also fined Won 290 million and Won 130 million, respectively on the same grounds. We paid such fines in June 2006.

In June 2006 and December 2006, the MIC ordered us to pay fines of Won 42.6 billion and 3.8 billion, respectively, with respect to payments of improper handset subsidies. We paid such fines in July 2006 and January 2007, respectively. KTF, LGT and KT were also fined in June 2006 in the amounts of Won 12.0 billion, Won 15.0 billion, and Won 3.6 billion, respectively and KT was also fined in December 2006 in the amount of Won 1.0 billion.

In April 2007, the MIC imposed fines on us, KTF, LGT and KT of Won 7.5 billion, Won 5.8 billion, Won 4.7 billion and Won 1.6 billion, respectively for allegedly improperly providing handset subsidies. We paid such fines in May 2007.

In September 2007, the MIC imposed fines on us, KTF and KT for violating regulations regarding number portability in the amounts of Won 800 million, Won 200 million and Won 80 million, respectively. We paid such fine in October 2007.

In December 2007, the MIC imposed fines on us, KTF, LGT and KT for improperly continuing to apply discounted youth rates to subscribers who had reached legal majority in the amounts of Won 800 million, Won 200 million, Won 150 million and Won 50 million, respectively. We paid such fine in January 2008.

In January 2008, the MIC ordered us, KTF and LGT to pay fines in the amounts of Won 950 million, Won 250 million and Won 150 million, respectively, alleging we had improperly solicited subscribers to our value-added services. We paid such fine in March 2008.

In February 2008, the MIC ordered us, KTF, LGT and KT to pay fines of Won 600 million, Won 150 million, Won 100 million and Won 50 million, respectively, alleging our authorized dealers had artificially inflated subscriber numbers. We paid such fine in March 2008.

Multinet Litigation

In October 2002, Korea Multinet Inc. (Multinet) filed a lawsuit against the MIC in the Seoul Administrative Court to revoke the MIC s registration with the International Telecommunication Union for the frequency spectrum necessary for DMB businesses. Multinet had been previously granted the right to use this frequency by the MIC, but their right had been granted on the condition that Multinet would renounce its right to use the frequency upon implementation of a DMB business (to the extent necessary for the operation of our DMB business) and that Multinet would comply with any directive of the MIC to reallocate the frequency. The Seoul Administrative Court ruled in favor of the MIC in December 2002. Multinet filed an appeal with the Seoul High Court, but the Seoul High Court ruled in favor of the MIC in June 2004. Multinet filed a further appeal with the Supreme Court of Korea, but the Supreme Court also ruled in favor of the MIC.

In March 2004, the MIC released a public notice announcing its allotments of frequency for satellite DMB. In accordance with such announcement, we were assigned a frequency and a license to run a DMB business as a network service operator. In June 2004, Multinet filed a lawsuit against the MIC in the Seoul Administrative Court demanding revocation of the public notice. In September 2004, Multinet also filed a lawsuit against the MIC in the Seoul Administrative Court seeking revocation of our assigned satellite DMB frequency to us, as well as revocation of our satellite DMB business license. In July 2005, these two lawsuits were consolidated by the Seoul Administrative Court and are currently pending in the court of first instance.

Table of Contents

Hanarotelecom Litigation

In April and May 2008, more than 3,000 customers filed a lawsuit against hanarotelecom in the Seoul Central District Court, alleging that subscribers personal information was leaked due to the company s poor data protection policies. The plaintiffs also alleged that current and former employees were involved in the sale of subscribers personal information, including resident registration identification numbers, telephone numbers and mailing addresses. The case is currently pending before the Seoul Central District Court. In addition, in April 2008, an investigation against hanarotelecom was initiated by the Seoul Central Prosecutor s Office, the KCC and the Korean Trade Commission. The main subjects of this investigation include the possible improper provision of broadband service by misusing subscribers personal information and the violation of standardized customer contracts by hanarotelecom. In connection with its investigation, on June 24, 2008, the KCC suspended hanarotelecom from soliciting new subscribers for its broadband Internet services for a period of 40 days and, in addition, imposed an administrative fine of Won 180 million on the grounds that hanarotelecom had violated the Telecommunication Business Act and standard customer contracts. hanarotelecom has the right to file an administrative appeal within 90 days of this ruling.

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

Dividends

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

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

The following table sets forth the dividend per share, the aggregate total amount of dividends, as well as the number of outstanding shares entitled to dividends to the shareholders of record on December 31 of the years indicated. The dividends set out for each of the years below were paid in the immediately following year.

Year Ended December 31,	Dividend per Share (In Won)	Total Amount of Dividends (In billions of Won)	Number of Shares Entitled to Dividend

2003	₩ 5,500	₩ 404.9	73,614,308
2004	10,300	758.2	73,614,296
2005	9,000	662.5	73,614,296
2006	8,000	582.4	72,667,459
2007	9,400	682.4	72,584,677

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

Holders of non-voting shares are entitled to receive dividends in priority to the holders of common shares. The dividend on the non-voting shares is between 9.0% and 25.0% of the par value as determined by the board of

Table of Contents

directors at the time of their issuance. If the dividends for common shares exceed the dividends for non-voting shares, the holders of non-voting shares will be entitled to participate in the distribution of such excess amount with the holders of common shares. If the amount available for dividends is less than the aggregate amount of the minimum required dividend, holders of non-voting shares will be entitled to receive such accumulated unpaid dividend from dividends payable in the next fiscal year before holders of common shares. There are no nonvoting shares issued or outstanding.

Under the Korean Commercial Code, we may pay an annual dividend only out of the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital and (2) the total amount of our capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period. In addition, we may not pay an annual dividend unless we have set aside as a legal reserve an amount equal to at least 10% of the cash portion of the annual dividend or until we have accumulated a legal reserve of not less than one-half of our stated capital. As a KRX Stock Market-listed company, we are also required under the relevant laws and regulations to set aside in reserve a certain amount each fiscal year until the ratio of our own capital to total assets is at least 30%. We may not use our legal reserve to pay cash dividends but may transfer amounts from our legal reserve to capital stock or use our legal reserve to reduce an accumulated deficit.

In addition, the Korean Commercial Code and our articles of association provide that, in addition to annual dividends, we may pay interim dividends once during each fiscal year. Unlike annual dividends, the decision to pay interim dividends can be made by a resolution of the board of directors and is not subject to shareholder approval. Any interim dividends must be paid in cash to the shareholders of record as of June 30 of the relevant fiscal year. In August 2007, we distributed such interim dividends at Won 1,000 per share to our shareholders for a total amount of Won 72.7 billion.

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

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

Item 8.B. Significant Changes

Not applicable.

Item 9. THE OFFER AND LISTING

Item 9.A. Offering and Listing Details

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

Item 9.B. Plan of Distribution

Not applicable.

Item 9.C. Markets

The principal trading market for our common stock is the KRX Stock Market. As of December 31, 2007, 72,584,677 shares of our common stock were outstanding.

The ADSs are traded on the New York Stock Exchange and the London Stock Exchange. The ADSs have been issued by the ADR depositary and are traded on the New York Stock Exchange under the symbol SKM . Each ADS represents one-ninth of one share of common stock. As of December 31, 2007, ADSs representing 24,321,893 shares of our common stock were outstanding.

Shares of Common Stock

The following table sets forth the high, low and closing prices and the average daily trading volume of the shares of common stock on the KRX Stock Market since January 1, 2003:

Calendar Year	High[1]	Low[1]	Close	Average Daily Trading Volume (Number of Shares)
	(Won per share)			
2003	235,000	142,000	199,000	327,689
First Quarter	235,000	142,000	153,000	497,115
Second Quarter	210,000	157,500	204,000	298,346
Third Quarter	216,000	183,000	184,000	267,821
Fourth Quarter	212,500	185,000	199,000	247,332
2004	238,500	154,500	197,000	179,712
First Quarter	238,500	207,500	214,500	243,681
Second Quarter	213,000	179,000	190,000	188,095
Third Quarter	186,000	154,500	175,500	137,559
Fourth Quarter	205,000	174,500	197,000	151,903
2005	216,500	163,500	181,000	187,053
First Quarter	200,500	171,000	171,000	203,869
Second Quarter	192,500	163,500	182,000	137,021
Third Quarter	216,500	178,500	202,500	156,019
Fourth Quarter	209,500	181,000	181,000	249,550
2006	235,000	177,000	222,500	190,565
First Quarter	203,500	177,000	192,500	177,491
Second Quarter	235,000	190,000	204,000	216,607
Third Quarter	204,500	181,000	201,500	204,167
Fourth Quarter	233,000	195,000	222,500	163,534
2007	274,000	188,500	249,000	244,792
First Quarter	223,000	190,500	191,500	204,343
Second Quarter	215,000	188,500	213,000	223,604
Third Quarter	221,000	192,000	210,000	206,051
Fourth Quarter	274,000	204,500	249,000	343,354

Table of Contents

Calendar Year	High[(1)]	Low[(1)]	Close	Average Daily Trading Volume (Number of Shares)
		(Won per share)		
2008 (through June 27)	232,000	178,500	191,000	295,204
First Quarter	232,000	178,500	186,500	328,984
January	232,000	202,000	213,000	313,864
February	208,000	189,000	192,500	416,408
March	189,000	178,500	186,500	269,289
Second Quarter (through June 27)	212,000	180,000	191,000	266,310
April	203,000	182,000	203,000	335,664
May	212,000	201,500	203,500	206,251
June (through June 27)	201,500	180,000	191,000	242,817

Source: KRX

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

American Depositary Shares

The following table sets forth the high, low and closing prices and the average daily trading volume of the ADSs on the New York Stock Exchange since January 1, 2003:

		Prices[(1)]		
Calendar Year	**High[(1)]**	**Low[(1)]**	**Close**	**Average Daily Trading Volume (Number of Shares) (Number of ADSs)**
		(US$ per ADS)		
2003	21.85	12.83	18.65	743,316
First Quarter	21.85	12.83	13.62	971,259
Second Quarter	19.40	14.07	18.86	723,959
Third Quarter	20.83	17.71	17.84	724,406
Fourth Quarter	19.90	17.46	18.65	564,023
2004	25.01	17.28	22.25	911,823
First Quarter	25.01	19.43	21.30	1,331,177
Second Quarter	21.83	19.15	20.99	832,175
Third Quarter	20.76	17.28	19.45	768,117
Fourth Quarter	23.10	19.30	22.25	727,683
2005	23.14	18.96	20.29	882,342
First Quarter	22.19	19.41	19.72	798,390

Second Quarter	21.84	18.96	20.40	618,870
Third Quarter	23.14	20.06	21.84	1,071,227
Fourth Quarter	21.95	19.74	20.29	1,039,398
2006	27.70	20.62	26.48	866,527
First Quarter	24.56	20.62	23.59	952,819
Second Quarter	27.70	22.54	23.42	1,045,503
Third Quarter	24.16	21.14	23.63	789,033
Fourth Quarter	27.42	22.89	26.48	680,124

Calendar Year	Prices[1] High[1]	Low[1]	Close	Average Daily Trading Volume (Number of Shares) (Number of ADSs)
	(US$ per ADS)			
2007	33.33	22.46	29.84	1,379,370
First Quarter	26.41	22.46	23.42	1,046,780
Second Quarter	28.02	23.41	27.35	1,498,295
Third Quarter	30.30	26.15	29.70	1,498,032
Fourth Quarter	33.33	29.00	29.84	1,462,495
2008 (through June 26)	27.96	19.90	20.86	1,556,413
First Quarter	27.96	19.90	21.61	1,992,134
January	27.96	23.63	24.84	2,163,864
February	24.50	22.40	22.40	2,097,431
March	22.17	19.90	21.61	1,697,047
Second Quarter (through June 26)	23.47	20.72	20.86	1,127,499
April	22.60	21.47	22.57	1,327,796
May	23.47	22.13	22.72	1,074,084
June (through June 26)	22.24	20.72	20.86	923,479

Source: New York Stock Exchange

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

The Korean Securities Market

The Korea Exchange Inc.

