

SK TELECOM CO LTD
Form F-3/A
July 28, 2005
Table of Contents

As filed with the Securities and Exchange Commission on July 28, 2005

Registration No. 333-126120

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2

to

Form F-3

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

SK Telecom Co., Ltd.

(Exact name of Registrant as specified in its charter)

<p>The Republic of Korea (State or other jurisdiction of incorporation or organization)</p>	<p>Not Applicable (Translation of registrant's name into English)</p>	<p>Not Applicable (I.R.S. Employer Identification No.)</p>
<p>11, Euljiro 2-ga Jung-gu Seoul 100-999 Korea Tel: 82-2-6100-1563 (Address and telephone number of Registrant's principal executive offices)</p>	<p>Gary R. Whitaker SK USA, Inc. 400 Kelby Street, 17th Floor Fort Lee, New Jersey 07024 Tel: (201) 613-8145 (Name, address and telephone number of Agent for Service)</p>	

Copies to:

Thomas M. Britt III, Esq.
Debevoise & Plimpton LLP
13/F, Entertainment Building
30 Queen's Road Central, Hong Kong

Jinduk Han, Esq.
Cleary Gottlieb Steen & Hamilton LLP
39th Fl., Bank of China Tower
One Garden Road, Hong Kong

Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. "

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, please check the following box. "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. "

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Number of Shares(2)	Proposed maximum offering price per unit(3)	Proposed maximum aggregate offering amount	Amount of registration fee
Common stock, par value Won 500 per share	5,445,282	\$ 192.915	\$ 1,050,476,577.03	\$ 123,641.09
(1) American Depositary Shares evidenced by American Depositary Receipts issuable on deposit of the shares of common stock registered hereby have been registered under a separate statement on Form F-6, Registration No. 333-96575. Each American Depositary Share represents one-ninth of one share of common stock. (2) Includes all shares of common stock represented by American Depositary Shares initially offered or sold outside the United States that are thereafter sold or resold in the United States. Offers of sales of American Depositary Shares outside the United States are being made pursuant to Regulation S under the Securities Act and are not covered by this Registration Statement. (3) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(c) under the Securities Act on the basis of the average of the high and the low prices of the common stock represented by American Depositary Shares on the New York Stock Exchange on June 23, 2005.				

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion

Preliminary Prospectus dated July 25, 2005

SK Telecom Co., Ltd.

47,938,383 American Depositary Shares Representing

5,326,487 Shares of Common Stock

(par value Won 500 per Share)

Momenta (Cayman), the selling stockholder, is offering up to 5,326,487 shares of our common stock represented by 47,938,383 American Depositary Shares. Each American Depositary Share represents one-ninth of one share of our common stock. Momenta (Cayman) currently owns 6.62% of our issued and outstanding shares. We will not receive any of the proceeds from this offering.

Our outstanding American Depositary Shares are traded on the New York Stock Exchange and the London Stock Exchange. The American Depositary Shares are traded under the symbol SKM on the New York Stock Exchange. The last reported sales price of our American Depositary Shares on the New York Stock Exchange on July 22, 2005 was US\$20.65 per American Depositary Share. The primary trading market for our shares is the Stock Market Division of the Korea Exchange, or the KRX Stock Market. The closing price for our shares on the KRX Stock Market on July 22, 2005 was Won 187,000 per share, or US\$183.60 assuming an exchange rate of Won 1018.5 per Dollar.

Investing in our securities involves certain risks. See Risk Factors beginning on page 13.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	<u>Price to Public</u>	<u>Underwriting Discounts and Commissions</u>	<u>Proceeds to Selling Stockholder, Before Expenses</u>
Per ADS	\$	\$	\$
Total	\$	\$	\$

The underwriters expect to deliver the American Depositary Shares in book-entry form only through the facilities of The Depository Trust Company against payment in New York, New York on _____, 2005.

Joint Global Coordinators

ABN AMRO RothschildMerrill Lynch & Co.SK Securities Co., Ltd.

Joint Bookrunners

Merrill Lynch & Co.

ABN AMRO Rothschild

Prospectus dated _____, 2005.

Table of Contents

TAB LE OF CONTENTS

	Page
<u>Certain Defined Terms and Conventions</u>	1
<u>Enforcement of Civil Liability Provisions of the Federal Securities Laws</u>	2
<u>Special Note Regarding Forward-Looking Statements</u>	2
<u>Summary</u>	4
<u>Risk Factors</u>	13
<u>Use of Proceeds</u>	28
<u>Exchange Rates</u>	29
<u>Market Price Information</u>	30
<u>Dividends</u>	32
<u>Capitalization</u>	34
<u>Selected Consolidated Financial and Operating Data</u>	35
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	39
<u>Business</u>	74
<u>Management</u>	112
<u>Major Shareholders</u>	119
<u>Selling Stockholder</u>	123
<u>Certain Relationships and Related Party Transactions</u>	124
<u>Description of Capital Stock</u>	126
<u>Description of American Depositary Shares</u>	133
<u>Korean Foreign Exchange Controls and Securities Regulations</u>	141
<u>The Korean Securities Market</u>	146
<u>Taxation</u>	151
<u>Underwriting</u>	158
<u>Validity of the Securities</u>	163
<u>Experts</u>	163
<u>Available Information</u>	163
<u>Incorporation of Documents by Reference</u>	164
<u>Index to Financial Statements</u>	F-1

Table of Contents

The American Depositary Shares offered hereby may not be offered or sold, directly or indirectly, in Korea or to any resident of Korea, except as permitted by applicable Korean laws and regulations.

No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell or to buy only the ADSs offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

This prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons"). The ADSs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such ADSs will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

To the extent that the offer of the ADSs is made in any EEA Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the "Prospectus Directive") before the date of publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that Member State in accordance with the Prospectus Directive (or, where appropriate, published in accordance with the Prospectus Directive and notified to the competent authority in that Member State in accordance with the Prospectus Directive), the offer (including any offer pursuant to this document) is only addressed to qualified investors in that Member State within the meaning of the Prospectus Directive or has been or will be made otherwise in circumstances that do not require us to publish a prospectus pursuant to the Prospectus Directive.

CERTAIN DEFINED TERMS AND CONVENTIONS

All references to "Korea" contained in this prospectus are to The Republic of Korea. All references to the "Government" are to the government of The Republic of Korea. All references to "we", "us", "our" or the "Company" are to SK Telecom Co., Ltd. and its consolidated subsidiaries. References to "SK Telecom" are to SK Telecom Co., Ltd., but shall not include its consolidated subsidiaries. All references to "U.S." are to the United States of America. Unless otherwise indicated, from April 1, 2000 onwards, all references to our number of subscribers include subscribers attributable to Shinsegi Telecomm, Inc.

All references to "KHz" are to kilohertz, a unit of frequency denoting one thousand cycles per second, used to measure band and bandwidth. All references to "MHz" are to megahertz, a unit of frequency denoting one million cycles per second. All references to "GHz" are to gigahertz, a unit of frequency denoting one billion cycles per second. All references to "Kbps" are to one thousand binary digits, or bits, of information per second. All references to "Mbps" are to 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.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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

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

Table of Contents

Unless otherwise indicated, translations of Won amounts into Dollars in this prospectus were made at the noon buying rate in The City of New York for cable transfers in Won per US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, the translations of Won into Dollars were made at the noon buying rate in effect on December 31, 2004, which was Won 1,035.1 to US\$1.00. On July 22, 2005, the noon buying rate was Won 1018.5 to US\$1.00.

ENFORCEMENT OF CIVIL LIABILITY PROVISIONS OF THE FEDERAL SECURITIES LAWS

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

In connection with this offering, one of the representatives of the underwriters or any person acting for such representative may over-allot or effect transactions with a view to supporting the market price of our ADSs or shares of common stock at a level higher than that which might otherwise prevail for a limited period after the issue date of the ADSs to be offered by this prospectus. However, there is no obligation on such representative or its agent to do this. Such stabilizing, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. For a description of these activities, see Underwriting .

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus 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 , intend , plan , planning , planned , project and similar expressions, or that certain events, actions or results will , may , should or could occur, be taken or be achieved.

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. Risks and uncertainties associated with our business, include but are not limited to, risks related to changes in the regulatory environment; technology changes; potential litigation and governmental actions; changes in the competitive environment; political changes; foreign exchange currency risks; foreign ownership limitations; credit risks and other risks and uncertainties that are more fully described under the heading **Risk Factors** beginning on page 13 of this prospectus, and elsewhere in this prospectus. 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

SUMMARY

Our Company

Overview

We are Korea's leading wireless telecommunications services provider and a pioneer in the commercial development and provision of high-speed wireless data and Internet services. We had approximately 19.2 million subscribers as of June 30, 2005 and our share of the Korean wireless market was approximately 51.1%, based on the number of subscribers. We currently provide the following core services:

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

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

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

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

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

Beginning in 2002, we launched an upgrade of our CDMA 1xRTT network to employ more advanced CDMA 1xEV/DO technology, and as of June 30, 2005, our upgrade has been completed in 84 cities in Korea. CDMA 1xEV/DO is a more advanced CDMA-based technology which enables data to be transmitted at speeds of up to 2.4 Mbps. This technology allows us to provide advanced wireless data services such as streaming video and audio services.

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

areas of Korea.

In March 2004, the MIC assigned us frequency for satellite digital multimedia broadcasting, or DMB, a service which allows broadcasting of multimedia content by satellite to various mobile devices including satellite

Table of Contents

DMB handsets. In October 2004, we granted the rights to our satellite, satellite orbit and frequency to TU Media Corp., one of our affiliates, which received a license from the MIC as a satellite DMB provider on December 30, 2004. On May 1, 2005, TU Media Corp. began to provide satellite DMB services.

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

On July 22, 2005, we had a market capitalization of approximately Won 15.4 trillion (US\$15.1 billion, as translated at the noon buying rate on July 22, 2005) or approximately 3.1% of the total market capitalization on the KRX Stock Market, making us the sixth largest company listed on the KRX Stock Market based on market capitalization on that date. Our ADSs, each representing one-ninth of one share of our common stock, have traded on the New York Stock Exchange since June 27, 1996.

As of July 25, 2005, our foreign currency issuer credit rating was rated A- by Standard & Poors Rating Services, a division of the McGraw Hill Companies, Inc., or S&P, our senior unsecured foreign currency bond rating was rated A2 by Moody's Investors Service, Inc., or Moody's, and our foreign currency long term rating was rated A by Fitch Ratings Ltd., or Fitch.

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

Business Strategy

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

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

Offer a broad range of new and innovative wireless data and Internet services. Through our integrated wireless and on-line portal, NATE, we plan to continue expanding the range of our wireless data and Internet services with a view to increasing revenue from these services. Our strategy includes the introduction of sophisticated multimedia services (such as June, a premium wireless data service that provides streaming multimedia video content through our CDMA 1xEV/DO technology), mobile commerce services (such as Moneta and Liquid Screen Small Payment Service, wireless

Table of Contents

credit and payment systems which allow subscribers to provide merchants with credit card information and payment authorization using chips embedded in their wireless handsets), mobile community portal services (such as Mobile Cyworld, which allows subscribers to enjoy Cyworld, our on-line community portal service, through their cellular phone) and mobile finance services (such as M BANK, M-Stock and Moneta Card) that can be accessed using handsets and other devices, including personal computers, personal digital assistants and vehicle mounted terminals.

Retain and capitalize on our large, high-quality wireless subscriber base. With approximately 19.2 million subscribers as of June 30, 2005, we have the largest wireless subscriber base in Korea. We focus on maintaining and expanding our high-quality subscriber base through the provision of enhanced wireless services, particularly advanced wireless data and Internet-based applications, at higher speeds than previously available. As part of this strategy, we encourage our CDMA subscribers to migrate to our more advanced CDMA 1xRTT and CDMA 1xEV/DO networks.

Position ourselves to be a leader in implementing new and improved wireless technologies. We pursue a research and development program designed to allow us to implement new wireless technologies as market opportunities arise. We operate a network research and development center which is focused on wireless network design, digital cellular technologies and wireless telecommunications applications. This center includes a research team that is helping to develop fourth generation, or 4G, wireless technology, which is expected to enable wireless data transmission at speeds of up to 155 Mbps, 70 times faster than 3G technology. We acquired a license to develop and operate a W-CDMA network using 2×20 MHz of spectrum in the 2 GHz band. We have commenced provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build out our W-CDMA network in other metropolitan areas of Korea. In the first half of 2006, we plan to start deploying high speed download packet access (HSDPA), also known as 3.5G technology, which enables data to be transmitted at speeds of up to two to three times faster than 1xEV/DO. We have commenced testing of the system that will enable such upgrade to HSDPA by simply upgrading applicable software and without requiring any new infrastructure.

Take initiative in transitioning to what is being referred to as a convergent and ubiquitous era in mobile communications. We are striving to satisfy our customers' needs by launching such new services as Telematics, Broadband Convergence Networks and Digital Home. In particular, we obtained a 2.3Ghz portable Internet (WiBro) service license in March of 2005. This service will be deployed in a way that will maximize its synergistic effect with conventional mobile phone services. We are actively implementing new businesses with an objective of achieving significant synergies between our subsidiary and affiliate companies. In this regard, TU Media Corp., one of our affiliates, successfully launched satellite DMB service in May 2005. TU Media's satellite DMB service became commercially operational on May 1, 2005 and had surpassed 75,000 subscribers as of June 30, 2005. From July 2005, TU Media will additionally provide DMB services to KT Freetel Co., Ltd., or KTF, and LG Telecom, Ltd., or LGT, subscribers.

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

Table of Contents

Continue to expand into overseas markets. We have been seeking to expand into various overseas markets. Through the launch of a joint venture company with China Unicom in February 2004, we began extending our wireless Internet service in China. We are also providing a CDMA cellular service in the Vietnamese market. In addition, we have been exporting what we refer to as our coloring solution, which allows the calling party to hear music or an audio clip selected by a subscriber instead of the standard ringback tone that is heard until the call is connected, and wireless Internet platforms and solutions, to countries such as Taiwan and Thailand. We established a joint venture with EarthLink, Inc., a Delaware corporation, the third largest Internet service provider in the U.S., to launch voice and data services across the U.S. as a mobile virtual network operator (MVNO) in 2005. In May 2005 we announced our pending entry into the European GSM market with the global positioning system based safety service for children called i-Kids. We signed a contract to sell the GSM-based i-Kids solution to SF-Alert, a mobile security firm in the Netherlands. In connection with this transaction, we acquired a 20% stake in SF-Alert in April 2005.

Principal Stockholders

We are a member of the SK Group (formerly the Sunkyong Group), whose members owned in aggregate 24.03% of the shares of our issued common stock as of December 31, 2004. The SK Group is a diversified group of companies incorporated in Korea with interests in, among other things, telecommunications, trading, energy, chemicals, engineering and leisure industries. Until mid-1994, our largest shareholder was KT Corporation (formerly known as Korea Telecom Corp.), Korea's principal fixed-line operator and the parent of KTF, one of our principal wireless competitors. As of July 25, 2005, SK Corporation was our largest shareholder.

Table of Contents

The Offering

The Offering	47,938,383 ADSs representing 5,326,487 shares of common stock, constituting approximately 6.5% of our issued and outstanding shares of common stock.
Selling Stockholder	All of the offered ADSs are being sold by Momenta (Cayman). As a result of the offering, Momenta (Cayman) s interest in SK Telecom will be reduced from approximately 6.6% to approximately 0.1%. See Selling Stockholder in this prospectus.
The ADSs	Each offered ADS represents one-ninth of one share of common stock, par value Won 500 per share, of SK Telecom. The ADSs offered hereby are evidenced by American Depositary Receipts. See Description of American Depositary Shares and Description of Capital Stock .
Offering Price	The ADSs are being offered at a price of US\$ per ADS.
Depository	Citibank, N.A.
Use of Proceeds	We will not receive any of the proceeds from the sale of these ADSs.
Listing	The ADSs are listed on the New York Stock Exchange and on the Official List of the United Kingdom Listing Authority and are admitted for trading on the London Stock Exchange. The outstanding shares of our common stock are listed and are principally traded on the KRX Stock Market.
Lock-up	We are restricted from disposing of any of our common stock or related instruments for a period of 90 days after the date of this prospectus, subject to certain exceptions. In addition, each of SK Corporation and SK Networks is restricted from disposing of any of our common stock or related instruments for a period of 150 days and 90 days, respectively, after the date of this prospectus, subject to certain exceptions. See Underwriting .
New York Stock Exchange Symbol for ADSs	SKM

Table of Contents**SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA**

You should read the summary consolidated financial and operating data below in conjunction with the consolidated financial statements and the related notes included elsewhere in this prospectus. The summary consolidated financial data for the five years ended December 31, 2004 are derived from our audited consolidated financial statements and related notes thereto. Information as of and for the years ended December 31, 2000 and 2001 includes information as of and for the nine months ended December 31, 2000 and the year ended December 31, 2001, respectively, for Shinsegi unless otherwise specified. Shinsegi was merged into SK Telecom in January 2002.

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

As of or for the Year Ended December 31,

	2000	2001	2002	2003	2004	2004*
(In billions of Won and millions of Dollars, except per share and percentage data)						
INCOME STATEMENT DATA						
Korean GAAP:						
Total Operating Revenue(1)	(Won) 7,423.1	(Won) 8,371.9	(Won) 9,324.0	(Won) 10,272.1	(Won) 10,570.6	US\$ 10,212.2
Cellular Service(1)	7,245.1	8,203.0	9,156.8	10,091.8	10,297.6	9,948.4
Paging Service(2)	57.7	8.8				
Other(3)	120.3	160.1	167.2	180.3	273.0	263.8
Operating Expenses	5,927.6	6,047.4	6,526.4	7,167.0	8,130.9	7,855.2
Operating Income	1,495.5	2,324.5	2,797.6	3,105.1	2,439.7	2,357.0
Income before Income Taxes and Minority Interest	1,287.8	1,976.7	2,218.8	2,754.3	2,123.2	2,051.2
Income before Minority Interest						
Interest	920.5	1,126.4	1,520.3	1,965.3	1,493.4	1,442.8
Net Income	972.3	1,146.0	1,487.2	1,966.1	1,491.5	1,440.9
Income per Share of Common Stock(4)	11,146	13,242	17,647	26,187	20,261	19.57
Diluted Net Income per Share of Common Stock(4)	11,146	13,242	17,647	26,187	20,095	19.41
Dividends per Share of Common Stock(5)	540	690	1,800	5,500	10,300	9.95
Weighted Average Number of Shares	87,226,559	86,545,041	84,270,450	75,078,219	73,614,297	73,614,297
U.S. GAAP:						
Net Income	(Won) 895.4	(Won) 1,111.6	(Won) 1,301.1	(Won) 2,062.7	(Won) 1,553.1	US\$ 1,500.4
Income per Share of Common Stock(4)	10,265	12,844	15,440	27,475	21,097	20.38
Diluted Net Income per Share of Common Stock(4)	10,265	12,844	15,439	27,475	20,921	20.21
Dividends per Share of Common Stock(5)	540	690	1,800	5,500	10,300	9.95
Weighted Average Number of Shares	87,226,559	86,545,041	84,270,450	75,078,219	73,614,297	73,614,297

As of or for the Year Ended December 31,

2000	2001	2002	2003	2004	2004*
-------------	-------------	-------------	-------------	-------------	--------------

(In billions of Won and millions of Dollars, except per share and percentage data)

BALANCE SHEET DATA

Korean GAAP:

Working Capital												
(Deficiency)(6)	(Won)	(374.6)	(Won)	668.2	(Won)	(189.7)	(Won)	(461.4)	(Won)	1,323.8	US\$	1,278.9
Fixed Assets Net		4,543.2		4,174.7		4,569.4		4,641.5		4,703.9		4,544.4
Total Assets		11,044.2		13,326.3		14,228.7		13,818.2		14,283.4		13,799.1
Long-term Liabilities(7)		1,727.2		3,498.4		3,693.4		3,193.5		4,010.7		3,874.7
Total Shareholders Equity		6,142.7		6,149.3		6,231.9		6,093.8		7,205.7		6,961.4

Table of Contents

As of or for the Year Ended December 31,

	2000	2001	2002	2003	2004	2004*
(In billions of Won and millions of Dollars, except per share and percentage data)						
U.S. GAAP:						
Working Capital (Deficiency)	(Won) (332.5)	(Won) 729.6	(Won) (108.2)	(Won) (445.5)	(Won) 1,311.3	US\$ 1,266.8
Total Assets	11,182.8	13,841.0	15,720.7	15,586.2	15,576.8	15,048.6
Total Shareholders' Equity	6,117.9	5,820.1	6,356.2	7,014.7	8,237.0	7,957.7
OTHER FINANCIAL DATA						
Korean GAAP:						
EBITDA(8)	(Won) 2,941.7	(Won) 3,932.4	(Won) 3,954.1	(Won) 4,706.4	(Won) 4,085.8	US\$ 3,947.3
Capital Expenditures(9)	2,241.1	1,382.1	2,024.7	1,647.6	1,704.3	1,646.5
R&D Expenses(10)	117.1	153.7	253.3	300.7	336.1	324.7
Internal R&D	78.8	130.7	194.3	235.8	267.1	258.0
External R&D	38.3	23.0	59.0	64.9	69.0	66.7
Depreciation and Amortization	1,456.4	1,759.6	1,543.3	1,646.3	1,741.6	1,682.5
Cash Flow from Operating Activities	3,043.5	2,423.9	4,267.8	3,328.8	2,516.1	2,430.8
Cash Flow from Investing Activities	(4,667.8)	(1,972.8)	(3,063.4)	(1,414.4)	(1,469.5)	(1,419.7)
Cash Flow from Financing Activities	1,629.3	331.2	(1,418.2)	(2,261.0)	(968.6)	(935.8)
Margins (% of total sales):						
EBITDA Margin(8)	39.6%	47.0%	42.4%	45.8%	38.7%	38.7%
Operating Margin	20.1	27.8	30.0	30.2	23.1	23.1
Net Margin	13.1	13.7	15.9	19.1	14.1	14.1
U.S. GAAP:						
EBITDA(8)	2,930.5	3,859.1	3,620.7	4,679.1	3,970.4	3,835.8
Capital Expenditures(9)	2,241.1	1,382.1	2,024.7	1,647.6	1,704.3	1,646.5
Cash Flow from Operating Activities	3,043.5	2,423.8	3,708.9	3,281.3	2,985.9	2,884.7
Cash Flow from Investing Activities	(4,667.8)	(1,972.8)	(2,995.2)	(1,422.5)	(1,393.2)	(1,346.0)
Cash Flow from Financing Activities	1,629.3	331.2	(927.5)	(2,205.5)	(1,514.8)	(1,463.4)

As of or for the Year Ended December 31,

	2000	2001	2002	2003	2004
SUMMARY OPERATING DATA					
Population of Korea (millions)(11)	47.0	47.4	47.6	47.9	48.2
Our Wireless Penetration(12)	30.7%	32.0%	36.1%	38.2%	39.0%
Number of Employees(13)	7,279	5,693	6,241	6,286	7,353
Total Sales per Employee (millions)	(Won) 1,019.8	(Won) 1,470.6	(Won) 1,494.0	(Won) 1,634.1	(Won) 1,437.6
Wireless Subscribers(14)	14,452,683	15,179,163	17,219,562	18,313,315	18,783,338
Average Monthly Outgoing Voice Minutes per Subscriber(15)	148	172	191	197	194
Average Monthly Revenue per Subscriber(16)	(Won) 32,906	(Won) 36,400	(Won) 38,383	(Won) 39,739	(Won) 39,689
Average Monthly Churn Rate(17)	2.8%	1.4%	1.4%	1.2%	1.7%
Digital Cell Sites(18)	7,008	6,056	7,384	8,309	9,458

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

- (1) Includes Won 494.0 billion for 2000, Won 702.4 billion for 2001, Won 534.0 billion for 2002, Won 612.0 billion for 2003 and Won 649.8 billion for 2004 from the sale of digital handsets by our former subsidiary, SK Teletech Co., Ltd., and Won 1,312.4 billion for 2000, Won 1,339.9 billion for 2001, Won 1,043.2 billion for 2002, Won 1,017.1 billion for 2003 and Won 849.4 billion for 2004 of interconnection revenue (including interconnection revenue in respect of calls between mobile users starting in 2000). Shinsegi was merged into us on January 13, 2002. See Business Interconnection .
- (2) In March 2001, we transferred our paging business to Real Telecom Co., Ltd. (formerly known as INTEC Telecom Co., Ltd.) in exchange for 9.9% of Real Telecom's newly issued shares and bonds with a principal amount of Won 9.5 billion that can be converted into an additional 7.8% interest in Real Telecom. Consequently, the results of the paging business are no longer included in our revenues after such date.
- (3) For more information about our other revenue, see Management's Discussion and Analysis of Financial Condition and Results of Operations and Business .

Table of Contents

- (4) Income per share of common stock is calculated by dividing net income by the weighted average number of shares outstanding during the period, giving effect to the 10-for-1 stock split of our common shares which became effective on April 21, 2000 and resulted in the par value of each share being reduced from Won 5,000 to Won 500.
- (5) Dividend per share of common stock has been adjusted to give effect to the 10-for-1 stock split of our common shares of common stock which became effective on April 21, 2000. On January 1, 2002, we adopted Statement of Korea Accounting Standards (SKAS) No. 6, Events Occurring after Balance Sheet Date . This statement requires that proposed cash dividends be reflected on the balance sheet when the appropriations are approved by shareholders which is similar to U.S. GAAP. In order to reflect this accounting change, our prior year s financial statements have been restated accordingly. See note 2(w) of the notes to our consolidated financial statements.
- (6) Working capital means current assets minus current liabilities.
- (7) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rate of Won 1,260 to US\$1.00 as of December 31, 2000, Won 1,326 to US\$1.00 as of December 31, 2001, Won 1,200 to US\$1.00 as of December 31, 2002, Won 1,198 to US\$1.00 as of December 31, 2003 and Won 1,044 to US\$1.00 as of December 31, 2004, the rates of exchange permitted under Korean GAAP as of those dates. See note 2(s) of the notes to our consolidated financial statements.
- (8) EBITDA refers to income before interest income, interest expense, taxes, depreciation and amortization. EBITDA is commonly used in the telecommunications industry to analyze companies on the basis of operating performance, leverage and liquidity. Since the telecommunications business is a very capital intensive business, capital expenditures and level of debt and interest expenses may have a significant impact on net income for companies with similar operating results. Therefore, for a telecommunications company such as ourselves, we believe that EBITDA provides a useful reflection of our operating results. We use EBITDA as a measurement of operating performance because it assists us in comparing our performance on a consistent basis as it removes from our operating results the impact of our capital structure, which includes interest expense from our outstanding debt, and our asset base, which includes depreciation and amortization of our property and equipment. However, EBITDA should not be construed as an alternative to operating income or any other measure of performance determined in accordance with Korean GAAP or U.S. GAAP or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities. Other companies may define EBITDA differently than we do. EBITDA under U.S. GAAP is computed using interest income, interest expense, depreciation, amortization and income taxes under U.S. GAAP which may differ from Korean GAAP for these items.
- (9) Consists of investments in property, plant and equipment.
- (10) Includes donations to Korean research institutes and educational organizations. See Management s Discussion and Analysis of Financial Condition and Results of Operations Research and Development .
- (11) Population estimates based on historical data published by the National Statistical Office of Korea.
- (12) Wireless penetration is determined by dividing subscribers by total estimated population, as of the end of the period.
- (13) Includes regular employees and temporary employees. See Employees . Includes 1,687 and 1,332 Shinsegi employees as of December 31, 2000 and 2001, respectively.
- (14) Wireless subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history. Wireless subscribers also include 3,517,831 Shinsegi subscribers as of December 31, 2000 and 3,311,874 as of December 31, 2001. Shinsegi was merged into SK Telecom on January 13, 2002.
- (15) The average monthly outgoing voice minutes per subscriber is computed by dividing the total minutes of outgoing voice usage for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. The monthly weighted average number of subscribers is the sum of the average number of subscribers for the month, calculated by taking the simple average number of subscribers at the beginning of the month and at the end of the month, divided by the number of months in the period. Shinsegi s subscribers and outgoing voice minutes are included from April 1, 2000.
- (16) The average monthly revenue per subscriber excludes interconnection revenue and is computed by dividing total initial connection fees, monthly access fees, usage charges for voice and data, international charges, value-added service fees; and interest on overdue accounts (net of telephone tax) for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. Including interconnection revenue, consolidated average monthly revenue per subscriber was Won 43,958 for 2002, Won 44,546 for 2003 and Won 43,542 for 2004. Shinsegi s subscribers and revenue are included from April 1, 2000. For information about the average monthly revenue per subscriber of SK Telecom and Shinsegi on a stand-alone basis, see Management s Discussion and Analysis of Financial Condition and Results of Operations Overview .
- (17) The average monthly churn rate for a period is the number calculated by dividing the sum of voluntary and involuntary deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period and dividing the quotient by the number of months in the period. Churn includes subscribers who upgrade to CDMA 1xRTT or CDMA 1xEV/ DO-capable handsets by terminating their service and opening a new subscriber account.
- (18) Includes 2,532 cell sites of Shinsegi as of December 31, 2000 and 1,685 cell sites as of December 31, 2001.

Table of Contents

As a measure of our operating performance, we believe that the most directly comparable U.S. and Korean GAAP measure to EBITDA is net income. The following table reconciles our net income under U.S. GAAP to our definition of EBITDA on a consolidated basis for the five years ended December 31, 2000, 2001, 2002, 2003 and 2004.

RECONCILIATION OF NET INCOME TO EBITDA UNDER U.S. GAAP

As of or for the Year Ended December 31,

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

* The conversion into Dollars was made at the rate of Won 1,035.1 to US\$1.00. See note 2(a) of the notes to our consolidated financial statements. The following table reconciles our net income under Korean GAAP to our definition of EBITDA on a consolidated basis for the five years ended December 31, 2000, 2001, 2002, 2003 and 2004.

RECONCILIATION OF NET INCOME TO EBITDA UNDER KOREAN GAAP

As of or for the Year Ended December 31,

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

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

Table of Contents

RISK FACTORS

An investment in the ADSs offered hereby involves various risks. If you are considering purchasing our ADSs, you should carefully review the information contained in this prospectus, including in particular, the following:

Competition May Reduce Our Market Share and Harm Our Results of Operation and Financial Condition.

We face substantial competition in the wireless telecommunications sector in Korea. We expect competition to intensify as a result of consolidation of market leaders and the development of new technologies, products and services. We expect that such trends will continue to put downward pressure on the prevailing tariffs we can charge our subscribers. Also, continued competition from the other wireless and fixed-line service providers has resulted in, and may continue to result in, a substantial level of deactivations among our subscribers. Subscriber deactivations, or churn, may significantly harm our business and results of operations. In addition, increased competition may cause our marketing expenses to increase as a percentage of sales, reflecting higher advertising expenses and other costs of new marketing activities, which may need to be introduced to attract and retain subscribers.

Prior to April 1996, we were the only wireless telecommunications service provider in Korea. Since then, several new providers have entered the market, offering wireless voice and data services that compete directly with our own. Together, these providers had a market share of approximately 48.9%, in terms of numbers of wireless service subscribers, as of June 30, 2005. Furthermore, in 2001, the Government awarded to three companies licenses to provide high-speed third generation, or 3G, wireless telecommunications services. One of these licenses was awarded to SK Telecom's former subsidiary, SK IMT Co., Ltd., which was merged into SK Telecom on May 1, 2003, and the other two licenses were awarded to consortia led by or associated with KT Corporation, Korea's principal fixed-line operator and the parent of KTF, one of our principal wireless competitors, and to LGT. In addition, our wireless voice businesses compete with Korea's fixed-line operators, and our wireless data and Internet businesses compete with providers of fixed-line data and Internet services.

Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry resulting in the emergence of stronger competitors. In 2000, KT Corporation acquired a 47.9% interest in Hansol M.Com (formerly Hansol PCS Co., Ltd.), which was the fifth largest wireless operator in terms of numbers of wireless service subscribers at such time. Hansol M.Com subsequently changed its name to KT M.Com and merged into KTF in May 2001. In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. KT Corporation had a 48.7% interest in KTF as of December 31, 2004. It is widely believed that KT Corporation is likely to operate more efficiently and be managed more effectively and profitably following its privatization. Such consolidation has created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings. Future business combinations and alliances in the telecommunications industry may also create significant new competitors and could harm our business and results of operations.

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

Table of Contents

Inability to Successfully Implement or Adapt Our Network and Technology to Meet the Continuing Technological Advancements Affecting the Wireless Industry Will Likely Have a Material Adverse Effect on Our Financial Condition, Results of Operation and Business.

The telecommunications industry has been characterized by continuous improvement and advances in technology and this trend is expected to continue. For example, we and our competitors have introduced new network technology upgrades from our basic CDMA network to a more advanced high-speed wireless telecommunications network based on CDMA 1xRTT and CDMA 1xEV/DO technology. Recently, Korean wireless telecommunications companies, including us, have begun to implement even newer technologies such as W-CDMA and CDMA2000, both of which are commonly referred to as 3G technology. W-CDMA service is also known as IMT-2000 service in Korea. Such new networks are expected to support data transmission services with more advanced features and significantly higher data transmission speeds than our principal data network. We commenced provision of our W-CDMA services on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA network in other metropolitan areas of Korea. The successful introduction and operation of a 3G network by a competitor could materially and adversely affect our existing wireless businesses as well as the returns on future investments we may make in our 3G network or our other businesses. In addition, although it is in its very nascent stages, it is our understanding that many industry participants, both in Korea and elsewhere, including us, are developing what is known as 4G technologies, which when developed, is intended to provide even greater speeds and capacity than that offered by the current 3G technologies. We could be harmed if we fail to adapt to technological or other changes in the telecommunications sector in a timely manner. For a description of some of the difficulties that we are facing with respect to W-CDMA, see W-CDMA technology may require significant capital and other expenditures for implementation which we may not recoup and may be difficult to integrate with our other businesses .

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

W-CDMA Technology May Require Significant Capital and Other Expenditures for Implementation Which We May Not Recoup and Such Technology May Be Difficult to Integrate with Our Existing Technology and Business.

W-CDMA is a high-speed wireless communication technology that we believe will allow us to offer even more sophisticated wireless data transmission services at faster speeds than our current CDMA 1xRTT network or our CDMA 1xEV/DO network. Under the terms of our W-CDMA license received in 2001 from the MIC, we were required to commence provision of W-CDMA services by the end of 2003. We commenced our W-CDMA based services on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build out our W-CDMA network in other metropolitan areas of Korea. Although we developed and launched in March 2005 dual band/dual mode handsets, one of the prerequisites for a nationwide deployment of W-CDMA, the actual scope and timing of the full nationwide roll-out of our W-CDMA network will depend on various other factors, including the availability of network equipment, ability to overcome technical problems currently affecting W-CDMA performance, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market.

We cannot assure you that we will be able to construct a nationwide W-CDMA network or provide W-CDMA services in a timely, effective and cost-efficient manner. Several companies in other countries have announced delays in the roll-out of their 3G services as a result of technological problems and difficulties with

Table of Contents

software, equipment and handset supply. We believe that we may be vulnerable to similar problems, and if such problems are not resolved effectively as they arise, our financial condition or results of operations could be adversely affected. In addition, the MIC is empowered to take various measures against us ranging from the suspension of our business to the revocation of our W-CDMA license if we fail to comply with the terms of our W-CDMA license. We believe that we are currently in compliance with all material terms of the license. Also, even if we complete our W-CDMA network in a timely basis, we cannot assure you that there will be sufficient demand for our W-CDMA services, as a result of competition or otherwise, to permit us to recoup or profit from our investment in the W-CDMA license and network. In addition, demand for our W-CDMA services will depend in part on the availability of attractive content and services. We cannot assure you that such content and services will become available in a timely manner, or at all.

We expect that the build-out of our W-CDMA network may require external financing, and we cannot assure you that such financing will be available at a cost acceptable to us, or at all. Also, we cannot assure you that we will be able to successfully integrate W-CDMA services into our existing businesses in a timely or cost-effective manner or that the W-CDMA business will not adversely affect our current wireless businesses, including the services currently provided on our existing networks.

Our Growth Strategy Calls for Significant Investments in New Businesses and Regions, Including Businesses and Regions in Which We Have Limited Experience.

As a part of our growth strategy, we plan to seek business opportunities abroad. For example, we recently entered into a joint venture project with China Unicom in February 2005 to market and offer wireless Internet service in China and have established a joint venture with EarthLink in the United States, to provide voice and data services as a mobile virtual network operator in the United States. We also have ongoing projects in Vietnam and Mongolia. We will continue to seek opportunities for additional capital contributions in our investee companies or for new investments in a disciplined manner, consistent with our core values and philosophies. Entering these new businesses and regions, in which we have limited experience, may require us to make substantial investments and no assurance can be given that we will be successful in our efforts.

Due to the Existing High Penetration Rate of Wireless Services in Korea and the Korean Government's Prohibition on Handset Subsidies, We are Unlikely to Maintain Our Subscriber Growth Rate, Which Could Adversely Affect Our Results of Operations.

According to data published by the MIC and our population estimates based on historical data published by the National Statistical Office of Korea, the penetration rate for the Korean wireless telecommunications service industry as of June 30, 2005 was approximately 77.7%, which is high compared to many industrialized countries. It is unlikely that the penetration rates for wireless telecommunications service will grow at the same pace as it has in the past given such high penetration rates. Slowed growth in penetration rates without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition and results of operations.

In the past, wireless telecommunications service providers provided handsets at below retail prices to attract new subscribers, offsetting a significant portion of the cost of handsets. The rapid growth in penetration rate in recent years can, at least in part, be attributed to such subsidies on handsets given to new subscribers. The MIC prohibited all wireless telecommunications service providers, subject to certain exceptions stipulated in the Telecommunications Business Act, from providing any such handset subsidies beginning June 1, 2000. The MIC has, on several occasions between March 2002 and May 2005, imposed various types of sanctions and fines against us and the other wireless service providers for violating restrictions on providing handset subsidies and other activities which were deemed to be disruptive to fair competition. We paid the fines and believe that we have complied in all material respects with the other sanctions imposed by the MIC. For details on these and other government penalties, see [Legal Proceedings](#).

Table of Contents

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

As a result of the already high penetration rates in Korea for wireless services, our large market share, the MIC's handset subsidy regulation and the steps we have taken to comply with such regulation, we expect our subscriber growth rate to decrease, which could adversely affect our results of operations.

Our Business and Results of Operations May Be Adversely Affected if We Fail to Acquire Adequate Additional Spectrum or Use Efficiently Our Bandwidth to Accommodate Subscriber Growth and Subscriber Usage.

One of the principal limitations on a wireless network's subscriber capacity is the amount of spectrum available for use by the system. We have been allocated 2 x 25 MHz of spectrum in the 800 MHz band. As a result of bandwidth constraints, our CDMA 1xRTT network is currently operating near its capacity in the Seoul metropolitan area and although capacity constraints are not as severe on our CDMA 1xEV/DO network, this network generally operates at high utilization rates. While we believe that we can address this through system upgrades and efficient allocation of bandwidth, inability to address such capacity constraints in a timely manner may adversely affect our business and results of operations.

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

We May Have to Make Further Financing Arrangements to Meet Our Capital Expenditure Requirements and Debt Payment Obligations.

As a network-based wireless telecommunications provider, we have had in the past and expect to continue to have significant capital expenditure requirements, as we continue to build-out and maintain our networks. We estimate that we will spend approximately Won 1.6 trillion for capital expenditures in 2005 for a range of projects, including expansion and improvement of our wireless networks, investments in our Internet-

Table of Contents

related businesses and expansion of our W-CDMA network. We currently plan to invest Won 600 billion on expansion of our W-CDMA network in 2005. For a more detailed discussion of our capital expenditure plans and a discussion of other factors which may affect our future capital expenditures, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources. At December 31, 2004, we had approximately Won 500.0 billion in contractual payment obligations due in 2005 of which almost all involve repayment of debt obligations. See Management's Discussion and Analysis of Financial Condition and Results of Operations Contractual Obligation and Commitments.

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

Termination or Impairment of Our Relationship with a Small Number of Key Suppliers for Network Equipment and for Lease Lines Could Adversely Affect Our Results of Operations.

We purchase wireless network equipment from a small number of suppliers. We purchase our principal wireless network equipment from Samsung Electronics Co., Ltd. and LG Electronics Inc. To date, we have purchased substantially all of the equipment for our CDMA 1xRTT and CDMA 1xEV/DO networks from Samsung Electronics. Samsung Electronics also currently manufactures more than 40% of the wireless handsets sold to our subscribers. Although other manufacturers sell the equipment we require, sourcing such equipment from other manufacturers could result in delays and additional costs in our roll-out or expansion of the CDMA 1xRTT and CDMA 1xEV/DO networks. With respect to the introduction of 3G services, various wireless telecommunications service providers globally have had difficulty in obtaining adequate quantities of various types of 3G equipment, including handsets, from suppliers. Inability to obtain the needed equipment for our networks in a timely manner may have an adverse effect on our business, financial condition and results of operations.

In addition, we rely on KT Corporation and SK Networks to provide a substantial majority of our leased lines used for our wireless services. In 2004, KT Corporation and SK Networks provided approximately 21% and 65%, respectively, of our leased lines. We cannot assure you that we will be able to continue to obtain the necessary equipment from one or more of our suppliers. Any discontinuation or interruption in the availability of equipment from our suppliers for any reason could have an adverse effect on our results of operations. Inability to lease adequate lines, at commercially reasonable rates may impact the quality of the services we offer and may result in damaging our reputation and our business.

Our Businesses are Subject to Extensive Government Regulation and Any Change in Government Policy Relating to the Telecommunications Industry Could Have a Material Adverse Effect on Our Results of Operations and Financial Condition.

All of our businesses are subject to extensive government supervision and regulation. The MIC has periodically reviewed the tariffs charged by wireless operators and has from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some level of tariff reductions in response to these suggestions. After discussions with the MIC, effective January 1, 2003, we reduced our standard rate plan's monthly access fee by Won 1,000, increased our free air time from 7 minutes to

Table of Contents

10 minutes per month and reduced our peak usage charges from Won 21 to Won 20 per minute. After discussions with the MIC, in October 2003, we reduced our monthly charges for caller ID service from Won 2,000 to Won 1,000. In addition, after discussions with the MIC, effective September 1, 2004, we reduced our monthly basic charge by 7.1% from Won 14,000 to Won 13,000.

The Korean government plays an active role in the selection of technology to be used by telecommunications operators in Korea. The MIC has adopted the W-CDMA and CDMA2000 technologies as the only standards available in Korea for implementing 3G services. The MIC may impose similar restrictions on the choice of technology used in future telecommunications services and we can give no assurance that the technologies promoted by the Government will provide the best commercial returns for us.

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

In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. In accordance with the plan published by the MIC, the number portability system was adopted by SK Telecom first, starting from January 1, 2004. KTF and LGT were required to introduce number portability starting from July 1, 2004 and January 1, 2005, respectively. In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the new services, the MIC has required all new subscribers to be given numbers with the 010 prefix starting January 2004, and it has been gradually retracting the mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services.

We believe that the use of the common prefix identification system may pose a greater risk to us compared to the other wireless telecommunications providers because 011 has a very high brand recognition in Korea as the premium wireless telecommunications service. The MIC's adoption of the number portability system could also result in a deterioration of our market share as a result of weakened customer loyalty, increased competition among wireless service providers and higher costs of marketing as a result of maintaining the number portability system, increased subscriber deactivations, increased churn rate and higher marketing costs, all of which had, and may continue to have, an adverse effect on our results of operations. See [Management's Discussion and Analysis of Financial Condition and Results of Operations](#) . See [Business Law and Regulation Number Portability](#) .

In December 2002, the MIC implemented a wireless Internet network co-share system that permits the wireless application protocol gateway, or WAP gateway, of a fixed-line operator to connect to a wireless network service provider's IWF (inter-working function) device. IWF is a device that connects cellular network with an IP (Internet Protocol) network while WAP Gateway converts hypertext transfer protocol, or HTTP protocol, into WAP protocol. This co-share system would allow subscribers of a wireless network service provider to have access to wireless Internet content provided by a fixed-line operator. In December 2002, KT Corporation connected to our IWF but has not yet commenced service. In July 2003, the MIC approved the basic terms regarding the implementation of a network co-system. In January 2004, we entered into a memorandum of understanding with Onse to establish a co-share system, and launched these services in June 2005. Currently, our subscribers can access portals provided by outside parties. In addition, the MIC has requested that a third party oversee wireless operators' customer billing procedures with respect to third-party content providers who are seeking to provide their content directly to subscribers without going through an individual operator's portal, as third-party content providers have experienced difficulties in the past in providing their content service directly

Table of Contents

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

We are Subject to Additional Regulation as a Result of Our Market Position, Which Could Harm Our Ability to Compete Effectively.

The MIC's policy is to promote competition in the Korean telecommunications markets through measures designed to prevent the dominant service provider in a telecommunications market from exercising its market power to prevent the emergence and development of viable competitors. We are currently designated by the MIC as a market dominant service provider in respect of our wireless telecommunications business. As such, we are subject to additional regulation to which our competitors are not subject. For example, under current government regulations, we must obtain prior approval from the MIC to change our existing rates or introduce new rates while our competitors may generally change their rates or introduce new rates at their discretion. See Business Law and Regulation Rate Regulation. As of June 30, 2005, our standard peak usage charge rate was approximately 11.1% higher than those charged by our competitors. We could also be required by the MIC to charge higher usage rates than our competitors for future services. In addition, we were required to introduce number portability earlier than our competitors, KTF and LGT.

In addition, when the MIC approved the merger of Shinsegi into us in January 2002, the MIC imposed certain conditions on us. The MIC periodically reviews our compliance with the conditions related to our merger with Shinsegi. On May 25, 2004, a policy advisory committee to the MIC announced the results of its review and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we have violated the conditions related to our merger with Shinsegi by providing subsidies to handset buyers. In June 2004, the MIC imposed a Won 11.9 billion fine on us and extended the post-merger monitoring period until January 2007 pursuant to the policy advisory committee's recommendation. On May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. Furthermore, on July 7, 2005, we announced our intention to continue such undertaking through the end of 2007. We can give no assurance that the MIC will not take action that may have a material adverse effect on our business, operations and financial condition. See Risk Factors Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition.

In addition, we qualify as a market-dominating business entity under the Fair Trade Act. The Fair Trade Commission of Korea, or the FTC, approved our acquisition of Shinsegi on various conditions, one of which was that SK Telecom's and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50.0% as of June 30, 2001. In order to satisfy this condition, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers from April 1, 2001 through June 30, 2001. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001. We are not currently subject to any market share limitations; however, on May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. We can give no assurances that the Government will not impose restrictions on our market share in the future or that we will not undertake to voluntarily restrict our market share in the future. If we are subject to market share limitations in the future, our ability to compete effectively will be impeded. The FTC, also as a condition to the Shinsegi acquisition, imposed a maximum limit of 1,200,000 on the number of digital handsets we may purchase annually from our former subsidiary, SK Teletech Co., Ltd., until December 31, 2005. The limitation on the number of handsets we may purchase annually from SK Teletech does not apply to W-CDMA handsets.

Table of Contents

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

Financial Difficulties and Charges of Financial Statement Irregularities at Our Affiliate, SK Networks (Formerly SK Global), May Cause Disruptions in Our Business.

Charges of financial statement irregularities by certain directors and executives at SK Networks have culminated in the resignation of four of our board members and executives, although none of these resignations were related to any allegations of wrongdoing in connection with their role in our business. SK Telecom was not implicated in any of the charges against SK Networks' management. Furthermore, continuing financial difficulties at SK Networks could result in our having to look for alternative sources for handset distribution and fixed network line needs. In February 2004, Mr. Kil Seung Son and Mr. Tae Won Chey, who both received prison terms of three years in the court of first instance and appealed to the Seoul High Court in connection with allegations of financial misconduct at SK Networks, resigned from our board of directors, along with Mr. Moon Soo Pyo, our president and Mr. Jae Won Chey, our executive vice president. On June 11, 2005, Mr. Kil Seung Son and Mr. Tae Won Chey each received a sentence of imprisonment of three years and probation of five years (while the sentence was suspended) by an appellate trial in the Seoul High Court. On June 15, 2005 both Mr. Son and Mr. Chey filed an appeal to the Supreme Court of Korea against the judgment of the appellate court. The case is now pending at the Supreme Court. See Management Directors and Senior Management Involvement in Certain Legal Proceedings .

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

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

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

Table of Contents

Concerns that Radio Frequency Emissions May Be Linked to Various Health Concerns Could Adversely Affect Our Business and We Could be Subject to Litigation Relating to These Health Concerns.

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

Our Businesses May Be Adversely Affected by Developments Affecting the Korean Economy.

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

In 1997 and 1998, Korea experienced a significant increase in the number and size of companies filing for corporate reorganization and protection from their creditors. As a result of these corporate failures, high levels of short-term foreign currency borrowings from foreign financial institutions and the consideration of non-market oriented factors in making lending decisions, Korea's financial institutions experienced a sharp increase in non-performing loans and a deterioration in their capital adequacy ratios. These developments led to a substantial increase in the number of unemployed workers, reducing the purchasing power of consumers in Korea. These developments also led international credit rating agencies to downgrade the credit ratings of Korea and various companies and financial institutions in Korea to below investment grade, although S&P and Moody's raised the credit rating of Korea back to investment grade levels in early 1999. The current long-term foreign currency rating of Korea by S&P is A- and the current foreign currency rating on bond obligations of Korea by Moody's is A3. Prompted by heightened security concerns stemming from nuclear weapons program of Democratic People's Republic of Korea, or North Korea, Moody's had lowered the outlook on the long-term ratings of Korea from positive to negative in February 2003 before raising it to stable in June 2004 in response to a series of six party talks involving Korea, the United States, North Korea, China, Japan and Russia that suggested lessened tension over the nuclear weapons program of North Korea.

Although the Korean economy began to experience a recovery in 1999, the pace of the recovery has since slowed and has been volatile. The economic indicators in 2001, 2002, 2003 and 2004 have shown mixed signs of recovery and uncertainty, and future recovery or growth of the economy is subject to many factors beyond our control. Events related to terrorist attacks in the United States that took place on September 11, 2001, recent developments in the Middle East, including the war in Iraq, higher oil prices and the general weakness of the global economy have increased the uncertainty of world economic prospects in general and continue to have an adverse effect on the Korean economy. Any future deterioration of the Korean economy would adversely affect our financial condition and results of operations. Developments that could hurt Korea's economy in the future include:

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

Depreciation of the Value of the Won Against the Dollar and Other Major Foreign Currencies May Have a Material Adverse Effect on Our Results of Operations and on the Prices of Our Common Stock and the ADSs.

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

an increase in the amount of Won required by us to make interest and principal payments on our foreign currency-denominated debt, which accounted for approximately 18.7% of our total consolidated long-term debt, including current portion, as of

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

December 31, 2004; and

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

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

Table of Contents

the secondary market price of the ADSs.

For historical exchange rate information, see Exchange Rates .

Increased Tensions with North Korea Could Have an Adverse Effect on Us and the Prices of Our Common Stock and the ADSs.

Relations between Korea and North Korea have been tense over most of Korea's history. The level of tension between Korea and North Korea has fluctuated and may increase or change abruptly as a result of current and future events, including ongoing contacts at the highest levels of the governments of Korea and North Korea and increasing hostility between North Korea and the United States. In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant and evicted inspectors from the United Nations International Atomic Energy Agency, and has reportedly resumed activity at its Yongbyon power plant. In January 2003, North Korea announced its intention to withdraw from the Nuclear Non-Proliferation Treaty, demanding that the United States sign a non-aggression pact as a condition to North Korea dismantling its nuclear program. In August 2003, representatives of Korea, the United States, North Korea, China, Japan and Russia held multilateral talks in an effort to resolve issues relating to the nuclear weapons program of North Korea. While the talks concluded without resolution, participants in the August meeting indicated that further negotiations may take place in the future and, in February 2004, six party talks resumed in Beijing, China. Since the last six party talks in June 2004, however, the talks involving the six countries aimed at dismantling the North Korea's nuclear programs have been stalled. In February 2005, North Korea claimed that it had nuclear weapons and was pulling out of the six party talks. Any further increase in tensions, resulting for example from a break-down in contacts, test of long-range nuclear missiles coupled with continuing nuclear programs by North Korea or an outbreak in military hostilities, could hurt our business, results of operations and financial condition and could lead to a decline in the market value of our common stock and the ADSs.

If SK Corporation Causes Us to Breach the Foreign Ownership Limitations on Shares of Our Common Stock, We May Experience a Change of Control.

There is currently a 49% limit on the aggregate foreign ownership of our issued shares. Under a newly adopted amendment to the Telecommunications Business Law, which became effective on May 9, 2004, a Korean entity, such as SK Corporation, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the issued voting stock of the Korean entity. As of December 31, 2004, SK Corporation owned 17,663,127 shares of our common stock, or approximately 21.47%, of our issued shares. If SK Corporation were considered a foreign shareholder of SK Telecom, then its shareholding in SK Telecom would be included in the calculation of the aggregate foreign shareholding of SK Telecom and the aggregate foreign shareholding in SK Telecom (based on our foreign ownership level as of December 31, 2004, which we believe was 48.33%) would exceed the 49% ceiling on foreign shareholding. As of December 31, 2004, a foreign investment fund and its related parties collectively held a 14.85% stake in SK Corporation, but as of July 22, 2005, the foreign investment fund and its related parties had sold all or substantially all of its stake in SK Corporation. However, we could breach the foreign ownership limitations if the number of shares of our common stock or ADSs owned by other foreign persons significantly increases.

If the aggregate foreign shareholding limit in SK Telecom is exceeded, the MIC may issue a corrective order to SK Telecom, the breaching shareholder (including SK Corporation if the breach is caused by an increase in foreign ownership of SK Corporation) and any foreign investment fund and its related parties who may own in the aggregate 15% or more of SK Corporation. Furthermore, if SK Corporation is considered a foreign shareholder, it may not exercise its voting rights with respect to the shares held in excess of the 49% ceiling, which may result in a change in control of us. In addition, the MIC may refuse to grant us licenses or permits necessary for entering into new telecommunications businesses until the aggregate foreign shareholding of SK

Table of Contents

Telecom is reduced to below 49%. If a corrective order is issued to us by the MIC arising from the violation of the foregoing foreign ownership limit, and we do not comply within the prescribed period under such corrective order, the MIC may (1) suspend all or part of our business, or (2) if the suspension of business is deemed to result in significant inconvenience to our customers or be detrimental to the public interest, impose a one-time administrative penalty of up to 3% of our sales revenues. The amendment to the Telecommunications Business Law in May 2004 also authorizes the MIC to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year and a penalty of Won 50 million. For a description of further actions that the MIC could take, see Business Law and Regulation Foreign Ownership and Investment Restrictions and Requirements .

If Our Convertible Notes are Converted by Foreign Holders and the Conversion Would Cause a Violation of the Foreign Ownership Restrictions of the Telecommunications Business Law, or in Certain Other Circumstances, We May Have to Sell Common Stock in Order to Settle the Converting Holders' Conversion Rights in Cash Rather Than by Issuing Common Stock to Them, and These Sales Might Adversely Affect the Market Price of Our Common Stock or ADRs.

In May 2004, we sold US\$329.5 million in zero coupon convertible notes due 2009. These convertible notes are convertible by the holders into shares of our common stock at the rate of Won 226,566 per share as of July 22, 2005. 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 intend to sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Law or other legal restrictions. The number of shares sold in these circumstances might be substantial. We cannot assure you that such sales would not adversely affect the market prices of our common stock or ADSs.

Sales of SK Telecom Shares by Companies in the SK Group, POSCO and/or Other Large Shareholders May Adversely Affect the Prices of SK Telecom's Common Stock and the ADSs.

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

As of December 31, 2004, POSCO owned 4.98% of our issued common stock. POSCO has not agreed to any restrictions on its ability to dispose of our shares. See Share Ownership . Companies in the SK Group, which collectively owned 24.03% of our issued common stock as of December 31, 2004, may sell their shares of our common stock in order to comply with the Fair Trade Act's limits on the total investments that companies in a large business group, such as the SK Group, may hold in other domestic companies. See Business Law and Regulation Competition Regulation . In addition, each of SK Corporation, which owned 21.47%, and SK Networks, which owned 2.55%, of our shares as of December 31, 2004, has agreed, during the period beginning from the date of this prospectus and continuing to and including 150 days and 90 days, respectively, after such date, except as provided hereunder, not to offer, sell, contract to sell, pledge, transfer or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our capital stock or securities that are convertible into or exchangeable or exercisable for any shares of our capital stock, without, in each case, the prior written consent of the Joint Bookrunners, subject to certain exceptions. See Underwriting . If SK Corporation or SK Networks sells substantial amounts of our common stock in the public market following the expiration of the aforementioned lock-up periods, or if there is a perception that these sales may occur, the market price of our common stock and the ADSs may be depressed and the value of your investment could substantially decrease. 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,

Table of Contents

or the availability of shares of our common stock for future sale, will not adversely affect the market prices of the shares of our common stock or ADSs prevailing from time to time.

Korea's New Legislation Allowing Class Action Suits Related to Securities Transactions May Expose Us to Additional Litigation Risk.

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

If an Investor Surrenders His ADSs to Withdraw the Underlying Shares, He May Not Be Allowed to Deposit the Shares Again to Obtain ADSs.

Under the deposit agreement, holders of shares of our common stock may deposit those shares with the ADR depository's custodian in Korea and obtain ADSs, and holders of ADSs may surrender ADSs to the ADR depository and receive shares of our common stock. However, under the terms of the deposit agreement, as amended, the depository bank is required to obtain our prior consent to any such deposit if, after giving effect to such deposit, the total number of shares of our common stock on deposit, which was 22,514,442 shares as of April 30, 2005, exceeds a specified maximum, subject to adjustment under certain circumstances. In addition, the depository bank or the custodian may not accept deposits of our common shares for issuance of ADSs under certain circumstances, including (1) if it has been determined by us that we should block the deposit to prevent a violation of applicable Korean laws and regulations or our articles of incorporation or (2) if a person intending to make a deposit has been identified as a holder of at least 3% of our common stock on October 7, 2002. See 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 incorporation require us, with some exceptions, to offer shareholders the right to subscribe for new shares in proportion to their existing ownership percentage whenever new shares are issued. If we offer any rights to subscribe for additional shares of our common stock or any rights of any other nature, the ADR depository, after consultation with us, may make the rights available to an ADS holder or use reasonable efforts to dispose of the rights on behalf of the ADS holder and make the net proceeds available to the ADS holder. The ADR depository, however, is not required to make available to an ADS holder any rights to purchase any additional shares unless it deems that doing so is lawful and feasible and:

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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

Table of Contents

the offering and sale of those shares is exempt from, or is not subject to, the registration requirements of the U.S. Securities Act.

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

Short Selling of Our ADSs by Purchasers of Securities Convertible or Exchangeable Into Our ADSs Could Materially Adversely Affect the Market Price of Our ADSs.

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

After the Exchange of ADSs into the Underlying Common Shares of SK Telecom, Seller or Purchasers of the Underlying Common Shares May Have to Pay Securities Transaction Tax Upon the Transfer of the Shares.

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

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

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

We are Generally Subject to Korean Corporate Governance and Disclosure Standards, Which May Differ From Those in Other Countries.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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

Table of Contents

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.

Table of Contents

USE OF PROCEEDS

Momenta (Cayman), the selling shareholder, is selling all of the ADSs offered hereby. We will not receive any of the proceeds from the sale of these ADSs.

Table of Contents**EXCHANGE RATES**

The following table sets forth, for the periods and dates indicated, certain information concerning the noon buying rate in The City of New York for cable transfers in Won per US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York. We make no representation that the Won or Dollar amounts we refer to in this prospectus could have been or could be converted into Dollars or Won, as the case may be, at any particular rate or at all.

Year ended December 31,	At End of Period	Average Rate(1)	High	Low
	(Won per US\$1.00)			
2000	(Won) 1,267	(Won) 1,140	(Won) 1,267	(Won) 1,106
2001	1,314	1,293	1,369	1,234
2002	1,186	1,242	1,332	1,161
2003	1,192	1,193	1,262	1,146
2004	1,035	1,139	1,195	1,035
2005 (through July 22, 2005)	1,019	1,018	1,058	997
January	1,027	1,038	1,058	1,024
February	1,001	1,023	1,044	1,001
March	1,015	1,008	1,024	998
April	997	1,010	1,019	997
May	1,005	1,002	1,009	997
June	1,035	1,012	1,035	1,003
July (through July 22, 2005)	1,019	1,040	1,054	1,019

- (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 July 22, 2005, the noon buying rate was Won 1018.5 to US\$1.00.

Table of Contents**MARKET PRICE INFORMATION**

The principal trading market for our common stock is the KRX Stock Market. As of July 22, 2005, 82,276,711 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 depository 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 July 22, 2005, 202,629,978 ADSs representing 22,514,442 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, 2000:

Calendar Year	Prices(1)			Average Daily
	High(2)	Low(2)	Close	Trading Volume
	(Won per Share)			(Number of Shares)
2000	(Won) 481,000	(Won) 216,000	(Won) 253,000	262,660
2001	295,000	165,000	268,000	242,254
2002	299,000	209,500	229,000	261,482
2003	235,000	142,000	199,000	317,160
First Quarter	235,000	142,000	153,000	455,169
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	245,576
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 (through July 22)	200,500	163,500	187,000	162,992
First Quarter	200,500	171,000	171,000	202,857
January	200,500	179,000	179,000	175,817
February	184,000	176,500	181,000	266,888
March	184,500	171,000	171,000	179,188
Second Quarter	192,500	163,500	182,000	137,021
April	172,000	163,500	163,500	148,913
May	184,500	168,000	184,500	107,219
June	192,500	178,500	182,000	155,498
Third Quarter	187,500	178,500	187,000	114,138
July (through July 22)	187,500	178,500	187,000	114,138

Source: KRX Stock Market.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

- (1) The prices give effect to the 10-for-1 stock split of our common shares which became effective on April 21, 2000 and resulted in the par value of each share being reduced from Won 5,000 to Won 500.
- (2) Both high and low prices are based on the daily closing prices for the period.

Table of Contents**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, 2000:

Calendar Year	Prices(1)			Average Daily
	High(2)	Low(2)	Close	Trading Volume
	(US\$ per ADS)			(Number of ADSs)
2000	US\$ 50.69	US\$ 20.56	US\$ 23.56	832,301
First Quarter	50.69	33.50	39.00	964,229
Second Quarter	43.31	28.25	36.31	781,578
Third Quarter	43.44	20.56	25.63	810,021
Fourth Quarter	28.19	21.31	23.56	773,376
2001	28.94	13.50	21.62	710,410
First Quarter	28.94	15.18	15.18	743,602
Second Quarter	21.05	13.50	16.90	817,532
Third Quarter	20.21	16.15	18.44	655,302
Fourth Quarter	25.29	18.36	21.62	623,611
2002	26.75	19.25	21.35	684,421
First Quarter	24.70	20.30	24.60	488,958
Second Quarter	26.75	20.20	24.79	555,073
Third Quarter	26.36	19.25	21.23	963,578
Fourth Quarter	22.81	19.30	21.35	717,859
2003	21.85	12.83	18.65	742,545
First Quarter	21.85	12.83	13.62	971,215
Second Quarter	19.40	14.07	18.86	720,865
Third Quarter	20.83	17.71	17.84	724,291
Fourth Quarter	19.90	17.46	18.65	564,188
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 (through July 22)	22.19	18.96	20.65	698,817
First Quarter	22.19	19.41	19.72	798,390
January	22.19	19.96	19.96	767,815
February	21.30	19.74	21.30	931,705
March	21.62	19.41	19.72	711,050
Second Quarter	21.84	18.96	20.40	618,870
April	19.60	18.96	19.46	699,167
May	20.92	19.42	20.92	631,467
June	21.84	20.35	20.40	530,200
Third Quarter	20.87	20.06	20.65	634,993
July (through July 22)	20.87	20.06	20.65	634,993

Source: New York Stock Exchange.

- (1) The prices give effect to the 10-for-1 stock split of our common shares which became effective on April 21, 2000 and resulted in the par value of each share being reduced from Won 5,000 to Won 500.
- (2) Both high and low prices are based on the daily closing prices for the period.

Table of Contents**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 depository in Won. Under the terms of the deposit agreement, cash dividends received by the ADR depository generally are to be converted by the ADR depository into Dollars and distributed to the holders of the ADSs, less withholding tax, other governmental charges and the ADR depository's fees and expenses. The ADR depository's designated bank in Korea must approve this conversion and remittance of cash dividends. See [Korean Foreign Exchange Controls and Securities Regulations](#) and [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)(1)	Total Amount of Dividends (In billions of Won)	Number of Shares Entitled to Dividend
1997	(Won) 90	(Won) 5.6	62,169,720
1998	118	7.6	64,258,670
1999	185	15.4	83,284,110
2000	540	48.1	89,079,034
2001	690	57.3	82,993,404
2002	1,800	151.7	84,299,698
2003	5,500	404.9	73,614,308
2004	10,300	758.2	73,614,296

- (1) Dividend per share and amount of shares entitled to dividend have been adjusted to give effect to the 10-for-1 stock split of our common shares which became effective on April 21, 2000.

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 non-voting 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

Table of Contents

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 our own capital ratio 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 incorporation 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 2004, we distributed such interim dividends at Won 1,000 per share to our shareholders for a total amount of Won 73.6 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.

Table of Contents**CAPITALIZATION**

The following table sets forth our consolidated short-term debt and capitalization under Korean GAAP as of December 31, 2004. For additional information, see our consolidated financial statements and notes to consolidated financial statements contained in this prospectus.

	As of December 31, 2004			
	Actual		Actual	
	(In billions of Won)		(In millions of Dollars)	
Short-term debt (including current portion of long-term debt):				
Short-term borrowings				
Secured	(Won)		US\$	
Guaranteed				
Unsecured and unguaranteed		425.5		411.1
Current portion of long-term debt and other obligations Secured				
Guaranteed				
Unsecured and unguaranteed		498.3		481.4
Current portion of facility deposits		13.4		13.0
Total short-term debt	(Won)	937.2	US\$	905.5
Long-term debt, excluding current portion:				
Facility deposits	(Won)	31.4	US\$	30.4
Long-term borrowings and other obligations				
Secured				
Guaranteed				
Unsecured and unguaranteed(1)		2,891.8		2,793.8
Total long-term debt, excluding current portion	(Won)	2,923.2	US\$	2,824.2
Stockholders equity:				
Common stock, par value W500 per share:				
Authorized 220,000,000 shares				
Outstanding 73,614,296 shares	(Won)	44.6	US\$	43.1
Capital surplus		2,968.3		2,867.6
Retained earnings:				
Appropriated		4,733.9		4,573.3
Unappropriated		1,419.0		1,370.9
Capital adjustments:				
Treasury stock		(2,047.1)		(1,977.7)
Foreign-based operations translation credit		(8.0)		(7.7)
Stock options		4.8		4.7
Unrealized losses on valuation of investment securities		(93.0)		(89.8)
Equity in capital adjustments of affiliates		134.4		129.8
Loss on valuation of currency swap		(49.4)		(47.7)
Minority interest in equity of consolidated subsidiaries		98.2		94.9
Total stockholders equity	(Won)	7,205.7	US\$	6,961.4

Total capitalization (total long-term debt, excluding current portion, and stockholders equity)	(Won) 10,128.9	US\$ 9,785.6
--	----------------	--------------

-
- (1) In March 2005, we issued Won-denominated notes in the principal amount of Won 200.0 billion, with an interest rate of 4.0% due 2010. The proceeds of such notes were used to pay maturing debt.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA**

You should read the selected consolidated financial and operating data below in conjunction with the consolidated financial statements and the related notes included elsewhere in this prospectus. The selected consolidated financial data for the five years ended December 31, 2004 are derived from our audited consolidated financial statements and related notes thereto. Information as of and for the years ended December 31, 2000 and 2001 includes information as of and for the nine months ended December 31, 2000 and the year ended December 31, 2001, respectively, for Shinsegi unless otherwise specified. Shinsegi was merged into SK Telecom in January 2002.

