

SK TELECOM CO LTD  
Form 20-F  
June 30, 2009

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**As filed with the Securities and Exchange Commission on June 30, 2009**

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

**Form 20-F**

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the fiscal year ended December 31, 2008**  
**OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report**

**For the transition period from        to**

**Commission file number 1-14418**

**SK Telecom Co., Ltd.**

*(Exact name of Registrant as specified in its charter)*

**SK Telecom Co., Ltd.**

*(Translation of Registrant's name into English)*

**The Republic of Korea**

*(Jurisdiction of incorporation or organization)*

**SK T-Tower**  
**11, Euljiro 2-Ga, Jung-gu, Seoul, Korea**  
*(Address of principal executive offices)*

**Mr. Kyung-hwan Chung**  
**11, Euljiro 2-Ga, Jung-gu, Seoul, Korea**  
**Telephone No.: 82-2-6100-2114**  
**Facsimile No.: 82-2-6100-7827**  
*(Name, telephone, email and/or facsimile number and address of company contact person)*

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

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

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

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

**None**

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

**None**

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

**72,486,015 shares of common stock, par value ₩500 per share (not including 8,707,696 shares of common stock held by the company as treasury shares)**

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

U.S. GAAP  IFRS  Other

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

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

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**CERTAIN DEFINED TERMS AND CONVENTIONS USED IN THIS REPORT**

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

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

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

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

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

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

Unless otherwise indicated, translations of Won amounts into Dollars in this report were made at the noon buying rate in The City of New York for cable transfers in Won per US\$1.00 as certified for customs purposes by the Federal Reserve Bank of New York (the noon buying rate). Unless otherwise stated, the translations of Won into Dollars were made at the noon buying rate in effect on December 31, 2008, which was Won 1,262.0 to US\$1.00. On June 19, 2009, the noon buying rate was Won 1,264.2 to US\$1.00. See Item 3.A. Selected Financial Data Exchange Rates.



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**FORWARD-LOOKING STATEMENTS**

This report contains forward-looking statements, as defined in Section 27A of the U.S. Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate, believe, considering, depends, estimate, expect, intend, plan, planning, planned, project and similar expressions. Events, actions or results may, might, should or could occur, be taken or be achieved.

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

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

our implementation of high-speed downlink packet access, or HSDPA, technology, high-speed uplink packet access, or HSUPA, technology and wireless broadband internet, or WiBro, technology;

our plans for capital expenditures in 2009 for a range of projects, including investments in our backbone networks (and expansion of our WiBro network in particular), investments to improve our WCDMA network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid-to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course;

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

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

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

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

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

our ability to successfully manage our acquisition in 2008 of an additional 38.7% stake in SK Broadband Co., Ltd. (formerly hanarotelecom incorporated), or SK Broadband, a fixed-line telecommunications operator and broadband Internet service provider; and

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

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

**Table of Contents****PART I****Item 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS****Item 1.A. Directors and Senior Management**

Not applicable.

**Item 1.B. Advisers**

Not applicable.

**Item 1.C. Auditor**

Not applicable.

**Item 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**Item 3. KEY INFORMATION****Item 3.A. Selected Financial Data**

You should read the selected consolidated financial and operating data below in conjunction with the consolidated financial statements and the related notes included elsewhere in this report. The selected consolidated financial data for the five years ended December 31, 2008 are derived from our audited consolidated financial statements and related notes thereto.

Our consolidated financial statements are prepared in accordance with Korean GAAP, which differ in certain respects from U.S. GAAP. For more detailed information you should refer to notes 33 and 34 of the notes to our audited consolidated financial statements included in this annual report.

**As of or for the Year Ended December 31,**

	2004		2005		2006		2007		2008		2008
--	------	--	------	--	------	--	------	--	------	--	------

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

**INCOME  
STATEMENT  
DATA**
**Korean GAAP:**

Total Operating Revenue(1)	₩	10,570.6	₩	10,721.8	₩	11,028.0	₩	11,863.4 <sup>(19)</sup>	₩	14,021.0	US\$	11,110.1
Cellular Service(1)		10,297.6		10,361.9		10,515.6		11,016.1		11,389.8		9,025.2
Broadband Internet and Fixed-line Telephone Service										1,821.8		1,443.5

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Other(2)	273.0	359.9	512.4	847.3 <sub>(19)</sub>	809.4	641.4
Operating Expenses	8,130.9	8,051.2	8,406.9	9,761.4 <sub>(19)</sub>	12,268.5	9,721.5
Operating Income	2,439.7	2,670.6	2,621.1	2,102.0 <sub>(19)</sub>	1,752.5	1,388.6
Income from Continuing Operation before Income Tax	2,123.2	2,561.6	2,021.6	2,285.8 <sub>(19)</sub>	1,258.7	997.4
Net Income(3)	1,493.4	1,868.3	1,449.6	1,562.3	972.3	770.4
Net Income per Share(4)	20,261	25,443	19,801	22,696	16,707	13.24
Diluted Net Income per Share(4)	20,092	25,036	19,523	22,375	16,559	13.12
Dividends Declared per Share	10,300	9,000	8,000	9,400	9,400	7.45
Weighted Average Number of Shares	73,614,296	73,614,296	73,305,026	72,650,909	72,765,557	72,765,557
<b>U.S. GAAP:</b>						
Total Operating Revenue	₩ 10,534.6	₩ 10,701.4	₩ 10,541.8	₩ 11,212.4	₩ 11,157.6	US\$ 8,841.2
Operating Expenses	8,137.6	7,847.7	7,720.0	9,144.3	9,404.0	7,451.7
Operating Income	2,397.0	2,853.7	2,821.8	2,068.1	1,753.6	1,389.5
Net Income(4)	1,554.6	2,019.6	1,878.3	1,505.3	1,072.9	850.2
Net Income per Share(4)(5)	21,118	27,435	25,624	20,720	14,744	11.7
Diluted Net Income per Share(4)(5)	20,939	26,983	25,207	20,730	14,606	11.6

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**As of or for the Year Ended December 31,**  
**2004                      2005                      2006                      2007                      2008                      2008**  
**(In billions of Won and millions of Dollars, except per share and percentage data)**

**BALANCE SHEET DATA****Korean GAAP:**

Working Capital(6)	₩	1,323.8	₩	1,735.2	₩	1,455.5	₩	1,796.2	₩	793.6	US\$	628.9
Property and Equipment, Net		4,703.9		4,663.4		4,507.3		4,969.4		7,437.7		5,893.6
Total Assets		14,283.4		14,704.8		16,240.0		19,048.9		22,473.7		17,808.0
Non-current Liabilities(7)		4,010.7		3,513.9		3,548.5		4,344.4		6,020.4		4,770.5
Capital Stock		44.6		44.6		44.6		44.6		44.6		35.4
Total Shareholders Equity		7,205.7		8,327.5		9,483.1		11,687.6		11,824.4		9,369.6

**U.S. GAAP:**

Working Capital (Deficiency)	₩	1,311.3	₩	1,587.2	₩	1,286.2	₩	1,751.1	₩	738.0	US\$	584.8
Total Assets(4)		15,592.0		16,356.5		17,909.4		20,173.6		21,239.2		16,829.8
Total Shareholders Equity(4)		8,252.2		9,477.7		10,718.4		12,657.8		12,227.1		9,688.7

**As of or for the Year Ended December 31,**  
**2004                      2005                      2006                      2007                      2008                      2008**  
**(In billions of Won and millions of Dollars, except per share and percentage data)**

**OTHER FINANCIAL DATA****Korean GAAP:**

EBITDA(3)(8)	₩	4,087.7	₩	4,429.5	₩	3,879.1	₩	4,366.0	₩	4,008.4	US\$	3,176.2
Capital Expenditures(9)		1,631.9		1,416.6		1,498.1		1,804.1		2,236.9		1,772.5
R&D Expenses(10)		336.1		321.1		279.0		293.1		299.7		237.5
Internal R&D		267.1		252.0		212.0		218.7		226.7		179.7
External R&D		69.0		69.1		67.0		74.4		73.0		57.8
Depreciation and Amortization		1,752.5		1,675.5		1,698.4		1,971.3		2,759.3		2,186.5
Cash Flow from Operating Activities		2,527.9		3,407.1		3,589.8		3,721.7 <sup>(20)</sup>		3,296.9 <sup>(20)</sup>		2,612.4 <sup>(20)</sup>
Cash Flow from Investing Activities		(1,470.3)		(1,938.2)		(2,535.2)		(2,414.9) <sup>(20)</sup>		(3,875.4) <sup>(20)</sup>		(3,070.8) <sup>(20)</sup>
Cash Flow from Financing Activities		(968.6)		(1,429.0)		(952.4)		(1,041.3) <sup>(20)</sup>		869.4 <sup>(20)</sup>		688.9 <sup>(20)</sup>
Margins (% of total sales):												
EBITDA Margin(8)(11)		38.7%		41.3%		35.2%		36.8%		29.5%		29.5%
Operating Margin(11)		23.1		24.9		23.8		17.7		12.1		12.1
Net Margin(11)		14.1		17.4		13.1		13.2		7.1		7.1

**U.S. GAAP:**

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EBITDA(4)(8)	₩	3,971.9	₩	4,404.2	₩	4,527.4	₩	3,960.9	₩	3,277.4	US\$	2,597.0
Capital Expenditures(9)		1,656.9		1,429.3		1,538.0		1,854.0		1,861.0		1,474.6
Cash Flow from Operating Activities		3,237.9		3,296.8		3,614.8		3,284.8		2,698.7		2,138.4
Cash Flow from Investing Activities		(1,634.1)		(1,816.5)		(2,560.6)		(2,385.2)		(3,926.9)		(3,111.6)
Cash Flow from Financing Activities		(1,514.8)		(1,439.3)		(940.6)		(631.3)		1,118.7		886.5

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	As of or for the Year Ended December 31,					
	2004	2005	2006	2007	2008	2008
<b>ADJUSTED</b>						
<b>OPERATING DATA</b>						
Revenue of Korea						
(Billions)(12)	48.2	48.3	48.3	48.5	48.6	48.6
Wireless Revenue						
(Percentage)(13)	39.0%	40.4%	42.0%	45.3%	47.4%	47.4%
Number of Employees(14)	7,353	6,646	7,676	9,485	10,626	10,626
Sales per Employee						
(Millions of Won and						
Thousands of Dollars)	₩ 1,437.6	₩ 1,613.3	₩ 1,436.7	₩ 1,267.1	₩ 1,319.5	US\$ 1,040.0
Active Subscribers(15)	18,783,338	19,530,117	20,271,133	21,968,169	23,032,045	23,032,045
Average Monthly Revenue per Subscriber(16)	194	197	201	201	200	200
Average Monthly Revenue per Subscriber(17)	₩ 39,689	₩ 40,205	₩ 40,220	₩ 40,154	₩ 38,526	US\$ 300.0
Average Monthly Churn Rate(18)	1.7%	1.8%	2.0%	2.6%	2.7%	2.7%
Number of Cell Sites	9,458	10,142	12,515	16,099	17,213	17,213

\* The translation into Dollars was made at the rate of Won 1,262.0 to US\$1.00. See note 2(a) of the notes to our consolidated financial statements.

- (1) Includes revenues from SK Teletech Co., Ltd. of Won 649.8 billion for 2004 and Won 294.6 billion for 2005 from the sale of digital handsets and Won 849.4 billion for 2004, Won 898.6 billion for 2005, Won 1,033.4 billion for 2006, Won 1,062.2 billion for 2007 and Won 1,149.2 billion for 2008 of interconnection revenue. Following our sale of a 60% equity interest in SK Teletech to Pantech & Curitel in July 2005, our equity interest in the company was reduced to 29.1% (which subsequently became a 22.7% interest in Pantech following the merger of SK Teletech into Pantech in December 2005) and SK Teletech ceased to be our consolidated subsidiary. Following the exclusion of SK Teletech from consolidation, we did not derive revenues from digital handset sales.
- (2) For more information about our other revenue, see Item 5. Operating and Financial Review and Prospects and Item 4.B. Business Overview .
- (3) As of January 1, 2007, we adopted Statements of Korean Accounting Standards, or SKAS No. 25. Pursuant to adoption of SKAS No. 25, net income is allocated to equity holders of the parent and minority interest. In addition, when a subsidiary is purchased during the fiscal year, the subsidiary's statement of income is included in consolidation as though it had been acquired at the beginning of the fiscal year, and pre-acquisition earnings are presented as a separate deduction within the consolidated statements of income. The consolidated statements of income for the years ended December 31, 2006 appearing in our consolidated financial statements included elsewhere in this report have been reclassified in accordance with SKAS No. 25.

- (4) Adjusted to retroactively reflect our acquisition of an additional 38.7% equity stake in SK Broadband in March 2008, increasing our total equity interest in SK Broadband to 43.4%.
- (5) Net income per share is calculated by dividing net income attributable to majority interest by the weighted average number of shares outstanding during the period. Diluted net income per share is calculated by dividing adjusted net income by adjusted weighted average number of shares outstanding during the period, taking into account the issuance of convertible bonds in 2004, 2005, 2006, 2007 and 2008.
- (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 1,044 to US\$1.00 as of December 31, 2004, Won 1,013 to US\$1.00 as of December 31, 2005, Won 930 to US\$1.00 as of December 31, 2006, Won 938 to US\$1.00 as of December 31, 2007 and Won 1,258 to US\$1.00 as of December 31, 2008, the rates of exchange permitted under Korean GAAP as of those dates. See note 2(w) 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. Since the telecommunications business is a very capital intense business, capital



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

- (9) Consists of investments in property, plant and equipment. Under U.S. GAAP, interest costs incurred during the period required to complete an asset or ready an asset for its intended use are capitalized based on the interest rates a company pays on its outstanding borrowings. Under Korean GAAP, such interest costs are expensed as incurred.
- (10) Includes donations to Korean research institutes and educational organizations. See Item 5.C. Research and Development .
- (11) Operating revenue and operating income used in the calculation of these ratios for 2007 and 2008 include the operating revenue and operating income from the discontinued operation, but exclude the operating revenue and operating income of newly-consolidated subsidiaries prior to the date of consolidation.
- (12) Population estimates based on historical data published by the National Statistical Office of Korea.
- (13) Wireless penetration is determined by dividing our subscribers by total estimated population, as of the end of the period.
- (14) Includes regular employees and temporary employees. See Item 6.D. Employees .
- (15) Wireless subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year 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.
- (16) The average monthly outgoing voice minutes per subscriber is derived by dividing the total minutes of outgoing voice usage for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period. The monthly average number of subscribers is derived by dividing (i) the sum of the average number of subscribers for each month in the period, calculated as the average of the number of subscribers on the first and last days of the relevant month, by (ii) the number of months in the period.
- (17) The average monthly revenue per subscriber excludes interconnection revenue and is derived by dividing the sum of total initial subscription fees, monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services, value-added service fees and other miscellaneous revenues for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period. Including interconnection revenue, average monthly revenue per subscriber was Won 43,542 for

2004, Won 44,167 for 2005, Won 44,599 for 2006, Won 44,416 for 2007 and Won 43,016 for 2008.

- (18) The average monthly churn rate for a period is the number calculated by dividing the sum of voluntary and involuntary deactivations during the period by the simple average of the number of subscribers at the beginning and end of the period, then dividing that number by the number of months in the period. Churn includes subscribers who upgrade to CDMA 1xRTT or CDMA 1xEV/DO-capable handsets by terminating their service and opening a new subscriber account.
- (19) As a result of our sale of HELIO LLC ( HELIO ) to Virgin Mobile USA, Inc. in August 2008, HELIO s results of operations have been classified as discontinued operations. Operating revenue, operating expenses, operating income and income before income taxes and minority interest for the year ended December 31, 2007 have been revised to exclude HELIO s results of operations.
- (20) Cash flow activities from discontinued operation for the years ended December 31, 2007 and 2008 have been excluded.

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As a measure of our operating performance, we believe that the most directly comparable U.S. and Korean GAAP measure to EBITDA is net income. The following table reconciles our net income under U.S. GAAP to our definition of EBITDA on a consolidated basis for each of the five years ended December 31, 2008.

	2004	As of or for the Year Ended December 31,				2008 <sup>(1)</sup>
		2005	2006	2007	2008	
	(In billions of Won and millions of Dollars)					
<b>U.S. GAAP:</b>						
<b>Net Income(2)</b>	₩ 1,554.6	₩ 2,019.6	₩ 1,878.3	₩ 1,505.3	₩ 1,072.9	US\$ 850.2
LESS: Interest income	(86.7)	(62.6)	(86.8)	(99.0)	(121.8)	(96.5)
ADD: Interest expense	291.0	226.8	241.7	204.0	240.2	190.3
Taxes	611.1	667.1	686.8	576.9	161.7	128.1
Depreciation and Amortization	1,601.9	1,553.3	1,807.4	1,773.7	1,924.4	1,524.9
<b>EBITDA(2)</b>	₩ 3,971.9	₩ 4,404.2	₩ 4,527.4	₩ 3,960.9	₩ 3,277.4	US\$ 2,597.0

(1) The translation into Dollars was made at the rate of Won 1,262.0 to US\$1.00. See note 2(a) of the notes to our consolidated financial statements.

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

The following table reconciles our net income under Korean GAAP to our definition of EBITDA on a consolidated basis for each of the five years ended December 31, 2008.

	2004	As of or for the Year Ended December 31,				2008 <sup>(1)</sup>
		2005	2006	2007	2008	
	(In billions of Won and millions of Dollars)					
<b>Korean GAAP:</b>						
<b>Net Income</b>	₩ 1,493.4	₩ 1,868.3	₩ 1,449.6	₩ 1,562.3	₩ 972.3	US\$ 770.4
LESS: Interest income	(80.5)	(61.1)	(80.0)	(93.9) <sup>(2)</sup>	(136.3) <sup>(2)</sup>	(108.0)
ADD: Interest expense	303.4	253.5	239.1	235.3 <sup>(2)</sup>	344.6 <sup>(2)</sup>	273.1
Taxes	629.8	693.3	572.0	694.5 <sup>(2)</sup>	188.9 <sup>(2)</sup>	149.7
Depreciation and Amortization	1,741.6	1,675.5	1,698.4	1,967.8 <sup>(2)</sup>	2,638.9 <sup>(2)</sup>	2,091.0
<b>EBITDA</b>	₩ 4,087.7	₩ 4,429.5	₩ 3,879.1	₩ 4,366.0	₩ 4,008.4	US\$ 3,176.2

(1) The translation into Dollars was made at the rate of Won 1,262.0 to US\$1.00. See note 2(a) of the notes to our consolidated financial statements.