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

As of June 26, 2008, the aggregate market value of equity securities listed on the KRX Stock Market was approximately 872.2 trillion. For the year ended December 31, 2007, the average daily trading volume of equity securities was approximately 363.7 million shares with an average transaction value of Won 5,539.7 billion. For the period from January 1, 2008 through June 26, 2008 the average trading volume of equity securities was approximately 302.4 million shares with an average transaction value of Won 5,258.1 billion.

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

The Government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector business community that can have the intention or effect of depressing or boosting the market. In the

Table of Contents

past, the Government has informally both encouraged and restricted the declaration and payment of dividends, induced mergers to reduce what it considers excess capacity in a particular industry and induced private companies to offer publicly their securities.

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

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

Year	Opening	High	Low	Closing	Period Average Dividend Yield(1) (%)	Period Average Price Earnings Ratio(2)
1980	100.00	119.36	100.00	106.87	20.9	2.6
1981	97.95	165.95	93.14	131.37	13.2	3.1
1982	123.60	134.49	106.00	127.31	10.5	3.4
1983	122.52	134.46	115.59	121.21	6.9	3.8
1984	116.73	142.46	114.37	142.46	5.1	4.5
1985	139.53	163.37	131.40	163.37	5.3	5.2
1986	161.40	279.67	153.85	272.61	4.3	7.6
1987	264.82	525.11	264.82	525.11	2.6	10.9
1988	532.04	922.56	527.89	907.20	2.4	11.2
1989	919.61	1,007.77	844.75	909.72	2.0	13.9
1990	908.59	928.77	566.27	696.11	2.2	12.8
1991	679.75	763.10	586.51	610.92	2.6	11.2
1992	624.23	691.48	459.07	678.44	2.2	10.9
1993	697.41	874.10	605.93	866.18	1.6	12.7
1994	879.32	1,138.75	860.47	1,027.37	1.2	16.2
1995	1,013.57	1,016.77	847.09	882.94	1.2	16.4
1996	888.85	986.84	651.22	651.22	1.3	17.8
1997	653.79	792.29	350.68	376.31	1.5	17.0
1998	385.49	579.86	280.00	562.46	1.9	10.8
1999	587.57	1,028.07	498.42	1,028.07	1.1	13.5
2000	1,059.04	1,059.04	500.60	504.62	2.1	12.9
2001	520.95	704.50	468.76	693.70	1.7	16.4
2002	724.95	937.61	584.04	829.44	1.6	15.2
2003	635.17	822.16	515.24	810.71	2.0	11.8
2004	821.26	936.06	719.59	895.92	2.0	13.8
2005	893.71	1,379.37	870.84	1,379.37	1.8	10.6
2006	1,389.27	1,464.70	1,192.09	1,434.46	1.7	11.4
2007	1,435.26	2,064.85	1,355.79	1,897.13	1.4	16.8
2008 (through June 26)	1,853.45	1,888.88	1,574.44	1,717.66	1.6	14.7

Source: KRX

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

(2) The price to earnings ratio is based on figures for companies that record a profit in the preceding year.

Table of Contents

(3) Starting in April 2000, dividend yield and price earnings ratio of KOSPI 200, an index of 200 equity securities listed on the KRX Stock Market. Starting in April 2000, excludes classified companies, companies that did not submit annual reports to the KRX, and companies which received disqualified opinion from external auditors.

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

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

Previous Day s Closing Price ₩	**Rounded Down to ₩**	
Less than 5,000	₩	5
5,000 to less than 10,000		10
10,000 to less than 50,000		50
50,000 to less than 100,000		100
100,000 to less than 500,000		500
500,000 or more		1,000

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

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

Table of Contents

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

		Market Capitalization on the Last Day of Each Period		Average Trading Volume & Value		
Year	Number of Listed Companies	(Millions of Won)	(Thousands of Dollars)(1)	Thousands of Shares	(Millions of Won)	(Thousands of Dollars)(1)
1980	352	₩ 2,526,553	US$ 3,828,691	5,654	₩ 3,897	US$ 5,905
1981	343	2,959,057	4,224,207	10,565	8,708	12,433
1982	334	3,000,494	4,407,711	9,704	6,667	8,904
1983	328	3,489,654	4,386,743	9,325	5,941	7,468
1984	336	5,148,460	6,222,456	14,847	10,642	12,862
1985	342	6,570,404	7,380,818	18,925	12,315	13,834
1986	355	11,994,233	13,924,115	31,755	32,870	38,159
1987	389	26,172,174	33,033,162	20,353	70,185	88,584
1988	502	64,543,685	94,348,318	10,367	198,364	289,963
1989	626	95,476,774	140,489,660	11,757	280,967	414,431
1990	669	79,019,676	110,301,055	10,866	183,692	256,500
1991	686	73,117,833	96,182,364	14,022	214,263	281,850
1992	688	84,711,982	107,502,515	24,028	308,246	391,175
1993	693	112,665,260	139,419,948	35,130	574,048	676,954
1994	699	151,217,231	191,729,721	36,862	776,257	984,223
1995	721	141,151,399	182,201,367	26,130	487,762	629,614
1996	760	117,369,988	139,031,021	26,571	486,834	575,733
1997	776	70,988,897	50,161,742	41,525	555,759	392,707
1998	748	137,798,451	114,090,455	97,716	660,429	471,432
1999	725	349,503,966	305,137,040	278,551	3,481,620	3,039,654
2000	704	188,041,490	150,162,898	306,163	2,602,211	2,078,028
2001	689	225,850,076	194,784,979	473,241	1,997,420	1,520,685
2002	683	258,680,756	218,167,122	851,242	3,041,592	2,414,362
2003	684	355,362,626	297,960,530	542,010	2,216,636	1,858,580
2004	683	412,588,138	427,069,982	372,894	2,232,108	2,310,455
2005	702	655,074,595	648,588,707	467,629	3,157,662	3,126,398
2006	731	704,587,508	757,620,976	279,096	3,435,180	3,693,742
2007	745	951,900,447	1,017,205,009	363,741	5,539,653	5,919,698
2008 (through June 26)	756	872,201,691	837,608,462	302,433	5,258,073	5,049,528

Source: KRX

(1) Converted at the noon buying rate in The City of New York for cable transfers in Won per US$1.00 as certified for customs purposes by the Federal Reserve Bank of New York.

The Korean securities markets are principally regulated by the Financial Services Commission of Korea and the Korean Securities and Exchange Act. The Korean Securities and Exchange Act was amended fundamentally numerous times in recent years to broaden the scope and improve the effectiveness of official supervision of the securities markets. As amended, the law imposes restrictions on insider trading and price manipulation, requires specified information to be made available by listed companies to investors and establishes rules regarding margin trading, proxy solicitation, takeover bids, acquisition of treasury shares and reporting requirements for shareholders holding substantial interests.

Table of Contents

Further Opening of the Korean Securities Market

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

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

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

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

Currently, foreigners are permitted to invest in securities including shares of most Korean companies which are not listed on the KRX Stock Market nor the KRX KOSDAQ Market and in bonds which are not listed.

Protection of Customer s Interest in Case of Insolvency of Securities Companies

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

When a customer places a sell order with a securities company which is not a member of the KRX and this securities company places a sell order with another securities company which is a member of the KRX, the customer is still entitled to the proceeds of the securities sold received by the non-member company from the member company regardless of the bankruptcy or reorganization of the non-member company.

Under the Korean Securities and Exchange Act, the KRX is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a securities company which is a member of the KRX breaches its obligation in connection with a buy order, the KRX is obliged to pay the purchase price on behalf of the breaching member.

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

As the cash deposited with a securities company is regarded as belonging to the securities company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the securities company if a bankruptcy or reorganization procedure is instituted against the securities company and, therefore, can suffer from loss or damage as a result. However, the Depositor Protection Act provides that Korea Deposit Insurance Corporation will, upon the request of the investors, pay investors up to Won 50 million per investor in case of the securities company s bankruptcy, liquidation, cancellation of securities business license or other insolvency events. Pursuant to the Korean Securities and Exchange Act, as amended, subject to certain exceptions, securities companies are required to deposit the cash received from its customers with the Korea Securities Finance Corporation, a special entity established pursuant to the Korean Securities and Exchange Act. Set-off or attachment of cash deposits by securities companies is prohibited. The premiums related to this insurance under the Depositor Protection Act are paid by securities companies.

Item 9.D. Selling Shareholders

Not applicable.

Item 9.E. Dilution

Not applicable.

Item 9.F. Expenses of the Issue

Not applicable.

Item 10. ADDITIONAL INFORMATION

Item 10.A. Share Capital

Not applicable.

Item 10.B. Memorandum and Articles of Association

Description of Capital Stock

This section provides information relating to our capital stock, including brief summaries of material provisions of our articles of association, the Korean Securities and Exchange Act, the Korean Commercial Code and related laws of Korea, all as currently in effect. The following summaries are subject to, and are qualified in their entirety by reference to, our articles of association and the applicable provisions of the Korean Securities and Exchange Act and the Korean Commercial Code. We have filed or incorporated by reference copies of our articles of association and these laws as exhibits to our most recently filed annual report.

General

The name of our company is SK Telecom Co., Ltd. We are registered under the laws of Korea under the commercial registry number of 110111-0371346. As specified in Article 2 (Objectives) of our articles of association, the company s objectives are the rational management of the telecommunications business, development of telecommunications technology, and contribution to public welfare and convenience. In order to achieve these objectives, we are engaged in the following:

- information and communication business;
- sale and lease of subscriber handsets;
- new media business;

advertising business;

mail order business;

business of leasing available and real estate property;

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

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

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

tourism

electronic financial services business;

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

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

Currently, our authorized share capital is 220,000,000 shares, which consists of shares of common stock, par value Won 500 per share, and shares of non-voting stock, par value Won 500 per share (common shares and nonvoting shares together are referred to as shares). Under our articles of association, we are authorized to issue up to 5,500,000 non-voting preferred shares. As of December 31, 2007, 81,193,711 common shares were issued, of which 8,609,034 shares were held by us in treasury. In January 2008, we sold 208,326 of our treasury shares to our employee stock ownership association, reducing the number of shares held by us in treasury to 8,400,708. We have never issued any non-voting preferred shares. All of the issued and outstanding common shares are fully-paid and non-assessable and are in registered form. We issue share certificates in denominations of 1, 5, 10, 50, 100, 500, 1,000 and 10,000 shares.

Board of Directors

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

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

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

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

There are no specific shareholding requirements for director s qualification. Directors are elected at a general meeting of shareholders if the approval of a majority vote of the shareholders present at such meeting is obtained, and such majority also represents at least one-fourth of the total number of shares outstanding. Under the Korean Securities and Exchange Act, unless stated otherwise in the articles of association, holders of an aggregate of 1% or more of the outstanding shares with voting rights may request cumulative voting in any election for two or more directors. However, our shareholders have opted not to adopt cumulative voting.

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

Dividends

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

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

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

Under the Korean Commercial Code, we may pay an annual dividend only out of the excess of our net assets, on a non-consolidated basis, over the sum of (1) our stated capital and (2) the total amount of our capital surplus reserve and legal reserve accumulated up to the end of the relevant dividend period. In addition, we may not pay an annual dividend unless we have set aside as legal reserve an amount equal to at least 10.0% of the cash portion of the annual dividend or until we have accumulated a legal reserve of not less than one-half of our stated capital. As a KRX Stock Market-listed company, we are also required under the relevant laws and regulations to set aside in reserve a certain amount each fiscal year until the ratio of our own capital to total assets is at least 30%. We may not use legal reserve to pay cash dividends but may transfer amounts from legal reserve to capital stock or use legal reserve to reduce an accumulated deficit.