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

As of or for the Year Ended December 31,

	2000	2001	2002	2003	2004	2004*
(In billions of Won and millions of Dollars, except per share and percentage data)						
INCOME STATEMENT DATA						
Korean GAAP:						
Total Operating Revenue(1)	(Won) 7,423.1	(Won) 8,371.9	(Won) 9,324.0	(Won) 10,272.1	(Won) 10,570.6	US\$ 10,212.2
Cellular Service(1)	7,245.1	8,203.0	9,156.8	10,091.8	10,297.6	9,948.4
Paging Service(2)	57.7	8.8				
Other(3)	120.3	160.1	167.2	180.3	273.0	263.8
Operating Expenses	5,927.6	6,047.4	6,526.4	7,167.0	8,130.9	7,855.2
Operating Income	1,495.5	2,324.5	2,797.6	3,105.1	2,439.7	2,357.0
Income before Income Taxes and Minority Interest	1,287.8	1,976.7	2,218.8	2,754.3	2,123.2	2,051.2
Income before Minority Interest	920.5	1,126.4	1,520.3	1,965.3	1,493.4	1,442.8
Net Income	972.3	1,146.0	1,487.2	1,966.1	1,491.5	1,440.9
Income per Share of Common Stock(4)	11,146	13,242	17,647	26,187	20,261	19.57
Diluted Net Income per Share of Common Stock(4)	11,146	13,242	17,647	26,187	20,095	19.41
Dividends per Share of Common Stock(5)	540	690	1,800	5,500	10,300	9.95
Weighted Average Number of Shares	87,226,559	86,545,041	84,270,450	75,078,219	73,614,297	73,614,297
U.S. GAAP:						
Net Income	(Won) 895.4	(Won) 1,111.6	(Won) 1,301.1	(Won) 2,062.7	(Won) 1,553.1	US\$ 1,500.4
Income per Share of Common Stock(4)	10,265	12,844	15,440	27,475	21,097	20.38
Diluted Net Income per Share of Common Stock(4)	10,265	12,844	15,439	27,475	20,921	20.21
Dividends per Share of Common Stock(5)	540	690	1,800	5,500	10,300	9.95
Weighted Average Number of Shares	87,226,559	86,545,041	84,270,450	75,078,219	73,614,297	73,614,297

Table of Contents

As of or for the Year Ended December 31,

	2000	2001	2002	2003	2004	2004*
(In billions of Won and millions of Dollars, except per share and percentage data)						
BALANCE SHEET DATA						
Korean GAAP:						
Working Capital (Deficiency)(6)	(Won) (374.6)	(Won) 668.2	(Won) (189.7)	(Won) (461.4)	(Won) 1,323.8	US\$ 1,278.9
Fixed Assets Net	4,543.2	4,174.7	4,569.4	4,641.5	4,703.9	4,544.4
Total Assets	11,044.2	13,326.3	14,228.7	13,818.2	14,283.4	13,799.1
Long-term Liabilities(7)	1,727.2	3,498.4	3,693.4	3,193.5	4,010.7	3,874.7
Total Shareholders Equity	6,142.7	6,149.3	6,231.9	6,093.8	7,205.7	6,961.4
U.S. GAAP:						
Working Capital (Deficiency)	(332.5)	729.6	(108.2)	(445.5)	1,311.3	1,266.8
Total Assets	11,182.8	13,841.0	15,720.7	15,586.2	15,576.8	15,048.6
Total Shareholders Equity	6,117.9	5,820.1	6,356.2	7,014.7	8,237.0	7,957.7
OTHER FINANCIAL DATA						
Korean GAAP:						
EBITDA(8)	(Won) 2,941.7	(Won) 3,932.4	(Won) 3,954.1	(Won) 4,706.4	(Won) 4,085.8	US\$ 3,947.3
Capital Expenditures(9)	2,241.1	1,382.1	2,024.7	1,647.6	1,704.3	1,646.5
R&D Expenses(10)	117.1	153.7	253.3	300.7	336.1	324.7
Internal R&D	78.8	130.7	194.3	235.8	267.1	258.0
External R&D	38.3	23.0	59.0	64.9	69.0	66.7
Depreciation and Amortization	1,456.4	1,759.6	1,543.3	1,646.3	1,741.6	1,682.5
Cash Flow from Operating Activities	3,043.5	2,423.9	4,267.8	3,328.8	2,516.1	2,430.8
Cash Flow from Investing Activities	(4,667.8)	(1,972.8)	(3,063.4)	(1,414.4)	(1,469.5)	(1,419.7)
Cash Flow from Financing Activities	1,629.3	331.2	(1,418.2)	(2,261.0)	(968.6)	(935.8)
Margins (% of total sales):						
EBITDA Margin(8)	39.6%	47.0%	42.4%	45.8%	38.7%	38.7%
Operating Margin	20.1	27.8	30.0	30.2	23.1	23.1
Net Margin	13.1	13.7	15.9	19.1	14.1	14.1
U.S. GAAP:						
EBITDA(8)	2,930.5	3,859.1	3,620.7	4,679.1	3,970.4	3,835.8
Capital Expenditures(9)	2,241.1	1,382.1	2,024.7	1,647.6	1,704.3	1,646.5
Cash Flow from Operating Activities	3,043.5	2,423.8	3,708.9	3,281.3	2,985.9	2,884.7
Cash Flow from Investing Activities	(4,667.8)	(1,972.8)	(2,995.2)	(1,422.5)	(1,393.2)	(1,346.0)
Cash Flow from Financing Activities	1,629.3	331.2	(927.5)	(2,205.5)	(1,514.8)	(1,463.4)

As of or for the Year Ended December 31,

	2000	2001	2002	2003	2004
SELECTED OPERATING DATA					
Population of Korea (millions)(11)	47.0	47.4	47.6	47.9	48.2
Our Wireless Penetration(12)	30.7%	32.0%	36.1%	38.2%	39.0%
Number of Employees(13)	7,279	5,693	6,241	6,286	7,353
Total Sales per Employee (millions)	(Won) 1,019.8	(Won) 1,470.6	(Won) 1,494.0	(Won) 1,634.1	(Won) 1,437.6
Wireless Subscribers(14)	14,452,683	15,179,163	17,219,562	18,313,315	18,783,338
Average Monthly Outgoing Voice Minutes per Subscriber(15)	(Won) 148	(Won) 172	(Won) 191	(Won) 197	(Won) 194
	32,906	36,400	38,383	39,739	39,689

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Average Monthly Revenue per

Subscriber(16)

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

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

- (1) Includes Won 494.0 billion for 2000, Won 702.4 billion for 2001, Won 534.0 billion for 2002, Won 612.0 billion for 2003 and Won 649.8 billion for 2004 from the sale of digital handsets by our former subsidiary, SK Teletech Co., Ltd., and Won 1,312.4 billion for 2000, Won 1,339.9 billion for 2001, Won 1,043.2 billion for 2002, Won 1,017.1 billion for 2003 and Won 849.4 billion for 2004 of interconnection revenue (including interconnection revenue in respect of calls between mobile users starting in 2000). Shinsegi was merged into us on January 13, 2002. See Business Interconnection .
- (2) In March 2001, we transferred our paging business to Real Telecom Co., Ltd. (formerly known as INTEC Telecom Co., Ltd.) in exchange for 9.9% of Real Telecom s newly issued shares and bonds with a principal amount of Won 9.5 billion that can be converted into an additional 7.8% interest in Real Telecom. Consequently, the results of the paging business are no longer included in our revenues after such date.

(footnotes continued on following page)

Table of Contents

- (3) For more information about our other revenue, see Management's Discussion and Analysis of Financial Condition and Results of Operations and Business.
- (4) Income per share of common stock is calculated by dividing net income by the weighted average number of shares outstanding during the period, giving effect to the 10-for-1 stock split of our common shares which became effective on April 21, 2000 and resulted in the par value of each share being reduced from Won 5,000 to Won 500.
- (5) Dividend per share of common stock has been adjusted to give effect to the 10-for-1 stock split of our common shares of common stock which became effective on April 21, 2000. On January 1, 2002, we adopted Statement of Korea Accounting Standards (SKAS) No. 6, Events Occurring after Balance Sheet Date. This statement requires that proposed cash dividends be reflected on the balance sheet when the appropriations are approved by shareholders which is similar to U.S. GAAP. In order to reflect this accounting change, our prior year's financial statements have been restated accordingly. See note 2(w) of the notes to our consolidated financial statements.
- (6) Working capital means current assets minus current liabilities.
- (7) Our monetary assets and liabilities denominated in foreign currencies are valued at the exchange rate of Won 1,260 to US\$1.00 as of December 31, 2000, Won 1,326 to US\$1.00 as of December 31, 2001, Won 1,200 to US\$1.00 as of December 31, 2002, Won 1,198 to US\$1.00 as of December 31, 2003 and Won 1,044 to US\$1.00 as of December 31, 2004, the rates of exchange permitted under Korean GAAP as of those dates. See note 2(s) of the notes to our consolidated financial statements.
- (8) EBITDA refers to income before interest income, interest expense, taxes, depreciation and amortization. EBITDA is commonly used in the telecommunications industry to analyze companies on the basis of operating performance, leverage and liquidity. Since the telecommunications business is a very capital intensive business, capital expenditures and level of debt and interest expenses may have a significant impact on net income for companies with similar operating results. Therefore, for a telecommunications company such as ourselves, we believe that EBITDA provides a useful reflection of our operating results. We use EBITDA as a measurement of operating performance because it assists us in comparing our performance on a consistent basis as it removes from our operating results the impact of our capital structure, which includes interest expense from our outstanding debt, and our asset base, which includes depreciation and amortization of our property and equipment. However, EBITDA should not be construed as an alternative to operating income or any other measure of performance determined in accordance with Korean GAAP or U.S. GAAP or as an indicator of our operating performance, liquidity or cash flows generated by operating, investing and financing activities. Other companies may define EBITDA differently than we do. EBITDA under U.S. GAAP is computed using interest income, interest expense, depreciation, amortization and income taxes under U.S. GAAP which may differ from Korean GAAP for these items.
- (9) Consists of investments in property, plant and equipment.
- (10) Includes donations to Korean research institutes and educational organizations. See Management's Discussion and Analysis of Financial Condition and Results of Operations Research and Development.
- (11) Population estimates based on historical data published by the National Statistical Office of Korea.
- (12) Wireless penetration is determined by dividing subscribers by total estimated population, as of the end of the period.
- (13) Includes regular employees and temporary employees. See Employees. Includes 1,687 and 1,332 Shinsegi employees as of December 31, 2000 and 2001, respectively.
- (14) Wireless subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history. Wireless subscribers also include 3,517,831 Shinsegi subscribers as of December 31, 2000 and 3,311,874 as of December 31, 2001. Shinsegi was merged into SK Telecom on January 13, 2002.
- (15) The average monthly outgoing voice minutes per subscriber is computed by dividing the total minutes of outgoing voice usage for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. The monthly weighted average number of subscribers is the sum of the average number of subscribers for the month, calculated by taking the simple average number of subscribers at the beginning of the month and at the end of the month, divided by the number of months in the period. Shinsegi's subscribers and outgoing voice minutes are included from April 1, 2000.
- (16) The average monthly revenue per subscriber excludes interconnection revenue and is computed by dividing total initial connection fees, monthly access fees, usage charges for voice and data, international charges, value-added service fees; and interest on overdue accounts (net of telephone tax) for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. Including interconnection revenue, consolidated average monthly revenue per subscriber was Won 43,958 for 2002, Won 44,546 for 2003 and Won 43,542 for 2004. Shinsegi's subscribers and revenue are included from April 1, 2000. For information about the average monthly revenue per subscriber of SK Telecom and Shinsegi on a stand-alone basis, see Management's Discussion and Analysis of Financial Condition and Results of Operations Overview.
- (17) The average monthly churn rate for a period is the number calculated by dividing the sum of voluntary and involuntary deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period and dividing the quotient by the number of months in the period. Churn includes subscribers who upgrade to CDMA 1xRTT or CDMA 1xEV/DO-capable handsets by terminating their service and opening a new subscriber account.
- (18) Includes 2,532 cell sites of Shinsegi as of December 31, 2000 and 1,685 cell sites as of December 31, 2001.

Table of Contents

As a measure of our operating performance, we believe that the most directly comparable U.S. and Korean GAAP measure to EBITDA is net income. The following table reconciles our net income under U.S. GAAP to our definition of EBITDA on a consolidated basis for the five years ended December 31, 2000, 2001, 2002, 2003 and 2004.

RECONCILIATION OF NET INCOME TO EBITDA UNDER U.S. GAAP

As of or for the Year Ended December 31,

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

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

The following table reconciles our net income under Korean GAAP to our definition of EBITDA on a consolidated basis for the five years ended December 31, 2000, 2001, 2002, 2003 and 2004.

RECONCILIATION OF NET INCOME TO EBITDA UNDER KOREAN GAAP

As of or for the Year Ended December 31,

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

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

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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

Overview

Revenue. We earn revenue principally from initial connection fees and monthly access fees, usage charges and value-added service fees paid by subscribers to our wireless services and interconnection fees paid to us by other telecommunications operators for use of our network by their customers and subscribers. Prior to our sale of SK Teletech on July 12, 2005, we also earned revenue from sales of wireless handsets by SK Teletech. The amount of our revenue depends principally upon the number of our wireless subscribers, the rates we charge for our services, subscriber usage of our services and the terms of our interconnection with other telecommunications operators. Government regulation also affects our revenues.

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

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Miscellaneous	42.8	0.5	40.9	0.4	61.7	0.6
Total Other Revenue	167.2	1.8	180.3	1.8	273.0	2.6
Total Operating Revenue:	(Won) 9,324.0	100	(Won) 10,272.1	100	(Won) 10,570.6	100
Total Operating Revenue Growth	11.4%		10.2%		2.9%	

(footnotes on following page)

Table of Contents

- (1) Wireless services revenue includes initial connection fees, monthly access fees, usage charges, international charges, wireless Internet service fees, value-added-service fees and interest on overdue subscriber accounts (net of telephone tax).
- (2) Sales of digital handsets were made through our former subsidiary, SK Teletech. Prior to our sale of 4,542,000 shares of SK Teletech owned by us to Pantech & Curitel, Inc., a Korean mobile handset manufacturer, on July 12, 2005, we owned 89.1% of SK Teletech. As a result of such sale, we currently own approximately 29.1% of the total issued and outstanding shares of SK Teletech.
- (3) Provided by our 90.8%-owned subsidiary, SK Telink Co., Ltd.
- (4) Portal service revenue attributable to SK Communications Co., Ltd. and, since 2003, Paxnet Co., Ltd.

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

As a condition to its approval of our acquisition of Shinsegi, the FTC required that SK Telecom's and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50% as of June 30, 2001. As a result, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers for three months, from April 1, 2001 through June 30, 2001. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001. On May 25, 2004, a policy advisory committee to the MIC announced the results of its review and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we have violated a merger condition related to our acquisition of Shinsegi by providing subsidies to handset buyers. On the same day, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. On June 7, 2004, the MIC fined us Won 11.9 billion and extended the post-merger monitoring period until January 2007 pursuant to the policy advisory committee's recommendation. As of June 30, 2005, we had approximately 19.2 million subscribers, representing a market share of approximately 51.1%. On July 7, 2005, we announced our intention to continue our voluntary undertaking to limit our market share of the Korean wireless telecommunications market to 52.3% through 2007.

Prior to June 2000, wireless telecommunications service providers provided handsets at below retail prices to attract new subscribers, offsetting a significant portion of the cost of handsets. The MIC prohibited all wireless telecommunications service providers, subject to certain exceptions stipulated in the Telecommunications Business Act, from providing handset subsidies beginning June 1, 2000. In March 2002, the MIC concluded that certain incentive payments made to wireless handset dealers by us and other wireless network service providers were being passed on to purchasers of wireless handsets, and therefore constituted improper handset subsidies. On April 8, 2002, we, KTF, LGT and KT Corporation were fined an aggregate of Won 20.0 billion by the MIC in respect of these incentive payments. We were assessed and have paid in full a fine of Won 10.0 billion. On November 15, 2002, we received an order from the MIC prohibiting us from signing on new subscribers for 30 days (from November 21, 2002 through December 2002) for violating the MIC's handset subsidy regulation. KTF and LGT were also prohibited from signing on new subscribers for 20 days. In February 2004, the MIC imposed upon us a fine of Won 21.7 billion with respect to other incentive payments that were deemed by the MIC to constitute improper handset subsidies and thereby disrupt fair competition. We paid the fine in March 2004. In February 2004, KTF and KT Corporation were also fined Won 7.5 billion and Won 4.1 billion, respectively, in respect of such incentive payments. On March 21, 2005, the MIC ordered us, KTF and LGT, to pay fines of Won 1.4 billion, Won 360 million and Won 230 million, respectively, for changing calling plans and adding value-added services to the subscribers without obtaining express consents of

Table of Contents

such subscribers. We paid such fine in April 2005. In May 2005, the MIC ordered us to pay a fine of Won 23.1 billion with respect to our payment of improper handset subsidies. LGT and KTF were also fined Won 2.7 billion and Won 1.1 billion, respectively, in respect of such subsidy payments. We were fined more heavily than KTF and LGT as the MIC found that our efforts to take corrective measures were not sufficient and that such incentive payments were a violation of a merger condition related to our acquisition of Shinsegi in January 2002. We paid such fine in June 2005.

As a result of the MIC's handset subsidy regulation and steps we have taken as a result, we experienced a significant reduction in our gross and net additions of new subscribers in April and May 2002. The MIC's November 2002 order also resulted in a reduction in our gross and net additions of new subscribers in November and December 2002. We believe that our competitors have also experienced similar reductions and our market share has not been adversely affected. We cannot assure you that the elimination of dealer incentives will not continue to adversely affect the rate at which we attract new subscribers or the rate at which existing subscribers upgrade their wireless handsets to take advantage of the higher data transmission capabilities of our CDMA 1xRTT and CDMA 1xEV/DO network technologies. We also believe that beginning in March 2002, there was an expectation among dealers that dealer incentives would soon be eliminated or reduced as a result of the MIC's actions. This expectation contributed to the unusually high number of gross and net subscriber additions and the higher churn rate that we experienced in March 2002, which was 2.3%, compared to 1.2% in January 2002 and 1.1% in February 2002. Churn rate increased in part because many existing subscribers chose to upgrade their handsets by terminating their service and opening a new subscriber account. For 2005, our churn rate has ranged from 1.7% to 2.3%, with churn rate for June 2005 at 1.8%. We cannot assure you that our churn rates will not increase in the future.

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

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

We believe that the adoption of the common prefix identification system may pose a greater risk to us as compared to the other wireless telecommunications providers because 011 has a very high brand recognition in Korea as the premium wireless telecommunications service. Adoption of the number portability system could also result in a deterioration of our market share as a result of weakened customer loyalty, increased competition among wireless service providers and higher costs as a result of maintaining the number portability system,

Table of Contents

increased subscriber deactivations, increased churn rate and higher marketing costs. See [Risk Factors](#) Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition . In February 2004, the MIC imposed a total fine of Won 2.0 billion on us in connection with our marketing efforts related to the number portability system. For details, see [Legal Proceedings](#) MIC Proceedings .

For cellular services, we charge initial connection fees, monthly access fees, usage charges, wireless Internet service fees and monthly charges for value-added services. Under current regulations, we must obtain prior MIC approval of the terms on which we may offer our services, including all rates and fees charged for these services. See [Business Law and Regulation](#) Rate Regulation and [Risk Factors](#) We are subject to additional regulation as a result of our market position, which could harm our ability to compete effectively . Generally, the rates we charge for our services have been declining. In September 1997 and April 2000, we implemented revised rate plans, which generally offer rates lower than our previous rates. Effective June 8, 1998, we have been providing a 20% discount for calls made between our cellular customers. Effective May 1, 2001, we implemented a new charge system based on the amount of data that is transmitted to the subscribers' handsets, with respect to subscribers using our CDMA 1xRTT network. CDMA 1xRTT is an advanced CDMA-based technology which allows transmissions of data at speeds of up to 144 Kbps (compared to a maximum of 64 Kbps for our CDMA networks). After discussions with the MIC, effective January 1, 2003, we reduced our Standard rate plan's monthly access fee by Won 1,000, included 10 minutes of free air time per month and reduced our peak usage charges from Won 21 to Won 20 per minute. After discussions with the MIC, in October 2003, we reduced our monthly charges for caller ID service from Won 2,000 to Won 1,000. As of April 30, 2005, our standard peak usage rate was approximately 11% higher than those charged by our competitors. We can give no assurance that these rate changes will not negatively affect our results of operations. For more information about the rates we charge, see [Business Revenues, Rates and Facility Deposits](#) .

Our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Charges for interconnection affect our revenues and operating results. The MIC determines the basic framework for interconnection arrangements in Korea and has changed this framework several times in the past. We cannot assure you that we will not be adversely affected by future changes in the MIC's interconnection policies. Under our interconnection agreements, we are required to make payments in respect of calls which originate from our networks and terminate in the networks of other Korean telecommunications operators, and the other operators are required to make payments to us in respect of calls which originate in their networks and terminate in our network. See [Business Interconnection](#) . With respect to the interconnection arrangement for calls from fixed-line networks to wireless networks, for the years 1999 through 2001, fixed-line operators' payments to wireless network service providers were calculated based on the actual imputed costs in 1998 of the leading wireless network service provider, which is us. For 2002, these payments were calculated based on each wireless operator's actual imputed costs in 2001. This change reduced the interconnection revenue we received from each call made from a fixed-line network terminating on our network, adversely affecting our interconnection revenue compared to previous years. For 2003, pursuant to a new MIC policy, an operator's interconnection fees are derived from that operator's actual interconnection fees for 2001 and actual imputed costs for 2001. The MIC also implemented interconnection charges for calls between wireless network service providers beginning in January 2000, affecting both our revenue and our expenses. These charges were also reduced beginning in January 2002 and in January 2003. On July 9, 2004, the MIC introduced a new method of calculating interconnection payments, based on the terminator's long-run incremental cost in 2004 and the competitive market situation in the telecommunication service industry of Korea. The long-run incremental cost method has been adopted by other countries such as the United States, the United Kingdom and Japan. The new rates had a negative impact on our operations in 2004 in the amount of approximately Won 289.2 billion, resulting in an estimated Won 168.7 billion reduction in revenue and Won 120.5 billion increase in interconnection expenses. The Won 120.5 million increase in interconnection expenses include the increase in the land-to-mobile interconnection expenses that

Table of Contents

were paid to fixed-line service providers. For more information about our interconnection revenue and expenses, see Business Interconnection Domestic Calls .

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

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

- (1) Excludes information relating to Shinsegi for a period of 12 days, from January 1, 2002 to January 12, 2002. Shinsegi merged into SK Telecom on January 13, 2002.
- (2) Does not include minutes of incoming calls or minutes of use relating the use of text messaging and data services.
- (3) The average monthly outgoing voice minutes per subscriber is computed by dividing the total minutes of outgoing voice usage for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. The monthly weighted average number of subscribers is the sum of the average number of subscribers for the months calculated by taking the simple average number of subscribers at the beginning of the month and at the end of the month, divided by the number of months in the period.
- (4) The average monthly revenue per subscriber excludes interconnection revenue and is computed by dividing total initial connection fees, monthly access fees, usage charges for voice and data, international charges, value-added service fees and interest on overdue subscriber accounts (net of telephone tax) for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period.
- (5) Including interconnection revenue, consolidated average monthly revenue per subscriber was Won 43,958 for 2002, Won 44,546 for 2003 and Won 43,542 for 2004.

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

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

reduction of overall tariff by 3.7% in September 2004;

decrease in minutes of use; and

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Operating Expenses and Operating Margins. Our operating expenses consist principally of depreciation, commissions paid to authorized dealers, network interconnection and leased line expenses, the cost of manufacturing handsets, advertising costs and labor costs. Operating income represented 30.0% of operating revenue in 2002, 30.2% in 2003 and 23.1% in 2004. Our operating margin increased slightly from 30.0% in 2002 to 30.2% in 2003, primarily due to the fact that our operating revenues increased at a faster rate than our operating expenses. In 2004, our operating margin decreased to 23.1% from 30.2% in 2003, primarily due to an

Table of Contents

increase in our marketing expenses and interconnection charges we paid. We cannot assure you that our operating margin will not decrease in future periods.

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

Industry Consolidation. Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry resulting in the emergence of stronger competitors. In July 2000, KT Corporation acquired a 47.9% interest in KT M.Com and merged KT M.Com into KTF in May 2001. In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. It is widely believed that KT Corporation is likely to operate more efficiently and be managed more effectively and profitably as a privatized business following its privatization. Such consolidations have created large, well-capitalized competitors with substantial financial, technical, marketing and other resources to respond to our business offerings. See Risk Factors Competition may reduce our market share and harm our results of operations and financial condition .

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

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

On September 2, 2003, we purchased Won 120.0 billion of Hanaro Telecom commercial paper in order to provide Hanaro Telecom with short-term liquidity while it attempted to secure a foreign investor that would inject new capital into the company. The decision to provide liquidity support to Hanaro Telecom was made to protect the value of our stake in Hanaro Telecom, as we held a 1.8% stake in Hanaro Telecom as of December 31, 2003. Following an investment in Hanaro Telecom by a consortium led by AIG and Newbridge, we disposed of the Hanaro Telecom commercial paper in December 2003. In May 2004, we purchased from Samsung Electronics Co., Ltd. 13,870,000 shares of Hanaro Telecom, representing 3.0% of the outstanding shares of Hanaro for Won 39.3 billion as part of our strategic efforts in consideration of increasing convergence between wireless and fixed-line services. As a result of the acquisition, our equity interest in Hanaro increased to 4.8% as of December 31, 2004.

As of July 25, 2005, our foreign currency issuer credit rating was rated A- by S&P, our senior unsecured foreign currency bond rating was rated A2 by Moody's and our foreign currency long term rating was rated A by Fitch.

Table of Contents**Recent Developments**

Non-consolidated Financial Information as of December 31, 2004 and June 30, 2005 and for the Six Months Ended June 30, 2004 and 2005

The unaudited non-consolidated balance sheet data as of December 31, 2004 and June 30, 2005 and the unaudited non-consolidated income statement data for the six months ended June 30, 2004 and 2005 shown below were prepared pursuant to Korean GAAP.

The financial information below is non-consolidated and includes certain results of operations of our subsidiaries to the extent the equity method of accounting requires such inclusion. Therefore, our operating revenue, total assets and total liabilities, if prepared on a consolidated basis, would be significantly different from those of our non-consolidated financial statements. Under Korean GAAP, our non-consolidated revenues accounted for approximately 92.4%, 92.2% and 91.6% of our consolidated revenues in 2002, 2003 and 2004, respectively. We can give no assurance as to what the actual ratios will be for 2005. See note 2(b) of the notes to our consolidated financial statements (included elsewhere herein) for a list of our subsidiaries that were included in our consolidated financial statements in the last three years. Our results of operations for the first six months of 2005 may not be indicative of results of operations for the full year.

	For the Six Months Ended June 30,	
	2004	2005
	(In billions of Won)	
Non-consolidated income statement data		
Operating Revenue	(Won) 4,784.6	(Won) 4,939.1
Operating Expenses	3,630.7	3,611.2
Operating Income	1,153.9	1,327.9
Other Income	150.5	99.3
Other Expenses	223.5	229.3
Income Taxes	329.7	362.4
Net Income	(Won) 751.2	(Won) 835.5

	As of December 31, 2004	As of June 30, 2005
		(In billions of Won)
Non-consolidated balance sheet data		
Total Current Assets	(Won) 3,854.3	(Won) 4,031.0(1)
Total Non-Current Assets	10,166.4	9,775.3
Total Assets	14,020.7	13,806.3
Total Current Liabilities	2,859.7	2,246.2
Total Long-Term Liabilities	4,033.9	4,310.9(1)

Total Shareholders Equity	7,127.1	7,249.2
---------------------------	---------	---------

- (1) 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 based on the classification of related assets or liabilities for financial reporting purposes pursuant to Statements of Korea Accounting Standards No. 16, and such accounting principle change was applied progressively. If such accounting principle were retroactively applied, the current assets and long-term liabilities as of December 31, 2004 would be increased by Won 43.5 billion.

Table of Contents

Non-Consolidated Operating Revenue. SK Telecom's operating revenue increased by 3.2% to Won 4,939.1 billion for the six months ended June 30, 2005 from Won 4,784.6 billion for the six months ended June 30, 2004, principally reflecting a 3.0% increase in cellular revenue to Won 4,911.5 billion for the six months ended June 30, 2005 from Won 4,769.7 billion for the six months ended June 30, 2004.

The increase in SK Telecom's cellular revenue was principally due to an increase in the number of SK Telecom's wireless subscribers and an increase in our wireless services revenue. The number of SK Telecom's subscribers increased to approximately 19.2 million as of June 30, 2005 from approximately 18.6 million as of June 30, 2004. SK Telecom's non-consolidated average monthly revenue per subscriber increased by 0.2% to Won 43,336 for the six months ended June 30, 2005 from Won 43,240 for the six months ended June 30, 2004.

Non-Consolidated Operating Income. SK Telecom's operating income increased by 15.1% to Won 1,327.9 billion for the six months ended June 30, 2005 from Won 1,153.9 billion for the six months ended June 30, 2004. SK Telecom's operating income increased at a greater rate than operating revenue because SK Telecom's operating expenses for the six months ended June 30, 2005 decreased by 0.5% to Won 3,611.2 billion from Won 3,630.7 billion for the six months ended June 30, 2004. SK Telecom's operating expenses decreased primarily due to decreased commissions paid, depreciation expense, labor costs and advertising expenses, which was partially offset by increases in interconnection expenses, leased line expenses and frequency usage expenses.

Commissions paid decreased by 2.8% to Won 1,429.8 billion for the six months ended June 30, 2005 from Won 1,471.7 billion for the six months ended June 30, 2004, primarily because of the increased levels of commissions paid during the six months ended June 30, 2004 to mitigate the effects of one-way number portability during the period.

Depreciation expenses decreased by 2.4% to Won 701.1 billion for the six months ended June 30, 2005 from Won 718.0 billion for the six months ended June 30, 2004. The decrease in depreciation expenses was primarily due to decreased acquisitions of assets which would be subject to depreciation.

Labor costs decreased by 16.5% to Won 197.6 billion for the six months ended June 30, 2005 from Won 236.6 billion for the six months ended June 30, 2004. The decrease was primarily due to a decrease in salary expense due to decreased incentive bonus payments to employees.

Advertising expenses decreased by 31.6% to Won 122.4 billion for the six months ended June 30, 2005 from Won 178.9 billion for the six months ended June 30, 2004, as SK Telecom changed its focus from a mass advertising campaign to a marketing strategy focused on certain high end, high volume user customers in order to mitigate the negative impact of number portability on its subscriber base.

The above decreases were offset in part by the following increases:

Interconnection expenses increased by 14.7% to Won 458.4 billion for the six months ended June 30, 2005 from Won 399.5 billion for the six months ended June 30, 2004, primarily due to an increase in interconnection fees paid as a result of adjustments in interconnection rates unfavorable to SK Telecom and the growth in call volume from SK Telecom's subscribers to subscribers of other mobile operators.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Leased line expenses increased by 11.6% to Won 192.1 billion for the six months ended June 30, 2005 from Won 172.2 billion for the six months ended June 30, 2004, primarily due to an increase in SK Telecom's network requirements for leased lines. The increase in network requirements for leased lines resulted both from an increase in the use of SK Telecom's wireless Internet services and from an increase in the number of lines leased by SK Telecom in connection with the build-out of additional cell sites and base station transceiver

Table of Contents

subsystems, which was undertaken to improve network stability and quality of service in response to growth in subscriber base and data traffic volume.

Frequency usage expenses increased by 15.5% to Won 77.7 billion for the six months ended June 30, 2005 from Won 67.3 billion for the six months ended June 30, 2004, primarily due to an increase in fees implemented in July 2004.

Non-Consolidated Other Income. Other income, consisting primarily of interest income, equity in earnings of affiliates, dividends, commissions and miscellaneous other income decreased by 34.0% to Won 99.3 billion for the six months ended June 30, 2005 from Won 150.5 billion for the six months ended June 30, 2004. Other income decreased primarily due to significant decreases in equity in earnings of affiliates, interest income and foreign exchange and translation gains, which were partially offset by an increase in miscellaneous other income.

Non-Consolidated Other Expenses. Other expenses includes interest and discounts, equity in losses of affiliates, donations and miscellaneous other losses. Other expenses increased by 2.6% to Won 229.3 billion for the six months ended June 30, 2005 from Won 223.5 billion for the six months ended June 30, 2004. Other expenses increased primarily as a result of equity in losses of affiliates (we recorded no losses for the six months ended June 30, 2004) and increased donations, which were only partially offset by decreases in interest and discounts, absence of loss on impairment of long-term investment securities (SK Telecom had Won 11.8 billion in losses for the six months ended June 30, 2004), decrease in loss on transaction and valuation of currency swap, and decrease in loss on disposal of property, equipment and intangible assets.

Non-Consolidated Income Tax. Provision for income taxes increased by 9.9% to Won 362.4 billion for the six months ended June 30, 2005 from Won 329.7 billion for the six months ended June 30, 2004.

Non-Consolidated Net Income. Principally as a result of the factors discussed above, SK Telecom's net income increased by 11.2% to Won 835.5 billion for the six months ended June 30, 2005 from Won 751.2 billion for the six months ended June 30, 2004.

Non-consolidated Financial Information as of December 31, 2004 and March 31, 2005 and for the Three Months Ended March 31, 2004 and 2005

We must file quarterly reports with the Financial Supervisory Commission of Korea and the KRX Stock Market. The reviewed and non-consolidated balance sheet as of March 31, 2005 and the related non-consolidated statements of income and cash flows for the three months ended March 31, 2005 and 2004 shown below were prepared pursuant to Korean GAAP and were derived from the financial statements included in the quarterly reports filed with the Financial Supervisory Commission of Korea and the KRX Stock Market. The reviewed and non-consolidated balance sheet as of March 31, 2005 and the related non-consolidated statements of income and cash flows for the three months ended March 31, 2005 and 2004 have been reviewed by Deloitte HanaAnjin LLC in accordance with standards for review of interim financial statements in Korea.

The financial information below is non-consolidated and includes certain results of operations of our subsidiaries to the extent the equity method of accounting requires such inclusion. Therefore, our operating revenue, total assets and total liabilities in our consolidated financial statements could be significantly different from those in our non-consolidated financial statements. See note 2(b) of our notes to consolidated financial statements for a list of our subsidiaries that were included in our consolidated financial statements in the last three years. Under Korean GAAP, our non-consolidated revenues accounted for approximately 92.4%, 92.2% and 91.6% of our consolidated revenues in 2002, 2003 and 2004,

respectively. We can give no assurance as to

Table of Contents

what the actual ratios will be for 2005. In addition, results of operations for the first three months of 2005 may not be indicative of results of operations for the full year 2005.

	For the Three Months Ended March 31,	
	2004	2005
	(In billions of Won)	
Non-consolidated income statement data		
Operating Revenue	(Won) 2,400.6	(Won) 2,411.9
Operating Expenses	1,709.4	1,797.5
Operating Income	691.2	614.5
Other Income	89.9	55.6
Other Expenses	110.8	122.8
Income Taxes	217.8	178.8
Net Income	(Won) 452.5	(Won) 368.4

	As of December 31, 2004	As of March 31, 2005
	(In billions of Won)	
Non-consolidated balance sheet data		
Total Current Assets	(Won) 3,854.3	(Won) 4,147.5(1)
Total Non-Current Assets	10,166.4	10,007.7
Total Assets	14,020.7	14,155.2
Total Current Liabilities	2,859.7	2,998.0
Total Long-Term Liabilities	4,033.9	4,330.9(1)
Total Shareholders' Equity	7,127.1	6,826.3

	For the Three Months Ended March 31,	
	2004	2005
	(In billions of Won)	
Non-consolidated cash flow statement data		
Cash flows from operating activities	(Won) 175.5	(Won) 471.1
Cash flows from (used in) investing activities	39.5	(451.6)
Cash flows from (used in) financing activities	(230.6)	(4.2)

	For the Three Months Ended	
	March 31,	
	2004	2005
	(In billions of Won)	
Other		
Non-Consolidated EBITDA(2)	(Won) 1,098.9	(Won) 971.8

- (1) 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 based on the classification of related assets or liabilities for financial reporting purposes pursuant to Statements of Korea Accounting Standards No. 16, and such accounting principle change was applied progressively. If such accounting principle were retroactively applied, the current assets and long-term liabilities as of December 31, 2004 would be increased by Won 43.5 billion.

Table of Contents

- (2) EBITDA refers to income before interest income, interest expense, taxes, depreciation and amortization. EBITDA is commonly used in the telecommunications industry to analyze companies on the basis of operating performance, leverage and liquidity. Since the telecommunications business is a very capital intensive business, capital expenditures and level of debt and interest expenses may have a significant impact on net income for companies with similar operating results. Therefore, we believe that for a telecommunications company such as ourselves, EBITDA provides a more accurate reflection of the company's operating results. However, EBITDA should not be construed as an alternative to operating income or any other measure of performance determined in accordance with Korean GAAP or 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. Part of the funds depicted by EBITDA are used for repayment of indebtedness and related interest expenses and payment of income tax. In addition, we have used and will continue to use a substantial portion of the funds depicted by EBITDA for capital expenditures on our wireless network construction. Our non-consolidated EBITDA could also differ significantly from our EBITDA calculated on a consolidated basis. As a measure of our operating performance, we believe that the most directly comparable Korean GAAP measure to EBITDA is net income. The following table reconciles our net income under Korean GAAP to our definition of EBITDA on a non-consolidated basis for the three months ended March 31, 2004 and 2005.

RECONCILIATION OF NET INCOME TO EBITDA UNDER KOREAN GAAP

	For the Three Months Ended	
	March 31,	
	2004	2005
	(In billions of Won)	
Net Income	(Won) 452.5	(Won) 368.4
ADD: Interest income	(19.2)	(11.3)
Interest expense	76.0	66.3
Taxes	217.8	178.8
Depreciation and Amortization	371.8	369.6
EBITDA	(Won) 1,098.9	(Won) 971.8

Non-Consolidated Operating Revenue. SK Telecom's operating revenue increased by 0.5% to Won 2,411.9 billion for the three months ended March 31, 2005 from Won 2,400.6 billion for the three months ended March 31, 2004, principally reflecting a 1.6% increase in cellular revenue primarily due to an increase in our wireless services revenue and to a lesser extent due to an increase in revenue attributable to value added services and sign-up fees, which increases were offset in part by a decrease in monthly fees, call charges and interconnection revenue. The increase in SK Telecom's cellular revenue was principally due to an increase in the number of SK Telecom's wireless subscribers and an increase in the sales of wireless Internet services, which more than offset a decrease in the average monthly revenue per subscriber.

The number of SK Telecom's subscribers increased to approximately 19.0 million as of March 31, 2005 from approximately 18.4 million as of March 31, 2004.

SK Telecom's non-consolidated average monthly revenue per subscriber decreased by 2.5% to Won 42,557 for the three months ended March 31, 2005 from Won 43,623 for the three months ended March 31, 2004. The decrease was principally due to the reduction in monthly fees implemented in September 2004, the implementation of new discount plans and the adjustment in interconnection rates which first became effective with respect to interconnection rates for August 2004 (with retroactive adjustment in October and November 2004 for interconnection rates for January 2004 through July 2004), which was partially offset by increases in wireless Internet average monthly revenue per subscriber

and average monthly revenue per subscriber from value-added service.

Table of Contents

Non-Consolidated Operating Income. SK Telecom's operating income decreased by 11.1% to Won 614.5 billion for the three months ended March 31, 2005 from Won 691.2 billion for the three months ended March 31, 2004. SK Telecom's operating income decreased despite the increase in operating revenue because SK Telecom's operating expenses for the three months ended March 31, 2005 increased by 5.2% to Won 1,797.5 billion compared to Won 1,709.4 billion for the three months ended March 31, 2004. SK Telecom's operating expenses increased primarily due to increases in commissions paid, interconnection expenses and leased line expenses, which were offset in part by decreases in advertising expenses and labor costs.

Commissions paid increased by 9.5% to Won 713.8 billion for the three months ended March 31, 2005 from Won 651.9 billion for the three months ended March 31, 2004, primarily because SK Telecom was seeking to retain existing customers and acquire new subscribers and increased commissions paid to wireless Internet content providers as a result of an increase in sales of wireless Internet services.

Interconnection expenses increased by 30.0% to Won 217.9 billion for the three months ended March 31, 2005 from Won 167.6 billion for the three months ended March 31, 2004, primarily due to an increase in interconnection fees paid as a result of adjustments in interconnection rates unfavorable to SK Telecom and the growth in call volume from SK Telecom subscribers to subscribers of other mobile operators.

Leased line expenses increased by 18.1% to Won 96.9 billion for the three months ended March 31, 2005 from Won 82.0 billion for the three months ended March 31, 2004, primarily due to an increase in SK Telecom's network requirements for leased lines, that resulted both from an increase in the use of SK Telecom's wireless Internet services and from an increase in the number of lines leased by SK Telecom in connection with the build-out of additional cell sites and base station transceiver subsystems, which was undertaken to improve network stability and quality of service in response to growth in subscriber base and data traffic volume.

Advertising expenses decreased by 38.5% to Won 56.3 billion for the three months ended March 31, 2005 from Won 91.6 billion for the three months ended March 31, 2004, as SK Telecom changed its focus from a mass advertising campaign to a marketing strategy focused on certain high end, high volume user customers in order to mitigate the negative impact of number portability on its subscriber base.

Labor expense decreased by 10.1% to Won 135.7 billion for the three months ended March 31, 2005 from Won 150.9 billion for the three months ended March 31, 2004. The decrease was primarily due to a decrease in the amount of severance paid due to the institution of a 5-day work-week and a decrease in the number of employees with long-term tenure who had been receiving high wages.

Non-Consolidated Other Income. Other income, consisting primarily of interest, dividends, equity in the earnings of affiliates, foreign exchange and translation gains, reversal of allowance for doubtful accounts and miscellaneous other income, decreased by 38.2% to Won 55.6 billion for the three months ended March 31, 2005 from Won 89.9 billion for the three months ended March 31, 2004. Other income decreased primarily due to significant decreases in equity in earnings of affiliates, foreign exchange and translation gains and interest income, which were partially offset by increases in miscellaneous other income.

Non-Consolidated Other Expenses. Other expenses, consisting primarily of interest and discounts, equity in losses of affiliates, donations, other miscellaneous expenses, loss on disposal of property, equipment and intangible assets and loss on transaction and valuation of currency swaps, increased by 10.8% to Won 122.8 billion for the three months ended March 31, 2005 from Won 110.8 billion for the three months ended March 31, 2004. Other expenses increased primarily due to an increase in equity in losses of affiliates and higher level of donations in the three months ended March 31, 2005, which was partially offset by decreases in interest and discounts, loss on disposal of property, equipment and intangible assets and loss on transaction and valuation of currency swaps.

Non-Consolidated Income Tax. Provision for income taxes decreased by 17.9% to Won 178.8 billion for the three months ended March 31, 2005 from Won 217.8 billion for the three months ended March 31, 2004.

Table of Contents

Non-Consolidated Net Income. Principally as a result of the factors discussed above, SK Telecom's net income decreased by 18.6% to Won 368.4 billion for the three months ended March 31, 2005 from Won 452.5 billion for the three months ended March 31, 2004.

Results of Operations

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

For the Year Ended December 31,

	2002		2003		2004	
	(In billions of Won, except percentage data)					
Operating Revenue	(Won) 9,324.0	100.00%	(Won) 10,272.1	100.00%	(Won) 10,570.6	100.00%
Operating Expenses	6,526.4	70.00	7,167.0	69.77	8,130.9	76.92
Operating Income	2,797.6	30.00	3,105.1	30.23	2,439.7	23.08
Other Income	259.7	2.79	261.4	2.54	199.4	1.89
Other Expenses	838.5	8.99	612.2	5.96	516.0	4.88
Income Before Income Taxes and Minority Interest	2,218.8	23.80	2,754.3	26.81	2,123.1	20.09
Income Taxes	698.5	7.49	789.0	7.68	629.7	5.96
Minority Interest	(33.1)	(0.35)	0.8	0.01	(1.9)	(0.02)
Net Income	1,487.2	15.96%	1,966.1	19.14%	1,491.5	14.10%
Depreciation and Amortization(1)	(Won) 1,435.0	15.39%	(Won) 1,510.5	14.70%	1,607.5	15.20%

(1) Excludes the depreciation and amortization allocated to internal research and development costs of Won 108.3 billion, Won 135.8 billion and Won 134.1 billion for the years ended December 31, 2002, 2003 and 2004, respectively.

2004 Compared to 2003

Operating Revenue. Our operating revenue increased by 2.9% to Won 10,570.6 billion in 2004 from Won 10,272.1 billion in 2003 principally due to a 2.0% increase in our cellular revenue to Won 10,297.6 billion in 2004 from Won 10,091.8 billion in 2003 and to a lesser extent due to a 102.4% increase in portal service revenues to Won 85.0 billion in 2004 from Won 42.0 billion in 2003 and a 29.7% increase in international call service revenues to Won 126.3 billion in 2004 from Won 97.4 billion in 2003.

The increase in our cellular revenue was principally due to an increase in our wireless services revenue and to a lesser extent due to an increase in revenue attributable to sales of digital handsets, which increases were offset in part by a decrease in interconnection revenue. Wireless services revenue increased 4.0% to Won 8,798.4 billion in 2004 from Won 8,462.7 billion in 2003 as a result of a 2.7% increase in the number of our wireless subscribers to approximately 18.8 million subscribers as of December 31, 2004 from approximately 18.3 million subscribers as

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

of December 31, 2003, which was partially offset by a slight decrease in our consolidated average monthly revenue per subscriber (excluding interconnection revenue) from Won 39,739 in 2003 to Won 39,689 in 2004. Such decrease was principally due to decreases in average monthly revenue per subscriber from call charges and value-added services, which was mostly offset by an increase in average monthly revenue per subscriber from wireless Internet services. Our consolidated average monthly revenue per subscriber from monthly fee and call charges decreased by 5.6% to Won 29,023 for the year ended December 31, 2004 from Won 30,748 in the corresponding period in 2003. The decrease was primarily due to the reduction in monthly fee effective September 1, 2004. Our consolidated average monthly revenue per subscriber from wireless Internet services sales increased by 32.5% to Won 8,182 in 2004 from Won 6,177 in 2003. Our consolidated average monthly revenue per subscriber from value-added services such as caller ID services and ring tone service and other sales decreased by 19.8% to Won 1,594 in 2004 from Won 1,988 in 2003.

Table of Contents

Value-added services and other sales decreased by 16.4% to Won 355.2 billion in 2004 from Won 424.8 billion in 2003 primarily due to a decrease in caller ID rates from Won 2,000 to Won 1,000 that took effect in October 2003. Wireless Internet services sales increased by 38.1% to Won 1,823.4 billion in 2004 (representing 17.7% of our cellular revenue) from Won 1,320.1 billion in 2003, primarily due to the increased number of subscribers who use wireless Internet-enabled handsets.

Revenues attributable to sales of digital handsets increased by 6.2% to Won 649.8 billion in 2004 from Won 612.0 billion in 2003 as a result of an increase in volume of handsets sold and a higher portion of sales of high-end digital handsets, which generally are sold at higher retail prices.

Such increases in wireless service revenue and revenues attributable to sales of digital handsets were partially offset by a 16.5% decrease in interconnection revenue to Won 849.4 billion in 2004 from Won 1,017.1 billion in 2003. The decrease was due in part to the new adjusted interconnection rates announced by the MIC on July 9, 2004, which were applied retroactively beginning January 1, 2004, which was partially offset by an increase in the NATE service revenue and the phone mail service revenue. See *Business Interconnection* .

Our international calling service revenues increased as a result of increases in traffic volume and our portal service revenues increased as a result of increased use by our subscribers of our wireless Internet contents services, such as NATE and Cyworld.

Operating Expenses. Our operating expenses in 2004 increased by 13.4% to Won 8,130.9 billion compared to Won 7,167.0 billion in 2003 primarily due to increases in commissions paid, network interconnection expenses, depreciation and amortization expenses, labor costs, leased line expenses, and miscellaneous operating expenses, which more than offset decreases in cost of goods sold and advertising expenses.

Commissions paid, including to our authorized dealers, increased by 21.5% to Won 2,812.3 billion in 2004 compared to Won 2,314.6 billion in 2003, primarily due our efforts to retain existing subscribers and to acquire new subscribers. Commissions paid also increased due to our efforts to counter the effects of number portability. In addition, commissions paid to our Internet content providers increased as the wireless Internet usage increased.

Network interconnection expenses increased by 18.4% to Won 913.7 billion in 2004 compared to Won 771.6 billion in 2003, primarily due to an increase in interconnection rates and an increase in the level of interconnection fees that we must pay to other operators for calls using their networks. Mobile-to-mobile interconnection expenses increased by 22.7% to Won 644.6 billion in 2004, compared to Won 525.4 billion in 2003 primarily due to increased interconnection rates. Mobile-to-land interconnection expenses increased by 0.6% to Won 214.2 billion in 2004, compared to Won 212.9 billion in 2003.

Depreciation and amortization expenses increased by 6.4% to Won 1,607.5 billion in 2004 compared to Won 1,510.5 billion in 2003. The increase in depreciation and amortization expenses was primarily due to the continued expansion of our CDMA 1xRTT and 1xEV/DO networks.

Labor costs increased by 14.1% to Won 464.8 billion in 2004 compared to Won 407.2 billion in 2003. The increase was primarily due to an increase in performance bonuses and an increase in salaries due to improving business performance over the period.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Leased line expenses increased by 22.4% to Won 375.2 billion in 2004 compared to Won 306.5 billion in 2003 primarily due to an increase in the number of leased lines to handle higher call volumes.

Miscellaneous operating expenses increased by 22.4% to Won 1,125.2 billion in 2004 compared to Won 919.3 billion in 2003 primarily due to increases in taxes and other dues and rent expenses.

Table of Contents

Cost of goods sold decreased by 14.5% to Won 479.3 billion in 2004 compared to Won 560.9 billion in 2003. The decrease was primarily due to a decrease in sales of wireless Internet solutions (including software, hardware and service) following the completion of our obligation to provide wireless Internet solutions to Asia Pacific Broadband Wireless Communications (APBW) at the end of 2003.

Advertising expenses decreased by 6.2% to Won 352.9 billion in 2004 compared to Won 376.4 billion in 2003, as we changed our focus from a mass advertising campaign to a marketing strategy focused on certain high end, high volume user customers in order to mitigate the negative impact of number portability on our subscriber base.

Operating Income. Our operating income decreased by 21.4% to Won 2,439.7 billion in 2004 from Won 3,105.1 billion in 2003 because the increase in our operating expenses was greater than the increase in our operating revenue.

Other Income. Other income consists primarily of interest income, dividend income, commission income and foreign exchange and translation gains. Other income decreased by 23.7% to Won 199.4 billion in 2004 compared to Won 261.4 billion in 2003, primarily due to decreases in commissions and to a lesser extent due to decreases in interest income and dividend income. Such decrease was offset in part by an increase in foreign exchange and translation gains due to the depreciation of the US Dollar against the Won.

Other Expenses. Other expenses include interest and discount expenses, donations, loss in impairment of long-term investment securities and loss on disposal of property, equipment and intangible assets and loss on translation and valuation of currency swap. Other expenses decreased by 15.7% to Won 516.0 billion in 2004, compared to Won 612.2 billion in 2003. The decrease was primarily due to decreases in interest and discounts and loss on disposal of investment assets and to a lesser extent due to decreases in donations, foreign exchange and translation losses and loss on disposal and valuation of trading securities. Such decreases were offset in part by increases in loss on impairment of long-term investment securities and loss on translation and valuation of currency swaps and equity in losses of affiliates. As a percentage of operating revenue, other expenses decreased to 4.9% in 2004 from 6.0% in 2003.

Income Tax. Provision for income taxes decreased by 20.2% to Won 629.7 billion in 2004 from Won 789.0 billion in 2003. Our effective tax rate in 2004 increased to 29.7% from an effective tax rate of 28.7% in 2003. See note 17 of the notes to our consolidated financial statements.

Net Income. Principally as a result of the factors discussed above, our net income decreased by 24.1% to Won 1,491.5 billion in 2004 from Won 1,966.1 billion in 2003. Net income as a percentage of operating revenues was 14.1% in 2004 as compared to 19.1% in 2003.

2003 Compared to 2002

Operating Revenue. Our operating revenue increased by 10.2% to Won 10,272.1 billion in 2003 from Won 9,324.0 billion in 2002 principally reflecting a 10.2% increase in our cellular revenue to Won 10,091.8 billion in 2003 from Won 9,156.8 billion in 2002.

The increase in our cellular revenue was principally due to an increase in our wireless services revenue and revenue attributable to sales of digital handsets, which were offset in part by a slight decrease in our interconnection revenues.

Our wireless services revenue increased by 11.7% to Won 8,462.7 billion in 2003 from Won 7,579.6 billion in 2002. Such increase was due to increase in the number of our wireless subscribers to approximately 18.3 million as of December 31, 2003 from approximately 17.2 million as of December 31, 2002, as well as an increase in our consolidated average monthly revenue per subscriber. Our consolidated average monthly revenue

Table of Contents

per subscriber (excluding interconnection revenue) increased by 3.5% to Won 39,739 in 2003 from Won 38,383 in 2002. The increase is principally due to increases in average monthly revenue per subscriber from wireless Internet services sales and average monthly revenue per subscriber from value-added services and other sales. Our consolidated average monthly revenue per subscriber from wireless Internet services sales increased by 66.0% to Won 6,177 in 2003 from Won 3,720 in 2002. Our consolidated average monthly revenue per subscriber from value-added services and other sales increased by 18.3% to Won 1,988 in 2003 from Won 1,681 in 2002. Our Wireless services revenue also increased as a result of increase in our wireless Internet services sales, which increased by 80.1% to Won 1,320.1 billion in 2003 (representing 13.1% of our cellular revenue) from Won 732.8 billion in 2002, primarily due to the increased number of subscribers who use wireless Internet-enabled handsets. Also, value-added services and other sales increased by 28.6% to Won 424.8 billion in 2003 from Won 330.4 billion in 2002 primarily due to the increased number of subscribers who use wireless Internet-enabled handsets through which we can also provide value-added and other services.

The increases in the number of subscribers and the consolidated average monthly revenue per subscriber were partially offset by a reduction in the rates charged to our customers of approximately 7.3% (based on a reduction in the standard rate plan) from January 2003.

Our revenue attributable to digital handset sales increased 14.6% to Won 612.0 billion in 2003 from Won 534 billion in 2002.

The increases in wireless services revenue and revenue attributable to digital handset sales were offset in part by a 2.5% decrease in interconnection revenue. Interconnection revenue decreased by 2.5% to Won 1,017.1 billion in 2003 from Won 1,043.2 billion in 2002. The decrease was primarily due to lower interconnection rates in 2003 compared 2002 as a result of a 10.3% decrease in interconnection rates in 2003 as compared to 2002.

Operating Expenses. Our operating expenses in 2003 increased by 9.8% to Won 7,167.0 billion compared to Won 6,526.4 billion in 2002 primarily due to increases in commissions paid, labor costs, depreciation and amortization expenses, cost of goods sold, leased line expenses, network interconnection expenses and miscellaneous operating expenses, which more than offset decreases in advertising expenses.

Commissions paid, including to our authorized dealers, increased by 17.8% to Won 2,314.6 billion in 2003 compared to Won 1,964.8 billion in 2002, primarily due to the increase in average number of subscribers by 8.7% during the period, increases in commissions paid to wireless Internet content providers and retail agents and authorized dealers and an increase in the number of handsets sold by our former subsidiary SK Teletech Co., Ltd.

Labor costs increased by 27.9% to Won 407.2 billion in 2003 compared to Won 318.3 billion in 2002. The increase was primarily due to payment of performance bonuses to employees in 2003 and salary increases.

Depreciation and amortization expenses increased by 5.3% to Won 1,510.5 billion in 2003 compared to Won 1,435.0 billion in 2002. The increase in depreciation and amortization expenses was primarily due to the continuing expansion of our CDMA 1xRTT and CDMA 1xEV/DO networks.

Cost of goods sold increased by 10.2% in 2003 to Won 560.9 billion in 2003 compared to Won 509.1 billion in 2002. The increase was primarily due to an increase in the sales of handsets by SK Teletech.

Leased line expenses increased by 9.4% to Won 306.5 billion in 2003 compared to Won 280.1 billion in 2002 primarily due to higher call volumes.

Network interconnection expenses increased by 2.6% to Won 771.6 billion in 2003 compared to Won 752.1 billion in 2002, primarily due to the higher subscriber numbers, which were only partially offset by a decrease in interconnection rates and a decrease in the level of interconnection fees that we must pay to other operators for calls using their networks. Additionally, we reflected as an expense in the second quarter of 2003

Table of Contents

all of the amounts due to be paid to KT Corporation for the years 1998, 1999, 2000 and 2001 pursuant to a cost sharing arrangement regarding the provision of directory assistance services by KT Corporation to our subscribers. We are currently discussing with KT Corporation the amounts to be paid by us for directory assistance services provided to our subscribers during 2002 and 2003.

Other operating expenses increased by 12.4% to Won 919.3 billion in 2003 compared to Won 818.1 billion in 2002 primarily due to increases in research and development expenses, frequency usage fees and communications expenses.

Advertising expenses decreased by 16.1% to Won 376.4 billion in 2003 compared to Won 448.8 billion in 2002, primarily due to higher than normal marketing expenses incurred in 2002 as a result of our promotions during the World Cup soccer tournament and the Asian Games, both of which were held in Korea in 2002.

Operating Income. Our operating income increased by 11.0% to Won 3,105.1 billion in 2003 from Won 2,797.6 billion in 2002 as the increase in our operating income was greater than the increase in our operating expenses over the period.

Other Income. Other income, consisting primarily of dividend income, commission income and interest income, increased by 0.8% to Won 261.4 billion in 2003 compared to Won 259.2 billion in 2002, primarily due to increases in dividends, commissions and other income, which were partially offset by decreases in foreign exchange and translation gains and equity in earnings of affiliates.

Other Expenses. Other expenses include interest and discounts, foreign exchange and translation losses, loss on disposal and impairment of property, equipment and intangible assets, donations, loss on impairment of long-term investment securities, loss on disposal of investment assets, equity loss in affiliates and miscellaneous expenses. Other expenses decreased by 27.0% to Won 612.2 billion in 2003 compared to Won 838.5 billion in 2002. The decrease was primarily due to decreases on loss on disposal and impairment of property, equipment and intangible assets, loss on impairment of long-term investment securities and donations, which more than offset an increase in interest expense. As a percentage of operating revenue, other expenses decreased to 6.0% in 2003 from 9.0% in 2002.

Income Tax. Provision for income taxes increased by 13.0% to Won 789.1 billion in 2003 from Won 698.5 billion in 2002. Our effective tax rate in 2003 decreased to 28.7% from an effective tax rate of 31.5% in 2002. 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 increased by 32.2% to Won 1,966.1 billion in 2003 from Won 1,487.2 billion in 2002, with net income as a percentage of operating revenues at 19.1% in 2003 as compared to 16.0% in 2002.

Liquidity and Capital Resources

Liquidity

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

We had a working capital (current assets minus current liabilities) deficit of Won 189.7 billion as of December 31, 2002, a working capital deficit of Won 461.4 billion as of December 31, 2003 and a working capital surplus of Won 1,323.8 billion as of December 31, 2004.

We had cash, cash equivalents, short-term financial instruments and trading securities of Won 1,621.2 billion as of December 31, 2002, Won 1,365.1 billion as of December 31, 2003 and Won 1,038.1 billion as of December 31, 2004. We had outstanding short-term borrowings of Won 687.3 billion as of December 31, 2002, Won 786.1 billion as of December 31, 2003 and Won 425.5 billion as of December 31, 2004. As of December 31, 2004, we had availability under unused credit lines of approximately Won 898.5 billion.

Table of Contents

Management believes all the above-mentioned sources provide adequate liquidity to SK Telecom to meet its operation needs in the foreseeable future.

Operating cash flow and debt financing have been our principal sources of liquidity. Cash and cash equivalents increased by Won 53.1 billion to Won 370.6 billion in 2004 from Won 317.5 billion in 2003.

Cash Flow Analysis

	Year Ended December 31,			Change				
	2002	2003	2004	2002 to 2003		2003 to 2004		
(In billions of Won except percentages)								
Net Cash Flow from Operating Activities	(Won) 4,267.8	(Won) 3,328.8	(Won) 2,516.0	(Won) (939.0)	(22.0)%	(Won) (812.8)	(24.4)%	
Net Cash Used in Investing Activities	(3,063.4)	(1,414.4)	(1,469.5)	1,649.0	(53.8)%	(55.1)	(3.9)%	
Net Cash Used in Financing Activities	(1,418.2)	(2,261.0)	(968.6)	(842.8)	59.4%	1,292.4	57.2%	
Net Cash Flow due to Changes in Consolidated Subsidiaries	10.7	0.1	(24.8)	(10.6)	(99.1)%	(24.9)	(249.0)%	
Increase (Decrease) in Cash and Cash Equivalents	(Won) (203.2)	(Won) (346.6)	(Won) 53.1	(Won) 143.4	70.6%	(Won) 399.7	115.3%	
Cash and Cash Equivalents at Beginning of Period	867.3	664.1	317.5	(203.2)	(23.4)%	(346.6)	(52.2)%	
Cash and Cash Equivalents at End of Period	(Won) 664.1	(Won) 317.5	(Won) 370.6	(Won) (346.6)	(52.2)%	(Won) 53.1	16.7%	

Net Cash Flow from Operating Activities. Net cash flow provided by operations was Won 4,267.8 billion in 2002, Won 3,328.8 billion in 2003 and Won 2,516.0 billion in 2004. Depreciation and amortization were Won 1,435.0 billion in 2002, Won 1,510.5 billion in 2003 and Won 1,607.5 billion in 2004.

Net Cash from Investing Activities. Net cash used in investing activities was Won 1,469.5 billion in 2004, Won 1,414.4 billion in 2003 and Won 3,063.4 billion in 2002. Cash inflows from investing activities were Won 507.1 billion in 2004 compared to Won 1,024.3 billion in 2003 and Won 1,515.7 billion in 2002. The primary contributor to such inflows in the respective years related to a decrease in trading securities of Won 240.2 billion in 2004 which resulted from sale of trading securities in order to increase our cash balances and in 2002 and 2003, proceeds from the sale of long-term investment securities which resulted from sales of our shares and convertible bonds of KT Corporation in such years. Cash outflows for investing activities were Won 1,976.6 billion in 2004, Won 2,438.7 billion in 2003 and Won 4,579.1 billion in 2002. The primary contributors to the overall cash outflows for investing activities were expenditures related to the acquisition of property and equipment,

which were Won 1,631.9 billion in 2004, Won 1,647.6 billion in 2003 and Won 2,024.7 billion, all generally relating to expenditures in connection with the maintenance and build-out of our wireless network, including upgrades from our CDMA network to 1xRTT, 1xEV/DO and 3G and acquisition of long-term investment securities, which were Won 54.1 billion in 2004, Won 437.1 billion in 2003 and Won 2,062.4 billion in 2002.

Net Cash from Financing Activities. Net cash used in financing activities was Won 968.6 billion in 2004, Won 2,261.0 billion in 2003 and Won 1,418.2 billion in 2002. Cash inflows from financing activities were primarily driven by issuances of bonds payable, which provided cash of Won 1,205.7 billion in 2004, Won 688.7 billion in 2003 and Won 1,166.5 billion in 2002. Cash outflows for financing activities included payment of short-terms borrowings, payments of current portion of long-term debt and payment of dividends, among other

Table of Contents

items. Payment of short-term borrowings were Won 359.1 billion in 2004, Won 12.1 billion in 2003 and Won 578.7 billion in 2002. Payments of current portion of long-term debt were Won 1,370.6 billion in 2004, Won 939.2 billion in 2003 and Won 719.8 billion in 2002. Payment of dividends were Won 478.3 billion in 2004, Won 151.7 billion in 2003 and Won 58.7 billion in 2002. Also, as a result of the issuance of convertible bonds in 2004 by us in the amount of Won 385.9 billion, net increase in treasury stock was Won 2 million in 2004 compared to Won 1,379.3 billion in 2003 and Won 1,351.2 in 2002.

As of December 31, 2004, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 2,891.8 billion and we did not have any bank or institutional borrowings. We had facility deposits of Won 31.4 billion as of December 31, 2004. As of December 31, 2003, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 2,263.5 billion. Our long-term debt as of December 31, 2003 included bonds in the amount of Won 2,261.9 billion and bank and institutional borrowings in the amount of Won 1.6 billion. We had long-term facility deposits of Won 44.2 billion as of December 31, 2003. As of December 31, 2002, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 2,918.8 billion, which included bonds in the amount of Won 2,908.5 billion and bank and institutional borrowings in the amount of Won 10.3 billion. For a description of our long-term liabilities, see notes 8 and 9 of the notes to our consolidated financial statements. We had long-term facility deposits of Won 46.9 billion as of December 31, 2002.

As of December 31, 2004, substantially all of our foreign currency-denominated long-term debt, which amounted to approximately 17.4% 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. 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 addition, in May, July, August and November 2002, we issued Won 500.0 billion, Won 200.0 billion, Won 200.0 billion and Won 300.0 billion principal amount of unsecured and unguaranteed Won-denominated bonds, respectively. The Won 500.0 billion bonds, which had an annual interest rate of 6%, matured in May 2005. The other bonds mature in July 2007, August 2007 and November 2007, and have annual interest rates of 6%, 6% and 5%, respectively. We used the net proceeds from the sale of these bonds to repay maturing long-term indebtedness. We issued Won-denominated bonds with a principal amount of Won 300.0 billion, Won 150.0 billion and Won 250.0 billion in March, August and November 2003, respectively. These bonds mature in March 2008, August 2006 and November 2006, respectively, and have an annual interest rate of 5.0%. In March, May and December 2004, we issued Won-denominated bonds with a principal amount of Won 150.0 billion, Won 150.0 billion and Won 200 billion, respectively. These bonds will mature in April 2009, May 2009 and December 2011, respectively, and have an annual interest rates of 5.0%, 5.0% and 3.0%, respectively. The proceeds of the Won-denominated note offering in March, May and December 2004 were used for our operations. See note 8 of the notes to our consolidated financial statements.