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

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

<b>Year Ended December 31,</b>	<b>At End of Period</b>	<b>Average Rate(1) (Won per US\$1.00)</b>	<b>High</b>	<b>Low</b>
2004	1,035.1	1,139.3	1,195.1	1,035.1
2005	1,010.0	1,023.7	1,059.8	997.0
2006	930.0	950.1	1,002.9	913.7
2007	935.8	928.0	950.2	903.2
2008	1,262.0	1,105.8	1,507.9	935.2
			<b>Past Six Months High                  Low (Won per US\$1.00)</b>	
December 2008			1,479.0	1,257.4
January 2009			1,391.5	1,292.3
February 2009			1,532.8	1,368.7
March 2009			1,570.1	1,334.8
April 2009			1,378.3	1,277.0
May 2009			1,277.0	1,232.9
June 2009 (through June 19, 2009)			1,269.0	1,232.1

Source: Federal Reserve Bank of New York.

(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.

On June 19, 2009, the noon buying rate was Won 1,264.2 to US\$1.00.

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

**Not applicable.**

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

**Not applicable.**

**Item 3.D. Risk Factors**

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

We face substantial competition across all our businesses, including our wireless telecommunications business, 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 2008, the churn rate in our wireless business ranged from 2.0% to 3.6%, with an average churn rate of 2.7%, compared to an average churn rate of 2.6% in 2007. Intensification of competition in the future may cause our churn rates to increase. In addition, increased competition may cause our marketing expenses to increase as a

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percentage of sales, reflecting higher advertising expenses and other costs of new marketing activities, which may need to be introduced to attract and retain subscribers.

Prior to April 1996, we were the only wireless telecommunications service provider in Korea. Since then, several new providers have entered the market, offering wireless voice and data services that compete directly with our own. Together, these providers had a market share of approximately 49.5%, in terms of numbers of wireless service subscribers, as of December 31, 2008. Furthermore, in 2001, the Government awarded three companies the licenses to provide high-speed third generation, or 3G, wireless telecommunications services. In Korea, this 3G license is also known as the IMT-2000 license. IMT-2000 is the global standard for 3G wireless communications, as defined by the International Telecommunication Union, an organization established to standardize and regulate international radio and telecommunications. One of these licenses was awarded to our former subsidiary, SK IMT Co., Ltd., which was merged into us on May 1, 2003, and the other two licenses were awarded to consortia led by or associated with KT Corporation, Korea's principal fixed-line operator that recently merged with KT Freetel Co., Ltd., or KTF, one of our principal wireless competitors before the merger, and to LG Telecom, Ltd., or LGT. In addition, our wireless voice businesses compete with Korea's fixed-line operators, and our wireless Internet businesses compete with providers of fixed-line data and Internet services.

Since 2000, there has been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors. In 2000, KT Corporation acquired a 47.9% interest in Hansol M.Com (formerly Hansol PCS Co., Ltd.), which was then the fifth largest wireless operator in terms of numbers of wireless service subscribers. Hansol M.Com subsequently changed its name to KT M.Com and merged into KTF in May 2001. In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. In June 2009, KTF merged into KT Corporation, which had held a 54.25% interest in KTF before the merger. 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 or enhance the abilities of our competitors to offer more competitive bundling services and could harm our business and results of operations.

In addition, in March 2006 the MIC partially lifted, and in March 2008 the KCC fully lifted, the prohibition on the provision of handset subsidies, which had been in place since June 2000. See Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition. These decisions by the MIC and the KCC have intensified competition among mobile service providers and may increase our marketing expenses relating to the provision of handset subsidies, which could, in turn, adversely affect our results of operations.

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

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



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

The telecommunications industry has been characterized by continual improvement and advances in technology and this trend is expected to continue. For example, we and our competitors have implemented technology upgrades from basic code division multiple access, or CDMA, networks to more advanced high-speed wireless telecommunications networks based on CDMA 1xRTT and CDMA 1xEV-DO technology. Korean wireless telecommunications companies, including us, have also implemented newer technologies such as wide-band code division multiple access, or WCDMA, which is the 3G technology implemented by us. In 2005, we began to upgrade our WCDMA network to support high-speed downlink packet access, or HSDPA, technology. HSDPA, which represents an evolution of the WCDMA standard, is a more advanced 3G technology than the initial WCDMA technology we implemented and is sometimes referred to as 3.5G technology. Our HSDPA-capable WCDMA network, which was completed in March 2007, supports data transmission services at significantly higher data transmission speeds than our basic CDMA, CDMA 1xRTT and CDMA 1xEV-DO networks. We are currently further upgrading our WCDMA network to support even more advanced high-speed uplink packet access, or HSUPA, technology. The more successful operation of a 3G network by a competitor, including better market acceptance of a competitor's 3G-based services, could materially and adversely affect our existing wireless businesses as well as the returns on future investments we may make in our 3G network or our other businesses.

In addition, in March 2005, we also obtained a license from the MIC to provide wireless broadband Internet, or WiBro, services. WiBro enables us to offer high-speed and large-packet data services, including wireless broadband Internet access to portable computers and other portable devices, but does not support voice transmission. We commercially launched WiBro service in June 2006, initially to 24 hot zone areas, which are neighborhoods and districts that we have determined to be high-data traffic areas, in seven cities in Korea. By the end of 2008, we had extended WiBro service to hot zone areas in 42 cities throughout Korea. In 2009, we plan to expand WiBro service to hot zone areas in 84 cities. Beyond 2009, our WiBro expansion plans will depend, in part, on subscriber demand for WiBro services. As the implementation of WiBro service in Korea is relatively new, we cannot assure you that there will be sufficient demand for our WiBro services. Our WiBro services may not be commercially successful if market conditions are unfavorable or service demand is weak.

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

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

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

We have invested significant capital and resources to develop and implement our 3G technologies, including investments related to the commercial development of WCDMA technology and the build-out of our WCDMA network. In 2008, we invested Won 904.8 billion in capital expenditures related to expansion and upgrade of our WCDMA network. We also expect to devote additional capital resources in 2009 to enhance our 3G service quality and increase our WCDMA network capacity. For a more detailed description of our backbone networks, see Item 4.B. Business Overview Digital Cellular Network .

The demand for our 3G services may not be sufficient to recoup our aggregate capital expenditures in developing and implementing our 3G technologies, including costs related to the procurement of our IMT-2000 license and

construction of our WCDMA network. Also, there may not be sufficient demand for our 3G services, as a result of competition or otherwise, to permit us to recoup or profit from our investment.

We have also made, and intend to continue to make, capital investments to develop and launch our WiBro services. In 2008, we spent Won 404.8 billion in capital expenditures to build and expand our WiBro network. We plan to spend additional amounts to expand our WiBro network in 2009, and may make further capital investments related to our WiBro service in the future. Our WiBro-related investment plans are subject to change, and will

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depend, in part, on market demand for WiBro services, the competitive landscape for provision of such services and the development of competing technologies. We cannot assure you that there will be sufficient demand for our WiBro services, as a result of competition or otherwise, to permit us to recoup or profit from our WiBro-related capital investments. KT Corporation commercially launched its WiBro service in 2006. The more successful operation of a WiBro network by KT Corporation, or another competitor, including better market acceptance of a competitor's WiBro services, could also materially and adversely affect our business.

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

As a part of our growth strategy, we plan to selectively seek business opportunities abroad. In February 2005, we established a joint venture company, UNISK Information Technology Co., Ltd., with China Unicom Ltd. (China Unicom), China's second largest mobile operator, to market and offer wireless data services in China. In July 2006, we also acquired US\$1 billion in aggregate principal amount of China Unicom's convertible bonds, which, in August 2007, we converted into a 6.6% equity interest in China Unicom. In October 2008, China Unicom merged with China Netcom Group Corporation (Hong Kong) Limited, a leading broadband communications and fixed-line telecommunications operator in China. As a result of the merger, our equity interest in China Unicom, which is the surviving entity after the merger, decreased to 3.8% from 6.6%. We also have ongoing projects in Vietnam. In addition, in May 2006 our subsidiary, HELIO, launched cellular voice and data services across the United States. In August 2008, together with EarthLink Inc., our joint venture partner in HELIO, we sold our equity interest in HELIO to Virgin Mobile USA, Inc., a provider of wireless communications services in the United States that was founded as a joint venture between Sprint Nextel and the Virgin Group, in exchange for limited partnership units of Virgin Mobile USA, L.P. (Virgin Mobile USA, Inc.'s operating company), equivalent to 11 million shares of Virgin Mobile USA, Inc.'s Class A common stock (valued at approximately US\$31 million at the time of sale). In addition, we invested US\$25 million of equity capital in Virgin Mobile USA, Inc. in exchange for mandatory convertible preferred stock, convertible into Virgin Mobile USA, Inc.'s Class A common stock. In connection with our investment in HELIO, we have recognized a cumulative loss of Won 346 billion through the end of 2008. See Item 4.B. Business Overview Our Business Strategy Global Business United States for more information regarding our investments in HELIO and Virgin Mobile USA, Inc. These global businesses may require further investment from us. We continue to seek other opportunities to expand our business abroad, particularly in Asia and the United States, as such opportunities present themselves. For a more detailed description of our investments in our global business, see Item 4.B. Business Overview Our Services Global Business .

We have also pursued convergence growth opportunities. For example, in March 2008, we completed the acquisition of an additional equity stake in SK Broadband, Korea's second-largest fixed-line operator, for approximately Won 1.1 trillion and currently hold a 43.4% equity stake in the company. While we are hoping to benefit from a range of synergies from this acquisition, including by offering our customers bundled fixed-line and mobile telecommunications services, we may not be able to realize those expected benefits in the near term, or at all. In particular, we may experience difficulties in integrating SK Broadband's fixed-line telecommunications and broadband Internet services with our existing products and services and we may be unsuccessful in retaining SK Broadband's existing customers. In addition, since April 2008, customers of SK Broadband have filed lawsuits against SK Broadband in the Seoul Central District Court, alleging that SK Broadband had violated customers' privacy, and an investigation against SK Broadband was initiated by the Seoul Central Prosecutor's Office, the KCC and the Korea Trade Commission. In connection with its investigation, the KCC suspended SK Broadband from soliciting new subscribers for its broadband Internet services for a period of 40 days from July 1, 2008 and, in addition, imposed an administrative fine of Won 178 million. As of April 23, 2009, the number of plaintiffs was 23,591 and the aggregate amount of damages claimed by such plaintiffs was approximately Won 24.2 billion. The case is currently pending before the Seoul Central District Court. An adverse outcome of the litigation may damage the reputation and business of SK Broadband. For more information regarding this lawsuit, see Item 8.A. Consolidated Statements and Other

Financial Information   Legal Proceedings   SK Broadband Litigation .

We believe that we must continue to make significant investments to build, develop and broaden our existing businesses, including by developing and improving our wireless data, multimedia, mobile commerce and Internet services. We will need to respond to market and technological changes and the development of services which we

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may have little or no experience in providing. Entering into these new businesses and regions in which we have limited experience may require us to make substantial investments and, in spite of such investments, we may still be unsuccessful in these efforts to expand and diversify. We cannot assure you that we will be able to recoup or profit from our investments in new businesses and regions. In addition, when we enter into these businesses and regions with partners through joint ventures or other strategic alliances, we and those partners may have disagreements with respect to strategic directions or other aspects of business, or may otherwise be unable to coordinate or cooperate with each other, any of which could materially and adversely affect our operations in such businesses and regions.

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

According to data published by the KCC and our population estimates based on historical data published by the National Statistical Office of Korea, the penetration rate for the Korean wireless telecommunications service industry as of December 31, 2008 was approximately 93.8%, which is high compared to many industrialized countries. Therefore, it is unlikely that the penetration rates for wireless telecommunications service in Korea will grow significantly. As a result of the already high penetration rates in Korea for wireless services coupled with our leading market share, we expect our subscriber growth rate to decrease. Slowed growth in penetration rates without a commensurate increase in revenues through the introduction of new services and increased use of our services by existing subscribers would likely have a material adverse effect on our financial condition, results of operations and cash flows.

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

One of the principal limitations on a wireless network's subscriber capacity is the amount of spectrum available for use by the system. We have been allocated 2 x 22.5 MHz of spectrum in the 800 MHz band. As a result of bandwidth constraints, our CDMA 1xRTT network is currently operating near its capacity in the Seoul metropolitan area, although capacity constraints are not as severe for transmissions utilizing CDMA 1xEV-DO technology. While we believe that we can address this issue through system upgrades and efficient allocation of bandwidth, inability to address such capacity constraints in a timely manner may adversely affect our business, results of operations, financial position and cash flows.

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

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

As a network-based wireless telecommunications provider, we have had, and expect to continue to have, significant capital expenditure requirements as we continue to build out, maintain and upgrade our networks. We spent Won 2,236.9 billion for capital expenditures in 2008 and we expect to spend a similar amount for capital expenditures in 2009 for a range of projects, including investments in our backbone networks (and expansion of our WiBro network in particular), investments to improve our WCDMA network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid- to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and

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in the ordinary course. In 2009, we plan to continue HSUPA upgrades to our WCDMA network, as well as expand our WiBro service to hot zone areas in 84 cities. For a more detailed discussion of our capital expenditure plans and a discussion of other factors that may affect our future capital expenditures, see Item 5.B. Liquidity and Capital Resources .

At December 31, 2008, we had approximately Won 2,118 billion in contractual payment obligations due in 2009 of which almost all involve repayment of debt obligations. See Item 5.F. Tabular Disclosure of Contractual Obligations .

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

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

We purchase wireless network equipment from a small number of suppliers. We purchase our principal wireless network equipment from Samsung Electronics Co., Ltd. and LG Nortel Co., Ltd. To date, we have purchased substantially all of the equipment for our CDMA 1xRTT and CDMA 1xEV-DO networks from Samsung Electronics and substantially all of the equipment for our WCDMA network, including the software and firmware used to implement HSDPA and HSUPA upgrades, from Samsung Electronics and LG Nortel. In addition, to date, we have purchased substantially all of the equipment for our WiBro network from Samsung Electronics. We believe Samsung Electronics currently manufactures approximately half of the wireless handsets sold to our subscribers. Although other manufacturers sell the equipment we require, sourcing such equipment from other manufacturers could result in unanticipated costs in maintenance and upkeep of the CDMA 1xRTT, CDMA 1xEV-DO and WCDMA networks, as well as in the planned expansion of our WiBro network. Inability to obtain the needed equipment for our networks in a timely manner may have an adverse effect on our business, financial condition, results of operations and cash flows.

In addition, we rely on KT Corporation and SK Networks to provide a substantial majority of the transmission lines we lease. For a more detailed discussion of the lines we lease from fixed-line operators, see Item 4.B. Business Overview Digital Cellular Network Network Infrastructure . In May 2009, we entered into an agreement with SK Networks to purchase its leased line business for Won 892.85 billion. The purchase remains subject to regulatory approvals and approval by shareholders of SK Networks. In addition, we will also assume Won 627.8 billion of debt as part of the transaction.

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

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

All of our businesses are subject to extensive governmental supervision and regulation. The MIC has periodically reviewed the tariffs charged by wireless operators and has, from time to time, suggested tariff reductions. Although these suggestions are not binding, we have in the past implemented some degree of tariff reductions in response to MIC recommendations. After discussions with the MIC, effective September 1, 2004, we reduced our monthly plan-based fees by 7.1%. In addition, after discussions with the MIC, we began to provide Caller ID service to our customers free of charge from January 1, 2006. After discussions with the MIC, in January 2007 we and other wireless telecommunications providers, including KTF and LGT, reduced usage fees for wireless Internet services by 30% and, in January 2008 we and other wireless telecommunications providers, including KTF and LGT, reduced the usage fees for short text message service, or SMS, from Won 30 per message to Won 20 per message.

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

Furthermore, the Government sets the policies regarding the use of radio frequencies and allocates the spectrum of radio frequencies used for wireless telecommunications. In December 2008, the KCC announced its plan to reallocate 20 MHz of spectrum in the 800 MHz band that we are currently using to other service providers in June 2011. The KCC's plan also contemplates new allocations of 20 MHz of spectrum in the 900 MHz band, 40MHz of spectrum in the 2.1 GHz band and 27MHz of spectrum in the 2.3 GHz band for wireless telecommunication services. While we do not believe the reallocation of spectrum will materially impact our ability to maintain sufficient bandwidth capacity, the reallocation and new allocation of the spectrum to our existing or new competitors could increase competition among wireless service providers, which may have an adverse effect on our business.

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

In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the new services, the MIC has required all new subscribers to be given numbers with the 010 prefix starting January 2004, and it has been gradually retracting the mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services. We believe that the use of the common prefix identification system has posed, and continues to pose, a greater risk to us compared to the other wireless telecommunications providers because,



historically, 011 has had high brand recognition in Korea as the premium wireless telecommunications service. The MIC's adoption of the number portability system has resulted in and could continue to result in a deterioration of our market share as a result of weakened customer loyalty, increased competition among wireless service providers and higher costs of marketing as a result of maintaining the number portability system,

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

In the past, wireless telecommunications service providers provided handsets at below retail prices to attract new subscribers, offsetting a significant portion of the cost of handsets. The rapid growth in penetration rate in past years can, at least in part, be attributed to such subsidies on handsets given to new subscribers. During the period between June 2000 and March 2008, the MIC prohibited all wireless telecommunications service providers, subject to certain exceptions stipulated in the Telecommunications Business Act, from providing any such handset subsidies. The MIC has, on several occasions between March 2002 and February 2008, imposed various types of sanctions and fines against us and the other wireless service providers for violating restrictions on providing handset subsidies and other activities that were deemed to be disruptive to fair competition. We paid the fines and believe that we have complied in all material respects with the other sanctions imposed by the MIC. For details on these and other Government penalties, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings . Beginning in March 2006 the MIC partially lifted, and, in March 2008 fully lifted, its prohibition on the provision of handset subsidies. We currently provide subsidies of between Won 20,000 to Won 130,000 to subscribers who enter into long-term subscription agreements of one to two years. As a result of the Government's recent decision to allow handset subsidies, we have faced increased competition from other mobile service providers. The provision of handset subsidies has increased, and may continue to increase, our marketing expenses, which in turn, has had, and may continue to have, a material adverse effect on our results of operations.