In addition, the Korean Commercial Code and our articles of association provide that, in addition to annual dividends, we may pay interim dividends once during each fiscal year. Unlike annual dividends, the decision to pay interim dividends can be made by a resolution of the board of directors and is not subject to shareholder approval. Any interim dividends must be paid in cash to the shareholders of record as of June 30 of the relevant fiscal year. In August 2007, we distributed such interim dividends at Won 1,000 per share to our shareholders for a total amount of Won 72.7 billion.

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

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

Distribution of Free Shares

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

Preemptive Rights and Issuance of Additional Shares

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

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

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

Members of our employee stock ownership association, whether or not they are our shareholders, generally have a preemptive right to subscribe for up to 20.0% of the shares publicly offered pursuant to the Korean Securities and Exchange Act. This right is exercisable only to the extent that the total number of shares so acquired and held by members of our employee stock ownership association does not exceed 20.0% of the sum of the number of shares then outstanding and the number of newly-issued shares. As of March 31, 2008, approximately 0.64% of the issued shares were held by members of our employee stock ownership association.

General Meeting of Shareholders

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

- as necessary;
- at the request of holders of an aggregate of 3.0% or more of our outstanding common shares;
- at the request of shareholders holding an aggregate of 1.5% or more of our outstanding shares and preferred shares for at least six months; or
- at the request of our audit committee.

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

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

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

Voting Rights

Holders of our common shares are entitled to one vote for each common share, except that voting rights of common shares held by us (including treasury shares and shares held by bank trust funds controlled by us), or by a corporate shareholder that is more than 10.0% owned by us either directly or indirectly, may not be exercised. The Korean

Commercial Code and the Korean Securities and Exchange Act permit cumulative voting, under which voting method each shareholder would have multiple voting rights corresponding to the number of directors to be appointed in the voting and may exercise all voting rights cumulatively to elect one director. However, our shareholders have opted not to adopt cumulative voting.

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

- amending our articles of association;
- removing a director;
- effecting any dissolution, merger or consolidation of us;
- transferring the whole or any significant part of our business;
- effecting our acquisition of all of the business of any other company or a part of the business of any other company having a material effect on our business;
- reducing our capital; or
- issuing any new shares at a price lower than their par value.

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

However, in the case of amendments to our articles of association, or any merger or consolidation of us, or in some other cases which affect the rights or interests of the non-voting shares, approval of the holders of nonvoting shares is required. We may obtain the approval by a resolution of holders of at least two-thirds of the nonvoting shares present or represented at a class meeting of the holders of non-voting shares, where the affirmative votes also represent at least one-third of our total issued and outstanding non-voting shares. In addition, if we are unable to pay dividends on non-voting shares as provided in our articles of association, the holders of nonvoting shares will become enfranchised and will be entitled to exercise voting rights beginning at the next general meeting of shareholders to be held after the declaration of non-payment of dividends is made until such dividends are paid. The holders of enfranchised non-voting shares have the same rights as holders of common shares to request, receive notice of, attend and vote at a general meeting of shareholders.

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

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

Rights of Dissenting Shareholders

In some limited circumstances, including the transfer of all or a significant part of our business or our merger or consolidation with another company (with certain exceptions), dissenting shareholders have the right to require us to purchase their shares. To exercise this right, shareholders, including holders of non-voting shares, must submit to us a written notice of their intention to dissent before the general meeting of shareholders. Then, within 20 days after the relevant resolution is passed at a meeting, the dissenting shareholders must request us in writing to purchase their shares. We are obligated to purchase the shares of such dissenting shareholders within one month after the expiration of the 20-day period. The purchase price for the shares is required to be determined through negotiation between the dissenting shareholders and us. If we cannot agree on a price through negotiation, the purchase price will be the average of (1) the weighted average of the daily share prices on the KRX Stock Market for the two-month period before the date of the adoption of the relevant board resolution, (2) the weighted average of the daily share price on the KRX Stock Market for the one month period before the date of the adoption of the relevant resolution and (3) the weighted average of the daily share price on the KRX Stock Market for the one week period before such date of the adoption of the relevant resolution. However, the Financial Services Commission of Korea may adjust this price if we or shareholders collectively holding 30.0% or more of the common shares we are obligated to purchase do not accept the purchase price. Holders of ADSs will not be able to exercise dissenter s rights unless they have withdrawn the underlying common stock and become our direct shareholders.

Table of Contents

Registry of Shareholders and Record Dates

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

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

Annual Report

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

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

Transfer of Shares

Under the Korean Commercial Code, the transfer of shares is effected by the delivery of share certificates. However, to assert shareholders rights against us, the transferee must have his or her name, seal and address registered on our registry of shareholders, maintained by our transfer agent. A non-Korean shareholder may file a sample signature in place of a seal, unless he or she is a citizen of a country with a sealing system similar to that of Korea. In addition, a non-resident shareholder must appoint an agent in Korea authorized to receive notices on his or her behalf and file his or her mailing address in Korea. These requirements do not apply to holders of ADSs.

Under current Korean regulations, Korean securities companies and banks, including licensed branches of non-Korean securities companies and banks, asset management companies, futures trade companies, internationally recognized foreign custodians and the Korea Securities Depository may act as agents and provide related services for foreign shareholders. Certain foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Koreans. See Item 10.D. Exchange Controls Korean Foreign Exchange Controls and Securities Regulations .

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

Restrictions Applicable to Shares

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

Acquisition of Shares by Us

We generally may not acquire our own shares except in certain limited circumstances, including, without limitation, a reduction in capital. Under the Korean Commercial Code, except in the case of a reduction of capital, any shares acquired by us must be sold or otherwise transferred to a third party within a reasonable time.

Notwithstanding the foregoing restrictions, pursuant to the Korean Securities and Exchange Act, a listed company may acquire common shares through purchases on the Korea Exchange or through a tender offer. A listed company may also acquire interests in its own common shares pursuant to (i) trust agreements with trust companies or asset management companies or (ii) purchase agreements for shares issued by investment companies. The aggregate purchase price for the common shares may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year, less the amount of dividends and mandatory reserves required to be set aside for that fiscal year, subject to certain procedural requirements.

In general, corporate entities in which we own a 50% or more equity interest may not acquire our common shares. On October 26, 2001, in accordance with the approval of our board of directors, we established trust funds with four Korean banks with a total funding of Won 1.3 trillion for the purpose of acquiring our shares at market prices or within a range of five percent of market prices. For more details on the trust funds, see Item 5.B. Liquidity and Capital Resources .

Liquidation Rights

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

Description of American Depositary Shares

The following is a summary of the deposit agreement dated as of May 31, 1996, as amended by amendment no. 1 dated as of March 15, 1999, amendment no. 2 dated as of April 24, 2000 and amendment no. 3 dated as of July 24, 2002, among us, Citibank, N.A., as ADR depositary, and all holders and beneficial owners of ADSs. The deposit agreement is governed by the laws of the State of New York. Because it is a summary, this description does not contain all the information that may be important to you. For more complete information, you should read the entire deposit agreement and the ADR. The deposit agreement has been filed as an exhibit to our registration statement on Form F-3 (File No. 333-91304) filed with the United States Securities and Exchange Commission. Copies of the deposit agreement are available for inspection at the principal New York office of the ADR depositary, currently located at 388 Greenwich Street, 14th Floor, New York, New York 10013, United States of America, and at the principal London office of the ADR depositary, currently located at Canada Square, Canary Wharf, London, E14 5LB, England.

American Depositary Receipts

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

Deposit and Withdrawal of Shares of Common Stock

Notwithstanding the provisions described below, under the terms of the deposit agreement, as supplemented by a side letter dated as of October 1, 2002, the deposit of shares and issuance of ADSs may only be made if the total number of shares represented by ADRs after such deposit does not exceed a specified maximum, 13,598,544 shares as of

October 1, 2002. This limit will be adjusted in certain circumstances, including (1) increases upon the cancellation of existing ADRs (up to a maximum of 5,605,839 shares), (2) increases upon future offerings of ADSs by us or our shareholders, (3) increases upon issuances of ADSs upon the exchange of outstanding exchangeable bonds issued by Momenta (Cayman) (a special purpose vehicle incorporated in the Cayman Islands, which sold bonds exchangeable initially into such ADSs, see Item 6.E. Share Ownership), (4) increases for rights offerings and (5) adjustments for share reclassifications. The limit also may be decreased in certain circumstances, including in connection with purchases of ADSs by Momenta (Cayman) in accordance with the terms of its exchangeable bonds. Notwithstanding the foregoing, the ADR depositary and the custodian may not accept deposits of shares of common stock for issuance of ADSs (other than in the case of an exercise of the exchange rights of the exchangeable bonds issued by Momenta (Cayman)) (i) if it has been notified by us in writing that we block deposits to prevent a violation of applicable Korean laws or regulations or a violation of our articles of association or (ii) from a person intending to make a deposit that identifies itself to the depositary and that has been identified in writing by us as a holder of at least 3% of our shares of common stock on October 7, 2002.

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

You may surrender your ADRs to the ADR depositary to withdraw the underlying shares of our common stock. Upon payment of the fees and any governmental charges and taxes provided in the deposit agreement, and subject to applicable laws and regulations of Korea and our articles of association, you will be entitled to physical delivery or electronic delivery to an account in Korea or, if permissible under applicable Korean law, outside the United States, of the shares of common stock evidenced by the ADRs and any other property at the time represented by ADRs you surrendered. If you surrender an ADR evidencing a number of ADSs not evenly divisible by nine, the ADR depositary will deliver the appropriate whole number of shares of common stock represented by the surrendered ADSs and will execute and deliver to you a new ADR evidencing ADSs representing any remaining fractional shares of common stock.

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

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

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

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

Table of Contents

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

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

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

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

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

Dividends, Other Distributions and Rights

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

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

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

If a distribution by us consists of a dividend in, or free distribution of, non-voting shares, the ADR depositary will deposit the non-voting shares under a non-voting shares deposit agreement to be entered into among us, the ADR depositary and all holders and beneficial owners of depositary shares. The ADR depositary will deliver to you, in proportion to your holdings of ADSs, depositary shares issued under the non-voting shares deposit agreement

Table of Contents

representing the number of non-voting shares received as such dividend or distribution. If the ADR depositary deems such distribution for any reason is not feasible, the ADR depositary may adopt, after consultation with us, any method as it may deem equitable and practicable, including by public or private sale of all or part of the nonvoting shares received. The ADR depositary will distribute to you the net proceeds of any such sale in the same way as it does with cash. The ADR depositary will only distribute whole depositary shares. We are not obligated to list depositary shares representing non-voting shares on any exchange.

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

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

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

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

Record Dates

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

- any cash dividend or other cash distribution becomes payable;
- any distribution other than cash is made;
- rights are issued with respect to deposited shares of common stock;
- the ADR depositary causes a change in the number of shares of common stock that are represented by each ADS; or
- the ADR depositary receives notice of any shareholders meeting.

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

Voting of the Underlying Shares of Common Stock

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

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

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

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

Upon your written request received on or before the date set by the ADR depositary for this purpose, the ADR depositary will endeavor, in so far as practicable, to vote or cause to be voted the deposited shares of common stock in accordance with the instructions set forth in your written requests. The ADR depositary may not itself exercise any voting discretion over any deposited shares of common stock. You may only exercise the voting rights in respect of 9 ADSs or multiples of 9 ADSs. ADR holders may not be entitled to give instruction to vote the shares represented by the ADSs if, and to the extent, the total number of shares represented by the ADSs of an ADR holder exceeds the limit set under applicable law. We can give no assurance to you, however, that we will notify the ADR depositary sufficiently in advance of the scheduled date of a meeting or solicitation of consents or proxies to enable the ADR depositary to make a timely mailing of notices to you, or that you will receive the notices sufficiently in advance of a meeting or solicitation of consents or proxies to give instructions to the ADR depositary.