In April 2004, we issued notes in the principal amount of US\$300,000,000 with a maturity of seven years and an interest rate of 4.25%. The proceeds from the offering in April 2004 were used to pay maturing 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 certain redemption rights. 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 was deemed a sale of treasury stock and cancellation thereof for purposes of Korean law. We used the proceeds of the zero coupon convertible notes for general corporate purposes, including for measures to improve shareholders' return in their investment in our common stock through payment of dividends or share repurchase programs. On March 14, 2005, we filed a report with the

Table of Contents

Financial Supervisory Service to disclose that we adjusted the conversion price of the convertible notes issued in late May 2004 in the principal amount of US\$329,450,000 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. Such adjustment of conversion price was made as a result of the payment of a cash dividend in excess of 1% of our market capitalization in fiscal year 2004. On January 26, 2005, our board of directors resolved to recommend a cash dividend of Won 9,300 per common share, of which Won 4,100 is ordinary dividend (excluding interim dividend) and Won 5,200 is special dividend.

We also have long-term liabilities in respect of facility deposits received from subscribers, which stood at Won 46.9 billion at December 31, 2002, Won 44.2 billion at December 31, 2003 and Won 31.4 billion at December 31, 2004. 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 Business Revenues, Rates and Facility Deposits.

In June 2002 and December 2002, we sold Won 631.4 billion and Won 650.6 billion, respectively, of accounts receivable resulting from our mobile phone dealer financing plan to Nate First Special Purpose Company and Nate Second Special Purpose Company, respectively, in asset-backed securitization transactions and recorded a loss on disposal of accounts receivable-other of Won 10.9 billion and Won 12.9 billion, respectively. Nate First Special Purpose Company and Nate Second Special Purpose Company were liquidated in August 2003 and April 2004, respectively.

On May 2, 2003, September 4, 2003 and December 15, 2003, we sold Won 577.3 billion, Won 549.3 billion and Won 498.4 billion of accounts receivable resulting from our mobile phone dealer financing plan to Nate Third Special Purpose Company, Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company, respectively, in asset-backed securitization transactions and recorded a loss on disposal of accounts receivable-other of Won 10.8 billion, Won 12.9 billion and Won 9.9 billion, respectively. As of December 31, 2004, such special purpose companies had all been liquidated. See note 3 of the notes to our consolidated financial statements.

Capital Requirements and Resources

The following table sets forth our actual capital expenditures for 2002, 2003 and 2004 as well as our currently planned capital expenditures for 2005:

	Year Ended (Ending) December 31,			
	2002	2003	2004	2005(1)
	(In billions of Won)			
CDMA Network	(Won) 175	(Won) 96	(Won) 92	(Won) 500(2)
CDMA 1xRTT Network(3)	1,186	641	728(2)	500(2)
Wireless Data(4)	221	175	92	500
W-CDMA(5)	15	204	220	600
Other(4)(6)	428	532	592	
Total	(Won) 2,025	(Won) 1,648	(Won) 1,632	(Won) 1,600

-
- (1) Capital expenditure amounts for 2005 are estimates only and actual results may differ from such estimates for various reasons, including changes in the business and operating environment, changes in technology, availability of financing alternatives and other factors, some of which may be beyond our control.
 - (2) Our capital expenditures for our CDMA network in 2004 and 2005 are included in our actual and estimated capital expenditures, respectively, for our CDMA 1xRTT network.

(footnotes continued on following page)

Table of Contents

- (3) Includes upgrades to CDMA 1xEV/DO Network technology which were Won 200 billion for 2002, Won 36 billion for 2003 and Won 45.0 billion for 2004.
- (4) Consists principally of equipment necessary for the provision of data services. Our estimated wireless data capital expenditures in 2005 include other miscellaneous capital expenditures referred to in note (6) below.
- (5) Provision of W-CDMA services commenced on a limited basis in Seoul at the end of 2003.
- (6) Other capital expenditure amount includes investments in new process and application infrastructure consisting of a new customer relationship management system, real estate for our headquarters and information technology systems. Other capital expenditure amount also includes actual capital expenditures of our consolidated subsidiaries which were Won 61 billion, Won 37 billion and Won 25 billion for 2002, 2003 and 2004, respectively. See note (4) above.

We set our capital expenditure budget for an upcoming year on an annual basis. Our actual capital expenditures in 2002 were Won 2,025 billion, primarily for the expansion and upgrading of our CDMA 1xRTT network and for the development and introduction of new wireless data services. Our actual capital expenditures in 2003 were Won 1,648 billion, primarily for the expansion and upgrading of our CDMA 1xRTT network, for our initial investment in the satellite-based digital multimedia broadcasting (DMB) business and for the development and introduction of wireless data services. Our actual capital expenditures in 2004 were Won 1,631.9 billion. Of such amount, we spent Won 728.0 billion on capital expenditures related to expansion and improvement of our existing CDMA and CDMA 1xRTT networks as well as our CDMA 1xEV/DO network; Won 219.7 billion on capital expenditures related to construction of our W-CDMA network and provision of W-CDMA services, which began service on a limited basis in Seoul at the end of 2003; and Won 684.8 billion on other capital expenditures and projects. In addition, we paid Won 650 billion of the Won 1.3 trillion cost of the W-CDMA license in March 2001. We are required to pay the remainder of the cost of our W-CDMA license in annual installments for a five-year period from 2007 through 2011. For more information, see note 2(i) of the notes to our consolidated financial statements for the years ended December 31, 2002, 2003 and 2004.

We estimate that we will spend approximately Won 1.6 trillion for capital expenditures in 2005 for a range of projects, including primarily for the expansion and improvement of our wireless networks, investments in our wireless Internet-related businesses and the build-out of our W-CDMA network. The construction of our new headquarters was completed in December 2004. The total payment to SK Engineering & Construction Co., Ltd., 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. See *Certain Relationships and Related Party Transactions*. We may also make additional capital expenditure investments as opportunities arise. In addition, we may increase, reduce or suspend our planned capital expenditures for 2005 or change the timing and area of our capital expenditure spending from the estimates reflected in the table above in response to market conditions or for other reasons.

We currently plan to spend up to Won 600 billion in 2005 on capital expenditures related to construction of our W-CDMA network and provision of W-CDMA services, which began commercial service on a limited basis in Seoul at the end of 2003. Although we developed and launched in March 2005 dual band/dual mode handsets, one of the key factors in a nationwide deployment of W-CDMA, the actual scope and timing of the full nationwide roll-out of our W-CDMA network will depend on other several factors, including the availability of network equipment, ability to overcome technical problems currently affecting W-CDMA performance, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA network in other metropolitan areas of Korea. At the time we applied for the W-CDMA license, we estimated that the construction of a nationwide W-CDMA network would require capital expenditures amounting to approximately Won 3.1 trillion over a six-year period. We have not subsequently revised or updated this estimate. Accordingly, our actual construction costs are likely to differ significantly from this original estimate. Our actual capital expenditures for the construction of the W-CDMA network will depend upon many factors, including the scope and timing of the

Table of Contents

network roll-out, whether W-CDMA technology is widely implemented worldwide (which could lower the cost of network equipment) and other factors.

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, SK Telecom is committed to fund 34.7% of the cost of launching and maintaining the operations of the satellite. The total cost is expected to be approximately Won 92.0 billion, of which SK Telecom's committed amount is approximately Won 31.9 billion. We launched the satellite in March 2004. In March 2004, we were assigned by the MIC frequency for satellite DMB. In October 2004, we granted the right to use our satellite, satellite orbit and frequency to TU Media Corp., one of our affiliates, which received a license from the MIC as a satellite DMB provider on December 30, 2004. On May 1, 2005, TU Media Corp. began to provide satellite DMB services.

On March 24, 2005, EarthLink and we completed the formation of SK-EarthLink LLC, a Delaware limited liability company, to market wireless voice and data services in the U.S. It is expected that SK-EarthLink (www.SK-EarthLink.com) will be capitalized with \$440 million of partner investments over the next three years. The joint-venture is a non-facilities-based nationwide mobile virtual network operator (MVNO) offering cellular voice and data services to U.S. consumers. SK-EarthLink expects to enter into a previously under-served, but rapidly growing wireless data, entertainment, and voice market. SK-EarthLink will leverage our expertise in developing and implementing 3G technology and other cutting-edge applications and EarthLink's established sales channels, Wi-Fi experience, network data centers and billing capabilities. We and EarthLink each have a 50 percent voting and economic ownership interest in SK-EarthLink.

In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. By participating in this privatization, we acquired 9.6% of KT Corporation's common stock and Won 332.0 billion aggregate principal amount of exchangeable bonds issued by KT Corporation exchangeable at our option for 1.8% of KT Corporation's common stock. We purchased 29,808,333 shares of common stock of KT Corporation for Won 1.6 trillion and bonds exchangeable into 5,589,666 shares of such common stock for Won 332.0 billion. We funded our investment in shares and bonds of KT Corporation in May 2002 with Won 901.7 billion of cash and by incurring Won 1,040.0 billion of short-term debt. On July 16, 2002, we sold all of the exchangeable bonds of KT Corporation which we owned to several Korean institutional investors for an aggregate sale price of Won 340.3 billion. We used the proceeds of the sale to repay our short-term debt and for general corporate purposes. We exchanged 29,808,333 shares of KT Corporation's common stock at Won 50,900 per share for 8,266,923 shares of our common stock at Won 224,000 per share and settled the difference of Won 334.5 billion between the aggregate sale and purchase prices in cash on December 30, 2002 and January 10, 2003, under a mutual agreement on stock exchange between us and KT Corporation dated November 14, 2002. Related to these stock exchanges, a loss on exchange of investments in 15,454,659 shares of KT Corporation for 4,457,635 shares of our common stock on December 31, 2002, amounting to Won 47.9 billion, was recorded as a loss on disposal of investments during the year ended December 31, 2002. An impairment loss amounting to Won 44.5 billion, which was related to the investments in 14,353,674 shares of KT Corporation's common stock as of December 31, 2002, was also recorded during the year ended December 31, 2002. 4,457,635 shares were subsequently cancelled and 3,809,288 shares were designated as treasury stock for use in future mergers and acquisitions transactions and strategic alliances or for other corporate purposes to be determined by us. As a result of the share swap, all cross-shareholdings between KT Corporation and us have been completely eliminated.

On July 22, 2003, we acquired 2,481,310 shares of POSCO common stock held by SK Corporation at a price of Won 134,000 per share in accordance with a resolution of our board of directors dated July 22, 2003. We elected to purchase the shares for strategic reasons in order to address the potentially negative impact on the price of our shares of common stock available for sale in the marketplace arising from POSCO's ownership of our shares. As of December 31, 2004, POSCO owned 4.98% of our shares.

Table of Contents

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.

As of December 31, 2004, our principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases outstanding were as follows for the periods indicated:

<u>Year Ending December 31,</u>	<u>Total</u>
	(In billions of Won)
2005	500.0
2006	800.0
2007	700.0
After 2007	1,499.0

Our research and development expenses have been influenced by the MIC, which makes annual recommendations concerning the level of our research and development spending. Our research and development expenses (including donations to research institutes and educational organizations) equaled 2.7% in 2002, 2.9% in 2003 and 3.2% in 2004, respectively, of operating revenue. See Management's Discussion and Analysis of Financial Condition and Results of Operations Research and Development .

We anticipate that capital expenditures, repayment of outstanding debt and research and development expenditures will represent our most significant use of funds in 2005 and thereafter. 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 2005. 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.

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.

We generally collect refundable, non-interest bearing deposits from our customers as a condition to activating their service. Subject to the approval of the MIC, we set the amounts to be collected for deposits for cellular services. Effective February 1, 1996, we generally require cellular subscribers to pay a facility deposit of Won 200,000. These deposits were an important source of interest-free capital for us and historically funded a substantial portion of our capital expenditures. Since 1997, we have been offering existing and new cellular subscribers the option of obtaining facility insurance from the Seoul Guarantee Insurance Company, instead of paying the facility deposit. In order to obtain this facility insurance, subscribers must meet Seoul Guarantee Insurance Company's credit requirements and pay a Won 10,000 premium for three years of coverage. After three years, we pay the cost of such insurance on the subscriber's behalf. For each defaulting insured subscriber, Seoul Guarantee Insurance Company reimburses us up to Won 350,000. We refund the facility deposit to any existing subscriber who elects to have facility insurance. As a result of the facility insurance program, we have refunded a substantial amount of facility deposits, and facility deposits decreased from Won 46.9 billion as of December 31, 2002 to Won 44.2 billion as of December 31, 2003 and Won 31.4 billion as of December 31, 2004. We do not expect to have a significant amount of facility deposits available for capital expenditures in the future.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

On April 27, 2001, in accordance with the approval of our board of directors, we announced a treasury stock purchase program to acquire 4% of our total outstanding common stock during the period from May 2,

Table of Contents

2001 to June 28, 2001 in order to stabilize our stock price. Pursuant to this program, we acquired an aggregate of 3,566,100 shares of our common stock in 2001 for an aggregate of purchase price of Won 789.7 billion. We acquired these shares at market prices on different dates and hold them as treasury stock. On August 11, 2003, we concluded a stock buyback program which we commenced on June 30, 2003. We acquired a total of 2,544,600 shares of our outstanding common stock, all of which were cancelled on August 20, 2003. The total purchase price for the stock buyback was Won 525.2 billion (or an average of approximately Won 206,388 per share), with the price per share ranging from Won 192,000 (on July 24, 2003) to Won 216,000 (on July 15-16, 2003). As a result of the stock buyback and subsequent cancellation of shares, the total number of our outstanding common stock declined from 82,993,404 as of December 31, 2001 to 73,614,308 as of December 31, 2003.

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. On November 6, 2001, these funds purchased an aggregate of 2,674,580 of our shares of common stock, or approximately 3.0% of our issued shares, from KT Corporation. On January 31, 2002, these funds purchased from SK Networks an aggregate of 1,367,180 shares of our common stock, or approximately 1.5% of our issued shares. In December 2003, we terminated trust funds in the amount of Won 318 billion. In October 2004, we extended trust funds with a balance of Won 982 billion, for another three years.

The total accrued and unpaid retirement and severance benefits for all of our employees as of December 31, 2004 of Won 81.0 billion was reflected in our consolidated financial statements as a liability, which is net of deposits with insurance companies totaling Won 164.6 billion to fund a portion of the employees' severance indemnities. See Employees and note 2(m) of the notes to our consolidated financial statements.

Dividends declared on our common stock amounted to Won 151.7 billion, Won 404.9 billion and Won 758.2 billion, respectively, in 2002, 2003 and 2004. In 2004, we amended our articles of incorporation to permit payment of interim dividends in accordance with relevant laws. On July 23, 2004, our board of directors approved the interim dividend rate of Won 1,000 per common share for the first half of fiscal year 2004. The shareholders who are registered in our shareholders registry as of June 30, 2004 were entitled to receive the interim dividend. The interim dividend was paid in August 2004. The total amount of the interim dividend paid was Won 73.6 billion. At the ordinary shareholder's meeting on March 11, 2005, our shareholders approved a cash dividend of Won 9,300 per common share, of which Won 4,100 is ordinary dividend (excluding interim dividend) and Won 5,200 is special dividend. The cash dividend was paid in April 2005. The overall dividend payout ratio with respect to dividends to be paid for 2005 is currently expected to be up to 35% of net income from 2005.

Substantially all of our revenue and operating expenses are denominated in Won. We generally pay for imported capital equipment in Dollars.

We did not have any outstanding swap or derivative transactions as of December 31, 2004 other than currency swap agreements entered into in the first quarter of 2004 to reduce our foreign currency exposure with respect to our issuance of US\$300 million notes on April 1, 2004 and a fixed-to-fixed cross currency swap contract with Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed Dollar denominated convertible bonds with face amounts of US\$329.5 million issued on May 27, 2004. See note 23 of the notes to our consolidated financial statements.

In April 2004, we issued unguaranteed Dollar denominated bonds due April 1, 2011 with face amounts totaling US\$300 million at an annual rate of 4.25% for US\$297.8 million. In May 2004, we sold US\$329.5

Table of Contents

million in zero coupon convertible notes due 2009. These convertible notes are convertible by the holders into shares of our common stock at the rate of Won 235,625 per share. 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. Such deposit is expected to be deemed a disposition of treasury stock and cancellation thereof for the purposes of Korean law. On March 14, 2005, we filed a report with the Financial Supervisory Service to disclose that we adjusted the conversion price of the convertible notes issued in late May 2004 in the principal amount of US\$329.5 million from Won 235,625 to Won 226,566 and made 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 increase from 1,644,978 to 1,710,750. Such adjustment of conversion price has been made as a result of the payment of cash dividend in excess of 1% of the market capitalization in the fiscal year of 2004. 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 intend to sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Law or other legal restrictions. As described in the preceding paragraph, we entered into an agreement to reduce our exposure with respect to cash settlement payments exceeding the proceeds from sales of treasury shares held in trust.

We may consider in the future entering into additional currency swap agreements, currency forward contracts transactions and other arrangements solely for hedging purposes.

Contractual Obligations and Commitments

The following summarizes our contractual cash obligations at June 30, 2005, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
	(In billions of Won)				
Bonds	(Won) 3,193.2		(Won) 1,800.0	(Won) 1,193.2	(Won) 200.0
Long-term Borrowings					
Capital lease Obligations					
Operating Leases					
Purchase Obligations					
Other Long-term Payables(1)	650.0		200.0	280.0	170.0
Total Contractual Cash Obligations(2)	(Won) 3,843.2		(Won) 2,000.0	(Won) 1,473.2	(Won) 370.0

(1) Related to acquisition of IMT license. See note 2(i) of the notes to our consolidated financial statements.

(2) This amount does not include our future investments in the CDMA market in Vietnam, which we expect to make through our subsidiary SLD Telecom Pte. Ltd. under a business cooperation contract with Saigon Post & Telecommunication Service Corporation. See Business Other Investments and Relationships and Management's Discussion and Analysis of Financial Condition and Results of Operations Off Balance Sheet Arrangements .

See note 20 of the notes to our consolidated financial statements for details related to our other commitments and contingencies.

Table of Contents

Subsequent Note Obligations

Unguaranteed Domestic Bonds due March 18, 2010

We issued unguaranteed domestic bonds with face amounts totaling Won 200 billion on March 18, 2005 at an annual rate of 4%. These domestic bonds will be repaid in full at its maturity on March 18, 2010.

Under the terms of certain of our debt obligations, our ability to grant security interest in certain of our property is limited, which may affect our ability to borrow funds in the future.

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 2002, 3.6% in 2003 and 3.0% in 2004.

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 30 and 31 of our notes to consolidated financial statements.

Our net income in 2002 under U.S. GAAP is lower than under Korean GAAP by Won 186.0 billion, primarily due to differences in the treatment of nonrefundable activation fees and loss on impairment of investment securities which were partially off set by reversal of goodwill amortization under U.S. GAAP. Our losses on impairment of investment securities for the year ended December 31, 2002 were higher by Won 252.0 billion under U.S. GAAP due to differences in the treatment of write-down for declines of fair value. Such write-downs were made in connection with securities held in Powercomm and Hanaro Telecom. See note 3 of our notes to consolidated financial statements. Our net income in 2003 under U.S. GAAP is higher than under Korean GAAP by Won 96.6 billion, primarily due to reversal of goodwill amortization under U.S. GAAP and the differing treatment of a loss on impairment of investment securities and capitalization under U.S. GAAP of foreign exchange loss and interest expense related to tangible assets, which were offset in part by difference in treatment of non-refundable activation fees, intangible assets and deferred income taxes. Our net income in 2004 under U.S. GAAP is higher than under Korean GAAP by Won 61.6 billion, primarily due to reversal of goodwill amortization under U.S. GAAP, the differing treatment of loss on impairment of investment securities and the tax effect of the reconciling items which were partially offset by the differing treatment of loss on valuation of currency swap and nonrefundable activation fees.

Our shareholders' equity at December 31, 2002 under U.S. GAAP is higher than under Korean GAAP by Won 124.3 billion primarily due to increases from the differing treatment of intangible assets, tax effect of the reconciling items and reversal of goodwill amortization, partially offset by decreases from the differing treatment of minority interest in equity of consolidated affiliates, nonrefundable activation fees and loss on

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

impairment of investment securities. Our shareholders' equity at December 31, 2003 under U.S. GAAP is higher than under Korean GAAP by Won 920.8 billion primarily due to increases from 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. Our shareholders' equity at December 31, 2004 under U.S. GAAP is higher than under Korean GAAP by Won 1,031.3 billion primarily due to the same reasons as in 2003: 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.

Table of Contents

On January 17, 2003, the FASB issued Interpretation No. 46 (FIN 46) Consolidation of Variable Interest Entities , which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as Special purpose entities (SPEs). The underlying principle behind the new Interpretation is that if a business enterprise has the majority financial interest in an entity, which is defined in the guidance as a variable interest entity, the assets, liabilities and results of the activities of the variable interest entity should be included in the consolidated financial statements with those of the business enterprise. The Interpretation also explains how to identify variable interest entities and how an enterprise should assess its interest in an entity when deciding whether or not it will consolidate that entity. In December 2003, the FASB released a revision of FIN No. 46 (FIN No. 46R) in which the calculation of expected losses and expected residual returns have been altered to reduce the impact of decision maker and guarantor fees. In addition, FIN No. 46R changes the definition of a variable interest. Certain special purpose companies (SPC) established by us have been consolidated from the date of their establishment (See note 30(p) of our consolidated financial statements for the years ended 2002, 2003 and 2004). We, as a foreign private issuer, applied either FIN 46 or FIN 46R to variable interest entities (VIEs) created after January 31, 2003 and we fully adopted FIN 46R as of June 30, 2004. The adoption of this Interpretation did not have a significant impact on our consolidation financial position or results of operations.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an Amendment of ARB No. 43, Chapter 4. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. The Statement is effective for inventory costs incurred during fiscal year beginning after June 15, 2005. Management does not expect this statement will have a material impact on our consolidated financial position or results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payments of SFAS 123R. This statement eliminates the option to apply the intrinsic value measurement provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees to stock compensation awards issued to employees. Rather, SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award (usually the vesting period). SFAS 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. SFAS 123R will be effective for our fiscal year ending June 30, 2006. Management does not expect that adoption of this statement will have a material impact on our consolidated financial position or results of operations.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29 (SFAS 153), which amends Accounting Principles Board Opinion No. 29, Accounting for Nonmonetary Transactions to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. Management does not anticipate that the adoption of this statement will have a material effect on our consolidated financial position or results of operations.

In May 2005, the FASB issued SFAS No. 154, Accounting Changes and Error Corrections (SFAS 154) which replaces Accounting Principles Board Opinions No. 20 Accounting Changes and SFAS No. 3, Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28. SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. It establishes retrospective application, to the extent practicable, as the required method for reporting a change in accounting principle and the reporting of a correction of an error. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 and is required to be adopted

Table of Contents

by us in 2006. We are currently evaluating the effect that the adoption of SFAS 154 will have on our consolidated results of operations and financial condition but does not expect it to have a material impact.

Significant Changes in Korean GAAP

On January 1, 2003, we and our subsidiaries adopted SKAS No. 2 through No. 9, except for SKAS No. 6, which was early adopted in 2002. As a result, we reclassified the accounts relating to securities as explained in note 2(f) of our consolidated financial statements for the years ended 2002, 2003 and 2004, and changed the accounting policy for capitalization of interest and other financing costs to charge such interest expense and other financing cost to current operations as incurred as explained in notes 2(h) and 2(i) to our consolidated financial statements for the years ended December 31, 2002, 2003 and 2004. If financing costs had been capitalized, our consolidated net income for the year ended December 31, 2003 would have increased by Won 32.3 billion (net of income tax effect of Won 13.6 billion). In addition, in accordance with the application of SKAS No. 3, Intangible Assets, effective from January 1, 2003 organization costs which were recorded in intangible assets through 2002, are charged to expenses as incurred and the cumulative effect of this accounting change was charged to beginning retained earnings as of January 1, 2003.

On January 1, 2004, we adopted SKAS No. 10, No. 12 and No. 13. Such adoptions of new SKAS did not have an effect on our consolidated financial position as of December 31, 2004 or our consolidated ordinary income and net income for the year ended December 31, 2004.

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. In the first quarter of 2004, we entered into currency swap agreements and currency forward contracts with three banks to reduce our foreign currency exposure with respect to our issuance of US\$300 million notes on April 1, 2004. In addition, we have entered into a currency swap contract with a bank to hedge the foreign currency risk of unguaranteed Dollar denominated convertible bonds with face amount of US\$329.5 million issued on May 27, 2004. See note 23 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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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 9.1% or Won 66.4 billion as of December 31, 2004.

Table of Contents*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, 2004:

Maturities								
	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
(In billions of Won, except for percentage data)								
Local currency:								
Fixed rate	(Won) 898.3	(Won) 788.8	(Won) 687.7	(Won) 297.0	(Won) 297.2	(Won) 187.8	(Won) 3,156.8	(Won) 3,277.0
Average weighted rate(1)	4.90%	5.50%	5.57%	5.00%	5.00%	3.00%		
Variable rate								
Average weighted rate(1)								
Sub-total	(Won) 898.3	(Won) 788.8	(Won) 687.7	(Won) 297.0	(Won) 297.2	(Won) 187.8	(Won) 3,156.8	(Won) 3,277.0
Foreign currency:								
Fixed rate	(Won) 25.5				(Won) 323.7	(Won) 309.6	(Won) 658.8	(Won) 696.0
Average weighted rate(1)	2.51%				0.00%	4.25%		
Variable rate								
Average weighted rate(1)								
Sub-total	(Won) 25.5	(Won)	(Won)		(Won) 323.7	(Won) 309.6	(Won) 658.8	(Won) 696.0
Total	(Won) 923.8	(Won) 788.8	(Won) 687.7	(Won) 297.0	(Won) 620.9	(Won) 497.4	(Won) 3,815.6	(Won) 3,973.0

(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 2.72% in the fair value of our liabilities resulting in a Won 96.4 billion change in their value as of December 31, 2004 and a Won 255 million annualized change in interest expenses.

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, 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:

Revenue Recognition

Our revenues are principally derived from telecommunications service revenue including data services and wireless handset sales. Telecommunications service consists of fixed monthly charges, usage-related charges and non-refundable activation fees. Fixed monthly charges are recognized in the period earned. Usage-related charges are recognized at the time services are rendered. Non-refundable activation fees and costs are recognized when the activation service was performed.

Our subsidiaries also sell wireless handsets to customers and such sales are recognized at the time products are delivered.

Table of Contents

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.

Inventories

Inventories are stated at the lower of cost, determined using the moving average method, or market value. Inventories consist of supplies for wireless telecommunications facilities, handsets and raw materials for handsets.

Estimated Useful Lives and Impairment of Long-lived Assets

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.

Alternatively, these technological changes could result in the recognition of an impairment charge to reflect the write-down in value of the asset. We review these types of assets for impairment annually, or when events or circumstances indicate that the carrying amount may not be recoverable over the remaining lives of the assets. In assessing impairments, we use cash flows that take into account management's estimates of future operations.

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.

Table of Contents

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

Current tax expense is determined based on taxable income for the year computed using prevailing tax rates.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is expected that taxable income will be available in future periods against which the deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the statement of income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

Deferred tax assets and liabilities are presented on the balance sheet as a non-current number.

Off Balance Sheet Arrangements

We have sold certain receivables in 2002 and 2003 in five separate transactions described under *Liquidity and Capital Resources Liquidity* to Nate First Special Purpose Company, Nate Second Special Purpose Company, Nate Third Special Purpose Company, Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company in asset-backed securitization transactions. Under Korean GAAP, we accounted for these transactions as sales of the receivables to the special purpose companies. See note 3 of the notes to our consolidated financial statements. Under U.S. GAAP, we are required to consolidate these entities as these entities do not meet the qualifications for a qualifying special purpose entity. See *U.S. GAAP Reconciliation* and note 30 of our notes to consolidated financial statements.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

SLD Telecom, 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. In accordance with this contract, in the event that the cash inflow for the business is insufficient to cover the cash outflow necessary to cover the joint expenditure of the business (cash shortfall), SLD Telecom and Saigon Post & Telecommunication Services Corporation will contribute the necessary funds to the business and bear additional cash shortfalls according to their gross profit sharing ratios at that time. With respect to our involvement in the business, our maximum exposure to loss was approximately Won 59.8 billion as of December 31, 2004.

Table of Contents

In accordance with the resolution of our board of directors dated January 26, 2005, we and EarthLink, an Internet service provider in the U.S., agreed to establish SK-EarthLink, a joint venture company, in the U.S. in February 2005 in order to provide wireless telecommunication services across the U.S. We have committed to invest \$220 million over the next three years, of which \$83 million had been invested as of March 24, 2005, and EarthLink has committed to invest \$220 million over the next three years, of which \$83 million had been invested as of the same date.

Table of Contents

KOREAN TELECOMMUNICATIONS INDUSTRY

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

In 2000 and 2001, the Korean wireless telecommunications market experienced significant consolidation. In January 2002, Shinsegi was merged into SK Telecom. Additionally, two of the other wireless telecommunications services operators merged. See Business Competition . Thus, there are currently three providers of wireless voice telecommunications services in Korea, ourselves (including Shinsegi), KTF, which is a subsidiary of KT Corporation, and LGT. As of June 30, 2005, SK Telecom had 51.1% market share of the Korean wireless telecommunications market in terms of subscribers, while KTF and LGT had market shares of 32.4% and 16.5%, respectively.

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

A one-way mobile number portability (MNP) system was first implemented in the beginning of January 2004 when our subscribers were allowed to transfer to KTF and LGT. From July 2004, a two-way MNP was implemented so that KTF subscribers could transfer to SK Telecom and LGT. A three-way MNP has been in effect since January 2005 so that subscribers from each of the wireless service providers may transfer to any other wireless service provider. During the entire year of 2004, approximately 2.1 million of our subscribers transferred to our competitors, and 567,413 of KTF s subscribers moved to our service during the same period.

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

Table of Contents

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

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

(1) Source: National Statistical Office of Korea

(2) Source: MIC

The Korean telecommunications industry is one of the most developed in Asia in terms of wireless penetration, and in terms of the growth of the wireless data and Internet services markets. The wireless penetration rate, which is calculated by dividing the number of wireless subscribers by the population, is 77.7% as of June 30, 2005 and the number of wireless subscribers has increased from approximately 3.2 million in 1996 to approximately 37.6 million as of June 30, 2005.

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

Source: IDC Market Analysis Asia/Pacific.

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

Table of Contents

Since the introduction of text messaging in 1998, Korea's wireless data market has grown rapidly. Wireless Internet service in Korea has grown rapidly since its introduction in the second half of 1999. All of the Korean wireless operators have developed extensive wireless data and Internet service portals. In Korea, SK Telecom launched the world's first CDMA 1xRTT network, which enabled it to provide advanced data services, in November 2000. As of June 30, 2005, approximately 36.5 million of Korean wireless subscribers owned Internet-enabled handsets capable of accessing advanced wireless data and Internet services. The table below sets forth certain penetration information regarding the ownership of Internet-enabled handsets by Korean wireless subscribers as of the dates indicated:

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

Source: MIC.

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

	2000.12.	2001.12.	2002.12.	2003.12.	2004.12.
	(In thousands)				
Number of Internet Users(1)	19,040	24,380	26,270	29,220	31,580
Number of Broadband Subscribers(2)	3,870	7,806	10,405	11,172	11,921

(1) Source: Korea Network Information Center (KRNIC).

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

Table of Contents

BUSINESS

Introduction

Overview

We are Korea's leading wireless telecommunications services provider and a pioneer in the commercial development and provision of high-speed wireless data and Internet services. We had approximately 19.2 million subscribers as of June 30, 2005 and our share of the Korean wireless market was approximately 51.1%, based on the number of subscribers. We currently provide the following core services:

Cellular services – we provide digital cellular services to our subscribers using CDMA technology, with our network covering approximately 99% of the Korean population;

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

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

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

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

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

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

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

Table of Contents

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

On July 22, 2005, we had a market capitalization of approximately Won 15.4 trillion (US\$15.1 billion, as translated at the noon buying rate of July 22, 2005) or approximately 3.1% of the total market capitalization on the KRX Stock Market, making us the sixth largest company listed on the KRX Stock Market based on market capitalization on that date. Our ADSs, each representing one-ninth of one share of our common stock, have traded on the New York Stock Exchange since June 27, 1996.

As of July 25, 2005, our foreign currency issuer credit rating was rated A- by S&P, our senior unsecured foreign currency bond rating was rated A2 by Moody's and our foreign currency long term rating was rated A by Fitch.

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

Business Strategy

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

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

Offer a broad range of new and innovative wireless data and Internet services. Through our integrated wireless and on-line portal, NATE, we plan to continue expanding the range of our wireless data and Internet services with a view to increasing revenue from these services. Our strategy includes the introduction of sophisticated multimedia services (such as June, a premium wireless data service that provides streaming multimedia video content through our CDMA 1xEV/DO technology), mobile commerce services (such as Moneta and Liquid Screen Small Payment Service, wireless credit and payment systems which allow subscribers to provide merchants with credit card information and payment authorization using chips embedded in their wireless handsets), mobile community portal services (such as Mobile Cyworld, which allows subscribers to enjoy Cyworld, our on-line community portal service, through their cellular phone) and mobile finance services (such as M Bank, M-Stock and Moneta Card, etc.) that can be accessed using handsets and other devices, including personal computers, personal digital assistants and vehicle mounted terminals.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Retain and capitalize on our large, high-quality wireless subscriber base. With approximately 19.2 million subscribers as of June 30, 2005, we have the largest wireless subscriber base in Korea. We

Table of Contents

focus on maintaining and expanding our high-quality subscriber base through the provision of enhanced wireless services, particularly advanced wireless data and Internet-based applications, at higher speeds than previously available. As part of this strategy, we encourage our CDMA subscribers to migrate to our more advanced CDMA 1xEV-DO and CDMA 1xEV-DO Rev. A networks.

Position ourselves to be a leader in implementing new and improved wireless technologies. We pursue a research and development program designed to allow us to implement new wireless technologies as market opportunities arise. We operate a network research and development center which is focused on wireless network design, digital cellular technologies and wireless telecommunications applications. This center includes a research team that is helping to develop 4G wireless technology, which is expected to enable wireless data transmission at speeds of up to 155 Mbps, 70 times faster than 3G technology. We have acquired a license to develop and operate a W-CDMA network using 2 x 20 MHz of spectrum in the 2 GHz band. We commenced provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build out our W-CDMA network in other metropolitan areas of Korea. In the first half of 2006, we plan to start deploying high speed download packet access technology, which enables data to be transmitted at speeds of up to two to three times faster than 1xEV-DO. We have commenced testing of the system that will enable such upgrade to HSDPA by simply upgrading applicable software and without requiring any new infrastructure.

Take initiative in transitioning to what is being referred to as a convergent and ubiquitous era in mobile communications. We are striving to satisfy our customers' ever-growing needs by launching such new services as Telematics, Broadband Convergence Networks and Digital Home. In particular, we obtained a WiBro service license in March of 2005. This service will be deployed in a way that will maximize its synergistic effect with conventional mobile phone services. We are actively implementing new businesses with an objective of achieving significant synergies between our subsidiary and affiliate companies. In this regard, TU Media Corp., one of our affiliates, successfully launched satellite DMB service in May 2005. TU Media's satellite DMB service became commercially operational on May 1, 2005 and had surpassed 75,000 subscribers as of June 30, 2005. From July 2005, TU Media will additionally provide DMB services to KTF and LGT subscribers.

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

Continue to expand into overseas markets. We have been seeking to expand into various overseas markets. Through the launch of a joint venture company with China Unicom in February 2004, we began extending our wireless Internet service in China. We are also providing a CDMA cellular service in the Vietnamese market. In addition, we have been exporting what we refer to as our coloring solution, which allows the calling party to hear music or an audio clip selected by a subscriber instead of the standard ringback tone that is heard until the call is connected, and wireless Internet platforms and solutions, to countries such as Taiwan and Thailand. We established a joint venture with EarthLink, Inc., a Delaware corporation, the third largest Internet service provider in the U.S., to launch voice and data services across the U.S. as a mobile virtual network operator (MVNO) in 2005. In May 2005 we announced our pending entry into the European GSM market with the global positioning system based safety service for children called i-Kids. We signed a contract to sell the GSM-based i-Kids solution to SF-Alert, a mobile security firm in the Netherlands. In connection with this transaction, we acquired a 20% stake in SF-Alert in April 2005.

Table of Contents

Merger with Shinsegi

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

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

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

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

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

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

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

Cellular Services

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

We introduced our digital cellular service using CDMA technology in the Seoul metropolitan area in January 1996 and substantially completed the geographic build-out of our network in 1998. On December 31, 1999, we terminated our analog service. Our digital network provides wireless telecommunications service to an area covering approximately 99% of the Korean population. We continue to increase the capacity of our wireless networks to keep pace with the growth of our subscriber base and the resulting increase in usage of voice and wireless data services

by our subscribers.

To complement the services we provide to our subscribers in Korea, we have entered into roaming service agreements with various foreign wireless telecommunications service providers, including Verizon Wireless, Sprint and Alltel in the United States, KDDI in Japan, Telstra in Australia, China Unicom in China, Hutchison Telecom in Hong Kong, Telecom New Zealand in New Zealand, Telus Mobility and Bell Mobility in Canada, Guamcell in Guam and Saipan, Hutchison CAT Wireless Multimedia in Thailand, Iuacell in Mexico, VIVO in Brazil, Telefonica Moviles del Peru in Peru, Pelephone in Israel, Asia Pacific Broadband Wireless in Taiwan, and Mobile 8 in Indonesia.

In order to enhance our ability to provide wireless data services to our customers, we continue to expand our existing wireless network based on CDMA 1xRTT technology. Subscribers to our CDMA 1xRTT based

Table of Contents

services, in addition to having access to our wireless data services at higher speeds, also have access to other enhanced wireless data applications, such as the ability to download music videos from the Internet to their handsets. To enjoy these services, subscribers must purchase CDMA 1xRTT-capable handsets. As of June 30, 2005, approximately 17.9 million out of 19.2 million of our subscribers owned handsets capable of accessing our CDMA 1xRTT network. Over time, we intend to continue migrating our existing CDMA subscribers to this network or to our even more advanced networks.

Beginning in 2002, we launched an upgrade of our CDMA 1xRTT network in 26 cities in Korea to an advanced technology called CDMA 1xEV/DO. CDMA 1xEV/DO technology enables data to be transmitted to CDMA 1xEV/DO-capable handsets, which became available in Korea in June 2002, at speeds up to 2.4 Mbps, which is 16 times faster than CDMA 1xRTT's maximum transmission speed. CDMA 1xEV/DO technology allows us to provide advanced wireless data services such as streaming video and audio services. As of December 31, 2004, we completed our CDMA 1xEV/DO network upgrade in 84 cities in Korea. CDMA 1xEV/DO technology allows us to provide advanced wireless data services, as well as allow us to use our spectrum more efficiently.

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

On Line Services and Internet Access

We offer a wide variety of Internet content and services in addition to providing our wireless subscribers access to the Internet.

Under our brand name NATE, we offer our wireless subscribers access to the Internet, where subscribers can access a wide variety of content including current news and stock quotes and other information, as well as gain access to a wide variety of services including securities trading and on-line banking services. Subscribers can purchase goods and services through their wireless devices, send and receive e-mail and gain access to various third party Internet websites configured to work with wireless technology. Subscribers access NATE using WAP technology. WAP technology allows wireless data transmission and has been adopted by over 200 major telecommunications operators worldwide. As of June 30, 2005, approximately 18.4 million, or 95.7%, of our subscribers owned WAP-enabled handsets capable of accessing our CDMA 1xRTT network.

Under our NATE.com brand name, we offer a portal service at our website, www.NATE.com. NATE.com includes information and content formerly offered under our Netsgo brand as well as the content and services formerly available on Lycos Korea, which our subsidiary, SK Communications Co., Ltd., acquired in 2002. NATE.com offers a wide variety of content and services, including an Internet search engine as well as access to free e-mail accounts. During the month of June 2005, approximately 23.3 million unique users visited this website.

We offer an instant messaging service to our Nate.com and NATE users. This service, which we call NATE-ON, allows users to chat on-line through a variety of devices, including personal computers, wireless handsets and personal digital assistants. As of June 30, 2005, the number of NATE-ON subscribers reached approximately 11.1 million, surpassing that of MSN Messenger of Microsoft Corporation in Korea, making us the market leader in terms of number of subscribers in Korea in the instant messaging service market according to a survey conducted by an independent consulting firm. We continue to seek to introduce new wireless data services and innovations with a view to increasing revenue

from these businesses.

Table of Contents

Global Business

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

We are seeking to expand our global business through sales of our wireless Internet platforms and cellular network solutions, as well as sales of consulting services in the field of mobile communications. In April 2002, we entered into an agreement with Pelephone Communications Ltd., an Israeli CDMA operator, to supply our NATE wireless Internet platform to Pelephone on a turnkey basis. In May 2002, we entered into a memorandum of understanding with Openwave of the United States, a wireless Internet-based communication software and application provider, to form a strategic alliance in order to carry out co-marketing of our NATE wireless Internet platform solutions in overseas markets. In December 2002, we entered into an agreement with Asia Pacific Broadband Wireless Communications (APBW), one of five companies licensed to offer 3G mobile services in Taiwan, to provide a wireless Internet solution on a turn-key basis. Under the agreement, APBW was granted a license to use certain of our software and wireless Internet solutions for mobile Internet access and multimedia services. We also signed a contract with TA Orange, a GSM-based mobile communications operator in Thailand, in July of 2004 to provide wireless Internet platforms, including the NATE portal platform and NATE service solutions and contents. In addition, we have also been successful in sales of our other cellular network solutions, such as our color mail solution, which is a messaging service that allows subscribers to send messages containing various multimedia files such as background music, phone camera photos and videos to other handsets.

Overseas Operations

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

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

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

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

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

Table of Contents

Vietnam. In October 2000, with an aim toward commercializing CDMA cellular service in Vietnam, we, LG Electronics and Dongah Elecomm established a joint venture company named SLD Telecom. On July 1, 2003, the company started its own commercial CDMA cellular service, the first of its kind in Vietnam. The S-Fone (SLD Telecom's operator in Vietnam) service is now being offered in 13 major provinces in Vietnam, including HoChiMin and Hanoi, and has been increasing its subscriber base through clear call quality, customized tariff plans and value-added services. The number of S-Fone subscribers had surpassed 250,000 as of June 30, 2005. As only approximately 5% of Vietnam's population of approximately 82 million had subscribed to cellular service as of December 31, 2004, we believe that the Vietnamese mobile communication market offers significant opportunity for future growth.

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

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

M-Commerce

In April 2002, we introduced Moneta, a wireless credit and payment system, which allows holders of mobile credit cards to provide merchants with credit card information and payment authorization using chips embedded in their wireless handsets instead of a traditional plastic credit card with a magnetic strip. The wireless handset contains an infrared transmitter which transmits transaction information to the merchant's reader system. Users do not need to manually enter their credit card number when they make payments using this system. The system is based on an international technological standard developed by Europay, Mastercard and Visa. We receive a fee from the card issuer for each card issued and a transaction fee, based on the transaction value, for each transaction effected using the mobile commerce card. In May 2002, we entered into a technological cooperation agreement with Visa pursuant to which Visa has agreed to adopt our wireless credit and payment system as the international standard for Visa's worldwide operations. In addition, we have established payment systems with major department stores and discount stores (such as E-Mart) and affiliated merchant stores (such as Starbucks and TGI). We expanded the commercial use of the Moneta payment system to 68% of affiliated merchant stores as of the end of 2004. We are also developing other uses for mobile credit card technology to provide other services, such as payment for transportation and to serve as a secure means of identification.

In October 2002, we acquired Paxnet, an on-line financial portal offering services related to securities trading. We expect to expand our services provided through Paxnet to include an array of financial services relating to insurance, real estate, personal asset management and investment trust funds.

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

As of June 30, 2005, we provide chip-based mobile banking services in conjunction with 16 banks in Korea. Through this mobile banking services, we offer e-bankbook services as well as a variety of e-commerce services.

Table of Contents

Multimedia

In November 2002, we introduced June, a wireless data service that provides streaming content using our CDMA 1xEV/DO technology. Content provided through the June service includes Video on Demand (VOD), Music on Demand (MOD), television programs and multimedia messaging. June allows subscribers to view real-time news aired by a Korean news channel and permits subscribers to view on their cellular phones television programs aired by the four main domestic broadcasting stations. In addition, subscribers to June can access the Internet through NATE, our wired and wireless integrated Internet platform. As of June 30, 2005, June had 4.8 million subscribers.

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

In November 2004, we introduced a music portal service called MeOn, a new music service concept from a combined wireless and wired network. This service allows subscribers to access digital music through cellular phones on a wireless network, while paying airtime charges and monthly flat rates. This service also offers real-time streaming from on-line web sites, and digital music through MP3 phones and MP3 once downloaded from personal computers. In addition, the service presented a new method of promoting the digital music market by protecting the rights of music copyright holders using Digital Right Management, or DRM, technology. The technology prevents the illegal distribution and use of digital music content. We had revenue of Won 20.4 billion from the MeOn service in the first quarter of 2005 and had 500,000 subscribers as of June 30, 2005. We expect demand for this service to grow.

Other Products and Services

Handset Manufacturing

Through our former subsidiary, SK Teletech, we designed, marketed and sold digital handsets under the brand name Sky . The handsets are principally manufactured by third parties under contracts with SK Teletech. We established SK Teletech together with Kyocera Corporation of Japan, which held a significant minority interest in SK Teletech before selling all of its interest in SK Teletech to us in March 2004. We increased our stake in SK Teletech to 89.1% in March 2004. On July 12, 2005, we sold 60% of the total issued and outstanding shares common stock of SK Teletech to Pantech & Curitel, a handset maker in Korea, pursuant to which sale our ownership in SK Teletech decreased from 89.1% to 29.1%. Currently, all of SK Teletech's domestic sales of digital handsets are to our affiliate, SK Networks, which distributes them principally to our network of dealers for sale to our subscribers and other consumers. Due to an FTC-imposed condition to our acquisition of Shinsegi, which will remain in effect until the end of 2005, SK Teletech may not sell more than 1,200,000 handsets (excluding W-CDMA handsets) per year to SK Telecom and its affiliates. We initially believed that to ensure the availability of handsets which would be capable of accessing the services that we offer, we needed to control handset manufacturing. Increasingly, handsets are becoming complicated consumer electronic devices, for which manufacturing scale is critical. We therefore believe that control by Pantech & Curitel will benefit SK Teletech. Our retained 29.1% stake will allow us to continue to exert some influence at SK Teletech.

Table of Contents

International Calling Services

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

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

Telematics

In February 2002, we introduced a telematics service called NATE Drive. NATE Drive is an interactive communication service designed to guide vehicle drivers using a satellite-based global positioning system (GPS) and a wireless network to provide drivers with real-time location and traffic information. In April 2002, we entered into an agreement with Renault Samsung Motors and Samsung Electronics to jointly develop a Telematics business and launched a commercial product in September 2003. Pursuant to the agreement, we provide the cellular phone network and NATE Drive service, Samsung Electronics provides Telematics terminals for vehicles and Renault Samsung Motors installs Telematics-enabled terminals in the vehicles it sells. In an effort to further promote the Telematics business, in February 2005, we entered into a memorandum of understanding with Renault Samsung Motors under which we and Renault Samsung agreed to focus on improving the Telematics service platform and infrastructure. We plan to launch new handsets equipped with autonomous GPS for NATE Drive service in June 2005. Also, in cooperation with the MIC and Jeju island's joint effort to establish Jeju island as a model city for Telematics service, we launched Telematics services in Jeju Island on a pilot basis in December 2004 and began providing Telematics on a commercial basis in May 2005.

W-CDMA Network

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

The W-CDMA license was awarded by the MIC to SK IMT on December 4, 2001. The total license cost to SK IMT was Won 1.3 trillion. SK IMT paid Won 650 billion of this amount in March 2001, and we are required to pay the remainder of the license cost in annual installments from 2007 through 2011. For more information, see note 2(i) of the notes to our consolidated financial statements. In accordance with the terms of the license, we commenced provision of our IMT-2000 services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA

network in other metropolitan areas of Korea. See Risk Factors W-CDMA technology may require significant capital and other expenditures for implementation which

Table of Contents

we may not recoup and may be difficult to integrate with our other businesses . We believe that we are currently in compliance with all material terms of the license.

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

We developed and launched in March 2005 dual band/dual mode handsets, one of the key factors in a nationwide deployment of W-CDMA. However, the actual scope and timing of the full nationwide roll-out of our W-CDMA network will depend on other several factors, including the availability of network equipment, ability to overcome technical problems currently affecting W-CDMA performance, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. See Risk Factors W-CDMA technology may require significant capital and other expenditures for implementation which we may not recoup and may be difficult to integrate with our other businesses .

Revenues, Rates and Facility Deposits

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

	As of and For the Year Ended December 31,		
	2002	2003	2004
	(In billions of Won)		
Initial Connection Fees	(Won) 230.4	(Won) 176.6	(Won) 198.4
Monthly Access Fees	3,055.4	3,132.2	3,266.1
Usage Charges	3,415.6	3,615.1	5,300.7
Interconnection Revenue	1,043.2	1,017.1	849.4
Revenue from Sales of Digital Handsets(1)	534.0	612.0	649.8
Other Revenue(2)	878.2	1,538.8	33.2
Total	(Won) 9,156.8	(Won) 10,091.8	(Won) 10,297.6
Additional Facility Deposits	(Won) 11.0	(Won) 5.0	(Won) 31.8
Refunded Facility Deposits	20.6	7.7	44.6
Facility Deposits at Period End	46.9	44.2	31.4

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

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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

Table of Contents

interconnection revenues from other wireless network operators. See Business Interconnection . Monthly access fees for some plans include free airtime and/or discounts for designated calling numbers.

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

Higher rate plans generally include a fixed monthly amount of usage time while the lower rate plans are generally usage-based. The monthly access fees for the Standard plans range from Won 11,000 to Won 16,000, and generally target the adult market segment. The monthly access fees for the TTL plans range from Won 16,000 to Won 22,000 and target young adults between the ages of 19 and 24. The monthly access fees for the Ting plans range from Won 13,500 to Won 27,000 and generally target youths between the ages of 13 and 18.

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

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

With the approval of the MIC, effective from January 1, 2003, we reduced our Speed011 Standard rate plan s monthly access fee by Won 1,000, included 10 minutes of free air time per month and reduced our peak usage charges from Won 21 to Won 20 per minute. Subsequently, in October 2003, we reduced our monthly charges for caller ID service from Won 2,000 to Won 1,000, and, effective September 1, 2004, we reduced our tariffs by 3.7% and reduced our monthly basic charges from Won 14,000 to Won 13,000. See Management s Discussion and Analysis of Financial Condition and Results of Operations Overview .

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

Table of Contents

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

	Monthly Access		Included Airtime/ Discount(1)(2)	Peak Usage Charges (per 10 seconds)(2)	Off-Peak Usage Charges (per 10 seconds)(2)	Night-Time Usage Charges (per 10 seconds)			
	Fee								
Standard									
Regular	(Won)	13,000	10 minutes	(Won)	20	(Won)	13	(Won)	10
Slim		12,500	19		19		19		19
Family		13,000	5 minutes		18		12		9
Silver(3)		11,000	30 minutes		38		38		38
TTL Plans									
TTL Discount(4)		15,500-22,000	7 minutes		9-21		9-20		9-12
Ting Plans									
Ting		12,500-15,000	70 minutes		12-37		12-24		9-18
Data Free Plan(5)		26,000							
Free Plans									
Free Holiday		(6)							
Free Eleven		(7)							

- (1) Discounts may include free text messages, ring tone downloads, coloring and NATE minutes.
- (2) Excludes a 5% discount on domestic calls for customers who have subscribed to our cellular services for over 1 year; a 10% discount for customers who have subscribed to our cellular services over 2 years; a 15% discount for customers who have subscribed to our cellular services over 3 years and a 20% discount for customers who have subscribed to our cellular services over 5 years.
- (3) Subscribers must be 65 years old or older and each subscriber is limited to one silver Plan.
- (4) Includes TTL plan for designated numbers, designated area and TTL plan for couples.
- (5) Includes unlimited use of data service. Plan will be offered until September 30, 2005 and offer is effective until June 30, 2005.
- (6) 11 hours of free weekend airtime for an additional Won 10,000 per month.
- (7) 11 hours of free airtime exceeding the average number of minutes used in November and December 2003 for an additional Won 15,000 per month.

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

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

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

We generally require new subscribers (other than some corporate and government subscribers) to pay a non-interest bearing facility deposit of Won 200,000, which we may utilize to offset a defaulting subscriber s

Table of Contents

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

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

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

Subscribers

We had 19.2 million subscribers as of June 30, 2005, representing a market share of 51.1%, the largest market share among Korean wireless service providers. We believe that, historically, our subscriber growth has been due to many factors, including:

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

increasing consumer awareness of the benefits of wireless telecommunications;

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

an effective marketing strategy;

our focus on customer service;

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

our acquisition of Shinsegi.

Table of Contents

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

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

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

We had 18.1 million subscribers as of December 31, 2004. For the year ended December 31, 2004, we had 4,407,087 activations and 936,884 deactivations, representing an average monthly churn rate of 1.7% during the same period. We had 19.2 million subscribers as of June 30, 2005. For the six months ended June 30, 2005, we had 2.6 million activations and 2.2 million deactivations representing an average monthly churn rate of 1.9% during the period. Our churn rate for June 2005 was 1.8%. Our subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history.

Our subscriber growth rate was adversely affected by actions we took to comply with certain requirements of the FTC regarding our acquisition of Shinsegi. The FTC approved our acquisition of Shinsegi on the condition that SK Telecom's and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50.0% as of June 30, 2001. In order to satisfy this condition, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers from April 1, 2001 through June 30, 2001. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001. We are not currently subject to any market share limitations; however, on May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, which was the combined market share held by SK Telecom and Shinsegi at the time of the approval of SK Telecom's merger with Shinsegi in January 2002. On July 7, 2005, we announced our intention to continue our voluntary undertaking to limit our market share of the Korean wireless telecommunications market to 52.3% through 2007. We can give no assurances that the Government will not impose restrictions on our market share in the future. If we are subject to market share limitations in the future, our ability to compete effectively will be impeded, and our subscriber growth rate may decline.

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

Table of Contents

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

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

<u>Month</u>	<u>SKT→KTF</u>	<u>SKT→LGT</u>	<u>KTF→SKT</u>	<u>KTF→LGT</u>	<u>LGT→SKT</u>	<u>LGT→KTF</u>	<u>Total</u>
January 2004	203,853	101,414					305,267
February 2004	102,282	81,594					183,876
March 2004	111,077	103,155					214,232
April 2004	139,508	122,146					261,654
May 2004	167,228	92,414					259,642
June 2004	137,489	73,100					210,589
July 2004	53,611	23,116	277,751	20,504			374,982
August 2004	29,698	60,240	67,743	45,724			203,405
September 2004	90,075	49,959	5,744	42,995			188,773
October 2004	64,563	46,169	62,131	39,701			212,564
November 2004	74,478	56,135	59,578	51,802			241,993
December 2004	97,210	47,635	94,466	41,773			281,084
January 2005	145,295	71,142	135,862	75,069	115,197	106,024	649,589
February 2005	120,638	32,654	106,099	33,629	49,159	57,555	399,734
March 2005	125,453	43,690	112,711	47,696	48,823	56,743	435,116
April 2005	120,781	69,318	131,266	72,072	55,483	47,863	496,783
May 2005	125,365	58,400	132,655	55,085	56,329	48,546	476,380
June 2005	109,153	50,833	108,700	43,222	47,850	43,222	402,980
Total	2,017,757	1,183,114	1,294,706	569,272	372,841	359,953	5,798,643

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.

Table of Contents

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

Month	New Wireless Subscribers					
	SK Telecom		KTF		LGT	
	Number of Subscribers	Percentage of Total	Number of Subscribers	Percentage of Total	Number of Subscribers	Percentage of Total
January 2004	382,420	42.1	375,181	41.3	149,737	16.5
February 2004	422,816	43.6	329,066	33.9	218,435	22.5
March 2004	405,199	39.0	356,003	34.3	276,537	26.6
April 2004	448,997	41.2	330,441	30.3	309,736	28.4
May 2004	499,799	48.1	353,389	34.0	186,011	17.9
June 2004	327,863	43.7	305,488	40.7	117,594	15.7
July 2004	332,833	63.5	132,141	25.2	59,151	11.3
August 2004	185,687	42.2	112,455	25.5	142,308	32.3
September 2004	28,626	6.7	256,558	60.3	140,351	33.0
October 2004	276,359	48.3	169,364	29.6	125,994	22.0
November 2004	278,694	45.7	183,200	30.0	148,562	24.3
December 2004	240,306	43.6	200,054	36.3	110,269	20.0
January 2005	233,921	40.6	209,182	36.3	132,639	23.0
February 2005	248,073	43.1	231,803	40.3	95,236	16.6
March 2005	257,062	43.0	229,202	38.4	111,036	18.6
April 2005	214,949	45.5	148,820	31.5	108,962	23.0
May 2005	248,016	45.9	190,118	35.2	102,264	18.9
June 2005	250,186	47.1	177,690	33.4	103,585	19.5

Marketing and Service Distribution

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

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

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

When we were the only cellular service provider in Korea, we were able to maintain a low level of marketing and advertising expenses. Over the last several years, competition in the wireless telecommunications business has caused us to increase significantly our marketing and advertising expenses and, with continuing competition, we expect that such expenses will remain high. We have implemented a range of marketing

Table of Contents

measures, including more extensive promotions to attract new customers as well as to encourage loyalty of our existing subscribers and discourage migration to other service providers. In 2001, advertising expenditures as a percentage of revenues amounted to 4.1%, principally for promotion of our voice and wireless data services. Our

marketing expenses were lowered during the first half of 2001 due to the elimination of handset subsidies and our efforts to satisfy the FTC-imposed condition that SK Telecom's and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50.0% as of June 30, 2001. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001, and this market share limitation no longer applies, although we are voluntarily limiting our market share through the end of 2007 to 52.3% of the wireless telecommunications market. We have now extended this voluntary limitation through the end of 2007. In 2002, 2003 and 2004 advertising expenditures amounted to 4.8%, 3.7% and 3.3% of our revenues, respectively.

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

Interconnection

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

Table of Contents

With respect to the interconnection arrangement for calls from fixed-line networks to wireless networks, for the years 2000 through 2001, fixed-line operators' payments to wireless network service providers were calculated based on the actual imputed costs in 1998 of the leading wireless network service provider, which was us. For 2002, these payments were calculated based on each wireless operator's actual imputed costs in 2001. This change reduced the interconnection revenue we received from each call made from a fixed-line network terminating on our network, adversely affecting our interconnection revenue compared to previous years. For 2003, pursuant to a new MIC policy, an operator's interconnection fees were derived from that operator's actual interconnection fees for 2001 and actual imputed costs for 2001. Interconnection charges for calls between wireless service providers, first implemented by the MIC beginning in January 2000, were also reduced beginning in January 2002 and in January 2003, affecting both our revenue and our expenses. On July 9, 2004, the MIC introduced a new method of calculating interconnection payments, based on the terminator's long-run incremental cost in 2004 and the competitive market situation in the telecommunication service industry of Korea. The long-run incremental cost method has been adopted by other countries such as the United States, the United Kingdom and Japan. The new interconnection rates paid to each wireless network service provider are as follows:

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

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

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

Domestic Calls

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

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

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

For 2000, KT Corporation's payments to network service providers were calculated based on a discount of 7.76% to our actual imputed costs in 1998 and for 2001, a discount of 14.92%. According to this calculation,

Table of Contents

KT Corporation was required to pay interconnection charges of Won 68.94 per minute (exclusive of value-added taxes) for fixed-line to mobile calls to network operators in 2000 and Won 63.59 per minute in 2001.

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

Wireless-to-Wireless. The MIC did not determine interconnection charges for calls between wireless telephone networks in Korea prior to 2000; instead, the interconnection charges were negotiated among the operators. The MIC implemented interconnection charges for such calls starting in January 2000. Under these arrangements, the operator originating the call pays an interconnection charge to the operator terminating the call. For all operators, the amount of the charge is derived from SK Telecom's imputed cost, which was Won 45.7 per minute for 2002. This was reduced to Won 41.0 per minute for 2003 and further reduced to Won 31.8 per minute and Won 31.2 per minute for 2004 and 2005, respectively. The charge for 2006 has not been determined yet. Our revenues from the wireless-to-wireless charge were Won 365.6 billion (including Won 86.1 billion for Shinsegi) in 2000, Won 435.2 billion (including Won 86.6 billion for Shinsegi) in 2001, Won 350.9 billion in 2002, Won 412.2 billion in 2003 and Won 426.6 billion in 2004. Our expenses from these charges were Won 429.6 billion (including Won 106.7 billion for Shinsegi), Won 496.0 billion (including Won 105.5 billion for Shinsegi) in 2001, Won 482.7 billion in 2002, Won 518.2 billion in 2003 and Won 644.6 billion in 2004. The charges above were agreed among the parties involved and confirmed by the MIC.

International Calls

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

International Roaming Arrangements

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

We have also begun to introduce inter-standard roaming, which allows subscribers from our network to roam on networks employing GSM technology and vice-versa. From March 2002, we have established a roaming arrangement with Telefonica Moviles Espana S.A. of Spain. Under this arrangement, GSM subscribers can use their own SIM cards (Subscriber Information Module Card) with CDMA handsets that are compatible with such GSM SIM cards by renting such CDMA handsets from us. Roaming users are able to receive calls made to their normal

mobile telephone numbers. We are seeking to enter into these arrangements with many GSM operators

Table of Contents

worldwide. As of July 14, 2005, we had entered into inter-standard roaming agreements with 182 operators in 90 nations.

Digital Cellular Network

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

CDMA Networks

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

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

CDMA 1xRTT Network

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

Unlike our CDMA network, our CDMA 1xRTT network has been designed to be upgraded in step with advances in wireless technology. In the first half of 2002, we launched an upgrade of our CDMA 1xRTT network in 26 cities in Korea to an advanced technology called CDMA 1xEV/DO. CDMA 1xEV/DO is a CDMA-based technology, similar to CDMA 1xRTT, which enables data to be transmitted at speeds of up to 2.4 Mbps. This speed permits interactive transmission of data required for videophone services, a high-speed wireless Internet connection, as well as a multitude of multimedia services. CDMA 1xEV/DO-capable handsets became available in Korea in June 2002. We are expanding our CDMA 1xEV/DO network and completed the upgrade in 84 cities in Korea as of the end of 2004. This network permits 3G capabilities. A significant portion of our capital expenditures is expected to be used for the future expansion and upgrading of our CDMA 1xRTT network as well as our CDMA 1xEV/DO network. For details of our capital expenditure plans relating to CDMA 1xRTT and CDMA 1xEV/DO, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources .

W-CDMA Network

W-CDMA is a 3G-level high capacity wireless communication system that is expected to enable us to offer a wider range of telecommunications services, including cellular, paging, data communications, video-conferencing, multimedia services and satellite communications. We commenced provision of our IMT-2000

Table of Contents

services based on our W-CDMA network on a limited basis in Seoul at the end of 2003. Although we developed and launched in March 2005 dual band/dual mode handsets, one of the key factors in a nationwide deployment of W-CDMA, the actual scope and timing of the full nationwide roll-out of our W-CDMA network will depend on several other factors, including the availability of network equipment, ability to overcome technical problems currently affecting W-CDMA performance, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. We are continuing to improve our W-CDMA services in the Seoul metropolitan area and are continuing to build-out our W-CDMA network in other metropolitan areas of Korea. For more information about our capital expenditure plans relating to W-CDMA, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources, and for more information about risks relating to W-CDMA, see Risk Factors W-CDMA technology may require significant capital and other expenditures for implementation which we may not recoup and may be difficult to integrate with our other businesses.

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

Network infrastructure

The principal components of our wireless networks are:

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

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

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

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

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

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

We purchase our principal digital wireless equipment for our CDMA networks from LG Electronics and Samsung Electronics. We have purchased from Samsung Electronics substantially all of the equipment for our CDMA 1xRTT and CDMA 1xEV/DO networks. Several

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

manufacturers, including Samsung Electronics, Pantech & Curitel, LG Electronics and Motorola Korea, Inc., currently produce handsets for use on our CDMA, CDMA 1xRTT network. Samsung Electronics, SK Teletech and Motorola Korea, Inc. currently manufacture most of the handsets for use on our CDMA 1xEV/DO network.

Under applicable Korean law, Korean fixed-line operators may not decline to provide leased line services to us without reasonable cause. We have completed installation of substantially all optical fiber lines

Table of Contents

between our switching stations. In addition, we own several microwave links in areas to serve certain sections of the network formerly owned and operated by Shinsegi. We have also installed optical fiber lines linking base stations with switching stations and other base stations. Where we have not installed optical fiber lines, we continue to use lines leased by us from SK Networks and KT Corporation. KT Corporation's fixed charges for the leased lines are based on line capacity, length and type.

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

Other Investments and Relationships

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

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

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

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

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

Table of Contents

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

Other Investments. Our other investments include:

Hanaro Telecom. As of December 31, 2004, we owned a 4.8% interest in the outstanding capital stock of Hanaro Telecom. On September 2, 2003, we purchased Won 120.0 billion of Hanaro Telecom commercial paper in order to provide Hanaro Telecom with short-term liquidity while it attempted to secure a foreign investor that would inject new capital into the company. The decision to provide liquidity support to Hanaro Telecom was made to protect the value of our stake in Hanaro Telecom. Following an investment in Hanaro Telecom by a consortium led by AIG and Newbridge, we disposed of the Hanaro Telecom commercial paper in December 2003. In May 2004, we purchased from Samsung Electronics Co., Ltd. 13,870,000 shares of Hanaro Telecom, representing 3.0% of the outstanding shares of Hanaro, for Won 39.3 billion as part of our strategic efforts in consideration of increasing convergence between wireless and fixed-line services. As a result of the acquisition, our equity interest in Hanaro increased to 4.8% as of December 31, 2004, up from 1.8% as of December 31, 2003.

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

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

SK Group Japan Co., Ltd. In December 2001, we invested Won 5.3 billion in SK Group Japan Co., Ltd., a trading company. We held a 16.5% equity interest in SK Group Japan with an acquisition cost of Won 16.4 billion, which was written off due to an impairment. SK Group Japan was dissolved as of January 17, 2005.

Table of Contents

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

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

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

Competition

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

Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry resulting in the emergence of stronger competitors. In 2000, KT Corporation acquired 47.9% of Hansol M.Com's outstanding shares and renamed the company KT M.Com. KT M.Com merged into KTF in May 2001. In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. It is widely believed that KT Corporation is likely to operate more efficiently and be managed more effectively and profitably following its privatization. KT Corporation had a 48.7% interest in KTF as of December 31, 2004.

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

Table of Contents

As of June 30, 2005, according to the MIC, KTF and LGT had 12.2 million and 6.2 million subscribers, respectively, representing approximately 32.4% and 16.5%, respectively, of the total number of wireless subscribers in Korea on such date. As of June 30, 2005, we had 19.2 million subscribers, representing a market share of approximately 51.1%. On May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. On July 7, 2005, we announced our intention to continue our voluntary undertaking to limit our market share of the Korean wireless telecommunications market to 52.3% through 2007.