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

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

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

We qualify as a market-dominating business entity under the Fair Trade Act. The Fair Trade Commission of Korea, or the FTC, approved our acquisition of Shinsegi on various conditions, one of which was that our and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50% as of June 30, 2001. In order to satisfy this condition, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new

subscribers from April 1, 2001 through June 30, 2001. While we are no longer subject to any market share limitations, our strategy is to maintain our market share at the current levels. We can give no assurance 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.

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

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

In the past, allegations that serious health risks may result from the use of wireless telecommunications devices or other transmission equipment have adversely affected share prices of some wireless telecommunications companies in the United States. 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.

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

We are incorporated in Korea and a significant portion of our operations is based in Korea. As a result, we are subject to political, economic, legal and regulatory risks specific to Korea. Recent difficulties affecting the U.S. and global financial sectors, adverse conditions and volatility in the U.S. and worldwide credit and financial markets, fluctuations in oil and commodity prices and the general weakness of the U.S. and global economies have increased the uncertainty of global economic prospects in general and have adversely affected the global and Korean economies. Any future deterioration of the Korean and global economy could adversely affect our business, financial condition, results of operations and cash flows.

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

continuing difficulties in the housing and financial sectors in the United States and elsewhere and the resulting adverse effects on the global financial markets;

adverse changes or volatility in foreign currency reserve levels, commodity prices (including oil prices), exchange rates (including fluctuation of the U.S. dollar or Japanese yen exchange rates or revaluation of the Chinese renminbi), interest rates and stock markets;

substantial decreases in the market prices of Korean real estate;

increasing delinquencies and credit defaults by consumer and small and medium sized enterprise borrowers;

declines in consumer confidence and a slowdown in consumer spending;

adverse developments in the economies of countries that are important export markets for Korea, such as the United States, Japan and China, or in emerging market economies in Asia or elsewhere;

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

social and labor unrest;

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

financial problems or lack of progress in the restructuring of Korean conglomerates, other large troubled companies, their suppliers or the financial sector;

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

the economic impact of any pending or future free trade agreements, including the Free Trade Agreement recently negotiated with the United States;

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

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

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

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

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

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

***Disruptions in global credit and financial markets and the resulting governmental actions around the world could have a material adverse impact on our business and the ability to meet our funding needs, and could cause the market value of the common shares and ADSs to decline.***

Global credit markets have been experiencing difficulties and volatility since the second half of 2008. The market uncertainty that started from the U.S. residential market further expanded to other markets such as those for leveraged finance, collateralized debt obligations and other structured products. These developments have resulted in significant contraction, de-leveraging and reduced liquidity in the global credit markets, as well as bankruptcy or acquisition of, and government assistance to, several major U.S. and European financial institutions, beginning with the bankruptcy filing of Lehman Brothers in September 2008. In response to such developments, legislators and financial regulators in the United States and other jurisdictions, including Korea, have implemented a number of policy measures designed to add stability to financial markets. However, the overall impact of these legislative and regulatory efforts on the global financial markets is uncertain, and they may not have the intended stabilizing effects. The U.S. Securities and Exchange Commission, other regulators, self-regulatory organizations and exchanges are authorized to take extraordinary actions in the event of market emergencies, and may effect changes in law or interpretations of existing laws.

We are exposed to risks related to changes in the global and Korean economic environments, changes in interest rates and instability in the global financial markets. As liquidity and credit concerns and volatility in the global financial markets increased significantly, the value of the Won relative to the Dollar has depreciated at an accelerated rate. Such depreciation of the value of the Won may adversely affect our business. See Depreciation of the value of the Won against the Dollar and other major foreign currencies may have a material adverse effect on our results of operations and the market value of the common shares and ADSs . Furthermore, as a result of adverse global and Korean economic conditions, there has been a significant overall decline and continuing volatility in securities prices of Korean companies, including ours, which may result in trading and valuation losses on our trading and investment securities portfolio. The Korea Stock Price Index declined from 1,852.0 on May 30, 2008 to 1,363.8 on June 24, 2009.

In addition, recent increases in credit spreads, as well as limitations on the availability of credit resulting from heightened concerns about the stability of the markets generally and the strength of counterparties specifically have led many lenders and institutional investors to reduce or cease providing funding to borrowers, which may negatively impact our liquidity and results of operation. Major market disruptions and the current adverse changes in market conditions and regulatory climate may further impair our ability to meet our desired funding needs. We cannot predict how long the current market conditions will last. These recent and developing economic and governmental factors may have a material adverse effect on our business and the ability to meet our funding needs, as well as negatively affect the market prices of the common shares and ADSs.

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

During the period from January 2, 2008 through June 19, 2009, the value of the Won relative to the U.S. dollar declined by approximately 26%, due primarily to adverse economic conditions resulting from liquidity and credit concerns and volatility in the global credit and financial markets and repatriations by foreign investors of their investments in the Korean stock market. For historical exchange rate information, see Item 3.A. Selected Financial Data Exchange Rate .

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 23% of our total consolidated long-term debt, including current portion, as of December 31, 2008; and

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

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

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

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

the secondary market price of the ADSs.

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

Relations between Korea and North Korea have been tense throughout Korea's modern history. The level of tension between the two Koreas has fluctuated and may increase abruptly as a result of current and future events. In recent years, there have been heightened security concerns stemming from North Korea's nuclear weapons and long-range missile programs and increased uncertainty regarding North Korea's actions and possible responses from the international community. In December 2002, North Korea removed the seals and surveillance equipment from its Yongbyon nuclear power plant and evicted inspectors from the United Nations International Atomic Energy Agency. In January 2003, North Korea renounced its obligations under the Nuclear Non-Proliferation Treaty. Since the renouncement, Korea, the United States, North Korea, China, Japan and Russia have held numerous rounds of six party multi-lateral talks in an effort to resolve issues relating to North Korea's nuclear weapons program.

In addition to conducting test flights of long-range missiles, North Korea announced in October 2006 that it had successfully conducted a nuclear test, which increased tensions in the region and elicited strong objections worldwide. In response, the United Nations Security Council passed a resolution that prohibits any United Nations member state from conducting transactions with North Korea in connection with any large scale arms and material or technology related to missile development or weapons of mass destruction and from providing luxury goods to North Korea,



imposes an asset freeze and travel ban on persons associated with North Korea's weapons program, and calls upon all United Nations member states to take cooperative action, including through inspection of cargo to or from North Korea. In response, North Korea agreed in February 2007 at the six-party talks to shut down and seal the Yongbyon nuclear facility, including the reprocessing facility, and readmit international inspectors to conduct all necessary monitoring and verifications. In June 2008, North Korea demolished the cooling tower at its main reactor complex in Yongbyon. After reaching an agreement with North Korea on a series of measures to verify North Korea's efforts in dismantling its nuclear program, the United States provisionally rescinded the designation

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of the North Korea as a State Sponsor of Terrorism, effective from October 11, 2008. However, on April 5, 2009, North Korea launched a long-range rocket over the Pacific Ocean, claiming that the launch intended to put an orbital satellite into space. The United States Northern Command issued a statement that North Korea's long-range rocket flew over Japan, with its payload landing in the Pacific Ocean. On April 13, 2009, the United Nations Security Council unanimously passed a resolution that condemned North Korea for the launch and decided to tighten sanctions against North Korea. In response, North Korea announced on April 14, 2009 that it would permanently pull out of nuclear disarmament talks and restart its nuclear program. On May 25, 2009, North Korea announced that it had successfully conducted a second nuclear test and test-fired three short-range, surface-to-air missiles. In response, the United Nations Security Council unanimously passed a resolution on June 12, 2009 that condemned North Korea for the nuclear test and tightened sanctions against North Korea.

There can be no assurance that the level of tension on the Korean peninsula will not escalate in the future. Any further increase in tensions, which may occur, for example, if North Korea experiences a leadership crisis, high-level contacts break down or military hostilities occur, could have a material adverse effect on our operations and the market value of the common shares and ADSs.

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

There is currently a 49% limit on the aggregate foreign ownership of our issued shares. Under an amendment to the Telecommunications Business Act, which became effective in May 2004, a Korean entity, such as SK Holdings, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the issued voting stock of the Korean entity. As of March 31, 2009, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.22%, of our issued shares. If SK Holdings were considered to be a foreign shareholder, then its shareholding in us would be included in the calculation of our aggregate foreign shareholding and our aggregate foreign shareholding (based on our foreign ownership level as of March 31, 2009, which we believe was 45.95%) would exceed the 49% ceiling on foreign shareholding. As of March 31, 2009, a foreign investment fund and its related parties collectively held a 2.11% stake in SK Holdings. We could breach the foreign ownership limitations if the number of shares of our common stock or ADSs owned by other foreign persons significantly increases.

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

revoke our business license;

suspend all or part of our business; or

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

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

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

In April 2009, we sold US\$332.528 million in 1.75% convertible notes due 2014. As of May 31, 2009, these convertible notes were convertible by the holders into shares of our common stock at the rate of Won 230,010 per share. These notes are held principally by foreign holders. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock or ADSs upon conversion of these notes would result in a violation of applicable Korean law or (2) we do not have a sufficient number of shares of our common stock to satisfy the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we may sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Business Act or other legal restrictions. The number of shares sold in these circumstances might be substantial. We cannot assure you that such sales would not adversely affect the market prices of our common stock or ADSs.

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

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

As of December 31, 2008, SK Holdings owned 23.09% and POSCO owned 2.88% of our issued common stock, respectively. Neither of them has agreed to any restrictions on its ability to dispose of our shares. See Item 7.A. Major Shareholders. We can make no prediction as to the timing or amount of any sales of our common stock. We cannot assure you that future sales of shares of our common stock, or the availability of shares of our common stock for future sale, will not adversely affect the market prices of the shares of our common stock or ADSs prevailing from time to time.

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

The Securities-related Class Action Act of Korea enacted in January 2004 allows class action suits to be brought by shareholders of companies (including us) listed on the KRX KOSPI Market for losses incurred in connection with purchases and sales of securities and other securities transactions arising from (i) false or inaccurate statements provided in the registration statements, prospectuses, business reports and audit reports and omission of material information in such documents; (ii) insider trading; (iii) market manipulation and (iv) unfair trading. This law permits 50 or more shareholders who collectively hold 0.01% of the shares of a company to bring a class action suit against, among others, the issuer and its directors and officers. 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 represented by ADSs, which was 17,942,962 shares as of June 1, 2009,

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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. See Item 10.B. Memorandum and Articles of Incorporation Description of American Depositary Shares . It is possible that we may not give the consent. Consequently, an investor who has surrendered his 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:

a registration statement filed by us under the Securities Act is in effect with respect to those shares; or

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

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

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

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

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

We are a corporation with limited liability organized under the laws of Korea. Substantially all of our directors and officers and other persons named in this document reside in Korea, and all or a significant portion of the assets of our directors and officers and other persons named in this document and substantially all of our assets are located in

Korea. As a result, it may not be possible for holders of our ADSs to effect service of process within the United States, or to enforce against them or us in the United States judgments obtained in United States courts based on the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Korea, either in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities predicated on the United States federal securities laws.

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

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

**Item 4. INFORMATION ON THE COMPANY**

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

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

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

As of December 31, 2008, we had approximately 23.0 million wireless subscribers throughout Korea, of which 21.1 million owned Internet-enabled handsets capable of accessing our wireless Internet services. As of December 31, 2008, our share of the Korean wireless market was approximately 50.5%, based on number of subscribers, according to the KCC.

In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. Through SK Broadband, we currently provide broadband Internet access service and other Internet-related services, including video-on-demand and Internet protocol TV, or IP TV, services, as well as fixed-line telephone services. As of December 31, 2008, we had approximately 3.5 million broadband Internet access subscribers and 2.1 million fixed-line telephone subscribers.

On June 19, 2009, we had a market capitalization of approximately Won 14.1 trillion (US\$11.1 billion, as translated at the noon buying rate of June 19, 2009) or approximately 1.96% of the total market capitalization on the KRX KOSPI



Market, making us the 9th largest company listed on the KRX KOSPI Market based on market capitalization on that date. Our ADSs, each representing one-ninth of one share of our common stock, have traded on the New York Stock Exchange since June 27, 1996.

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

## **Korean Telecommunications Industry**

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

In 2000 and 2001, the Korean wireless telecommunications market experienced significant consolidation. In January 2002, Shinsegi was merged into us. Additionally, two of the other wireless telecommunications services operators merged. See Item 4.B. Business Overview Competition . Thus, there are currently three providers of wireless voice telecommunications services in Korea, our company, KT Corporation (into which KTF recently merged) and LGT. According to the KCC, as of December 31, 2008, we had 50.5% market share of the Korean wireless telecommunications market in terms of number of subscribers, while KTF and LGT had market shares of 31.5% and 18.0%, respectively. Furthermore, in June 2009, KTF merged into KT Corporation, which had held a 54.25% interest in KTF before the merger.

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

A one-way mobile number portability, or MNP, system was first implemented in the beginning of January 2004 when our subscribers were allowed to transfer to KTF and LGT. From July 2004, a two-way MNP was implemented so that KTF subscribers could transfer to us and LGT. A three-way MNP has been in effect since January 2005 so that subscribers from each of the wireless service providers may transfer to any other wireless service provider. During 2006, 2007 and 2008, approximately 2.9 million, 3.4 million and 3.0 million, respectively, of our subscribers migrated to our competitors. Approximately 0.8 million, 1.1 million and 0.6 million of LGT s subscribers in 2006, 2007 and 2008, respectively, and approximately 2.1 million, 2.3 million and 2.5 million in 2006, 2007 and 2008, respectively, of KTF s subscribers migrated to our service.

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

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Telecommunications industry growth in Korea has been among the most rapid in the world, with fixed-line penetration increasing from under five lines per 100 population in 1978 to 45.5 lines per 100 population as of December 31, 2008, and wireless penetration increasing from 7.0 subscribers per 100 population in 1996 to 93.8 subscribers per 100 population as of December 31, 2008. The table below sets forth certain subscription and penetration information regarding the Korean telecommunications industry as of the dates indicated:

	<b>As of December 31,</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>(In thousands, except for per population amounts)</b>				
Population of Korea(1)	48,082	48,294	48,297	48,456	48,607
Wireless Subscribers(2)	36,586	38,342	40,197	43,498	45,607
Wireless Subscribers per 100 Population	76.1	79.4	83.2	89.8	93.8
Telephone Lines in Service(2)	22,871	22,920	23,119	23,130	22,132
Telephone Lines per 100 Population	47.6	47.5	47.9	47.7	45.5

(1) Source: National Statistical Office of Korea.

(2) Source: KCC.

The Korean telecommunications industry is one of the most developed in the world in terms of wireless penetration and in terms of the growth of wireless data services, including wireless Internet services. The wireless penetration rate, which is calculated by dividing the number of wireless subscribers by the population, was 93.8% as of December 31, 2008 and the number of wireless subscribers has increased from approximately 3.2 million in 1996 to approximately 45.6 million as of December 31, 2008.

Since the introduction of short text messaging in 1998, Korea's wireless data market has grown rapidly. This growth has been driven, in part, by the rapid development of wireless Internet service since its introduction in the second half of 1999. All of the Korean wireless operators have developed extensive wireless Internet service portals. As of December 31, 2008, approximately 42.7 million of Korean wireless subscribers owned Internet-enabled handsets capable of accessing wireless Internet services. The table below sets forth certain penetration information regarding the number of Internet-enabled handsets and wireless subscribers in Korea as of the dates indicated:

	<b>As of December 31,</b>				
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>(In thousands)</b>				
Number of Wireless Internet Enabled Handsets	35,017	37,202	38,894	41,598	42,740
Total Number of Wireless Subscribers	36,586	38,342	40,197	43,498	45,607
Penetration of Wireless Internet Enabled Handsets	95.7%	97.0%	96.8%	95.6%	93.7%

Source: KCC.

In addition to its well-developed wireless telecommunications sector, Korea has one of the largest Internet markets in the Asia Pacific region. According to National Internet Development Agency of Korea, or NIDA, the number of Internet subscribers in Korea increased from approximately 3.1 million at the end of 1998 to approximately 35.4 million at the end of 2008, representing a 27.6% compound annual growth rate. From the end of 2004 to the end of 2008, the number of broadband Internet access subscribers increased from approximately 11.9 million to approximately 15.5 million, representing a 6.7% compound annual growth rate. The table below sets forth certain information regarding Internet users and broadband subscribers as of the dates indicated:

	<b>2004</b>	<b>2005</b>	<b>As of December 31,</b>		<b>2008</b>
			<b>2006</b>	<b>2007</b>	
			<b>(In thousands)</b>		
Number of Internet Users(1)	31,580	33,010	34,120	34,820	35,360
Number of Broadband Subscribers(2)	11,921	12,191	14,043	14,709	15,475

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

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

### **Overview**

We are Korea's leading wireless telecommunications services provider and continue to pioneer the commercial development and implementation of state-of-the-art wireless technologies. As of December 31, 2008, we had approximately 23.0 million wireless subscribers and our share of the Korean wireless market was approximately 50.5%, based on the number of subscribers, according to the KCC.

We provide the following core services:

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

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

*Broadband Internet and fixed-line telephone services.* Through our consolidated subsidiary, SK Broadband, we provide broadband Internet access service and other Internet-related services, including video-on-demand and IP TV services. Through SK Broadband, we also provide local, domestic long-distance and international long-distance fixed-line telephone services to residential and commercial subscribers. We currently own a 43.4% equity interest in SK Broadband following our acquisition of a 38.7% equity stake in the company in March 2008.