Inspection of Transfer Books

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

Reports and Notices

On or before the first date on which we give notice, by publication or otherwise, of any meeting of shareholders, or of any adjourned meeting of shareholders, or of the taking of any action in respect of any cash or other distributions or the offering of any rights in respect of the shares of common stock, we will transmit to the Custodian and the ADR depositary sufficient copies of the notice in English in the form given or to be given to shareholders. We will furnish to the ADR depositary English language versions of any reports, notices and other communications that we generally transmit to holders of our common stock, including our annual reports, with annual audited consolidated financial statements prepared in conformity with Korean GAAP and, if prepared pursuant to the Securities Exchange Act of 1934, as amended, a reconciliation of net earnings for the year and stockholders equity to U.S. GAAP, and unaudited non-consolidated semiannual financial statements prepared in conformity with Korean GAAP. The ADR depositary will arrange for the prompt mailing of copies of these documents, or, if we request, a summary of any such notice provided by us to you or, at our request, make notices, reports (other than the annual reports and semiannual financial statements) and other communications available to you on a basis similar to that for the holders of our common stock or on such other basis as we may advise the ADR depositary according to any applicable law, regulation or stock exchange requirement.

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

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

Table of Contents

Changes Affecting Deposited Shares of Common Stock

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

Amendment and Termination of the Deposit Agreement

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

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

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

- to collect dividends and other distributions pertaining to the deposited shares of common stock;

- to sell property and rights and the conversion of deposited shares of common stock into cash as provided in the deposit agreement; and

- to deliver deposited shares of common stock, together with any dividends or other distributions received with respect to the deposited shares of common stock and the net proceeds of the sale of any rights or other property represented by those ADSs in exchange for surrendered ADRs.

At any time after the expiration of six months from the date of termination, the ADR depositary may sell any remaining deposited shares of common stock and hold uninvested the net proceeds in an unsegregated account, together with any other cash or property then held, without liability for interest, for the pro rata benefit of the holders of ADSs that have not been surrendered by then.

Charges of ADR Depositary

The fees and expenses of the ADR depositary as agreed between us and the ADR depositary include:

- taxes and other governmental charges;

registration fees applicable to transfers of shares of common stock on our shareholders register, or that of any entity acting as registrar for the shares, to the name of the ADR depositary or its nominee, or the Custodian or its nominee, when making deposits or withdrawals under the deposit agreement;

cable, telex and facsimile transmission expenses that are expressly provided in the deposit agreement;

expenses incurred by the ADR depositary in the conversion of foreign currency into Dollars under the deposit agreement;

a fee of up to US$5.00 per 100 ADSs, or portion thereof, for execution and delivery of ADSs and the surrender of ADRs under the deposit agreement; and

a fee of up to US$0.02 per ADS held for cash distributions, a sale or exercise of rights or the taking of any other corporate action involving distributions to shareholders.

General

Neither we nor the ADR depositary will be liable to you if prevented or delayed by law, governmental authority, any provision of our articles of association or any circumstances beyond our or its control in performing our or its obligations under the deposit agreement. The deposit agreement provides that the ADR depositary will hold the shares of common stock for your sole benefit. Our obligations and those of the ADR depositary under the deposit agreement are expressly limited to performing, in good faith and without negligence, our and its respective duties specified in the deposit agreement.

The ADSs are transferable on the books of the ADR depositary; provided, however, that the ADR depositary may, after consultation with us, close the transfer books at any time or from time to time, when deemed expedient by it in connection with the performance of its duties. As a condition precedent to the execution and delivery of any ADSs, registration of transfer, split-up, combination of any ADR or surrender of any ADS for the purpose of withdrawal of deposited shares of common stock, the ADR depositary or the Custodian may require payment from the depositor of the shares of common stock or a holder of ADSs of a sum sufficient to reimburse the ADR depositary for any tax or other governmental charge and any stock transfer or registration fee and payment of any applicable fees payable by the holders of ADSs.

Any person depositing shares of common stock, any holder of an ADS or any beneficial owner may be required from time to time to file with the ADR depositary or the Custodian a proof of citizenship, residence, exchange control approval, payment of applicable Korean or other taxes or governmental charges, or legal or beneficial ownership and the nature of their interest, to provide information relating to the registration on our shareholders register (or our appointed agent for the transfer and registration of shares of common stock) of the shares of common stock presented for deposit or other information, to execute certificates and to make representations and warranties as we or the ADR depositary may deem necessary or proper or to enable us or the ADR depositary to perform our and its obligations under the deposit agreement. The ADR depositary may withhold the execution or delivery or registration of transfer of all or part of any ADR or the distribution or sale of any dividend or other distribution of rights or of the proceeds from their sale or the delivery of any shares deposited under the deposit agreement and any other securities, property and cash received by the ADR depositary or the Custodian until the proof or other information is filed or the certificates are executed or the representations and warranties are made. The ADR depositary shall provide us, unless otherwise instructed by us, in a timely manner, with copies of any these proofs and certificates and these written representations and warranties.

The delivery and surrender of ADSs and transfer of ADSs generally may be suspended during any period when our or the ADR depositary s transfer books are closed or, if that action is deemed necessary or advisable by us or the ADR depositary, at any time or from time to time in accordance with the deposit agreement. We may restrict, in a manner as we deem appropriate, transfers of shares of common stock where the transfers may result in ownership of shares of common stock in excess of limits under applicable law. Except as described in Deposit and Withdrawal of Shares of Common Stock above, notwithstanding any other provision of the deposit agreement, the surrender of outstanding ADRs and withdrawal of Deposited Securities (as defined in the deposit agreement) represented by the ADRs may be suspended, but only as required in connection with (1) temporary delays caused by closing the transfer books of the ADR depositary or the issuer of any Deposited Securities (or the appointed agent or agents for such issuer for the transfer and registration of such Deposited Securities) in connection with voting at a shareholders meeting or the payment of dividends, (2) payment of fees, taxes and similar charges, or (3) compliance with any United States or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of the Deposited Securities.

Governing Law

The deposit agreement and the ADRs will be interpreted under, and all rights under the deposit agreement or the ADRs are governed by, the laws of the State of New York.

We have irrevocably submitted to the non-exclusive jurisdiction of New York State or United States Federal Courts located in New York City and waived any objection to legal actions or proceedings in these courts whether on the ground of venue or on the ground that the proceedings have been brought in an inconvenient forum.

This submission was made for the benefit of the ADR depositary and the holders and shall not limit the right of any of them to take legal actions or proceedings in any other court of competent jurisdiction nor shall the taking of legal actions or proceedings in one or more jurisdictions preclude the taking of legal actions or proceedings in any other jurisdiction (whether concurrently or not), to the extent permitted under applicable law.

Information Relating to the ADR Depositary

Citibank, N.A. has been appointed as ADR depositary pursuant to the deposit agreement. Citibank is a wholly-owned subsidiary of Citicorp, a Delaware corporation whose principal office is located in New York, New York, which in turn is a wholly-owned subsidiary of Citigroup Inc. Citibank is a global financial services organization serving individuals, businesses, governments and financial institutions in approximately 100 countries around the world.

Citibank was originally organized on June 16, 1812, and now is a national banking association organized under the National Bank Act of 1864 of the United States of America. Citibank is primarily regulated by the United States Office of the Comptroller of the Currency. Its principal office is at 399 Park Avenue, New York, NY 10022.

The consolidated balance sheets of Citibank are set forth in Citicorp s Annual Reports on Form 10-K and in Citicorp s quarterly financial reviews and Forms 10-Q. Citicorp s Annual Reports on Form 10-K and quarterly financial reviews and Forms 10-Q are filed periodically with the United States Securities and Exchange Commission, or SEC.

Citibank s Articles of Association and By-laws, each as currently in effect, together with Citicorp s most recent annual and quarterly reports will be available for inspection at the Depositary Receipt office of Citibank, N.A., 388 Greenwich Street, 14th Floor, New York, New York 10013.

Item 10.C. Material Contracts

We have not entered into any material contracts since January 1, 2005, other than in the ordinary course of our business. For information regarding our agreements and transactions with entities affiliated with the SK Group see Item 6E. Share Ownership . For a description of certain agreements entered into during the past three years related to our capital commitments and obligations, see Item 5B. Liquidity and Capital Resources .

Item 10.D. Exchange Controls

Korean Foreign Exchange Controls and Securities Regulations

General

The Foreign Exchange Transaction Act and the Presidential Decree and regulations under that Act and Decree, collectively referred to as the Foreign Exchange Transaction Laws, regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Under the Foreign Exchange

Transaction Laws, non-residents may invest in Korean securities only to the extent specifically allowed by these laws. The Financial Services Commission of Korea has also adopted, pursuant to its authority under the Securities and Exchange Act, regulations that restrict investment by foreigners in Korean securities and regulate issuance of securities outside Korea by Korean companies.

Table of Contents

Subject to certain limitations, the MOSF has authority to take the following actions under the Foreign Exchange Transaction Laws:

if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances, the MOSF may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or

sell any means of payment to The Bank of Korea or certain other governmental agencies or financial institutions; and

if the Government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries are likely to adversely affect the Won, exchange rate or other macroeconomic policies, the MOSF may take action to require any person who intends to effect or effects a capital

transaction to deposit all or a portion of the means of payment acquired in such transactions with The Bank of Korea or certain other governmental agencies or financial institutions.

Government Review of Issuances of ADSs

In order for us to issue ADSs in excess of US$30 million, we are required to submit a report to the MOSF with respect to the issuance of the ADSs prior to and after such issuance; provided that such US$30 million threshold amount would be reduced by the aggregate principal amount of any foreign currency loans borrowed, and any securities offered and issued, outside Korea during the one-year period immediately preceding the report s submission date. The MOSF may at its discretion direct us to take necessary measures to avoid exchange rate fluctuation in connection with its acceptance of report of the issuance of the ADSs.

Under current Korean laws and regulations, the depositary is required to obtain our prior consent for any proposed deposit of common shares if the number of shares to be deposited in such proposed deposit exceeds the number of common shares initially deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to the ADSs).

We can give no assurance that we would grant our consent, if our consent is required. In addition to such restrictions under Korean laws and regulations, there are also restrictions on the deposits of our common shares for issuance of ADSs. See Item 10.B. Memorandum and Articles of Association Description of American Depositary Shares . Therefore, a holder of ADRs who surrenders ADRs and withdraws shares may not be permitted subsequently to deposit those shares and obtain ADRs.

In addition, we are also required to notify the MOSF upon receipt of full proceeds from the offering of ADSs. No additional Korean governmental approval is necessary for the offering and issuance of ADSs.

Reporting Requirements for Holders of Substantial Interests

Under the Korean Securities and Exchange Act, any person whose direct or beneficial ownership of shares with voting rights, whether in the form of shares or ADSs, certificates representing the rights to subscribe for shares and equity-related debt securities including convertible bonds and bonds with warrants (collectively referred to as Equity

Securities), together with the Equity Securities beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5.0% or more of the total outstanding Equity Securities is required to report the status and purpose (in terms of whether the purpose of shareholding is to affect control over management of the issuer) of the holdings to the Financial Services Commission of Korea and the KRX within five business days after reaching the 5.0% ownership interest threshold. In addition, any change (i) in the ownership interest subsequent to the report which equals or exceeds 1.0% of the total outstanding Equity Securities, or (ii) in the shareholding purpose is required to be reported to the Financial Services Commission of Korea and KRX within five business days from the date of the change. However, reporting deadline of such reporting requirement is extended to institutional investors, as defined under the Korean Securities and Exchange Act, who hold shares for purposes other than management control by the tenth day of the month immediately following the month of share acquisition or change in their shareholding. Those who reported the purpose of shareholding is to affect control over management of the issuer are prohibited from exercising their voting rights and acquiring additional shares for five days subsequent to the report under the recently amended Korean Securities and Exchange Act.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment and may result in a loss of voting rights with respect to the ownership of unreported Equity Securities exceeding 5.0%. Furthermore, the Financial Services Commission of Korea may issue an order to dispose of such non-reported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our common shares accounts for 10% or more of the total issued and outstanding shares with voting rights (a major shareholder) must report the status of his/her shareholding to the Securities and Futures Commission and the KRX by the tenth day of the calendar month immediately following the month in which any changes in shareholding have occurred. Violations of these reporting requirements may subject a person to criminal sanctions, such as fines or imprisonment.