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

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

For a description of our rates and subscription plans, see **Revenues, Rates and Facility Deposits** . In addition, the FTC approved our acquisition of Shinsegi on two conditions. First, the FTC required that SK Telecom's and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50.0% as of June 30, 2001. As a result, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers for three months, from April 1, 2001 through June 30, 2001. We complied with this requirement by reducing our market share to approximately 49.7% as of June 30, 2001, and this market share limitation no longer applies. On May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. On July 7, 2005, we announced our intention to continue our voluntary undertaking to limit our market share of the Korean wireless telecommunications market to 52.3% through 2007. As of June 30, 2005, we had approximately 19.2 million subscribers, representing a market share of approximately 51.1%. Second, the FTC imposed a maximum limit of 1,200,000 on the number of digital handsets we may purchase annually from our former subsidiary, SK Teletech, until December 31, 2005. This restriction does not apply to W-CDMA handsets.

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

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

Table of Contents

Law and Regulation

Overview

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

entry into the telecommunications industry;

scope of services provided by telecommunications service providers;

allocation of radio spectrum;

setting of technical standards and promotion of technical standardization;

rates, terms and practices of telecommunications service providers;

customer complaints;

interconnection and revenue-sharing between telecommunications service providers;

disputes between telecommunications service providers;

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

competition among telecommunications service providers.

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

The MIC may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control and corrective orders issued in connection with any violation of rules restricting

beneficial ownership and control or any violation of the conditions of our licenses. Alternatively, in lieu of suspension of our business, the MIC may levy a monetary penalty of up to 3% of our revenues. A network services provider that wants to cease its business or dissolve must obtain MIC approval.

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

Rate Regulation

Most network service providers must report to the MIC the rates and contractual terms for each type of service they provide, but generally they may set rates at their discretion. However, as the dominant network services provider for specific services (based on having the largest market share in terms of number of subscribers and meeting certain revenue thresholds), we must obtain prior approval of our rates and terms of

Table of Contents

service from the MIC. In each of the years in which this requirement has been applicable, the MIC has designated us for wireless telecommunications service, and KT Corporation for local telephone service, as dominant network service providers subject to this approval requirement. As a condition to its approval of SK Telecom's merger with SK IMT, the MIC required that we submit the rates for our third generation mobile services using W-CDMA technology to the MIC for approval prior to the launch of such services. The MIC's policy is to approve rates if they are appropriate, fair and reasonable and if they are calculated in a transparent and appropriate manner. It may order changes if it deems the rates to be significantly unreasonable or against public policy.

Interconnection

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

Wireless Internet Network Co-Share

In December 2002, the MIC implemented a wireless Internet network co-share system that permits the WAP Gateway of a fixed-line operator to connect to a wireless network service provider's IWF (inter-working function) device. IWF is a device that connects a cellular network with an IP (Internet Protocol) network, while WAP Gateway converts HTTP protocol into WAP protocol. This co-share system would allow subscribers of a wireless network service provider to have access to wireless Internet content provided by a fixed-line operator. In December 2002, KT Corporation connected to our IWF in December 2002 but has not yet commenced service. In July 2003, the MIC approved the basic terms regarding the implementation of a network co-system. In January 2004, we entered into a memorandum of understanding with Onse to establish a co-share system, under which we launched these services in June 2005. Currently, our subscribers can access portals provided by outside parties. In addition, the MIC has requested that a third party oversee wireless operators' customer billing procedures with respect to third-party content providers who are seeking to provide their content directly to subscribers without going through an individual operator's portal, as third-party content providers have experienced difficulties in providing their content service directly to subscribers due to the lack of resources for billing users. We believe that such a co-share system, if widely adopted, will have the effect of giving our users access to a wide variety of content using their handsets, which may in turn increase revenues attributable to our data services. However, this system could also place significant competitive pressure on the services available on our NATE platform.

Contributions to the Fund for Development of Information Telecommunications

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

Table of Contents

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

Universal Service Obligation

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

Frequency Allocation

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

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

Table of Contents

Competition Regulation

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

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

Under the Fair Trade Act, a company that is a member of a large business group as designated by the FTC, such as ourselves, as a company in the SK Group, is generally required to limit its total investments in other domestic companies to 25% of its non-consolidated net assets. Investment in companies engaging in similar business is not included in calculating the 25% limit. Depending on the time frame in which such a company acquired shares in excess of the 25% ceiling, the FTC may issue corrective orders requiring, for example, the disposition of the shares held in excess of the 25% ceiling or imposing limitations on the voting rights for such shares and/or monetary sanctions. SK Telecom's total investments in other domestic companies (excluding investments in Hanaro Telecom, Powercomm, SK Telink, Enterprise Networks and Real Telecom, companies engaging in similar business) amounted to Won 798.5 billion as of June 30, 2005.

Number Portability

Previously, Korea's wireless telecommunications system was based on a network-specific prefix system in which a unique prefix was assigned to all the phone numbers of a network operator. We were assigned the 011 prefix, and all of our subscribers' mobile phone numbers began with 011 (former Shinsegi subscribers use the 017 prefix). Our subscribers could not change their wireless phone service to another wireless operator and keep their existing numbers. In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications services in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. However, subscribers who switch operators must purchase a new handset, as we use a different frequency than KTF and LGT. In accordance with the plan published by the MIC, the number portability system was adopted by SK Telecom starting from January 1, 2004. KTF and LGT introduced number portability beginning on July 1, 2004 and January 1, 2005, respectively. For details of the number of subscribers who transferred to the services of our competitors following the implementation of the number portability system, see [Business Subscribers](#).

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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

Table of Contents*Contribution to 114 Directory Service*

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

Foreign Ownership and Investment Restrictions and Requirements

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

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

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

Table of Contents

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

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

Patents and Licensed Technology

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

We also license a number of patented processes and trademarks under cross-licensing, technical assistance and other agreements. The most important agreement is with Qualcomm Inc. and relates mainly to CDMA applications technology. This agreement generally grants us a non-exclusive license to manufacture handsets in return for royalty payment or a sub-license to manufacture and sell certain products both in Korea and overseas 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.

Research and development

Overview

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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

Table of Contents

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,		
	2002	2003	2004
	(In billions of Won)		
Internal R&D Expenses	(Won) 194.3	(Won) 235.8	(Won) 267.1
External R&D Expenses	59.0	64.9	69.0
Total R&D Expenses	(Won) 253.3	(Won) 300.7	(Won) 336.1

The MIC has the statutory power to recommend levels of spending by telecommunications service providers on research and development activity and the allocation of expenditures between internal and external research. In practice, the MIC has issued guidelines regarding the amount and allocation of research spending. In its May 1995 guidelines, the MIC recommended that that we observe the following minimum levels of total research and development spending (set as a percentage of budgeted revenue and calculated according to MIC guidelines which differ from our accounting treatment of such expenses): 9.0% from 1995 through 1997; 9.5% for 1998; and 10.0% for 1999 through 2001. With respect to the level of contribution specifically for external research and development, in July 1998, the MIC reduced the recommended minimum level of contribution to the MIC-run Fund for Development of Information and Telecommunications from 2.0% to 1.5%. In 2001, the recommended minimum level of contribution was further reduced to 1.0%. In 2002, the contribution became mandatory, and the required minimum level of contribution was further reduced to 0.75%. In 2003 and 2004, the required minimum level of contribution was 0.75%, the same as 2002. 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 3G technologies and services and value-added technologies and services for our CDMA network, such as wireless data communications. We spent approximately Won 267.1 billion on internal research and development in 2004.

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. As of December 31, 2004, our research center housed 522 research engineers (including both full time and temporary research engineers). Their work focuses on planning of cell sites, network management, digital wireless technologies, multimedia, information processing and other wireless telecommunications areas. Although the technology is at its very early stages, our research center includes a team that is helping to develop what is known as 4G wireless technology, which if successfully completed is expected to enable wireless data transmissions at speeds of up to 155 Mbps, which would be faster than the current W-CDMA technology.

Each business unit 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 the

Table of Contents

CDMA digital technology. We do not independently own intellectual property rights in the technologies or products developed by any external research institute.

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, 2002	4,641	1,600	6,241
December 31, 2003	5,447	1,474	6,921
December 31, 2004	6,421	932	7,353
April 30, 2005	7,111	951	8,062

The number of our regular employees increased in 2001 and 2002 due to periodic hiring of new employees.

The following table sets forth numbers of our regular employees and temporary employees by categories of activity as of April 30, 2005:

	Marketing	Production	Research	Support	New Business	Total
Regular Employees	2,282	1,873	1,135	1,105	716	7,111
Temporary Employees	623	139	29	146	14	951
Total	2,905	2,012	1,164	1,251	730	8,062

As of December 31, 2004, we had a company union comprised of 2,887 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 on May 24, 2004 resulted in an average wage rate increase of 3.4% for 2004 from 2003. We have begun wage discussions with the Company's union for 2005.

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. As of December 31, 2004, the employee stock ownership association owned approximately 0.46% of our issued common stock.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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, 2004, the accrued and unpaid retirement and severance benefits of Won 236.2 billion for all of our employees are reflected in our non-consolidated financial statements as a liability, of which a total of Won 155.2 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

Table of Contents

where the wage is lower. If the new entity is a subsidiary of which we own at least a 50% stake, employment is guaranteed for three years.

We are also required by law to contribute up to 5% of our annual earnings before tax for employee welfare. We contributed 3% of our revenues annually for years prior to 2002. Beginning in 2003, we have decided to negotiate an exact amount each year as necessary. In 2003 and 2004, we did not negotiate contribution amounts for year 2002 and 2003, respectively. We expect to negotiate the contribution amount for 2004 in the latter half of 2005.

We consider our relations with our employees to be good.

Organizational Structure

We are a member of the SK Group (formerly the Sunkyong Group), whose members collectively owned in aggregate 24.03% of the shares of our issued and outstanding common stock as of December 31, 2004. The SK Group is a group of companies incorporated in Korea with interests in, among other things, telecommunications, trading, energy, chemicals, engineering and leisure industries.

Significant subsidiaries

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

Property, Plants and Equipment

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

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Yongin

589,625

Training Center

Ownership

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

Table of Contents

meeting our future needs for any existing or prospective leased space for our cell sites. See Cellular Services .

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

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, lightning, flooding, theft, vandalism, public liability and certain other risks that may affect our assets and employees. We believe that the types and amounts of our insurance are in accordance with general business practices in Korea.

Material Contracts

We have not entered into any material contracts since January 1, 2002, other than in the ordinary course of our business. For information regarding our agreements and transactions with entities affiliated with the SK Group see Share Ownership . For a description of certain agreements entered into during the past three years related to our capital commitments and obligations, see Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Requirements and Resources .

Legal Proceedings

FTC Proceedings

On July 22, 2002, members of the SK Group (including SK Telecom, SK Corporation and SK Networks), concurrently with several other large Korean conglomerates, received a notice from the FTC requesting that these companies submit certain information, including financial statements and information about related party transactions, to the FTC by August 3, 2002. This deadline was extended to August 9, 2002, and we provided the requested information to the FTC on that date. After concluding its investigation, on October 29, 2002, the FTC ordered us to pay a fine of Won 175 million for violating the disclosure rules concerning related party transactions, which we paid in full.

On November 7, 2002, the FTC ordered us to pay a fine of Won 1.0 billion in connection with certain misleading advertisements relating to Moneta, our mobile credit card. We, along with LGT and KTF, advertised that there would be a Won 100,000 to Won 300,000 discount on the purchase of wireless handsets when paid with a mobile credit card, such as Moneta. The advertisements were found to be misleading by the FTC because the FTC concluded that we did not duly inform the subscribers of an annual interest rate up to 9% to be accrued on the credit amount. KTF and LGT were also fined Won 672 million and Won 384 million, respectively, for similar violations. The FTC also ordered us to make a public announcement of such violation. We made such payment and the public announcement of such violation as directed by the FTC in December 2002.

In October 2003, the FTC ordered us, SK Corporation and SKC&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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

in December 2003. However, we have filed an appeal, as we believe that the interest on the loans was not below the interest rates customarily charged in the market. The appeal is currently pending.

In October 2003, the FTC ordered us to pay a fine of Won 4.1 billion in connection with our payment of advertisements on behalf of certain companies in the SK Group. We paid the fine in December 2003.

Table of Contents

In March 2004, the FTC ordered us to pay a fine of Won 228 million for certain allegedly misleading advertisements made by us with respect to our competition and the nature of our services, which we paid in full in May 2004. LGT and KTF were also fined in connection with related offenses.

MIC Proceedings

In March 2002, the MIC indicated its belief that certain incentive payments made to wireless handset dealers by us and other wireless network service providers were being passed on to purchasers of wireless handsets and therefore constituted improper handset subsidies. Consequently, beginning in April 2002, we eliminated such incentives, and we believe that other wireless network service providers also eliminated such incentives. On April 8, 2002, we, KTF, LGT and KT Corporation were fined an aggregate of Won 20.0 billion by the MIC in respect of these incentive payments. We paid in full a fine of Won 10.0 billion in April 2002. See Management's Discussion and Analysis of Financial Condition and Results of Operations Overview Revenue .

In July 2002, the MIC imposed on us (i) a total fine of Won 30 million for our and two of our branches' refusal (a fine of Won 10 million for each) to comply with the MIC's request for documents during the MIC's spot investigations of possible handset subsidies, and (ii) a fine of Won 1 billion for a temporary stoppage of KT Corporation's short messaging service on our networks for 17 hours without prior notice. We paid the fine in full in September 2002.

On November 15, 2002, we received an order from the MIC prohibiting us from signing on new subscribers for 30 days (from November 21, 2002 through December 20, 2002) for violating MIC's handset subsidy regulation. KTF and LGT were each prohibited from signing on new subscribers for 20 days.

On March 26, 2003, we were ordered by the MIC to pay a fine of Won 300 million and to make public announcements in four major newspapers for violating certain provisions of the Telecommunications Business Act by not entering into written contracts with and checking personal identification of subscribers for subscription of pre-paid wireless handsets, which is required to prevent handsets from being used for criminal purposes. KTF and LGT were also fined Won 200 million and Won 120 million, respectively, for the same violations. We made such payment and such public announcements in April 2003.

In February 2004, the MIC imposed a total fine of Won 2.0 billion on us in connection with our marketing efforts related to the number portability system that was adopted by us in January 2004. The fine was imposed in response to (i) the adoption of a voice recording identifying our network upon connection of each outgoing call made on our network without the consent of our subscribers and (ii) reverse-marketing calls made between January 1, 2004 and January 9, 2004 informing our subscribers of benefits that they would lose by switching to another operator. We were ordered to make public announcements of these violations in major newspapers in Korea. In February 2004, the MIC also imposed fines of Won 250 million and Won 150 million on KTF and LGT, respectively, for their failure to accept cancellations of service by certain of their subscribers. We made such payment in March 2004.

In February 2004, the MIC imposed upon us a fine of Won 21.7 billion with respect to other incentive payments that were deemed by the MIC to constitute improper handset subsidies and thereby disrupt fair competition. We paid the fine in March 2004. In February 2004, KTF and KT Corporation were also fined Won 7.5 billion and Won 4.1 billion, respectively, in respect of such incentive payments. We filed an appeal, but the MIC upheld the fine in April 2004.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

In April 2004, the MIC ordered us, KTF, KT Corporation and LGT, to pay fines of Won 650 million, Won 170 million, Won 20 million and Won 100 million, respectively, for failing to establish sufficient safeguards against the execution of telecommunications service contracts by users using false names. We were found to have conveyed payment delinquency information to credit rating companies without confirming that the

Table of Contents

names on the service contracts belonged to the actual users of our services. We, along with KTF, KT Corporation and LGT, were ordered to publish the violations in newspapers. We complied with such order and made such payment.

In addition, when the MIC approved the merger of Shinsegi into us in January 2002, the MIC imposed certain conditions on us. The MIC periodically reviews our compliance with the conditions related to our merger with Shinsegi. On May 25, 2004, a policy advisory committee to the MIC announced the results of its review and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we have violated the conditions related to our merger with Shinsegi by providing subsidies to handset buyers. In June 2004, the MIC imposed a Won 11.9 billion fine on us and extended the post-merger monitoring period until January 2007 pursuant to the policy advisory committee's recommendation. On May 25, 2004, we voluntarily undertook to limit our market share through the end of 2005 to 52.3% of the wireless telecommunications market, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. On July 7, 2005, we announced our intention to continue our voluntary undertaking to limit our market share of the Korean wireless telecommunications market to 52.3% through 2007. We can give no assurance that the MIC will not take action that may have a material adverse effect on our business, operations and financial condition. See Risk Factors Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition .

On June 7, 2004, the MIC prohibited us from acquiring new subscribers for a period of 40 days beginning on August 20, 2004. The MIC also prohibited other telecommunications companies from acquiring new subscribers for periods ranging from 20 to 30 days. KTF was issued a 30-day suspension beginning on July 21, 2004; LGT was issued a 30-day suspension beginning on June 21, 2004; and KT Corporation was issued a 20-day suspension beginning on July 21, 2004. These suspensions resulted from MIC's determination that we violated the ban on providing subsidies to handset purchasers. During the suspensions, each company was able to continue regular business activities, including replacement of handsets, changes in user names, changes in mobile phone numbers and changes in tariff plans applicable to the existing subscribers.

On December 29, 2004, the MIC ordered us, KTF and LGT to pay fines of Won 7.5 billion, Won 2 billion and Won 600 million, respectively, with respect to our payment of improper handset subsidies. 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. We made such payment in January 2005.

On March 21, 2005, the MIC ordered us, KTF and LGT to pay fines of Won 1.4 billion, Won 360 million and Won 230 million, respectively, for changing calling plans and adding value-added services to the subscribers without obtaining express consents of such subscribers. We paid such fine in April 2005.

In May 2005, the MIC ordered us to pay fines of Won 23.1 billion with respect to our payment of improper handset subsidies. LGT and KTF were also fined Won 2.7 billion and Won 1.1 billion, respectively, in respect of improper subsidy payments. 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. We paid such fine in June 2005.

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

Table of Contents

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 again appealed the case and the case is now pending in the Supreme Court of Korea.

Based on the application and registration with the International Telecommunication Union for such frequency spectrum, the MIC has allotted us a frequency with a license to run DMB business as a network service operator. Multinet, in June 2004 and September 2004, filed two lawsuits against the MIC to revoke such allotment by the MIC. One lawsuit involved a demand for the cancellation of the public notice of the allotment by the MIC, the other to revoke such allotment and the license to run DMB business as a network service operator by the MIC. The cases are currently pending in the court of first instance. In connection with these cases, Multinet also filed two lawsuits for preliminary injunction against MIC, one to restrain MIC from allocating the frequency to us and the other to restrain MIC from granting us the license to run DMB business as a network service operator. The court ruled against Multinet and denied injunctive relief, in both the court of first instance and in the appellate court. The case is now pending at the Supreme Court of Korea.

Coloring Litigation

In November 2002, in connection with certain technology we use to provide our coloring service, Mr. Park Won-Seop filed a lawsuit against us in the Seoul Central District Court. In the lawsuit, Mr. Park alleged that our coloring service infringed upon his patent rights. While the lawsuit is currently pending before the Seoul Central District Court, we sought an administrative action to nullify Mr. Park's patent rights in the Intellectual Property Tribunal. The Tribunal upheld the nullification of Mr. Park's patent rights. Mr. Park appealed the decision, and the appeal is currently pending before the Patent Court.

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.

Table of Contents**MANAGEMENT****Directors and Senior Management**

Our board of directors has ultimate responsibility for the management of our affairs. Under our articles of incorporation, our board is to consist of at least three but no more than twelve directors, more than a half of whom must be outside directors. We currently have a total of eleven directors, seven of whom are outside 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 incorporation, we have a committee for recommendation of outside directors within the board of directors, the Recommendation Committee. Outside 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 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
Jung Nam Cho	Nov. 20, 1941	1995	2007	Vice-Chairman and Representative Director		President & COO, SK Telecom
Shin Bae Kim	Oct. 15, 1954	2002	2008	CEO and Representative Director	Chairman, Korea Association of RFID/USN	Head of Strategic Planning Group, Shinsegi Telecomm, Inc.; Director, SK Telecom; Senior Vice President, SK Telecom; Director, KORMS

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Bang Hyung Lee	Aug. 20, 1955	2005	2008	Executive Vice-President, Chief Marketing Officer, Head of Business Center and Standing Director	Head of Internet Business Group, SK Telecom; Head of Marketing Group, SK Telecom; Senior Accountant, Deloitte Haskin & Sells, USA
----------------	---------------	------	------	--	---

Table of Contents

Name	Date of Birth	Director Since	Expiration of Term	Position	Other Principal Directorships and Positions	Business Experience
Sung Min Ha	Mar. 24, 1957	2004	2007	Senior Vice President, Chief Financial Officer and Standing Director	Representative Director, SK Capital	Head of Strategic Planning Group, SK Telecom; Director, SK Telink; Auditor, SK C&C; Chairman and Representative Director, SLD Telecom; 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
Dae Sik Kim	Jan. 11, 1955	2005	2008	Outside Director	Professor, Hanyang University; Committee Member, MOFE Advisory Committee on Financial Development	University of Pennsylvania, MBA (1981), Ph.D. (1987)
Yong Woon Kim	Oct. 4, 1943	2003	2006	Outside Director	Non-Standing Auditor, Pohang University of Science and Technology	Senior Executive Vice President (Legal Department, Seoul Office, Investment and Finance) and Director, POSCO; Standing Advisor, POSCO Research Institute
Sang Koo Nam	Aug. 20, 1946	1998	2007	Outside Director	Professor, Korea University	University of Pennsylvania, MBA (1975), Ph.D. (1981); President, Korean Financial Association
Dae Kyu Byun	Mar. 8, 1960	2005	2008	Outside Director	CEO & Representative Director, Humax Co., Ltd.; Head Vice-President, Korea Venture Business Association	Director, the Federation of Korea Information Industries; Representative Director, Guin Co.; Co-founder, Venture Leaders Club
Seung Taik Yang	Oct. 24, 1939	2005	2008	Outside Director	President, Tong-Myung University of Information Technology	Polytechnic Institute of Brooklyn, Ph.D.; 7th Minister, Ministry of Information and Communication
Jae Seung Yoon	Nov. 9, 1962	2002	2008	Outside Director	CEO & Representative Director; Daewoong Pharmaceutical Co., Ltd.; Vice-president, Insung Information Co., Ltd.	Public Prosecutor, The Seoul/Busan District Public Prosecutors Office; Auditor and Vice President, Daewoong Pharmaceutical Co., Ltd.
Sang C. Lee	Jan. 24, 1941	1999	2008	Outside Director	IT Consultant	Chairman, Communication Network Interface, Inc.; Chairman and CEO, Spectron Corp.; President, Scovill Fasteners, Inc.; Director of Organization, ITT Worldwide

Table of Contents

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, former non-standing director of SK Telecom and chairman and CEO of SK Corporation, Mr. Kil Seung Son, former Chairman, Chief Executive Officer and Representative Director of SK Telecom and representative director of SK Networks and non-standing director of SK Corporation, Mr. Jae Won Chey, former executive vice president of SK Telecom and Mr. Moon Soo Pyo, former president of SK Telecom. None of these resignations were related to any allegations of wrongdoing in connection with their role in our business, and SK Telecom was not implicated in any of the charges against SK Networks' management. On June 11, 2005, Mr. Kil Seung Son and Mr. Tae Won Chey each received a sentence of imprisonment of three years and probation of five years (while the sentence was suspended) by an appellate trial in the Seoul High Court. On June 15, 2005 both Mr. Son and Mr. Chey filed an appeal to the Supreme Court of Korea against the judgment of the appellate court. The case is now pending at the Supreme Court. For details of the charges against Mr. Tae Won Chey and Mr. Kil Seung Son, see Risk Factors Financial difficulties and charges of financial irregularities at our affiliate, SK Networks (formerly SK Global), may cause disruptions in our business .

Compensation of Directors and Officers

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, 2004 totaled approximately Won 4.3 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 2001 and 2002, pursuant to resolutions of the shareholders, and in accordance with our articles of incorporation, certain of our directors and officers were granted options to purchase our common shares. In 2001 and 2002, 42 and 70 officers, respectively, were granted options to purchase 43,820 and 65,730 common shares. The exercise price for the shares are Won 211,000 and Won 267,000, respectively, for 2001 and 2002. 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. The officers may exercise their options during a two-year period starting from March 2004 (for shares granted in 2001) or from March 2005 (for shares granted in 2002). The board of directors may, by resolution, cancel any 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.

Table of Contents

The following table shows the share allotment for the directors under our 2001 and 2002 stock option program. There has been no stock option program since 2003.

Name	Position	Number of Shares Allotted			Number of Options Exercised
		2002	2003	2004	
Jung Nam Cho	Director	6,150	0	0	0
Shin Bae Kim	Director	1,650	0	0	0
Bang Hyung Lee	Director	1,620	0	0	0
Sung Min Ha	Director	690	0	0	0
Dae Sik Kim	Outside Director	1,000	0	0	0
Yong Woon Kim	Outside Director	0	0	0	0
Sang Koo Nam	Outside Director	1,000	0	0	0
Dae Kyu Byun	Outside Director	1,000	0	0	0
Seung Taik Yang	Outside Director	0	0	0	0
Jae Seung Yoon	Outside Director	1,000	0	0	0
Sang C. Lee	Outside Director	1,000	0	0	0
Other Officers		49,620	0	0	0
Total		65,730	0	0	0

Board Practices*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 incorporation, 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 outside 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;

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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 certified public accountants to examine our financial statements. An audit and review by certified public accountants of our financial statements 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 Supervisory Commission of Korea and the KRX Stock Market.

Table of Contents

Our audit committee is composed of three outside directors: Sang Koo Nam, Dae Sik Kim and Yong Woon Kim, 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 Dae Sik Kim is an audit committee financial expert as defined under the applicable rules of the Securities and Exchange Commission.

Outside Director Nomination Committee

This committee is devoted to recommending outside 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.

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 board of directors decides from time to time who will comprise the members of this committee.

Compensation Review Committee

This committee oversees our overall compensation scheme for the Chief Executive Officer and directors. The committee consists of three outside directors and is in charge of reviewing the criteria for and levels of directors' compensation packages and benefits. The board of directors decides from time to time who will comprise the members of this committee.

Remuneration

We do not have an independent internal remuneration committee. Remuneration for the directors and officers is determined by shareholder resolutions. Severance allowances for directors are determined by the board of directors in accordance with our internal regulation on remuneration of officers, which was also adopted by shareholder resolutions and 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. The regulation on payment of remuneration to company officers also provides for a special contribution bonus upon retirement, in addition to the basic severance package, for any officer or director who during his or her term of service makes special contributions to the company. We may also reimburse our outside directors for expenses they incurred in performance of their services. See Compensation of Directors and Officers . We are currently receiving consulting services on creating a remuneration committee under the Board of Directors.

Differences in Corporate Governance Practices

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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

Director Independence

Listed companies must have a majority of independent directors.

SK Telecom Corporate Governance Practice

Of the 11 members of our board of directors, 7 are independent directors.

Table of Contents

NYSE Corporate Governance Standards

Executive Session

Listed companies must hold meetings solely attended

by non-management directors to more effectively

check and balance management directors.

Nomination/Corporate Governance Committee

Listed companies must have a nomination/corporate

governance committee composed entirely of

independent directors.

Audit Committee

Listed companies must have an audit committee that

satisfies the requirements of Rule 10A-3 under the

Exchange Act.

Audit Committee Additional Requirements

Listed companies must have an audit committee that is

composed of more than three 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 the company's equity compensation plan.

Corporate Governance Guidelines

Listed companies must adopt and disclose corporate

governance guidelines.

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.

SK Telecom Corporate Governance Practice

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.

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.

We maintain an Audit Committee comprised solely of three independent directors.

Our Audit Committee has three independent directors.

We currently have two equity compensation plans: a stock option plan for officers and directors and employee stock ownership plan for employees (ESOP). Our Articles of Incorporation provide for all the relevant matters relating to such compensation scheme, amendment of which is subject to shareholder approval, even though matters relating to ESOP are not subject to such approval under Korean law.

Although we do not maintain separate corporate governance guidelines, we are in compliance with the Korean Commercial Law in connection with such matters, including the governance of the board of directors.

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.

Table of Contents*Share Ownership*

The following table sets forth the share ownership by our standing and non-standing directors as of June 30, 2005:

<u>Name</u>	<u>Position</u>	<u>Number of Shares Owned</u>	<u>Percentage of Total Shares Outstanding</u>	<u>Special Voting Rights</u>	<u>Options</u>
<i>Standing Directors</i>					
Jung Nam Cho	Vice-Chairman and Representative Director			None	16,500
Shin Bae Kim	CEO and Representative Director	1,270	*	None	1,650
Bang Hyung Lee	Executive Vice-President	1,630	*	None	3,390
Sung Min Ha	Chief Financial Officer	738	*	None	690
<i>Non-Standing Directors</i>					
Dae Sik Kim	Outside Director	30	*	None	2,500
Yong Woon Kim	Outside Director			None	0
Sang Koo Nam	Outside Director			None	2,500
Dae Kyu Byun	Outside Director	50	*	None	2,000
Seung Taik Yang	Outside Director			None	
Jae Seung Yoon	Outside Director	200	*	None	1,000
Sang C. Lee	Outside Director			None	2,500

* Less than 1.0%

Table of Contents**MAJOR SHAREHOLDERS**

As of December 31, 2004, approximately 51.6% of our issued shares were held in Korea by approximately 20,000 shareholders. The following table sets forth certain information as of the close of our shareholders' registry on December 31, 2004 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)	19,772,914	24.03%	26.86%
POSCO	4,098,496	4.98	5.57
Employees(2)	480,586	0.58	0.65
Treasury shares(3)	8,662,415	10.53	N/A
Officers and Directors(4)	2,608		
Other Domestic Shareholders	9,467,103	11.52	13.76
Foreign Shareholders(5)	39,792,589	48.36%	54.06%
Total Issued Shares	82,276,711	100.00%	100.00%

(1) The SK Group's ownership interest consists of the following as of December 31, 2004:

SK Group Member	Number of Shares	Percentage Total Shares Issued	Percentage Total Shares Outstanding
SK Corporation	17,663,127	21.47%	23.99%
SK Securities Co., Ltd.	7	0.00	0.00
SK Networks	2,097,740	2.55	2.85
SK Life Insurance Co., Ltd.	12,040	0.01	0.02
	19,772,914	24.03%	26.86%

The SK Group is a group of affiliated entities. As of December 31, 2004, the ownership interests among the SK Group included, among others:

SK Corporation owned: 21.47% of SK Telecom Co., Ltd., 41.32% of SK Networks, 47.27% of SKC and 72.13% of SK Shipping Co., Ltd.

SK Networks owned 2.55% of SK Telecom Co., Ltd., 17.71% of SK Shipping, 15% of SK Computer & Communications Co., Ltd., and 28.95% of SK Securities Co., Ltd.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

SK Chemicals owned 2.39% of SK Corporation and 39.40% of SK Engineering and Construction.

SKC owned 6.2% of SK Chemicals and 10.16% of SK Shipping Co., Ltd.

SK Shipping Co., Ltd. owned 30.94% of SK Engineering and Construction.

SK Computer & Communications Co., Ltd. owned 11.22% of SK Corporation.

We owned 30.0% of SK Computer & Communications Co., Ltd.

- (2) Represents shares owned by our employee stock ownership association. See Employees .
- (3) Treasury shares do not have any voting rights; includes 1,710,750 treasury shares that were deposited with Korea Securities Depository to be reserved and used to satisfy the conversion rights of the holders of US\$329.5 million in zero coupon convertible notes that were sold in May 2004.
- (4) Less than 0.01%.
- (5) Includes 5,445,282 shares of our common stock, or approximately 6.62% of our issued common stock, represented by American Depositary Shares (ADSs) held by Momenta (Cayman), a special purpose vehicle incorporated in the Cayman Islands.

Table of Contents

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

Shareholder	As of December 31,		
	2002	2003	2004
	(As a percentage of total issued shares)(1)		
SK Group	24.43%	24.60%	24.03%
SK Corporation(2)	19.81	21.47	21.47
SK Life Insurance	0.00	0.01	0.01
SK Investment Trust Management	0.07	0.06	
SK Networks(3)	4.53	3.06	2.55
KT Corporation(4)	9.27	0.00	0.00
POSCO(5)	6.50	4.98	4.98

- (1) Includes 4,852,972, 8,662,403 and 8,662,415 shares held in treasury as of December 31, 2002, 2003 and 2004, respectively. The treasury share amount as of December 31, 2002 excludes 4,465,635 shares of the Company's common stock acquired from KT Corporation pursuant to a stock swap on December 30, 2002.
- (2) On July 25, 2002, SK Corporation sold our ADSs representing 5,117,500 shares of our common stock to Momenta (Cayman), which in turn sold bonds exchangeable initially into such ADSs. On the same day, SK Corporation sold 1,122,223 shares of our common stock represented by ADRs to foreign investors.
- (3) On January 4, 2002, SK Networks issued bonds exchangeable into an aggregate of 1,730,104 shares of our common stock. On January 31, 2002, bank trust funds controlled by us purchased from SK Networks an aggregate of 1,367,180 shares of our common stock, or approximately 1.5% of our outstanding common stock. On July 25, 2002, SK Networks sold 1,100,000 shares of our common stock represented by ADRs to foreign investors. SK Networks sold 418,000 shares in January 2004 and currently owns 2,097,740 shares.
- (4) On April 15, 2002, KT Corporation sold an aggregate of 1,000,000 shares, or approximately 1.1%, of our outstanding common stock to investors. On December 30, 2002, KT Corporation sold an aggregate of 4,457,635 shares, or approximately 5.0%, of our outstanding common stock to us. On January 10, 2003, KT Corporation sold its remaining stake in us, an aggregate of 3,809,288 shares, or approximately 4.3%, of our outstanding common stock to us. On May 23, 2002, we acquired a 9.6% equity interest (29,808,333 shares of common stock) in KT Corporation for Won 1,609 billion. Pursuant to the terms of an agreement between us and KT Corporation dated November 14, 2002, we sold all of our shares of KT Corporation. Under the terms of the agreement, we exchanged 29,808,333 shares of KT Corporation's common stock for 8,266,923 shares of our common stock and settled the difference in the price in cash on December 30, 2002 and January 10, 2003. The exchange was made at Won 50,900 per share of KT Corporation's common stock and Won 224,000 per share of our common stock.
- (5) POSCO acquired these shares in connection with our acquisition of a 27.7% equity interest in Shinsegi.

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 3.0% of our total shares outstanding or exercise control or could exercise control over our business. On January 4, 2002, in transactions exempt from registration under the U.S. Securities Act, SK Networks issued bonds exchangeable into an aggregate of 1,730,104 shares of our common stock, subject to anti-dilution adjustments. By December 31, 2004, most of these bonds had been exchanged in an aggregate of 1,520,200 shares of our common stock and the rest was settled in cash.

On January 31, 2002, bank trust funds controlled by us purchased from SK Networks an aggregate of 1,367,180 shares of our common stock, or approximately 1.5% of our outstanding common stock.

On July 25, 2002, in transactions exempt from registration under the U.S. Securities Act, SK Corporation sold our ADSs representing 5,117,500 shares of our common stock to Momenta (Cayman), a special purpose vehicle incorporated in the Cayman Islands, which in turn sold bonds exchangeable initially into such

Table of Contents

ADSs. The bonds are guaranteed by SK Corporation. The 5,244,450 shares of our common stock, or approximately 6.62% of our issued common stock, held by Momenta (Cayman) are reflected on the foreign shareholders line in the first table under this section. Pursuant to the terms and conditions of such bonds, if investors do not otherwise exchange the bonds for our ADSs, all or a portion of such ADSs may ultimately be returned to SK Corporation. On the same day, SK Corporation and SK Networks each sold 1,122,223 and 1,100,000 shares, respectively, of our common stock represented by ADRs to foreign investors.

Although no announcements have been made, SK Corporation and SK Networks may dispose of additional shares of our common stock in one or more transactions. As of December 31, 2004, SK Corporation held 21.47% of our shares of common stock. For a description of our foreign ownership limitation, see Risk Factors If SK Corporation breaches the foreign ownership limitations on SK Telecom, it may result in a change of control of us and Business Law and Regulation Foreign Ownership and Investment Restrictions and Requirements . As a result of significant financial difficulties and prosecutors' discovery of alleged fraudulent accounting practices at SK Networks, SK Networks sold 418,000 of the shares it owns in SK Telecom in January 2004. As a result of such sale, SK Networks currently owns 2.55% of our shares. In the event that either SK Corporation or SK Networks 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 December 31, 2004, SK Corporation owns 17,663,127 shares of our common stock, or approximately 21.47%, of our issued shares. As of December 31, 2004, a foreign investment fund and its related parties collectively held a 14.85% stake in SK Corporation. Under a newly adopted amendment to the Telecommunications Business Law, which became effective on May 9, 2004, a Korean entity, such as SK Corporation, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the outstanding voting stock of the Korean entity. Thus, effective from May 9, 2004, if the foreign investment fund and its related parties increase their shareholdings in SK Corporation to 15% or more and such foreign investment fund and its related parties collectively constitute the largest shareholder of SK Corporation, SK Corporation will be considered a foreign shareholder of SK Telecom, and its shareholding in SK Telecom would be included in the calculation of the aggregate foreign shareholding of SK Telecom.

If SK Corporation's shareholding in SK Telecom is included in the calculation of the aggregate foreign shareholding of SK Telecom, then the aggregate foreign shareholding in SK Telecom, assuming foreign ownership level as of December 31, 2004 (which we believe was 48.33%), would reach 69.8%, exceeding the 49% ceiling on foreign shareholding. If the aggregate foreign shareholding limit in SK Telecom is exceeded, the MIC may issue a corrective order to SK Telecom, the breaching shareholder (including SK Corporation if the breach is caused by an increase in foreign ownership of SK Corporation) and the foreign investment fund and its related parties who own in the aggregate 15% or more of SK Corporation. Furthermore, SK Corporation may not exercise its voting rights with respect to the shares held in excess of the 49% ceiling, which may result in a change in control of us. In addition, the MIC may refuse to grant us licenses or permits necessary for entering into new telecommunications businesses until the aggregate foreign shareholding of SK Telecom is reduced to below 49%.

If a corrective order is issued to us by the MIC arising from the violation of the foregoing foreign ownership limit, and we do not comply within the prescribed period under such corrective order, the MIC may (1) suspend all or part of our business, or (2) if the suspension of business is deemed to result in significant inconvenience to our customers or be detrimental to the public interest, impose a one-time administrative penalty of up to 3% of our sales revenues. The amendment to the Telecommunications Business Law in May 2004 also authorizes the MIC to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year and a penalty of Won 50 million. See Risk Factors If SK Corporation breaches the foreign ownership limitations on SK Telecom, it

Table of Contents

may result in a change of control of us and Business Law and Regulation Foreign Ownership and Investment Restrictions and Requirements .

On August 11, 2003 we concluded a stock buyback program which we had commenced on June 30, 2003. We acquired a total of 2,544,600 shares of our then-outstanding common stock, all of which were cancelled on August 20, 2003. The total purchase price for the stock buyback was Won 524.4 billion (or an average of approximately Won 206,078.6 per share), with the price per share ranging from Won 192,000 (on July 24, 2003) to Won 216,000 (on July 15-16, 2003). As a result of the stock buyback and subsequent cancellation of shares, the total number of our outstanding common stock declined from 84,821,311 to 82,276,711 as of December 31, 2003.

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.

Table of Contents**SELLING STOCKHOLDER**

The following table lists the selling stockholder who may sell ADSs with this prospectus.

	Number of Shares Represented by ADSs	Percentage of Total Issued Shares	Number of Shares Offered Hereby Represented by ADSs	Percentage of Total Issued Shares Subsequent to the Offering
<u>Momenta (Cayman)(1)</u>	5,445,282	6.6%	5,326,487	0.1%

(1) The address of Momenta (Cayman) is P.O. Box 1984 GT, Elizabethan Square, George Town, Grand Cayman, Cayman Islands.

Table of Contents

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

SK Networks

We are a party to several contracts with SK Networks, including:

A series of real property sale and purchase contracts in November 2000 pursuant to which we purchased from SK Networks the building and land where our new corporate headquarters is located. The aggregate purchase price was Won 114.4 billion; and

A series of sale and purchase agreements pursuant to which we and our former subsidiary, SK Teletech, sold handsets to SK Networks. The aggregate sales to SK Networks pursuant to these contracts were Won 381.9 billion in 2002, Won 481.2 billion in 2003 and Won 581.6 billion in 2004.

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. In 2004, KT Corporation and SK Networks provided approximately 21.0% and 65.0%, respectively, of our leased lines.

SK Networks also serves as our distributor of handsets to a network of dealers. Samsung Electronics Co., Ltd., LG Electronics Inc, Motorola Korea, Inc. and Pantech & Curitel suspended their supply of handsets to SK Networks on April 7, 2003. 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. Previously, SK Networks issued three-month promissory notes for payment to handset suppliers.

As of December 31, 2004, we had Won 108.8 billion of accounts receivables from SK Network, including receivables from handset sales of our former subsidiary, SK Teletech. As of the same date, we had Won 20.0 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 Risk Factors Financial difficulties and charges of financial statement irregularities at our affiliate, SK Networks (formerly SK Global), may have a material adverse impact on our business and financial condition .

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 Co., Ltd., 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 Corporation 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, 2004, POSCO owned 4.98% of our shares.

We are party to an agreement with SKC&C pursuant to which SKC&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 SKC&C from time to time for specific information technology-related projects. The aggregate fees we paid to SKC&C for information technology services amounted to Won 231.5 billion for 2002, Won 284.3 billion for 2003 and Won 295.6 billion for 2004. We also purchase various information technology-related equipment from SKC&C from time to time. The total amount of such purchases was Won 197.3 billion for 2002, Won 182.8 billion for 2003 and Won 130.2 billion for 2004.

Table of Contents

We are part of the SK Group of affiliated companies. See Share Ownership . As disclosed in note 22 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, 2004. In October 2003, the FTC ordered us to pay a fine of Won 5.1 billion in connection with our payment of advertisements on behalf of certain companies in the SK Group. We paid the fine in December 2003.

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.

Table of Contents

DESCRIPTION OF CAPITAL STOCK

This section provides information relating to our capital stock, including brief summaries of material provisions of our articles of incorporation, the Korean Securities and Exchange Act of 1962 (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 incorporation 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 incorporation and these laws as exhibits to our most recently filed prospectus.

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 incorporation, 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 movable 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; and

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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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 non-voting shares together are referred to as shares). Under our articles of incorporation, we are authorized to issue up to 5,500,000 non-voting preferred shares. As of December 31, 2004, 82,276,711 common shares were issued, of which 8,662,415 shares were held by us in treasury. 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 outside 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

Table of Contents

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 incorporation, 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. Our articles of incorporation permit cumulative voting starting from the ordinary general meeting of shareholders in 2003.

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 non-voting 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.

Table of Contents

In addition, the Korean Commercial Code and our articles of incorporation 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 2004, we distributed such interim dividends at Won 1,000 per share to our shareholders for a total amount of Won 73.6 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 incorporation, 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 incorporation, only our board of directors is authorized to set the terms and conditions with respect to such issuance of new shares.

In addition, 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

Table of Contents

sum of the number of shares then outstanding and the number of newly-issued shares. As of December 31, 2004, approximately 0.46% 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 3.0% or more of our outstanding 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. Under the Korean Securities and Exchange Act, unless stated otherwise in the articles of incorporation, 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. Our articles of incorporation permit cumulative voting starting from the ordinary general meeting of shareholders in 2003. Under this voting method, each shareholder would have multiple voting rights corresponding to the number of directors to be appointed in a particular election and may exercise all voting rights cumulatively to elect one director.

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 incorporation, 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 incorporation;

removing a director;

Table of Contents

- 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 incorporation, 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 non-voting shares is required. We may obtain the approval by a resolution of holders of at least two-thirds of the non-voting 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 incorporation, the holders of non-voting 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 depository, 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 depository 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 Supervisory Commission of Korea may adjust this price if we or shareholders collectively holding 30.0% or more of the total number of the shares held by dissenting shareholders 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 registry of our shareholders at its office in Seoul, Korea. It records and registers transfers of shares on the registry 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 Supervisory 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 Supervisory 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 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 Law, the maximum aggregate foreign shareholding in us is limited to 49.0%. See Business 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 Korean Foreign Exchange Controls and Securities Regulations .

Table of Contents

Acquisition of Shares by Us

Under the Korean Commercial Code, we may not acquire our own shares except in limited circumstances, such as a reduction in capital. However, we may acquire our own shares under the relevant provisions of the Korean Securities and Exchange Act. In such cases, we may acquire shares through purchases on the KRX Stock Market or through a tender-offer after filing the required report with the Financial Supervisory Commission of Korea and the KRX. We may also acquire interests in our own shares through agreements with trust companies and asset management companies after filing a report with the Financial Supervisory Commission and the KRX. The aggregate purchase price for the shares may not exceed the total amount available for distribution of dividends, subject to certain procedural requirements.

Under the Korean Commercial Code, except in the case of a reduction in capital, we must resell or transfer any shares we acquire to a third party within a reasonable time. In general, corporate entities in which we own more than 50% equity interest may not acquire our shares. Under the Korean Securities and Exchange Act, we are subject to certain selling restrictions for the shares we acquire. In the case of a reduction in capital, we must immediately cancel the shares we acquire. On October 26, 2001, in accordance with the approval of our board of directors, we announced plans to establish 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 Management's Discussion and Analysis of Financial Condition and Results of Operations Capital Requirements and 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.

Table of Contents**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 depository, and all holders and beneficial owners of ADSs, as supplemented by the side letter dated as of August 1, 2002 by and between us and Citibank, N.A., as ADR depository, and as supplemented by the side letter dated as of October 1, 2002 by and between us and Citibank, N.A., as ADR depository. 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 depository, 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 depository, currently located at Canada Square, Canary Wharf, London, E14 5LB, England.

American Depositary Receipts

The ADR depository 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 depository'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. An ADR may represent any number of ADSs. We and the ADR depository 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 the 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 *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 depository 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 incorporation or (ii) from a person intending to make a deposit that identifies itself to the depository 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 depository's custodian in book-entry form. Accordingly, no share certificates will be issued for them, and the ADR depository 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 depository 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

Table of Contents

payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the ADR depository 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 depository and the ADR depository'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 incorporation 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 depository 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 depository 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 incorporation, 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 depository 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 depository a written order directing the ADR depository 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 depository may not lend shares of common stock or ADSs. However, subject to the provisions of the deposit agreement and limitations established by the ADR depository, the ADR depository 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 depository may also deliver shares of common stock upon cancellation of pre-released ADSs (even if the cancellation occurs before the termination of the pre-release). The ADR depository 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 depository 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 depository'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 depository until their delivery to the ADR depository or custodian, reflect on his records the ADR depository as owner of such shares of common stock or ADSs and deliver such shares of common stock upon the ADR depository's request;

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

the ADR depository must be able to terminate the pre-release on not more than five business days' notice; and

the pre-release is subject to further indemnities and credit regulations as the ADR depository 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.

Table of Contents

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 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 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.

Table of Contents

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 depository 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 depository will fix a record date, and upon our written request, the ADR depository will mail to you a notice that will contain the following:

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

Table of Contents

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 incorporation, 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.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

In addition, the ADR depository 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

Table of Contents

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.

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.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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;

Table of Contents

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 depository 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 depository 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 depository will be liable to you if prevented or delayed by law, governmental authority, any provision of our articles of incorporation 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 depository will hold the shares of common stock for your sole benefit. Our obligations and those of the ADR depository 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 depository; provided, however, that the ADR depository 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 depository 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 depository 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 depository 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 depository may deem necessary or proper or to enable us or the ADR depository to perform our and its obligations under the deposit agreement. The ADR depository 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 depository 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 depository 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 depository's transfer books are closed or, if that action is deemed necessary or advisable by us or the ADR depository, 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

Table of Contents

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 depository 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 depository 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 Depository

Citibank, N.A. has been appointed as ADR depository 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.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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.

Table of Contents

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 Supervisory 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.

Subject to certain limitations, the MOFE 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 MOFE 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 MOFE 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 outside Korea, we are required to submit a report to the MOFE or our designated foreign exchange bank (depending on the aggregate issuance amount) with respect to the issuance of the ADSs. The transfer of the shares to the ADR depository must be reported immediately to the Governor of the Financial Supervisory Service. The ADR depository must report to the Financial Supervisory Service (1) the entry into, renewal or termination of a deposit agreement with a Korean company immediately upon occurrence of such event and (2) the balance of the issued depository receipts within 20 days from the last day of each quarter. Furthermore, at the time of making any payment under the ADSs or any amount as provided in the deposit agreement, relevant documents should be submitted to a foreign exchange bank to enable such foreign exchange bank to verify (1) that the amount being remitted conforms to the amount required to be paid under the relevant documents, and (2) whether or not any necessary approval or report requirement, if any, has been met. No further governmental approval is necessary for the offering and issuance of the ADSs.

Under current Korean laws and regulations, the ADR depository is required to obtain our prior consent for the number of shares to be deposited in any given proposed deposit which exceeds the difference between:

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

the aggregate number of common shares deposited by us or with our consent for the issuance of ADSs (including deposits in connection with the initial and all subsequent offerings of ADSs and stock dividends or other distributions related to these ADSs); and

Table of Contents

the number of common shares on deposit with the ADR depository at the time of such proposed deposit. 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 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.

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 Supervisory 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 Supervisory 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 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 Supervisory 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 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.

Special Reporting Requirements for Companies whose Securities are Listed on Foreign Exchanges

Under the Financial Supervisory 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.

Table of Contents

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.

Restrictions Applicable to Shares

As a result of amendments to the Foreign Exchange Transaction Laws and the regulations of Financial Supervisory 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;

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; and

acquisition of shares by direct investment under the Foreign Investment Promotion Law.

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

Table of Contents

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 MOFE. 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 depository issuing depository 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 incorporation. Currently, Korea Electric Power Corporation is the only

Table of Contents

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 Commerce, Industry and Energy 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 Law. The Telecommunications Business Law generally limits the maximum aggregate foreign shareholdings in us to 49.0% of the outstanding shares. Foreign investors may hold shares of our common stock in excess of the 49% limitation acquired as a result of the exercise of certain exchange-traded stock options for individual corporations; provided, however, that any such foreign investor must dispose of any of shares of our common stock in excess of the 49% limitation within one day after settlement of the option. 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 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 investment trust 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 investment trust 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.

Table of Contents**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). 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 KRX is a limited liability company, the shares of which are held by (i) securities companies and futures companies that were the members of the Korea Stock Exchange and the Korea Futures Exchange and (ii) the stockholders of the KOSDAQ. 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 July 21, 2005, the aggregate market value of equity securities listed on the KRX Stock Market was approximately Won 500.0 trillion. The average daily trading volume of equity securities for 2004 was approximately 372.9 million shares with an average transaction value of Won 2,232.1 billion and for the period from January 1, 2005 through July 21, 2005 was approximately 462.6 million shares with an average transaction value of Won 2,556.0 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 which can have the intention or effect of depressing or boosting the market. In the 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:

<u>Year</u>	<u>Beginning of the</u>	<u>High</u>	<u>Low</u>	<u>Closing</u>	<u>Period Average</u>	
					<u>Dividend Yield(1)(%)</u>	<u>Price Earnings</u>

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	<u>year</u>				<u>Ratio(2)</u>	
1980	100.00	119.36	100.00	106.87	20.9	2.6
1981	97.90	165.90	93.10	131.30	13.2	3.1
1982	123.60	134.48	105.99	128.99	10.5	3.4
1983	122.52	134.46	115.59	121.21	6.9	3.8
1984	115.25	142.46	115.25	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

Table of Contents

Year	Opening	High	Low	Closing	Period Average	
					Dividend Yield(1)(%)	Price Earnings Ratio(2)
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	928.82	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	855.37	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	1.9	11.0
1997	653.79	792.29	350.68	376.31	3.0	10.1
1998	385.49	579.86	280.00	562.46	0.9	27.8
1999	587.57	1,028.07	498.42	1,028.07	0.7	34.6
2000	1,059.04	1,059.04	500.60	504.62	2.1(3)	12.9(3)
2001	520.95	704.50	468.76	693.70	1.7(3)	16.4(3)
2002	724.95	937.61	584.04	627.55	1.6(3)	15.2(3)
2003	635.17	822.16	515.24	810.71	2.0(3)	11.8(3)
2004	821.26	936.06	719.59	895.92	2.0(3)	13.8(3)
2005 (through July 21)	893.71	1,075.48	870.84	1,074.65	N/A	N/A

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.
- (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 which did not submit prospectuses 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 (Won)	Rounded Down to (Won)
Less than 5,000	(Won) 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

147

Table of Contents

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 Taxation Korean Taxation .

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:

Year	Market Capitalization on the Last Day of Each Period			Average Daily Trading Volume & Value		
	Number of Listed Companies	(Millions of Won)	(Thousands of Dollars) ⁽¹⁾	Thousands of Shares	(Millions of Won)	(Thousands of Dollars)(1)
1980	352	(Won) 2,526,553	US\$ 3,828,691	5,654	(Won) 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	148,414,751	306,163	2,602,211	2,053,837
2001	689	255,850,070	194,784,979	473,241	1,997,420	1,520,685
2002	683	258,680,756	218,056,778	857,245	3,041,598	2,563,937
2003	684	355,362,626	298,123,008	542,010	2,216,636	1,859,594
2004	683	412,588,139	398,597,371	372,895	2,232,109	2,156,419
2005 (through July 21)	680	500,001,588	490,919,576	462,648	2,556,000	2,509,573

Source: KRX

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

- (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.

Table of Contents

The Korean securities markets are principally regulated by the Financial Supervisory 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.

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 Supervisory 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 all 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.

Table of Contents

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.

Table of Contents**TAXATION**

The following summary is based on the tax laws of the United States and Korea as in effect on the date of this report, and is subject to any change in United States or Korean law that may come into effect after such date. We advise investors in the ADSs or shares to consult their own tax advisors as to the United States, Korean or other tax consequences of the purchase, ownership and disposition of such securities, including, in particular, the effect of any national, state or local tax laws.

U.S. Federal Income Tax Consequences

The following discussion is a general summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of the ADSs or our common shares by a U.S. Holder (as defined below). This discussion addresses only U.S. Holders that purchase the ADSs pursuant to this offering and hold the ADSs or our common shares as capital assets within the meaning of section 1221 of the U.S. Internal Revenue Code of 1986, as amended (the Code). This discussion is based on the Code, the Treasury Regulations promulgated thereunder, administrative and judicial pronouncements with respect thereto, the Convention Between The United States of America And The Republic Of Korea For The Avoidance of Double Taxation, as amended (the Tax Convention), all as currently in effect and all subject to change, possibly with retroactive effect. This discussion does not cover all aspects of U.S. federal income taxation that may be relevant to the acquisition, ownership or disposition of the ADSs or our common shares by prospective investors in light of their particular circumstances. In particular, this discussion does not address all of the tax consequences that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks, insurance companies, investors liable for the alternative minimum tax, persons that own (actually or constructively) 10% or more (by vote or value) of our outstanding shares, individual retirement accounts and other tax-deferred accounts, tax-exempt organizations, dealers, traders in securities that elect to mark-to-market their securities, partnerships and other pass-through entities, regulated investment companies, real estate investment trusts, U.S. expatriates, investors that hold the ADSs or our common shares as part of a straddle, hedging transaction or conversion transaction for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar). This discussion does not address any U.S. state or local, or non-U.S., tax consequences or any U.S. federal estate or gift tax consequences.

As used herein, the term U.S. Holder means a beneficial owner of the ADSs or our common shares that is for U.S. federal income tax purposes (a) an individual who is a citizen or resident of the United States, (b) a corporation created or organized under the laws of the United States, any state thereof or the District of Columbia, (c) an estate the income of which is subject to U.S. federal income tax without regard to its source or (d) a trust with respect to which a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have authority to control all of its substantial decisions or certain electing trusts that were in existence on August 19, 1996 and were treated as domestic trusts on that date.

If a partnership holds the ADSs or our common shares, the tax treatment of the partnership and each of its partners will generally depend upon the status and activities of the partnership and the partner. A U.S. Holder that is treated as a partnership for U.S. federal income tax purposes should consult its own tax advisor regarding the U.S. federal income tax consequences to it and its partners of the acquisition, ownership and disposition of the ADSs or our common shares.

This discussion is for general information only. Each U.S. Holder should consult its own tax advisor as to the particular U.S. federal income tax consequences to it of acquiring, owning and disposing of the ADSs or our common shares, including its eligibility for the benefits of the Tax Convention, in light of its particular circumstances.

Table of Contents

Treatment of the ADSs

A U.S. Holder of the ADSs will be treated for U.S. federal income tax purposes as the owner of such U.S. Holder's proportionate interest in our common shares held by the ADR depository (or its custodian) that are represented and evidenced by such ADSs, and the discussion below assumes such treatment.

Distributions

Subject to the discussion below under *Passive Foreign Investment Company Considerations*, a U.S. Holder that receives a distribution, including a constructive distribution, with respect to the ADSs or our common shares will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Korean or other non-U.S. tax withheld from such distribution) to the extent of our current or accumulated earnings and profits. To the extent that a distribution exceeds our current and accumulated earnings and profits, such distribution will be treated (a) first, as a tax-free return of capital to the extent of the U.S. Holder's adjusted tax basis in the ADSs or our common shares and (b) thereafter, as gain from the sale or exchange of such ADSs or our common shares. We have not maintained and do not plan to maintain calculations of earnings and profits for U.S. federal income tax purposes. Each U.S. Holder should consult its own tax advisor with respect to the appropriate U.S. federal income tax treatment of any distribution in respect of the ADSs or our common shares.

The U.S. dollar value of any distribution on the ADSs or our common shares made in Won should be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the ADR depository or the U.S. Holder, respectively, regardless of whether the Won is in fact converted into U.S. dollars. If the Won so received is converted into U.S. dollars on the date of receipt, such U.S. Holder generally should not recognize foreign currency gain or loss on such conversion. If the Won so received is not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in the Won equal to their U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the Won generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

Dividends paid on the ADSs or our common shares generally will constitute income from sources outside the United States and be categorized as *passive income* or, in the case of some U.S. Holders, as *financial services income* for U.S. foreign tax credit purposes (or, for tax years beginning after December 31, 2006, as *passive category income* or, in the case of some U.S. Holders, as *general category income*) and will not be eligible for the *dividends received* deduction generally allowed to corporate shareholders with respect to dividends received from U.S. corporations. In general, a U.S. Holder may be eligible to elect to claim a U.S. foreign tax credit against its U.S. federal income tax liability, subject to applicable limitations and holding period requirements, for Korean tax withheld from distributions received in respect of the ADSs or our common shares. If Korean tax is withheld at a rate in excess of the rate applicable to a U.S. Holder under the Tax Convention, the U.S. Holder may not be entitled to a foreign tax credit for the excess amount. A U.S. Holder that does not elect to claim a U.S. foreign tax credit may instead claim a deduction for Korean tax withheld, but only for a taxable year in which the U.S. Holder elects to do so with respect to all foreign income taxes paid or accrued in such taxable year. The rules relating to U.S. foreign tax credit are very complex. Each U.S. Holder should consult its own tax advisor regarding whether it should elect to claim U.S. foreign tax credits or deductions with respect to foreign income taxes paid or accrued and whether and to what extent it is entitled to claim any U.S. foreign tax credit.

U.S. legislation enacted in 2003 (the *2003 Legislation*) reduces to 15% the maximum tax rate for certain dividends received by non-corporate taxpayers through taxable years beginning on or before December 31, 2008, so long as certain holding period requirements are met. Dividends received from *qualified foreign corporations* and dividends received in respect of stock of a corporation (other than a passive foreign investment company) that is readily tradable on an established securities market in the United States generally qualify for the reduced rate. Since the ADSs are listed on the New York Stock Exchange, unless we are treated as a passive

Table of Contents

foreign investment company, dividends received in respect of the ADSs will qualify for the reduced rate. Dividends paid on our common shares not held through ADSs should qualify for the reduced rate if we are treated as a qualified foreign corporation. A non-U.S. corporation (other than a passive foreign investment company) generally will be considered to be a qualified foreign corporation if it is eligible for the benefits of a comprehensive income tax treaty with the United States which the Secretary of the Treasury determines is satisfactory for purposes of this provision and which includes an exchange of information program. The Tax Convention as currently in effect meets these requirements. However, because the Treasury Department has not yet issued guidance concerning when a non-U.S. corporation is eligible for the benefits of an applicable income tax treaty, no assurance can be given that we will be treated as a qualified foreign corporation for such purpose. Accordingly, no assurance can be given that such reduced rate will apply to dividends paid on our common shares held by a U.S. Holder other than through ADSs, although we expect such dividends to so qualify. Special rules apply for purposes of determining the recipient's investment income (which limits deductions for investment interest) and foreign income (which may affect the amount of U.S. foreign tax credit) and to certain extraordinary dividends. Each U.S. Holder that is a non-corporate taxpayer should consult its own tax advisor regarding the possible applicability of the reduced rate under the 2003 Legislation and the related restrictions and special rules.

Sale, Exchange or Other Disposition of the ADSs or our Common Shares

Subject to the discussion below under *Passive Foreign Investment Company Considerations*, a U.S. Holder generally will recognize capital gain or loss upon the sale, exchange or other disposition of the ADSs or our common shares in an amount equal to the difference, if any, between the amount realized on the sale, exchange or other disposition and the U.S. Holder's adjusted tax basis in the ADSs or our common shares. Such capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the ADSs or our common shares exceeds one year. Net long-term capital gains of a non-corporate U.S. Holder recognized in a tax year beginning on or before December 31, 2008, are generally taxed at a maximum U.S. federal income tax rate of 15%. The deductibility of capital losses is subject to limitations. Such capital gain or loss will generally be sourced within the United States for U.S. foreign tax credit purposes.

A U.S. Holder generally will not recognize gain or loss for U.S. federal income tax purposes upon the withdrawal or deposit of our common shares in exchange for the ADSs.

Passive Foreign Investment Company Considerations

We believe that we are not currently, and were not during 2004, a passive foreign investment company (PFIC) for U.S. federal income tax purposes. However, because this determination is made annually at the end of each taxable year and is dependent upon a number of factors, some of which are beyond our control, including the value of our assets and the amount and type of our income, there can be no assurance that we will not become a PFIC or that the Internal Revenue Service (the IRS) will agree with our conclusion regarding our PFIC status. If we are a PFIC in any year, U.S. Holders could suffer adverse consequences as discussed below.

In general, a non-U.S. corporation will be treated as a PFIC for U.S. federal income tax purposes in any taxable year in which either (i) at least 75% of its gross income is passive income or (ii) on average at least 50% of the value of its assets is attributable to assets that produce passive income or are held for the production of passive income. Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions. In determining whether a non-U.S. corporation is a PFIC, a pro rata portion of the income and assets of each corporation in which it owns, directly or indirectly, at least a 25% interest (by value) is taken into account.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

If we are a PFIC in any year during which a U.S. Holder owns the ADSs or our common shares, such U.S. Holder could be liable for additional taxes and interest charges upon certain distributions by us or upon a sale, exchange or other disposition of the ADSs or our common shares at a gain, whether or not we continue to be a PFIC. The tax will be determined by allocating such distributions or gain ratably to each day of the U.S.

Table of Contents

Holder's holding period. The amount allocated to the current taxable year and any taxable year with respect to which we are not a PFIC will be taxed as ordinary income (rather than capital gain) earned in the current taxable year. The amount allocated to other taxable years will be taxed at the highest marginal rates applicable to ordinary income for such taxable years and, in addition, an interest charge will be imposed on the amount of such taxes. In addition, if we are a PFIC, a person who acquires our common shares from a decedent will be denied the step-up of the tax basis for U.S. federal income tax purposes to fair market value at the date of such decedent's death, which would otherwise be available with respect to a decedent dying in any year other than 2010, and, instead, such person will have a tax basis equal to the lower of such fair market value or such decedent's tax basis.

The above results may be eliminated if a mark-to-market election is available and a U.S. Holder validly makes such an election. If such election is made, such U.S. Holder generally will be required to take into account the difference, if any, between the fair market value of and its adjusted tax basis in the ADSs or our common shares at the end of each taxable year as ordinary income or ordinary loss (to the extent of any net mark-to-market gains previously included in income). In addition, any gain from a sale, exchange or other disposition of the ADSs or our common shares will be treated as ordinary income, and any loss will be treated as ordinary loss (to the extent of any net mark-to-market gains previously included in income). A mark-to-market election is available to a U.S. Holder only if the ADSs or our common shares are considered marketable stock for these purposes. Generally, stock will be considered marketable stock if it is regularly traded on a qualified exchange within the meaning of applicable U.S. Treasury regulations.

The above results may also be eliminated if a U.S. Holder is eligible for and timely makes a valid QEF election. If a QEF election is made, such U.S. Holder generally will be required to include in income on a current basis its pro rata share of our ordinary income and net capital gains. In order for a U.S. Holder to be able to make a QEF election, we would be required to provide such U.S. Holder with certain information. We do not expect to provide U.S. Holders with the required information, in which case a QEF election would be unavailable.

Each U.S. Holder should consult its own tax advisor regarding the U.S. federal income tax consequences of an investment in a PFIC.

Information Reporting and Backup Withholding

Payments made within the United States, or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from certain sales or other dispositions of, the ADSs or our common shares generally will be subject to information reporting and backup withholding tax if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax or (d) fails to certify under penalty of perjury that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Any amounts withheld under the backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding tax rules.

Reportable Transactions

Under U.S. Treasury Regulations, U.S. Holders that participate in reportable transactions (as defined in the regulations) must attach to their tax returns a disclosure statement on Form 8886. Each U.S. Holder should consult its own tax advisor as to the possible obligation to file Form 8886 with respect to the purchase, ownership or disposition of any Won received as a dividend or as proceeds from the sale of the ADSs or our common shares.

Table of Contents

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.

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 residence as may be required by the Korean tax authorities. Residence may be submitted to us through the ADR depository. In addition, on or after July 1, 2002, to obtain the benefit of a tax exemption available under applicable tax treaties, you should submit an application for exemption prior to the time of the first dividend payment, together with a certificate of your tax residence issued by a competent authority of your country of tax residence. 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 free shares representing 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. 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 Tax Benefit Limitation 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 MOFE 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

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

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

Table of Contents

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 depository), 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. Excess taxes withheld are generally not recoverable even if you subsequently produce evidence that you were entitled to have taxes withheld at a lower rate.

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 your transfer is not made on the KRX Stock 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 depository shares or upon the surrender of depository 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 MOFE recently issued a ruling on February 25, 2004 to the Korean National Tax Service, holding that depository shares fall under the meaning of share certificates that are subject to the securities transaction tax. In the ruling, the MOFE treats the transfers of depository shares the same as the transfer of the underlying Korean shares. Under Korean tax laws, transfers of depository shares listed or registered on the New York Stock Exchange, Nasdaq National Market, or other foreign exchanges designated by the MOFE (which are the Tokyo Stock Exchange, London Stock Exchange, 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.