*Digital convergence and new businesses.* We have pioneered new services that reflect the growing convergence within the telecommunications sector, as well as between the telecommunications sector and other industries, including satellite digital media broadcasting, or satellite DMB, service, which enables satellite broadcasting to mobile devices and Telematics service, which makes use of global positioning system, or GPS, technology.

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

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

### **Our Business Strategy**

We believe that trends in the Korean telecommunications industry during the next decade will mirror those in the global market and will be characterized by rapid technological change, reduced regulatory barriers and increased

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

Our principal strategies are to:

*Enhance the technical capabilities of our wireless networks to improve data transmission rates and service quality and to enable us to offer an increased range of services, including in connection with our*

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*development of new and advanced wireless technologies.* We believe we have the most extensive and advanced wireless telecommunications network in Korea and we are committed to ensuring that our delivery platforms keep pace with the latest technological advancements. In March 2007, we completed the nationwide build-out of our HSDPA-capable WCDMA network. We are currently further upgrading our WCDMA network to support HSUPA technology and expanding the coverage area of our WiBro service. We plan to continue upgrading and expanding our backbone network infrastructure in line with new developments in wireless telecommunications technology. We believe that ensuring the quality and technical sophistication of our wireless networks will, among other things, allow us to provide our subscribers with top-quality service, enable us to more quickly introduce the latest wireless telecommunications products and services and allow us to efficiently implement new wireless technologies as market opportunities arise.

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

*Leverage our extensive network infrastructure, technical know-how and leading market position to exploit opportunities that arise from an increasingly convergent era in telecommunications and to pioneer new businesses.* We believe that increasing convergence among communications technologies, as well as between the telecommunications sector and other industries, creates growth opportunities for incumbent telecommunications service providers, like us, whose existing infrastructure, know-how and extensive subscriber base provide a competitive advantage. We further believe that digital convergence will support demand for increasingly integrated products and services. In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband, Korea's second-largest fixed-line operator, for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. We hope to benefit from a range of synergies from this acquisition, including by offering our customers bundled fixed-line and wireless services and by creating greater convergence opportunities across our various media platforms. We also plan to continue to improve our existing convergence services, such as Telematics and the satellite DMB service operated by our subsidiary, TU Media Corp., or TU Media.

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





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### **Our Services**

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

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

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

We also began to offer wireless broadband Internet access through our WiBro service in May 2006. A data-only transmission technology, WiBro supports wireless data transmission at even higher speeds than possible on our WCDMA network. We believe that our WiBro service will complement our other wireless telecommunications services by allowing us to enhance our data transmission service options in metropolitan areas where there is a high demand for large packet data services, particularly wireless Internet access. We currently offer WiBro service to hot zone areas in 42 cities in Korea and plan to expand coverage to hot zone areas in 84 cities by the end of 2009.

For a more complete discussion of our backbone networks, see [Digital Cellular Network](#) below.

### ***Cellular Voice Services***

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

To complement our basic voice transmission services, in recent years, we have begun to offer increasingly sophisticated and differentiated subscriber-oriented value-added services made possible due to rapid advancements in network technology. Our most popular value-added voice-related services in 2008 included services that provide a record of missed calls in the event a subscriber's mobile phone is engaged or switched off, known as our [Call Keeper](#) service; services that play a ring back melody in lieu of a conventional dial tone when callers dial a subscriber's mobile phone, known as [COLORing](#) service, as well as [COLORing](#) services that periodically change the default ring-back melody according to the subscriber's music category selection, known as [Auto COLORing](#) service; and services that alert subscribers when a dialed number that was engaged when first dialed, is no longer engaged.

*T-Roaming Services.* We also offer cellular global roaming services, branded as our T-Roaming service, through service agreements with various foreign wireless telecommunications service providers. Global roaming services allow subscribers traveling abroad to make and receive calls, often using their regular mobile phone numbers. Subscribers using EV-DO- and WCDMA-capable handsets are able to make and receive calls using their regular mobile phone number without changing their handsets. In addition, we provide global roaming service to

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foreigners traveling to Korea. In such cases, we generally receive a fee from the traveler's local wireless service provider.

Our global roaming service is offered in three basic technologies, in part depending on which mobile phone standards are available in a particular region: CDMA, GSM and WCDMA roaming. We currently offer CDMA voice roaming services in 21 countries, including countries in Asia, North and South America, as well as, Guam, Saipan and New Zealand; GSM voice roaming services in 167 countries, including countries in Europe, North America, Africa, the Middle East and Asia; and WCDMA voice roaming services in 65 countries, including countries in Asia, Europe, the Middle East, Africa and Australia. In addition, we offer global data roaming services in 79 countries, including countries in Asia, Europe, North and South America, the Middle East and Africa. In 2008, approximately 5.4 million subscribers utilized our global roaming services. The global roaming service we provide to foreigners traveling to Korea is generally WCDMA-based.

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

### ***Wireless Data Services (including Wireless Internet Services)***

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

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

*Wireless Internet Services.* In addition to our wireless data communications services, we also offer our subscribers wireless access to the Internet, primarily through our [NATE](#) portal, which is our integrated wired and wireless Internet platform that utilizes wireless application protocol, or WAP, technology, to provide a gateway between our cellular network and the Internet. Through our NATE portal, subscribers can access a wide variety of multimedia contents and interactive services, as well as send and receive email and instant text and multimedia messages, using their mobile phones and other wireless devices. As of December 31, 2008, approximately 21.1 million, or 91.8%, of our subscribers owned Internet-enabled handsets capable of accessing our wireless Internet services.

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

*MelOn*, a music portal operated by our consolidated subsidiary, Loen Entertainment, Inc., that provides wireless access to a wide range of digital music contents. To aggregate and manage our digital music contents offerings, we also operate an integrated wireless and fixed-line MelOn website, which subscribers can access using wireless devices, such as their mobile phones and MP3 players, as well as fixed-line devices, such as personal computers. As of December 31, 2008, we had approximately 11.5 million subscribers to our MelOn service;

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

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

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

Since November 2002, we have also provided our subscribers access to multimedia content through June , a wireless data service that provides streaming content, primarily using our CDMA 1xEV-DO technology. Content provided through the June service includes digital video and music downloads; television programs, which can be viewed real-time; June subscribers with EV-DO- or WCDMA-capable handsets can also access the Internet through NATE.

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

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

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

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

*11<sup>th</sup> Street*, an online shopping mall that links wired and wireless shopping services; and

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

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

### ***Broadband Internet and Fixed-line Telephone Services***

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

SK Broadband is the second largest provider of broadband Internet access services in Korea in terms of both revenue and subscribers and its network currently covers 80% of households in Korea. Its fixed-line telephone services comprise local, domestic long distance, international long distance and voice over Internet Protocol, or VoIP, services. VoIP is an advanced technology that transmits voice data through an Internet Protocol network. SK Broadband has offered video-on-demand services since 2006 and has rolled out real-time IP TV services since January 2009. For the year ended December 31, 2008, SK Broadband had revenues of Won 1,861.4 billion and net loss of Won 98.8 billion.

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As of December 31, 2008, SK Broadband had approximately 3.5 million broadband Internet access subscribers. Its market share of Korean broadband Internet access subscribers was approximately 23%. Broadband Internet access services (including revenues from video-on-demand services) accounted for 56% of SK Broadband's revenues for the year ended December 31, 2008.

As of December 31, 2008, SK Broadband had 2.1 million fixed-line telephone subscribers. Since the nationwide implementation of fixed line number portability on August 1, 2004, SK Broadband has been expanding the coverage and subscriber base with its integrated services of long distance and international telephony as well as VoIP services. Fixed-line telephone services accounted for 30% of SK Broadband's revenues for the year ended December 31, 2008.

### ***Digital Convergence and New Businesses***

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

One of our most recent efforts to pursue new opportunities in the convergence business area is our acquisition of an additional 38.7% stake in SK Broadband for Won 1.1 trillion in March 2008, increasing our total equity interest in SK Broadband to 43.4%. We are hoping to benefit from a range of synergies from this acquisition, including by offering our customers bundled fixed-line and mobile telecommunications services. We also believe the acquisition creates opportunities to aggregate and broadcast digital content across various media platforms.

Our other convergence services include:

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

We launched a satellite DMB in March 2004. In October 2004, we granted the right to use the satellite DMB to our then-affiliate, TU Media. TU Media began to provide commercial satellite DMB services in May 2005 and today remains Korea's sole operator of satellite digital mobile broadcasting services. TU Media currently offers a range of broadcast content including education, games, drama, music, news and culture over more than 35 channels, including TUBOX, a pay-per-view movie channel that broadcasts movies before their DVD release. As of December 31, 2008, TU Media had more than 1.8 million subscribers.

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

increasing our equity interest to 44.2%. We are currently TU Media's largest shareholder.

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



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

### ***Global Business***

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

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

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

In August 2008, together with EarthLink Inc., we sold our equity interest in HELIO to Virgin Mobile USA, Inc., a provider of wireless communications services in the United States that was founded as a joint venture between Sprint Nextel and the Virgin Group, in exchange for limited partnership units of Virgin Mobile USA, L.P. (Virgin Mobile USA, Inc.'s operating company), equivalent to 11 million shares of Virgin Mobile USA, Inc.'s Class A common stock (valued at approximately US\$31 million at the time of sale). In connection with the sale of HELIO, we and the Virgin Group each invested US\$25 million of equity capital in Virgin Mobile USA, Inc. in exchange for mandatory convertible preferred stock, convertible into Virgin Mobile USA, Inc.'s Class A common stock. The preferred shares carry a four-year maturity and a 6% annual dividend. Subject to the approval by Virgin Mobile USA, Inc.'s shareholders, each share of the preferred stock will be mandatorily convertible into Virgin Mobile USA, Inc.'s Class A common stock, at the earlier of (i) August 22, 2012 and (ii) such time as the market price of the Class A common stock exceeds \$8.50 per share. Subject to the approval by Virgin Mobile USA, Inc.'s shareholders, the preferred stock will also be convertible at the option of the holder on or after February 22, 2010, 18 months after the date of issuance. Should Virgin Mobile USA, Inc. fail to obtain its shareholders' approval of the conversion feature, the preferred stock will be mandatorily redeemed on August 22, 2012 at a cash redemption price equal to the stated value of \$1,000 per share. In December 2008, we exchanged all of our limited partnership units of Virgin Mobile USA, L.P. for approximately 11 million shares of Virgin Mobile USA, Inc.'s Class A common stock. We currently hold a 14.05% interest in Virgin Mobile USA, Inc., which would increase to 16.6% if all of Virgin Mobile USA, Inc.'s preferred shares that we own are converted into Class A common stock.

Virgin Mobile USA, Inc. is a mobile virtual network operator, commonly referred to as an MVNO, offering prepaid, or pay-as-you-go, and, following the acquisition of HELIO, postpaid wireless communications services, including voice, data, and entertainment content, without owning a wireless network. It offers its services over the nationwide wireless network owned by Sprint Nextel. As of December 31, 2008, Virgin Mobile USA, Inc. served approximately 5.4 million customers.

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

*China.* In February 2004, we and China Unicom, the second largest telecom operator and the only CDMA-based telecommunications service provider in China, established a joint venture company called UNISK Information Technology Co., Ltd., with an aggregate initial investment of approximately US\$6 million. We own a 49% stake of UNISK and China Unicom holds a 51% stake. UNISK offers wireless Internet service in China

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under a brand name that means "community of young elites" in Chinese. In addition, on July 5, 2006, we purchased US\$1 billion in aggregate principal amount of zero coupon convertible bonds issued by China Unicom, convertible into common shares of China Unicom. In August 2007, we converted such bonds into shares representing a 6.6% equity interest in China Unicom to become China Unicom's second-largest shareholder. In October 2008, China Unicom merged with China Netcom Group Corporation (Hong Kong) Limited, a leading broadband communications and fixed-line telecommunications operator in China. As a result of the merger, our equity interest in China Unicom, which is the surviving entity after the merger, decreased to 3.8% from 6.6%.

In July 2004, we, through our subsidiary U-Land Company Ltd., acquired ViaTech, an Internet portal service and mobile contents provider in China, to enhance our wireless Internet contents and expand our service area. Through ViaTech, we offer a Chinese-language version of Cyworld to users in China. ViaTech had more than 8 million registered users of Cyworld as of December 31, 2008.

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

In February 2008, we, through our wholly-owned Chinese subsidiary, SK Telecom China Holding Company, invested US\$15.6 million to acquire a 65.5% equity interest in Shenzhen E-eye High Tech Co., Ltd., a global positioning system service company in China. We believe the acquisition of Shenzhen E-eye High Tech will allow us to leverage opportunities created by the rapidly growing telematics market in China.

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

*Vietnam.* With a wireless telecommunications service penetration rate of 73% as of December 31, 2008, we believe that the Vietnamese mobile communication market offers significant opportunity for future growth. In July 2003, our subsidiary, SKT Vietnam PTE Ltd., entered into a business cooperation contract with Saigon Post & Telecommunication Services Corporation to establish a joint venture company, S-Telecom, to provide mobile telecommunications services and commercial CDMA service, the first of its kind in Vietnam, under the brand name "S-Fone". Pursuant to such contract, in the event that the cash inflow for the business is insufficient to cover the cash outflow necessary to cover the expenditures necessary to operate the business, SKT Vietnam and Saigon Post & Telecommunication Services Corporation have agreed to equally contribute the necessary working capital. We held a 73.3% equity interest in SKT Vietnam as of December 31, 2008.

In December 2005, SKT Vietnam began expanding the CDMA network to all of Vietnam in order to meet the needs of a growing subscriber base. By September 2006, network coverage was expanded to cover all 64 provinces, including Ho Chi Min and Hanoi. S-Fone had approximately 6.4 million subscribers as of December 31, 2008 and had a 10.3% market share according to Vietnam's Ministry of Posts and Telematics, based on the number of wireless subscribers in Vietnam, as of such date.

*Mongolia.* In July 1999, we acquired a 27.8% equity interest in Skytel Co., Ltd., Mongolia's second-largest cellular service provider, by providing approximately Won 1.5 billion worth of analog infrastructure. We, together with Skytel, have been providing cellular service in Mongolia since July 1999, and CDMA service since February 2001. In April 2001, we completed installation of the equipment necessary to provide WAP service. In December 2002, we

increased our equity interest in Skytel to 28.6% through the subscription of newly issued common shares in return for an additional investment of approximately US\$500,000. As of December 31, 2008, our equity interest in Skytel was 29.3%.

*Regional and International Strategic Alliances.* We have also entered into various strategic alliances with leading companies in the Asian and European wireless telecommunications markets. For instance, we are a member of the Bridge Alliance, the largest pan-Asian alliance of its kind, which includes eleven of the region's leading wireless service providers. In June 2007, we also signed a memorandum of understanding with the Freemove

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Alliance, an alliance of leading European wireless service providers, including Orange SA of France, Telecom Italia Mobile S.p.A. of Italy, T-Mobile International AG & Co. AG of Germany and Teliasonera Mobile Networks AB of Sweden, for the development of expanded WCDMA-based roaming service in Europe. We plan to continue improving customer service as well as service quality, by developing co-marketing programs and other joint projects with our regional and global partners and by further fostering our regional and international alliances.

*Provision of Wireless Internet Platforms and Cellular Network Solutions to Foreign Cellular Network Operators.* We have also sought to expand our global business through sales of our wireless Internet platforms and cellular network solutions, as well as provision of consulting services in the field of mobile communications. For example, in July 2004, we entered into an agreement with TA Orange, a GSM-based mobile communications operator in Thailand, to provide wireless Internet platforms, including our NATE portal platform, for US\$6.3 million. We completed this project in June 2005. In addition, we have also been successful in exporting to other Asian countries and the United States, the technological solutions underlying certain value-added and other wireless services, such as our color mail solution, which is a messaging service that allows subscribers to send messages containing multimedia files including graphic, audio and video clips.

***Other Products and Services***

*International Calling Services.* Through our 90.8% owned subsidiary, SK Telink Co., Ltd., we provide international telecommunications services, including direct-dial as well as pre- and post-paid card calling services, bundled services for corporate customers, voice services using Internet protocol, Web-to-phone services, and data services. SK Telink provides affordable international call services under the brand name 00700 and has been offering commercial long-distance telephony service since February 2005. SK Telink also offers VoIP service through the Internet. SK Telink also operates certain value-added domestic telephone services, including a 080 service that allows companies to establish toll-free customer service telephone hotlines, for which all call charges would be paid by the company, as well as a general corporate number service that automatically routes calls made to a company's general telephone number to the caller's nearest local branch.

***Other Portal Services.***

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

*Community Portal Service.* Cyworld, also operated by SK Communications, is one of the most popular online community portal services in Korea. Cyworld is a social networking site that encompasses an ever-expanding virtual forum where users can meet to exchange information and ideas and share multimedia contents, including through the publication of personal homepages and blog sites. We have also sought to expand our global reach by launching Cyworld service in overseas markets, including the United States, Japan, China and Taiwan. While retaining many aspects of the original Korean version that make Cyworld unique among social networking sites, we have redesigned foreign versions of Cyworld to make it more appealing to local audiences. As of December 31, 2008, our Cyworld portal service had over 24 million registered users globally.

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

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

**Table of Contents****Revenues, Rates and Facility Deposits**

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

	<b>As of or for the Year Ended December 31,</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>(In billions of Won)</b>		
Initial Subscription Fees	₩ 252.4	₩ 387.8	₩ 400.2
Monthly Fees	3,629.5	3,949.8	4,348.0
Usage Charges(1)	5,565.9	5,598.4	5,473.0
Interconnection Revenue	1,033.4	1,062.2	1,149.2
Revenue from Sales of Digital Handsets			
Other Cellular Revenue(2)	34.4	17.9	19.4
Total	₩ 10,515.6	₩ 11,016.1	₩ 11,389.8
Additional Facility Deposits	₩ 9.0	₩ 2.4	₩ 2.7
Refunded Facility Deposits	11.7	17.1	4.3
Facility Deposits at Period End	21.1	6.4	4.8

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

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

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

Interconnection . Monthly plan-based fees for some plans include free airtime and/or discounts for designated calling numbers. We 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.