Under the regulations of the Financial Services Commission Regulations newly amended on March 2005, (i) if a company listed on the Stock Market (the KRX Stock Market) or a company listed on the KOSDAQ Market (the KRX KOSDAQ Market) has reported material matters regarding management which have not been disclosed to KRX to a foreign exchange pursuant to the laws of the jurisdiction in which the foreign exchange is located, then it must submit a Korean translation of the material matters regarding management that have been reported to the foreign exchange to the FSC and KRX, and (ii) if a KRX Stock Market-listed company or KRX KOSDAQ Market-listed company has submitted business reports or similar documents to a foreign exchange, then it must submit a Korean summary thereof to the FSC and KRX.

Restrictions Applicable to ADSs

No Korean governmental approval is necessary for the sale and purchase of ADSs in the secondary market outside Korea or for the withdrawal of shares underlying ADSs and the delivery of shares in Korea in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service, as described below. The acquisition of the shares by a foreigner must be reported by the foreigner or his standing proxy in Korea immediately to the Governor of the Financial Supervisory Service.

Persons who have acquired shares as a result of the withdrawal of shares underlying the ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further governmental approval.

In addition, under the new regulations of the Financial Services Commission, effective as of November 30, 2006, we are required to file a securities registration statement with the Financial Services Commission and such securities registration statement has to become effective pursuant to the Korean Securities and Exchange Act in order for us to issue shares represented by ADSs.

Restrictions Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Laws and the regulations of Financial Services Commission of Korea, together referred to as the Investment Rules, adopted in connection with the stock market opening from January 1992 and after that date, foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX Stock Market or the KRX KOSDAQ Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX Stock Market or the KRX KOSDAQ Market only through the KRX Stock Market or the KRX KOSDAQ Market, except in limited circumstances, including, among others:

odd-lot trading of shares;

Table of Contents

acquisition of shares by a foreign company as a result of a merger;

acquisition or disposal of shares in connection with a tender offer;

acquisition of shares by exercise of warrant, conversion right under convertible bonds, exchange right under exchangeable bonds or withdrawal right under depositary receipts issued outside of Korea by a Korean company (Converted Shares);

acquisition of shares through exercise of rights under securities issued outside of Korea;

acquisition of shares as a result of inheritance, donation, bequest or exercise of shareholders rights, including preemptive rights or rights to participate in free distributions and receive dividends;

over-the-counter transactions between foreigners of a class of shares for which the ceiling on aggregate acquisition by foreigners, as explained below, has been reached or exceeded;

acquisition of shares by direct investment under the Foreign Investment Promotion Law;

acquisition and disposal of shares on an overseas stock exchange market, if such shares are simultaneously listed on the KRX Stock Market or KRX KOSDAQ Market and such overseas stock exchange; and

arm s length transactions between foreigners in the event all such foreigners belong to an investment group managed by the same person.

For over-the-counter transactions of shares between foreigners outside the KRX Stock Market or the KRX KOSDAQ Market for shares with respect to which the limit on aggregate foreign ownership has been reached or exceeded, a securities company licensed in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX Stock Market or the KRX KOSDAQ Market must involve a licensed securities company in Korea as the other party. Foreign investors are prohibited from engaging in margin transactions through borrowing shares from securities companies with respect to shares which are subject to a foreign ownership limit.

The Investment Rules require a foreign investor who wishes to invest in shares for the first time on the KRX Stock Market or the KRX KOSDAQ Market (including Converted Shares) and shares being publicly offered for initial listing on the KRX Stock Market or the KRX KOSDAQ Market to register its identity with the Financial Supervisory Service prior to making any such investment; however, the registration requirement does not apply to foreign investors who acquire Converted Shares with the intention of selling such Converted Shares within three months from the date of acquisition of the Converted Shares or who acquire the shares in an over-the-counter transaction or dispose of shares where such acquisition or disposal is deemed to be a foreign direct investment pursuant to the Foreign Investment Promotion Law. Upon registration, the Financial Supervisory Service will issue to the foreign investor an investment registration card which must be presented each time the foreign investor opens a brokerage account with a securities company or financial institution in Korea. Foreigners eligible to obtain an investment registration card include foreign nationals who are individuals residing in Korea for six months or longer, foreign governments, foreign municipal authorities, foreign public institutions, international financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by decree of the MOSF. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea for the purpose of investment registration. However, a foreign corporation or depositary issuing depositary receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor s purchase of shares through the KRX Stock Market or the KRX KOSDAQ Market, no separate report by the investor is required because the investment registration card system is designed to control and oversee foreign investment through a computer system. However, where a foreign investor acquires or sells shares outside the KRX Stock Market and the KRX KOSDAQ Market, such acquisition or sale of shares must be reported by the foreign investor or his standing proxy to the Governor at the time of each such acquisition or sale; provided, however, that a foreign investor must ensure that any acquisition or sale by it of shares outside the KRX Stock Market or the KRX KOSDAQ Market in the case of trades in connection with a tender offer, odd-lot trading of shares or trades of a class of shares for which the aggregate foreign ownership limit has been reached or exceeded, is reported to the Governor by the securities company engaged to facilitate such transaction. In the event a foreign investor desires to acquire or sell shares outside the KRX Stock Market or the KRX KOSDAQ Market and the circumstances in connection with such sale or acquisition do not fall within the exceptions made for certain limited circumstances described above, then the foreign investor must obtain the prior approval of the Governor. In addition, in the event a foreign investor acquires or sells shares outside the KRX Stock Market or the KRX KOSDAQ Market, a prior report to the Bank of Korea may also be required in certain circumstances. A foreign investor must appoint one or more standing proxies from among the Korea Securities Depository, foreign exchange banks, including domestic branches of foreign banks, securities companies, including domestic branches of foreign securities companies, asset management companies, futures trading companies and internationally recognized custodians which will act as a standing proxy to exercise shareholders rights, or perform any matters related to the foregoing activities if the foreign investor does not perform these activities himself. However, a foreign investor may be exempted from complying with these standing proxy rules with the approval of the Governor in cases deemed inevitable by reason of conflict between laws of Korea and the home country of the foreign investor.

Certificates evidencing shares of Korean companies must be kept in custody with an eligible custodian in Korea. Only foreign exchange banks, including domestic branches of foreign banks, securities companies, including domestic branches of foreign securities companies, the Korea Securities Depository, asset management companies, futures trading companies and internationally recognized custodians are eligible to act as a custodian of shares for a non-resident or foreign investor. A foreign investor must ensure that his custodian deposits its shares with the Korea Securities Depository. However, a foreign investor may be exempted from complying with this deposit requirement with the approval of the Governor in circumstances where compliance with that requirement is made impracticable, including cases where compliance would contravene the laws of the home country of such foreign investor.

Under the Investment Rules, with certain exceptions, foreign investors may acquire shares of a Korean company without being subject to any foreign investment ceiling. As one such exception, designated public corporations are subject to a 40.0% ceiling on the acquisition of shares by foreigners in the aggregate. Designated public corporations may set a ceiling on the acquisition of shares by a single person within 3.0% of the total number of shares in their articles of association. Currently, Korea Electric Power Corporation is the only designated public corporation which has set such a ceiling. Furthermore, an investment by a foreign investor of not less than 10.0% of the outstanding shares with voting rights of a Korean company is defined as a direct foreign investment under the Foreign Investment Promotion Law, which is, in general, subject to the report to, and acceptance by, the Ministry of Knowledge Economy of Korea, which delegates its authority to foreign exchange banks or the Korea Trade-Investment Promotion Agency under the relevant regulations. The acquisition of our shares by a foreign investor is also subject to the restrictions prescribed in the Telecommunications Business Act. The Telecommunications Business Act generally limits the maximum aggregate foreign shareholdings in us to 49.0% of the outstanding shares. A foreigner who has acquired shares in excess of such restriction described above may not exercise its voting rights with respect to the shares exceeding such limitations, and may be subject to corrective orders.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to make a portfolio investment in shares of a Korean company listed on the KRX Stock Market or the KRX KOSDAQ Market must designate a foreign exchange bank at which he must open a foreign currency account and a Won account exclusively for stock investments. No approval is required for remittance into Korea and deposit of foreign currency funds in the foreign currency account. Foreign currency funds may be transferred from the foreign currency account at the time required to place a deposit for, or settle the purchase price of, a stock purchase transaction to a Won account opened at a securities company. Funds in the foreign currency account may be remitted abroad without any governmental approval.

Dividends on shares are paid in Won. No governmental approval is required for foreign investors to receive dividends on, or the Won proceeds of the sale of, any such shares to be paid, received and retained in Korea. Dividends paid on, and the Won proceeds of the sale of, any such shares held by a non-resident of Korea must be deposited either in a Won account with the investor s securities company or the investor s Won account. Funds in the investor s Won account may be transferred to his foreign currency account or withdrawn for local living expenses, provided that any withdrawal of local living expenses in excess of a certain amount is reported to the tax authorities by the foreign exchange bank at which the Won account is maintained. Funds in the investor s Won account may

Table of Contents

also be used for future investment in shares or for payment of the subscription price of new shares obtained through the exercise of preemptive rights.

Securities companies and asset management companies are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors stock investments in Korea. Through these accounts, these securities companies and asset management companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

Item 10.E. Taxation

United States Taxation

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;
- a person whose functional currency for tax purposes is not the U.S. dollar; or
- a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

For purposes of this summary, you are a U.S. holder if you are the beneficial owner of a common share or an ADS and are:

- a citizen or resident of the United States;) a U.S. domestic corporation; or otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented by that ADS.

Dividends

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your receipt of the dividend, in the case of common shares, or the depositary s receipt, in the case of ADSs, regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2011 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends . Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (PFIC). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on the Company s audited financial statements and relevant market and shareholder data, the Company believes that it was not treated as a PFIC for U.S. federal income tax purposes with respect to its 2006 or 2007 taxable year. In addition, based on the Company s audited financial statements and its current expectations regarding the value and nature of its assets, the sources and nature of its income, and relevant market and shareholder data, the Company does not anticipate becoming a PFIC for its 2008 taxable year.

Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax.

Sale or Other Disposition

For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

Foreign Tax Credit Considerations

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Korean taxes withheld from a distribution of additional shares that is not subject to U.S. tax may be treated for U.S. federal income tax purposes as imposed on general limitation income. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder s expected economic profit is insubstantial.

The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder s particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

U.S. Information Reporting and Backup Withholding Rules

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient and demonstrates this when required or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Korean Taxation

The following summary of Korean tax considerations applies to you so long as you are not:

- a resident of Korea;
- a corporation organized under Korean law; or
- engaged in a trade or business in Korea through a permanent establishment or a fixed base to which the relevant income is attributable or with which the relevant income is effectively connected.