Table of Contents

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 10% of the tax amount due. 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.

Table of Contents**UNDERWRITING**

We, the selling stockholder and the underwriters for the offering named below have entered into an underwriting agreement with respect to the ADSs being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of ADSs indicated in the following table. ABN AMRO Rothschild, Merrill Lynch, Pierce, Fenner & Smith Incorporated and SK Securities Co., Ltd. are the representatives of the underwriters. The address of ABN AMRO Rothschild is 41/F., Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong. The address of Merrill Lynch, Pierce, Fenner & Smith Incorporated is 4 World Financial Center, 250 Vesey Street, New York, New York 10281, United States of America. The address of SK Securities Co., Ltd. is 23-10, Yeouido-dong, Youngdungpo-gu, Seoul, 150-734, Korea.

<u>Underwriters</u>	<u>Number of ADSs</u>
ABN AMRO Rothschild	
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
SK Securities Co., Ltd.	
Total	

The underwriters are committed to take and pay for all of the ADSs being offered, if any are taken.

The following table shows the per ADS and total underwriting discounts and commissions to be paid to the underwriters by the selling stockholder.

Paid by the selling stockholder	
Per ADS	US\$
Total	US\$

Total expenses for this offering are estimated to be approximately US\$2.7 million, including registration fees of US\$123,641, printing fees of approximately US\$120,000, legal fees of approximately US\$1.2 million, accounting fees of approximately US\$70,000 and US\$1.2 million for other expenses. The underwriters have agreed to reimburse us for or pay on our behalf the fees and expenses we incur in connection with this offering, and they have also agreed to bear their own expenses and the expenses of the selling shareholders in connection with the offering.

ADSs sold by the underwriters to the public will initially be offered at the initial price to public set forth on the cover of this prospectus. Any ADSs sold by the underwriters to securities dealers may be sold at a discount of up to US\$ per ADS from the initial price to public. If all the ADSs are not sold at the initial price to the public, the representatives may change the offering price and the other selling terms.

We have been advised by the underwriters that some of the underwriters are expected to make offers and sales both inside and outside of the United States through their respective selling agents. Any offers and sales in the United States will be conducted by broker-dealers registered with the Securities and Exchange Commission. ABN AMRO Rothschild is expected to make offers and sales in the United States through its selling agent, ABN AMRO Rothschild LLC.

SK Corporation has agreed that it will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our capital stock or securities convertible into or exchangeable or exercisable for any shares of our capital stock, including any global, American or similar depositary shares, enter into a transaction which would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our capital stock, whether any of these transactions are to be settled by delivery of our capital stock or such other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge, disposition, or filing or to enter into any transaction, swap, hedge or other

Table of Contents

arrangement, without, in each case, the prior written consent of the Joint Bookrunners for a period of 150 days after the date of this prospectus; except that SK Corporation may make offers, sales, contracts to sell or otherwise dispose of any such securities as may be required to carry out the actions contemplated by the indenture dated August 1, 2002 and other transaction documents relating to the notes issued by the selling stockholder exchangeable into ADSs.

SK Networks has agreed that it will not offer, sell, contract to sell, pledge, transfer or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our capital stock or securities that are convertible into or exchangeable or exercisable for any shares of our capital stock, including any global, American or similar depository shares, enter into a transaction which would have the same effect, or enter into any swap, hedge, or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our capital stock, whether any of these transactions are to be settled by delivery of our capital stock or such other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge, transfer, disposition or filing or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the Joint Bookrunners during the period beginning from the date of this prospectus and continuing to and including 90 days after such date, *provided that* this letter shall not apply to (i) pledges of additional securities by the undersigned pursuant to the Pledge Agreement dated as of October 27, 2003, by and among SK Networks, the holders of bonds and promissory notes listed on Schedule I to such Pledge Agreement, and Standard Chartered Bank or (ii) pledges of additional securities by the undersigned pursuant to the Pledge Agreement dated as of September 9, 2004, by and among SK Networks, the bank creditors listed on Schedule I to such Pledge Agreement, and The Hongkong and Shanghai Banking Corporation Limited.

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our capital stock or securities convertible into or exchangeable or exercisable for any shares of our capital stock, including any global, American or similar depository shares, enter into a transaction which would have the same effect, or enter into any swap, hedge, or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of our capital stock, whether any of these transactions are to be settled by delivery of our capital stock or such other securities, in cash or otherwise, or publicly disclose our intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the Joint Bookrunners for a period of 90 days after the date of this prospectus, except (1) additional shares of our capital stock representing a dividend or free distribution in respect of our shares, *provided that* the holders of the underlying shares participate in such dividend or free distribution on substantially the same basis as all of our other shareholders, (2) a conversion or exchange of convertible or exchangeable securities outstanding as of the date of the underwriting agreement, (3) a sale of securities to members of our employee stock ownership program or an issuance of stock options to our employees under our compensation scheme and (4) our common stock (whether newly issued or held as treasury stock or by a beneficial trust fund established by us) or our securities that are convertible into or exchangeable or exercisable for such shares of our common stock, offered or sold by us as consideration for the acquisition by us, or merger or consolidation with or into us, of any of our majority-owned subsidiaries which is our majority-owned subsidiary as of the date of this prospectus.

Each underwriter has severally but not jointly represented and agreed to the following selling restrictions in connection with the offering with respect to the following jurisdictions:

Each underwriter has not offered, sold or delivered and will not offer, sell or deliver, directly or indirectly, any ADSs in Korea or to, or for the account or benefit of, any resident of Korea, except as otherwise permitted by applicable Korean laws and regulations; and any securities dealer to whom it sells ADSs will agree that it will not offer any ADSs, directly or indirectly, in Korea or to any resident of Korea, except as permitted by applicable Korean laws and regulations, or to any other dealer who does not so represent and agree.

Table of Contents

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date) it has not made and will not make an offer of the ADSs to the public in that Relevant Member State prior to the publication of a prospectus in relation to the ADSs which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of ADSs to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of ADSs to the public in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

The EEA selling restriction is in addition to any other selling restrictions set out below.

Each underwriter has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the FSMA)) received by it in connection with the issue or sale of the ADSs in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

The ADSs may not be offered, transferred, delivered or sold, whether directly or indirectly, to any individual or legal entity in the Netherlands other than to persons who trade or invest in securities in the conduct of a profession or business (which includes banks, stockbrokers, insurance companies, pension funds, other institutional investors and finance companies and treasury departments of large enterprises).

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

The ADSs have not been and will not be registered under the Securities and Exchange Law of Japan; each underwriter has not offered or sold, and will not offer or sell, directly or indirectly, any of the ADSs in Japan or to, or for the account or benefit of, any resident of Japan or to, or for the account or benefit of, any resident for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan except (i) pursuant to an exemption from the registration requirements of, or otherwise in compliance with, the Securities and Exchange Law of Japan and (ii) in compliance with the other relevant laws and regulations of Japan.

Table of Contents

Each underwriter has represented and agreed that the ADSs have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (i) to professional investors as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a prospectus as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and each of the underwriters has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the ADSs, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors as defined in the Securities and Futures Ordinance (Cap. 571 and any rules made thereunder.

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the SFA), (ii) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

No solicitations in connection with the offering of the ADSs will be made in Italy by any party, including the underwriters. No copies of this prospectus or any other documents relating to the ADSs will be distributed in Italy. No ADSs will be offered, sold or delivered in Italy.

No action has been or will be taken in any jurisdiction other than the United States that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus, or any other material relating to us, the selling stockholder or us, in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

In connection with this offering, the underwriters may, subject to applicable laws and regulations, purchase and sell the ADSs or shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of ADSs or shares of common stock than they are required to purchase in this offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the ADSs or the shares of common stock while the offering is in progress.

The underwriters also may, subject to applicable laws and regulations, impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased ADSs or shares of common stock sold by or for the account of such underwriter in stabilizing or short covering transactions.

These activities by the underwriters may stabilize, maintain or otherwise affect the market price of the ADSs or the shares of common stock. As a result, the price of the ADSs or the shares of common stock may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in any of these activities. If these activities are commenced, they may be discontinued by the underwriters at any

Table of Contents

time. These transactions may be effected on the New York Stock Exchange, the London Stock Exchange, in the over-the-counter market or otherwise.

We and the selling stockholder have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

Purchasers of the ADSs offered in this offering may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price set forth on the cover page of this prospectus.

We expect that delivery of the ADSs will be made against payment therefor on or about the closing date specified on the cover page of this prospectus, which will be the third business day following the date of this prospectus (this settlement cycle being referred to as T+3). Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise.

This prospectus may be used by the underwriters and other dealers in connection with offers and sales of the ADSs, including sales of ADSs initially sold by the underwriters in this offering being made outside of the United States, to persons located in the United States.

A prospectus in electronic format may be available on the website maintained by one or more underwriters or securities dealers. The representatives of the underwriters may agree to allocate a number of ADSs to the underwriters for sale to their on-line brokerage account holders. ADSs to be sold pursuant to an Internet distribution will be allocated by the representatives to the underwriters that may make Internet distributions on the same basis as other allocations. In addition, ADSs may be sold by the underwriters to securities dealers who resell ADSs to on-line brokerage account holders.

Certain of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking activities and other commercial dealings in the ordinary course of business with us. They have received customary fees and commissions for these transactions.

SK Securities Co., Ltd., one of the Joint Global Coordinators in this offering, is our affiliate.

Table of Contents

VALIDITY OF THE SECURITIES

Certain legal matters in connection with respect to the ADSs to be offered by this prospectus will be passed upon for us and the selling stockholders by Debevoise & Plimpton LLP, Hong Kong, United States counsel for us and the selling stockholders. The validity under Korean law of the shares underlying the ADSs will be passed upon by Woo, Yun, Kang, Jeong & Han, Seoul, Korea, Korean counsel for us and the selling stockholders. Certain legal matters with respect to the offered ADSs will be passed upon for the underwriters by Cleary Gottlieb Steen & Hamilton LLP, United States counsel for the underwriters, and by Shin & Kim, Seoul, Korea, Korean counsel for the underwriters. Debevoise & Plimpton LLP may rely as to all matters of Korean law on the opinion of Woo, Yun, Kang, Jeong & Han. Woo, Yun, Kang, Jeong & Han may rely upon the opinion of Debevoise & Plimpton LLP as to all matters of New York law. Cleary Gottlieb Steen & Hamilton LLP may rely as to all matters of Korean law on the opinion of Shin & Kim. Shin & Kim may rely on the opinion of Cleary Gottlieb Steen & Hamilton LLP as to all matters of New York law.

EXPERTS

The consolidated financial statements of SK Telecom Co., Ltd. and its subsidiaries as of December 31, 2002, 2003 and 2004, and for each of the three years in the period ended December 31, 2004, included in this prospectus have been audited by Deloitte HanaAnjin LLC, an independent registered public accounting firm as stated in their report appearing herein (which report expresses an unqualified opinion on the consolidated financial statements and includes explanatory paragraphs referring to the acquisition of the WiBro license, incorporation of SK-EarthLink, a joint venture with EarthLink in the United States and the resolution to dispose of SK Telecom's investment in SK Teletech) and have been so included in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

AVAILABLE INFORMATION

We will furnish to you through the depository bank English language versions of any reports, notices and other communications that we generally transmit to holders of our common stock.

We have filed with the SEC a registration statement on Form F-3 and a registration statement on Form F-6 under the U.S. Securities Act with respect to the offered ADSs. This prospectus, which is a part of the registration statement on Form F-3, does not contain all of the information set forth in these registration statements. Statements made in this prospectus as to the contents of any contract, agreement or other document are not necessarily complete. Where we have filed a contract, agreement or other document as an exhibit to these registration statements, we refer to the exhibit for a more complete description of the matter involved, and each of our statements in this prospectus with respect to that contract, agreement or document is qualified in its entirety by such reference.

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 450 Fifth Street, N.W., Washington, D.C. 20459. 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.

Table of Contents

INCORPORATION OF DOCUMENTS BY REFERENCE

We are incorporating by reference into this prospectus our most recent Form 20-F, filed on May 31, 2005, and Form 6-K, filed on July 15, 2002, with the SEC.

We are also incorporating by reference into this prospectus all reports on Form 20-F and any report on Form 6-K that so indicates that we file with the SEC on or after the date on which the registration statement is first filed with the SEC and until the termination of the offering of the offered ADSs.

Copies of all documents incorporated by reference in this prospectus, other than exhibits to those documents unless such exhibits are specially incorporated by reference in those documents, will be provided without charge to each person, including any beneficial owner, who receives a copy of this prospectus on the written or oral request of that person made to: Hyun Jong Song (Telephone: (011) 82-2-6100-1600).

We will furnish to any holder of ADSs that so requests our annual report on Form 20-F containing a description of our operations and annual audited consolidated financial statements, and an opinion on the financial statements by an independent public accountant, prepared in accordance with Korean GAAP, together with, if prepared pursuant to the Exchange Act, a reconciliation of net earnings for the year and stockholders' equity to U.S. GAAP. We will also furnish to any holder of ADSs that so requests our semi-annual reports prepared in accordance with Korean GAAP, which will include semi-annual unaudited financial information.

Table of Contents

INDEX TO FINANCIAL STATEMENTS

	Page
<u>Report of Independent Registered Public Accounting Firm of Deloitte HanaAnjin LLC for the years ended December 31, 2002, 2003 and 2004</u>	F-3
<u>Consolidated Balance Sheets as of December 31, 2002, 2003 and 2004</u>	F-5
<u>Consolidated Statements of Income for the Years Ended December 31, 2002, 2003 and 2004</u>	F-7
<u>Consolidated Statements of Shareholders' Equity for the Years Ended December 31, 2002, 2003 and 2004</u>	F-9
<u>Consolidated Statements of Cash Flows for the Years Ended December 31, 2002, 2003 and 2004</u>	F-11
<u>Notes to Consolidated Financial Statements</u>	F-14
<u>Report of Independent Registered Public Accounting Firm of Deloitte HanaAnjin LLC</u>	F-73
<u>Non-consolidated Balance Sheets as of March 31, 2005 and December 31, 2004</u>	F-75
<u>Non-consolidated Statements of Income for the Three Months Ended March 31, 2005 and 2004</u>	F-77
<u>Non-consolidated Statements of Cash Flows for the Three Months Ended March 31, 2005 and 2004</u>	F-79
<u>Notes to Non-consolidated Financial Statements</u>	F-82

Table of Contents

[THIS PAGE INTENTIONALLY LEFT BLANK]

F-2

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of SK Telecom Co., Ltd.

We have audited the accompanying consolidated balance sheets of SK Telecom Co., Ltd. (the Company) and its subsidiaries as of December 31, 2002, 2003 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended (all expressed in Korean won). These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 its subsidiaries at December 31, 2002, 2003 and 2004, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the Republic of Korea.

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 outside of the Republic of Korea.

As described in Note 29(a) to the accompanying consolidated financial statements, the Company, together with KT Corporation and HanaroTelecom, acquired the license for WiBro, a portable internet service which is scheduled to start commercial operations in June 2006, as a result of the decision of the Committee of Information and Communication Policy of the Republic of Korea dated January 20, 2005. With regard to this service, the Company made a contribution of (Won)117 billion and received the WiBro license from the Ministry of Information and Technology in March 2005.

As described in Note 29(b) to the accompanying consolidated financial statements, in accordance with the resolution of the Company's board of directors dated January 26, 2005, the Company and EarthLink, Inc., an internet service provider in the United States of America, agreed to establish SK-EarthLink, a joint venture company, in the United States of America in February 2005 in order to provide wireless telecommunication services across the United States of America. The Company, via SK Telecom USA Holdings, Inc., its wholly-owned subsidiary in the United States of America, will invest US\$220 million for a 50% equity interest in the joint venture company from 2005 through 2007. SK-EarthLink plans to launch cellular voice and data services across the United States of America by the third quarter of 2005 by renting networks from network operators throughout the United States of America, also known as partial mobile virtual network operator (MVNO) system.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

As described in Note 29(d) to the accompanying consolidated financial statements, in accordance with the resolution of the Company's board of directors dated May 3, 2005, the Company decided to sell 4,542,000 shares of 6,747,421 shares of SK Teletech Co., Ltd. (SKTT) held by the Company, representing 60% of the

F-3

Table of Contents

total outstanding common stock of SKTT for a total selling price of (Won)300 billion ((Won)66,050 per share), to Curitel Communications, Inc., a handset maker in Korea. As a result of such trade, the Company's ownership in SKTT will decrease from 89.1% to 29.1% and the Company's management rights of SKTT is expected to be transferred to Curitel Communications, Inc. by the end of June 2005.

Accounting principles generally accepted in the Republic of Korea vary in certain respects from accounting principles generally accepted in the United States of America. Application of accounting principles generally accepted in the United States of America would have affected the determination of net income for the years ended December 31, 2002, 2003 and 2004 and the determination of shareholders' equity and financial position as of December 31, 2002, 2003 and 2004 to the extent summarized in Notes 30 and 31 to the consolidated financial statements.

/s/ DELOITTE HANAANJIN LLC

May 16, 2005

Seoul, Korea

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****December 31, 2002, 2003 and 2004**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
	In millions of Korean won			In thousands of U.S. dollars (Note 2)
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Note 12)	(Won) 664,117	(Won) 317,488	(Won) 370,630	\$ 358,062
Short-term financial instruments (Notes 12 and 20)	202,905	154,922	12,730	12,298
Trading securities (Notes 2 and 3)	754,219	893,217	654,779	632,576
Current portion of long-term investment securities (Notes 2 and 3)	70,267	85,861	3,709	3,583
Accounts receivable trade, net of allowance for doubtful accounts of (Won)60,542 million, (Won)65,327 million and (Won)71,090 million at December 31, 2002, 2003 and 2004, respectively (Notes 2, 12 and 22)	1,442,135	1,579,153	1,720,201	1,661,869
Accounts receivable other, net of allowance for doubtful accounts of (Won)23,355 million, (Won)16,768 million and (Won)15,622 million at December 31, 2002, 2003 and 2004, respectively (Notes 2, 12 and 22)	852,873	867,120	1,406,553	1,358,857
Inventories (Notes 2 and 21)	27,460	31,516	52,321	50,547
Short-term loans and other (Note 5)	99,748	140,248	169,770	164,014
Total Current Assets	4,113,724	4,069,525	4,390,693	4,241,806
NON-CURRENT ASSETS:				
Property and equipment, net (Notes 2, 6, 11, 20 and 21)	4,569,417	4,641,547	4,703,922	4,544,413
Intangible assets (Notes 2 and 7)	3,721,235	3,674,944	3,522,903	3,403,442
Long-term investment securities (Notes 2 and 3)	1,394,697	879,193	948,101	915,951
Equity securities accounted for using the equity method (Notes 2 and 4)	81,247	183,709	304,028	293,718
Long-term bank deposits (Note 20)	177	352	10,351	10,000
Long-term loans, net of allowance for doubtful accounts of (Won)19,486 million, (Won)19,552 million and (Won)19,273 million at December 31, 2002, 2003 and 2004, respectively (Notes 2 and 5)	52,688	40,819	30,442	29,410
Guarantee deposits (Notes 12 and 22)	249,331	270,255	289,015	279,215
Other	46,194	57,873	83,903	81,058
Total Non-Current Assets	10,114,986	9,748,692	9,892,665	9,557,207
TOTAL ASSETS	(Won) 14,228,710	(Won) 13,818,217	(Won) 14,283,358	\$ 13,799,013

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Continued)**

December 31, 2002, 2003 and 2004

	2002	2003	2004	2004
	In millions of Korean won			In thousands of U.S. dollars
	(Note 2)			
LIABILITIES AND SHAREHOLDERS EQUITY				
CURRENT LIABILITIES:				
Accounts payable (Notes 12 and 22)	(Won) 1,697,502	(Won) 1,317,162	(Won) 1,205,682	\$ 1,164,798
Short-term borrowings (Note 12)	687,296	786,096	425,496	411,068
Income taxes payable	383,900	402,559	273,495	264,221
Accrued expenses (Note 12)	408,521	420,995	394,354	380,982
Current portion of long-term debt (Notes 8, 9 and 11)	922,209	1,364,264	498,278	481,382
Current portion of facility deposits	18,415	12,881	13,405	12,950
Other	185,543	226,953	256,183	247,495
Total Current Liabilities	4,303,386	4,530,910	3,066,893	2,962,896
LONG-TERM LIABILITIES:				
Bonds payable, net (Notes 2 and 8)	2,908,496	2,261,868	2,891,843	2,793,781
Long-term borrowings (Note 9)	10,284	1,633		
Facility deposits (Note 10)	46,850	44,197	31,440	30,374
Long-term payables other, net of present value discount of (Won)98,017 million, (Won)85,881 million and (Won)72,663 million at December 31, 2002, 2003 and 2004, respectively (Note 2)	551,983	564,119	577,337	557,760
Obligations under capital leases (Notes 2, 11 and 12)	121			
Accrued severance indemnities, net (Note 2)	48,519	67,824	80,984	78,238
Deferred income tax liabilities (Notes 2 and 17)	104,770	226,029	306,052	295,674
Long-term currency swap (Notes 2 and 23)			96,743	93,462
Guarantee deposits received and other (Note 22)	22,401	27,790	26,322	25,429
Total Long-Term Liabilities	3,693,424	3,193,460	4,010,721	3,874,718
Total Liabilities	7,996,810	7,724,370	7,077,614	6,837,614
COMMITMENTS AND CONTINGENCIES (Note 20)				
SHAREHOLDERS EQUITY:				
Capital stock (Notes 1 and 13)	44,576	44,639	44,639	43,125
Capital surplus (Note 13)	2,884,382	2,911,556	2,968,301	2,867,647
Retained earnings (Note 14)	4,873,205	5,139,911	6,152,898	5,944,255
Capital adjustments:				
Treasury stock (Note 15)	(2,192,449)	(2,047,103)	(2,047,105)	(1,977,688)
Unrealized loss on valuation of long-term investment securities (Notes 2 and 3)	(104,117)	(160,622)	(92,975)	(89,822)
Equity in capital adjustment of affiliates (Notes 2 and 4)	(5,171)	42,581	134,376	129,819
Loss on valuation of currency swap (Notes 2 and 23)			(49,452)	(47,775)
Stock options (Notes 2 and 16)	2,452	3,741	4,833	4,669
	3,515	3,159	(7,969)	(7,699)

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Foreign-based operations translation adjustment

(Note 2)

Minority interest in equity of consolidated subsidiaries

(Note 2)

	725,507	155,985	98,198	94,868
	<u>6,231,900</u>	<u>6,093,847</u>	<u>7,205,744</u>	<u>6,961,399</u>
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	(Won) 14,228,710	(Won) 13,818,217	(Won) 14,283,358	\$ 13,799,013

See accompanying Notes to Consolidated Financial Statements.

F-6

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****Years Ended December 31, 2002, 2003 and 2004**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
	In millions of Korean won, except for			In thousands of
	income per share			U.S. dollars,
				except for
				income per
				share
				(Note 2)
				\$
OPERATING REVENUE (Notes 2, 22 and 28)	(Won) 9,323,993	(Won) 10,272,081	(Won) 10,570,615	10,212,168
OPERATING EXPENSES (Notes 2, 20 and 22)				
Labor cost	(318,346)	(407,243)	(464,778)	(449,017)
Commissions paid (Note 22)	(1,964,797)	(2,314,558)	(2,812,318)	(2,716,953)
Depreciation and amortization (Notes 6 and 7)	(1,435,041)	(1,510,545)	(1,607,478)	(1,552,969)
Network interconnection (Note 28)	(752,144)	(771,553)	(913,688)	(882,705)
Leased line	(280,113)	(306,527)	(375,227)	(362,503)
Advertising	(448,784)	(376,424)	(352,877)	(340,911)
Cost of goods sold	(509,055)	(560,859)	(479,257)	(463,006)
Other	(818,070)	(919,265)	(1,125,243)	(1,087,086)
Sub-total	(6,526,350)	(7,166,974)	(8,130,866)	(7,855,150)
OPERATING INCOME	2,797,643	3,105,107	2,439,749	2,357,018
OTHER INCOME:				
Interest	86,013	86,485	80,459	77,731
Dividends	207	25,923	23,843	23,034
Commissions	73,515	80,180	26,891	25,979
Foreign exchange and translation gains (Note 2)	41,439	6,131	20,559	19,862
Gain on disposal and valuation of trading securities (Note 2)	11,893	188	2,548	2,462
Gain on disposal of property, equipment and intangible assets	1,206	2,750	2,067	1,997
Gain on transaction of currency swap (Notes 2 and 23)			2,850	2,753
Equity in earnings of affiliates (Notes 2 and 4)	813			
Other	44,070	59,787	40,202	38,839
	259,156	261,444	199,419	192,657

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (Continued)**

Years Ended December 31, 2002, 2003 and 2004

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
	In millions of Korean won, except for			In thousands of
	income per share			U.S. dollars,
				except for
				income per
				share
				(Note 2)
OTHER EXPENSES:				
Interest and discounts	(311,132)	(391,482)	(303,410)	(293,121)
Donations	(127,517)	(91,487)	(89,232)	(86,206)
Foreign exchange and translation losses (Note 2)	(13,547)	(10,230)	(9,074)	(8,766)
Loss on disposal and valuation of trading securities (Note 2)		(3,974)	(232)	(224)
Loss on disposal and impairment of property, equipment and intangible assets (Notes 2 and 3)	(221,681)	(13,784)	(19,208)	(18,557)
Loss on impairment of long-term investment securities (Notes 2, 3 and 27)	(68,882)	(5,749)	(33,654)	(32,513)
Loss on disposal of investment assets	(51,618)	(45,403)	(1,539)	(1,487)
Loss on transaction and valuation of currency swap (Notes 2 and 23)			(15,818)	(15,282)
Equity in losses of affiliates (Notes 2 and 4)		(6,975)	(11,954)	(11,549)
Other	(44,158)	(43,131)	(31,872)	(30,792)
	<u>(838,535)</u>	<u>(612,215)</u>	<u>(515,993)</u>	<u>(498,497)</u>
ORDINARY INCOME	2,218,264	2,754,336	2,123,175	2,051,178
EXTRAORDINARY GAIN	504			
	<u>2,218,768</u>	<u>2,754,336</u>	<u>2,123,175</u>	<u>2,051,178</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	2,218,768	2,754,336	2,123,175	2,051,178
INCOME TAXES (Notes 2 and 17)	(698,507)	(789,059)	(629,761)	(608,406)
	<u>1,520,261</u>	<u>1,965,277</u>	<u>1,493,414</u>	<u>1,442,772</u>
INCOME BEFORE MINORITY INTEREST	1,520,261	1,965,277	1,493,414	1,442,772
MINORITY INTEREST IN NET LOSS (GAIN) OF CONSOLIDATED SUBSIDIARIES	(33,110)	823	(1,935)	(1,869)
	<u>(Won) 1,487,151</u>	<u>(Won) 1,966,100</u>	<u>(Won) 1,491,479</u>	<u>\$ 1,440,903</u>
NET INCOME	(Won) 1,487,151	(Won) 1,966,100	(Won) 1,491,479	\$ 1,440,903
	<u>(Won) 17,647</u>	<u>(Won) 26,187</u>	<u>(Won) 20,261</u>	<u>\$ 19.57</u>
NET INCOME PER SHARE (Notes 2 and 18) (In Korean won and U.S. dollars)	(Won) 17,647	(Won) 26,187	(Won) 20,261	\$ 19.57

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY****Years Ended December 31, 2002, 2003 and 2004**

	Common Stock	Capital Surplus	Retained Earnings	Capital Adjustments	Minority Interest	Shareholders Equity
(In millions of Korean won)						
Balance, January 1, 2002	(Won) 44,576	(Won) 3,449,698	(Won) 3,443,319	(Won) (1,492,634)	(Won) 704,345	(Won) 6,149,304
Net income			1,487,151			1,487,151
Treasury stock transactions (Notes 13 and 15)		81,984		(766,597)		(684,613)
Cash dividends paid (Note 19)			(57,265)			(57,265)
Excess unallocated purchase price (Note 13)		(647,025)				(647,025)
Unrealized loss on valuation of long-term investment securities (Notes 2 and 3)				(28,327)		(28,327)
Equity in capital surplus and capital adjustment changes of affiliates (Note 2)		(275)		(12,513)		(12,788)
Stock compensation plans (Notes 2 and 16)				1,492		1,492
Foreign-based operations translation adjustment (Note 2)				2,809		2,809
Increase in minority interest in equity of consolidated subsidiaries					21,162	21,162
Balance, December 31, 2002	44,576	2,884,382	4,873,205	(2,295,770)	725,507	6,231,900
Net income			1,966,100			1,966,100
Acquisition of treasury stock (Note 15)				(1,379,337)		(1,379,337)
Retirement of treasury stock (Note 15)			(1,545,281)	1,524,683		(20,598)
Cash dividends paid (Note 19)			(151,739)			(151,739)
Excess unallocated purchase price (Note 13)		(230)				(230)
Issuance of common stock for the merger with SK IMT Co., Ltd. (Note 13)	63	31,809				31,872
Gain on disposal of investments in common stock of subsidiary		58				58
Equity in beginning retained earnings change of affiliates (Notes 2 and 4)			(33)			(33)
Cumulative effect of an accounting change (Note 2)			(2,341)		(515)	(2,856)
Unrealized loss on valuation of long-term investment securities (Notes 2 and 3)				(56,505)		(56,505)
Equity in capital surplus and capital adjustment changes of affiliates (Note 2)		(4,463)		47,752		43,289
Stock compensation plans (Notes 2 and 16)				1,289		1,289
Foreign-based operations translation adjustment (Note 2)				(356)		(356)
Decrease in minority interest in equity of consolidated subsidiaries					(569,007)	(569,007)
Balance, December 31, 2003	44,639	2,911,556	5,139,911	(2,158,244)	155,985	6,093,847

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY (Continued)****Years Ended December 31, 2002, 2003 and 2004**

	Common Stock	Capital Surplus	Retained Earnings	Capital Adjustments	Minority Interest	Shareholders Equity
(In millions of Korean won)						
Balance, January 1, 2004	44,639	2,911,556	5,139,911	(2,158,244)	155,985	6,093,847
Net income			1,491,479			1,491,479
Cash dividends paid (Note 19)			(404,878)			(404,878)
Cash dividends paid (interim) (Note 19)			(73,614)			(73,614)
Excess unallocated purchase price (Note 13)		(77)				(77)
Consideration for conversion rights (Notes 2 and 13)		67,279				67,279
Acquisition of treasury stock (Note 15)				(2)		(2)
Equity in capital surplus and capital adjustment changes of affiliates (Note 2)		(10,457)		91,795		81,338
Unrealized gain on valuation of long-term investment securities (Notes 2 and 3)				67,647		67,647
Loss on valuation of currency swap				(49,452)		(49,452)
Stock compensation plans (Notes 2 and 16)				1,092		1,092
Foreign-based operations translation adjustment (Note 2)				(11,128)		(11,128)
Decrease in minority interest in equity of consolidated subsidiaries					(57,787)	(57,787)
Balance, December 31, 2004	(Won) 44,639	(Won) 2,968,301	(Won) 6,152,898	(Won) (2,058,292)	(Won) 98,198	(Won) 7,205,744
(In thousands of U.S. dollars) (Note 2)						
Balance, January 1, 2004	\$ 43,125	\$ 2,812,826	\$ 4,965,618	\$ (2,085,058)	\$ 150,696	\$ 5,887,207
Net income			1,440,903			1,440,903
Cash dividends paid			(391,149)			(391,149)
Cash dividends paid (interim)			(71,117)			(71,117)
Excess unallocated purchase price		(74)				(74)
Consideration for conversion rights		64,998				64,998
Acquisition of treasury stock				(2)		(2)
Equity in capital surplus and capital adjustment changes of affiliates		(10,103)		88,682		78,579
Unrealized gain on valuation of long-term investment securities				65,353		65,353
Loss on valuation of currency swap				(47,775)		(47,775)
Stock compensation plans				1,055		1,055
Foreign-based operations translation adjustment				(10,751)		(10,751)
Decrease in minority interest in equity of consolidated subsidiaries					(55,828)	(55,828)
Balance, December 31, 2004	\$ 43,125	\$ 2,867,647	\$ 5,944,255	\$ (1,988,496)	\$ 94,868	\$ 6,961,399

See accompanying Notes to Consolidated Financial Statements.

F-10

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****Years Ended December 31, 2002, 2003 and 2004**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
				In thousands of U.S. dollars
				(Note 2)
	In millions of Korean won			
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	(Won) 1,487,151	(Won) 1,966,100	(Won) 1,491,479	\$ 1,440,903
Expenses not involving cash payments:				
Depreciation and amortization	1,543,335	1,649,902	1,752,530	1,693,102
Provision for severance indemnities	45,509	65,375	58,151	56,179
Provision for bad debts	20,981	23,304	43,144	41,681
Foreign currency translation loss	5,397	2,546	2,179	2,105
Loss on disposal and valuation of trading securities		3,974	232	224
Loss on disposal and impairment of property, equipment and intangible assets	221,681	13,784	19,208	18,557
Loss on impairment of long-term investment securities	68,882	5,749	33,654	32,513
Loss on disposal of investment assets	51,618	45,403	1,539	1,487
Loss on transaction and valuation of currency swap			15,818	15,282
Equity in losses of affiliates		6,975	11,954	11,549
Minority interest in net gain of consolidated subsidiaries	33,110		1,935	1,869
Amortization of discounts on bonds and other	51,630	73,655	46,274	44,704
Sub-total	2,042,143	1,890,667	1,986,618	1,919,252
Income not involving cash receipts:				
Reversal of allowance for doubtful accounts	(6,365)	(1,555)	(759)	(733)
Foreign currency translation gain	(30,282)	(668)	(3,367)	(3,253)
Gain on disposal and valuation of trading securities	(11,893)	(188)	(2,548)	(2,462)
Gain on disposal of property, equipment and intangible assets	(1,206)	(2,750)	(2,067)	(1,997)
Gain on transaction of currency swap			(2,850)	(2,753)
Equity in earnings of affiliates	(813)			
Minority interest in net loss of consolidated subsidiaries		(823)		
Other	(7,812)	(14,046)	(14,133)	(13,654)
Sub-total	(58,371)	(20,030)	(25,724)	(24,852)
Changes in assets and liabilities related to operating activities:				
Accounts receivable trade	(277,685)	(159,160)	(170,891)	(165,096)
Accounts receivable other	224,640	(48,789)	(552,343)	(533,613)
Inventories	39,092	(4,056)	(20,982)	(20,271)
Other current assets	(30,764)	(30,417)	(5,549)	(5,360)
Accounts payable	614,005	(396,700)	(90,977)	(87,892)
Income taxes payable	12,946	(11,597)	(125,430)	(121,177)
Accrued expenses	67,026	24,385	(26,622)	(25,719)
Current portion of facility deposits	3,801	(3,418)	2,580	2,493
Other current liabilities	125,767	49,194	22,608	21,841

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Deferred income taxes	81,963	120,879	78,356	75,699
Severance indemnity payments	(20,378)	(24,516)	(27,582)	(26,647)
Deposits for group severance indemnities and other deposits	(43,521)	(24,727)	(19,489)	(18,828)
Transfer of accrued severance indemnities from affiliates and related companies		955		
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sub-total	796,892	(507,967)	(936,321)	(904,570)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided by Operating Activities	4,267,815	3,328,770	2,516,052	2,430,733
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

F-11

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****Years Ended December 31, 2002, 2003 and 2004**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
	In millions of Korean won			In thousands of U.S. dollars (Note 2)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Decrease in short-term financial instruments	(Won) 231,219	(Won) 95,123	(Won) 90,034	\$ 86,981
Decrease (increase) in trading securities	(103,256)	(137,618)	240,204	232,059
Decrease (increase) in short-term loans	24,474	(8,533)	33,019	31,899
Decrease (increase) in long-term bank deposits	21	(350)	(9,999)	(9,660)
Proceeds from sale of current portion of long-term investment securities		70,267	85,861	82,949
Proceeds from sale of long-term investment securities	1,084,945	762,896	17,658	17,059
Proceeds from sale of equity securities accounted for using the equity method	53,230	3,510	1,023	988
Decrease in long-term loans	19,920	9,980	4,746	4,585
Decrease in guarantee deposits	77,490	67,410	22,096	21,347
Proceeds from disposal of property and equipment	23,211	12,828	10,116	9,773
Proceeds from disposal of intangible assets	1,198	2,248	2,291	2,213
Acquisition of long-term investment securities	(2,062,355)	(437,076)	(54,132)	(52,296)
Acquisition of equity securities accounted for using the equity method	(208,913)	(7,158)	(21,086)	(20,371)
Increase in long-term loans	(24,376)	(15,578)	(35,291)	(34,094)
Increase in guarantee deposits	(55,986)	(88,223)	(40,957)	(39,568)
Increase in other non-current assets	(22,022)	(3,332)	(46,556)	(44,976)
Acquisition of property and equipment	(2,024,655)	(1,647,639)	(1,631,941)	(1,576,602)
Acquisition of intangible assets	(77,580)	(56,745)	(72,376)	(69,922)
Acquisition of minority interest		(36,442)	(64,247)	(62,068)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Used in Investing Activities	(3,063,435)	(1,414,432)	(1,469,537)	(1,419,704)

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****Years Ended December 31, 2002, 2003 and 2004**

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2004</u>
	In millions of Korean won			In thousands of U.S. dollars (Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Increase in short-term borrowings	(Won) 91,942	(Won) 108,669	(Won) 1,205,727	\$ 1,164,841
Issuance of bonds payable	1,166,451	688,737	1,205,727	1,164,841
Increase in long-term borrowings	24,682	13,532		
Payment of short-term borrowings	(578,696)	(12,087)	(359,133)	(346,955)
Payment of current portion of long-term debt	(719,779)	(939,176)	(1,370,611)	(1,324,134)
Repayment of bonds payable			(5,068)	(4,896)
Payment of dividends	(58,716)	(151,739)	(478,318)	(462,098)
Decrease in facility deposits	(25,278)	(2,654)	(12,757)	(12,324)
Transaction of currency swap and currency forward			2,821	2,725
Net increase in treasury stock	(1,351,243)	(1,379,337)	(2)	(2)
Increase in minority interest in equity of consolidated subsidiaries	17,405	22,278	45,065	43,537
Other	15,035	(609,262)	3,706	3,579
Net Cash Used in Financing Activities	(1,418,197)	(2,261,039)	(968,570)	(935,727)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS DUE TO CHANGES IN CONSOLIDATED SUBSIDIARIES	10,654	72	(24,803)	(23,962)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(203,163)	(346,629)	53,142	51,340
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	867,280	664,117	317,488	306,722
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	(Won) 664,117	(Won) 317,488	(Won) 370,630	\$ 358,062
Cash paid for interest (net of amounts capitalized)	(Won) 248,234	(Won) 328,890	(Won) 264,224	\$ 255,264
Cash paid for income taxes	(Won) 693,999	(Won) 675,122	(Won) 679,262	\$ 656,228

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****Years Ended December 31, 2002, 2003 and 2004****1. GENERAL**

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of Korea to engage in providing cellular telephone communication services in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the KRX Stock Market and the New York and London Stock Exchanges, respectively. As of December 31, 2004, the Company's total issued shares are held by the following:

	Number of Shares	Percentage of Total Shares Issued (%)
SK Group	19,772,914	24.03
POSCO Corp.	4,098,496	4.98
Institutional investors and other minority shareholders	49,742,886	60.46
Treasury stock	8,662,415	10.53
	82,276,711	100.00

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying consolidated financial statements of the Company have been prepared in accordance with Korean Financial Accounting Standards and Statements of Korea Accounting Standards (SKAS) No. 1 through No. 10, No. 12 and 13. Significant accounting policies followed in preparing the accompanying consolidated financial statements are summarized as follows:

a. Basis of Presentation

The official accounting records of the Company are expressed in Korean won and are maintained in accordance with the relevant laws and regulations of the Republic of Korea. The accounting principles and reporting practices followed by the Company and generally accepted in Korea (Korean GAAP) may differ in certain respects from accounting principles and reporting practices generally accepted in other countries and jurisdictions. To conform more closely to presentations customary in filings with the Securities and Exchange Commission of the United States of America, the accompanying consolidated financial statements have been condensed, restructured and translated into English. The conversion into U.S. dollars was made at the rate of (Won)1,035.10 to US\$1, the Noon Buying Rate in the City of New York for cable transfers

in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the year ended December 31, 2004. Such conversion into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at the above or any other rate. Certain supplementary information included in the statutory Korean language consolidated financial statements, not required for a fair presentation of the Company and subsidiaries' financial position or results of operations, is not presented in the accompanying consolidated financial statements.

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. 20% to 50% owned affiliates are accounted for using the equity method.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company's subsidiaries are as follows:

<u>Subsidiary</u>	<u>Year of Establishment</u>	<u>Primary business</u>	<u>Ownership Percentage (%)</u>
SK Teletech Co., Ltd.	1995	Engineering and maintenance	89.13
SK Capital Co., Ltd.	1995	Finance	100.00
SK Telink Co., Ltd.	1998	Telecommunication services	90.77
SK Communications Co., Ltd.	1999	Internet website services	93.44
SK Wyverns Baseball Club Co., Ltd.	2000	Business related sports	99.99
Centurion IT Investment Association	2001	Investment association	37.50
Global Credit & Information Corp.	1998	Credit and collection services	50.00
PAXNet Co., Ltd.	1999	Internet website services	67.10
SK Telecom International Inc.	1995	Internet website services	100.00
SLD Telecom PTE Ltd.	2000	Telecommunication services	55.10
SK Telecom China Co., Ltd.	2002	Telecommunication services	100.00

In August 2002, the Company purchased a 78.3% interest in SK Communications Co., Ltd. (formerly known as Lycos Korea) and on November 1, 2002, SK Communications Co., Ltd. merged with NetsGo Co., Ltd., a subsidiary of the Company. In December 2002, the Company purchased a 67.1% interest in PAXNet Co., Ltd.

Effective January 1, 2004, TU Media Corp. that was included in the consolidated financial statements for the year ended December 31, 2003 is excluded from the consolidation as the Company's equity interest in TU Media Corp. decreased from 100% to 46.1%, effective January 1, 2004 and to 28.5%, effective May 21, 2004.

Effective January 1, 2004, SK Telecom China, Ltd. is included in the consolidation of the accompanying financial statements as its total assets at the beginning of the fiscal year were more than (Won)7 billion, in accordance with Korean GAAP. As allowed under Korean GAAP, the financial statements of prior years have not been restated to include the financial statements of this entity.

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Korea and the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

d. Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided based on the estimated collectibility of individual accounts and historical bad debt experience.

Activity in the allowance for doubtful accounts receivable trade for 2002, 2003 and 2004 is as follows (in millions of Korean won):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Beginning balance	(Won) 81,681	(Won) 60,542	(Won) 65,327
Increase in allowance from newly consolidated subsidiaries	2,056		
Additions	22,281	22,378	29,181
Reductions	(45,476)	(17,593)	(23,418)
Ending balance	<u>(Won) 60,542</u>	<u>(Won) 65,327</u>	<u>(Won) 71,090</u>

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

e. Inventories

Inventories, which consist mainly of replacement units for wireless telecommunication facilities, handsets and raw material for handsets, are stated at the lower of cost or market value, with cost determined using the moving average method. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at the end of the year. When the market value of inventories is less than the acquisition cost, carrying amount shall be reduced to the market value and any difference is charged to current operations as operating expenses. There was no such loss for the years ended December 31, 2002, 2003 and 2004.

f. Securities (excluding securities accounted for using the equity method of accounting)

Debt and equity securities are initially recorded at their acquisition costs (fair value of considerations paid) including incidental cost incurred in connection with acquisition of the related securities and classified into trading, available-for-sale and held-to-maturity securities depending on the acquisition purpose and nature.

Trading securities are stated at fair value with gains or losses on valuation reflected in current operations.

Securities classified as available-for-sale are reported at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in capital adjustments and the unrealized gains or losses are reflected in net income when the securities are sold or if an impairment is other than temporary as discussed below. Equity securities are stated at acquisition cost if fair value cannot be reliably measured. If the declines in the fair value of individual available-for-sale securities below their acquisition or amortized cost are other than temporary and there is objective evidence of impairment, write-downs of the individual securities are recorded to reduce the carrying value to their fair value. The related write-downs are recorded in current operations as a loss on impairment of investment securities.

Held-to-maturity securities are presented at acquisition cost after premiums or discounts for debt securities are amortized or accreted, respectively. The Company recognizes write-downs resulting from the other-than-temporary declines in the fair value below its book value on the balance sheet date if there is objective evidence of impairment. The related write-downs are recorded in current operations as a loss on impairment of investment securities.

Trading securities are presented in the current asset section of the balance sheet, and available-for-sales and held-to-maturity securities are presented in the current and/or non-current asset section of the balance sheet as long-term investment securities, based on their intent to hold and their maturities from the balance sheet date.

g. Investment Securities with 20% or More Ownership Interest

Investment securities of affiliated companies, in which the Company has a 20% or more ownership interest, are carried using the equity method of accounting, whereby the Company's initial investment is recorded at cost and the carrying value is subsequently increased or decreased to reflect the Company's portion of shareholders' equity of the investee. Differences between the purchase cost and net asset value of the investee are amortized over 20 years using the straight-line method. When applying the equity method of accounting, unrealized intercompany gains and losses are eliminated similar to the method used in preparing consolidated financial statements.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

h. Property and Equipment

Property and equipment are stated at cost. Major renewals and betterments, which prolong the useful life or enhance the value of assets, are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the declining balance method (except for buildings and structures acquired on or after January 1, 1995 which are depreciated using straight-line method) over the estimated useful lives (3 - 30 years) of the related assets.

Through 2002, interest expense and other financing charges for borrowings related to the manufacture or construction of property and equipment were capitalized until such manufacture or construction activities were complete. Effective January 1, 2003, in accordance with the application of SKAS No. 7, Capitalization of Financing Costs, the Company changed the accounting policy for capitalization of interest costs to charge such interest expense and other financial charges to current operations as incurred. In accordance with this statement, this accounting change has been applied prospectively. If such financing costs had been capitalized, total assets of the Company and its subsidiaries as of December 31, 2003 and net income for the year then ended would have increased by (Won)20,345 million and (Won)14,303 million (net of income tax effect of (Won)6,042 million), respectively. For the year ended December 31, 2002, the Company capitalized financing cost amounting to (Won)14,830 million related to the manufacture or construction of property and equipment.

i. Intangible Assets

Intangible assets are stated at cost less amortization computed using the straight-line method over 4 to 20 years.

With its application for a license to provide IMT services, the Company has a commitment to pay (Won)1,300,000 million to the Ministry of Information Communication (MIC). SK IMT Co., Ltd., which was merged into the Company on May 1, 2003, paid (Won)650,000 million in March 2001 and the Company is required to pay the remainder over 10 years with an annual interest rate equal to the 3-year-maturity government bond rate minus 0.75% (3.20% as of December 31, 2004). The future payment obligations are (Won)90,000 million in 2007, (Won)110,000 million in 2008, (Won)130,000 million in 2009, (Won)150,000 million in 2010 and (Won)170,000 million in 2011. On December 4, 2001, SK IMT Co., Ltd. received the IMT license from the MIC, and recorded the total license cost as an intangible asset. Amortization of the IMT license commenced when the Company started its commercial IMT 2000 service in December 2003, using the straight-line method over the estimated useful life of the IMT license which expires in December 2016. The Company determined the IMT license has a finite life, considering that renewal cost is expected to be substantial.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Through 2002, interest expense and other financing charges for borrowings related to the purchase of intangible assets were capitalized until the assets were put in use. Effective January 1, 2003, in accordance with the application of SKAS No. 7, Capitalization of Financing Costs, the Company changed the accounting policy for capitalization of interest to charge such interest and other financing charges to current operations as incurred. In accordance with this statement, this accounting change has been applied prospectively. If such financing costs had been capitalized, the total balance of intangible assets of the Company as of December 31, 2003 and net income for the year then ended would have increased by (Won)25,594 million and (Won)17,993 million (net of income tax effect of (Won)7,601 million), respectively. For the year ended December 31, 2002, the Company and its subsidiaries capitalized financing costs amounting to (Won)69,372 million related to intangible assets. Changes in intangible assets for 2002, 2003 and 2004 are as follows (in millions of Korean won):

	2002	2003	2004
Beginning balance	(Won) 3,816,373	(Won) 3,721,235	(Won) 3,674,944
Additions:			
IMT license	(40,393)		
Other	144,180	175,793	184,235
Reductions:			
Amortization	(187,218)	(214,809)	(332,020)
Write-off	(6,669)		(42)
Disposal	(5,038)	(7,275)	(4,214)
Ending balance	(Won) 3,721,235	(Won) 3,674,944	(Won) 3,522,903

j. Convertible Bonds

The proceeds from issuance of convertible bonds are allocated between the conversion rights and the debt issued; the portion allocable to the conversion rights is accounted for as capital surplus with a corresponding conversion right adjustment which is deducted from the related bonds. Such conversion right adjustment is amortized to interest expense using the effective interest rate method over the redemption period of the convertible bonds. The portion allocable to the conversion rights is measured by deducting the present value of the debt at time of issuance from the gross proceeds from issuance of convertible bonds, with the present value of the debt being computed by discounting the expected future cash flows (including call premium, if any) using the effective interest rate applied to ordinary or straight debt of the Company at the issue date.

k. Discounts on Bonds

Discounts on bonds are amortized to interest expense using the effective interest rate method over the redemption period of the bonds.

I. Valuation of Long-Term Payables

Long-term payables resulting from long-term installment transactions are stated at the present value of the expected future cash flows. Imputed interest amounts are recorded in present value discount accounts which are deducted directly from the related nominal payable balances. Such imputed interest is included in operations using the effective interest rate method over the redemption period.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****m. Accrued Severance Indemnities**

In accordance with the policies of the Company and its subsidiaries, all employees with more than one year of service are entitled to receive severance indemnities, based on length of service and rate of pay, upon termination of their employment. Accruals for severance indemnities are recorded to approximate the amount required to be paid if all employees were to terminate at the balance sheet date.

The Company and certain subsidiaries have deposits with insurance companies to fund the portion of the employees' severance indemnities which is in excess of the tax deductible amount allowed under the Corporate Income Tax Law, in order to take advantage of the additional tax deductibility for such funding. Such funding of severance indemnities in outside insurance companies, where the beneficiaries are their employees, totaling (Won)120,413 million, (Won)144,861 million and (Won)164,643 million as of December 31, 2002, 2003 and 2004, respectively, were deducted from accrued severance indemnities in accordance with Korean GAAP.

In accordance with the Korean National Pension Fund Law, the Company and its domestic subsidiaries transferred a portion of its accrued severance indemnities to the National Pension Fund through March 1999. Such transfers, amounting to (Won)6,860 million, (Won)6,229 million and (Won)5,687 million as of December 31, 2002, 2003 and 2004, respectively, are deducted from accrued severance indemnities. Changes in accrued severance indemnities for 2002, 2003 and 2004 are as follows (in millions of Korean won):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Beginning balance	(Won) 61,620	(Won) 48,519	(Won) 67,824
Provision	49,599	67,693	60,523
Payments to employees	(20,378)	(24,516)	(27,582)
Transfer from affiliated and related companies		955	
Increase in accrued severance indemnities from newly consolidated subsidiaries	1,673	77	
Deposits for severance indemnities	(43,995)	(24,904)	(19,781)
Ending balance	<u>(Won) 48,519</u>	<u>(Won) 67,824</u>	<u>(Won) 80,984</u>

In addition, the Company and certain subsidiaries expect to pay the following future benefits for the next 10 years to their employees upon their normal retirement age as follows (in millions of Korean won):

Year ending December 31, 2005	(Won) 2,225
----------------------------------	-------------

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

2006	
2007	976
2008	166
2009	951
2010~2014	7,612
Total	<u>(Won) 11,930</u>

The above amounts were determined based on the employees' current salary rates and the number of service years that will be accumulated upon their retirement date. These amounts do not include amounts that might be paid to employees that will cease working with the Company before their normal retirement age.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

n. Accounting for Leases

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, have a lease term equal to 75% or more of the estimated economic life of the leased property or where the present value of minimum lease payments equals or exceeds 90% of the fair value of the leased property, are accounted for as capital leases. All other leases are accounted for as operating leases.

Assets and liabilities related to capital leases are recorded as property and equipment and obligations under capital leases, respectively, and the related interest is calculated using the effective interest rate method and charged to expense. For operating leases, the future minimum lease payments are expensed ratably over the lease term while contingent rentals are expensed as incurred.

o. Research and Development Costs

The Company and its subsidiaries charge substantially all research and development costs to expense as incurred. The Company and its subsidiaries incurred internal research and development costs of (Won)194,332 million, (Won)235,551 million and (Won)267,107 million for the years ended December 31, 2002, 2003 and 2004, respectively, and external research and development costs of (Won)58,974 million, (Won)64,893 million and (Won)69,016 million for the years ended December 31, 2002, 2003 and 2004, respectively.

p. Derivative Instruments

The Company records rights and obligations arising from derivative instruments as assets and liabilities, which are stated at fair value. The gains and losses that result from the change in the fair value of derivative instruments are reported in current earnings. However, for derivative instruments designated as hedging the exposure of variable cash flows, the effective portion of the gains or losses on the hedging instruments are recorded as a separate component of shareholders' equity and credited/charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses is credited/charged immediately to operations.

q. Revenue Recognition

The revenues of the Company and its subsidiaries are principally derived from telecommunication service revenue including data services, and telephone sales. Telecommunication service consists of fixed monthly charges, usage-related charges and non-refundable activation fees. Fixed monthly charges are recognized in the period earned. Usage-related charges are recognized at the time services are rendered. Non-refundable activation fees and costs are recognized when the activation service was performed.

The Company's subsidiaries also sell telephones to customers and telephone sales are recognized at the time products are delivered.

r. Income Taxes

Deferred tax assets and liabilities are recorded for future tax consequences of operating loss carryforwards, tax credits and temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized to the extent that they are expected to be realizable. Deferred tax assets and liabilities are presented on the balance sheet as a single non-current net number.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

s. Net Income Per Share

Net income per share is computed by dividing net income by the weighted average number of common shares outstanding during the period.

t. Foreign-Based Operations Translation Adjustment

In translating the foreign currency financial statements of the Company's overseas subsidiaries into Korean won, the Company presents the translation gain or loss as a foreign-based operations translation adjustment in the capital adjustment section of the balance sheet. The translation gain or loss arises from the application of different exchange rates; the year-end rate for balance sheet items except shareholders' equity, the historical rate for shareholders' equity and the daily average rate for statement of income items.

u. Accounting for Foreign Currency Transactions and Translation

The Company and its domestic subsidiaries maintain their accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rate of exchange at the dates of transactions. As allowed under Korean GAAP, monetary assets and liabilities denominated in foreign currencies are translated in the accompanying consolidated financial statements at the Base Rates announced by Seoul Money Brokerage Services, Ltd. on the balance sheet dates, which, for U.S. dollars, were (Won)1,200=US\$1, (Won)1,197=US\$1 and (Won)1,043=US\$1 at December 31, 2002, 2003 and 2004, respectively. The resulting gains and losses arising from the translation or settlement of such assets and liabilities are included in current operations.

v. Accounting for Employee Stock Option Compensation Plan

The Company adopted the fair value based method of accounting for its employee stock option compensation plan (see Note 16). 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, the Company excludes the volatility factor in estimating the value of its stock options granted before December 31, 2003, 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 actual life of the option, dividends on the stock, or the risk-free interest rate.

w. Adoption of New Statements of Korea Accounting Standards (SKAS)

On January 1, 2003, the Company and its subsidiaries adopted SKAS No. 2 through No. 9, except for SKAS No. 6, which was early adopted in 2002. As a result, the Company and its subsidiaries reclassified the accounts relating to securities as explained in Note 2-(f), and changed the accounting policy for capitalization of interest and other financing costs to charge such interest expense and other financing cost to current operations as incurred as explained in Notes 2-(h) and 2-(i). If financing costs had been capitalized, net income of the Company and its subsidiaries for the year ended December 31, 2003 would have increased by (Won)32,296 million (net of income tax effect of (Won)13,643 million). In addition, in accordance with the application of SKAS No. 3, Intangible Assets, effective from January 1, 2003 organization costs which were recorded in intangible assets through 2002, are charged to expenses as incurred and the cumulative effect of this accounting change was charged to beginning retained earnings as of January 1, 2003.

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)**

On January 1, 2004, the Company and its subsidiaries adopted SKAS No. 10, No. 12 and No. 13. Such adoptions of new SKAS did not have an effect on the consolidated financial position of the Company and its subsidiaries as of December 31, 2004 or consolidated ordinary income and net income of the Company and its subsidiaries for the year ended December 31, 2004.

3. INVESTMENT SECURITIES**a. Trading Securities**

Trading securities as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	Acquisition Cost		Fair Value at December 31,	Carrying Amount		
	at December 31,			2002	2003	2004
	2004					
Stocks	(Won)	450	(Won)	368	(Won)	368
Public bonds				37	18,499	
Corporate bonds					4,383	
Beneficiary certificates		652,372		754,182	870,335	654,411
Total	(Won)	652,822	(Won)	654,779	(Won)	654,779

b. Long-term Investment Securities

Long-term investment securities at of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Available-for-sale equity securities	(Won) 1,334,197	(Won) 824,392	(Won) 896,508
Available-for-sale debt securities	12,500	14,315	5,158
Held-to-maturity securities	118,267	126,347	50,144
	<u> </u>	<u> </u>	<u> </u>
Total	1,464,964	965,054	951,810
Less current portion	(70,267)	(85,861)	(3,709)
	<u> </u>	<u> </u>	<u> </u>
Long-term portion	(Won) 1,394,697	(Won) 879,193	(Won) 948,101
	<u> </u>	<u> </u>	<u> </u>

F-22

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****b-(1). Available-for-sale Equity Securities**

Available-for-sale equity securities as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won, except for share data):

	Number of Shares	Ownership Percentage (%) at Dec. 31,	Acquisition Cost at Dec. 31,	Fair Value at Dec. 31,	Unrealized Gain (Loss) at Dec. 31,	Carrying Amount			
		2004	2004	2004	2004	2002	2003	2004	
(Investments in listed companies)									
Digital Chosunilbo Co., Ltd.	2,890,630	7.8 (Won)	5,781 (Won)	2,023 (Won)	(3,758)	2,428 (Won)	2,847 (Won)	2,023	
Hanaro Telecom Inc.	22,090,000	4.8	121,676	71,019	(50,657)	49,586	26,838	71,019	
Korea Radio Wave Basestation Management	234,150	4.5	1,171	2,178	1,007	2,693	2,669	2,178	
POSCO Corporation	2,481,310	2.7	332,662	464,005	131,343		404,454	464,005	
KT Corporation						730,602			
INNOTG Co., Ltd.	594,737	3.9	1,695	152	(1,543)			152	
SINJISOFT Corporation	78,000	2.3	130	590	460			590	
SK Securities Co., Ltd.	3,608,856	1.1	5,551	2,418	(3,133)	5,052	1,877	2,418	
sub-total			468,666		73,719	790,361	438,685	542,385	
(Investments in non-listed companies)									
Powercomm Co., Ltd.	7,500,000	5.0	240,243	71,565	(168,678)	240,243	68,407	71,565	
Real Telecom Co., Ltd.	398,722	8.3	5,981	(note c)		5,981	5,981		
Japan MBCO Enterprise Networks Co., Ltd.	54,000	7.3	27,332	(note a)		27,209	42,517	27,332	
SK Life Insurance Co., Ltd.	423,244	4.0	14,438	(note c)		14,438	14,438		
Eonex Technologies Inc.	4,702,000	8.7	14,890	(note a)		14,890	14,890	14,890	
WideThan Co., Ltd.	144,000	14.1	3,600	(note a)	2,011	4,593	4,593	4,593	
Other	2,000,000	14.3	1,000	(note a)	(27)		3,188	3,188	
			123,396	(notes a and b)		43,971	38,475	36,149	

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

sub-total	430,879	(166,694)	346,732	189,301	157,717
(Investments in funds)					
Korea IT Fund	(note a)		190,000	190,000	190,000
Others	(notes a and b)		7,104	6,406	6,406
sub-total			197,104	196,406	196,406
Total	(Won) 92,975	(Won) 1,334,197	(Won) 824,392	(Won) 896,508	

- (note a) As a reasonable estimate of fair value could not be made, the investment is stated at acquisition cost. The investments in common stock of Eonex Technologies Inc. and WiderThan Co., Ltd. were reclassified to available-for-sale securities from equity securities accounted for using the equity method during 2003 and 2004, respectively, as the Company's ownership in such investees decreased to less than 20%. Such securities were transferred to available-for-sale securities at the carrying amount valued using the equity method of accounting prior to the reclassification.
- (note b) Due to the impairment of their investments in common stock of CCK Van, Biznet Tech, Hanse Telecom, Cybird Korea and Venture Korea in 2003 and Mobilewelcom Co., Ltd., CXP Inc., LoveHunt Inc. and others in 2004, the Company and certain subsidiaries recorded impairment losses of (Won)5,749 million and (Won)2,580 million for the years ended December 31, 2003 and 2004, respectively.
- (note c) Due to the impairment of the Company's investments in common stock of Real Telecom Co., Ltd. and Enterprise Networks Co., Ltd., the Company recorded impairment losses of (Won)20,419 million for the year ended December 31, 2004.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The net unrealized loss on investments in common stock of KT Corporation, Digital Chosunilbo Co., Ltd., Hanaro Telecom, Inc., Korea Radio Wave Basestation Management and SK Securities Co., Ltd. as of December 31, 2002 totaling (Won)104,117 million, the net unrealized gain on investments in common stock of Digital Chosunilbo Co., Ltd., Hanaro Telecom Inc., Korea Radio Wave Basestation Management, SK Securities Co., Ltd. and POSCO Corporation as of December 31, 2003 totaling (Won)11,213 million and, the net unrealized gain on investments in common stock of Digital Chosunilbo Co., Ltd., Hanaro Telecom Inc., Korea Radio Wave Basestation Management, POSCO Corporation, SK Securities Co., Ltd., INNOTG Co., Ltd. and SINJISOFT Corporation as of December 31, 2004 totaling (Won)73,719 million, were recorded as a capital adjustment.

On May 23, 2002, the Company acquired a 9.6% equity interest (29,808,333 shares of common stock) in KT Corporation for (Won)1,609 billion as a result of participation in the privatization of KT Corporation. The Company sold all of these shares on December 30, 2002 and January 10, 2003, under the Mutual Agreement on Stock Exchange between the Company and KT Corporation. The investments in 14,353,674 shares of KT Corporation's common stock as of December 31, 2002, which were not sold until January 10, 2003, were reported at the agreed sales price ((Won)50,900 per share) with unrealized losses amounting to (Won)44,496 million reported as impairment losses in the year ended December 31, 2002, as the decline in the carrying value was not recoverable.

The Company recorded its investments in common stock of Powercomm Co., Ltd. at its fair value, which was estimated by an outside professional valuation company using the present value of expected future cash flow, and the unrealized loss on valuation of investments amounting to (Won)171,836 million and (Won)168,678 million as of December 31, 2003 and 2004, respectively, were recorded as a capital adjustment.

b-(2). Available-for-sale Debt Securities

Available-for-sale debt securities as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	Maturity	Acquisition	Carrying Amount		
		Cost at December 31,	2002	2003	2004
		2004			
Public bonds	(note a)	(Won) 1,328	(Won) 586	(Won) 971	(Won) 1,328
Convertible bonds of Real Telecom Co., Ltd.	March 2004	10,655	9,514	9,514	
Convertible bonds of Eonex Technologies, Inc.(1st)	May 2003		2,000		
Convertible bonds of Eonex Technologies, Inc.(3rd)	January 2005	3,600		3,600	3,600
Other		230	400	230	230

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Total	12,500	14,315	5,158
Less current portion of available-for-sale debt securities	(2,000)	(9,514)	(3,700)
	<u> </u>	<u> </u>	<u> </u>
Long-term available-for-sale debt securities	(Won) 10,500	(Won) 4,801	(Won) 1,458
	<u> </u>	<u> </u>	<u> </u>

(footnote on following page)

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(note a) The maturities of public bonds as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

<u>Maturity</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Within five years	(Won) 583	(Won) 857	(Won) 904
Within ten years	3	114	424
	<u>(Won) 586</u>	<u>(Won) 971</u>	<u>(Won) 1,328</u>

The convertible bonds of Real Telecom Co., Ltd. with a principal amount of (Won)10,655 million can be converted into 371,018 shares of common stock of Real Telecom Co., Ltd. at (Won)28,721 per share over the period from September 29, 2004 to March 28, 2007. If such bonds are converted, the Company's equity interest in Real Telecom Co., Ltd. will increase to 14.8%. Meanwhile, due to the impairment in such bonds, the Company recorded an impairment loss of (Won)10,655 million for the year ended December 31, 2004.

The convertible bonds of Eonex Technologies, Inc. (3rd) with a principal amount of (Won)3,600 million could be converted into 48,000 shares of common stock of Eonex Technologies, Inc. at (Won)75,000 per share over the period from July 30, 2003 to January 29, 2005. Such bonds were all repaid at the maturity date.

b-(3). Held-to-maturity Securities

Held-to-maturity securities as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

<u>Maturity</u>	<u>Acquisition Cost at December 31, 2004</u>	<u>Carrying Amount</u>		
		<u>2002</u>	<u>2003</u>	<u>2004</u>
Public bonds (note a)	(Won) 144	(Won)	(Won)	(Won) 144
Subordinated bonds of SK Life Insurance Co., Ltd. April 2006	50,000	50,000	50,000	50,000
Subordinated bonds of Nate First Special Purpose Company June 2003		40,506		
Subordinated bonds of Nate Second Special Purpose Company December 2003		27,761		
May 2004			27,464	

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Subordinated bonds of Nate Third Special Purpose Company			
Subordinated bonds of Nate Fourth Special Purpose Company	September 2004	25,393	
Subordinated bonds of Nate Fifth Special Purpose Company			
Subordinated bonds of Nate Fifth Special Purpose Company	December 2004	23,490	
Total		118,267	50,144
Less current portion of held-to-maturity securities		(68,267)	(9)
Long-term held-to-maturity securities		(Won) 50,000	(Won) 50,135

(footnote on following page)

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(note a) The maturities of public bonds as of December 31, 2004 is as follows (in millions of Korean won):

<u>Maturity</u>	<u>2004</u>
Within one year	(Won) 9
Within five years	105
Within ten years	30
	<u>(Won)144</u>

On June 20, 2002, December 3, 2002, May 2, 2003, September 4, 2003 and December 15, 2003, the Company sold (Won)631,447 million, (Won)650,641 million, (Won)577,253 million, (Won)549,256 million and (Won)498,426 million, respectively, of accounts receivable resulting from its mobile phone dealer financing plan to Nate First Special Purpose Company, Nate Second Special Purpose Company, Nate Third Special Purpose Company, Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company, respectively, in asset-backed securitization transactions. In the course of these transactions, the Company acquired subordinate bonds issued by such special purpose companies, in order to supplement the creditworthiness of bonds issued by them. All such subordinated bonds were repaid in 2003 and 2004.

4. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD

Equity securities accounted for using the equity method as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won, except for share data):

	Number of Shares at December 31,	Ownership Percentage (%) at December 31,	Acquisition Cost at December 31,	Net Asset	Carrying Amount		
				Value at			
				December 31,	2002	2003	2004
	2004	2004	2004	2004			
SK C&C Co., Ltd.	300,000	30.0	(Won) 19,071	(Won) 196,208	(Won) 39,687	(Won) 92,844	(Won) 201,484
STIC Ventures Co., Ltd.	1,600,000	24.1	8,000	7,477	6,885	7,086	7,477
Eonex Technologies, Inc.				(note a)	4,615		
WiderThan Co., Ltd.				(note b)	1,750	3,188	
VCASH Co., Ltd.				(note c)	2,232	1,048	
Skytel Co., Ltd.	1,756,000	28.6	2,159	3,713	2,576	3,401	3,713
SK China Company Ltd.	28,160	20.7	3,195	1,915	3,482	1,683	830
		50.0	6,540	5,146	5,993	5,901	5,146

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

SKT-QC Wireless Development

Fund								
SKT-HP Ventures, LLC		50.0	6,415	5,281		5,990	5,960	5,281
CDMA Mobile Phone Center		50.0	45,687	25,117			49,444	25,117
TU Media Corp.	7,800,000	28.5	39,000	34,592	(note d)			34,592
SK USA, Inc.	49	49.0	3,184	3,056	(note e)	3,184	3,184	3,056
Aircross Co., Ltd.	600,000	38.1	300	940	(note e)	300	300	940
DSS Mobile Communications Ltd.					(note f)			
Other investments in affiliates			16,893		(note g)	4,553	9,670	16,392
Total						(Won) 81,247	(Won) 183,709	(Won) 304,028

(note a) As the Company's ownership in Eonex Technologies, Inc. decreased to 16.1% from 22.5%, during the first quarter of 2003, investments in common stock of Eonex Technologies, Inc. were reclassified to available-for-sale securities at the end of the first quarter of 2003.

(footnotes continued on following page)

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (note b) As the Company's ownership in WiderThan Co., Ltd. decreased to 14.3% from 20% in 2004, investments in common stock of WiderThan Co., Ltd. are reclassified to available-for-sale securities in 2004.
- (note c) The investments in common stock of VCASH Co., Ltd. were sold to Korea Railway Transportation Promotion Foundation in 2004.
- (note d) As the Company's ownership in TU Media Corp. decreased from 100% to 28.5% in 2004, TU Media Corp. was excluded from the consolidation, effective January 1, 2004. And, the investment in common stock of TU Media Corp. are accounted for using the equity method of accounting.
- (note e) As their total assets at the beginning of 2004 were over (Won)7 billion, effective January 1, 2004, investments in equity securities of SK USA, Inc. and Aircross Co., Ltd. are accounted for using the equity method of accounting.
- (note f) DSS Mobile Communication Ltd., an Indian company, has a negative capital since March 31, 1998 and the investment in common stock of DSS Mobile Communication Ltd. were sold in 2004.
- (note g) As allowed under Korean GAAP, investments in equity securities of SK Telecom Europe Limited, UNISK Information Technology Co., Ltd. and certain others were not accounted for using the equity method of accounting, as their total assets at the beginning of 2004 were less than (Won)7 billion.

Details of changes in investments in affiliates accounted for using the equity method for the years ended December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

For the Year Ended December 31, 2002

	Beginning Balance	Acquisition	Equity in Earnings (Losses)	Equity in Retained Earnings	Equity in Capital Surplus and Adjustments	Dividends Received	Decrease	Ending Balance
SK C&C Co., Ltd.	(Won) 43,475	(Won)	(Won) 3,401	(Won)	(Won) (6,589)	(Won) (600)	(Won)	(Won) 39,687
STIC IT Venture Capital	8,038		(1,137)		(16)			6,885
Eonex Technologies, Inc. (note a)	3,600		(996)		2,011			4,615
WiderThan Co., Ltd. (note a)	1,000		750					1,750
VCASH	3,417		(1,192)		7			2,232
Skytel Co., Ltd.	2,352	675	29		(480)			2,576
SK China Co., Ltd.	3,869		(21)		(366)			3,482
SKT QC Wireless Development Fund, LLC	6,540		(9)		(538)			5,993
SKT-HP Ventures, LLC	6,415		(12)		(413)			5,990
	(Won) 78,706	(Won) 675	(Won) 813	(Won)	(Won) (6,384)	(Won) (600)	(Won)	(Won) 73,210

- (note a) As their total assets at the beginning of 2002 were over (Won)7 billion, effective January 1, 2002, investments in equity securities of Eonex Technologies, Inc. and WiderThan Co., Ltd. are accounted for using the equity method of accounting.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Year Ended December 31, 2003

	Beginning Balance	Acquisition	Equity in Earnings (Losses)	Equity in Retained Earning (Note b)	Equity in Capital Surplus and Capital Adjustments	Dividend Received	Decrease (Notes c and d)	Ending Balance
SK C&C Co., Ltd.	(Won) 39,687	(Won)	(Won) 7,962	(Won)	(Won) 45,795	(Won) (600)	(Won)	(Won) 92,844
STIC Ventures Co., Ltd.	6,884		44	(3)	161			7,086
Eonex Technologies, Inc.	4,615		(22)				(4,593)	
WiderThan Co., Ltd.	1,750		1,465		(27)			3,188
VCASH Co., Ltd.	2,232		(1,353)	(30)	199			1,048
Skytel Co., Ltd.	2,576		694		152	(21)		3,401
SK China Co., Ltd.	3,482		(1,864)		65			1,683
SK-QC Wireless Development Fund	5,993		(79)		(13)			5,901
SKT-HP Ventures, LLC	5,990		17		(47)			5,960
CDMA Mobile Phone Center (note a)	63,354		(13,839)				(71)	49,444
	(Won) 136,563	(Won)	(Won) (6,975)	(Won) (33)	(Won) 46,285	(Won) (621)	(Won) (4,664)	(Won) 170,555

- (note a) As its total assets at the beginning of 2003 were over (Won)7 billion, effective January 1, 2003, investment in equity securities of CDMA Mobile Phone Center held by SLD Telecom PTE Ltd., a overseas subsidiary of the Company, is accounted for using the (note a) equity method of accounting.
- (note b) Effective January 1, 2003, the Company's investees including STIC Ventures Co., Ltd. and VCASH Co., Ltd., adopted SKAS No. 3, Intangible Assets. This statement requires that organization cost be charged to expenses as incurred and the unamortized organization costs at January 1, 2003 be offset against the beginning retained earnings. To reflect the Company's portion of the decrease in the beginning retained earnings of the investees, the Company reduced its beginning retained earnings of 2003.
- (note c) Investments in common stock of Eonex Technologies, Inc. were reclassified to available-for-sale securities as the Company's ownership in Eonex Technologies, Inc. decreased to 16.1% from 22.5% during the first quarter of 2003.
- (note d) The decrease in investments in equity securities of CDMA Mobile Phone Center represents a translation loss incurred from translating the foreign currency financial statements of SLD Telecom PTE Ltd., a overseas subsidiary of the Company, which makes investments in CDMA Mobile Phone Center, into Korean won.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

For the Year Ended December 31, 2004

	<u>Beginning</u> <u>Balance</u>	<u>Acquisition</u>	<u>Equity in</u> <u>Earnings</u> <u>(Losses)</u>	<u>Equity in</u> <u>Capital</u> <u>Surplus and</u> <u>Capital</u> <u>Adjustments</u>	<u>Dividend</u> <u>Received</u>	<u>Decrease</u> <u>(Notes b</u> <u>and c)</u>	<u>Ending</u> <u>Balance</u>
SK C&C Co., Ltd.	(Won) 92,844	(Won)	(Won) 13,322	(Won) 95,918	(Won) (600)	(Won)	(Won) 201,484
STIC Ventures Co., Ltd.	7,086		(123)	514			7,477
WiderThan Co., Ltd.	3,188					(3,188)	
VCASH Co., Ltd.	1,048		(657)			(391)	
Skytel Co., Ltd.	3,401		1,070	(603)	(155)		3,713
SK China Co., Ltd.	1,683		(595)	(258)			830
SK-QC Wireless Development Fund	5,901		4	(759)			5,146
SKT-HP Ventures, LLC	5,960		62	(741)			5,281
CDMA Mobile Phone Center	49,444	5,979	(21,651)			(8,655)	25,117
TU Media Corp.	38,681		(4,213)	124			34,592
SK USA, Inc. (note a)	3,184		168	(296)			3,056
Aircross Co., Ltd. (note a)	300		659	(19)			940
	<u>(Won) 212,720</u>	<u>(Won) 5,979</u>	<u>(Won) (11,954)</u>	<u>(Won) 93,880</u>	<u>(Won) (755)</u>	<u>(Won) (12,234)</u>	<u>(Won) 287,636</u>

(note a) As their total assets at the beginning of 2004 were over (Won)7 billion, effective January 1, 2004, investments in equity securities of SK USA, Inc. and Aircross Co., Ltd. are accounted for using the equity method of accounting.

(note b) As the Company's ownership in WiderThan Co., Ltd. decreased to 14.3% from 20% in 2004, investments in common stock of WiderThan Co., Ltd. are reclassified to available-for-sale securities in 2004.

(note c) SLD Telecom PTE Ltd. (SLD), an oversea subsidiary of the Company, accounted for the in-kind contribution of network equipment to CDMA Mobile Phone Center as an increase in the investment securities and the reimbursement in the amount equal to depreciation of such network equipment in accordance with the Business Co-Operation Contract between SLD and Saigon Post and Telecommunication Service Corp., a Vietnamese counterparty, was accounted for as a decrease in the investment. During the year ended December 31, 2004, SLD got such reimbursement of (Won)4,046 million from CDMA Mobile Phone Center and decreased the investment in CDMA Mobile Phone Center by the same amount. In addition, translation loss of (Won)4,609 million incurred from translating the foreign currency financial statement of SLD Telecom PTE Ltd. into Korean won was accounted for as a decrease in the investment in CDMA Mobile Phone Center.

5. LOANS TO EMPLOYEES

Short-term and long-term loans to employees as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Loans to employees stock ownership association	(Won) 45,906	(Won) 33,788	(Won) 22,546
Loans to employees for housing and other (3 - 4%)	10,556	8,587	8,859
	<u>(Won) 56,462</u>	<u>(Won) 42,375</u>	<u>(Won) 31,405</u>

F-29

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****6. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	Useful Lives (Years)	2002	2003	2004
Land		(Won) 439,915	(Won) 449,377	(Won) 466,459
Buildings and structures	15, 30	977,045	1,081,134	1,445,593
Machinery	3-6	6,998,088	8,440,624	9,584,526
Vehicles	3-4	19,368	19,741	21,710
Other	3-4	878,006	794,495	791,829
Construction in progress		352,932	323,490	138,002
Total		9,665,354	11,108,861	12,448,119
Less accumulated depreciation		(5,095,937)	(6,467,314)	(7,744,197)
Property and equipment, net		(Won) 4,569,417	(Won) 4,641,547	(Won) 4,703,922

The government's declared standard value of land owned as of December 31, 2002, 2003 and 2004 are (Won)356,360 million, (Won)396,103 million and (Won)404,385 million, respectively.

Details of changes in property and equipment for the years ended December 31, 2003 and 2004 are as follows (in millions of Korean won):

	For the Year Ended December 31, 2003					
	Beginning Balance	Acquisition	Disposal	Transfer	Depreciation	Ending Balance
Land	(Won) 439,915	(Won) 6,381	(Won) (4,793)	(Won) 7,874	(Won)	(Won) 449,377
Buildings and structures	778,832	9,393	(4,599)	100,341	(40,166)	843,801
Machinery	2,475,663	125,332	(4,996)	1,360,240	(1,285,271)	2,670,968
Vehicles	6,353	1,012	(123)	63	(3,137)	4,168
Other	515,722	861,333	(4,329)	(916,464)	(106,519)	349,743
Construction in progress	352,932	644,188		(673,630)		323,490

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Total	(Won) 4,569,417	(Won) 1,647,639	(Won) (18,840)	(Won) (121,576)	(Won) (1,435,093)	(Won) 4,641,547
-------	-----------------	-----------------	----------------	-----------------	-------------------	-----------------

For the Year Ended December 31, 2004

	Beginning Balance	Acquisition	Disposal	Transfer	Depreciation	Ending Balance
Land	(Won) 449,377	(Won) 3,395	(Won) (2,684)	(Won) 16,372	(Won)	(Won) 466,460
Buildings and structures	843,801	7,239	(7,849)	366,296	(42,945)	1,166,542
Machinery	2,670,968	108,238	(8,098)	1,143,335	(1,271,336)	2,643,107
Vehicles	4,168	3,744	(425)	674	(3,370)	4,791
Other	349,743	740,752	(5,481)	(697,135)	(102,859)	285,020
Construction in progress	323,490	768,573	(756)	(953,305)		138,002
Total	(Won) 4,641,547	(Won) 1,631,941	(Won) (25,293)	(Won) (123,763)	(Won) (1,420,510)	(Won) 4,703,922

F-30

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. INTANGIBLE ASSETS**

Intangible assets as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	Acquisition Cost at December 31,	Accumulated Amortization at December 31,	Accumulated Impairment at December 31,	Carrying Amounts		
				2004	2003	2004
Goodwill	(Won) 2,401,306	(Won) (406,897)	(Won) (70)	(Won) 2,255,868	(Won) 2,129,980	(Won) 1,994,339
Frequency use rights	1,267,053	(103,734)		1,259,253	1,251,278	1,163,319
Software development costs	228,757	(122,301)	(501)	91,337	137,810	105,955
Other	490,625	(229,909)	(1,426)	114,777	155,876	259,290
	(Won) 4,387,741	(Won) (862,841)	(Won) (1,997)	(Won) 3,721,235	(Won) 3,674,944	(Won) 3,522,903

Details of changes in intangible assets for the years ended December 31, 2003 and 2004 are as follows (in millions of Korean won):

	For the Year Ended December 31, 2003					Ending Balance
	Beginning Balance	Acquisition	Disposal	Transfer	Amortization	
Goodwill	(Won) 2,255,868	(Won) 9,374	(Won)	(Won) (111)	(Won) (135,151)	(Won) 2,129,980
Software development costs	91,337	26,665		56,512	(36,704)	137,810
Frequency use rights	1,259,253				(7,975)	1,251,278
Other	114,777	28,982	(7,275)	54,371	(34,979)	155,876
	(Won) 3,721,235	(Won) 65,021	(Won) (7,275)	(Won) 110,772	(Won) (214,809)	(Won) 3,674,944

For the Year Ended December 31, 2004

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	<u>Beginning</u> <u>Balance</u>	<u>Acquisition</u>	<u>Disposal</u>	<u>Transfer</u>	<u>Amortization</u>	<u>Impairment</u>	<u>Ending</u> <u>Balance</u>
Goodwill	(Won) 2,129,980	(Won) 647	(Won)	(Won)	(Won) (136,288)	(Won)	(Won) 1,994,339
Software development costs	137,810	6,235	(3,349)	10,545	(45,244)	(42)	105,955
Frequency use rights	1,251,278			7,800	(95,759)		1,163,319
Other	155,876	65,494	(865)	93,514	(54,729)		259,290
	<u>(Won) 3,674,944</u>	<u>(Won) 72,376</u>	<u>(Won) (4,214)</u>	<u>(Won) 111,859</u>	<u>(Won) (332,020)</u>	<u>(Won) (42)</u>	<u>(Won) 3,522,903</u>

F-31

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The book value and residual useful lives of major intangible assets as of December 31, 2004 are as follows (in millions of Korean won):

	Amount	Description	Residual Useful Lives
Goodwill	(Won) 1,949,546	Goodwill related to acquisition of Shinsegi Telecomm, Inc.	16 years
Frequency use rights	1,155,575	IMT license received on December 4, 2001	(note)
Software development costs	105,955	Software for business use	1-5 years

(note) Amortization of the IMT license commenced when the Company started its commercial IMT service in December 2003, using the straight-line method over the estimated useful life of the IMT license which expires in December 2016.

8. BONDS PAYABLE

Bonds payable as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won and thousands of U.S. dollars):

	Maturity Year	Annual Interest Rate (%)	2002	2003	2004
Domestic general bonds	2003	5.0-9.9	(Won) 910,000	(Won)	(Won)
	2004	5.0-7.0	1,120,000	1,120,000	
	2005	6.0	500,000	500,000	500,000
	2006	5.0-6.0	400,000	800,000	800,000
	2007	5.0-6.0	700,000	700,000	700,000
	2008	5.0		300,000	300,000
	2009	5.0			300,000
	2011	3.0			200,000
Dollar denominated bonds					
(US\$200,078)	2004	7.75	240,173	239,653	
(US\$300,000)	2011	4.25			313,140
Convertible bonds (US \$329,450)	2009				385,885
Bonds with stock purchase warrants (US \$4,000)	2006	6M Libor-0.3	4,802	4,791	
			3,874,975	3,664,444	3,499,025
Less discounts on bonds			(60,467)	(47,553)	(51,467)
Less conversion right adjustments					(82,245)
Add long-term accrued interest			252	491	24,808

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Net	3,814,760	3,617,382	3,390,121
Less portion due within one year	(906,264)	(1,355,514)	(498,278)
	<u> </u>	<u> </u>	<u> </u>
Long-term portion	(Won) 2,908,496	(Won) 2,261,868	(Won) 2,891,843
	<u> </u>	<u> </u>	<u> </u>

All of the above bonds will be paid in full at maturities.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The bonds with stock purchase warrants were issued on December 11, 2001 by PAXNet Co., Ltd., in which the Company purchased a 67.1% interest in December 2002. The stock purchase warrants are detachable and the bonds are unsecured oversea public bonds. These bonds were in full redeemed for cash at the option of the bondholders in 2004, at 114.79% of the principal amount. The stock purchase warrants, however, are still effective and may be exercised at any time after 3 months from the issuance date and up to 1 month before the original maturity date of the bonds. As of December 31, 2004, the exercise price per common stock of PAXNet Co., Ltd. is (Won)5,000.

On May 27, 2004, the Company issued zero coupon convertible bonds with a maturity of five years in the principal amount of US\$329,450,000 for US\$324,923,469, with an initial conversion price of (Won)235,625 per share of the Company's common stock that is greater than market value at the date of issuance and do not change, except under antidilution protection, subject to certain redemption rights. The Company may redeem their principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 103.81% of the principal amount on May 27, 2007 (3 years from the issuance date). The conversion right may be exercised during the period from July 7, 2004 to May 13, 2009 and the number of common shares to be converted as of December 31, 2004 is 1,644,978 shares. Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock, if this 49% ownership limitation is violated due to the exercise of conversion rights. In this case, the Company will pay a bond holder a cash settlement determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five business days. The Company intends to sell treasury shares held in trust by the Company that corresponds to the number of shares of common stock that would have been delivered in the absence of the 49% foreign shareholding restrictions. The Company entered into an agreement with Credit Suisse First Boston International to reduce the effect of fluctuation with respect to cash settlement payments more or less than the proceeds from sales of treasury shares held in trust. Unless either previously redeemed or converted, the notes are redeemable at 106.43% of the principal amount at maturity.

9. LONG-TERM BORROWINGS

Long-term borrowings denominated in foreign currency as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won and thousands of U.S. dollars):

Lender	Final	Annual	2002	2003	2004
	Maturity Year	Interest Rate (%)			
Korea Development Bank	2004	3M Libor + 3.45	US\$ 13,434	US\$ 4,478	US\$
Woori Bank	2005	Floating rate + 0.2	6,815	4,089	
Total in foreign currency			US\$ 20,249	US\$ 8,567	US\$
Equivalent in Korean won			(Won) 24,307	(Won) 10,262	(Won)
Less portion due within one year			(14,023)	(8,629)	

Long-term portion	(Won) 10,284	(Won) 1,633	(Won)
-------------------	--------------	-------------	-------

10. SUBSCRIPTION DEPOSITS

The Company receives facility guarantee deposits from customers of cellular services at the subscription date. The Company has no obligation to pay interest on these deposits and returns all amounts to subscribers upon termination of the subscription contract.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Long-term subscription guarantee deposits by service type held as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won, except deposit per subscriber amounts):

<u>Service type</u>	<u>Deposit per Subscriber</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Cellular	(Won) 200,000	(Won) 46,850	(Won) 44,197	(Won) 31,440

The Company offers existing and new cellular subscribers the option of obtaining credit insurance from Seoul Guarantee Insurance company (SGIC) in lieu of the facility deposit. Existing subscribers who elect this option are refunded their subscription deposits. As a result of this arrangement, the balance of facility guarantee deposits has been decreasing.

11. LEASES

The Company and its subsidiaries lease certain machinery and equipment under capital leases. The Company and its subsidiaries have an option to acquire the leased machinery and equipment, free of charge, upon termination of the lease period. Depreciation expense for the years ended December 31, 2002, 2003 and 2004 were (Won)428 million, (Won)250 million and (Won)37 million, respectively. For the year ended December 31, 2004, all capital leases were terminated and the Company acquired the related leased machinery free of charge.

The Company and its subsidiaries leased certain machinery and equipment under an operating lease and the related lease expenses for the years ended December 31, 2002, 2003 and 2004 were (Won)7,649 million, (Won)1,774 million and (Won)261 million, respectively. These operating leases were terminated in 2004.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable and long-term borrowings denominated in foreign currencies described in Notes 8 and 9) as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won, thousands of U.S. dollars, thousands of HK dollars, thousands of Japanese yen, thousands of Singaporean dollars, thousands of Euros, thousands of Great Britain pounds, thousands of Swiss francs, thousands of Chinese Yuan and thousands of Australian dollars):

	Foreign Currencies						Korean won Equivalent		
	2002		2003		2004		2002	2003	2004
Cash and cash equivalents	US\$	46,025	US\$	24,407	US\$	4,875	(Won) 55,247	(Won) 29,234	(Won) 5,088
	¥	12	¥	8	¥	6			
	EUR	2	EUR	17			3	26	
			GBP	5				10	
Short-term financial instruments	US\$	35,281	US\$	31,492			42,351	37,721	
Accounts receivable trade	US\$	19,477	US\$	8,627	US\$	19,284	23,382	10,333	20,129
	¥	240	SG\$	743			2	522	
Accounts receivable other	US\$	9,639	US\$	12,844	US\$	2,989	11,571	15,385	3,120
Guarantee deposits	US\$	187	US\$	193	US\$	142	225	232	149
			¥	16,337	¥	15,756		183	159
Total assets							(Won) 132,781	(Won) 93,646	(Won) 28,645

	Foreign Currencies						Korean won Equivalent		
	2002		2003		2004		2002	2003	2004
Accounts payable trade	US\$	23,975	US\$	15,432	US\$	17,406	(Won) 28,779	(Won) 18,485	(Won) 18,169
	¥	1,198,724	¥	555,277	¥	26,240	12,141	6,217	266
	EUR	180					227		
Short-term borrowings	US\$	32,928	US\$	26,853	US\$	19,392	39,526	32,164	20,241
	¥	2,603,467	¥	2,255,431	¥	438,499	26,370	25,252	4,438
			EUR	7	EUR	207		10	294
					GBP	260			522
Accounts payable other	US\$	37,228	US\$	35,759	US\$	13,539	44,689	42,832	14,132
	¥	229,641	¥	20,606	¥	60,678	2,326	231	614
	HK\$	825	HK\$	267	HK\$	217	127	41	29
	CNY	61	CNY	140	CNY	1	9	20	
	GBP	1	GBP	304	GBP	118	1	648	237

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	SG\$	24	SG\$	5	SG\$	5	17	3	3
	EUR	8	EUR	10	EUR	348	11	15	495
	AU\$	1	AU\$	1			1	1	
			CHF	4				4	
Accrued expenses			US\$	71	US\$	84		86	88
			¥	1,300				15	
			EUR	23				1	
Obligation under capital leases including current portion	US\$	482	US\$	101			578	121	
Total liabilities							(Won) 154,802	(Won) 126,146	(Won) 59,528

F-35

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. CAPITAL STOCK AND CAPITAL SURPLUS**

The Company's outstanding capital stock consists entirely of common stock with a par value of (Won)500. The number of authorized, issued and outstanding common shares as of December 31, 2002, 2003 and 2004 are as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Authorized shares	220,000,000	220,000,000	220,000,000
Issued shares	89,152,670	82,276,711	82,276,711
Outstanding shares, net of treasury stock	79,842,063	73,614,308	73,614,296

The number of authorized shares of preferred stock as of December 31, 2004 is 5,500,000 shares, none of which is outstanding as of December 31, 2004.

Significant changes in common stock and capital surplus in 2002, 2003 and 2004 are as follows (in millions of Korean won, except for share data):

	<u>Number of Shares Issued</u>	<u>Common Stock</u>	<u>Capital Surplus</u>
At January 1, 2002	89,152,670	(Won) 44,576	(Won) 3,449,698
Excess unallocated purchase price (note a)			(647,025)
Gain on disposal of treasury stock (note b)			81,984
Equity in capital surplus changes of affiliates			(275)
	<u>89,152,670</u>	<u>44,576</u>	<u>2,884,382</u>
At December 31, 2002	89,152,670	44,576	2,884,382
Excess unallocated purchase price (note a)			(230)
Retirement of treasury stock (note c)	(7,002,235)		
Issuance of common stock for the merger with SK IMT Co., Ltd. (note d)	126,276	63	31,809
Gain on disposal of investments in common stock of subsidiary			58
Equity in capital surplus changes of affiliates			(4,463)
	<u>82,276,711</u>	<u>44,639</u>	<u>2,911,556</u>
At December 31, 2003	82,276,711	44,639	2,911,556
Excess unallocated purchase price (note a)			(77)
Considerations for conversion right (note e)			67,279
Equity in capital surplus changes of affiliates			(10,457)

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

At December 31, 2004	82,276,711	(Won) 44,639	(Won) 2,968,301
----------------------	------------	--------------	-----------------

(note a) The excess unallocated purchase price of (Won)299,121 million for the additional 19.2% equity interest acquired in 2001 and (Won)647,025 million for the distribution of 2,677,653 shares of treasury stock to minority shareholders of Shinsegi Telecomm, Inc. upon the merger dated January 13, 2002, were deducted from capital surplus, in accordance with Korean GAAP. In addition, during the years ended December 31, 2003 and 2004, the Company paid (Won)230 million and (Won)77 million, respectively, to certain former shareholders of Shinsegi Telecomm, Inc. in accordance with the ruling of the court and deducted it from capital surplus in accordance with Korean GAAP.

(footnotes continued on following page)

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (note b) The gain on disposal of treasury stock of (Won)81,984 million resulting from the distribution of treasury stock to minority shareholders of Shinsegi Telecomm, Inc. upon the merger dated January 13, 2002 was recorded as an increase in other capital surplus.
- (note c) The Company retired 4,457,635 shares and 2,544,600 shares of treasury stock on January 3, 2003 and August 20, 2003, respectively, and reduced unappropriated retained earnings in accordance with the Korean Commercial Laws.
- (note d) The excess of acquired net assets over the par value of (Won)63 million for the issuance of 126,276 shares of new common stock to minority shareholders of SK IMT Co., Ltd. upon the merger dated May 1, 2003, was added to capital surplus in accordance with Korean GAAP.
- (note e) The Company issued zero coupon convertible bonds in the principal amount of US\$329,450,000 at US\$324,923,469 with an initial conversion price of (Won)235,625 per share of the Company's common stock on May 27, 2004 and the considerations for conversion right of (Won)67,279 million was added to capital surplus in accordance with Korean GAAP (See Note 2(j)).

14. RETAINED EARNINGS

Retained earnings as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	2002	2003	2004
Appropriated	(Won) 3,379,922	(Won) 4,743,822	(Won) 4,733,936
Unappropriated	1,493,283	396,089	1,418,962
	(Won) 4,873,205	(Won) 5,139,911	(Won) 6,152,898

The details of appropriated retained earnings as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	2002	2003	2004
Legal reserve	(Won) 17,200	(Won) 22,288	(Won) 22,320
Reserve for improvement of financial structure	33,000	33,000	33,000
Reserve for business rationalization	169,493		
Reserve for loss on foreign investment	29,192		
Reserve for loss on disposal of treasury stock	240,000	221,197	477,182
Reserve for research and manpower development	365,300	559,198	776,296
Reserve for business expansion	2,525,737	3,908,139	3,425,138
	(Won) 3,379,922	(Won) 4,743,822	(Won) 4,733,936

a. Legal Reserve

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

F-37

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

b. Reserve for Improvement of Financial Structure

The Financial Control Regulation for listed companies in Korea requires that at least 10% of net income (net of accumulated deficit), and an amount equal to net gains (net of related income taxes, if any) on the disposal of property and equipment be appropriated as a reserve for improvement of financial structure until the ratio of stockholders' equity to total assets reaches 30%. The reserve for improvement of financial structure may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to capital stock.

c. Reserve for Business Rationalization

Through 2001, the Tax Exemption and Reduction Control Law required that the amount of tax benefit associated with certain tax exemptions and tax credits be appropriated as a reserve for business rationalization. The revised Tax Exemption and Reduction Control Law no longer requires providing the reserve for business rationalization. Thus, since 2002, the Company has transferred the reserve for business rationalization to voluntary reserve that may be utilized for cash dividends.

d. Reserves for Loss on Foreign Investment, Loss on Disposal of Treasury Stock and Research and Manpower Development

Reserves for loss on foreign investment, loss on disposal of treasury stock and research and manpower development were appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures. These reserves will be unappropriated from appropriated retained earnings in accordance with the relevant tax laws. Such unappropriation will be included in taxable income in the year of unappropriation.

e. Reserve for Business Expansion

The reserve for business expansion is voluntary and was approved by the board of directors and shareholders.

15. TREASURY STOCK

Upon the issuances of stock dividends and new common stock and the merger with Shinsegi Telecomm, Inc. and SK IMT Co., Ltd., the Company acquired fractional shares totaling 77,958 shares for (Won)6,108 million through 2003. In addition, the Company acquired 7,452,810

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

shares of treasury stock in the market or through the trust funds for (Won)1,771,507 million through 2003 in order to stabilize the market price of its stock.

Under the Mutual Agreement on Stock Exchange between the Company and KT Corporation, on December 30, 2002 and January 10, 2003, the Company acquired 8,266,923 shares of the Company's common stock from KT Corporation for (Won)1,853,643 million.

On January 13, 2002, the Company merged with Shinsegi Telecomm, Inc. and distributed 2,677,653 shares of treasury stock to minority shareholders of Shinsegi Telecomm, Inc., of which the cost was (Won)584,646 million.

On January 6, 2003, the Company retired 4,457,635 shares of treasury stock that were purchased from KT Corporation as mentioned above in accordance with a resolution of the board of directors dated December

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

26, 2002 and reduced unappropriated retained earnings by (Won)1,008,882 million including the tax effect of (Won)9,373 million, in accordance with the Korean Commercial Laws.

On June 30, 2003, in accordance with a resolution of the board of directors dated June 24, 2003, the Company announced a stock repurchase program to acquire 2,544,600 shares of common stock in the market in order to enhance stockholders' interest and to stabilize the stock price. Pursuant to the program, the Company acquired a total of 2,544,600 shares of Company's outstanding common stock for (Won)525,174 million during the period from June 30, 2003 to August 11, 2003 and retired such treasury shares on August 20, 2003, which reduced the unappropriated retained earnings by (Won)537,138 million including the tax effect of (Won)11,964 million, in accordance with Korean Commercial Laws.

On February 20, 2004, the Company additionally acquired fractional shares totaling 12 shares for (Won)2 million which resulted from the merger with SK IMT Co., Ltd.

16. STOCK OPTIONS

On March 17, 2000, March 16, 2001 and March 8, 2002, in accordance with the approval of its stockholders and its board of directors, the Company granted stock options to its management, representing 17,800 shares at an exercise price of (Won)424,000 per share, 43,290 shares at an exercise price of (Won)211,000 per share and 65,730 shares at an exercise price of (Won)267,000 per share. The stock options will become exercisable after three years from the date of grant and shall be exercisable within two years from the first exercisable date. If the employees leave the Company within three years after the grant of stock options, the Company may cancel the stock options awarded. Upon exercise of stock options, the Company will issue its common stock. During the year ended December 31, 2004, stock options representing 530 shares, of which total compensation cost was (Won)3 million, were forfeited. During the year ended December 31, 2002 and 2003, there was no forfeited or expired stock options.

The value of stock options granted is determined using the Black-Scholes option-pricing model, without considering a volatility factor in estimating the value of its stock options, as permitted under Korean GAAP. The following assumptions are used to estimate the fair value of options granted in 2000, 2001 and 2002; risk-free interest rate of 9.1% for 2000, 5.9% for 2001 and 6.2% for 2002; expected life of three years for 2000, 2001 and 2002; expected dividend of (Won)500 for 2000, 2001 and 2002. Under these assumptions, total compensation cost, the recognized compensation cost for the years ended December 31, 2002, 2003 and 2004, the compensation cost to be recognized for the following period after December 31, 2004 and the outstanding balance of stock option in capital adjustment as of December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

<u>Grant Date</u>	<u>Total Compensation Cost</u>	<u>Recognized Compensation Cost</u>			<u>Compensation Cost to be Recognized</u>	<u>Stock Option in Capital Adjustment</u>		
		<u>2002</u>	<u>2003</u>	<u>2004</u>		<u>2002</u>	<u>2003</u>	<u>2004</u>

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

March 17, 2000	(Won) 1,533	(Won) 511	(Won) 128	(Won)	(Won)	(Won) 1,405	(Won) 1,533	(Won) 1,533
March 16, 2001	234	79	79	10		145	224	234
March 8, 2002	3,246	902	1,082	1,082	180	902	1,984	3,066
	(Won) 5,013	(Won) 1,492	(Won) 1,289	(Won) 1,092	(Won) 180	(Won) 2,452	(Won) 3,741	(Won) 4,833

F-39

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The pro forma ordinary income, net income, ordinary income per common share and net income per common share, if the Company had not excluded the volatility factor (expected volatility of 66.8% for options granted in 2000, 67.5% for options granted in 2001 and 63.0% for options granted in 2002) in estimating the value of its stock options, for the years ended December 31, 2002, 2003 and 2004 are as follows:

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Pro forma ordinary income (in millions of Korean won)	(Won) 2,215,401	(Won) 2,751,221	(Won) 2,121,238
Pro forma ordinary income per common shares	17,603	26,145	20,234
Pro forma net income (in millions of Korean won)	1,483,784	1,962,986	1,489,542
Pro forma net income per common shares	17,607	26,145	20,234

17. INCOME TAXES

The provision for income taxes for the years ended December 31, 2002, 2003 and 2004 consists of the following (in millions of Korean won):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Currently payable	(Won) 616,544	(Won) 668,180	(Won) 551,405
Deferred	81,963	120,879	78,356
Recorded income taxes	<u>(Won) 698,507</u>	<u>(Won) 789,059</u>	<u>(Won) 629,761</u>

The following is a reconciliation between financial accounting income and taxable income, together with a computation of income taxes, for the years ended December 31, 2002, 2003 and 2004 (in millions of Korean won):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Income before income taxes	(Won) 2,218,768	(Won) 2,754,336	(Won) 2,123,175
Additions (deductions):			
Allowance for bad debts	(66,940)	2,081	(3,406)
Loss on impairment of investment securities	68,882	(53,161)	7,866
Accrued interest income	(2,107)	(3,096)	(2,133)
Foreign exchange loss	(8,211)	(8,449)	(2,815)
Depreciation	(3,803)	(34,070)	(162,670)

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Equity in losses (earnings) of affiliates	(813)	6,975	11,954
Amortization of goodwill	128,662	128,662	128,662
Loss on impairment of tangible assets and intangible assets	8,212	22,459	
Tax-free reserves	(175,096)	(468,775)	(45,765)
Net operating loss carryforwards	(7,060)		(14,750)
Other	101,950	135,324	54,373
	<u> </u>	<u> </u>	<u> </u>
Net taxable income	(Won) 2,262,444	(Won) 2,482,286	(Won) 2,094,493
	<u> </u>	<u> </u>	<u> </u>
Corporate income taxes at statutory Korean corporate income tax rates of 27%	(Won) 612,890	(Won) 670,144	(Won) 566,280
Tax credit for investments, technology and human resource development and others	(62,974)	(75,149)	(77,490)
	<u> </u>	<u> </u>	<u> </u>
Corporate income taxes payable	549,916	594,995	488,790
Resident surtax payable	54,992	59,500	48,879
Special surtax for agriculture and fishery industries and other	11,636	13,685	13,736
	<u> </u>	<u> </u>	<u> </u>
Total income taxes currently payable	(Won) 616,544	(Won) 668,180	(Won) 551,405
	<u> </u>	<u> </u>	<u> </u>

F-40

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The difference between income taxes computed using the statutory Korean corporate income tax rates and the recorded income taxes for the years ended December 31, 2002, 2003 and 2004 is attributable to the following (in millions of Korean won):

	2002	2003	2004
	<u> </u>	<u> </u>	<u> </u>
Income taxes at statutory income tax rate of 27%	(Won) 599,067	(Won) 743,671	(Won) 573,257
Resident surtax payable	59,907	74,367	57,326
Tax credit for investments, technology and human resource development and others	(37,309)	(83,826)	(89,080)
Special surtax for agriculture and fishery industries and other	11,636	13,685	13,736
Goodwill amortization not deductible for tax purpose	38,213	38,213	35,382
Undistributed earnings (unrecognized deficit) of subsidiaries	12,295	(5,909)	11,011
Effect of the change in income tax rate (note a)		(20,204)	
Other permanent differences	1,520	15,327	28,581
Increase (decrease) in valuation allowance	13,178	13,735	(452)
	<u> </u>	<u> </u>	<u> </u>
Recorded income taxes	(Won) 698,507	(Won) 789,059	(Won) 629,761
	<u> </u>	<u> </u>	<u> </u>
Effective tax rate	31.48%	28.65%	29.66%
	<u> </u>	<u> </u>	<u> </u>

(note a) Pursuant to a revision in the Korean Corporate Income Tax Law during 2003, statutory corporate income tax rate including resident surtax is changed from 29.5% to 27.5%, effective January 1, 2005. Such change in statutory corporate income tax rate resulted in a decrease in deferred tax liabilities as of December 31, 2003 by (Won)20,204 million.

The tax effects of each type of temporary difference that gave rise to a significant portion of the deferred tax assets and liabilities at December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	2002	2003	2004
	<u> </u>	<u> </u>	<u> </u>
Allowance for doubtful accounts	(Won) 23,251	(Won) 22,039	(Won) 19,649
Write-off of doubtful accounts	9,715	9,587	9,764
Trading securities		1	(561)
Accrued interest income	(2,902)	(2,026)	(2,463)
Depreciation	12,609	3,712	(40,220)
Loss on disposition of properties			11,480
Loss on impairment of investment securities	48,588	30,757	32,851
Foreign currency translation loss	3,345	774	
Equity in losses of affiliates	(5,090)	(6,593)	(12,671)
Unrecognized deficit (undistributed earnings) of subsidiaries	(9,012)	(3,364)	(9,434)

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Tax free reserve for research and manpower development	(133,920)	(182,518)	(195,103)
Tax free reserve for loss on disposal of treasury stock	(64,775)	(130,373)	(130,372)
Tax credit carryforwards		1,162	5,003
Net operating loss carryforwards	17,290	29,575	25,371
Other	20,851	39,693	18,510
	<u> </u>	<u> </u>	<u> </u>
Total deferred tax assets (liabilities)	(80,050)	(187,574)	(268,196)
Valuation allowance for:			
Depreciation	(1,081)		(5,321)
Net operating loss carryforwards	(17,290)	(29,575)	(24,980)
Other	(6,349)	(8,880)	(7,555)
	<u> </u>	<u> </u>	<u> </u>
Net deferred tax assets (liabilities)	<u>(Won) (104,770)</u>	<u>(Won) (226,029)</u>	<u>(Won) (306,052)</u>

F-41

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The net operating loss carryforwards and tax credit carryforwards of the Company's certain subsidiaries as of December 31, 2004 will expire as follows (in millions of Korean won):

<u>Year Ending December 31,</u>	<u>Net Operating Loss Carryforwards</u>	<u>Tax Credit Carryforwards</u>
2005	(Won) 753	(Won)
2006	18,567	
2007	24,611	
2008	45,373	
2009	2,953	5,003
Total	(Won) 92,257	(Won) 5,003

18. INCOME PER SHARE

Net income and ordinary income per share for the years ended December 31, 2002, 2003 and 2004 are computed as follows (in millions of Korean won, except for share data):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Net income	(Won) 1,487,151	(Won) 1,966,100	(Won) 1,491,479
Weighted average number of common shares outstanding	84,270,450	75,078,219	73,614,297
Net income per share	(Won) 17,647	(Won) 26,187	(Won) 20,261

Ordinary income per share

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Net income	(Won) 1,487,151	(Won) 1,966,100	(Won) 1,491,479
Extraordinary gain	(504)		

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Income tax effect of extraordinary gain	149				
Ordinary income	1,486,796	1,966,100	1,491,479		
Weighted average number of common shares outstanding	84,270,450	75,078,219	73,614,297		
Ordinary income per share	(Won) 17,643	(Won) 26,187	(Won) 20,261		

F-42

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The weighted average number of common shares outstanding for 2002, 2003 and 2004 is calculated as follows:

	<u>Date</u>	<u>Number of Shares</u>	<u>Weighted Number of Days</u>	<u>Weighted Number of Shares</u>
For 2002:				
At January 1, 2002		89,152,670	365/ 365	89,152,670
Treasury stock, at the beginning		(6,159,266)	365/ 365	(6,159,266)
Distribution of treasury stock for merger with Shinsegi	Jan. 13	2,673,474	349/ 365	2,556,280
Treasury stock	(note a)	(5,824,815)		(1,279,234)
Total		79,842,063		84,270,450
For 2003:				
At January 1, 2003		89,152,670	365/365	89,152,670
Treasury stock, at the beginning		(9,310,607)	365/365	(9,310,607)
Purchase of treasury stock	Jan. 10	(3,809,288)	356/365	(3,715,360)
Purchase of fractional shares	Feb. 3	(52)	332/365	(47)
Purchase of fractional shares	May 1	(91)	233/365	(58)
Issuance of common stock	May 1	126,276	233/365	80,609
Treasury stock	(note a)	(2,544,600)		(1,128,988)
Total		73,614,308		75,078,219
For 2004:				
At January 1, 2004		82,276,711	366/366	82,276,711
Treasury stock, at the beginning		(8,662,403)	366/366	(8,662,403)
Purchase of fractional shares	Feb. 20	(12)	316/366	(11)
Total		73,614,296		73,614,297

(note a) Such treasury stock was acquired or disposed of on several different dates in 2002 and 2003, and the weighted number of shares was calculated according to each transaction date.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Diluted net income and ordinary income per share amounts for the years ended December 31, 2002, 2003 and 2004 are computed as follows (in millions of Korean won except for share data):

Diluted net income per share

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Adjusted net income	(Won) 1,487,230	(Won) 1,966,100	(Won) 1,499,026
Adjusted weighted average number of common shares outstanding (note b)	84,277,598	75,078,219	74,596,777
Diluted net income per share	<u>(Won) 17,647</u>	<u>(Won) 26,187</u>	<u>(Won) 20,095</u>

Diluted ordinary income per share

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Adjusted ordinary income	(Won) 1,486,875	(Won) 1,966,100	(Won) 1,499,026
Adjusted weighted average number of common shares outstanding (note b)	84,277,598	75,078,219	74,596,777
Diluted ordinary income per share	<u>(Won) 17,643</u>	<u>(Won) 26,187</u>	<u>(Won) 20,095</u>

(note b) In 2002 and 2004, for the calculation of diluted income per share, the weighted average number of common shares outstanding is adjusted for dilutive effects of assuming the exercise of stock options on January 1, 2002 and the conversion of and convertible bonds on May 27, 2004 (see Note 8), respectively. The weighted average number of common shares outstanding for basic and diluted earnings per share calculations are the same for the year ended December 31, 2003 as there is no item that dilutes the earnings per share for that year.

The numerator and denominator of basic and diluted income per share for the years ended December 31, 2002 and 2004 are as follows:

Diluted net income per share

	Average Weighted		
	Net Income	Number of Shares	Per-share Amount
	(In Millions of Korean Won)		(In Korean Won)
For 2002			
Basic net income per share	(Won) 1,487,151	84,270,450	(Won) 17,647
Effect of stock option	79	7,148	
Diluted net income per share	(Won) 1,487,230	84,277,598	(Won) 17,647
For 2004			
Basic net income per share	(Won) 1,491,479	73,614,297	(Won) 20,261
Effect of convertible bonds	7,547	982,480	
Diluted net income per share	(Won) 1,499,026	74,596,777	(Won) 20,095

F-44

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Diluted ordinary income per share

	Average Weighted		Per-share Amount
	Net Income	Number of Shares	
	(In Millions of Korean Won)		(In Korean Won)
For 2002			
Basic ordinary income per share	(Won) 1,486,796	84,270,450	(Won) 17,643
Effect of stock option	79	7,148	
Diluted ordinary income per share	(Won) 1,486,875	84,277,598	(Won) 17,643
For 2004			
Basic ordinary income per share	(Won) 1,491,479	73,614,297	(Won) 20,261
Effect of convertible bonds	7,547	982,480	
Diluted ordinary income per share	(Won) 1,499,026	74,596,777	(Won) 20,095

19. DIVIDEND DISCLOSURE

Details of dividends which were declared for the years ended December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won except for share data):

Fiscal Year	Dividend Type	Number of Shares Outstanding	Face Value	Dividend Ratio	Dividends
2002	Cash dividends	84,299,698 (note)	(Won) 500	360%	(Won) 151,739

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

2003	Cash dividends	73,614,308	(Won) 500	1,100%	(Won) 404,878
2004	Cash dividends (interim)	73,614,308	(Won) 500	200%	(Won) 73,614
	Cash dividends (year-end)	73,614,296	(Won) 500	1,860%	(Won) 684,613
	Total				(Won) 758,227

(note) 4,457,635 shares of the Company's common stock acquired through the stock exchange with KT Corporation on December 30, 2002 were included in the number of shares outstanding, as the dividend right date was December 27, 2002.

Dividends payout ratios for the years ended December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won and %):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dividends	(Won) 151,739	(Won) 404,878	(Won) 758,227
Net income	1,487,151	1,966,100	1,491,479
Dividends payout ratio	10.20%	20.59%	50.84%

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Dividends yield ratios for the years ended December 31, 2002, 2003 and 2004 are as follows (in Korean won and %):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Dividend per share	(Won) 1,800	(Won) 5,500	(Won) 10,300
Stock price at the year-end	229,000	199,000	197,000
Dividends yield ratio	0.79%	2.76%	5.23%

20. COMMITMENTS AND CONTINGENCIES

a. The Company and its subsidiaries have credit lines with several local banks that provide for borrowings of up to (Won)923,995 million. At December 31, 2004, the borrowings under these credit lines were (Won)25,496 million at an average interest rate of approximately 2.09% and the net availability under these credit lines was (Won)898,500 million.

b. At December 31, 2004, certain short-term financial instruments amounting to (Won)394 million are secured for payment guarantee of accounts payable and other.

c. At December 31, 2004, the Company and its subsidiaries have guarantee deposits restricted for their checking accounts totaling (Won)51 million.

d. The Company's warranty obligations under mobile network system development service contracts with Asia Pacific Broadband Wireless Communications Inc., a Taipei company, and Singapore Telecommunications Ltd., a Singapore company, have been guaranteed by Citi Corp. and Chohung Bank within the limit of US\$550,000 and SG\$117,250, respectively.

e. PAXNet Co., Ltd., a subsidiary of the Company, has guaranteed the repayment of borrowings for Finger Co., Ltd., which is a former affiliated company. The outstanding balance of such guarantees as of December 31, 2004 approximated (Won)332 million.

f. SK Communications Co., Ltd., which is the Company's subsidiary, had entered into a license agreement with Lycos Intangibles, LLC to use technology and pay royalties related to the Lycos License and TRIPOD totaling US\$9,252,390 for two years from August 14, 2002. In

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

accordance with this agreement, SK Communications Co., Ltd. paid US\$4,626,195 and US\$2,313,098 in royalty fees for the years ended December 31, 2002 and 2003, respectively. The license agreement expired on August 13, 2004. SK Communications Co., Ltd. entered into a new e-mail service and license agreement with Lycos Intangible, LLC to pay royalties totaling US\$700,000 for two years from August 14, 2004 for the exclusive right to offer e-mail services to existing e-mail users who have Lycos e-mail accounts in the Republic of Korea. In accordance with this new agreement, SK Communications Corp. paid US\$400,000 in advance on August 14, 2004 and the rest of royalties of US\$300,000 will be paid on August 14, 2005. In addition, if the number of Lycos e-mail users as of August 14, 2005 exceeds two million, SK Communications Co., Ltd. is required to pay additional royalties.

g. On October 18, 2002 and November 15, 2002, GNI Enterprise Inc. filed lawsuits against SK Communications Co., Ltd., which is the Company's subsidiary. In the lawsuit filed on October 18, 2002, GNI Enterprise Inc. asserted that the contract for usage of Lycos brand between GNI Enterprise Inc. and SK Communications Co., Ltd. was effective. A judgment in the first trial was made in favor of SK Communications Co., Ltd.; however, GNI Enterprise Inc. appealed the judgment and the appeal is in process. The ultimate

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

outcome of this lawsuit cannot presently be determined. SK Communications Co., Ltd. believes that any liability that may be subject to thereunder will not be material. In addition, in the lawsuit filed on November 15, 2002, GNI Enterprise Inc. asserted that the merger of NetsGo Co., Ltd. into SK Communications Co., Ltd. was not legitimate. On January 11, 2004, GNI Enterprise Inc. withdrew this lawsuit.

h. In connection with the business combination of the Company with Shinsegi Telecomm Co., Ltd., SK Teletech Co., Ltd., which is the Company's subsidiary, was ordered by the Fair Trade Commission on May 16, 2000 to limit its domestic yearly sales quantity of cellular handsets (excluding export sales and IMT-2000 handsets sales) not to exceed 1,200 thousand units per year from 2000 to 2005.

21. INSURANCE

At December 31, 2004, certain of the Company and its subsidiaries' assets are insured with local insurance companies as follows (in million of Korean won and thousands of U.S. dollars):

<u>Asset</u>	<u>Risk</u>	<u>Book Value</u>	<u>Coverage</u>
Inventories and property and equipment	Fire and comprehensive liability	(Won) 6,606,428	US\$ 74,815 (Won) 12,425,032

22. TRANSACTIONS WITH AFFILIATED COMPANIES

Significant related party transactions and balances with affiliated companies as of and for the years ended December 31, 2002, 2003 and 2004 were as follows (in millions of Korean won):

<u>Description</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Transactions			
SK Engineering & Construction Co., Ltd.:			
Construction (note a)	289,311	324,260	419,871
Commissions paid and other expense	23,981	7,662	6,148
Commission income and other income	678	776	1,348
SK Networks (formerly known as SK Global):			
Purchases of property and equipment	11,055	3,853	3,144

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Commissions paid, leased line and other expense	83,234	214,101	411,053
Sales of handsets and other income	383,138	491,978	1,177,249
SK Corporation:			
Purchases of property and equipment	52	3,831	4,071
Commissions paid and other expense	37,249	35,612	55,921
Commission income and other income	3,201	5,370	8,826
SK Life Insurance Co., Ltd.:			
Purchases of property and equipment		1,570	29,959
Commissions paid and other expenses		1,637	1,630
Commission income and other income		761	8,833
Kyocera Corp.:			
Purchase of raw materials and other	2,807	7,143	344
Commissions paid and other expenses		59	
Commission income and other income	66,088	14,075	
SK Group Japan:			
Purchase of raw materials for handsets and other expenses	9,784	5,292	

F-47

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Description	2002	2003	2004
SK Telesys:			
Purchases of property and equipment	187,205	188,111	188,822
Commissions paid and other expenses	1,519	1,717	3,102
Commission income and other income	290	385	879
SKC:			
Purchases of inventories	17,260	204,694	899,260
Disposal of inventories and other	50,341	18	
Commissions paid and other expenses		3,120	2,192
Commission income and other income		747	584
Innoace:			
Purchases of property and equipment	40,884	35,225	23,776
Commissions paid and other expenses	9,454	314	4,337
Commission income and other income	217	8,969	296
WiderThan Co., Ltd.:			
Purchases of property and equipment	9,124	22,643	3,780
Commissions paid and other expenses	24,218	49,939	82,380
Commission income and other income		665	2,216
SK C&C Co., Ltd.:			
Purchases of property and equipment	197,250	182,774	130,243
Commissions paid and other expenses (note b)	231,472	284,319	295,562
Commission income and other income	6,691	8,200	7,918
Balances			
SK Engineering & Construction Co., Ltd.:			
Accounts receivable	241	92	76
Accounts payable	65,773	63,442	135,213
Guarantee deposits received	130	90	408
SK Networks (formerly known as SK Global):			
Accounts receivable	84,970	107,782	108,757
Guarantee deposits	113	113	113
Accounts payable	14,792	63,641	20,047
Guarantee deposits received	255	719	955
SK Corporation:			
Accounts receivable	985	1,571	4,843
Guarantee deposits (note c)	79,611	103,720	103,720
Accounts payable	11,654	2,911	20,165
Guarantee deposits received	9,885	10,194	10,194
SK Life Insurance Co., Ltd.:			
Deposits for severance indemnities	58,057	63,992	73,558
Accounts receivable	117	1,119	1,100
Guarantee deposits	60	60	60
Guarantee deposits received	767	338	821
Kyocera Corp.:			
Accounts receivable	12,094		
Accounts payable	63		
SK Group Japan:			
Accounts payable	1,557		

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Description	2002	2003	2004
SK Telesys:			
Accounts receivable	5	50	53
Accounts payable	60,834	33,904	51,954
SKC:			
Accounts receivable	70,464	53,680	15,549
Guarantee deposits			10,266
Accounts payable	2,928	93,383	115,839
Innoace:			
Accounts payable	26,806	25,640	15,199
Guarantee deposits received	2,138	1,069	2,138
WiderThan Co., Ltd.			
Accounts receivable		30	102
Accounts payable	8,296	9,762	9,847
SK C&C Co., Ltd.:			
Accounts receivable	287	245	480
Accounts payable	116,235	72,715	77,871
Guarantee deposits received	284	346	346

- (note a) The Company is a party to several contracts with SK Engineering and Construction Co., Ltd. related to the construction of its new corporate headquarters in Ulchiro 2-ga, Chongro-gu, Seoul. Construction of its new headquarters was completed at the end of 2004. The total payment to SK Engineering & Construction Co., Ltd. for the demolition of existing buildings on the site and construction of the new building was (Won)209 billion.
- (note b) The Company and certain subsidiaries are party to an agreement with SK C&C Co., Ltd., pursuant to which SK C&C Co., Ltd. provides them with information technology services, dated as of December 28, 1998 and amended as of November 1, 1999. This agreement will expire on December 31, 2009, but may be terminated by the Company and certain subsidiaries without cause on a six months 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 the Company and certain subsidiaries. The Company and certain subsidiaries also enter into agreements with SK C&C Co., Ltd. from time to time for specific information technology-related projects.
- (note c) On December 19, 2000, the Company entered into an agreement with SK Corporation for the sale and leaseback of the Company's head office with the lease period from December 19, 2000 to March 31, 2004. Under the lease agreement, in January 2001 the Company deposited refundable leasehold key money of (Won)80,113 million and, as a result there will be no rent payment for the remaining lease period. On January 30, 2003, the Company prolonged the lease term to February 28, 2005 and deposited additional refundable leasehold key money of (Won)20,027 million. In addition, in December 2003, the Company deposited additional refundable leasehold key money of (Won)3,580 million. As a result, the refundable leasehold key money to SK Corporation as of December 31, 2004 totaled (Won)103,720 million.

23. DERIVATIVE INSTRUMENTS

The Company has entered into a foreign currency forward contract and a fixed-to-fixed cross currency swap contract with Citi Bank, BNP Paribas and Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed US dollar denominated bonds with face amounts totaling US\$300,000 thousand at annual fixed interest rate of 4.25% issued on April 1, 2004. The foreign currency forward contract was settled in

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2004 and as of December 31, 2004, in connection with unsettled foreign currency swap contract to which the cash flow hedge accounting is applied, a loss on valuation of derivatives amounting to (Won)49,452 million (excluding foreign exchange translation gain arising from unguaranteed US dollar denominated bonds totaling (Won)31,501 million) was accounted for as a capital adjustment.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed US dollar denominated convertible bonds with face amounts of US\$329,450 thousand issued on May 27, 2004. In connection with unsettled fixed-to-fixed cross currency swap contract to which the cash flow hedge accounting is not applied, a loss on valuation of currency swap of (Won)15,790 million for the year ended December 31, 2004 is charged to current operations.

As of December 31, 2004, fair values of above derivatives totaling (Won)96,743 million are recorded in long-term liabilities.

Details of derivative instruments as of December 31, 2004 are as follows (in thousands of US dollars and millions of Korean won):

Type	Hedged Item	Face Amount	Duration of Contract	Fair Value	
				Designated as Cash Flow Hedge	Not Designated
Fix-to-fixed cross currency swap	Unguaranteed US dollar denominated bonds	US\$ 300,000	March 23, 2004-April 1, 2011	(Won) 80,953	(Won)
Fix-to-fixed cross currency swap	Unguaranteed US dollar denominated convertible bonds	US\$ 100,000	May 27, 2004-May 27, 2009		15,790

The above derivative instruments designated as cash flow hedge mature within 75 months from December 31, 2004 at the longest; and the expected portion of capital adjustments as of December 31, 2004, related to loss on valuation of currency swap, to be recorded in earnings within the next 12 months amounted to (Won)5,612 million.

24. MERGER WITH SK IMT CO., LTD.

On May 1, 2003, the Company merged with SK IMT Co., Ltd., which was a consolidated subsidiary when it merged into the Company, in accordance with a resolution of the Company's board of directors on December 20, 2002 and the approval of shareholders of SK IMT Co., Ltd. on February 21, 2003. The shareholders of SK IMT Co., Ltd. were entitled to exercise dissenter's right under Korean law. Shareholders holding

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

22,078,770 shares (or 36.8% of SK IMT Co., Ltd.'s issued and outstanding shares) exercised such right, and SK IMT Co., Ltd. repurchased the shares of these dissenting shareholders at a purchase price of (Won)27,400 per share, totaling (Won)604,958 million, before the completion of the merger with the Company. The exchange ratio of common stock between the Company and SK IMT Co., Ltd. was 0.11276 share of the Company's common stock with a par value of (Won)500 to 1 share of common stock of SK IMT Co., Ltd. with a par value of (Won)5,000. Using such exchange ratio, the Company distributed 126,276 shares of new issued common stock to minority shareholders of SK IMT Co., Ltd. and the Company retired all shares of SK IMT Co., Ltd. owned by the Company and SK IMT Co., Ltd. upon the merger. The excess of acquired net assets over the par value ((Won)63 million) for the distribution of 126,276 shares of newly issued common stock to minority shareholders of SK IMT Co., Ltd. upon the merger dated May 1, 2003, amounting to (Won)31,809 million, was recorded as an increase in capital surplus in accordance with Korean GAAP.

F-50

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****25. MERGER WITH CYWORLD CO., LTD.**

On August 1, 2003, SK Communications Co., Ltd., the Company's subsidiary, merged with Cyworld Co., Ltd. in order to maximize synergy effects through enhanced management efficiency and strengthen the competitive power in the internet portal service market, in accordance with the approval of stockholders of SK Communications Co., Ltd. dated on June 16, 2003. The exchange ratio of common stock between SK Communications Co., Ltd. (par value: (Won)500) and Cyworld Co., Ltd. (par value: (Won)5,000) was 55.04697 to 1. Using such exchange ratio, SK Communications Corp. issued 12,770,877 shares of new common stock.

The condensed balance sheets of Cyworld Co., Ltd. as of August 1, 2003 and December 31, 2002 and condensed statements of operations for the seven months ended July 31, 2003 and the year ended December 31, 2002 are as follows (in millions of Korean won):

	<u>Aug. 1, 2003</u>	<u>Dec. 31, 2002</u>
(Condensed balance sheets)		
Current assets	(Won) 1,200	(Won) 129
Non-current assets	615	1,175
Total assets	(Won) 1,815	(Won) 1,304
Current liabilities	(Won) 1,586	(Won) 850
Long-term liabilities	77	432
Total liabilities	1,663	1,282
Common stock	1,160	1,160
Capital surplus	4,208	4,208
Deficit	(5,216)	(5,346)
Total equity	152	22
Total liabilities and stockholders' equity	(Won) 1,815	(Won) 1,304

**Period from
Jan. 1, 2003 to**

**Year ended
Dec. 31, 2002**

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	<u>Jul. 31, 2003</u>	<u> </u>
(Condensed statements of operations)		
Operating revenue	(Won) 1,930	(Won) 1,823
Operating expenses	(2,244)	(2,694)
	<u> </u>	<u> </u>
Operating loss	(314)	(871)
Other income	606	37
Other expenses	(163)	(721)
	<u> </u>	<u> </u>
Net income (loss)	(Won) 129	(Won) (1,555)
	<u> </u>	<u> </u>

F-51

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The merger with Cyworld Co., Ltd. was accounted for using the purchase method of accounting, and generated a goodwill of (Won)9,374 million as follows (in millions of Korean won):

Fair value of net assets merged		(Won) 152
Merger cost		
Fair value of common stock issued	(Won) 8,429	
Direct costs related to the merger (note)	1,097	9,526
		<u>9,374</u>
Goodwill		<u>(Won) 9,374</u>

(note) The direct costs related to the merger are the liquidation income tax of (Won)1,067 million paid for Cyworld Co., Ltd., and service fees of (Won)30 million related to the merger.

In addition, SK Communications Co., Ltd. amortizes the goodwill using the straight-line method over five years, and goodwill amortization for the years ended December 31, 2003 and 2004 was (Won)781 million and (Won)1,875 million, respectively.

26. ACQUISITION OF AND MERGER WITH SHINSEGI TELECOMM, INC.

In order to maximize shareholder value through voluntary restructuring of the domestic wireless telecom industry, Company management approved the acquisition of a 51.2% equity interest in Shinsegi Telecomm Inc.'s common stock on December 20, 1999 and, on December 28, 1999, the Company acquired a 23.5% equity interest through the purchase of Shinsegi Telecomm, Inc.'s common stock held by Kolon International Corporation and other minority interests for (Won)1,088,819 million. The Company acquired the remaining 27.7% equity interest on April 27, 2000 from POSCO by the issuance of 5,794,924 shares of the Company's common stock with a market value of (Won)1,657,348 million on the issuance date.

The transaction was accounted for under the purchase method of accounting and generated (Won)2,560,690 million in goodwill, which is being amortized on a straight-line basis over a twenty year period.

The acquisition of a 51.2% equity interest in Shinsegi Telecomm, Inc.'s common stock completed on April 27, 2000 is summarized as follows:

**In Millions of
Korean Won**

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Fair value of assets acquired	(Won) 1,183,633
Goodwill	2,560,690
Elimination of investment in unconsolidated affiliate	(1,067,180)
Assumed liabilities	(1,018,710)
<hr/>	
Acquisition cost after adding incidental costs of (Won)1,085 million	(Won) 1,658,433
<hr/>	

In 2001, the Company acquired an additional 19.2% equity interest in Shinsegi Telecomm, Inc. for (Won)327,733 million. And on January 13, 2002, the Company merged with Shinsegi Telecomm, Inc. in accordance with a resolution of the Company's board of directors dated September 21, 2001 and the approval of the shareholders of Shinsegi Telecomm, Inc. dated November 16, 2001. The exchange ratio of common stock between the Company and Shinsegi Telecomm, Inc. was 0.05696 to 1. Using such exchange ratio, the Company distributed 2,677,653 shares of treasury stock to minority shareholders of Shinsegi Telecomm, Inc. and the Company retired all shares of Shinsegi Telecomm, Inc. owned by the Company upon the merger.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The additional acquisition of equity interests in Shinsegi Telecomm, Inc. after its acquisition of a majority equity interest on April 27, 2000 was also accounted for under the purchase method of accounting whereby the purchase price was allocated to assets acquired and liabilities assumed based on the fair value at the date when the Company acquired a majority equity interest in Shinsegi Telecomm, Inc. The excess unallocated purchase prices of (Won)299,121 million for the additional 19.2% equity interest acquired in 2001 and (Won)647,025 million for the distribution of 2,677,653 shares of treasury stock to minority shareholders of Shinsegi Telecomm, Inc. upon the merger dated January 13, 2002, were recorded as decreases in capital surplus in accordance with Korean GAAP (see Note 13).

27. LOSS ON IMPAIRMENT OF IDLE NETWORK EQUIPMENT OF SHINSEGI TELECOMM, INC.

In 2002, the Company integrated Shinsegi Telecomm, Inc.'s former operations with those of the Company and some portion of Shinsegi Telecomm, Inc.'s former network equipment was re-deployed in the Company's network or sold for use outside Korea. The Company wrote off the remainder of the network equipment, excluding additional network equipment which will be re-deployed in the Company's network, and an impairment loss of (Won)185,847 million was recorded in the year ended December 31, 2002.

28. NETWORK INTERCONNECTION CHARGES

The Company's networks interconnect with the public switched telephone networks operated by KT Corporation and Hanaro and, through their networks, with the international gateways of KT Corporation, DACOM and Onse, as well as the networks of the other wireless telecommunications service providers in Korea. These connections enable the Company's subscribers to make and receive calls from telephones outside the Company's networks. Under Korean law, service providers are required to permit other service providers to interconnect to their networks for purposes of offering other services. If the new service provider desires interconnection and the incumbent service provider is unable to reach an agreement within 90 days, the new service provider can appeal to the Korean Communications Commission, a government agency under the MIC.

For the years ended December 31, 2002, 2003 and 2004, such interconnection revenues amounted to (Won)1,043.2 billion, (Won)1,017.1 billion and (Won)849.4 billion, respectively, while aggregate interconnection expenses amounted to (Won)752.1 billion, (Won)771.5 billion and (Won)913.7 billion, respectively.

29. SUBSEQUENT EVENT

a. Acquisition of WiBro License

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

The Company, together with KT Corporation and Hanaro Telecom Inc., acquired the license for WiBro, a portable internet service which is scheduled to start commercial operations in June 2006 as a result of the decision of the Committee of Information and Communication Policy dated January 20, 2005. With regard to this service, the Company made the contribution of (Won)117 billion and received the Wibro license from the Ministry of Information and Technology in March 2005.

b. Agreement for Establishing SK-EarthLink, a Joint Venture Company in the U.S.

In accordance with the resolution of the Company's board of directors dated January 26, 2005, the Company and EarthLink, Inc, an internet service provider in the U.S., agreed to establish SK-EarthLink, a joint venture company, in the United States of America in February 2005 in order to provide wireless telecommunication services across the United States of America. The Company, via SK Telecom USA Holdings,

F-53

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Inc., its wholly-owned subsidiary in the United States of America, will invest US\$220 million for a 50% equity interest in the joint venture company from 2005 through 2007. SK-EarthLink plans to launch cellular voice and data service across the United States of America by the third quarter of 2005 by renting networks from network operators throughout the United States of America also known as partial mobile virtual network operator (MVNO) system.

c. Issuance of unguaranteed domestic bonds

In accordance with the approval of its board of directors on March 11, 2005, the Company issued unguaranteed domestic bonds with face value totaling (Won)200,000 million on March 18, 2005. The domestic bonds were issued at an annual rate of 4% for (Won)194,560 million and will be repaid in full at its maturity date of March 18, 2010.

d. Resolution to dispose of the Company's investments in SK Teletech Co., Ltd.