We offer a variety of differentiated Standard Rate Plans that are designed to meet a wide range of subscriber needs and interests. Popular Standard Rate Plans include our couples discount plan, region discount plan and friends and family discount plan. The basic monthly fee for our Standard Rate Plans ranges from Won 9,900 to Won 75,000.

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

*Data Plans*, which target subscribers with high usage patterns for wireless data transmission and wireless Internet services. We offer various Data Plans that provide unlimited wireless data services for monthly fees ranging from Won 3,500 to Won 41,500. We also offer a Data Plan that allows subscribers to use up to

Won 100,000 of wireless Internet services each month for a fixed monthly fee of Won 10,000.

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

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



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We began to provide Caller ID service to customers free of charge commencing January 1, 2006. In January 2007, we reduced our usage fees for wireless Internet services by 30% and, in October 2007 we reduced usage fees for voice calls between our subscribers by 50%. In addition, in January 2008 we reduced our SMS usage charges from Won 30 per message to Won 20 per message. In March 2008, we reduced usage charges for voice calls between family members by 50%. See Item 5.A. Operating Results Overview .

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

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

We offer wireless Internet access services to our subscribers through NATE. Subscribers using our CDMA network may elect to pay a monthly fee, which includes a fixed amount of airtime or data packets, or may elect to pay on a variable, usage basis. A subscriber using our CDMA 1xRTT and CDMA 1xEV-DO networks is charged based on the amount of data that is transmitted to such subscriber's handset. Subscribers using our WCDMA network are also charged based on the amount of data transmitted. The data transmitted is measured in packets of 512 bytes. We charge Won 4.55 per text packet, Won 0.9 per multimedia packet, for large volume data transfers, and Won 1.75 per multimedia packet, for smaller volume data transfers. In addition, we charge subscribers for purchases of certain digital contents and for certain wireless services, such as m-commerce transaction services.

Until February 2007, we generally required new subscribers (other than certain corporate and Government subscribers) to pay a non-interest bearing facility deposit of Won 200,000, which we utilized to offset a defaulting subscriber's outstanding account balance. In lieu of paying the facility deposit, subscribers who meet the credit qualifications required by the Seoul Guarantee Insurance Company could elect to be covered under insurance provided by the Seoul Guarantee Insurance Company. We paid a Won 10,000 premium to the Seoul Guarantee Insurance Company on behalf of such subscribers. Since March 2007, we generally no longer require new subscribers to pay the facility deposit. We refund the facility deposit to any existing subscriber who had initially made a facility deposit and later requests such facility deposit to be refunded. As a result of the facility insurance program and the termination of the facility deposit requirement, we have refunded a substantial amount of facility deposits, and facility deposits decreased from Won 21.1 billion as of December 31, 2006 to Won 4.8 billion as of December 31, 2008. 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 have the facility deposit refunded have already done so.

Because we have been designated by the KCC as a market dominant service provider, any modification to our fees, charges or the terms and condition of our service, including promotional rates and facility deposits, requires prior approval by the KCC.

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

## **Subscribers**

We had 23.5 million subscribers as of April 30, 2009, representing a market share of 50.5%, the largest market share among Korean wireless service providers. We believe that, historically, our subscriber growth has been due to many factors, including:

- our expansion and technical enhancement of our digital networks, including with high-speed data capabilities;
- increasing consumer awareness of the benefits of wireless telecommunications;

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an effective marketing strategy;

our focus on customer service;

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

our acquisition of Shinsegi in January 2002.

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

	<b>As of or for the Year Ended December 31,</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
Subscribers	20,271,133	21,968,169	23,032,045
Subscribers Growth Rate	3.8%	8.4%	4.8%
Activations	5,573,799	8,344,784	8,493,340
Deactivations	4,832,783	6,647,748	7,429,464
Average Monthly Churn Rate(1)	2.0%	2.6%	2.7%

(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 23.0 million wireless subscribers as of December 31, 2008. For the year ended December 31, 2008, we had 8.5 million activations and 7.4 million deactivations, representing an average monthly churn rate of 2.7% during the same period. Our subscribers include those subscribers who are temporarily deactivated, including (1) subscribers who voluntarily deactivate temporarily for a period of up to three months no more than twice a year and (2) subscribers with delinquent accounts who may be involuntarily deactivated up to two months before permanent deactivation, which we determine based on various factors, including prior payment history.

***Market Share Limitations***

As a condition to our merger with Shinsegi consummated in January 2002, we were required to comply with certain market share limitations imposed by the FTC. While we are no longer subject to any market share limitations, our strategy is to maintain our market share at current levels. We can give no assurance that the Government will not impose restrictions on our market share in the future. If we are subject to market share limitations in the future, our ability to compete effectively will be impeded, and our subscriber growth rate may decline.

***Number Portability***

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

existing numbers. In January 2003, the MIC announced a plan to implement number portability with respect to wireless telecommunications services in Korea, allowing wireless subscribers to switch wireless service operators while retaining the same mobile phone number. As mandated by the MIC, we were the first wireless telecommunications provider to introduce number portability in January 1, 2004, allowing our customers to transfer their numbers to our competitors. Our competitors' customers were not able to transfer their number to our service, however, until KTF and LGT introduced number portability beginning July 1, 2004 and January 1, 2005, respectively. Subscribers who choose to transfer to a different wireless operator have the right to return to their original service provider without paying any penalties within 14 days of their initial transfer.

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In 2006, 2007 and 2008, respectively, approximately 2.9 million, 3.4 million and 3.0 million subscribers switched their wireless telecommunications service provider from us to KTF or LGT and approximately 2.8 million, 3.4 million and 3.1 million subscribers switched from KTF or LGT to us.

In 2006, 2007 and 2008, respectively, we gained approximately 0.7 million, 1.6 million and 1.0 million new subscribers, which represented approximately 39.9%, 51.1% and 50.4% of the aggregate number of new wireless subscribers gained by us, KTF and LGT in each year.

In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the services, the MIC has begun to integrate mobile telephone identification numbers into a common prefix identification number 010 and to gradually retract the current mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services, starting from 2004. All new subscribers were given the 010 prefix starting January 2004. We believe that the adoption of the common prefix identification system has had, and may continue to have, a greater negative effect on us than on our competitors because, historically, 011 has had very high brand recognition in Korea as the premium wireless telecommunications service. Adoption of the number portability system has resulted in, and may continue to result in, increased competition among wireless service providers, increased subscriber deactivations, increased churn rates and higher marketing costs.

For 2008, our churn rate ranged from 2.0% to 3.6%, with an average churn rate of 2.7% for 2008, compared to an average churn rate of 2.6% for 2007. We cannot assure you that our churn rates will not increase in the future. See Item 3.D. Risk Factors Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations and financial condition . In addition, for details regarding certain fines imposed on us by the MIC in connection with our marketing efforts related to the number portability system, see Item 8.A. Consolidated Statements and Other Financial Information Legal Proceedings MIC and KCC Proceedings .

## **Marketing and Service Distribution**

### ***Marketing, Sales and Service Network***

We market our services and provide after-sales service support to customers through 27 sales centers, 37 branch offices and a network of 1,115 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 10,000 independent retailers (principally handset dealers) assist new subscribers to complete activation formalities, including processing subscription applications.

Currently, authorized dealers are entitled to an initial commission for each new subscriber registered by the dealer, as well as an average ongoing commission calculated as a percentage of that subscriber's monthly plan-based and usage charges from domestic calls for the first four years. In order to strengthen our relationships with our exclusive dealers, we offer a dealer financing plan, pursuant to which we provide to each authorized dealer an interest-free or low-interest loan of up to Won 2.0 billion with a repayment period of up to three years. As of December 31, 2008, we had an aggregate of Won 154.8 billion in loans to authorized dealers outstanding.

In April 2009, we established a wholly-owned subsidiary to diversify our sales activities. The new subsidiary, PS & Marketing Co., Ltd., was established with an investment of Won 150 billion and began operating 13 stores in May 2009. We expect PS & Marketing Co., Ltd. to expand its sales network focusing on areas that are not covered by our existing sales network.

Over the last several years, competition in the wireless telecommunications business has caused us to increase significantly our marketing and advertising expenses and, with continuing competition, we expect that such expenses will remain high. In 2006, 2007 and 2008, advertising expenditures amounted to 2.8%, 2.6% and 2.6% of our revenues, respectively.

**Table of Contents*****Marketing Strategies and Marketing Information Management***

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

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

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

**Interconnection**

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

For 2006, our total interconnection revenues were Won 1,033.4 billion and our total interconnection expenses were Won 1,014.9 billion. For 2007, our total interconnection revenues were Won 1,062.2 billion and our total interconnection expenses were Won 1,078.7 billion. For 2008, our total interconnection revenues were Won 1,149.2 billion and our total interconnection expenses were Won 1,327.4 billion. See note 30 of the notes to our consolidated financial statements.

***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 KCC 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.



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

In July 2004, the MIC introduced a new method of calculating interconnection rates for calls from fixed-line networks to wireless networks, based on the long-run incremental cost of each wireless service provider, taking into consideration technology development and future expected costs. The long-run incremental cost method has been adopted by other countries such as the United States, the United Kingdom and Japan. The interconnection rates paid by fixed-line network service providers to each wireless network service provider are set out below. The KCC announced the interconnection rates for 2008 and 2009 in December 2008, which were applied retroactively from January 1, 2008.

Applicable Year	Rate per Minute		
	SK Telecom	KTF	LGT
2005	₩ 31.19	₩ 46.70	₩ 54.98
2006	33.13	40.06	47.01
2007	32.78	39.60	45.13
2008	33.41	38.71	39.09
2009	32.93	37.96	38.53

*Wireless-to-Wireless.* The MIC implemented interconnection charges for calls between wireless telephone networks in Korea starting in January 2000. Under these arrangements, the operator originating the call pays an interconnection charge to the operator terminating the call. For all operators, the amount of the charge is derived from our imputed cost, which was Won 33.13 per minute, Won 32.78 per minute and Won 33.41 per minute for 2006, 2007 and 2008, respectively. Our revenues from the wireless-to-wireless charge were Won 606.8 billion in 2006, Won 651.5 billion in 2007 and Won 745.3 billion in 2008. Our expenses from these charges were Won 737.5 billion in 2006, Won 784.7 billion in 2007 and Won 821.3 billion in 2008. The charges above were agreed among the parties involved and confirmed by the KCC.

The increase in our interconnection rate for 2008, together with an increase in incoming call volume in 2008, contributed to an overall increase of Won 87.0 billion in interconnection revenues. Our interconnection expenses, also increased in 2008 by Won 248.7 billion, primarily due to higher subscriber numbers resulting in higher call volume. The Won 248.7 billion increase in interconnection expenses includes the increase in the mobile-to-mobile interconnection expenses that were paid to other wireless service providers.

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

**International Roaming Arrangements**

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

### **Digital Cellular Network**

We offer wireless voice and data telecommunications services throughout Korea using digital wireless networks, including a CDMA network, which currently reaches approximately 99% of the population, a CDMA 1xRTT/CDMA 1xEV-DO network, which currently reaches approximately 90% of the population, an

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HSDPA-capable WCDMA network, which currently reaches approximately 99% of the population and a WiBro network, which currently services hot zone districts in 42 cities in Korea.

### ***CDMA Networks***

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

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

### ***CDMA 1xRTT and CDMA 1x EV-DO Networks***

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

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

### ***WCDMA Network***

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

In 2005, we completed commercial development of HSDPA technology and integrated this technology in the subsequent build-out of our WCDMA network. HSDPA, which represents an evolution of the WCDMA standard, is a more advanced 3G technology than the initial WCDMA technology we implemented and is sometimes referred to as 3.5G technology. In March 2007, we completed nationwide expansion of our HSDPA-capable WCDMA network, which currently reaches approximately 99% of the Korean population. Our WCDMA network enables significantly faster and higher-quality voice and data transmission and supports more sophisticated wireless data transmission services, including video telephony and other multimedia communications, than is possible through our 2G networks.

In June 2007, we began HSUPA upgrades to our WCDMA network, which is currently in progress. HSUPA technology represents yet the next stage in the evolution of the WCDMA standard. In particular, while HSDPA enables significantly improved downlink data transmission speeds, HSUPA permits faster uplink speeds. Our implementation of HSDPA and HSUPA technology will allow us to offer significantly improved, and a wider range of, wireless data transmission services, including more sophisticated multimedia digital contents and products. We also plan to continue enhancing our 3G service quality in 2009, including through the installation of additional small cell sites or cellular repeaters to improve reception quality in subterranean areas, buildings or any

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remaining blind spots where reception quality may not be optimal. For more information about our capital expenditures relating to our WCDMA-based network, see Item 5.B. Liquidity and Capital Resources, and for more information about risks relating to our WCDMA-based network, see Item 3.D. Risk Factors. Implementation of 3G and WiBro technologies has required, and may continue to require, significant capital and other expenditures, which we may not recoup.

***WiBro***

We have also received a license from the MIC to provide wireless broadband, or WiBro services, which we believe will complement our existing networks and technologies. WiBro is a data-only transmission technology that enables high-speed wireless broadband access to portable computers, mobile phones and other portable devices. We conducted initial pilot testing of WiBro service in limited areas of metropolitan Seoul in May 2006 and currently service hot zone areas in 42 cities. Hot zone areas are districts and neighborhoods that are characterized by high levels of wireless data traffic, primarily financial districts and university environs. We plan to further expand service to hot zone areas in 84 cities by the end of 2009. Beyond 2009, our WiBro expansion plans will depend, in part, on subscriber demand for WiBro services.

***Network infrastructure***

The principal components of our wireless networks are:

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

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

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

As of December 31, 2008, our CDMA, CDMA 1RTT, CDMA 1xEV-DO, WCDMA and WiBro networks had an aggregate of 17,213 cell sites.

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

Most of the transmission lines we use, including virtually all of the lines linking switching stations, as well as a portion of the lines linking cell sites to switching stations, comprise optical fiber lines that we own and operate directly. However, we have not undertaken to install optical fiber lines to link every cell site and switching station. In

places where we have not installed our own transmission lines, we lease lines from SK Networks, KT Corporation and, to a lesser extent, SK Broadband and LG Powercomm Co., Ltd. Under applicable Korean law, those Korean fixed-line operators that satisfy applicable conditions regarding market share and sales volume set forth in the Telecommunications Business Act may not decline to provide leased line services to us without reasonable cause. In May 2009, we entered into an agreement with SK Networks to purchase its leased line business for Won 892.85 billion. The purchase remains subject to regulatory approvals and approval by shareholders of SK Networks. In addition, we will also assume Won 627.8 billion of debt as part of the transaction.

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

## **Other Investments and Relationships**

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

### ***Wireless Content Providers and Application Providers***

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

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

We currently hold a 37.1% equity interest in iHQ Inc., an entertainment management firm that produces films, manages entertainers and operates online game services. We also hold a 63.5% stake in Loen Entertainment Inc. (formerly, Seoul Records Inc.), Korea's largest music recording company in terms of records released and revenues. We currently hold a 63.7% equity interest in Ntreev Soft Co., Ltd., an online game developer, particularly known for its multi-player sports games and anime-based games. Through our investments in companies such as iHQ, Loen Entertainment and Ntreev Soft, we are able to offer customers of our MelOn, Cizle and Gaming portal services access to an expanded range of music- and entertainment-related digital contents and mobile games, respectively.

In 2005, we and certain other Korean investment companies invested an aggregate Won 40.0 billion to establish three funds to invest in the music industry and seek strategic partnerships with recording companies. As of December 31, 2008, our contribution to the funds amounted to Won 39.6 billion. In 2005 and in 2008, we and certain co-investors invested an aggregate Won 74.7 billion to establish five movie-production funds to strengthen our ability to obtain movie content. We had invested Won 36.6 billion in the funds as of December 31, 2008. Furthermore, in 2008, we and certain co-investors invested an aggregate Won 105.4 billion to establish six additional funds to invest in the production of various cultural contents, including movies and television dramas. As of December 31, 2008, our contribution to these funds amounted to Won 60.4 billion. Such investments reflect our business strategy of diversification into new areas, such as media and entertainment.

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

### ***Other Investments***

Our other investments include:

*POSCO.* We currently own a 2.8% interest in the outstanding capital stock of POSCO, with a book value as of December 31, 2008 of Won 943 billion. POSCO is the largest fully integrated steel producer in Korea, and one of the largest steel producers in the world.

*SK C&C.* We currently own a 30.0% equity interest in SK C&C, with a book value as of December 31, 2008 of Won 677 billion. SK C&C is an information technologies services provider. We are party to several service contracts with SK C&C related to development and maintenance of our information technologies systems. See Item 7.B. Related Party Transactions . We intend to dispose of our entire equity interest in



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SK C&C in the initial public offering of SK C&C's common shares on the Korea Exchange, which is currently on hold. We can provide no assurance that the initial public offering will be consummated on a timely basis or at all.

*SKY Property Management.* We currently own a 60.0% equity interest in SKY Property Management Ltd., with a book value as of December 31, 2008 of Won 287 billion. SKY Property Management was established in 2008 to manage buildings and real estate developments in China, in which affiliated companies of the SK Group had invested or will invest.

*SK Marketing & Company.* We currently own a 50.0% equity interest in SK Marketing & Company Co., Ltd., with a book value as of December 31, 2008 of Won 97 billion. SK Marketing & Company Co., Ltd. provides marketing-related services to corporate and individual clients.

*LG Powercomm.* We currently own a 4.6% interest in LG Powercomm Co., Ltd. (formerly Powercomm Corporation), with a book value as of December 31, 2008 of Won 39 billion. LG Powercomm Co., Ltd. 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.

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

## **Competition**

We were Korea's only provider of cellular telecommunications services until April 1996, when Shinsegi began offering its CDMA service. In 1996, the Government issued three additional licenses to KTF, LGT and Hansol PCS to operate CDMA services. Each of KTF, LGT and Hansol PCS commenced operation of its CDMA service in October 1997.

Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry, resulting in the emergence of stronger competitors. In 2000, KT Corporation acquired 47.9% of Hansol M.Com's outstanding shares and renamed the company KT M.Com. KT M.Com merged into KTF in May 2001. In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. In June 2009, KTF merged into KT Corporation, which had held a 54.25% interest in KTF before the merger.