Dividends on the Shares or ADSs

We will deduct Korean withholding tax from dividends paid to you at a rate of 27.5% (including resident surtax). If you are a qualified resident in a country that has entered into a tax treaty with Korea, you may qualify for a reduced rate of Korean withholding tax. For example, if you are a qualified resident of the United States for purposes of the income tax treaty between the United States and Korea, and you are the beneficial owner of a dividend, generally, a reduced withholding tax at the rate of 16.5%, will apply. However, in the event the recipient is a corporation (the recipient corporation), a withholding tax rate of 11.0% will apply, *provided that* (i) during any part of the taxable year of the company making the dividend payment (the paying corporation) that precedes the dividend payment date, and during the entirety of the prior taxable year (if any), at least 10% of the outstanding shares of the voting stock of the paying corporation was owned by the recipient corporation, and (ii) not more than 25% of the gross income of the paying corporation for such prior taxable year (if any) consisted of interest or dividends (other than interest derived from the operation of a banking, insurance, or financing business and dividends or interest received from subsidiary corporation, 50% or more of the outstanding shares of the voting stock of which is owned by the paying corporation at the time such dividends or interest is received).

In order to obtain the benefits of a reduced withholding tax rate under the treaty, you must submit to us, prior to the dividend payment date, such evidence of residence as may be required by the Korean tax authorities. Evidence of residence may be submitted to us through the ADR depositary. Excess taxes withheld are generally not recoverable, even if you subsequently produce evidence that you were entitled to have tax withheld at a lower rate.

If we distribute to you shares representing a transfer of certain capital reserves or asset revaluation reserves into paid-in capital, that distribution may be regarded as dividend and, as such, subject to Korean withholding tax.

Taxation of Capital Gains

You may be exempt from Korean taxation on capital gains from the shares, if you have owned, together with certain related parties, less than 25.0% of our total issued and outstanding shares at any time during the year of sale and the five calendar years before the year of sale, and the sale is made through the KRX Stock Market or the KRX KOSDAQ Market. As for the ADSs, according to a ruling issued by Korean taxation authorities, capital gains earned by a non-resident holder from the transfer of ADSs outside Korea are not subject to Korean taxation, irrespective of whether or not such holder has a permanent establishment in Korea. Under the Special Tax Treatment Control Law, capital gains earned by a non-resident holder (whether or not such holder has a permanent establishment in Korea) from the transfer outside Korea of securities issued outside Korea by a Korean company, which are denominated in foreign currency or satisfy certain criteria established by the Ministry of Strategy and Finance are exempt from Korean taxation. The Korean tax authorities have issued a tax ruling confirming that receipts (which would include the ADSs) are deemed to be securities issued outside Korea by the issuer of the underlying stock. Further, capital gains earned by a non-resident from the transfer of stocks issued by a Korean company are also exempt from Korean taxation, if listed or registered and sold through an overseas securities exchange having functional similarity to the KRX Stock Market or the KRX KOSDAQ Market under the Korean Securities and Futures Exchange Act.

If you are subject to tax on capital gains with respect to the sale of ADSs, or of shares which you acquired as a result of a withdrawal, your gain will be calculated based on your cost of acquiring the ADSs representing such shares, although there are no specific Korean tax provisions or rulings on this issue. In the absence of the application of a tax treaty which exempts or reduces the rate of tax on capital gains, the amount of Korean tax imposed on your capital gains will be the lesser of 11.0% (including resident surtax) of the gross realization proceeds or, subject to production of satisfactory evidence of acquisition cost and transfer expenses of the ADSs, 27.5% of the net capital gains. Under the Korea-United States Tax Treaty, a U.S. resident is generally exempt from Korean taxation on gains from the sale, exchange or other disposition of our Shares or ADSs, subject to certain exceptions.

If you sell your shares or ADSs, the purchaser or, in the case of the sale of shares on the KRX Stock Market or through a licensed securities company in Korea, the licensed securities company, is required to withhold Korean tax from the sales price in an amount equal to 11.0% of the gross realization proceeds and to make payment of such amounts to the Korean tax authority, unless you establish your entitlement to an exemption or lower rate of taxation under an applicable tax treaty or produce satisfactory evidence of your acquisition and transfer costs for the ADSs. To obtain the benefit of an exemption or reduced rate of tax pursuant to a tax treaty, you must submit to the purchaser or the securities company (or through the ADR depositary), as the case may be, prior to or at the time of payment, such evidence of your tax residence as the Korean tax authorities may require in support of your claim for treaty protection. In addition, Korean tax law requires a non-resident seller to submit to the relevant tax office (through the payer of the income, subject to certain exceptions) an application for exemption by the 9th day of the month following the month in which the first payment date falls, with a certificate of tax residence of the seller issued by a competent authority of the seller s residence country, to obtain the benefit of a tax treaty exemption available under applicable tax treaties. However, this requirement will not apply to exemptions under Korean tax law. In the event the amount withheld exceeds the actual amount of tax payable, you may request a refund of the excess withheld amount no later than three years after the tax initially became due and payable; provided, however, that the initial payment report was timely filed with the Korean tax authorities.

Inheritance Tax And Gift Tax

If you die while holding an ADS or transfer an ADS as a gift, it is unclear whether you will be treated as the owner of the shares underlying the ADSs for Korean inheritance and gift tax purposes. If you are treated as the owner of the shares, the heir or the donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax presently at the rate of 10.0% to 50.0%.

If you die while holding a share or donate a share, the heir or donee (or in certain circumstances, you as the donor) will be subject to Korean inheritance or gift tax at the same rate as indicated above.

Securities Transaction Tax

You will not pay a securities transaction tax on your transfer of ADSs. If you transfer shares, you will be subject to a securities transaction tax at the rate of 0.15% and an agricultural and fishery special tax at the rate of 0.15% of the sale price of the share when traded on the KRX Stock Market. If you transfer shares through the KRX KOSDAQ Market, you will be subject to a securities transaction tax at the rate of 0.3% of the sales price of the shares. If your transfer is not made on the KRX Stock Market or the KRX KOSDAQ Market, subject to certain exceptions, you will be subject to a securities transaction tax at the rate of 0.5% and will not be subject to an agricultural and fishery special tax.

According to a tax ruling issued by the Korean tax authorities, foreign shareholders will not be subject to a securities transaction tax upon the deposit of underlying shares and receipt of depositary shares or upon the surrender of depositary shares and withdrawal of originally deposited underlying shares. Moreover, to date, the imposition of securities transaction tax has not been enforced on the transfers of ADSs. However, the Ministry of Strategy and

Finance recently issued a ruling on February 25, 2004 to the Korean National Tax Service, holding that depositary shares fall under the meaning of share certificates that are subject to the securities transaction tax. In the ruling, the Ministry of Strategy and Finance treats the transfers of depositary shares the same as the transfer of the underlying Korean shares. Under Korean tax laws, transfers of depositary shares listed or registered on the New York Stock Exchange, NASDAQ National Market, or other foreign exchanges designated by the Ministry of

Strategy and Finance (which are the (i) Tokyo Stock Exchange, (ii) London Stock Exchange, (iii) Deutsche Stock Exchange, and a stock exchange with functions similar to (i), (ii) or (iii) above, on which trading is done by standardized procedure as set forth in the Enforcement Regulation of the Korean Securities and Exchange Act) will be exempted from the securities transaction tax. However, recently, the Seoul Administrative Court reached a completely different decision on the imposition of securities transaction tax on the transfer of depositary receipts. It is currently unclear whether higher courts will uphold or overturn the Seoul Administrative Court s decision, and, until the highest court makes a final ruling on such decision, it is likely that the 2004 tax ruling will continue to apply.

Securities transaction tax, if applicable, must be paid in principle by the transferor of the shares or the rights to subscribe to such shares. When the transfer is effected through a securities settlement company, the settlement company is generally required to withhold and pay the tax to the tax authority. When the transfer is made through a securities company, the securities company is required to withhold and pay the tax. Where the transfer is effected by a non-resident without a permanent establishment in Korea, other than through a securities settlement company or a securities company, the transferee is required to withhold the securities transaction tax.

Failing to report, or under-reporting, the securities transaction tax will result in a penalty of between 10% and 40% of the actual tax amount due, depending on the nature of the improper reporting. The failure to pay the securities transaction tax due will result in imposition of interest at 10.95% per annum on the unpaid tax amount for the period from the day immediately following the last day of tax payment period to the day of issuance of tax notice. The penalty is imposed on the party responsible for paying the securities transaction tax or, if the securities transaction tax is to be withheld, the penalty is imposed on the party that has the withholding obligation.

Item 10.F. Dividends and Paying Agents

Not applicable.

Item 10.G. Statements by Experts

Not applicable.

Item 10.H. Documents on Display

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC s Website at *http://www.sec.gov*.

Documents filed with annual reports and documents filed or submitted to the SEC are also available for inspection at our principal business office during normal business hours. Our principal business office is located at 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea.

Item 10.I. Subsidiary Information

Not applicable.

Item 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Exchange Rate and Interest Rate Risks

We are exposed to foreign exchange rate and interest rate risk primarily associated with underlying liabilities. We have entered into floating-to-fixed cross currency swap contracts to hedge foreign currency and interest rate risk with respect to long-term borrowings of US$100 million borrowed in October 2006 and to hedge the foreign currency and interest rate risk with respect to long-term borrowings of US$400 million borrowed in July 2007. We have also entered into floating-to-fixed interest rate swap contracts to hedge the interest rate risk of a floating rate discounted bill with face amounts totaling Won 200 billion borrowed in June, 2006 and to hedge the foreign

Table of Contents

currency risk and interest rate risk of Japanese Yen-denominated bonds totaling Yen 12.5 billion borrowed in November 2007. In addition, we have entered into a fixed-to-fixed cross currency swap contract to hedge the foreign currency risk of U.S. dollar-denominated equity securities of China Unicom.

See note 28 of the notes to our consolidated financial statements. We may consider in the future entering into other such transactions solely for hedging purposes.

The following discussion and tables, which constitute forward looking statements that involve risks and uncertainties, summarize our market-sensitive financial instruments including fair value, maturity and contract terms. These tables address market risk only and do not present other risks which we face in the normal course of business, including country risk, credit risk and legal risk.

Exchange Rate Risk

Korea is our main market and, therefore, substantially all of our cash flow is denominated in Won. We are exposed to foreign exchange risk related to foreign currency denominated liabilities. These liabilities relate primarily to foreign currency denominated debt, all in Dollars and Yen. A 10% change in the exchange rate between the Won and all foreign currencies would result in a change in net liabilities (total monetary liabilities minus total monetary assets) of approximately 1.66% or Won 13.7 billion as of December 31, 2007.

Interest Rate Risk

We are also subject to market risk exposure arising from changing interest rates. The following table summarizes the carrying amounts and fair values, maturity and contract terms of our exchange rate and interest sensitive short-term and long-term liabilities as of December 31, 2007:

	Maturities							
	2008	2009	2010	2011	2012	Thereafter	Total	Fair V
	(In billions of Won, except for percentage data)							
currency:								
rate	₩ 541.8	₩ 360.6	₩ 203.5	₩ 192.8	₩	₩ 575.7	₩ 1,874.4	₩ 1,
ge weighted	5.62 %	5.30 %	4.15 %	3.12 %	0.00 %	4.86 %		
ble rate	3.7	0.3	200.1				204.1	2
ge weighted	6.70 %	3.72 %	5.82 %	0.00 %	0.00 %	0.00 %		
otal	545.5	360.9	403.6	192.8		575.7	2,078.5	2,0
gn currency:								
rate	1.6	265.2	28.3	279.7		368.4	943.2	9
ge weighted	3.18 %	0.00 %	9.97 %	4.28 %	0.00 %	6.75 %		
ble rate	0.9				103.7	93.8	198.4	
ge weighted	6.86 %	0.00 %	0.00 %	0.00 %	1.45 %	4.94 %		

tal	2.5	265.2	28.3	279.7	103.7	462.2	1,141.6	1,
	₩ 548.0	₩ 626.1	₩ 431.9	₩ 472.5	₩ 103.7	₩ 1,037.9	₩ 3,220.1	₩ 3,

(1) Weighted average rates of the portfolio at the period end.

A 1.0% change in interest rates would result in a change of approximately 1.23% in the fair value of our liabilities resulting in a Won 34.5 billion change in their value as of December 31, 2007 and a Won 4,026 million annualized change in interest expenses.

Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

Item 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

Item 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

Item 15. CONTROLS AND PROCEDURES

Our management has evaluated, with the participation of our Chief Executive Officers and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of December 31, 2007. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officers and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission s rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officers and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officers and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea and accounting principles generally accepted in the United States of America. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2007. The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by Deloitte Anjin LLC, an independent registered public accounting firm, as stated in its report which is included herein.

Attestation Report of the Registered Public Accounting Firm

The attestation report of our independent registered public accounting firm is furnished in Item 18 of this Form 20-F.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

Item 16. RESERVED

Item 16A. AUDIT COMMITTEE FINANCIAL EXPERT

At our annual shareholders meeting in March 2008, our shareholders elected the following three members of the Audit Committee: Dal Sup Shim, Hyun Chin Lim and Jae Ho Cho. In addition, they determined and designated that Jae Ho Cho is an audit committee financial expert within the meaning of this Item 16A. The board of directors have approved this newly elected Audit Committee, and reaffirmed the determination by our shareholders that Jae Ho Cho is an audit committee financial expert and further determined that he is independent within the meaning of applicable Securities and Exchange Committee rules and the listing standards of the New York Stock Exchange. See Item 6.C. Board Practices Audit Committee for additional information regarding our Audit Committee.

Item 16B. CODE OF ETHICS

Code of Ethics for Chief Executive Officer, Chief Financial Officer and Controller

We have a code of ethics that applies to our Chief Executive Officers, senior accounting officers and employees. We also have internal control and disclosure policy designed to promote full, fair, accurate, timely and understandable disclosure in all of our reports and publicly filed documents. A copy of our code of ethics is available on our website at *www.sktelecom.com*. If we amend the provisions of our code of ethics that apply to our Chief Executive Officers, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website.

Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The table sets forth the fees we paid to our independent registered public accounting firm Deloitte Anjin LLC for the year ended December 31, 2006 and 2007, respectively:

	Years Ended December 31,	
	2006	2007
	(In millions of Won)	
Audit	₩ 1,220.5	₩ 1,401.3
Audit Related	₩ 81.1	₩ 61.3
Tax	₩ 277.0	₩ 70.8
All Other Fees	₩	₩
Total	₩ 1,578.6	₩ 1,533.4

Audit Fees are the aggregate fees billed by Deloitte Anjin LLC in 2006 and 2007, respectively, for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

Audit-Related Fees are fees charged by Deloitte Anjin LLC in 2006 and 2007, respectively, for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees . This category comprises fees billed for advisory services associated with our financial reporting.

Tax Fees are fees for professional services rendered by Deloitte Anjin LLC in 2006 and 2007, respectively, for tax compliance, tax advice on actual or contemplated transactions.

Fees disclosed under the category All Other Fees are fees for professional services rendered by Deloitte Anjin LLC in 2006 and 2007, respectively, primarily for business consulting.

Pre-Approval of Audit and Non-Audit Services Provided by Independent Registered Public Accounting Firm

Our audit committee pre-approves all audit services to be provided by Deloitte Anjin LLC, our independent registered public accounting firm. Our audit committee s policy regarding the pre-approval of non-audit services to be provided to us by our independent auditors is that all such services shall be pre-approved by the Audit

Table of Contents

Committee. Non-audit services that are prohibited to be provided to us by our independent auditors under the rules of the Securities and Exchange Commission and applicable law may not be pre-approved. In addition, prior to the granting of any pre-approval, our audit committee must be satisfied that the performance of the services in question will not compromise the independence of our independent registered public accounting firm.

Our audit committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2-01 (c)(7)(i)(C) of Regulation S-X as promulgated by the Securities and Exchange Commission.

Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The following table sets forth the repurchases of common shares by us or any affiliated purchasers (as defined in Rule 10b-18(a)(3) of the Exchange Act) during the fiscal year ended December 31, 2007.

Period 2007	**Total Number of Shares Purchased**		**Average Price Paid per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Plans or Program**	**Maximum Number of Shares That May yet Be Purchased Under the Plans or Program**
January		₩			
February		₩			
March		₩			
April		₩			
May		₩			
June		₩			
July		₩			
August		₩			
September		₩			
October		₩			
November	248,600	₩	242,621		
December	222,400	₩	261,673		
Total	471,000	₩	251,617		

In late 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 218,098 per share as of May 31, 2006. In connection with the issuance of the zero coupon convertible notes, we deposited 1,645,000 shares of our common stock with Korea Securities Depository to be reserved and used to satisfy the note holders conversion rights. This will be deemed as the repurchase of treasury stock and cancellation thereof for the purposes of Korean law.

In March 2005, our shareholders approved a cash dividend of Won 9,300 per common share at the general shareholders meeting and we adjusted the conversion price of the convertible notes from Won 235,625 to Won 226,566 and made an additional deposit of our common stock accordingly, so that the total number of shares of common stock deposited with Korea Securities Depository to satisfy the note holders conversion rights, increased from 1,644,978 to 1,710,750. In August 2005 we paid an interim cash dividend of Won 1,000 per common share as a result of which we adjusted the conversion price of the convertible notes from Won 226,566 to Won 225,518 and deposited additional shares of our common stock with the Korea Securities Depository, so that the total number of shares of common stock deposited increased from 1,710,750 to 1,718,700.

In March 2006, we paid a cash dividend of Won 8,000 per common share as a result of which we adjusted the conversion price of the convertible notes from Won 225,518 to Won 218,098 and increased the number of shares

Table of Contents

deposited with the Korea Securities Depository from 1,718,700 to 1,777,173. In the second quarter of 2006, certain note holders exchanged their convertible notes for 99,361 shares of common stock and the total number of shares of common stock deposited with the Korea Securities Depository decreased from 1,777,173 to 1,677,812. In August 2006 we paid an interim cash dividend of Won 1,000 per common share as a result of which we adjusted the conversion price of the convertible notes from Won 218,098 to Won 217,062 and increased the number of shares deposited with the Korea Securities Depository from 1,677,812 to 1,685,816. In the fourth quarter of 2006, certain note holders exchanged their convertible notes for 36,802 shares of common stock and the total number of shares of common stock deposited with the Korea Securities Depository decreased from 1,685,816 to 1,649,014.

In March 2007, we paid a cash dividend of Won 7,000 per common share as a result of which we adjusted the conversion price of the convertible notes from Won 217,062 to Won 211,943 and increased the number of shares deposited with the Korea Securities Depository from 1,649,014 to 1,688,842. In the third quarter of 2007, certain foreign note holders submitted their convertible notes for exchange, which we settled in cash to avoid exceeding the 49% ceiling on foreign shareholding in accordance with the terms of the convertible notes. As a result, the total number of shares of common stock deposited with the Korea Securities Depository decreased from 1,688,842 to 1,582,097. In August 2007, we paid an interim cash dividend of Won 1,000 per common share, as a result of which we adjusted the conversion price of the convertible notes from Won 211,943 to Won 211,099 and deposited additional shares of our common stock with the Korea Securities Depository, so that the total number of shares of common stock deposit increased from 1,582,097 to 1,588,421. In addition, in the fourth quarter of 2007, certain note holders exchanged their convertible notes for 311,257 shares of common stock and the total number of shares of common stock deposited with the Korea Securities Depository decreased from 1,588,421 to 1,277,164.

In March 2008, we paid a cash dividend of Won 8,400 per common share as a result of which we adjusted the conversion price of the convertible notes from Won 211,099 to Won 204,636 and increased the number of shares deposited with the Korea Securities Depositary from 1,277,164 to 1,317,494.

PART III

Item 17. FINANCIAL STATEMENTS

Not applicable.

Item 18. FINANCIAL STATEMENTS

Item 19. EXHIBITS

Number	Description
1.1*	Memorandum and Articles of Association
2.1*	Deposit Agreement dated as of May 31, 1996, as amended by Amendment No. 1 dated as of March 15, 1999, Amendment No. 2 dated as of April 24, 2000 and Amendment No. 3 dated as of July 24, 2002, entered into among SK Telecom Co., Ltd., Citibank, N.A., as Depositary, and all Holders and Beneficial Owners of American Depositary Shares
8.1	List of Subsidiaries of SK Telecom Co., Ltd.
12.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1	Framework Act on Telecommunications, as amended (English translation)
15.2	Enforcement Decree of the Framework Act on Telecommunications, as amended (English translation)
15.3	Telecommunications Business Act, as amended (English translation)
15.4	Enforcement Decree of the Telecommunications Business Act (English translation)
15.5	Amendment to the Government Organization Act
99.1	Consent of Deloitte Anjin LLC

* Filed previously as exhibits to our Form 20-F filed on June 30, 2006.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

SK TELECOM CO., LTD.
(Registrant)

/s/ Shin Bae Kim

Name: Shin Bae Kim

Title: President, Chief Executive Officer & Representative Director

Date: June 30, 2008

124

SK TELECOM CO., LTD.

INDEX OF FINANCIAL STATEMENTS

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors and Stockholders of
SK Telecom Co., Ltd.

We have audited the accompanying consolidated balance sheets of SK Telecom Co., Ltd. and subsidiaries (the Company) as of December 31, 2005, 2006 and 2007, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2007 (all expressed in Korean won). These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of SK Telecom Co., Ltd. and subsidiaries at December 31, 2005, 2006 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2007, in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in Note 2 to the consolidated financial statements, the Company adopted Statements of Korea Accounting Standards (SKAS) No. 21, *Preparation and Presentation of Financial Statements* and No. 25, *Consolidation Financial Statements*, as of January 1, 2007.

Our audits also comprehended the translation of the Korean won amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2(a) to the accompanying consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers of the financial statements.

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Notes 33 and 34 to the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 27, 2008 expressed an unqualified opinion on the Company s internal control over financial reporting.

June 27, 2008

/s/ Deloitte Anjin LLC

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
SK Telecom Co., Ltd.

We have audited the internal control over financial reporting of SK Telecom Co., Ltd. and subsidiaries (the Company) as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2007(all expressed in Korean won) of the Company and our report dated June 27, 2008, expressed an unqualified opinion on those financial statements, and included explanatory paragraphs relating to (1)the Company s adoption of Statements of Korea

Accounting Standards (SKAS) No. 21, Preparation and Presentation of Financial Statements and No. 25, Consolidation Financial Statements, (2)the translation of Korean won amounts to U.S. dollar amounts and (3)information relating to the nature and effect of differences between accounting principles generally accepted in the Republic of Korea and accounting principles generally accepted in the United States of America.