In accordance with the resolution of the Company's board of directors dated May 3, 2005, the Company decided to sell 4,542,000 shares of 6,747,421 shares of SK Teletech Co., Ltd. (SKTT) held by the Company, representing 60% of the total outstanding common stock of SKTT, for a total selling price of (Won)300 billion ((Won)66,050 per share), to Curitel Communications, Inc., a handset maker in Korea. As a result of such trade, the Company's ownership in SKTT will decrease from 89.1% to 29.1% and the Company's management rights of SKTT are expected to be transferred to Curitel Communications, Inc. by the end of June 2005.

e. Fine for Providing Handset subsidies

On May 9, 2005, the Communications Commission of the Republic of Korea fined the Company (Won)23.1 billion for improper marketing activities such as providing handset subsidies.

30. RECONCILIATION TO UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Korea (Korean GAAP), which differ in certain respects from accounting principles generally accepted in the United States of America (U.S. GAAP). The significant differences are described below. Other differences do not have a significant effect on either consolidated net income or shareholders equity.

a. Deferred Income Taxes (see Note 2)

Under U.S. GAAP, deferred tax assets and liabilities are separated into their current and non-current portions based on the classification of related assets or liability for financial reporting purposes. Under Korean GAAP, deferred tax assets and liabilities are presented on the balance sheet as a single non-current net number.

In addition, U.S. GAAP does not allow recognition of deferred tax assets on the difference between the tax bases and financial statement bases of investments in subsidiaries unless it is apparent that the difference will reverse in the foreseeable future which has generally been interpreted to be one year. Such deferred tax assets totaling (Won)19,688 million, (Won)27,030 million and (Won)30,857 million as of December 31, 2002, 2003 and 2004, respectively, have been recognized for Korean GAAP purposes.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

b. Deferred Charges (see Note 2)

Korean GAAP requires that bond issuance costs be deducted from proceeds of bonds and certain development costs be recorded as intangible assets. Under U.S. GAAP, bond issuance costs are capitalized as deferred assets and amortized over the redemption period of the related obligation and research and development costs are charged to expense as incurred.

c. Leases

Through 1998, leases whose present value of minimum lease payments exceed 90% of the fair value of the leased equipment were not capitalized under Korean GAAP, but are capitalized under U.S. GAAP. Therefore, with respect to lease contracts entered into prior to January 1, 1999, certain adjustments for equipment, obligations under capital leases, interest on capital leases and depreciation are required.

d. Marketable Securities and Investments Securities (see Note 2)

Through 2002, under Korean GAAP, debt and equity securities were classified into marketable securities and investment securities. Effective January 1, 2003, Korean GAAP was revised to classify investment in securities into three separate categories; trading securities, available-for-sales securities and held-to-maturity securities in a similar manner of Statement of Financial Accounting Standards No. 115 (SFAS No. 115), Accounting for Certain Investments in Debt and Equity Securities, described below. The valuation method for each category is similar to SFAS No. 115; however, the accounting treatment for impairment of investment securities and recoveries under Korean GAAP differ from those under U.S. GAAP as described in Note 30-(e).

Under U.S. GAAP, SFAS No. 115 requires that equity securities with readily determinable fair values and all debt securities be classified into three categories and accounted for as follows:

Debt securities that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost.

Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in income.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Debt and equity securities not classified as either held-to-maturity securities or trading securities are classified as available-for-sale securities and reported at fair value, with unrealized gains and losses excluded from income and reported in other comprehensive income.

Gross proceeds from the sale of such securities were (Won)1,562,603 million, (Won)945,854 million and (Won)343,723 million for the years ended December 31, 2002, 2003 and 2004, respectively. Gross realized gains for the years ended December 31, 2002, 2003 and 2004 were (Won)13,540 million, (Won)2,122 million and (Won)1,342 million, respectively. Gross realized losses for the years ended December 31, 2002, 2003 and 2004 were (Won)50,958 million, (Won)614 million and (Won)517 million, respectively.

F-55

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Information with respect to trading securities at December 31, 2002, 2003 and 2004 is as follows (in millions of Korean won):

	<u>Cost (Amortized Cost)</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
At December 31, 2002:				
Debt securities	(Won) 754,219	(Won)	(Won)	(Won) 754,219
At December 31, 2003:				
Debt securities	(Won) 895,401	(Won)	(Won) 2,184	(Won) 893,217
At December 31, 2004:				
Equity securities	(Won) 450	(Won)	(Won) 82	(Won) 368
Debt securities	652,372	2,039		654,411
Total	(Won) 652,822	(Won) 2,039	(Won) 82	(Won) 654,779

Information with respect to long-term investment securities including the current portion affected by SFAS No. 115 at December 31, 2002, 2003 and 2004 is as follows (in millions of Korean won):

	<u>Cost (Amortized Cost)</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Impairment Losses</u>	<u>Fair Value</u>
At December 31, 2002:					
Equity securities	(Won) 938,975	(Won) 1,522	(Won) 3,852	(Won) 146,284	(Won) 790,361
Debt securities	62,500				62,500
	(Won) 1,001,475	(Won) 1,522	(Won) 3,852	(Won) 146,284	(Won) 852,861
At December 31, 2003:					
Equity securities	(Won) 427,472	(Won) 73,290	(Won) 6,608	(Won) 55,469	(Won) 438,685
Debt securities	64,315				64,315
	(Won) 491,787	(Won) 73,290	(Won) 6,608	(Won) 55,469	(Won) 503,000

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

At December 31, 2004:

Equity securities	(Won) 468,666	(Won) 137,621	(Won)	(Won) 63,902	542,385
Debt securities	65,957			10,655	55,302
	<u>(Won) 534,623</u>	<u>(Won) 137,621</u>	<u>(Won)</u>	<u>(Won) 74,557</u>	<u>(Won) 597,687</u>

F-56

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Gross unrealized losses of (Won)3,852 million and (Won)6,608 million at December 31, 2002 and 2003, respectively, for which impairment has not been recognized, have been in a continuous unrealized loss position for less than twelve months.

The aggregate carrying amount of the Company's cost method investments totaled (Won)354,123 million at December 31, 2004. Investments with an aggregate cost of (Won)131,051 million were not evaluated for impairment because (a) the Company did not estimate the fair value of those investments in accordance with paragraphs 14 and 15 of Statement 107 and (b) the Company did not identify any events or changes in circumstances that may have had a significant adverse effect on the fair value of those investments. The Company estimated that the fair value exceeded the cost of investments (that is, the investments were not impaired) for the remaining (Won)223,072 million of cost method investments.

e. Impairment of Investment Securities and Recoveries

Under U.S. GAAP, if the decline in fair value is judged to be other than temporary, the cost basis of the individual securities is written down to fair value as a new cost basis and the amount of the write-down is included in current earnings. Under Korean GAAP, if the collectible value from the securities is less than acquisition costs with objective evidence of impairment such as bankruptcy of investees, an impairment loss is recognized. Due to such differences, for U.S. GAAP purposes, losses on impairment of investment securities for the years ended December 31, 2002, 2003 and 2004 increased by (Won)252,031 million, (Won)21,716 million and (Won)8,434 million, respectively, when compared to those under Korean GAAP. And, as certain available-for-sale securities for which the impairment losses had been recognized for the year ended December 31, 2002 for US GAAP purpose, but not for Korean GAAP purpose, were sold in 2003, some portion of losses of disposal of such available-for-sale securities that was recognized for the year ended December 31, 2003 for Korean GAAP purpose, amounting to (Won)46,443 million, was reversed for US GAAP purpose.

Under Korean GAAP, the subsequent recoveries of impaired available-for-sale securities, held-to-maturity debt securities and equity securities without readily determinable fair value, result in an increase of their carrying amount up to the original acquisition cost, and the recovery gains are reported in current operations up to the previously recognized impairment loss as reversal of loss on impairment of investment securities. Under U.S. GAAP, the subsequent increase in carrying amount of the impaired and written down held-to-maturity debt securities and equity securities without readily determinable fair value is not allowed. The subsequent increase in fair value of available-for-sale securities is reported in other comprehensive income.

f. Comprehensive Income

Under Korean GAAP, there is no requirement to present comprehensive income. Under US GAAP, comprehensive income and its components must be presented in the financial statements. Comprehensive income includes all changes in shareholders' equity during a period except those resulting from investments by, or distributions to, owners, including certain items not included in the current results of operations.

g. Business Combinations and Intangible Assets

Effective July 1, 2001, U.S. GAAP requires the use of the purchase method of accounting for all business combinations. Resulting goodwill is no longer amortized; however, it will be subject to impairment tests on an annual basis and at any other time if events occur or circumstances indicate that the carrying amount of goodwill may not be recoverable.

F-57

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Circumstances that could trigger an impairment test include but are not limited to: a significant adverse changes in the business climate or legal factors; an adverse action or assessment by a regulator; unanticipated competition; loss of key personnel; the likelihood that a significant portion of a reporting unit will be sold or otherwise disposed; results of testing for recoverability of a significant asset group within a reporting unit.

To test impairment of goodwill, the fair value of a reporting unit which includes goodwill is compared with its carrying amount of a reporting unit, including goodwill. If the carrying amount of a reporting unit exceeds its fair value, the carrying amount of the reporting unit goodwill is compared with the implied fair value of goodwill. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recorded in current operations. The Company believes there is no impairment of goodwill for the years ended December 31, 2002, 2003 and 2004. The Company does not have any intangible assets with indefinite lives as of December 31, 2002, 2003 and 2004. Intangible assets with finite lives will continue to be amortized over their estimated useful lives.

Under Korean GAAP, business combinations involving other than commonly controlled entities are accounted for as either a purchase or a pooling of interests, depending on the specific circumstances. However, in the case of the Company, no business combinations have been accounted for using the pooling of interest method under Korean GAAP. In a purchase combination, the difference between the purchase consideration and the fair value of the net assets acquired is accounted for as goodwill or as negative goodwill. Goodwill and all other intangible assets are amortized over its estimated economic life, generally not to exceed 20 years.

h. Determination of Acquisition Cost of Equity Interest in Subsidiary

Under U.S. GAAP, when a parent company acquires an equity interest in a subsidiary in exchange for newly issued common stock of the parent company, the acquisition cost of the equity interest in a subsidiary is determined at the market price of the parent company's common stock for a reasonable period before and after the date the terms of the acquisition are agreed to and announced. Under Korean GAAP, the acquisition cost is determined at the closing market price of the parent company's common stock when the common stock is actually issued. In addition, there are certain other differences in the methods of allocating cost to assets acquired. Due to such differences, for U.S. GAAP purposes, the shareholders equity as of December 31, 2002, 2003 and 2004 increased by (Won)88,999 million, (Won)64,052 million and (Won)44,455 million, respectively, when compared to those under Korean GAAP.

i. Additional Equity Investment in Subsidiaries

Under Korean GAAP, when additional interest is acquired after acquiring a majority interest in a subsidiary, the differences between the Company's acquisition cost of the additional interest and the corresponding carrying amount of the acquired additional interest in a subsidiary is presented as an adjustment to capital surplus. Under U.S. GAAP, the cost of an additional interest would be allocated based on the fair value of net assets acquired, with the excess allocated to goodwill. Due to such differences, for U.S. GAAP purposes, the shareholders equity as of December 31, 2002, 2003 and 2004 increased by (Won)944,559 million, (Won)955,865 million and (Won)965,102 million, respectively, when compared to those under Korean GAAP.

j. Capitalization of Foreign Exchange Losses (or Gains) and Interest Expenses

Through 2002, under Korean GAAP, interest expenses and foreign exchange losses (or foreign exchange gains) incurred on debt used to finance the construction of property, plant and equipment were capitalized (or offset against property additions). Effective January 1, 2003, Korean GAAP was revised to allow

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

a company to charge reflect such interest expense and foreign exchange losses (or foreign exchange gains) to current operations. For Korean GAAP purposes, the Company adopted the accounting policy not to capitalize such financing costs prospectively. Under U.S. GAAP, interest expenses incurred on debt used to finance the construction of property, plant and equipment are capitalized, while related foreign exchange losses (or gains) are charged to current operations as incurred.

Through 2002, under Korean GAAP, interest expense incurred on debt used to finance the purchase of intangible assets was capitalized until the asset was put in use. For U.S. GAAP purposes, the Company charges such interest to current operations as incurred. Effective January 1, 2003, Korean GAAP was revised to allow a company to charge such interest expense to current operations as incurred. For Korean GAAP purposes, the Company adopted the accounting policy not to capitalize such interest expense. And this accounting change has been applied prospectively.

k. Nonrefundable Activation Fees

For U.S. GAAP purposes, the Company defers nonrefundable activation revenues and costs and amortizes them over the expected term of the customer relationship, which ranges from 41 months to 89 months.

Under Korean GAAP, there is no specific provision for the recognition of such activation fees and the Company recognizes these revenues and costs when the activation service is performed.

l. Gain or Loss on Disposal of Subsidiary's Stock

Under Korean GAAP, gains or losses on disposal of investments in common stock of subsidiaries are not recognized in the consolidated income statements but included in capital surplus, until such subsidiary has been excluded as a majority-owned subsidiary. Under U.S. GAAP, such gains or losses on disposal of the investments in common stock of subsidiary are recognized in the income statement at the time of disposal of such investments.

m. Employee Stock Option Compensation Plan

For Korean and U.S. GAAP purposes, the Company charges to expense the value of stock options granted. Korean GAAP permits all entities to exclude the volatility factor in estimating the value of their stock options granted prior to December 31, 2003, which results in measurement at minimum value. Under U.S. GAAP, public entities are not permitted to exclude the volatility factor in estimating the value of their stock options.

The weighted average fair value of options granted in 2000, 2001 and 2002 was (Won)210,000 per share, (Won)120,070 per share and (Won)48,724 per share, respectively.

n. Loans Receivable for Stock Issued to Employee

U.S. GAAP requires that notes received for capital stock be reported as a reduction of stockholders' equity, while Korean GAAP allows for recording such receivables as an asset.

F-59

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

o. Discount on Leasehold Deposits

Under U.S. GAAP, when cash and other rights are exchanged for notes, notes (receivables or payables that represent contractual rights to receive money or contractual obligations to pay money on fixed or determinable dates, whether or not there is a stated provision for interest) should be stated at their present value and the difference between the face amount and the present value should be deducted from or added to the face amount of the note as a discount or premium and amortized over the term using effective interest method. Thus, leasehold key money deposits are stated at their present value. Under Korean GAAP, the leasehold key money deposits are stated at their face amounts.

p. Asset Securitization Transactions

Under U.S. GAAP, a transfer of financial assets in an asset securitization is accounted for as a sale only if all three of the following conditions are met;

The transferred assets have been isolated from the transferor and put beyond the reach of the transferor, or any consolidated affiliated of the transferor, and their creditors even in the event of bankruptcy or receivership of the transferor or any consolidated affiliate.

The transferee is a qualifying special-purpose entity (QSPE) and each holder of its beneficial interests (including both debt and equity securities) has the right to pledge, or the right to exchange its interests. If the issuing vehicle is not a QSPE, then sale accounting is only permitted if the issuing vehicle itself has the right to pledge or the right to exchange the transferred assets.

The transferor does not effectively maintain control over the transferred assets either through;

(a) an agreement that calls for the transferor to repurchase the transferred assets (or to buy back securities of a QSPE held by third-party investors) before their maturity or

(b) the ability to unilaterally cause the SPE or QSPE to return specific assets; other than through a cleanup call.

In addition, under U.S. GAAP, unless a transferee is a QSPE, a transferee with nominal capital investment and credit enhancement provided by transferor is generally consolidated into the transferor.

However, under Korea GAAP, when a transfer of financial assets in an asset securitization is conducted in accordance with the Korean Asset Securitization Act, such transfer is generally accounted for as a sale of financial assets and the securitization vehicle is generally not consolidated into the transferor.

q. Considerations for conversion right

Under Korean GAAP, the proceeds from issuance of convertible bonds are allocated between the conversion rights and the debt issued; the portion allocable to the conversion rights is accounted for as capital surplus, with corresponding conversion right adjustment being deducted from related bonds. Such conversion right adjustment is amortized into interest expenses over the period of convertible bonds. Under U.S. GAAP, convertible bonds are analyzed to evaluate whether conversion option are bifurcated and valued. If an embedded conversion option in convertible bond is net cash settled upon the occurrence of an event which is outside of an entity's control, it generally requires bifurcation under US GAAP. Moreover, the change of the fair value of such embedded conversion option is included in current earnings.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

r. Currency Swap

Under Korean GAAP, when all critical terms of the hedging instrument and the hedged item are the same, a hedging relationship is considered to be highly effective without formally assessing hedge effectiveness. Under US GAAP, unless conditions to qualify for the shortcut method as described in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended, are met, a formal hedge effectiveness should be assessed to qualify for a hedge accounting at inception of the hedge. The Company's cross currency swap, which qualified as a cash flow hedge under Korean GAAP, did not qualify for the shortcut method under US GAAP and was recorded as non-hedge.

s. Foreign Currency Translation

Under U.S. GAAP, monetary assets and liabilities denominated in foreign currencies are translated at the actual prevailing rates of exchange on the balance sheet dates. However, as described in Note 2(u), monetary assets and liabilities of the Company and its subsidiaries denominated in foreign currency are translated at the Base Rates announced by Seoul Money Brokerage Services, Ltd. on the balance sheet dates, as allowed under Korean GAAP. Accordingly, the resulting differences in the calculated foreign currency translation gain and loss amounts are considered as a U.S. GAAP adjustment.

t. Presentation of Minority Interest as a Component of Shareholders' Equity

Korean GAAP requires the classification of minority interest in equity of consolidated subsidiaries as a component of shareholders' equity. Under U.S. GAAP, minority interest in equity of consolidated subsidiaries is presented separately from shareholders' equity.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following reconciles net income for the years ended December 31, 2002, 2003 and 2004 and shareholders' equity as of December 31, 2002, 2003 and 2004 under Korean GAAP as reported in the consolidated financial statements to the net income and shareholders' equity amounts determined under U.S. GAAP, giving effect to adjustments for the differences listed above (in millions of Korean won, except per share amounts):

	Year Ended December 31,		
	2002	2003	2004
Net income based on Korean GAAP	(Won) 1,487,151	(Won) 1,966,100	(Won) 1,491,479
Adjustments:			
Deferred income tax adjustments due to difference in accounting principles	(8,481)	(7,342)	(3,827)
Tax effect of the reconciling items	121,976	(15,036)	22,515
Deferred charges	1,318	2,660	(60)
Capital leases	454	(906)	1,534
Intangible assets	(23,507)	(22,303)	(18,546)
Reversal of amortization of goodwill	138,041	135,557	136,694
Capitalization of foreign exchange losses and interest expenses related to tangible assets	6,213	21,617	24,454
Capitalization of interest expenses related to purchases of intangible assets	(69,372)	427	5,285
Nonrefundable activation fees	(104,263)	(46,962)	(36,048)
Loss (gain) on disposal of subsidiary shares		58	
Stock option compensation plan	(3,367)	(3,114)	(1,938)
Loss on sale of accounts receivable and other in asset securitization	7,039	7,437	(14,476)
Loss on impairment of investment securities	(252,031)	24,727	(8,434)
Loss on valuation of currency swap			(49,452)
Discount on leasehold deposits	(45)	(286)	422
Considerations for conversion right			1,016
Foreign currency translation			2,458
Recovery of impaired investment securities		115	
Net income based on U.S. GAAP	(Won) 1,301,126	(Won) 2,062,749	(Won) 1,553,076
Weighted average number of common shares outstanding	84,270,450	75,078,219	73,614,297
Earnings per share based on U.S.GAAP:			
Basic earnings per share	(Won) 15,440	(Won) 27,475	(Won) 21,097
Diluted earnings per share	(Won) 15,439	(Won) 27,475	(Won) 20,921

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	December 31,		
	2002	2003	2004
Shareholders' equity based on Korean GAAP	(Won) 6,231,900	(Won) 6,093,847	(Won) 7,205,744
Adjustments:			
Deferred income tax adjustments due to difference in accounting principles	(18,997)	(45,317)	(70,067)
Tax effect of the reconciling items	151,554	136,517	159,032
Deferred charges	(2,600)	60	
Capital leases	1,144	239	1,773
Intangible assets	1,033,558	1,019,917	1,009,557
Reversal of amortization of goodwill	138,041	273,598	410,292
Capitalization of foreign exchange losses and interest expenses related to tangible assets	(1,775)	19,842	44,294
Capitalization of interest expenses related to purchase of intangible assets	(69,372)	(68,945)	(63,660)
Nonrefundable activation fees	(192,212)	(239,174)	(275,222)
Loans receivable for stock issued to employees' investor association	(45,906)	(33,788)	(22,546)
Minority interest in equity of consolidated affiliates	(725,507)	(155,985)	(98,198)
Loss on sale of accounts receivable and other in asset securitization	7,039	14,476	
Loss on impairment of investment securities	(150,243)		
Discount on leasehold deposits	(367)	(653)	(231)
Considerations for conversion right			(66,263)
Foreign currency translation			2,458
Recovery of impaired investment securities	(81)	34	34
Shareholders' equity based on U.S. GAAP	(Won) 6,356,176	(Won) 7,014,668	(Won) 8,236,997

Changes in shareholders' equity based on U.S. GAAP for the years ended December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	Year Ended December 31,		
	2002	2003	2004
Balance, beginning of the year	(Won) 5,820,051	(Won) 6,356,176	(Won) 7,014,668
Net income for the year	1,301,126	2,062,749	1,553,076
Dividends	(57,265)	(151,739)	(478,492)
Issuance of common stock		31,053	
Unrealized gains on valuation of securities, net of tax	51,644	50,033	55,156
Equity in capital surplus, retained earnings and capital adjustments of affiliates (note a)	(12,789)	50,166	89,448
Retirement of treasury stock		(20,598)	
Treasury stock transactions	(779,290)	(1,379,337)	(2)
Foreign-based operations' translation adjustments	2,809	(356)	(11,128)
Stock compensation plan	4,859	4,403	3,030
Decrease in loans receivable for stock issued to employees' investor association	25,031	12,118	11,241

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Balance, end of the year	(Won) 6,356,176	(Won) 7,014,668	(Won) 8,236,997
--------------------------	-----------------	-----------------	-----------------

(footnote on following page)

F-63

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(note a) This line item consists of the adjustments to the carrying amount of equity method investments based on the Company's proportionate pickup in affiliates using the equity method of accounting, which are directly adjusted to stockholders' equity of affiliates, such as unrealized gains or losses on valuation of available-for-sale securities, foreign-based operations' translation adjustments in affiliates and stock transactions by affiliates.

A reconciliation of the significant balance sheet accounts except for the above listed shareholders' equity items to the amounts determined under U.S. GAAP as of December 31, 2002, 2003 and 2004 is as follows (in millions of Korean won):

	December 31,		
	2002	2003	2004
Current assets:			
As reported	(Won) 4,113,724	(Won) 4,069,525	(Won) 4,390,693
U.S. GAAP adjustments:			
loans receivable for stock issued to employees investor association			(4,123)
deferred tax adjustments due to difference in accounting principles	60,619	73,500	51,344
tax effect of the reconciling items	(9,927)	(8,297)	25,234
discount on leasehold deposits	4,843	5,777	1,119
asset securitization transactions	582,742	478,298	
Current assets based on U.S. GAAP	4,752,001	4,618,823	4,464,267
Non-current assets:			
As reported	10,114,986	9,748,692	9,892,665
U.S. GAAP adjustments:			
loans receivable for stock issued to employees investor association	(45,906)	(33,788)	(18,423)
intangible assets	1,034,972	1,015,801	1,004,774
cancellation of amortization of goodwill	138,041	273,598	410,292
discount on leasehold deposits	(5,210)	(6,430)	(1,349)
loss on sale of accounts receivable and other in asset securitization	(68,267)		
recovery of impaired investment securities	(81)	34	34
loss on impairment of investment securities	(150,243)		
nonrefundable activation fees	9,129	9,129	9,129
capital lease	5,820	3,301	1,773
capitalization of foreign exchange losses and interest expense related to tangible assets	(1,775)	19,842	44,294
capitalization of interest expenses related to purchase of intangible assets	(69,372)	(68,945)	(63,660)
deferred charges	6,564	6,154	12,969
Non-current assets based on U.S. GAAP	10,968,658	10,967,388	11,292,498

Total assets based on U.S. GAAP	<u>(Won) 15,720,659</u>	<u>(Won) 15,586,211</u>	<u>(Won) 15,756,765</u>
---------------------------------	-------------------------	-------------------------	-------------------------

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	December, 31		
	2002	2003	2004
Current liabilities:			
As reported	(Won) 4,303,386	(Won) 4,530,910	(Won) 3,066,893
U.S. GAAP adjustments:			
deferred charges	222	31	
nonrefundable activation fees	46,723	68,665	86,082
asset securitization transactions	507,436	463,822	
acquisition cost of equity interest in subsidiary	2,449	886	
foreign currency translation			(26)
	<u>4,860,216</u>	<u>5,064,314</u>	<u>3,152,949</u>
Current liabilities based on U.S. GAAP	4,860,216	5,064,314	3,152,949
Long-term liabilities:			
As reported	3,693,424	3,193,460	4,010,721
U.S. GAAP adjustments:			
deferred charges	8,942	5,844	12,969
Intangible assets	3,748		
nonrefundable activation fees	154,618	179,638	198,269
capital leases	4,676	3,062	
deferred tax adjustments due to difference in accounting principles	79,616	118,837	123,911
tax effect of the reconciling items	(166,264)	(149,597)	(141,080)
considerations for conversion right			66,263
foreign currency translation			(2,432)
	<u>3,778,760</u>	<u>3,351,244</u>	<u>4,268,621</u>
Long-term liabilities based on U.S. GAAP	3,778,760	3,351,244	4,268,621
Total liabilities based on U.S. GAAP	(Won) 8,638,976	(Won) 8,415,558	(Won) 7,421,570
Minority interests:			
As reported	(Won) 725,507	(Won) 155,985	(Won) 98,198
U.S. GAAP adjustments:			
	<u>725,507</u>	<u>155,985</u>	<u>98,198</u>
Total minority interests based on U.S. GAAP	(Won) 725,507	(Won) 155,985	(Won) 98,198

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table reconciles cash flows from operating, investing and financing activities for the years ended December 31, 2002, 2003 and 2004 under Korean GAAP, as reported in the consolidated financial statements to cash flows from operating, investing and financing activities for the years ended December 31, 2002, 2003 and 2004 under U.S. GAAP (in millions of Korean won):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Cash flows from operating activities based on Korean GAAP	(Won) 4,267,815	(Won) 3,328,770	(Won) 2,516,052
Adjustments:			
Asset securitization transactions	(558,921)	(47,496)	469,883
Cash flows from operating activities based on US GAAP	<u>(Won) 3,708,894</u>	<u>(Won) 3,281,274</u>	<u>(Won) 2,985,935</u>
Cash flows from investing activities based on Korean GAAP	(Won) (3,063,435)	(Won) (1,414,432)	(Won) (1,469,537)
Adjustments:			
Asset securitization transactions	68,267	(8,080)	76,347
Cash flows from investing activities based on US GAAP	<u>(Won) (2,995,168)</u>	<u>(Won) (1,422,512)</u>	<u>(Won) (1,393,190)</u>
Cash flows from financing activities based on Korean GAAP	(Won) (1,418,197)	(Won) (2,261,039)	(Won) (968,570)
Adjustments:			
Asset securitization transactions	490,654	55,576	(546,230)
Cash flows from financing activities based on US GAAP	<u>(Won) (927,543)</u>	<u>(Won) (2,205,463)</u>	<u>(Won) (1,514,800)</u>

31. ADDITIONAL DISCLOSURES REQUIRED BY U.S. GAAP**a. Income Taxes**

Income tax expense under U.S. GAAP for the years ended December 31, 2002, 2003 and 2004 is as follows (in millions of Korean won):

Year Ended December 31,

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Currently payable	(Won) 616,544	(Won) 668,180	(Won) 551,405
Deferred	(31,532)	143,257	59,669
	<u>(Won) 585,012</u>	<u>(Won) 811,437</u>	<u>(Won) 611,074</u>

F-66

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The difference between the actual income tax expense and the tax expense computed by applying the statutory Korean corporate income tax rates to income before taxes for the years ended December 31, 2002, 2003 and 2004 is attributable to the following (in millions of Korean won):

	Year Ended December 31,		
	2002	2003	2004
Income taxes at statutory income tax rate of 27%	(Won) 518,197	(Won) 776,030	(Won) 584,843
Resident surtax payable	51,820	77,603	58,484
Tax credit for investments, technology, human resource development and others	(37,309)	(83,826)	(89,080)
Special surtax for agriculture and fishery industries and other	11,636	13,685	13,736
Undistributed earnings of subsidiaries	12,295	(5,909)	11,011
Effect of change in income tax rate		(7,943)	
Other permanent differences	6,714	20,719	28,705
Change in valuation allowance	21,659	21,078	3,375
Recorded income taxes	(Won) 585,012	(Won) 808,892	(Won) 611,074
Effective tax rate	30.48%	28.23%	28.21%

The tax effects of temporary differences that resulted in the deferred tax assets at December 31, 2002, 2003 and 2004 computed under U.S. GAAP, and a description of the financial statement items that created these differences are as follows (in millions of Korean won):

	December 31,		
	2002	2003	2004
Current:			
Allowance for doubtful accounts	(Won) 21,885	(Won) 22,039	(Won) 19,649
Write-off of doubtful accounts	9,715	9,587	9,764
Marketable trading securities		1	(561)
Accrued income	(2,844)	(2,026)	(2,463)
Accrued expenses and other	21,936	35,622	50,189
	50,692	65,223	76,578
Non-current:			

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Depreciation	11,732	3,935	(34,371)
Loss on disposition of properties			11,480
Loss on impairment and valuation of investment securities (note)	119,940	74,928	58,419
Foreign exchange losses	3,345	774	
Equity in losses (earnings) of affiliates	(5,090)	(6,593)	(12,671)
Undistributed earnings of subsidiaries	(28,700)	(3,364)	(9,434)
Tax free reserve for technology development	(133,920)	(182,518)	(195,103)
Tax free reserve for loss on disposal of treasury stock	(64,775)	(130,373)	(130,372)
Tax credit carryforwards		1,162	5,003
Net operating loss carryforwards			25,371
Deferred charges and other	79,346	46,780	(7,205)
	<u>(18,122)</u>	<u>(195,269)</u>	<u>(288,883)</u>
Total deferred tax assets (liabilities)	(Won) 32,570	(Won) (130,046)	(Won) (212,305)

(footnote on following page)

F-67

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(note) As of December 31, 2002, unrealized loss on valuation of investment securities has been recorded as a separate component of shareholders' equity, net of tax effect of (Won)691 million, and unrealized gain on valuation of investment securities as of December 31, 2003 and 2004 was recorded as a separate component of shareholders' equity, net of tax effect of (Won)18,287 million and (Won)39,210 million, respectively.

b. Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments as of December 31, 2002, 2003 and 2004 for which it is practicable to estimate that value:

Cash and Cash Equivalents, Accounts Receivable (trade and other), Short-Term Loans, Accounts Payable and Short-term Borrowings

The carrying amount approximates fair value because of the short maturity of those instruments.

Trading Securities and Long-term Investment Securities

For investments in non-listed companies' stock, a reasonable estimate of fair value could not be made without incurring excessive costs. Additional information pertinent to these investments is provided in Note 3. The fair value of investments in listed companies' stock, public bonds, and other marketable securities are estimated based on quoted market prices for those or similar investments.

Long-Term Bank Deposits

The carrying amount approximates fair value as such long-term bank deposits bear interest rates currently available for similar deposits.

Long-Term Loans

The fair value of long-term loans is estimated by discounting the future cash flows using the current interest rate of time deposits with similar maturities.

Bonds Payable, Bonds with Stock Warrant, Convertible Bonds, Long-Term Borrowings, Long-Term Payable Other and Obligation under Capital Leases

The fair value of these liabilities is estimated based on the quoted market prices for the same or similar issues or on the current interest rates offered for debt of the same remaining maturities.

F-68

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following summarizes the carrying amounts and fair values of financial instruments as of December 31, 2002, 2003 and 2004 (in millions of Korean won):

	2002		2003		2004	
	Carrying Amount		Carrying Amount		Carrying Amount	
	(Note a)	Fair Value	(Note a)	Fair Value	(Note a)	Fair Value
Financial assets:						
Cash and cash equivalents and short-term financial instruments	(Won) 867,022	(Won) 867,022	(Won) 472,410	(Won) 472,410	(Won) 383,360	(Won) 383,360
Trading securities	754,219	754,219	893,217	893,217	654,779	654,779
Accounts receivable (trade and other)	2,877,750	2,877,750	3,000,918	3,000,918	3,126,754	3,126,754
Short-term loans	18,296	18,296	41,933	41,933	51,232	51,232
Investment securities:						
Listed equity and debts (note b)	852,861	852,861	503,000	503,000	597,687	597,687
Non-listed equity	543,836	N/A	385,707	N/A	354,123	N/A
Long-term bank deposits	177	177	352	352	10,351	10,351
Long-term loans	12,905	9,679	13,947	10,460	12,019	9,014
	<u>(Won) 5,927,066</u>		<u>(Won) 5,311,484</u>		<u>(Won) 5,190,305</u>	
Financial liabilities:						
Accounts payable	(Won) 1,697,502	(Won) 1,697,502	(Won) 1,317,162	(Won) 1,317,162	(Won) 1,205,682	(Won) 1,205,682
Short-term borrowings	1,177,950	1,177,950	1,236,197	1,236,197	425,496	425,496
Bonds payable, long-term borrowings, convertible bonds, long-term payables other and obligation under capital leases, including current portion	4,413,130	4,704,752	4,201,707	4,283,402	4,044,258	4,211,926
	<u>(Won) 7,288,582</u>		<u>(Won) 6,755,066</u>		<u>(Won) 9,234,563</u>	

(note a) These carrying amounts represent the amounts determined under U.S. GAAP.

(note b) Investments in non listed equity include the investments in the common stock of Powercomm Co., Ltd. (Powercomm). Korea Electric Power Corp. (KEPCO), the parent company of Powercomm, sold to Dacom Corporation 45.5% interest in Powercomm at (Won)12,000 per share in 2002. Based on this transaction, the fair value of the Company s investments in the common stock of

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Powercomm was determinable and the impairment loss on the investment of (Won)150,243 million was recognized in 2002. The fair value of common stock of Powercomm as of December 31, 2003 and 2004 was estimated by an outside professional valuation company using the present value of expected future cash flows; and the additional impairment loss of (Won)21,593 million was recognized in 2003. As of December 31, 2004, unrealized gain on valuation of investment in Powercomm of (Won)3,158 million has been recorded as other comprehensive income.

F-69

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****c. Comprehensive Income**

Comprehensive income for the years ended December 31, 2002, 2003 and 2004 is as follows (in millions of Korean won):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Net income	(Won) 1,301,126	(Won) 2,062,749	(Won) 1,553,076
Other comprehensive income:			
Available-for-sale securities			
Unrealized gain on investment securities	325,494	90,727	84,513
Less impact of realized losses	(252,031)	(21,716)	(8,434)
Tax effect	(21,819)	(18,978)	(20,923)
Net change from available-for-sale securities	<u>51,644</u>	<u>50,033</u>	<u>55,156</u>
Foreign-based operations translation adjustments	<u>2,809</u>	<u>(356)</u>	<u>(11,128)</u>
Total other comprehensive income	<u>54,453</u>	<u>49,677</u>	<u>44,028</u>
Comprehensive income	<u>(Won) 1,355,579</u>	<u>(Won) 2,112,426</u>	<u>(Won) 1,597,104</u>

d. Goodwill and other intangible assets

On January 1, 2002, the Company adopted SFAS No. 142, Goodwill and Other Intangible Assets. Under SFAS No. 142, goodwill and intangible assets with indefinite lives are no longer amortized, however, they will be subject to periodic impairment tests as prescribed by the statement and intangible assets that do not have indefinite lives are amortized over their useful lives. The following tables present the additional disclosures required by this statement.

Goodwill

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Changes in the carrying amount of goodwill under U.S. GAAP for the years ended December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	2002	2003	2004
Beginning of period	(Won) 2,833,752	(Won) 3,400,110	(Won) 3,400,155
Goodwill reclassifications to other intangibles assets		(16,437)	
Goodwill acquired during the period	566,358	16,482	8,834
Goodwill impairment losses			
Ending of period	(Won) 3,400,110	(Won) 3,400,155	(Won) 3,408,989
	(Won) 3,400,110	(Won) 3,400,155	(Won) 3,408,989

F-70

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Other Intangible Assets**

The major components and average useful lives of other acquired intangible assets under U.S. GAAP are as follows (in millions of Korean won):

	December 31, 2002		December 31, 2003		December 31, 2004	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
IMT license (13 years)	(Won) 1,189,881	(Won)	(Won) 1,188,547	(Won) (7,548)	(Won) 1,188,547	(Won) (98,183)
Customer lists (4 years)	99,783	(39,142)	99,783	(64,088)	99,783	(83,686)
Other (5 to 20 years)	344,708	(158,248)	552,279	(258,802)	718,291	(354,021)
Total	(Won) 1,634,372	(Won) (197,390)	(Won) 1,840,609	(Won) (330,438)	(Won) 2,066,621	(Won) (535,890)

Intangible asset amortization expense for the years ended December 31, 2002, 2003 and 2004 was (Won)62,037 million, (Won)103,914 million and (Won)209,991 million, respectively. It is estimated to be (Won)203,665 million, (Won)171,338 million, (Won)163,123 million, (Won)145,613 million and (Won)113,946 million for the years ending December 31, 2005, 2006, 2007, 2008 and 2009, respectively, primarily related to the IMT license, customer lists and other.

e. Other SK Group Companies

As described in Note 1, the Company is one of the SK Group affiliated companies. In early March 2003, the Prosecutor's Office of the Republic of Korea filed charges against several SK Group executives for alleged accounting irregularities at SK Networks Co., Ltd. (SK Networks, formerly SK Global Co., Ltd.), and other alleged illegal transactions among certain SK Group affiliated companies. As a result of these charges, there are several legal actions against certain SK Group affiliated companies. On March 19, 2003, SK Networks was classified as a financially distressed company in accordance with the Corporate Restructuring Promotion Law of the Republic of Korea. Subsequent to this classification, there has been a restructuring, including cash buy-out of certain debt at less than face value and a management change, among the creditors of SK Networks and certain of its affiliates. In addition, SK Networks retired all common shares which SK Corporation owned and, on October 27, 2003, SK Corporation purchased new common shares of SK Networks in the amount of approximately \$718.5 million, which have a certain disposal restriction. As of December 31, 2004 and for the year then ended, the Company and its subsidiaries had certain related party balances or transactions with SK Networks as disclosed in Note 22. Management of the Company believes that those legal matters will not have a material adverse effect on the Company and its subsidiaries' financial position, operating results, or liquidity.

f. Operating Revenue

Operating revenue for the years ended December 31, 2002, 2003 and 2004 are as follows (in millions of Korean won):

	<u>2002</u>	<u>2003</u>	<u>2004</u>
Wireless services	(Won) 7,475,371	(Won) 8,401,021	(Won) 8,762,376
Interconnection	1,043,174	1,017,056	849,407
Digital handset sales	534,038	611,981	649,809
Other	167,147	180,306	272,974
	<u> </u>	<u> </u>	<u> </u>
Total operating revenue	(Won) 9,219,730	(Won) 10,210,364	(Won) 10,534,566
	<u> </u>	<u> </u>	<u> </u>

F-71

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

g. Segment

The Company has one reportable segment, cellular telephone communication service and all goodwill has been allocated to this segment.

h. New Accounting Pronouncements

On January 17, 2003, the FASB issued Interpretation No. 46 (FIN 46) Consolidation of Variable Interest Entities , which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as Special purpose entities (SPEs). The underlying principle behind the new Interpretation is that if a business enterprise has the majority financial interest in an entity, which is defined in the guidance as a variable interest entity, the assets, liabilities and results of the activities of the variable interest entity should be included in the consolidated financial statements with those of the business enterprise. The Interpretation also explains how to identify variable interest entities and how an enterprise should assess its interest in an entity when deciding whether or not it will consolidate that entity. In December 2003, the FASB released a revision of FIN No. 46 (FIN No. 46R) in which the calculation of expected losses and expected residual returns have been altered to reduce the impact of decision maker and guarantor fees. In addition, FIN No. 46R changes the definition of a variable interest. Certain special purpose companies (SPC) established by the Company have been consolidated from the date of their establishment (See Note 30(q)). The Company as a foreign private issuer applied either FIN 46 or FIN 46R to variable interest entities (VIEs) created after January 31, 2003 and the Company fully adopted FIN 46R as of June 30, 2004. The adoption of this Interpretation did not have a significant impact on the Company s consolidation financial position or results of operations.

In November 2004, the FASB issued SFAS No. 151, Inventory Costs, an Amendment of ARB No. 43, Chapter 4. SFAS No. 151 clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material. The Statement is effective for inventory costs incurred during fiscal year beginning after June 15, 2005. Management does not expect this statement will have a material impact on the Company s consolidated financial position or results of operations.

In December 2004, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payments (SFAS 123R). This statement eliminates the option to apply the intrinsic value measurement provisions of Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees to stock compensation awards issued to employees. Rather, SFAS 123R requires companies to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. That cost will be recognized over the period during which an employee is required to provide services in exchange for the award (usually the vesting period). SFAS 123R applies to all awards granted after the required effective date and to awards modified, repurchased, or cancelled after that date. SFAS 123R will be effective from January 1, 2006. Management does not expect that adoption of this statement will have a material impact on the Company s consolidated financial position or results of operations.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 153, Exchanges of Nonmonetary Assets an amendment of APB Opinion No. 29 (SFAS 153), which amends Accounting Principles Board Opinion No. 29, Accounting for Nonmonetary Transactions to eliminate the exception for nonmonetary exchanges of similar productive assets and replaces it

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

with a general exception for exchanges of nonmonetary assets that do not have commercial substance. SFAS 153 is effective for nonmonetary assets exchanges occurring in fiscal periods beginning after June 15, 2005. Management does not anticipate that the adoption of this statement will have a material effect on the Company's consolidated financial position or results of operations.

F-72

Table of Contents

INDEPENDENT ACCOUNTANTS REVIEW REPORT

English Translation of a Report Originally Issued in Korean

To the Stockholders and Board of Directors of

SK Telecom Co., Ltd.

We have reviewed the accompanying non-consolidated balance sheet of SK Telecom Co., Ltd. (the Company) as of March 31, 2005 and the related non-consolidated statements of income and cash flows for the three months ended March 31, 2005 and 2004 (all expressed in Korean won). These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these non-consolidated financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the non-consolidated financial statements are free of material misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that such non-consolidated balance sheet as of March 31, 2005 and the related non-consolidated statements of income and cash flows for the three months ended March 31, 2005 and 2004 are not presented fairly, in all material respects, in accordance with financial accounting standards generally accepted in the Republic of Korea.

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Company as of December 31, 2004, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated January 28, 2005, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying non-consolidated balance sheet as of December 31, 2004, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet.

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

Without affecting our conclusion, we draw attention to the following:

As described in Note 23 to the accompanying non-consolidated financial statements, in accordance with the resolution of the Company's board of directors dated May 3, 2005, the Company decided to sell 4,542,000 shares of 6,747,421 shares of SK Teletech Co., Ltd. (SKTT) held by the Company, representing 60% of the total outstanding common stock of SKTT for a total selling price of (Won)300 billion ((Won)66,050 per share), to Curitel Communications, Inc., a handset maker in Korea. As a result, the Company's ownership in SKTT will decrease from 89.1% to 29.1% and the Company's management rights of SKTT are expected to be transferred to Curitel Communications, Inc. by the end of May 2005.

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

May 9, 2005

F-73

Table of Contents

Notice to Readers

This report is effective as of May 9, 2005, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying non-consolidated financial statements and may result in modifications to the accountants' review report.

F-74

Table of Contents**SK TELECOM CO., LTD.****NON-CONSOLIDATED BALANCE SHEETS****March 31, 2005 and December 31, 2004****(See Independent Accountants Review Report)**

	Korean won		Translation into U.S. dollars (Note 2)	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
	(In millions)		(In thousands)	
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents (Note 11)	(Won) 128,327	(Won) 112,966	\$ 126,381	\$ 111,253
Short-term financial instruments	97,502	7,700	96,023	7,583
Trading securities (Notes 2 and 3)	790,360	640,389	778,373	630,677
Current portion of long-term investment securities (Notes 2 and 3)		3,600		3,545
Accounts receivable trade (net of allowance for doubtful accounts of (Won)73,406 million at March 31, 2005 and (Won)58,248 million at December 31, 2004) (Notes 2, 11 and 20)	1,538,968	1,562,774	1,515,627	1,539,072
Short-term loans (net of allowance for doubtful accounts of (Won)717 million at March 31, 2005 and (Won)562 million at December 31, 2004, respectively) (Notes 2, 5 and 20)	70,953	55,613	69,877	54,770
Accounts receivable other (net of allowance for doubtful accounts of (Won)13,606 million at March 31, 2005 and (Won)13,665 million at December 31, 2004) (Notes 2, 11 and 20)	1,329,551	1,365,226	1,309,386	1,344,520
Inventories (Note 2)	10,603	10,961	10,442	10,795
Prepaid expenses	99,902	80,768	98,387	79,543
Deferred income tax assets (Notes 2 and 16)	46,713		46,005	
Accrued income and other	34,632	14,348	34,107	14,130
Total Current Assets	4,147,511	3,854,345	4,084,608	3,795,888
NON-CURRENT ASSETS:				
Property and equipment, net (Notes 2, 6, 19 and 20)	4,408,101	4,605,253	4,341,246	4,535,408
Intangible assets, net (Notes 2, 7 and 22)	3,487,455	3,448,619	3,434,563	3,396,316
Long-term investment securities (Notes 2 and 3)	951,203	923,537	936,777	909,530
Equity securities accounted for using the equity method (Notes 2 and 4)	925,269	826,246	911,236	813,715
Long-term loans (net of allowance for doubtful accounts of (Won)22,990 million at March 31, 2005 and (Won)19,173 million at December 31, 2004) (Notes 2, 5 and 20)	21,051	28,284	20,732	27,855
Guarantee deposits (Notes 11 and 20)	132,086	242,387	130,083	238,711

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Long-term deposits and other (Notes 11 and 18)	82,522	92,034	81,269	90,638
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Non-Current Assets	10,007,687	10,166,360	9,855,906	10,012,173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	(Won) 14,155,198	(Won) 14,020,705	\$ 13,940,514	\$ 13,808,061
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

F-75

Table of Contents**SK TELECOM CO., LTD.****NON-CONSOLIDATED BALANCE SHEETS (Continued)****March 31, 2005 and December 31, 2004****(See Independent Accountants Review Report)**

	Korean won		Translation into U.S. dollars (Note 2)	
	March 31, 2005	December 31, 2004	March 31, 2005	December 31, 2004
	(In millions)		(In thousands)	
LIABILITIES AND STOCKHOLDERS EQUITY				
CURRENT LIABILITIES:				
Accounts payable (Notes 11 and 20)	(Won) 626,417	(Won) 1,070,588	\$ 616,916	\$ 1,054,351
Short-term borrowings	200,000	400,000	196,967	393,933
Income taxes payable	320,105	267,797	315,250	263,735
Accrued expenses	361,998	378,303	356,508	372,565
Dividend payable	684,865	263	674,478	259
Withholdings	254,111	188,197	250,257	185,343
Current portion of long-term debt, net (Notes 2 and 8)	499,400	498,278	491,826	490,721
Current portion of subscription deposits (Note 9)	13,863	13,405	13,653	13,202
Other	37,230	42,880	36,665	42,230
Total Current Liabilities	2,997,989	2,859,711	2,952,520	2,816,339
LONG-TERM LIABILITIES:				
Bonds payable, net (Notes 2 and 8)	3,087,500	2,891,843	3,040,674	2,847,984
Subscription deposits (Note 9)	30,073	31,440	29,617	30,963
Long-term payables - other (net of present value discount of (Won)69,325 million at March 31, 2005 and (Won)72,663 million at December 31, 2004) (Note 2)	580,675	577,337	571,868	568,581
Accrued severance indemnities, net (Notes 2 and 20)	85,972	75,409	84,668	74,265
Deferred income tax liabilities (Notes 2 and 16)	409,690	323,096	403,476	318,196
Long-term currency swap (Notes 2 and 21)	95,501	96,743	94,053	95,276
Guarantee deposits received and other (Note 20)	41,515	38,034	40,885	37,457
Total Long-Term Liabilities	4,330,926	4,033,902	4,265,241	3,972,722
Total Liabilities	7,328,915	6,893,613	7,217,761	6,789,061
STOCKHOLDERS EQUITY:				
Capital stock (Notes 1 and 12)	44,639	44,639	43,962	43,962
Capital surplus (Note 12)	2,964,664	2,983,166	2,919,701	2,937,922
Retained earnings: (note 13)				
Appropriated	5,470,701	4,733,936	5,387,730	4,662,139

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Unappropriated	369,812	1,422,772	364,203	1,401,194
Capital adjustments:				
Treasury stock (Note 14)	(2,047,105)	(2,047,105)	(2,016,058)	(2,016,058)
Unrealized loss on valuation of long-term investment securities (Notes 2 and 3)	(44,688)	(89,842)	(44,010)	(88,479)
Equity in capital adjustments of affiliates, net (Notes 2 and 4)	93,718	124,145	92,297	122,262
Loss on valuation of currency swap (Notes 2 and 21)	(30,472)	(49,452)	(30,010)	(48,702)
Stock options (Notes 2 and 15)	5,014	4,833	4,938	4,760
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Stockholders Equity	6,826,283	7,127,092	6,722,753	7,019,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	(Won) 14,155,198	(Won) 14,020,705	\$ 13,940,514	\$ 13,808,061
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See accompanying notes to non-consolidated financial statements.

F-76

Table of Contents**SK TELECOM CO., LTD.****NON-CONSOLIDATED STATEMENTS OF INCOME****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)**

	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
	except for per share data		except for per share data	
OPERATING REVENUE (Notes 2 and 20)	(Won) 2,411,935	(Won) 2,400,568	\$ 2,375,355	\$ 2,364,160
OPERATING EXPENSES (Notes 2 and 20)				
Labor cost	(135,685)	(150,900)	(133,627)	(148,611)
Commissions paid	(713,836)	(651,940)	(703,010)	(642,052)
Depreciation and amortization (Notes 2, 6, 7 and 10)	(341,248)	(343,203)	(336,072)	(337,998)
Network interconnection	(217,907)	(167,568)	(214,602)	(165,027)
Leased line	(96,867)	(82,001)	(95,398)	(80,757)
Advertising	(56,319)	(91,645)	(55,465)	(90,255)
Research and development (Note 2)	(50,984)	(46,219)	(50,211)	(45,518)
Rent	(43,736)	(39,132)	(43,073)	(38,539)
Cost of goods sold	(1,922)	(322)	(1,893)	(317)
Other	(138,968)	(136,467)	(136,860)	(134,398)
Sub-total	(1,797,472)	(1,709,397)	(1,770,211)	(1,683,472)
OPERATING INCOME	614,463	691,171	605,144	680,688
OTHER INCOME:				
Interest income	11,341	19,209	11,169	18,918
Dividends	16,204	17,529	15,958	17,263
Commissions (Note 20)	7,076	8,804	6,969	8,670
Equity in earnings of affiliates (Notes 2 and 4)	6,446	23,765	6,348	23,405
Foreign exchange and translation gains (Note 2)	390	9,479	384	9,335
Reversal of allowance for doubtful accounts	212	1,574	209	1,550
Gain on disposal of property and equipment	89	57	88	56
Other	13,819	9,522	13,609	9,378
Sub-total	55,577	89,939	54,734	88,575

Table of Contents

SK TELECOM CO., LTD.

NON-CONSOLIDATED STATEMENTS OF INCOME (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants Review Report)

	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
	except for per share data)		except for per share data)	
OTHER EXPENSES:				
Interest and discounts	(66,309)	(76,044)	(65,303)	(74,891)
Donations	(15,865)	(1,184)	(15,624)	(1,166)
Foreign exchange and translation losses (Note 2)	(678)	(1,900)	(668)	(1,871)
Loss on disposal of property, equipment and intangible assets	(1,889)	(6,672)	(1,860)	(6,571)
Loss on disposal of investment assets	(47)	(806)	(46)	(794)
Equity in losses of affiliates (Notes 2 and 4)	(19,644)		(19,346)	
Loss on transaction and valuation of currency swap (Notes 2 and 21)	(394)	(4,953)	(388)	(4,878)
Other	(18,009)	(19,279)	(17,737)	(18,986)
Sub-total	(122,835)	(110,838)	(120,972)	(109,157)
ORDINARY INCOME	547,205	670,272	538,906	660,106
INCOME BEFORE INCOME TAXES	(Won) 547,205	(Won) 670,272	\$ 538,906	\$ 660,106
PROVISION FOR INCOME TAXES (Notes 2 and 16)	(178,787)	(217,757)	(176,076)	(214,454)
NET INCOME	(Won) 368,418	(Won) 452,515	\$ 362,830	\$ 445,652
NET INCOME PER SHARE (In Korean won and U.S. dollars) (Note 17)	(Won) 5,005	(Won) 6,147	\$ 4.93	\$ 6.05

See accompanying notes to non-consolidated financial statements.

Table of Contents**SK TELECOM CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	(Won) 368,418	(Won) 452,515	\$ 362,830	\$ 445,652
Expenses not involving cash payments:				
Provision for severance indemnities	11,046	16,565	10,878	16,314
Depreciation and amortization	369,582	371,791	363,977	366,152
Allowance for doubtful accounts	15,046	103	14,818	101
Foreign translation loss	174	1,679	171	1,654
Loss on disposal of property, equipment and intangible assets	1,889	6,672	1,860	6,571
Loss on disposal of investment assets	47	806	46	794
Equity in losses of affiliates	19,644		19,346	
Loss on transaction and valuation of currency swap	394	4,953	388	4,878
Amortization of discounts on bonds and other	12,449	8,780	12,261	8,646
Sub-total	430,271	411,349	423,745	405,110
Income not involving cash receipts:				
Foreign translation gain	(79)	(9,165)	(78)	(9,026)
Reversal of allowance for doubtful accounts	(212)	(1,574)	(209)	(1,550)
Gain on disposal of property and equipment	(89)	(57)	(88)	(56)
Equity in earnings of affiliates	(6,446)	(23,765)	(6,348)	(23,405)
Other	(956)	(2,546)	(941)	(2,507)
Sub-total	(7,782)	(37,107)	(7,664)	(36,544)
Changes in assets and liabilities related to operating activities:				
Accounts receivable trade	8,920	17,389	8,785	17,125
Accounts receivable other	35,718	(401,093)	35,176	(395,010)
Inventories	358	(285)	353	(281)
Prepaid expenses	(4,215)	(11,111)	(4,151)	(10,942)
Accrued income and other	(17,585)	(2,458)	(17,318)	(2,421)
Accounts payable	(444,180)	(343,989)	(437,443)	(338,772)
Income taxes payable	43,772	6,259	43,108	6,164
Accrued expenses	(16,305)	(34,542)	(16,058)	(34,018)
Withholdings	65,913	87,307	64,913	85,983
Current portion of facility deposits	458	1,147	451	1,130
Other current liabilities	(5,649)	(269)	(5,564)	(265)

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Deferred income taxes	16,959	39,709	16,702	39,107
Severance indemnity payments	(3,929)	(9,290)	(3,869)	(9,149)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sub-total	(319,765)	(651,226)	(314,915)	(641,349)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Cash Provided by Operating Activities	471,142	175,531	463,996	172,869
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

F-79

Table of Contents**SK TELECOM CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash inflows from investing activities:				
Decrease in trading securities	(Won)	(Won) 240,628	\$	\$ 236,979
Decrease in current portion of long-term investment securities	3,600	36,978	3,545	36,417
Decrease in short-term loans	14,996	20,782	14,769	20,467
Proceeds from sales of long-term investment securities	1,686	511	1,660	503
Proceeds from sales of equity securities accounted for using the equity method	600	868	591	855
Decrease in guarantee deposits	114,855	5,650	113,113	5,564
Decrease in other non-current assets	10,047	11,162	9,895	10,993
Proceeds from disposal of property and equipment	472	3,354	465	3,303
Proceeds from disposal of intangible assets	1	1	1	1
Sub-total	146,257	319,934	144,039	315,082
Cash outflows for investing activities:				
Increase in short-term financial instruments	(89,801)	(33,132)	(88,439)	(32,630)
Increase of trading securities	(149,971)		(147,696)	
Increase in short-term loans	(26,907)	(2,579)	(26,499)	(2,540)
Acquisition of long-term investment securities	(239)	(11,096)	(235)	(10,928)
Acquisition of equity securities accounted for using the equity method	(97,878)	(58,415)	(96,394)	(57,529)
Increase in long-term loans	(169)	(24,744)	(166)	(24,369)
Increase in guarantee deposits and other non-current assets	(20,022)	(30,383)	(19,719)	(29,922)
Acquisition of property and equipment	(93,291)	(115,665)	(91,876)	(113,911)
Increase in intangible assets	(119,545)	(4,391)	(117,732)	(4,324)
Sub-total	(597,823)	(280,405)	(588,756)	(276,153)
Net Cash Provided by (Used in) Investing Activities	(451,566)	39,529	(444,717)	38,929

Table of Contents**SK TELECOM CO., LTD.****NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)**

	Korean won		Translation into U.S. dollars (Note 2)	
	2005	2004	2005	2004
	(In millions)		(In thousands)	
CASH FLOWS FROM FINANCING ACTIVITIES:				
Cash inflows from financing activities:				
Issuance of bonds	(Won) 193,683	(Won) 147,510	\$ 190,746	\$ 145,273
Other	13,589	5,411	13,382	5,329
Sub-total	207,272	152,921	204,128	150,602
Cash outflows for financing activities:				
Repayment of short-term borrowings	(200,000)	(152,994)	(196,967)	(150,674)
Repayment of current portion of long-term debt		(224,435)		(221,031)
Payment of dividends	(11)	(20)	(11)	(20)
Decrease in facility deposits	(1,367)	(2,958)	(1,346)	(2,913)
Acquisition of treasury stock		(2)		(2)
Other	(10,109)	(3,115)	(9,955)	(3,067)
Sub-total	(211,487)	(383,524)	(208,279)	(377,707)
Net Cash Used in Financing Activities	(4,215)	(230,603)	(4,151)	(227,105)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	15,361	(15,543)	15,128	(15,307)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	112,966	28,393	111,253	27,962
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(Won) 128,327	(Won) 12,850	\$ 126,381	\$ 12,655

See accompanying notes to non-consolidated financial statements.

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)****1. GENERAL**

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of Korea to engage in providing nationwide cellular telephone communication services in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange (formerly Korea Stock Exchange) and the New York and London Stock Exchanges, respectively. As of March 31, 2005, the Company's total issued shares are held by the following:

	Number of shares	Percentage of total shares issued (%)
SK Group	19,772,042	24.03
POSCO Corp.	4,098,496	4.98
Institutional investors and other minority shareholders	49,743,758	60.46
Treasury stock	8,662,415	10.53
	<u>82,276,711</u>	<u>100.00</u>

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying non-consolidated financial statements of the Company have been prepared in accordance with Korean Financial Accounting Standards and Statements of Korea Accounting Standards (SKAS) No.1 through No.10 and No.12 through No.17, using the same accounting policies which were adopted in preparing the annual financial statements, and significant accounting policies followed in preparing the accompanying non-consolidated financial statements are summarized as follows.

a. Basis of Presentation

The accompanying non-consolidated statutory financial statements have been prepared in the Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea (Korean GAAP). Certain accounting principles applied by the Company that

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with generally accepted accounting principles in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying non-consolidated financial statements have been condensed, restructured and translated into English from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

The official accounting records of the Company are maintained and expressed in Korean won, the currency of the country in which the Company is incorporated and operates. The translations of Korean won amounts into U.S. dollar amounts are included solely for the convenience of readers outside of the Republic of Korea and have been made at the rate of (Won)1,015.4 to US\$1, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the three months ended March 31, 2005. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at the above or any other rate.

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants Review Report)

b. Allowance for Doubtful Accounts

An allowance for doubtful accounts is provided based on the estimated collectibility of individual accounts and historical bad debt experience.

c. Inventories

Inventories, which consist mainly of replacement units for wireless telecommunication facilities and supplies for sales promotion, are stated at the lower of cost or market value, with cost determined using the moving average method. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts. When the market value of inventories is less than the acquisition cost, carrying amount is reduced to the market value and any difference is charged to current operations as operating expenses. There was no such valuation loss for the three months ended March 31, 2005 and 2004.

d. Securities (excluding securities accounted for using the equity method of accounting)

Debt and equity securities are initially recorded at their acquisition costs (fair value of considerations paid) including incidental cost incurred in connection with acquisition of the related securities and classified into trading, available-for-sale and held-to-maturity securities depending on the acquisition purpose and nature.

Trading securities are stated at fair value with gains or losses on valuation reflected in current operations.

Securities classified as available-for-sale are reported at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in capital adjustments and the unrealized gains or losses are reflected in net income when the securities are sold or if an impairment is other than temporary. Equity securities are stated at acquisition cost if fair value cannot be reliably measured. If the declines in the fair value of individual available-for-sale securities below their acquisition or amortized cost are other than temporary and there is objective evidence of impairment, write-downs of the individual securities are recorded to reduce the carrying value to their fair value. The related write-downs are recorded in current operations as a loss on impairment of investment securities.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Held-to-maturity securities are presented at acquisition cost after premiums or discounts are amortized or accreted, respectively. The Company recognizes write-downs resulting from other-than-temporary declines in the fair value below its book value on the balance sheet date if there is objective evidence of impairment. The related write-downs are recorded in current operations as a loss on impairment of investment securities.

Trading securities are presented in the current asset section of the balance sheet, and available-for-sales and held-to-maturity securities are presented in the current and/or non-current asset section of the balance sheet, based on their maturities from the balance sheet date.

e. Investment Securities Accounted for Using the Equity Method of Accounting

Investment securities of affiliated companies, in which the Company has the ability to exercise significant influence, are carried using the equity method of accounting, whereby the Company's initial investment is recorded at cost and the carrying value is subsequently increased or decreased to reflect the

F-83

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants' Review Report)

Company's portion of shareholder's equity of the investee. Differences between the purchase cost and net asset value of the investee are amortized over 20 years using the straight-line method. When applying the equity method of accounting, unrealized intercompany gains and losses are eliminated and the effect of eliminations is reflected in the investment securities account. There were no such unrealized gains or losses during the three months ended March 31, 2005 and 2004 (See Note b).

f. Property and Equipment

Property and equipment are stated at cost. Major renewals and betterments, which prolong the useful life or enhance the value of assets, are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the declining balance method (except for buildings and structures acquired on or after January 1, 1995 which are depreciated using the straight-line method) over the estimated useful lives (4~30 years) of the related assets (See Note 6).

Interest expense and other financing charges for borrowings related to the manufacture or construction of property and equipment are charged to current operations as incurred.

g. Intangible Assets

Intangible assets are recorded at cost, less amortization computed using the straight-line method over 5 to 20 years. The amortization for the three months ended March 31, 2005 and 2004 was (Won)81,054 million and (Won)76,554 million, respectively.

With its application for a license to provide IMT 2000 service, the Company has a commitment to pay (Won)1,300,000 million to the Ministry of Information Communication (MIC). (Won)650,000 million was paid in March 2001 by SK IMT Co., Ltd. (a former subsidiary of the Company), which was merged into the Company on May 1, 2003, and the remainder is required to be paid over 10 years with an annual interest rate equal to the 3-year-maturity government bond rate minus 0.75% (3.22% as of March 31, 2005). On December 4, 2001, SK IMT Co., Ltd. received the IMT 2000 license from the MIC, and recorded the total license cost as an intangible asset. As a result of the merger with SK IMT Co., Ltd., the Company acquired such IMT license of (Won)1,259,253 million and assumed the related long-term payable with a principal amount of (Won)650,000 million on May 1, 2003 (the date of merger). Amortization of the IMT license commenced when the Company started its commercial IMT 2000 service in December 2003, using the straight-line method over the estimated useful life of the IMT license which

expires in December 2016.

h. Convertible Bonds

The proceeds from issuance of convertible bonds are allocated between the conversion rights and the debt issued; the portion allocable to the conversion rights is accounted for as capital surplus with a corresponding conversion right adjustment which is deducted from the related bonds. Such conversion right adjustment is amortized to interest expense using the effective interest rate method over the redemption period of the convertible bonds. The portion allocable to the conversion rights is measured by deducting the present value of the debt at time of issuance from the gross proceeds from issuance of convertible bonds, with the present value of the debt being computed by discounting the expected future cash flows (including call premium, if any) using the effective interest rate applied to ordinary or straight debt of the Company at the issue date.

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants' Review Report)

i. Discounts on Bonds

Discounts on bonds are amortized to interest expense using the effective interest rate method over the redemption period of the bonds.

j. Valuation of Long-term Payables

Long-term payables resulting from long-term installment transactions are stated at the present value of the expected future cash flows. Imputed interest amounts are recorded in present value discount accounts which are deducted directly from the related nominal payable balances. Such imputed interest is included in operations using the effective interest rate method over the redemption period.

k. Accrued Severance Indemnities

In accordance with the Company's policy, all employees with more than one year of service are entitled to receive severance indemnities, based on length of service and rate of pay, upon termination of their employment. Accruals for severance indemnities are recorded to approximate the amount required to be paid if all employees were to terminate at the balance sheet date.

The Company has deposits with insurance companies to fund the portion of the employees' severance indemnities which is in excess of the tax deductible amount allowed under the Corporate Income Tax Law, in order to take advantage of the additional tax deductibility for such funding. Such deposits with outside insurance companies, where the beneficiaries are the Company's employees, totaling (Won)152,532 million and (Won)155,228 million as of March 31, 2005 and December 31, 2004, respectively, is deducted from accrued severance indemnities.

In accordance with the Korean National Pension Fund Law, the Company transferred a portion of its accrued severance indemnities to the National Pension Fund through March 1999. Such transfers, amounting to (Won)5,525 million and (Won)5,612 million as of March 31, 2005 and December 31, 2004, respectively, are deducted from accrued severance indemnities.

Actual payment of severance indemnities amounted to (Won)3,929 million and (Won)9,290 million for the three months ended March 31, 2005 and 2004, respectively.

I. Accounting for Employee Stock Option Compensation Plan

The Company adopted the fair value based method of accounting for its employee stock option compensation plan (See Note 15). 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, the Company excludes the volatility factor in estimating the value of its stock options granted before December 31, 2003, 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 actual life of the option, dividends on the stock, or the risk-free interest rate.

F-85

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants Review Report)

m. Accounting for Leases

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, have a lease term equal to 75% or more of the estimated economic life of the leased property or where the present value of minimum lease payments equals or exceeds 90% of the fair value of the leased property, are accounted for as capital leases. All other leases are accounted for as operating leases.