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

As of December 31, 2008, according to the KCC, KTF and LGT had 14.4 million and 8.2 million subscribers, respectively, representing approximately 31.5% and 18.0%, respectively, of the total number of wireless subscribers in Korea on such date. As of December 31, 2008, we had 23.0 million subscribers, representing a market share of approximately 50.5%.

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

Under a multilateral agreement on basic telecommunications services among the members of the World Trade Organization effective November 1997, the Government has agreed to gradually reduce the restrictions on foreign and individual shareholdings in telecommunications service providers, including us, in Korea. The relevant Korean law,

the Telecommunications Business Act, was amended to give effect to the provisions of the WTO agreement. While the WTO agreement enables us to seek foreign investors and strategic partners and to more easily take advantage of opportunities for investments in overseas telecommunications projects, it may also benefit our competitors and further intensify competition in the domestic market.

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**Law and Regulation**

*Overview*

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

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

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

Telecommunications service providers are currently classified into three categories: network service providers, value-added service providers, and specific service providers. We are classified as a network service provider because we provide telecommunications services with our own telecommunications networks and related facilities. As a network service provider, we are required to obtain a license from the KCC for each of the services we provide. Our licenses permit us to provide cellular services and third generation wireless services using WCDMA and WiBro technology. Our cellular license did not provide for a fixed term but, upon the amendment of the Radio Wave Act of Korea in 2005, our cellular license is valid for five years starting from 2006, our IMT-2000 license is valid for 15 years starting from 1999 and our WiBro license is valid for seven years starting from 2005.

The KCC may revoke our licenses or suspend any of our businesses if we fail to comply with its rules, regulations and corrective orders, including the rules restricting beneficial ownership and control and corrective orders issued in connection with any violation of rules restricting beneficial ownership and control or any violation of the conditions of our licenses. Alternatively, in lieu of suspension of our business, the MIC may levy a monetary penalty of up to 3% of

the average of our annual revenue for the preceding three fiscal years. A network services provider that wants to cease its business or dissolve must obtain KCC approval.

In September 2007, the enforcement regulations under the Telecommunications Business Act were amended to permit licensed telecommunications service providers to provide local, long-distance and international telephone services, as well as broadband Internet access and Internet phone services, without additional business licenses.

In the past, the MIC has stated that its policy was to promote competition in the Korean telecommunications market through measures designed to prevent the dominant service provider in any such market from exercising its market power in such a way as to prevent the emergence and development of viable competitors. While all network

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service providers are subject to KCC regulation, we are subject to increased regulation because of our position as the dominant wireless telecommunications services provider in Korea.

### ***Competition Regulation***

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

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

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

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

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

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

*Restrictions on equity investments in other domestic companies.* Under the Fair Trade Act, a company that is a member of a large business group as designated by the FTC is generally required to limit its total investments in other domestic companies to 40% of its non-consolidated net assets. Depending on the time frame in which such a company acquired shares in excess of the 40% ceiling, the FTC may issue corrective orders requiring, for example, the disposition of the shares held in excess of the 40% ceiling or imposing limitations on the voting rights for such shares and/or monetary sanctions. We were subject to such restrictions on equity investments in other domestic companies until July 3, 2007, when the company formerly known as SK Corporation underwent a corporate rehabilitation, pursuant to which SK Corporation spun off substantially all of its operating business divisions into a newly established corporation named SK Energy Co., Ltd. and the surviving company, renamed SK Holdings Co., Ltd., became a holding company under the Fair Trade Act. As a holding company under the Fair Trade Act, SK Holdings and its subsidiaries (including us), as well as any subsidiaries of SK Holdings' subsidiaries (sub-subsidiaries), are exempted from the Fair Trade Act's restrictions on equity investments in other domestic companies. However, SK Group member companies that are not subsidiaries (or sub-subsidiaries) of SK Holdings remain subject to such restrictions on equity investments in other domestic companies. In March 2009, an amendment to the Fair Trade Act abolished such restrictions on total investments in other domestic companies.

*Restrictions on investments by subsidiaries and sub-subsidiaries of holding companies.* The Fair Trade Act prohibits subsidiaries of holding companies from investing in, or holding shares of common stock of, domestic affiliates that belong to the same large business group, unless such domestic affiliates are their own subsidiaries. Furthermore, sub-subsidiaries of holding companies are prohibited from investing in, or holding shares of common stock of, domestic affiliates that belong to the same large business group, unless all shares issued by the affiliates are held by the sub-subsidiary. Therefore, we and other subsidiaries of

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SK Holdings may not invest in any domestic affiliate that is also a member company of the SK Group, except in the case where we invest in our own subsidiary or where another subsidiary of SK Holdings invests in its own subsidiary.

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

*Number Portability.* 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 KT Corporation and LGT. In accordance with the plan published by the MIC, the number portability system was adopted by us starting from January 1, 2004. KTF and LGT introduced number portability beginning on July 1, 2004 and January 1, 2005, respectively. For details of the number of subscribers who transferred to the services of our competitors following the implementation of the number portability system, see [Subscribers](#).

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

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

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

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

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

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



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*Rate Regulation.* Most network service providers must report to the KCC the rates and contractual terms for each type of service they provide, but generally they may set rates at their discretion. However, as the dominant network services provider for specific services (based on having the largest market share in terms of number of subscribers and meeting certain revenue thresholds), we must obtain prior approval of our rates and terms of service from the KCC. In each of the years in which this requirement has been applicable, the MIC has designated us for wireless telecommunications service and KT Corporation for local telephone and Internet services, as dominant network service providers subject to this approval requirement. As a condition to its approval of our merger with SK IMT, the MIC required that we submit the rates for our third generation mobile services using WCDMA technology to the MIC for approval prior to the launch of such services. The KCC's policy is to approve rates if they are appropriate, fair and reasonable (that is, if the rates have been reasonably calculated, considering supply costs, profits, classification of costs and profits for each service, cost savings through changes in the way services are provided and the influence on fair competition, among others). It may order changes if it deems the rates to be significantly unreasonable or against public policy. In May 2007, the MIC determined to terminate the monitoring of whether we met the condition for the MIC's approval of our merger with SK IMT.

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

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

*Frequency Allocation.* The KCC has the discretion to allocate and adjust the frequency band for each type of service. Upon allocation of new frequency bands or adjustment of frequency bands, the KCC is required to give a public notice. The KCC also regulates the frequency to be used by each radio station, including the transmission frequency used by equipment in our cell sites. All of our frequency allocations are for an indefinite term. We pay fees to the KCC for our frequency usage that are determined based upon our number of subscribers, frequency usage by our networks and other factors. For 2006, 2007 and 2008, the fee amounted to Won 159.0 billion, Won 166.4 billion and Won 163.9 billion, respectively.

In addition, we paid Won 650 billion of the Won 1.3 trillion cost of the IMT-2000 license in March 2001 and are required to pay the remainder of the license cost in annual installments for a five-year period from 2007 through 2011. For more information, see note 2(1) and note 8 of the notes to our consolidated financial statements for the years ended

December 31, 2006, 2007 and 2008.

***Mandatory Contributions and Obligations***

*Contributions to the Fund for Development of Information Telecommunications.* The Ministry of Knowledge Economy has the authority to recommend to network service providers that they provide funds for national research

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and development of telecommunications technology and related projects. For 2007, the MIC recommended that we contribute 0.75% of budgeted revenues (calculated pursuant to MIC guidelines that differ from our accounting practices) to the Fund for Development of Information Telecommunications operated by the MIC.

In May 2002, the MIC announced significant changes to the Government contribution system. Starting from 2002, the contributions became mandatory, and the annual contribution which was set at 1.0% of total revenues for the previous year was lowered to 0.5% (0.75% for market dominant service providers like us) of total revenues for the previous year, and will be applicable only to those network service providers who have Won 30 billion in total sales for the previous year and have recorded no net loss in the current period. Under the policy, the maximum amount of the annual contribution to be made cannot exceed 70% of the net profit for the corresponding period of each company. Our contribution to this fund in 2006, 2007 and 2008 was Won 66.7 billion, Won 73.7 billion and Won 71.9 billion, respectively, based on the new MIC requirement of 0.75% of MIC-calculated revenues.

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

In addition to such universal services for the handicapped and low-income citizens, we are also required to make certain monetary contributions to compensate for other service providers' costs for the universal services. The size of a service provider's contribution is based on its net annual revenue (calculated pursuant to KCC guidelines which differ from our accounting practices). In 2006, our contribution amount was Won 27.3 billion for our fiscal year 2005. In 2007, our contribution amount was Won 23.9 billion for our fiscal year 2006. In 2008, our contribution amount was Won 32.8 billion for our fiscal year 2007. As a wireless telecommunications services provider, we are not considered a provider of universal telecommunications services and do not receive funds for providing universal service. Other network service providers that do provide universal services make all or a portion of their contribution in the form of expenses related to the universal services they provide.

***Foreign Ownership and Investment Restrictions and Requirements***

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

As of March 31, 2009, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.22% of our issued shares. As of March 31, 2009, a foreign investment fund and its related parties collectively held a 2.11% stake in SK Holdings. If the foreign investment fund and its related parties increase their shareholdings in SK Holdings to 15% or more and such foreign investment fund and its related parties collectively constitute the largest shareholder of SK Holdings, SK Holdings will be considered a foreign shareholder, and its shareholding in us would be included in the calculation of our aggregate foreign shareholding. If SK Holdings' shareholding in us is included in the calculation of our aggregate foreign shareholding, then our aggregate foreign shareholding, assuming the foreign ownership level

as of March 31, 2009 (which we believe was 45.95%), would reach 69.17%, exceeding the 49% ceiling on foreign shareholding.

If our aggregate foreign shareholding limit is exceeded, the KCC may issue a corrective order to us, the breaching shareholder (including SK Holdings if the breach is caused by an increase in foreign ownership of SK Holdings) and the foreign investment fund and its related parties who own in the aggregate 15% or more of SK Holdings. Furthermore, SK Holdings may not exercise its voting rights with respect to the shares held in excess

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of the 49% ceiling, which may result in a change in control of us. In addition, the KCC may refuse to grant us licenses or permits necessary for entering into new telecommunications businesses until our aggregate foreign shareholding is reduced to below 49%. If a corrective order is issued to us by the KCC arising from the violation of the foregoing foreign ownership limit, and we do not comply within the prescribed period under such corrective order, the KCC may:

revoke our business license;

suspend all or part of our business; or

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

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

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

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

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

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

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

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

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

## **Patents and Licensed Technology**

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

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

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

**Organizational Structure**

We are a member of the SK Group, based on the definition of "group" under the Fair Trade Act of Korea. As of December 31, 2008, SK Group members owned in aggregate 23.09% of the shares of our issued common stock. The SK Group is a diversified group of companies incorporated in Korea with interests in, among other things, telecommunications, trading, energy, chemicals, engineering and leisure industries. Until mid-1994, our largest shareholder was KT Corporation (formerly known as Korea Telecom Corp.), Korea's principal fixed-line operator that recently merged with KTF, one of our principal wireless competitors.

**Significant Subsidiaries**

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

**Item 4.C. Organizational Structure**

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

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

The following table sets forth certain information concerning our principal properties as of December 31, 2008:

<b>Location</b>	<b>Primary Use</b>	<b>Approximate Area in Square Feet</b>
Seoul Metropolitan Area	Corporate Headquarters	988,455
	Regional Headquarters	1,095,992
	Customer Service Centers	384,223
	Training Centers	397,574
	Central Research and Development Center	482,725
	Others	639,791
Busan	Regional Headquarters	363,272
	Others	237,057
Daegu	Regional Headquarters	153,578
	Others	317,440
Cholla and Jeju Provinces	Regional Headquarters	265,595
	Others	359,784
Choongchung Province	Regional Headquarters	459,240
	Others	480,555

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



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

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

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

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

You should read the following discussion together with our consolidated financial statements and the related notes thereto which appear elsewhere in this annual report. We prepare our financial statements in accordance with Korean GAAP, which differs in some respects from U.S. GAAP. Notes 33 and 34 of the notes to our consolidated financial statements provide a description of the significant differences between Korean GAAP and U.S. GAAP as they relate to us and provide a reconciliation to U.S. GAAP of our net income and shareholders' equity for fiscal years 2006, 2007 and 2008. 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.

#### **Item 5.A. *Operating Results***

##### **Overview**

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

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

*Market Share Limitations.* We have historically been, and continue to be, the market leader in the wireless telecommunications sector in terms of number of subscribers. Our wireless subscriber base has steadily increased over the years from approximately 10.1 million subscribers at the end of 1999 to approximately 23.0 million subscribers at the end of 2008. As a result of our dominant market share, we have been designated by the Government as the "market dominant service provider" in respect of our wireless telecommunications business. As such, we are subject to additional regulation to which certain of our competitors are not subject. For a more detailed discussion of Government mandated and voluntary measures we have undertaken to limit our market share, see "Item 4.B. Business Overview - Subscribers - Market Share Limitations" and "Item 4.D. Risk Factors - We are subject to additional regulation as a result of our dominant market position in the wireless telecommunications sector, which could harm our ability to compete effectively." While we are no longer subject to any market share limitations, our strategy is to maintain our market share at current levels.

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

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current mobile service identification numbers that had been unique to each wireless telecommunications service provider. All new subscribers have been given the 010 prefix starting January 2004.

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

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

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

In addition, our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Charges for interconnection affect our revenues and operating results. The KCC determines the basic framework for interconnection arrangements in Korea and has changed this framework several times in the past. We cannot assure you that we will not be adversely affected by future changes in the KCC's interconnection policies. Under our interconnection agreements, we are required to make payments in respect of calls which originate from our networks and terminate in the networks of other Korean telecommunications operators, and the other operators are required to make payments to us in respect of calls which originate in their networks and terminate in our network. For more information about our interconnection revenue and expenses, see Item 4.B. Business Overview Interconnection .

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

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
Outgoing voice minutes (in thousands)(1)	47,980,107	51,295,166	54,080,231
Average monthly outgoing voice minutes per subscriber(2)	201	201	200

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Average monthly revenue per subscriber, excluding interconnection revenue(3)	₩	40,220	₩	40,154	₩	38,526
Average monthly revenue per subscriber, including interconnection revenue(4)	₩	44,599	₩	44,416	₩	43,016

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- (1) Does not include minutes of incoming calls or minutes of use relating to the use of SMS, MMS and other wireless data services.
- (2) The average monthly outgoing voice minutes per subscriber is derived by dividing the total minutes of outgoing voice usage for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period. The monthly average number of subscribers is derived by dividing (i) the sum of the average number of subscribers for each month in the period, calculated as the average of the number of subscribers on the first and last days of the relevant month, by (ii) the number of months in the period.
- (3) The average monthly revenue per subscriber, excluding interconnection revenue, is derived by dividing the sum of total initial subscription fees, monthly plan-based fees, usage charges for outgoing voice calls, usage charges for wireless data services, value-added service fees and other miscellaneous revenues for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period.
- (4) The average monthly revenue per subscriber, including interconnection revenue, is derived by dividing the sum of total initial subscription fees, monthly plan-based fees, usage charges for outgoing voice and wireless data transmissions, charges for purchases of digital contents, value-added service fees, other miscellaneous revenues and interconnection revenue for the period by the monthly average number of subscribers for the period, then dividing that number by the number of months in the period.

Our average monthly outgoing minutes of voice traffic per subscriber remained constant in 2007 and decreased by 0.5% in 2008. We believe that this trend principally reflects the existing high penetration rate of wireless services in Korea and the general maturation of the Korean wireless market.

Our average monthly revenue per subscriber, excluding interconnection revenue, decreased by 4.1% to Won 38,526 in 2008 from Won 40,154 in 2007 and decreased by 0.2% to Won 40,154 in 2007 from Won 40,220 in 2006. The decrease in average monthly revenue per subscriber in 2008 was due to decreases in average monthly revenue per subscriber from usage charges for wireless data services, usage charges for outgoing voice calls and initial subscription fees, partially offset by increases in average monthly revenue per subscriber from monthly plan-based fees and value-added and other service fees, as further described in **Operating Results** below.

*Acquisition of SK Broadband.* In March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband, Korea's second-largest fixed-line operator, for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. Following the acquisition, SK Broadband became our consolidated subsidiary under Korean GAAP and our results of operations in 2008 include those of SK Broadband. For the year ended December 31, 2008, SK Broadband and its subsidiaries had revenues of Won 1,886.3 billion and net loss of Won 178.3 billion. Through SK Broadband, we currently provide broadband Internet access service and other Internet-related services, including video-on-demand and IP TV services, as well as fixed-line telephone services. Our results of operations may be adversely affected if we fail to integrate SK Broadband's fixed-line telecommunications and broadband Internet services with our existing products and services or fail to retain SK Broadband's existing customers. While we are hoping to benefit from a range of synergies from this acquisition, including by offering our customers bundled fixed-line and mobile telecommunications services, we may not be able to realize those expected benefits in the near term, or at all. For a more detailed discussion of our acquisition of SK Broadband, see **Item 4.B. Business Overview** **Our Services** **Broadband Internet and Fixed-line Telephone Services** and **Item 3.D. Risk Factors**. Our growth strategy calls for significant investments in new businesses and regions, including businesses and regions in which we have limited experience.

*Operating Expenses and Operating Margins.* Our operating expenses consist principally of commissions paid to authorized dealers and our subscribers (including, beginning in March 2006, handset subsidies), depreciation and amortization, network interconnection, labor costs, leased line expenses, advertising expenses and rent expenses. Operating income represented 23.8% of our operating revenue in 2006, 17.7% in 2007 and 12.5% in 2008. We cannot assure you that our operating margin will not decrease in future periods.

**Table of Contents****Reclassification of Prior Year Financial Statements**

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

As a result of our sale of HELIO to Virgin Mobile USA, Inc. in August 2008, HELIO's results of operations have been classified as discontinued operations under Korean GAAP. The consolidated statement of income and the consolidated statement of cash flows for the year ended December 31, 2007 appearing in our consolidated financial statements included elsewhere in this report have been reclassified to present HELIO's results of operations and cash flow activities as separate single-line items.