June 27, 2008

/s/ Deloitte Anjin LLC

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2005, 2006 AND 2007

	2005	2006	2007	2007
	In millions of Korean won			In thousands of U.S. dollars (Note 2 a)
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Notes 2, 13 and 30)	₩ 378,426	₩ 485,972	₩ 885,847	$ 946,620
Short-term financial instruments (Notes 22 and 23)	106,592	98,085	148,103	158,264
Trading securities (Notes 2 and 4)	777,472	665,312	635,434	679,028
Current portion of long-term investment securities (Notes 2 and 4)	1	335	101,209	108,152
Accounts receivable trade, net of allowance for doubtful accounts of ₩133,499 million, ₩106,737 million and ₩93,551 million at December 31, 2005, 2006 and 2007, respectively (Notes 2,13 and 25)	1,684,119	1,800,606	1,774,935	1,896,703
Short-term loans, net of allowance for doubtful accounts of ₩1,350 million, ₩9,629 million and ₩6,845 million at December 31, 2005, 2006 and 2007, respectively (Notes 2, 6 and 13)	65,539	69,745	84,570	90,372
Accounts receivable other, net of allowance for doubtful accounts of ₩17,526 million, ₩31,233 million and ₩28,649 million at December 31, 2005, 2006 and 2007, respectively (Notes 2, 13 and 25)	1,369,691	1,305,284	948,322	1,013,381
Inventories, net (Notes 2, 3 and 24)	7,784	19,778	47,052	50,280
Prepaid expenses	104,124	116,727	108,552	115,999
Current deferred income tax assets (Notes 2 and 18)	66,117	49,940	36,383	38,879
Currency swap (Notes 2 and 28)		16,660		
Accrued income and other	38,715	35,518	42,665	45,592
Total Current Assets	4,598,580	4,663,962	4,813,072	5,143,270
NON-CURRENT ASSETS:				
Property and equipment, net (Notes 2, 7, 12, 23, 24 and 25)	4,663,369	4,507,335	4,969,354	5,310,274
Intangible assets, net (Notes 2, 8, 12 and 29)	3,452,889	3,518,411	3,433,962	3,669,547
	1,220,208	2,475,418	5,058,519	5,405,556

Long-term investment securities (Notes 2 and 4)								
Equity securities accounted for using the equity method (Notes 2 and 5)		471,879		750,921		350,966		375,044
Long-term bank deposits (Note 22)		1,479		10,445		15,535		16,601
Long-term loans, net of allowance for doubtful accounts of ₩19,130 million, ₩19,117 million and ₩23,079 million at December 31, 2005, 2006 and 2007, respectively (Notes 2 and 6)		18,430		18,569		84,906		90,731
Guarantee deposits (Notes 13 and 25)		168,559		139,619		148,987		159,208
Long-term currency swap (Notes 2 and 28)						13,057		13,953
Long-term interest rate swap (Notes 2 and 28)						3,170		3,387
Non-current deferred income tax assets (Notes 2 and 18)		1,495		2,655		7,286		7,786
Other		107,884		152,633		150,121		160,419
Total Non-current Assets		10,106,192		11,576,006		14,235,863		15,212,506
TOTAL ASSETS	₩	14,704,772	₩	16,239,968	₩	19,048,935	$	20,355,776

(Continued)

F-4

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (Continued)
DECEMBER 31, 2005, 2006 AND 2007

	2005	2006	2007	2007
	In millions of Korean won			In thousands of U.S. dollars (Note 2 a)
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES:				
Accounts payable (Notes 13 and 25)	₩ 1,047,779	₩ 1,221,704	₩ 1,252,734	$ 1,338,677
Short-term borrowings (Notes 22 and 23)	972	58,344	24,616	26,305
Income taxes payable	370,822	336,536	319,108	341,000
Accrued expenses (Notes 2 and 27)	364,830	375,063	436,008	465,920
Dividend payable (Note 21)	298	268	308	329
Withholdings	216,622	339,144	226,407	241,940
Current portion of long-term debt, net (Notes 9, 10 and 12)	809,573	797,042	634,990	678,553
Current portion of subscription deposits (Note 11)	14,875	17,576	7,564	8,083
Current deferred income tax liabilities (Notes 2 and 18)	44		4	4
Currency swap (Notes 2 and 28)			12,646	13,514
Advanced receipts and other	37,558	62,739	102,489	109,520
Total Current Liabilities	2,863,373	3,208,416	3,016,874	3,223,845
NON-CURRENT LIABILITIES:				
Bonds payable, net (Notes 2, 9 and 23)	2,314,208	1,995,323	2,348,661	2,509,789
Long-term borrowings (Notes 10 and 23)	155	293,026	323,421	345,609
Subscription deposits (Note 11)	23,770	21,140	6,425	6,866
Long-term payables other, net of present value discount of ₩58,413 million, ₩42,461 million and ₩27,886 million at December 31, 2005, 2006 and 2007, respectively (Note 2)	591,587	517,539	422,114	451,073
Obligations under capital leases (Notes 2, 12 and 23)	10,204	1,860	712	761
Accrued severance indemnities, net (Note 2)	71,284	22,284	44,322	47,363
Non-current deferred income tax liabilities (Notes 2 and 18)	401,156	532,639	1,044,758	1,116,433
Long-term currency swap (Notes 2 and 28)	73,450	112,970	110,911	118,520
Long-term interest rate swap (Notes 2 and 28)		454		

Guarantee deposits received and other (Notes 25 and 27)	28,045	51,229	43,104	46,061
Total Non-Current Liabilities	3,513,859	3,548,464	4,344,428	4,642,475
Total Liabilities	6,377,232	6,756,880	7,361,302	7,866,320
COMMITMENTS AND CONTINGENCIES (Note 23)				
STOCKHOLDERS EQUITY :				
Capital stock —W500 par value:	44,639	44,639	44,639	47,701
Issued and outstanding 220,000,000 shares authorized; 73,614,296 shares, 72,667,459 shares and 72,584,677 shares at December 31, 2005, 2006 and 2007, respectively (Notes 1 and 14)				
Capital surplus (Notes 2, 14 and 18)	2,954,840	2,950,327	2,924,960	3,125,625
Capital adjustments:				
Treasury stock (Note 16)	(2,047,105)	(2,014,927)	(2,041,483)	(2,181,538)
Loss on disposal of treasury stock (Notes 16 and 18)		(7,887)	(94)	(100)
Stock options (Notes 2, 17 and 26)	3,480	3,246		
Accumulated other comprehensive income (loss) (Note 19):				
Unrealized gain (loss) on valuation of long-term investment securities, net (Notes 2, 4 and 18)	(42,093)	429,228	1,624,613	1,736,069
Equity in other comprehensive income of affiliates, net (Notes 2, 5 and 18)	61,368	107,324	1,727	1,845
Loss on valuation of currency swap, net (Notes 2, 18 and 28)	(14,177)	(16,487)	(11,816)	(12,627)
Gain (loss) on valuation of interest rate swap, net (Notes 2, 18 and 28)		(329)	2,298	2,456
Foreign-based operations translation adjustment (Notes 2 and 18)	(9,988)	(29,726)	(25,564)	(27,318)
Retained earnings (Note 15)	7,267,649	7,847,434	8,914,970	9,526,576
Minority interest in equity of consolidated subsidiaries (Note 2)	108,927	170,246	253,383	270,767
Total Stockholders Equity	8,327,540	9,483,088	11,687,633	12,489,456
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	₩ 14,704,772	₩ 16,239,968	₩ 19,048,935	$ 20,355,776

See accompanying notes to consolidated financial statements.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007

	2005	2006	2007	2007
	In millions of Korean won, except for Income per share			In thousands of U.S. dollars, except for income per share (Note 2 a)
OPERATING REVENUE (Notes 2, 25 and 31)	₩ 10,721,820	₩ 11,027,977	₩ 12,018,163	$ 12,842,662
OPERATING EXPENSES (Notes 2 and 25)				
Labor cost	(464,764)	(491,839)	(593,792)	(634,529)
Commissions paid	(2,859,638)	(3,293,197)	(4,224,510)	(4,514,330)
Depreciation and amortization (Notes 7 and 8)	(1,546,285)	(1,553,635)	(1,851,832)	(1,978,876)
Network interconnection (Note 31)	(989,417)	(1,014,913)	(1,078,714)	(1,152,719)
Leased line	(407,043)	(412,902)	(410,408)	(438,564)
Advertising	(279,390)	(307,190)	(392,031)	(418,926)
Research and development (Note 2)	(252,046)	(211,961)	(218,653)	(233,654)
Rent	(190,134)	(206,708)	(240,742)	(257,258)
Frequency usage	(156,098)	(158,958)	(166,395)	(177,810)
Repair	(131,719)	(150,848)	(171,262)	(183,011)
Provision for bad debts	(112,792)	(61,457)	(71,439)	(76,340)
Cost of goods sold	(240,746)	(121,381)	(311,678)	(333,060)
Other	(421,132)	(421,856)	(476,295)	(508,971)
Sub-total	(8,051,204)	(8,406,845)	(10,207,751)	(10,908,048)
OPERATING INCOME	2,670,616	2,621,132	1,810,412	1,934,614
OTHER INCOME:				
Interest income (Note 4)	61,143	79,969	98,301	105,045
Dividends	26,515	20,351	21,119	22,568
Commissions (Note 25)	32,738	33,226	32,196	34,405
Equity in earnings of affiliates (Notes 2 and 5)	20,949	45,787	247,382	264,353
Foreign exchange and translation gains (Note 2)	4,167	4,412	12,091	12,920
Reversal of allowance for doubtful accounts	450	789	614	656
Gain on valuation of trading securities (Notes 2 and 4)	1		128	137

Gain on disposal of investment assets (Note 5)		24,613		27,490		3,721		3,976
Gain on disposal of consolidated subsidiaries (Note 5)		178,689		1,556				
Gain on disposal of property, equipment and intangible assets		4,693		4,507		9,776		10,447
Gain on transactions and valuation of currency swap (Notes 2 and 28)		2,578		16,660		10,799		11,540
Gain on conversion of convertible bonds (Note 4)						373,140		398,739
Gain on redemption of bonds payable						6,160		6,583
Other		36,016		50,111		51,818		55,373
Sub-total		392,552		284,858		867,245		926,742
OTHER EXPENSES:								
Interest and discounts (Note 2)		(253,472)		(239,138)		(241,863)		(258,456)
Donations		(76,185)		(103,348)		(72,849)		(77,847)
Equity in losses of affiliates (Notes 2 and 5)		(71,825)		(211,464)		(175,474)		(187,512)
Foreign exchange and translation losses (Note 2)		(4,178)		(4,139)		(12,966)		(13,856)
Loss on valuation of trading securities (Notes 2 and 4)		(16)				(1,203)		(1,286)
Loss on disposal of investment assets (Note 5)		(4,017)		(6,096)		(1,190)		(1,272)
Loss on disposal of property, equipment and intangible assets		(6,523)		(17,148)		(30,730)		(32,838)
Loss on impairment of investment assets (Notes 2 and 4)		(3,422)		(27,696)		(15,526)		(16,591)
Impairment loss on assets (Note 2)		(260)		(7,030)		(3,484)		(3,723)
Loss on transactions and valuation of currency swap (Notes 2 and 28)				(9,258)		(33,876)		(36,200)
Special severance indemnities (Note 2)				(144,021)				
External research and development costs (Note 2)		(69,140)		(67,021)		(74,388)		(79,491)
Other		(12,564)		(48,053)		(28,816)		(30,792)
Sub-total		(501,602)		(884,412)		(692,365)		(739,864)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST		2,561,566		2,021,578		1,985,292		2,121,492
INCOME TAXES (Notes 2 and 18)		(693,259)		(572,026)		(686,161)		(733,235)
PREACQUISITION NET LOSS OF SUBSIDIARIES (Note 3)						263,134		281,186
NET INCOME	₩	1,868,307	₩	1,449,552	₩	1,562,265	$	1,669,443
ATTRIBUTABLE TO:								
Majority interests (Note 20)	₩	1,872,978	₩	1,451,491	₩	1,648,876	$	1,761,996
Minority interests		(4,671)		(1,939)		(86,611)		(92,553)

	₩	1,868,307	₩	1,449,552	₩	1,562,265	$	1,669,443
NET INCOME PER SHARE OF MAJORITY INTERESTS (Notes 2 and 20) (In Korean won and U.S. dollars)	₩	25,443	₩	19,801	₩	22,696	$	24.25
DILUTED NET INCOME PER SHARE OF MAJORITY INTERESTS (Notes 2 and 20) (In Korean won and U.S. dollars)	₩	25,036	₩	19,523	₩	22,375	$	23.91

See accompanying notes to consolidated financial statements.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY
YEARS ENDED DECEMBER 31, 2005, 2006 AND 2007

	Common Stock	Capital Surplus	Capital Adjustments	Accumulated Other Comprehensive Income	Retained Earnings	Minority Interest	Total Stockholders Equity
	(In millions of Korean won)						
Balance, January 1, 2005	₩ 44,639	₩ 2,968,301	₩ (2,042,272)	₩			