Assets and liabilities related to capital leases are recorded as property and equipment and obligations under capital leases, respectively, and the related interest is calculated using the effective interest rate method and charged to other expenses. For operating leases, the future minimum lease payments are expensed ratably over the lease term while contingent rentals are expensed as incurred.

n. Research and Development Costs

The Company charges substantially all research and development costs to current operations as incurred. The Company incurred internal research and development costs of (Won)50,984 million and (Won)46,219 million for the three months ended March 31, 2005 and 2004, respectively, and external research and development costs of (Won)17,167 million and (Won)17,770 million for the three months ended March 31, 2005 and 2004, respectively, all of which were charged to current operations.

o. Accounting for Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded in Korean won based on the prevailing rate of exchange at the dates of transactions. Monetary assets and liabilities denominated in foreign currency are translated into Korean won at the Base Rates announced by Seoul Money Brokerage Services, Ltd. on the balance sheet date, which were, for US dollars, (Won)1,024.30=US\$1 and (Won)1,043.80=US\$1 at March 31, 2005 and December 31, 2004, respectively. The resulting gains or losses arising from the translation or settlement of such assets and liabilities are included in current operations.

p. Derivative Instruments

The Company records rights and obligations arising from derivative instruments as assets and liabilities, which are stated at fair value. The gains and losses that result from the change in the fair value of derivative instruments are reported in current earnings. However, for derivative instruments designated as hedging the exposure of variable cash flows, the effective portion of the gains or losses on the hedging instruments are recorded as a separate component of shareholders' equity and credited/charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses is credited/charged immediately to operations.

q. Revenue Recognitions

Operating revenue is recognized when cellular telephone communication services are provided.

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants' Review Report)

r. Income Taxes

Deferred tax assets and liabilities are recorded for future tax consequences of operating loss carryforwards, tax credits and temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized to the extent that they are expected to be realizable.

s. Adoptions of New Statements of Korea Accounting Standards (SKAS)

On January 1, 2005, the Company adopted SKAS No.15, No.16 and No.17, which are effective from the fiscal year beginning after December 31, 2004. Such adoption of SKAS has caused the following changes in the Company's accounting policies:

Through 2004, the Company discontinued applying the equity method when the investment is reduced to zero and should not provide for additional losses. Effective January 1, 2005, additional losses are provided for to the extent that the Company has other investment assets related to equity method investees, including preferred stock and long-term receivables, pursuant to adoption of SKAS No.15, Investments : Equity Method . As a result of this accounting change, total assets as of March 31, 2005 decreased by (Won)3,904 million and ordinary income and net income for the three months ended March 31, 2005 decreased by (Won)3,904 million (See Note 4).

Through 2004, tax effects of temporary differences directly charged or credited to capital surplus and/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, those adjustments made directly in capital surplus or capital adjustments, which result in temporary differences, are recorded at 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 based on the classification of related assets or liabilities for financial reporting purposes. As a result of this accounting change, total assets and total liabilities as of March 31, 2005 increased by (Won)46,713 million and (Won)78,171 million, respectively, and total stockholders' equity as of March 31, 2005 decreased by (Won)31,458 million, which was directly reflected in capital surplus or capital adjustments (See Note 16).

Such accounting changes are prospectively applied as allowed by SKAS No. 15 and No. 16. As a result, the non-consolidated balance sheet as of December 31, 2004 and the non-consolidated statements of income and cash flows for the three months ended March 31, 2004 which is comparatively presented herein, were not made to reflect the effect of adoptions of SKAS No. 15 and No. 16, retrospectively.

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants Review Report)

3. INVESTMENT SECURITIES

a. Trading Securities

Trading securities as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	March 31, 2005			December 31, 2004
	Acquisition cost	Fair value	Carrying amount	Fair value and carrying amount
Beneficiary certificates	(Won) 790,360	(Won) 790,360	(Won) 790,360	(Won) 640,389

b. Long-term Investment Securities

Long-term investment securities as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	March 31, 2005	December 31, 2004
Available-for-sale equity securities	(Won) 899,636	(Won) 872,209
Available-for-sale debt securities	1,567	4,928
Held-to-maturity securities	50,000	50,000
Total	951,203	927,137
Less current portion		(3,600)
Long-term portion	(Won) 951,203	(Won) 923,537

F-88

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)****b-(1). Available-for-sale Equity Securities**

Available-for-sale equity securities as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won) :

	Number of shares	Ownership percentage (%) at Mar. 31, 2005	Acquisition cost at Mar. 31, 2005	Fair value at Mar. 31, 2005	Unrealized gain (loss) at Mar. 31, 2005	Carrying amount		
						March 31, 2005	December 31, 2004	
(Investments in listed companies)								
Digital Chosunilbo Co., Ltd.	2,890,630	7.8	(Won) 5,781	(Won) 3,180	(Won) (2,602)	(note a)	(Won) 3,180	(Won) 2,023
Hanaro Telecom Inc.	22,090,000	4.8	121,677	63,288	(58,389)	(note a)	63,288	71,019
Korea Radio Wave Basestation Management	234,150	4.5	1,171	2,470	1,300	(note a)	2,470	2,178
POSCO Corporation	2,481,310	2.7	332,662	498,743	166,082	(note a)	498,743	464,005
INNOTG Co., Ltd.	594,737	3.9	1,695	202	(1,493)	(note a)	202	152
SINJISOFT Corporation		0.0				(note a, b)		590
Cowon Systems, Inc.	335,999	6.2	1,600	1,757	157	(note a)	1,757	1,600
sub-total			464,586		105,055		569,640	541,567
(Investments in non-listed companies)								
Powercomm Co., Ltd.	7,500,000	5.0	240,243	71,565	(168,678)	(note c)	71,565	71,565
Japan MBCO	84,000	7.3	27,332	(note e)			27,332	27,332
	398,722	8.3	5,981			(note d)		

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Real Telecom Co., Ltd.							
Enterprise Networks Co., Ltd.	423,244	4.0	14,438		(note d)		
Eonex Technologies Inc.	144,000	14.1	3,600	(note e)	2,011	4,593	4,593
WiderThan Co., Ltd.	2,000,000	14.3	1,000	(note e)	(27)	3,188	3,188
Others			101,940	(note e)		(note f)	26,912
							27,558
sub-total			394,534		(166,694)	133,590	134,236
(Investments in funds)							
Korea IT Fund			190,000	(note e)		190,000	190,000
Others			6,406	(note e)		6,406	6,406
sub-total			196,406			196,406	196,406
Total					(Won) (61,639)	(Won) 899,636	(Won) 872,209

(note a) The net unrealized gain on investments in common stock of listed companies as of March 31, 2005 and December 31, 2004, totaling (Won)105,055 million and (Won)76,852 million, respectively, were recorded as capital adjustments.

(note b) The investment in common stock of SINJISOFT Corporation was sold and the Company recorded a gain on disposal of (Won)931 million for the three months ended March 31, 2005.

(footnotes continued on following page)

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)**

- (note c) The Company recorded its investments in common stock of Powercomm Co., Ltd. at its fair value, which was estimated by an outside professional valuation company using the present value of expected future cash flows and the unrealized loss on valuation of investments amounting to (Won)168,678 million as of December 31, 2004 was recorded as a capital adjustment. Based on the advice of the outside professional valuation company that there was no significant change which had an effect on the fair value of Powercomm Co., Ltd. for the three months ended March 31, 2005, no additional unrealized loss or recovery on valuation of such investments was recorded.
- (note d) Due to the impairment of the Company's investments in common stock of Real Telecom Co., Ltd. and Enterprise Networks Co., Ltd., the Company recorded impairment losses of (Won)20,419 million for the year ended December 31, 2004.
- (note e) As a reasonable estimate of fair value could not be made, the investment is stated at acquisition cost. The investments in common stock of Eonex Technologies Inc. and WiderThan Co., Ltd. were reclassified to available-for-sale equity from equity securities accounted for using the equity method during 2003 and 2004, respectively, as the Company's ownership in such investees decreased to less than 20%. Such securities were transferred to available-for-sale securities at the carrying amount valued using the equity method of accounting prior to the reclassification.
- (note f) Due to the impairment of the Company's investments in common stock of Mobilewelcom Co., Ltd. in 2004, the Company recorded impairment losses of (Won)1,000 million for the year ended December 31, 2004.

b-(2). Available-for-sale Debt Securities

Available-for-sale debt securities as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	Maturity	Acquisition cost	Carrying amount	
			Mar. 31, 2005	Dec. 31, 2004
Public bonds	(note a)	(Won) 1,567	(Won) 1,567	(Won) 1,328
Convertible bonds of Real Telecom Co., Ltd. (note b)	March, 2007	10,656		
Convertible bonds of Eonex Technologies, Inc. (3rd) (note c)	January, 2005			3,600
Total		12,223	1,567	4,928
Less current portion of available-for-sale debt securities				(3,600)
Long-term available-for-sale debt securities		(Won) 12,223	(Won) 1,567	(Won) 1,328

(note a) The maturities of public bonds as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

<u>Maturity</u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Within five years	(Won) 1,198	(Won) 904
Within ten years	369	424
	<u>(Won) 1,567</u>	<u>(Won) 1,328</u>

(footnotes continued on following page)

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

(note b) The convertible bonds of Real Telecom Corp. with a principal amount of (Won)10,656 million can be converted into 371,018 shares of common stock of Real Telecom Corp. at (Won)28,721 per share over the period from September 29, 2004 to March 28, 2007. Meanwhile, due to the impairment in such bonds, the Company recorded an impairment loss of (Won)10,656 million for the year ended December 31, 2004.

(note c) The convertible bonds of Eonex Technologies, Inc. (3rd) were all repaid during the three months ended March 31, 2005.

b-(3). Held-to-maturity Securities

Held-to-maturity securities as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	Maturity	Acquisition cost	Carrying amount	
			Mar. 31, 2005	Dec. 31, 2004
Subordinated bonds of SK Life Insurance Co., Ltd.	April, 2006	(Won) 50,000	(Won) 50,000	(Won) 50,000
Total			50,000	50,000
Less current portion of held-to-maturity securities				
Long-term held-to-maturity securities			(Won) 50,000	(Won) 50,000

4. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD

Equity securities accounted for using the equity method as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won, except for share data):

	March 31, 2005			Carrying Amount		
	Number of shares	Ownership Percentage (%)	Acquisition Cost	Net Asset Value	Mar. 31, 2005	Dec. 31, 2004

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

SK Teletech Co., Ltd.	6,747,421	89.1	(Won) 80,491	(Won) 177,987		(Won) 181,230	(Won) 190,896
SK Capital Co., Ltd.	10,000,000	100.0	50,000	34,891	(note a)	34,891	34,891
SK Communications Co., Ltd.	7,844,454	92.2	175,441	115,869		140,382	143,096
SK Telink Co., Ltd.	943,997	90.8	5,296	59,085		59,085	56,182
SK C&C Co., Ltd.	300,000	30.0	19,071	212,279		217,453	201,353
SK Wyverns Baseball Club Co., Ltd.	199,997	100.0	1,000		(note a)		
STIC Ventures Co., Ltd.	1,600,000	24.1	8,000	7,477	(note a)	7,477	7,321
Paxnet Co., Ltd.	5,590,452	67.1	26,563	6,718		25,760	25,244
Global Credit & Information Corp.	300,000	50.0	2,410	2,384	(note a)	3,054	3,054
TU Media Corp.	7,800,000	28.5	39,000	32,122		32,122	34,607
Aircross Co., Ltd.	600,000	38.1	300	940	(note a)	940	944
SLD Telecom PTE. Ltd.	75,941,700	55.1	89,203	56,065		56,487	59,804
Skytel Co., Ltd.	1,756,000	28.6	2,159	3,713	(note a)	3,713	3,633
SK China Company Ltd.	28,160	20.7	3,195	830	(note a)	830	803
SK Telecom International, Inc.	1,099	100.0	17,467	21,950	(note a)	21,950	21,995
SK Telecom China Co., Ltd.	6,150,000	100.0	7,340	9,212	(note a)	9,212	9,212
SK USA, Inc.	49	49.0	3,184	3,056	(note a)	3,056	3,184
SK Telecom USA Holdings, Inc.	1,000	100.0	83,438	83,438	(note b)	83,438	
IHQ, Inc.	8,000,000	21.7	14,440	7,039	(note c)	14,440	
Centurion IT Investment Association		37.5	3,000	2,928	(note a)	2,928	3,205
SK-QC Wireless Development Fund		50.0	6,540	5,147	(note a)	5,147	5,145
SKT-HP Ventures, LLC		50.0	6,415	5,281	(note a)	5,281	5,284
Other investments in affiliates			16,393		(note d)	16,393	16,393
Total						(Won) 925,269	(Won) 826,246

(footnotes on following page)

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)**

- (note a) Net asset value was calculated based on the financial statements as of December 31, 2004, as the information as of March 31, 2005 was not available and the change in the Company's portion of shareholders' equity of the investee for the three months ended March 31, 2005 was not expected to be material.
- (note b) In the first quarter of 2005, the Company incorporated SK Telecom USA Holdings, Inc. with initial investment of US\$83 million in order to invest in and manage SK-Earthlink, a joint venture company in the United States of America, which was established in order to provide wireless telecommunication service across the United States of America.
- (note c) In February 2005, the Company acquired 8,000,000 shares of IHQ, Inc., an entertainment management company, for (Won)1,805 per share with an option to purchase additional 5,000,000 shares at the previously agreed upon price during the period from March 15, 2006 to April 30, 2006, in order to secure high-quality contents for the Company's wireless internet services.
- (note d) As allowed under Korean GAAP, investments in equity securities of SK Telecom Europe Limited and certain others were not accounted for using the equity method of accounting, as their total assets at the beginning of 2005 were less than (Won)7 billion, and the Company's portion of shareholders' equity of such investees were not expected to be material.

Details of the changes in investments in affiliates accounted for using the equity method for the three months ended March 31, 2005 and 2004 are as follows (in millions of Korean won):

	For the three months ended March 31, 2005				
	Beginning balance or acquisition cost	Equity in earnings (losses)	Equity in capital adjustments	Dividend received	Ending balance
SK Teletech Co., Ltd.	(Won) 190,896	(Won) (9,666)	(Won)	(Won)	(Won) 181,230
SK Capital Co., Ltd. (note a)	34,891				34,891
SK Communications Co., Ltd.	143,096	(1,274)	(1,440)		140,382
SK Telink Co., Ltd.	56,182	2,876	27		59,085
SK C&C Co., Ltd.	201,353	2,582	14,118	(600)	217,453
SK Wyverns Baseball Club Co., Ltd. (notes a and b)		(3,904)			
STIC Ventures Co., Ltd. (note a)	7,321	(285)	441		7,477
Paxnet Co., Ltd.	25,244	516			25,760
Global Credit & Information Corp. (note a)	3,054				3,054
TU Media Corp.	34,607	(2,485)			32,122
Aircross Co., Ltd. (note a)	944	(4)			940
SLD Telecom PTE. Ltd.	59,804	(1,701)	(1,616)		56,487
Skytel Co., Ltd. (note a)	3,633	88	(8)		3,713
SK China Company, Ltd. (note a)	803	35	(8)		830
SK Telecom International, Inc. (note a)	21,995	(49)	4		21,950
SK Telecom China Co., Ltd. (note a)	9,212	179	(179)		9,212
SK USA, Inc. (note a and c)	3,184	169	(297)		3,056

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Centurion IT investment Association (note a)	3,205	(277)			2,928
SKT-QC Wireless Development Fund (note a)	5,145	2			5,147
SKT-HP Ventures, LLC (note a)	5,284		(3)		5,281
SKT Telecom USA Holdings, Inc. (note d)	83,438				83,438
IHQ, Inc. (note d)	14,440				14,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(Won) 907,731	(Won) (13,198)	(Won) 11,039	(Won) (600)	(Won) 908,876
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(footnotes on following page)

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)**

- (note a) Investments in equity securities are carried using the equity method of accounting based on the financial statements as of December 31, 2004 as information as of March 31, 2005 was not available and the change of the Company's portion of shareholders' equity of the investee for the three months ended March 31, 2005 was not expected to be material.
- (note b) Additional losses of (Won)3,904 million was provided for the three months ended March 31, 2005 in accordance with SKAS No.15, which requires the Company to provide additional allowance for doubtful accounts related to the long-term loans to SK Wyverns Baseball Club Co., Ltd. at the same amount.
- (note c) As the investee's total assets at the beginning of 2005 were over (Won)7 billion and the Company's portion of the investee's shareholders' equity for the three months ended March 31, 2005 was material, investments in equity securities of SK USA, Inc. were accounted for using the equity method of accounting, effective January 1, 2005.
- (note d) As the acquisitions of investments in common stock of SK Telecom USA Holdings, Inc. and IHQ, Inc. were assumed to be on March 31, 2005, there is no change in such investments to be reported for the three months ended March 31, 2005.

For the three months ended March 31, 2004

	Beginning balance or acquisition cost	Equity in earnings (losses)	Equity in capital adjustments	Dividend received	Ending Balance
SK Teletech Co., Ltd.	(Won) 159,267	(Won) 17,874	(Won)	(Won)	(Won) 177,141
SK Capital Co., Ltd.	45,865	(4)			45,681
SK Communications Co., Ltd.	120,718	(2,521)	3,701		121,898
SK Telink Co., Ltd.	43,452	2,874			46,326
SK C&C Co., Ltd.	93,433	4,341	45,635	(600)	142,809
STIC Ventures Co., Ltd. (note a)	7,098	(11)			7,087
Paxnet Co., Ltd.	25,712	(41)	47		25,718
VCASH Co., Ltd.	943	(242)			701
Global Credit & Information Corp. (note a)	2,773				2,773
TU Media Corp.	39,000	(1,178)	173		37,995
WiderThan Co., Ltd. (note a)	3,166	49	(27)		3,188
SLD Telecom PTE. Ltd. (note a)	24,701	2,056	(348)		26,409
Skytel Co., Ltd. (note a)	3,053	195	172	(19)	3,401
SK China Co., Ltd. (note a)	2,187	(568)	65		1,684
SK Telecom International Inc. (note a)	18,963	915	5		19,883
Centurion IT investment association	3,125	1			3,126
SK-QC Wireless Development Fund (note a)	5,906	(5)			5,901
SKT-HP Ventures, LLC (note a)	5,964	30	(34)		5,960
	(Won) 605,326	(Won) 23,765	(Won) 49,389	(Won) (619)	(Won) 677,861

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

(note a) Investments in equity securities are carried using the equity method of accounting based on the financial statements as of December 31, 2003, as information as of March 31, 2004 was not available and the change of the Company's portion of shareholders' equity of the investee for the three months ended March 31, 2004 was not material.

F-93

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

Details of changes in the differences between the acquisition cost and net asset value of equity method investees for the three months ended March 31, 2005 and 2004 are as follows (in millions of Korean won):

	For the three months ended March 31, 2005			
	Beginning balance	Increase	Amortization	Ending balance
SK Teletech Co., Ltd.	(Won) 3,287	(Won)	(Won) (43)	(Won) 3,244
SK Communications Co., Ltd.	24,622		(108)	24,514
SK C&C Co., Ltd.	5,276		(102)	5,174
Paxnet Co., Ltd.	19,310		(268)	19,042
Global Credit & Information Corp.	670			670
SLD Telecom PTE. Ltd.	428		(6)	422
IHQ, Inc. (note a)		7,401		7,401
	(Won) 53,593	(Won) 7,401	(Won) (527)	(Won) 60,467

(note a) As the acquisition of investments in common stock of IHQ, Inc. was assumed to be on March 31, 2005 for accounting purposes, the amount to be amortized for the three months ended March 31, 2005 was nil.

	For the three months ended March 31, 2004			
	Beginning balance	Increase	Amortization	Ending balance
SK Teletech Co., Ltd.	(Won)	(Won) 3,520	(Won) (106)	(Won) 3,414
SK Communications Co., Ltd.	21,799		(75)	21,724
SK C&C Co., Ltd.	5,682		(101)	5,581
Paxnet Co., Ltd.	20,383		(268)	20,115
Global Credit & Information Corp.	712			712
	(Won) 48,576	(Won) 3,520	(Won) (550)	(Won) 51,546

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

The condensed financial information of the investees as of and for the three months ended March 31, 2005 are as follows (in millions of Korean won):

	Total	Total		Net
	Assets	Liabilities	Revenue	Income (loss)
SK Teletch Co., Ltd.	(Won) 350,204	(Won) 150,519	(Won) 127,219	(Won) (10,591)
SK Communications Co., Ltd.	165,702	37,298	27,157	(512)
SK Telink Co., Ltd.	101,795	36,616	34,620	3,202
SK C&C Co., Ltd.	1,438,250	730,654	177,195	11,068
Paxnet Co., Ltd.	16,711	6,096	9,875	1,169
TU Media Corp.	241,266	128,387		(8,670)
SLD Telecom PTE. Ltd.	105,748	3,927		(3,387)
IHQ, Inc.	44,087	10,719	14,832	2,020

F-94

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)****5. LOANS TO EMPLOYEES**

Short-term and long-term loans to employees as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	March 31, 2005			December 31,
	Short-term	Long-term	Total	2004
Loans to employees - stock ownership association	(Won) 3,936	(Won) 16,659	(Won) 20,595	(Won) 22,546
Loans to employees for housing and other	107	461	568	612
Total	(Won) 4,043	(Won) 17,120	(Won) 21,163	(Won) 23,158

6. PROPERTY AND EQUIPMENT

Property and equipment as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	Useful lives	December 31,	
	(years)	March 31, 2005	2004
Land		(Won) 464,488	(Won) 463,656
Buildings and structures	30, 15	1,445,237	1,441,937
Machinery	6	9,447,794	9,452,751
Vehicles	4	20,330	20,268
Other	4	737,089	721,032
Construction in progress		186,554	138,002
		12,301,492	12,237,646
Less accumulated depreciation		(7,893,391)	(7,632,393)

Property and equipment, net	(Won) 4,408,101	(Won) 4,605,253
-----------------------------	-----------------	-----------------

The standard value of land declared by the government as of March 31, 2005 and December 31, 2004 are (Won)401,939 million and (Won)401,771 million, respectively.

Details of change in property and equipment for the three months ended March 31, 2005 and 2004 are as follows (in millions of Korean won):

For the three months ended March 31, 2005

	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	(Won) 463,656	(Won) 649	(Won) (54)	(Won) 237	(Won)	(Won) 464,488
Buildings and structures	1,163,070	3,436	(219)	155	(13,558)	1,152,884
Machinery	2,585,118	484	(900)	12,704	(255,859)	2,341,547
Vehicles	4,030	62			(489)	3,603
Other	251,377	42,990	(1,020)	(15,700)	(18,622)	259,025
Construction in progress	138,002	45,670		2,882		186,554
Total	(Won) 4,605,253	(Won) 93,291	(Won) (2,193)	(Won) 278	(Won) (288,528)	(Won) 4,408,101

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)****For the three months ended March 31, 2004**

	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	Ending balance
Land	(Won) 446,574	(Won) 33	(Won) (1,816)	(Won)	(Won)	(Won) 444,791
Buildings and structures	840,237	58	(5,852)	131	(10,349)	824,225
Machinery	2,625,306	4,178	(503)	46,858	(264,644)	2,411,195
Vehicles	3,836	2,274	(5)		(543)	5,562
Other	326,109	45,516	(1,789)	(102,342)	(19,701)	247,793
Construction in progress	309,564	63,606		51,456		424,626
Total	(Won) 4,551,626	(Won) 115,665	(Won) (9,965)	(Won) (3,897)	(Won) (295,237)	(Won) 4,358,192

7. INTANGIBLE ASSETS

Intangible assets as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	March 31, 2005			December 31, 2004		
	Acquisition cost	Accumulated amortization	Carrying amounts	Acquisition cost	Accumulated amortization	Carrying amounts
Goodwill	(Won) 2,335,532	(Won) (418,151)	(Won) 1,917,381	(Won) 2,335,532	(Won) (385,986)	(Won) 1,949,546
Frequency use rights	1,384,433	(127,836)	1,256,597	1,267,053	(103,734)	1,163,319
Software development costs	221,312	(131,348)	89,964	221,278	(120,699)	100,579
Other	447,600	(224,087)	223,513	445,359	(210,184)	235,175
	(Won) 4,388,877	(Won) (901,422)	(Won) 3,487,455	(Won) 4,269,222	(Won) (820,603)	(Won) 3,448,619

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Details of changes in intangible assets for the three months ended March 31, 2005 and 2004 are as follows (in millions of Korean won) :

For the three months ended March 31, 2005

	<u>Beginning</u> <u>balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Transfer</u>	<u>Amortization</u>	<u>Ending</u> <u>balance</u>
Goodwill	(Won) 1,949,546	(Won)	(Won)	(Won)	(Won) (32,165)	(Won) 1,917,381
Frequency use rights	1,163,319	117,380			(24,102)	1,256,597
Software development costs	100,579	35			(10,650)	89,964
Other	235,175	2,130	(80)	425	(14,137)	223,513
	<u>(Won) 3,448,619</u>	<u>(Won) 119,545</u>	<u>(Won) (80)</u>	<u>(Won) 425</u>	<u>(Won) (81,054)</u>	<u>(Won) 3,487,455</u>

F-96

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)****For the three months ended March 31, 2004**

	Beginning balance	Increase	Decrease	Transfer	Amortization	Ending balance
Goodwill	(Won) 2,078,208	(Won)	(Won)	(Won)	(Won) (32,165)	(Won) 2,046,043
Frequency use rights	1,251,278				(23,926)	1,227,352
Software development costs	133,833	258			(10,574)	123,517
Other	136,949	4,133	(4)	4,400	(9,889)	135,589
	(Won) 3,600,268	(Won) 4,391	(Won) (4)	(Won) 4,400	(Won) (76,554)	(Won) 3,532,501

The book value as of March 31, 2005 and residual useful lives of major intangible assets are as follows (in millions of Korean won):

	Amount	Description	Residual useful lives
Goodwill	(Won) 1,917,381	Goodwill related to acquisition of Shinsegi Telecomm, Inc.	15 years and 9 months
IMT license	1,131,649	Frequency use rights relating to W-CDMA service	(note)
Development costs	89,964	Software for business use	1 ~ 5 years

(note) Amortization of the IMT license commenced when the Company started its commercial IMT service in December 2003, using the straight-line method over the estimated useful life (13 years) of the IMT license which expires in December 2016.

8. BONDS PAYABLE

Bonds payable as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won and thousands of U.S. dollars):

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	<u>Maturity year</u>	<u>Annual interest rate (%)</u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Domestic general bonds	2005	6.0	(Won) 500,000	(Won) 500,000
	2006	5.0-6.0	800,000	800,000
	2007	5.0-6.0	700,000	700,000
	2008	5.0	300,000	300,000
	2009	5.0	300,000	300,000
	2010	4.0	200,000	
	2011	3.0	200,000	200,000
Dollar denominated bonds (US\$ 300,000)	2011	4.25	307,290	313,140
Convertible bonds (US\$ 329,450)	2009		385,885	385,885
Total			3,693,175	3,499,025
Less discounts on bonds			(52,901)	(51,467)
Less conversion right adjustments			(78,182)	(82,245)
Add long-term accrued interest			24,808	24,808
Net			3,586,900	3,390,121
Less portion due within one year			(499,400)	(498,278)
Long-term portion			(Won) 3,087,500	(Won) 2,891,843

F-97

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)**

All of the above bonds will be paid in full at maturity.

On May 27, 2004, the Company issued zero coupon convertible bonds with a maturity of five years in the principal amount of US\$329,450,000 for US\$324,923,469, with an initial conversion price of (Won)235,625 per share of the Company's common stock which was greater than market value at the date of issuance. Subsequently, the initial conversion price was changed to (Won)226,566 per share in accordance with antidilution protection. The Company may redeem their principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 103.81% of the principal amount on May 27, 2007 (3 years from the issuance date). The conversion right may be exercised during the period from July 7, 2004 to May 13, 2009 and the number of common shares to be converted as of March 31, 2005 is 1,710,750 shares. Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock, if this 49% ownership limitation is violated due to the exercise of conversion rights. In this case, the Company will pay a bond holder a cash settlement determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five business days. The Company intends to sell treasury shares held in trust by the Company that corresponds to the number of shares of common stock that would have been delivered in the absence of the 49% foreign shareholding restrictions. The Company entered into an agreement with Credit Suisse First Boston International to reduce the effect of fluctuation with respect to cash settlement payments that may be more or less than the proceeds from sales of treasury shares held in trust. Unless either previously redeemed or converted, the notes are redeemable at 106.43% of the principal amount at maturity.

9. SUBSCRIPTION DEPOSITS

The Company receives subscription deposits from customers of cellular services at the subscription date. The Company has no obligation to pay interest on subscription deposits but is required to return them to subscribers upon termination of the subscription contract.

Long-term subscription deposits held as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won except deposit per subscriber amounts):

<u>Service type</u>	<u>Deposit per subscriber</u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Cellular	(Won) 200,000	(Won) 30,073	(Won) 31,440

The Company offers existing and new cellular subscribers the option of obtaining credit insurance from Seoul Guarantee Insurance Company (SGIC) in lieu of the subscription deposits. Existing subscribers who elect this option are refunded their subscription deposits. As a result, the balance of subscription deposits has been decreasing.

10. LEASES

As the Company merged with Shinsegi Telecomm, Inc. in January 2002, certain capital leases made by Shinsegi Telecomm, Inc. were transferred to the Company. The Company has an option to acquire the leased machinery and equipment, free of charge, upon termination of the lease period. Depreciation expense for the

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

three months ended March 31, 2004 was (Won)37 million. For the three months ended March 31, 2004, all capital leases were terminated and the Company acquired the related leased machinery free of charge.

As the Company merged with Shinsegi Telecomm, Inc., certain operating lease made by Shinsegi Telecomm, Inc. was transferred to the Company and the related lease expense for the three months ended March 31, 2004 was (Won)261 million. This operating lease was terminated in 2004.

11. ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable denominated in foreign currencies described in Note 8) as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won, thousands of U.S. dollars, thousands of HK dollars, thousands of Japanese yen, thousands of Great Britain pounds, thousands of Chinese yuan, thousands of Singapore dollars, thousands of Swiss Franc, and thousands of Euros):

	March 31, 2005		December 31, 2004	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Cash and cash equivalents	US\$ 516	(Won) 529	US\$ 3,851	(Won) 4,020
Accounts receivable trade	US\$ 3,294	3,374	US\$ 2,163	2,257
	SG\$ 347	215		
Accounts receivable other	US\$ 2,930	3,001	US\$ 2,930	3,058
Long-term deposits	US\$ 96	98		
Guarantee deposits	US\$ 46	48	US\$ 142	149
	JPY 15,756	150	JPY 15,756	160
		(Won) 7,415		(Won) 9,644
Accounts payable	US\$ 7,807	7,996	US\$ 5,158	5,384
	JPY 35,987	343	JPY 38,618	391
	HK\$ 375	49	HK\$ 217	29
	GBP 93	179	GBP 67	135

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

	SG\$	5	3	SG\$	5	3
	CNY	1	1	CNY	1	1
	EUR	45	59	EUR	119	169
	CHF	1	1			
			<u> </u>			<u> </u>
			(Won) 8,631			(Won) 6,112
			<u> </u>			<u> </u>

12. CAPITAL STOCK AND CAPITAL SURPLUS

The Company's capital stock consists entirely of common stock with a par value of (Won)500. The number of authorized and issued shares as of March 31, 2005 and December 31, 2004 are as follows:

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Authorized shares	220,000,000	220,000,000
Issued shares	82,276,711	82,276,711

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

Significant changes in capital stock and capital surplus for the three months ended March 31, 2005 and for the year ended December 31, 2004 are as follows (in millions of Korean won except for share data):

	<u>Number of shares issued</u>	<u>Capital stock</u>	<u>Capital surplus</u>
At January 1, 2004	82,276,711	(Won) 44,639	(Won) 2,915,964
Excess unallocated purchase price (note a)			(77)
Considerations for conversion right (note b)			67,279
At December 31, 2004	82,276,711	44,639	2,983,166
Deferred tax liabilities deducted from capital surplus (note c)			(18,502)
March 31, 2005	82,276,711	(Won) 44,639	(Won) 2,964,664

- (note a) During the year ended December 31, 2004, the Company paid (Won)77 million to certain former shareholders of Shinsegi Telecomm, Inc. in accordance with the ruling of the court and deducted it from capital surplus in accordance with Korean GAAP.
- (note b) The Company issued zero coupon convertible bonds in the principal amount of US\$329,450,000 at US\$324,923,469 with an initial conversion price of (Won)235,625 per share of the Company's common stock on May 27, 2004 and the consideration for conversion right of (Won)67,279 million was added to capital surplus in accordance with Korean GAAP (See Note 2(h)).
- (note c) Tax effects of considerations of conversion right, which resulted in temporary difference, was deducted directly from related components of stockholders' equity, pursuant to adoption of SKAS No. 16 for the three months ended March 31, 2005

13. RETAINED EARNINGS

Retained earnings as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	<u>March 31, 2005</u>	<u>December 31, 2004</u>
Appropriated	(Won) 5,470,701	(Won) 4,733,936
Unappropriated	369,812	1,422,772

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

(Won) 5,840,513 (Won) 6,156,708

The details of appropriated retained earnings as of March 31, 2005 and December 31, 2004 are as follows (in millions of Korean won):

	March 31, 2005	December 31, 2004
Legal reserve	(Won) 22,320	(Won) 22,320
Reserve for improvement of financial structure	33,000	33,000
Reserve for loss on disposal of treasury stock	477,182	477,182
Reserve for research and manpower development	822,061	776,296
Reserve for business expansion	4,116,138	3,425,138
Total	(Won) 5,470,701	(Won) 4,733,936

F-100

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants' Review Report)

a. Legal Reserve

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

b. Reserve for Improvement of Financial Structure

The Financial Control Regulation for listed companies in Korea requires that at least 10% of net income (net of accumulated deficit), and an amount equal to net gain (net of related income taxes, if any) on the disposal of property and equipment be appropriated as a reserve for improvement of financial structure until the ratio of stockholders' equity to total assets reaches 30%. The reserve for improvement of financial structure may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to capital stock.

c. Reserves for Loss on Disposal of Treasury Stock and Research and Manpower Development

Reserves for loss on disposal of treasury stock and research and manpower development were appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures. These reserves will be unappropriated from appropriated retained earnings in accordance with the relevant tax laws. Such unappropriation will be included in taxable income in the year of unappropriation.

14. TREASURY STOCK

Upon the issuances of stock dividends and new common stock and the merger with Shinsegi Telecomm, Inc. and SK IMT Co., Ltd., the Company acquired fractional shares totaling 77,970 shares for (Won)6,110 million until 2004. In addition, the Company acquired 7,452,810 shares of treasury stock in the market or through the trust funds for (Won)1,771,507 million through 2003 in order to stabilize the market price of its stock.

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Under the Mutual Agreement on Stock Exchange between the Company and KT Corporation, on December 30, 2002 and January 10, 2003, the Company acquired 8,266,923 shares of the Company's common stock from KT Corporation for (Won)1,853,643 million.

On January 13, 2002, the Company merged with Shinsegi Telecomm, Inc. and distributed 2,677,653 shares of treasury stock to minority shareholders of Shinsegi Telecomm, Inc., of which the cost was (Won)584,646 million.

On January 6, 2003, the Company retired 4,457,635 shares of treasury stock that were purchased from KT Corporation as mentioned above in accordance with a resolution of the board of directors dated December 26, 2002 and reduced unappropriated retained earnings by (Won)1,008,882 million including the tax effect of (Won)9,373 million, in accordance with the Korean Commercial Laws.

On June 30, 2003, in accordance with a resolution of the board of directors dated June 24, 2003, the Company announced a stock repurchase program to acquire 2,544,600 shares of common stock in the market in order to enhance stockholders' interest and to stabilize the stock price. Pursuant to the program, the Company

F-101

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants Review Report)

acquired a total of 2,544,600 shares of Company's outstanding common stock for (Won)525,174 million during the period from June 30, 2003 to August 11, 2003 and retired such treasury shares on August 20, 2003, which reduced the unappropriated retained earnings by (Won)537,138 million including the tax effect of (Won)11,964 million, in accordance with Korean Commercial Laws.

On February 20, 2004, the Company additionally acquired fractional shares totaling 12 shares for (Won)2 million which resulted from the merger with SK IMT Co., Ltd.

15. STOCK OPTIONS

On March 17, 2000, March 16, 2001 and March 8, 2002, in accordance with the approval of its stockholders and its board of directors, the Company granted stock options to its management, representing 17,800 shares at an exercise price of (Won)424,000 per share, 43,820 shares at an exercise price of (Won)211,000 per share and 65,730 shares at an exercise price of (Won)267,000 per share, respectively. The stock options will become exercisable after three years from the date of grant and shall be exercisable within two years from the first exercisable date. If the employees leave the Company within three years after the grant of stock options, such employees forfeit their unvested stock options awarded. Upon exercise of stock options, the Company will issue its common stock. During the year ended December 31, 2004, stock options representing 530 shares, of which total compensation cost was (Won)3 million, were forfeited. During the three months ended March 31, 2005, there was no such forfeiture of stock options.

The value of stock options granted is determined using the Black-Scholes option-pricing model, without considering the volatility factor in estimating the value of its stock options, as permitted under Korean GAAP. The following assumptions are used to estimate the fair value of options granted in 2000, 2001 and 2002; risk-free interest rate of 9.1% for 2000, 5.9% for 2001 and 6.2% for 2002; expected life of three years for 2000, 2001 and 2002; expected dividend of (Won)500 for 2000, 2001 and 2002. Under these assumptions, total compensation cost, the recognized compensation cost for the three months ended March 31, 2005 and 2004 and the outstanding balance of stock option in capital adjustment as of March 31, 2005 and December 31, 2004 are as follows and there was no compensation cost to be recognized for the following period after March 31, 2005 (in millions of Korean won) :

<u>Grant date</u>	<u>Total Compensation cost</u>	<u>Recognized compensation cost for the three months ended March 31,</u>		<u>Stock option in capital adjustment</u>	
		<u>2005</u>	<u>2004</u>	<u>March 31, 2005</u>	<u>December 31, 2004</u>

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

March 17, 2000	(Won) 1,533	(Won)	(Won)	(Won) 1,533	(Won) 1,533
March 16, 2001	234		13	234	234
March 8, 2002	3,247	181	271	3,247	3,066
	<u>(Won) 5,014</u>	<u>(Won) 181</u>	<u>(Won) 284</u>	<u>(Won) 5,014</u>	<u>(Won) 4,833</u>

F-102

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)**

The pro forma net income and net income per common share, if the Company had not excluded the volatility factor (expected volatility of 66.8% for options granted in 2000, 67.5% for options granted in 2001 and 63.0% for options granted in 2002) in estimating the value of its stock options, for the three months ended March 31, 2005, 2004 and 2003 are as follows:

	For the three months ended March 31,		
	2005	2004	2003
Pro forma ordinary income (in millions of Korean won)	(Won) 546,906	(Won) 669,634	(Won) 649,238
Pro forma ordinary income per common share (in Korean won)	5,001	6,138	5,860
Pro forma net income (in millions of Korean won)	368,120	451,877	447,758
Pro forma net income per common share (in Korean won)	5,001	6,138	5,860

16. INCOME TAXES**a. Details of income tax expense**

Income tax expenses for the three months ended March 31, 2005 and 2004 consist of the following (in millions of Korean won) :

	2005	2004
Current	(Won) 161,828	(Won) 178,048
Deferred (note 1)	16,959	39,709
Income tax expenses	(Won) 178,787	(Won) 217,757

(Note 1) Changes in net deferred tax liabilities for the three months ended March 31, 2005 and 2004 are as follows (in millions of Korean won) :

2005

2004

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Beginning balance of net deferred tax liabilities	(Won) (323,096)	(Won) (242,057)
Ending balance of net deferred tax liabilities	362,977	282,008
Adjustment to the beginning net deferred income tax liabilities based on tax return filed	8,536	(242)
Tax effect of temporary differences charged or credited directly to related components of stockholders' equity	(31,458)	
	(Won) 16,959	(Won) 39,709

F-103

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)****b. Reconciling items between accounting income and taxable income**

Reconciling items between accounting income and taxable income for the three months ended March 31, 2005 and 2004 are as follows (in millions of Korean won) :

	<u>2005</u>	<u>2004</u>
(Temporary Differences)		
Additions:		
Allowance for doubtful accounts	(Won) 78,864	(Won) 62,329
Accrued interest income	4,423	5,978
Reserves for research and manpower development	32,867	21,059
Equity in losses of affiliates	19,644	
Foreign currency translation gain		2,802
Depreciation	4,401	
Loss on impairment of other assets	11,930	16,387
Loss on valuation of derivative instruments	394	4,953
Accrued severance indemnities	7,451	8,002
Deposits for severance indemnities	2,696	2,429
Other	23,297	14,256
	<u>185,967</u>	<u>138,195</u>
Sub-total	185,967	138,195
Deductions:		
Reserves for research and manpower development	(32,500)	(70,000)
Allowance for doubtful accounts	(59,612)	(67,482)
Depreciation	(19,698)	(27,589)
Accrued interest income	(4,614)	(9,717)
Foreign currency translation loss		(5,617)
Equity in earnings of affiliates	(6,446)	(23,765)
Accrued severance indemnities	(2,696)	(2,428)
Deposits for severance indemnities	(7,451)	(8,002)
Loss on impairment of other assets	(14,156)	(14,009)
Other	(65,740)	(31,722)
	<u>(212,913)</u>	<u>(260,331)</u>
Sub-total	(212,913)	(260,331)
Total Temporary Differences	<u>(26,946)</u>	<u>(122,136)</u>

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

(Permanent Differences)	80,511	60,896
Total	(Won) 53,565	(Won) (61,240)

F-104

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)****c. Change in cumulative temporary differences and deferred tax liabilities**

Changes in cumulative temporary differences for the three months ended March 31, 2005 and 2004 and deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows (in millions of Korean won):

For the three months ended March 31, 2005

Description	January 1, 2005	Increase (note b)	Decrease (note b)	March 31, 2005
Current:				
Allowance for doubtful accounts	(Won) 59,622	(Won) 78,854	(Won) 59,612	(Won) 78,864
Accrued interest income	(7,796)	(1,241)	(4,423)	(4,614)
Other	235,000	843	11,673	224,170
Total	286,826	(Won) 78,456	(Won) 66,862	298,420
Temporary differences unlikely to be realized (note a)	(128,555)			(128,555)
Total current cumulative temporary differences-net	(Won) 158,271			(Won) 169,865
Current deferred tax assets-net (note c)	(Won) 43,525			(Won) 46,713
Non-current:				
Property and equipment	(127,822)	(16,264)	2,175	(146,261)
Loss on impairment of long-term investment securities	106,752	(400)		106,352
Loss on impairment of other long-term assets	21,070	11,930	14,156	18,844
Reserves for research and manpower development	(709,467)	(32,500)	(32,867)	(709,100)
Reserves for loss on disposal of treasury stock	(474,081)			(474,081)
Equity in earnings (losses) of affiliates	(89,441)		(13,198)	(76,243)
Equity in capital adjustment of affiliates		(135,183)		(135,183)
Unrealized loss on valuation of long-term investment securities		61,639		61,639
Accrued severance indemnities	139,524	4,064	2,696	140,892

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Deposits for severance indemnities	(139,524)	(4,064)	(2,696)	(140,892)
Loss on valuation of derivative instruments	15,789	395		16,184
Loss on valuation of derivative instruments				
-capital adjustment		49,452	7,422	42,030
Considerations for conversion right		(67,279)		(67,279)
Other	(122,004)	117,148	20,742	(25,598)
Total	(1,379,204)	(Won) (11,062)	(Won) (1,570)	(1,388,696)
Temporary differences unlikely to be realized (note a)	46,038			(101,086)
Total non-current cumulative temporary differences-net	(Won) (1,333,166)			(Won) (1,489,782)
Total non-current deferred tax liabilities-net (note c)	(Won) (366,621)			(Won) (409,690)

(footnotes on following page)

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

- (note a) Through 2004, the tax effects of temporary differences, which are unlikely to be realized, and temporary differences directly adjusted to capital surplus or capital adjustments, such as net unrealized loss on valuation of long-term investment securities, were excluded in determining the net deferred tax assets or liabilities. However, effective January 1, 2005, pursuant to adoption of SKAS No. 16, Income Taxes, temporary differences are presented on a gross basis, including temporary differences which are unlikely to be realized. In addition, tax effects of temporary differences related to adjustments made directly to capital surplus or capital adjustments are included in determining the net deferred tax assets or liabilities.
- (note b) These changes include adjustment to reflect the change in accumulated temporary differences based on the prior year tax return.
- (note c) Effective January 1, 2005, pursuant to adoption of SAKS No. 16 deferred tax assets and liabilities are separated into current and non-current based on the classification of related assets or liabilities for financial reporting purpose.

For the three months ended March 31, 2004

<u>Description</u>	<u>January 1, 2004</u>	<u>Increase (note b)</u>	<u>Decrease (note b)</u>	<u>March 31, 2004</u>
Property and equipment	(Won) 41,373	(Won) (20,153)	(Won) 3,478	(Won) 17,742
Allowance for doubtful accounts	66,833	62,978	67,482	62,329
Loss on impairment of long-term investment securities	95,269		250	95,019
Foreign currency translation loss	5,617		5,617	
Foreign currency translation gain	(2,802)		(2,802)	
Reserves for research and manpower development	(663,702)	(70,000)	(21,059)	(712,643)
Reserves for loss on disposal of treasury stock	(474,081)			(474,081)
Accrued interest income	(5,978)	(9,717)	(5,978)	(9,717)
Equity in earnings (losses) of affiliates	(35,616)	(23,765)		(59,381)
Loss on impairment of other assets	22,459	16,386	14,009	24,836
Loss on valuation of derivative instruments		4,953		4,953
Accrued severance indemnities	148,963	8,002	20,964	136,001
Deposits for severance indemnities	(139,054)	624	(2,429)	(136,001)
Other	57,547	15,487	42,419	30,615
Total temporary differences	(Won) (883,172)	(Won) (15,205)	(Won) 121,951	(Won) (1,020,328)
Deferred tax liabilities-net (note a)	(Won) (242,057)			(Won) (282,008)

- (note a) The tax effects of temporary differences which are not realizable and the net unrealized loss on valuation of long-term investment securities are excluded in determining the above net deferred tax liabilities as of March 31, 2004. Pursuant to a revision in the Korean Corporate Income Tax Law, statutory corporate income tax rate has been changed from current 29.5% to 27.5%, effective

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

January 1, 2005. As a result, 27.5% was used for measurement of a deferred tax assets or liabilities, which are attributable to temporary differences to be realized on and after January 1, 2005.

(note b) These changes include adjustment to reflect the change in accumulated temporary differences based on the prior year tax return.

F-106

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants' Review Report)****d. Deferred tax assets (liabilities) added to (deducted from) capital surplus or capital adjustments**

Deferred tax assets (liabilities) added to (deducted from) capital surplus or capital adjustments as of March 31, 2005 are as follows (in millions of Korean won):

Considerations for conversion right	(Won) (18,502)
Unrealized loss on valuation of long-term investment securities	16,951
Equity in capital adjustment of affiliates	(41,465)
Loss on valuation of currency swap	11,558

Total	(Won) (31,458)

e. Effective tax rate

Effective tax rates for the three months ended March 31, 2005 and 2004 are as follows (in millions of Korean won):

	<u>2005</u>	<u>2004</u>
Income before income tax expenses	(Won) 547,205	(Won) 670,272
Income tax expenses	178,787	217,757
	_____	_____
Effective tax rate	32.67%	32.49%
	_____	_____

17. NET INCOME AND ORDINARY INCOME PER SHARE

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

The Company's net income and ordinary income per share amounts for the three months ended March 31, 2005 and 2004 and for the year ended December 31, 2004 are computed as follows (in millions of Korean won, except for share and income per share):

Net income and ordinary income per share

	For the three months ended		For the year ended
	March 31,	March 31,	December 31,
	2005	2004	2004
Net income and ordinary income	(Won) 368,418	(Won) 452,515	(Won) 1,494,852
Weighted average number of common shares outstanding	73,614,296	73,614,303	73,614,297
Net income and ordinary income per share (in Korean won)	(Won) 5,005	(Won) 6,147	(Won) 20,307

F-107

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants Review Report)

The weighted average number of common shares outstanding for the three months ended March 31, 2005 and 2004 is calculated as follows:

	Number of shares	Weighted number of days	Weighted number of shares
	<u> </u>	<u> </u>	<u> </u>
For the three months ended March 31, 2005			
At January 1, 2005	82,276,711	90 / 90	82,276,711
Treasury stock, at the beginning	(8,662,415)	90 / 90	(8,662,415)
	<u> </u>		<u> </u>
Total	73,614,296		73,614,296
	<u> </u>		<u> </u>
For the three months ended March 31, 2004			
At January 1, 2004	82,276,711	91 / 91	82,276,711
Treasury stock, at the beginning	(8,662,403)	91 / 91	(8,662,403)
Purchase of fractional share related to merger with SK IMT Co., Ltd.	(12)	41 / 91	(5)
	<u> </u>		<u> </u>
Total	73,614,296		73,614,303
	<u> </u>		<u> </u>

Diluted net income and ordinary income per share amounts for the three months ended March 31, 2005 and 2004 and the year ended December 31, 2004 are computed as follows (in millions of won, except for share data):

Diluted net income and ordinary income per share

	<u>For the three months ended</u>		<u>For the year ended</u>
	<u>March 31, 2005</u>	<u>March 31, 2004</u>	<u>December 31,</u>
			<u>2004</u>
Adjusted net income and ordinary income	(Won) 371,533	(Won) 452,515	(Won) 1,502,398
Adjusted weighted average number of common shares outstanding	75,325,046	73,614,303	74,596,777
	<u> </u>	<u> </u>	<u> </u>

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Diluted net income and ordinary income per share	(Won)	4,932	(Won)	6,147	(Won)	20,140
--	-------	-------	-------	-------	-------	--------

F-108

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

Adjusted net income and ordinary income per share and the adjusted weighted average number of common shares outstanding for the three months ended March 31, 2005 and 2004 and for the year ended December 31, 2004 are calculated as follows:

	For the three months ended		For the year ended
	March 31, 2005	March 31, 2004	December 31, 2004
Net income and ordinary income	(Won) 368,418	(Won) 452,515	(Won) 1,494,852
Effect of stock option (note a)			
Effect of convertible bonds	3,115		7,546
Adjusted net income and ordinary income	(Won) 371,533	(Won) 452,515	(Won) 1,502,398
Weighted average number of common shares outstanding	(Won) 73,614,296	(Won) 73,614,303	(Won) 73,614,297
Effect of stock option (note a)			
Effect of convertible bonds (note b)	1,710,750		982,480
Adjusted weighted average number of common shares outstanding	(Won) 75,325,046	(Won) 73,614,303	(Won) 74,596,777

(note a) In the three months ended March 31, 2005 and the year ended December 31, 2004, the outstanding stock options did not have a dilutive effect because the exercise price exceeded the average market price of common stock for the three months ended March 31, 2005 and the year ended December 31, 2004, respectively. In the three months ended March 31, 2004, the average market price of common stock for the three months ended March 31, 2004 exceeded the exercise price, but such stock options were not included in the diluted income per share calculation as the related adjustments to net income creates an anti-dilutive effect.

(note b) The effect of convertible bond is the weighted average number of common shares to be converted upon exercise of conversion right (see Note 8).

18. COMMITMENT

At March 31, 2005, the Company has guarantee deposits restricted for its checking accounts totaling (Won)26 million and deposits restricted for the interest of the public totaling (Won)10,000 million.

19. INSURANCE

At March 31, 2005, certain of the Company's assets are insured with local insurance companies as follows (in millions of Korean won and thousands of U.S. dollars):

<u>Insured</u>	<u>Risk</u>	<u>Carrying value</u>	<u>Coverage</u>
Property and equipment	Fire and comprehensive liability	(Won) 3,697,732	US\$ 63,000 (Won) 6,867,720

In addition, the Company carries directors and officers liability coverage insurance totaling (Won)30,000 million.

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)****20. TRANSACTIONS WITH RELATED COMPANIES**

Significant related party transactions and balances as of and for the three months ended March 31, 2005 and 2004 were as follows (in millions of Korean won) :

Description	For the three months ended March 31,	
	2005	2004
Transactions		
SK C&C Co., Ltd.:		
Purchases of property and equipment	(Won) 3,780	(Won) 20,786
Commissions paid and other expenses	68,529	63,860
Commission and other income	1,816	1,937
SK Engineering & Construction Co., Ltd.:		
Construction	1,264	13,000
Commissions paid and other expenses	99	2
Commissions and other income	239	219
SK Networks Co., Ltd.:		
Purchases of property and equipment	690	744
Commissions paid and other expenses	96,494	81,965
Commissions and other income	2,574	3,723
SK Corporation:		
Purchases of property and equipment	211	
Commissions paid and other expenses	8,745	9,398
Commissions and other income	980	469
Innoace Co., Ltd.:		
Purchases of property and equipment	665	1,772
Commissions paid and other expenses	689	127
Commissions and other income	51	78
SK Communications Co., Ltd.:		
Purchases of property and equipment	126	35
Commissions paid and other expenses	7,432	10,705
Commissions and other income	233	4,142
SK Telesys Co., Ltd.:		
Purchases of property and equipment	13,681	488
Commissions paid and other expenses	158	352
Commissions and other income	53	89
WiderThan Co., Ltd.:		

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

Purchases of property and equipment	1,245	158
Commissions paid and other expenses	21,361	15,958
Commissions and other income	6	13

F-110

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Three Months Ended March 31, 2005 and 2004****(See Independent Accountants Review Report)**

Description	March 31, 2005	December 31, 2004
Balances		
SK C&C Co., Ltd.:		
Accounts receivable	(Won) 657	(Won) 219
Accounts payable	37,378	42,662
Guarantee deposits received	346	346
SK Engineering & Construction Co., Ltd.:		
Accounts receivable	49	68
Accounts payable	1,499	14,300
Guarantee deposits received	398	408
SK Networks Co., Ltd.:		
Accounts receivable	241	1,174
Guarantee deposits	113	113
Accounts payable	6,662	59,659
Guarantee deposits received	1,003	719
SK Corporation:		
Accounts receivable	1,405	67
Guarantee deposits	1,307	103,720
Accounts payable	2,781	9,073
Guarantee deposits received	10,194	10,194
Innoace Co., Ltd.:		
Accounts receivable	5	
Accounts payable	4,414	12,947
Guarantee deposits received	2,138	1,069
SK Communications Co., Ltd.:		
Accounts receivable	166	1,797
Accounts payable	2,809	4,394
Guarantee deposits received	3,681	8,408
SK Telesys Co., Ltd.:		
Accounts receivable	16	47
Accounts payable	23,761	18,404
SK Wyverns Baseball Club Co., Ltd.:		
Long-term and short-term loans	8,357	13,532
SK Life Insurance Co., Ltd.:		
Deposits for severance indemnities	60,455	58,139
Guarantee deposits paid	60	60
Accounts receivable	1,515	1,509
Guarantee deposits received	821	821
WiderThan Co., Ltd.:		
Accounts receivable	7	14
Accounts payable	10,165	6,263

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants Review Report)

21. DERIVATIVE INSTRUMENTS

The Company has entered into a foreign currency forward contract and a fixed-to-fixed cross currency swap contract with Citi Bank, BNP Paribas and Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed US dollar denominated bonds with face amounts totaling US\$300,000 thousand at annual fixed interest rate of 4.25% issued on April 1, 2004. As of March 31, 2005, in connection with unsettled foreign currency swap contract to which the cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to (Won)30,472 million (excluding tax effect totaling (Won)11,558 million and foreign exchange translation gain arising from unguaranteed US dollar denominated bonds totaling (Won)37,287 million) was accounted for as a capital adjustment.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Credit Suisse First Boston International to hedge foreign currency risk of unguaranteed US dollar denominated convertible bonds with face amounts of US\$329,450 thousand issued on May 27, 2004. In connection with unsettled fixed-to-fixed cross currency swap contract to which the cash flow hedge accounting is not applied, a loss on valuation of currency swap of (Won)394 million for the three months ended March 31, 2005 is charged to current operations. As of March 31, 2005, fair values of above derivatives totaling (Won)95,501 million are recorded in long-term liabilities.

Details of derivative instruments as of March 31, 2005 are as follows (in thousands of US dollars and millions of Korean won) :

Type	Hedged item	Face amount	Duration of contract	Fair value		
				Designated as cash flow hedge	Not Designated	Total
Fix-to-fixed cross currency swap	Unguaranteed US dollar denominated bonds	US\$ 300,000	March 23, 2004 ~ April 1, 2011	(Won) 79,317	(Won)	(Won) 79,317
Fix-to-fixed cross currency swap	Unguaranteed US dollar denominated convertible bonds	US\$ 100,000	May 27, 2004 ~ May 27, 2009		16,184	16,184
				(Won) 79,317	(Won) 16,184	(Won) 95,501

The above derivative instruments designated as cash flow hedge mature within 72 months from March 31, 2005 at the longest; and the expected portion of capital adjustments as of March 31, 2005, related to loss on valuation of currency swap, to be recorded in earnings within the next 12 months amounted to (Won)4,874 million.

22. SUBSTANTIAL CHANGES IN THE BUSINESS ENVIRONMENT

a. Acquisition of WiBro License

The Company, together with KT Corporation and Hanaro Telecom Inc., acquired the license for WiBro, a portable internet service which is scheduled to start commercial operations in June 2006 as a result of the decision of the Committee of Information and Communication Policy dated January 20, 2005. With regard to this service, the Company made a contribution of (Won)117 billion and received the WiBro license from the Ministry of Information and Technology in March 2005, which was recorded in intangible asset.

Table of Contents

SK TELECOM CO., LTD.

NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Three Months Ended March 31, 2005 and 2004

(See Independent Accountants Review Report)

b. Establishment of SK-EarthLink, a joint venture company in the U.S.A.

In accordance with the resolution of the Company's board of directors dated January 26, 2005, the Company and EarthLink, Inc., an internet service provider in the United States of America, agreed to establish SK-EarthLink, a joint venture company, in the United States of America in February 2005 in order to provide wireless telecommunication service across the United States of America. The Company, via SK Telecom USA Holdings, Inc., its wholly-owned subsidiary in the United States of America, will invest US\$220 million for a 50% equity interest in the joint venture company from 2005 through 2007. SK-EarthLink plans to launch cellular voice and data services across the United States of America by the third quarter of 2005 by renting networks from network operators throughout the United States of America also known as partial mobile virtual network operator (MVNO) system.

23. SUBSEQUENT EVENT

a. Resolution to dispose of the Company's investments in common shares of SK Teletech Co., Ltd.

In accordance with the resolution of the Company's board of directors dated May 3, 2005, the Company decided to sell 4,542,000 shares of 6,747,421 shares of SK Teletech Co., Ltd. (SKTT) held by the Company, representing 60% of the total outstanding common stock of SKTT, for a total selling price of (Won)300 billion ((Won)66,050 per share), to Curitel Communications, Inc., a handset maker in Korea. As a result, the Company's ownership in SKTT will decrease from 89.1% to 29.1% and the Company's management rights of SKTT are expected to be transferred to Curitel Communications, Inc. by the end of June 2005.

b. Fine for providing handset subsidies

On May 9, 2005 the Communications Commission of the Republic of Korea fined the Company (Won)23.1 billion for improper marketing activities such as providing handset subsidies.

Table of Contents

Table of Contents**PART II****INFORMATION NOT REQUIRED IN PROSPECTUS****Item 8. *Indemnification of Directors and Officers***

We maintain a directors and officers insurance policy which insures our directors and officers from claims arising out of an alleged wrongful act by these persons in their respective capacities as our directors and officers, subject to certain exceptions.

Reference is made to the Underwriting Agreement, the form of which is filed as Exhibit 1.1 hereto, for the American Depositary Shares for provisions regarding indemnification of our officers, directors and controlling persons against certain liabilities.

Item 9. *Exhibits*

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement
3.1	Articles of incorporation of the Registrant (together with English translation) (Incorporated by reference herein from our Form 20-F filed on May 31, 2005)
4.1	Form of common stock certificate (Incorporated by reference herein from our Registration Statement on Form F-3 (File No. 333-99073))
4.2	Deposit Agreement dated as of May 31, 1996 as amended by Amendment No. 1 dated March 15, 1999 among us and Citibank, N.A., as ADR depository on behalf of all holders and beneficial owners of ADRs (Incorporated by reference herein from our Registration Statement on Form F-6 (File No. 333-10152)) filed by us and Citibank, N.A., as ADR depository
4.3	Amendment No. 2 to the Deposit Agreement dated April 24, 2000 among us and Citibank, N.A., as ADR depository on behalf of all holders and beneficial owners of ADRs (Incorporated by reference herein from Registration Statement on Form F-3 (File No. 333-99073))
4.4	Amendment No. 3 to the Deposit Agreement dated July 24, 2002 among us and Citibank, N.A., as ADR depository on behalf of all holders and beneficial owners of ADRs (Incorporated by reference herein from the Amendment No. 1 to Registration Statement on Form F-6 (File No. 333-96575) filed by us and Citibank, N.A., as ADR depository)
5.1	Opinion of Woo, Yun, Kang, Jeong & Han, Korean counsel to the Registrant
8.1	Opinion of Debevoise & Plimpton LLP, U.S. counsel to the Registrant, regarding tax matters
23.1	Consent of Deloitte HanaAnjin LLC (Filed previously)
23.2	Consent of Woo, Yun, Kang, Jeong & Han (Included in Exhibit 5.1)
23.3	Consent of Debevoise & Plimpton LLP (Included in Exhibit 8.1)
24.1	Power of Attorney of Directors of the Registrant (Included on signature page)
99.1	Telecommunications Basic Law of 1983, as amended (together with English translation) (Incorporated by reference herein from our Form 20-F filed on June 3, 2003)
99.2	Enforcement Decree of the Telecommunications Basic Law (together with English translation) (Incorporated by reference herein from our annual statement on Form 20-F filed on May 31, 2005)
99.3	Telecommunications Business Law of 1983, as amended (together with English translation) (Incorporated by reference herein from our Form 20-F filed on June 3, 2003)

Edgar Filing: SK TELECOM CO LTD - Form F-3/A

- 99.4 Enforcement Decree of the Telecommunications Business Law (together with English translation)
(Incorporated by reference herein from our Form 20-F filed on May 31, 2005)
- 99.5 Amendment to Telecommunications Business Law of 1983 dated February 9, 2004 (English translation)
(Incorporated by reference herein from our Form 20-F filed on May 31, 2005)

II-1

Table of Contents

Exhibit Number	Description of Document
99.6	Korean Commercial Code (together with English translation) (Incorporated by reference herein from our Form 20-F filed on June 30, 2000)
99.7	Amendment to Korean Commercial Code dated December 29, 2001 (together with English translation) (Incorporated by reference herein from our Form 20-F filed on June 28, 2002)
99.8	Korean Securities and Exchange Act (together with English translation) (Incorporated by reference herein from our Form 20-F filed on May 31, 2005)

Item 10. Undertakings

(a) The undersigned registrant hereby undertakes that, for purposes of determining any liability under the Securities Act, each filing of the registrant's annual report pursuant to section 13(a) or section 15(d) of the Securities Exchange Act (and, where applicable, each filing of an employee benefit plan's annual report pursuant to section 15(d) of the Securities Exchange Act) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(b) Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

*

Non-standing Director

July 28, 2005

Name: Sang Koo Nam

Non-standing Director

Name: Dae Kyu Byun

Non-standing Director

Name: Seung Taik Yang

II-3

Table of Contents

<u>Signature</u>	<u>Title</u>	<u>Date</u>
_____ Name: Jae Seung Yoon	Non-standing Director	
_____ Name: Sang C. Lee	Non-standing Director	
* _____ Name: Gary Whitaker	Authorized representative in the United States	July 28, 2005
*By: /s/ Hyukjoon Chang _____ Name: Hyukjoon Chang		July 28, 2005

Pursuant to a Power of Attorney filed previously with the Securities and Exchange Commission.

Table of Contents**INDEX OF EXHIBITS**

Exhibit Number	Description of Document
1.1	Form of Underwriting Agreement
3.1	Articles of incorporation of the Registrant (together with English translation) (Incorporated by reference herein from our Form 20-F filed on May 31, 2005)
4.1	Form of common stock certificate (Incorporated by reference herein from our Registration Statement on Form F-3 (File No. 333-99073))
4.2	Deposit Agreement dated as of May 31, 1996 as amended by Amendment No. 1 dated March 15, 1999 among us and Citibank, N.A., as ADR depository on behalf of all holders and beneficial owners of ADRs (Incorporated by reference herein from our Registration Statement on Form F-6 (File No. 333-10152)) filed by us and Citibank, N.A., as ADR depository
4.3	Amendment No. 2 to the Deposit Agreement dated April 24, 2000 among us and Citibank, N.A., as ADR depository on behalf of all holders and beneficial owners of ADRs (Incorporated by reference herein from Registration Statement on Form F-3 (File No. 333-99073))
4.4	Amendment No. 3 to the Deposit Agreement dated July 24, 2002 among us and Citibank, N.A., as ADR depository on behalf of all holders and beneficial owners of ADRs (Incorporated by reference herein from the Amendment No. 1 to Registration Statement on Form F-6 (File No. 333-96575) filed by us and Citibank, N.A., as ADR depository)
5.1	Opinion of Woo, Yun, Kang, Jeong & Han, Korean counsel to the Registrant
8.1	Opinion of Debevoise & Plimpton LLP, U.S. counsel to the Registrant, regarding tax matters
23.1	Consent of Deloitte HanaAnjin LLC (Filed previously)
23.2	Consent of Woo, Yun, Kang, Jeong & Han (Included in Exhibit 5.1)
23.3	Consent of Debevoise & Plimpton LLP (Included in Exhibit 8.1)
24.1	Power of Attorney of Directors of the Registrant (Included on signature page)
99.1	Telecommunications Basic Law of 1983, as amended (together with English translation) (Incorporated by reference herein from our Form 20-F filed on June 3, 2003)
99.2	Enforcement Decree of the Telecommunications Basic Law (together with English translation) (Incorporated by reference herein from our annual statement on Form 20-F filed on May 31, 2005)
99.3	Telecommunications Business Law of 1983, as amended (together with English translation) (Incorporated by reference herein from our Form 20-F filed on June 3, 2003)
99.4	Enforcement Decree of the Telecommunications Business Law (together with English translation) (Incorporated by reference herein from our Form 20-F filed on May 31, 2005)
99.5	Amendment to Telecommunications Business Law of 1983 dated February 9, 2004 (English translation) (Incorporated by reference herein from our Form 20-F filed on May 31, 2005)
99.6	Korean Commercial Code (together with English translation) (Incorporated by reference herein from our Form 20-F filed on June 30, 2000)
99.7	Amendment to Korean Commercial Code dated December 29, 2001 (together with English translation) (Incorporated by reference herein from our Form 20-F filed on June 28, 2002)
99.8	Korean Securities and Exchange Act (together with English translation) (Incorporated by reference herein from our Form 20-F filed on May 31, 2005)