**Operating Results**

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

	For the Year Ended December 31,								
	2006		2007				2008		
	(In billions of Won, except percentage data)								
Operating Revenue	₩	11,028.0	100.0%	₩	11,863.4	100.0%	₩	14,021.0	100.0%
Operating Expenses		8,406.9	76.2		9,761.4	82.3		12,268.5	87.5
Operating Income		2,621.1	23.8		2,102.0	17.7		1,752.5	12.5
Other Income		284.9	2.6		861.9	7.3		1,057.0	7.5
Other Expenses		884.4	8.0		678.1	5.7		1,550.8	11.1
Income Before Income Taxes and Minority Interest		2,021.6	18.3		2,285.8	19.3		1,258.7	9.0
Income Taxes		572.0	5.2		694.5	5.9		298.9	2.1
Preacquisition Net Loss of Subsidiaries					21.1	0.2		32.7	0.2
Loss from Discontinued Operation(1)					(50.1)	(0.4)		(20.2)	(0.1)
Net Income Attributable to:									
Majority Interest		1,451.5	13.2		1,648.9	13.9		1,215.7	8.7
Minority Interests		(1.9)	(0.0)		(86.6)	(0.7)		(243.4)	(1.7)
Net Income	₩	1,449.6	13.1%	₩	1,562.3	13.2%	₩	972.3	6.9%

Depreciation and Amortization(2)	₩ 1,553.6	14.1%	₩ 1,822.0	15.4%	₩ 2,599.8	18.5%
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- (1) Relates to results of operations of HELIO, which have been classified as discontinued operations after our sale of HELIO to Virgin Mobile USA, Inc. in August 2008.
- (2) Excludes the depreciation and amortization allocated to internal research and development costs and manufacturing costs of Won 144.8 billion, Won 149.3 billion and Won 159.5 billion for the years ended December 31, 2006, 2007 and 2008, respectively.



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

	Year Ended December 31,					
	2006		2007		2008	
	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
(In billions of Won, except percentages)						
<b>Cellular Revenue:</b>						
Wireless Services(1)	₩ 9,482.2	86.0%	₩ 9,953.9	83.9%	₩ 10,240.6	73.0%
Interconnection	1,033.4	9.4	1,062.2	9.0	1,149.2	8.2
Total Cellular Revenue	10,515.6	95.4	11,016.1	92.9	11,389.8	81.2
<b>Broadband Internet and Fixed-line Telephone Service</b>						
Other Revenue:					1,821.8	13.0
International Calling Service(2)	176.4	1.6	211.8	1.8	243.1	1.7
Portal Service(3)	165.6	1.5	178.7	1.5	216.4	1.5
Miscellaneous(4)	170.4	1.5	456.8	3.9	349.9	2.5
Total Other Revenue	512.4	4.6	847.3	7.1	809.4	5.8
<b>Total Operating Revenue</b>	₩ 11,028.0	100.0%	₩ 11,863.4	100.0%	₩ 14,021.0	100.0%
Total Operating Revenue Growth		2.9%		7.6%		18.2%

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

(2) Provided by SK Telink Co. See Business Our Services Other Products and Services International Calling Services .

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

(4) Miscellaneous revenue attributable to our subsidiaries (including Commerce Planet Co., Ltd., which operates neotam.com, an online outlet shopping mall, Morning365.com, an online bookstore, and cherrya.com, an online cosmetics store; and TU Media).

**2008 Compared to 2007**

*Operating Revenue.* Our operating revenue increased by 18.2% to Won 14,021.0 billion in 2008 from Won 11,863.4 billion in 2007, principally due to the inclusion of Won 1,886.3 billion of revenue in 2008 of SK Broadband and its subsidiaries, which became our consolidated subsidiaries in April 2008, and, to a lesser extent, due to a 3.4% increase in our cellular revenue to Won 11,389.8 billion in 2008 from Won 11,016.1 billion in 2007.

The increase in our cellular revenue was principally due to an increase in our wireless services revenue, as well as an increase in our interconnection revenue. Wireless services revenue increased 2.9% to Won 10,240.6 billion in 2008 from Won 9,953.9 billion in 2007, primarily as a result of a 6.8% increase in our average subscriber base in 2008 over 2007, as well as increased subscriptions to service plans with higher monthly charges, partially offset by a decrease in revenue from wireless data services primarily as a result of the reduction of the SMS charge rate implemented in January 2008.

Our average monthly revenue per subscriber, excluding interconnection revenue, decreased by 4.1% to Won 38,526 in 2008 from Won 40,154 in 2007, which reflects the net effect of several factors, including decreases in average monthly revenue per subscriber from usage charges for wireless data services, usage charges for

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outgoing voice calls and initial subscription fees, partially offset by increases in average monthly revenue per subscriber from monthly plan-based fees and value-added and other service fees. Our average monthly revenue per subscriber from wireless data services, which includes usage charges for SMS and wireless Internet services, decreased in 2008, attributable mainly to the reduction of the SMS charge rate implemented in January 2008. Our average monthly revenue per subscriber from usage charges for outgoing calls decreased in 2008, primarily due to discounts we offered for voice calls between subscribers. Our average monthly minutes per user declined slightly to 200 minutes in 2008 from 201 minutes in 2007. Our average monthly revenue per subscriber from monthly plan-based fees increased in 2008, primarily as a result of increased subscriptions to service plans with higher monthly charges. Our average monthly revenue per subscriber from value-added and other service fees increased in 2008, primarily due to an increase in revenues from global roaming services.

Interconnection revenue increased by 8.2% to Won 1,149.2 billion in 2008 from Won 1,062.2 billion in 2007. The increase was due to increases in our interconnection rates in 2008, as well as an increase in incoming call volume in 2008. See Item 4.B. Business Overview Interconnection . Our average monthly revenue per subscriber, including interconnection revenue, decreased by 3.2% to Won 43,016 in 2008 from Won 44,416 in 2007.

Portal service revenues increased by 21.1% to Won 216.4 billion in 2008 from Won 178.7 billion in 2007, primarily due to increased use by our subscribers of our wireless Internet contents services, such as NATE and Cyworld services.

International call service revenues increased by 14.8% to Won 243.1 billion in 2008 from Won 211.8 billion in 2007 as a result of general increases in outbound and inbound international call traffic volume.

Miscellaneous revenue decreased by 23.4% to Won 349.9 billion in 2008 from Won 456.8 billion in 2007, primarily as a result of decreases in revenues of our subsidiaries engaged in electronic commerce and exclusion of Aircross Co., Ltd. from consolidation.

*Operating Expenses.* Our operating expenses in 2008 increased by 25.7% to Won 12,268.5 billion from Won 9,761.4 billion in 2007, primarily due to the inclusion of expenses of Won 1,982.7 billion in 2008 of SK Broadband and its subsidiaries, as well as increases in commissions paid, depreciation and amortization and interconnection expenses.

Commissions paid, including to our authorized dealers and to our subscribers, increased by 20.5% to Won 4,884.8 billion in 2008 from Won 4,055.1 billion in 2007, primarily attributable to the inclusion of SK Broadband and its subsidiaries commissions paid of Won 602.9 billion, as well as an increase in handset subsidies paid to our existing subscribers who changed their handsets and an increase in expenses relating to our alliance arrangements with businesses that agree to offer benefits to our subscribers. An increase in non-marketing related commissions paid for global roaming services, in line with increased usage of our expanded global voice and data roaming services, also contributed to the increase in commissions paid.

Depreciation and amortization increased 42.7% to Won 2,599.8 billion in 2008 from Won 1,822.0 billion in 2007, primarily due to the inclusion of SK Broadband and its subsidiaries depreciation and amortization of Won 521.1 billion, together with the continued high level of capital expenditures related to expansion and upgrade of our WCDMA network and an increase in our capital expenditures related to expansion and upgrade of our WiBro network.

Interconnection expenses increased by 8.2% to Won 1,149.2 billion in 2008 from Won 1,062.2 billion in 2007, primarily due to higher subscriber numbers resulting in higher call volume. See Item 4.B. Business Overview Interconnection .

*Operating Income.* Our operating income decreased by 16.6% to Won 1,752.5 billion in 2008 from Won 2,102.0 billion in 2007 due to the factors discussed above.

*Other Income.* Other income consists primarily of foreign exchange and translation gains and gains on transactions and valuation of currency swaps, as well as interest income, dividend income and equity in earnings of affiliates. Other income increased by 22.6% to Won 1,057.1 billion in 2008 from Won 861.9 billion in 2007, due primarily to foreign exchange and translation gains for our investment in foreign currency-denominated assets and gains on valuation of currency swaps hedging our foreign currency-denominated debt, partially offset by a decrease

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in gain on conversion of convertible bonds, which in 2007 included a one-time gain of Won 373.1 billion derived from our conversion of China Unicom convertible bonds into shares, and a decrease in equity in earnings of affiliates, which in 2007 reflected the recognition of previously unrealized gain on the valuation of SK C&C's investment in the common stock of SK Energy Co., Ltd. As a percentage of operating revenue, other income increased to 7.5% in 2008 compared to 7.3% in 2007.

*Other Expenses.* Other expenses consist primarily of losses on transactions and valuation of currency swaps, interest and discount expenses, impairment losses on investment securities and foreign exchange and translation losses. Other expenses increased by 128.7% to Won 1,550.8 billion in 2008 from Won 678.1 billion in 2007. This increase was primarily attributable to losses on valuation of currency swaps hedging our foreign currency-denominated assets, foreign exchange and translation losses for our foreign currency-denominated debt and an impairment loss of Won 201.2 billion on our investment in LG Powercomm Co., Ltd. For a discussion of the effect of fluctuations in foreign exchange rates and our hedging activities, see Item 11. Quantitative and Qualitative Disclosure about Market Risk. As a percentage of operating revenue, other expenses increased to 11.1% in 2008 compared to 5.7% in 2007.

*Income Tax.* Provision for income taxes decreased by 57.0% to Won 298.9 billion in 2008 from Won 694.5 billion in 2007. Our effective tax rate in 2008 decreased to 23.7% from an effective tax rate of 30.4% in 2007. The decreases in income tax and effective tax rate are attributable primarily to the decrease in our income before income tax, a tax refund for prior periods, decrease in valuation allowance as a result of the sale of our investment in HELIO and the decrease in deferred tax liabilities due to the reduction of corporate income tax rate in December 2008 from the current rate of 25% to 22% for 2009 and 20% for 2010 and afterwards. 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, after adjusting for minority interests, decreased by 37.8% to Won 972.3 billion in 2008 from Won 1,562.3 billion in 2007. Net income as a percentage of operating revenues was 6.9% in 2008 compared to 13.2% in 2007. Won 32.7 billion of pre-acquisition net loss of SK Broadband, which was newly consolidated as of April 1, 2008, was added to, and Won 20.2 billion of loss from discontinued operation attributable to HELIO was deducted from, the calculation of net income for 2008.

***2007 Compared to 2006***

*Operating Revenue.* Our operating revenue increased by 7.6% to Won 11,863.4 billion in 2007 from Won 11,028.0 billion in 2006, principally due to a 4.8% increase in our cellular revenue to Won 11,016.1 billion in 2007 from Won 10,515.6 billion in 2006 and a 168.1% increase in miscellaneous revenue to Won 456.8 billion in 2007 from Won 170.4 billion in 2006.

The increase in our cellular revenue was principally due to an increase in our wireless services revenue, as well as an increase in our interconnection revenue. Wireless services revenue increased 5.0% to Won 9,953.9 billion in 2007 from Won 9,482.2 billion in 2006, primarily as a result of an 8.4% increase in the number of our wireless subscribers to approximately 22.0 million subscribers as of December 31, 2007 from approximately 20.3 million subscribers as of December 31, 2006, as well as increased subscriptions to service plans with higher monthly charges.

Our average monthly revenue per subscriber, excluding interconnection revenue, remained relatively flat in 2007 compared to 2006, decreasing by 0.2% to Won 40,154 in 2007 from Won 40,220 in 2006, which reflects the net effect of several offsetting factors, including decreases in average monthly revenue per subscriber from usage charges for outgoing voice calls, usage charges for wireless data services and interconnection fees, partially offset by increases in average monthly revenue per subscriber for initial subscription fees, monthly plan-based fees and value-added and other service fees. Our average monthly revenue per subscriber from usage charges for outgoing calls decreased in 2007, primarily due to discounts we offered for voice calls between subscribers. Our average monthly minutes per

user remained constant at 201 minutes in 2007. Our average monthly revenue per subscriber from wireless data services, which includes usage charges for SMS and wireless Internet services, decreased in 2007, primarily reflecting discounts we implemented, beginning in January 2007, on wireless data usage charges. Our average monthly revenue per subscriber for initial subscription fees increased in 2007, primarily reflecting

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increased subscriber numbers. Our average monthly revenue per subscriber from monthly plan-based fees increased in 2007, primarily as a result of increased subscriptions to service plans with higher monthly charges.

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

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

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

Miscellaneous revenue increased by 168.1% to Won 456.8 billion in 2007 from Won 170.4 billion in 2006, primarily as a result of the inclusion of TU Media as a consolidated subsidiary beginning in April 2007, as well as revenues from our subsidiaries neotam.com, an online outlet shopping mall, acquired in August 2007; Morning365.com, an online bookstore, acquired in July 2007; and cherrya.com, an online cosmetics store acquired in August 2007.

*Operating Expenses.* Our operating expenses in 2007 increased by 16.1% to Won 9,761.4 billion from Won 8,406.9 billion in 2006, primarily due to increases in commissions paid, depreciation and amortization, cost of goods sold and labor costs.

Commissions paid, including to our authorized dealers, increased by 23.1% to Won 4,055.1 billion in 2007 from Won 3,293.2 billion in 2006, primarily attributable to our increased marketing efforts to broaden our WCDMA subscriber base, as well as increased commissions paid to authorized dealers in connection with new subscriptions and, to a lesser extent, increases in non-marketing related commissions paid for global roaming services, in line with increased usage of our expanded global voice and data roaming services.

Depreciation and amortization increased 17.3% to Won 1,822.0 billion in 2007 from Won 1,553.6 billion in 2006, primarily due to an increase in our capital expenditures related to expansion and upgrade of our WCDMA network services.

Cost of goods sold increased by 97.0% to Won 239.1 billion in 2007 from Won 121.4 billion in 2006, primarily due to the inclusion of inventory costs of neotam.com, Morning365.com and cherrya.com.

Labor costs increased by 10.8% to Won 544.7 billion in 2007 from Won 491.8 billion in 2006, primarily as a result of an increase in salaries and an increase in the number of our employees, as well as the inclusion of TU Media as consolidated subsidiaries in April 2007.

*Operating Income.* Our operating income decreased by 19.8% to Won 2,102.0 billion in 2007 from Won 2,621.1 billion in 2006 due to the factors discussed above.

*Other Income.* Other income consists primarily of gain on conversion of convertible bonds and equity in earnings of affiliates, as well as interest income, dividend income and commissions. Other income increased by 202.6% to Won 861.9 billion in 2007 from Won 284.9 billion in 2006, due primarily to a one-time gain of Won 373.1 billion derived from our conversion of China Unicom convertible bonds into shares in August 2007, as well as a more than four-fold

increase in equity in earnings of affiliates to Won 247.4 billion in 2007 from Won 45.8 billion in 2006. Such increase in equity in earnings of affiliates in 2007 was primarily attributable to a more than five-fold increase in equity in earnings of SK C&C to Won 230.3 billion in 2007 from Won 37.8 billion in 2006, which was primarily a result of the recognition of previously unrealized gain on the valuation of SK C&C's investment in the common stock of SK Energy Co., Ltd. in connection with a change in the accounting method used to account for such shares from available-for-sale securities to securities accounted for using the equity method, in the third quarter of 2007. Such change in accounting treatment followed the corporate reorganization of SK Corporation in July 2007 and subsequent changes in shareholdings among SK Group member companies,



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including changes in SK C&C's equity interests in SK Holdings and SK Energy. See Item 7.A. Major Shareholders for more information regarding the corporate reorganization of the entity formerly known as SK Corporation. In the fourth quarter of 2007, our equity interest in SK C&C was also reclassified to available-for-sale securities from equity securities accounted for using the equity method. See note 4(b) of the notes to our consolidated financial statements for more information regarding the reclassification of our investment in SK C&C. As a percentage of operating revenue, other income increased to 7.3% in 2007 compared to 2.6% in 2006.

*Other Expenses.* Other expenses consist primarily of interest and discount expenses, equity in losses of affiliates, external research and development costs and donations. Other expenses decreased by 23.3% to Won 678.1 billion in 2007 from Won 884.4 billion in 2006. This decrease was primarily attributable to a one-time payment of Won 144.0 billion in special severance indemnities related to a change in our severance payment policy in 2006 compared with no such payment in 2007. For a discussion of the change in our severance payment policy in 2006, see Item 6.D. Employees' Employment Stock Ownership Association and Other Benefits. Equity in losses of affiliates also decreased by 17.0% to Won 175.5 billion in 2007 from Won 211.5 billion in 2006, primarily due to losses of Won 55.9 billion from our investments in Pantech in 2006, which caused our investments in Pantech to be reduced to zero, compared to no such losses in 2007, as well as a 76.6% decrease in losses of TU Media to Won 5.9 billion in 2007 from Won 25.1 billion in 2006. As a percentage of operating revenue, other expenses decreased to 5.7% in 2007 compared to 8.0% in 2006.

*Income Tax.* Provision for income taxes increased by 21.4% to Won 694.5 billion in 2007 from Won 572.0 billion in 2006. Our effective tax rate in 2007 increased to 30.4% from an effective tax rate of 28.3% in 2006. 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, after adjusting for minority interests, increased by 7.8% to Won 1,562.3 billion in 2007 from Won 1,449.6 billion in 2006. Net income as a percentage of operating revenues was 13.2% in 2007 compared to 13.1% in 2006. Won 21.1 billion of pre-acquisition net loss of TU Media, which was newly consolidated as of April 1, 2007, was added to, and Won 50.1 billion of loss from discontinued operation attributable to HELIO was deducted from, the calculation of net income for 2007.

**Item 5.B. Liquidity and Capital Resources****Capital Resources****Liquidity**

We had a working capital (current assets minus current liabilities) surplus of Won 1,455.5 billion, Won 1,796.2 billion and Won 793.6 billion as of December 31, 2006, 2007 and 2008, respectively.

We had cash, cash equivalents, short-term financial instruments and trading securities of Won 1,249.4 billion as of December 31, 2006, Won 1,669.4 billion as of December 31, 2007 and Won 1,746.8 billion as of December 31, 2008. We had outstanding short-term borrowings of Won 58.3 billion as of December 31, 2006, Won 24.6 billion as of December 31, 2007 and Won 627.7 billion as of December 31, 2008. As of December 31, 2008, we had credit lines with several local banks that provided for borrowings of up to Won 2,171.8 billion, of which Won 1,358.5 billion was outstanding and Won 813.3 billion was available for borrowing.

Operating cash flow and debt financing have been our principal sources of liquidity. We had cash and cash equivalents of Won 1,011.5 billion as of December 31, 2008, Won 886.0 billion as of December 31, 2007 and Won 486.0 billion as of December 31, 2006. We believe that we have sufficient working capital available to us for our current requirements and that we have a variety of alternatives available to us to satisfy our financial



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requirements to the extent that they are not met by funds generated by operations, including the issuance of debt securities and bank borrowings.

	Year Ended December 31,			Change				
	2006	2007	2008	2006 to 2007		2007 to 2008		
	(In billions of Won, except percentages)							
Net Cash Flow from Operating Activities	₩ 3,589.8	₩ 3,721.7	₩ 3,296.9	₩ 131.9	3.7%	₩ (424.8)	(11.4)%	
Net Cash Used in Investing Activities	(2,535.1)	(2,414.9)	(3,875.4)	120.3	(4.7)	(1,460.5)	60.5	
Net Cash Provided by (Used in) Financing Activities	(952.4)	(1,041.3)	869.4	(88.9)	9.3	1,910.7	N/A	
Effect of Exchange Rate Changes on Cash and Cash Equivalents Held in Foreign Currencies	(9.3)	6.1	37.4	15.4	N/A	31.3	512.9	
Net Cash Flow due to Changes in Consolidated Subsidiaries	14.6	102.1	36.4	87.5	600.7	(65.7)	(64.3)	
Preacquisition Cash Flows of Subsidiaries(1)	₩	₩ (11.4)	₩ 17.3	(11.4)	N/A	₩ 28.6	N/A	
Net Increase in Cash and Cash Equivalents due to Merger(2)		50.4		50.4	N/A	(50.4)	(100.0)	
Cash Flows from Discontinued Operation(3)		(12.8)	(256.5)	(12.8)	N/A	(243.7)	1,907.6	
Net Increase (Decrease) in Cash and Cash Equivalents	₩ 107.6	₩ 400.0	₩ 125.5	₩ 292.4	271.7	₩ (274.5)	(68.6)	
Cash and Cash Equivalents at Beginning of	378.4	486.0	886.0	107.6	28.4	400.0	82.3	

Period												
Cash and Cash												
Equivalents at												
End of Period	₩	486.0	₩	886.0	₩	1,011.5	₩	400.0	82.3%	₩	125.5	14.2%

N/A = Not applicable.

- (1) In 2007, we adopted SKAS No. 25. Pursuant to SKAS No. 25, when a subsidiary is acquired during the year, such subsidiary's statement of income is included in consolidation as if it had been acquired at the beginning of the year, and pre-acquisition earnings (losses) are presented as deduction (addition) at the bottom of the consolidated statements of income. In addition, in connection with our adoption of SKAS No. 25, we have also begun to present pre-acquisition cash flows of subsidiaries as a separate deduction (addition) at the bottom of our consolidated statements of cash flows.
- (2) Net increase in cash and cash equivalents due to merger for the year ended December 31, 2007 relates to the merger of Empas into SK Communications in November 2007.
- (3) Relates to cash flow activities of HELIO, which have been classified as discontinued operations after our sale of HELIO to Virgin Mobile USA, Inc. in August 2008.

*Net Cash Flow from Operating Activities.* Net cash flow provided by operations was Won 3,589.8 billion in 2006, Won 3,721.7 billion in 2007 and Won 3,296.9 billion in 2008. Net income was Won 1,449.6 billion in 2006, Won 1,562.3 billion in 2007 and Won 972.3 billion in 2008.

*Net Cash from Investing Activities.* Net cash used in investing activities was Won 2,535.1 billion in 2006, Won 2,414.9 billion in 2007 and Won 3,875.4 billion in 2008. Cash inflows from investing activities were Won 714.2 billion in 2006, Won 296.7 billion in 2007 and Won 934.4 billion in 2008. The primary contributor to such inflows, in 2006, related to proceeds from the disposal of long-term investment securities of Won 306.0 billion, largely attributable to the sale of Won 296.4 billion in aggregate amount of currency stabilization bonds and, in 2007, largely related to the collection of short-term loans of Won 119.6 billion. Cash inflows in 2008 largely related to proceeds from the disposal of long-term investment securities of Won 386.7 billion and the collection of short-term loans of Won 215.1 billion. Cash outflows for investing activities were Won 3,249.3 billion in 2006,

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Won 2,711.6 billion in 2007 and Won 4,809.8 billion in 2008. The primary contributors to the overall cash outflows for investing activities were expenditures related to the acquisition of property and equipment, which were Won 1,498.1 billion in 2006, Won 1,804.1 billion in 2007 and Won 2,236.9 billion in 2008, all primarily relating to expenditures in connection with the maintenance and build-out of our wireless network, including upgrades to and expansion of our HSDPA-capable WCDMA network, as well as initial build-out of our WiBro network; increases in equity of consolidated subsidiaries, which were Won 27.4 billion in 2006, Won 12.5 billion in 2007 and Won 1,093.1 billion in 2008 (which was primarily due to our acquisition of shares of SK Broadband in March 2008); acquisitions of equity securities accounted for using the equity method, which were Won 244.3 billion in 2006, Won 76.6 billion in 2007 and Won 601.1 billion in 2008 (which was primarily due to our investment in SKY Property Management Ltd. of Won 283.4 billion and investment in SK Marketing & Company Co. Ltd. of Won 190.0 billion); and acquisitions of long-term investment securities, which were Won 1,127.4 billion in 2006 (which was primarily due to our purchase in July 2006 of convertible bonds issued by China Unicom for US\$1 billion), Won 371.4 billion in 2007 (which was primarily due to our purchase of beneficiary certificates for Won 351.4 billion) and Won 31.4 billion in 2008.

*Net Cash from Financing Activities.* Net cash used in financing activities was Won 952.4 billion in 2006 and Won 1,041.3 billion in 2007. Net cash provided by financing activities was Won 869.4 billion in 2008. Cash inflows from financing activities were primarily driven by issuances of bonds, which provided cash of Won 385.0 billion in 2006, Won 761.1 billion in 2007 and Won 1,307.7 billion in 2008. Proceeds from long-term borrowings of Won 294.8 billion in 2006 and Won 510.6 billion in 2008 and proceeds from short-term borrowings of Won 51.2 billion in 2006, Won 35.9 billion in 2007 and Won 473.0 billion in 2008 also contributed to cash inflows from financing activities. Cash outflows for financing activities included payment of dividends, repayments of current portion of long-term debt, repayment of long-term borrowings and acquisition and retirement of treasury stock, among other items. Payment of dividends were Won 662.8 billion in 2006, Won 581.3 billion in 2007 and Won 682.5 billion in 2008. Repayments of current portion of long-term debt were Won 815.3 billion in 2006, Won 907.2 billion in 2007 and Won 558.1 billion in 2008. Repayment of long-term borrowings were Won 0.4 billion in 2006, Won 93.3 billion in 2007 and Won 193.4 billion in 2008. The acquisition and retirement of treasury shares also accounted for Won 209.1 billion, Won 118.5 billion and Won 63.5 billion of cash outflows for financing activities in 2006, 2007 and 2008, respectively.

As of December 31, 2006, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 2,288.3 billion, which included bonds in the amount of Won 1,995.3 billion and bank and institutional borrowings in the amount of Won 293.0 billion. We had long-term facility deposits of Won 21.1 billion as of December 31, 2006. As of December 31, 2007, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 2,672.1 billion, which included bonds in the amount of Won 2,348.7 billion and bank and institutional borrowings in the amount of Won 323.4 billion. We had long-term facility deposits of Won 6.4 billion as of December 31, 2007. As of December 31, 2008, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 4,930.9 billion, which included bonds in the amount of Won 4,074.4 billion and bank and institutional borrowings in the amount of Won 856.5 billion. The increase in our long-term debt in 2008 was primarily due to the inclusion of SK Broadband's long-term debt (which amounted to Won 1,066.5 billion as of December 31, 2008), as well as our incurrence of long-term debt to finance the acquisition of shares of SK Broadband and our subscribers' handset purchases on installment payment plans. We had long-term facility deposits of Won 4.8 billion as of December 31, 2008. For a description of our long-term liabilities, see notes 9, 10, 11 and 22 of the notes to our consolidated financial statements.

As of December 31, 2008, substantially all of our foreign currency-denominated long-term debt, which amounted to approximately 23% of our total outstanding long-term debt, including current portion as of such date, was denominated in Dollars. Appreciation of the Won against the Dollar will result in net foreign exchange and translation gains, while depreciation of the Won against the Dollar will result in net foreign exchange and translation losses.

Changes in foreign currency exchange rates will also affect our liquidity because of the effect of such changes on the amount of funds required for us to make interest and principal payments on our foreign currency-denominated debt.

In 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

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certain redemption rights. Subsequently, the initial conversion price was adjusted to Won 196,534 per share in accordance with anti-dilution provisions contained in the terms of the notes. During the year ended December 31, 2006, convertible notes in the principal amount of US\$25,210,000 were converted into 136,163 shares of our common stock and the principal amount of the convertible notes decreased from US\$329,450,000 to US\$304,240,000. During the year ended December 31, 2007, holders of a principal amount of US\$75,080,000 of convertible notes exercised their conversion rights. In order not to exceed the 49% limit on aggregate foreign ownership of our shares, we converted only a portion of those convertible notes into shares. See Item 4.B. Business Overview Law and Regulation Foreign Ownership and Investment Restrictions and Requirements for a more detailed discussion of foreign share ownership restrictions. Accordingly, a principal amount of US\$38,820,000 of convertible notes were converted into 216,347 shares of our common stock. In addition, we paid Won 43.0 billion in cash to holders of a principal amount of US\$36,260,000 of convertible notes. As a result of these transactions, the principal amount of the convertible bonds decreased from US\$304,240,000 to US\$229,160,000 in 2007. In 2008, none of the holders exercised their conversion right. As of December 31, 2008, 1,324,744 shares of common stock were deposited with the Korea Securities Depository and reserved in favor of the noteholders' conversion rights. In May 2009, we repaid all outstanding zero coupon convertible notes at their maturity.

In June 2006, we issued floating rate discounted bills in the aggregate principal amount of Won 200 billion. The discounted bills have a five-year maturity and an interest rate based on a 91-day certificate of deposit yield plus 0.25%. In September and November 2006, we issued Won-denominated corporate bonds, in each case, in aggregate principal amount of Won 200 billion. These bonds will mature in September 2016 and November 2013, respectively, and have annual interest rates of 5.0% and 4.0%, respectively. In October 2006, we also made long-term borrowings in aggregate principal amount of US\$100 million with a maturity of seven years and an annual interest rate based on six-month LIBOR plus 0.29%.

In July 2007, we issued U.S. dollar-denominated bonds in the principal amount of US\$400,000,000 with a maturity of twenty years and an annual interest rate of 6.625%. In November 2007, we issued Japanese Yen-denominated notes in the principal amount of Japanese Yen 12,500,000,000 with a maturity of five years and an annual interest rate based on Yen LIBOR plus 0.55%. In November 2007, we issued Korean Won-denominated bonds in the principal amount of Won 200 billion with a maturity of seven years and an annual interest rate of 5.00%.

In March 2008, we issued two tranches of Korean Won-denominated bonds, each tranche in the principal amount of Won 200 billion with an annual interest rate of 5.00%, maturing in seven and ten years, respectively. In October 2008, we issued Korean Won-denominated bonds in the principal amount of Won 250 billion with a maturity of five years and an annual interest rate of 6.92% and Korean Won-denominated bonds in the principal amount of Won 50 billion with a maturity of two years and an annual interest rate of 6.77%. In November 2008, we issued U.S. dollar-denominated notes in the principal amount of US\$150,000,000 with a maturity of two years and an annual interest rate based on three-month U.S. dollar LIBOR plus 3.05%.

In January 2009, we issued notes in the principal amounts of Won 40 billion and Yen 3 billion with maturities of seven and three years, respectively, and annual interest rates of 5.54% and 3-month Euro Yen LIBOR plus 2.50%, respectively. In March 2009, we issued notes in the principal amounts of Won 230 billion and Yen 5 billion with maturities of seven and three years, respectively, and annual interest rates of 5.94% and 3-month Euro Yen TIBOR plus 2.50%, respectively. In April 2009, we issued 1.75% convertible notes with a maturity of five years in the principal amount of US\$332,528,000, with an initial conversion price of Won 230,010 per share of our common stock, subject to certain redemption rights. In May 2009, SK Broadband, our consolidated subsidiary, filed a securities registration statement in Korea in order to raise up to Won 300 billion by selling its common shares through a rights offering. We announced our plan to participate in the rights offering in proportion to our 43.4% equity interest in SK Broadband. If there are shares that are not subscribed by other shareholders, we may purchase such unsubscribed shares, which will increase our equity interest in SK Broadband. The subscription for and purchase of shares of SK

Broadband are expected to occur in July 2009.

We also have long-term liabilities in respect of facility deposits received from subscribers, which stood at Won 21.1 billion at December 31, 2006, Won 6.4 billion at December 31, 2007 and Won 4.8 billion at December 31,



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2008. These non-interest bearing deposits were collected from some subscribers when they initiated service and are returned (less unpaid amounts due from the subscriber for our services) when the subscriber's service is deactivated. We generally no longer collect these deposits from our subscribers. See Item 4.B. Business Overview Revenues, Rates and Facility Deposits .

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

**Capital Requirements**

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

To fund our scheduled debt repayment and planned capital expenditures over the next several years, we intend to rely primarily on funds provided by operations, as well as bank and institutional borrowings, and offerings of debt or equity in the domestic or international markets. We believe that these sources will be sufficient to fund our planned capital expenditures for 2009. Our ability to rely on these alternatives could be affected by the liquidity of the Korean financial markets or by Government policies regarding Won and foreign currency borrowings and the issuance of equity and debt. Our failure to make needed expenditures would adversely affect our ability to sustain subscriber growth and provide quality services and, consequently, our results of operations.

*Capital Expenditures.* The following table sets forth our actual capital expenditures for 2006, 2007 and 2008:

	<b>Year Ended December 31,</b>		
	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>(In billions of Won)</b>		
CDMA Networks(1)	₩ 280	₩ 198	₩ 148
WCDMA Network	781	1,044	905
WiBro(2)	53	154	405
Others(3)	384	408	779
Total(4)	₩ 1,498	₩ 1,804	₩ 2,237

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

(2) We commenced WiBro service in May 2006.

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

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

We set our capital expenditure budget for an upcoming year on an annual basis. Our actual capital expenditures in 2006 were Won 1,498.1 billion. Of such amount, we spent approximately Won 780.5 billion on capital expenditures related to upgrade and expansion of our HSDPA-capable WCDMA network, Won 53.4 billion related to development and initial roll out of our WiBro network, Won 279.9 billion related to general upkeep of our CDMA 1xRTT and CMDA EV-DO networks and Won 384.3 billion on other capital expenditures and projects. Our actual capital expenditures in 2007 were Won 1,804.1 billion. Of such amount, we spent approximately Won 1,044.3 billion on capital expenditures related to upgrade and expansion of our WCDMA network, Won 153.6 billion related to development and expansion of our WiBro network, Won 198.4 billion related to general upkeep of our CDMA 1xRTT and CMDA EV-DO networks and Won 407.8 billion on other capital expenditures and projects. Our actual capital expenditures in 2008 were Won 2,236.9 billion. Of such amount, we spent approximately Won 904.8 billion on capital expenditures related to upgrade and expansion of our WCDMA network, Won 404.8 billion related to development

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and expansion of our WiBro network, Won 148.2 billion related to general upkeep of our CDMA 1xRTT and CMDA EV-DO networks and Won 779.1 billion on other capital expenditures and projects. We are required to pay the remainder of the cost of our IMT-2000 license in annual installments for a five-year period from 2007 through 2011. For more information, see note 2(l) and note 8 of the notes to our consolidated financial statements for the years ended December 31, 2006, 2007 and 2008.

In March 2005, we obtained a license from the MIC to provide WiBro services and paid the related Won 117.0 billion WiBro license fee. We currently provide WiBro service to hot zone areas in 42 cities. We are planning to make additional capital expenditures in 2009 to build and expand our WiBro network to hot zone areas in 84 cities, and we may also make further capital investments to expand our WiBro service in the future. Our investment plans are subject to change depending on the market demand for WiBro services, the competitive landscape for similar services and development of competing technologies.

We expect that our capital expenditure amount in 2009 will be similar to that of 2008. Our expenditures will be for a range of projects, including investments in our backbone networks (and our WiBro network in particular), investments to improve our WCDMA network-based products and services, investments in our wireless Internet-related and convergence businesses and funding for mid-to long-term research and development projects, as well as other initiatives, primarily related to our ongoing businesses and in the ordinary course. However, our overall expenditure levels and our allocation among projects remain subject to many uncertainties. We may increase, reduce or suspend our planned capital expenditures for 2009 or change the timing and area of our capital expenditure spending from the estimates described above in response to market conditions or for other reasons. We may also make additional capital expenditure investments as opportunities arise. Accordingly, we periodically review the amount of our capital expenditures and may make adjustments, including based on the current progress of capital expenditure projects and market conditions. No assurance can be given that we will be able to meet any such increased expenditure requirements or obtain adequate financing for such requirements, on terms acceptable to us, or at all.

*Repayment of Outstanding Debt.* As of December 31, 2008, our principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases outstanding were as follows for the periods indicated:

<b>Year Ending December 31,</b>	<b>Total (In billions of Won)</b>
2009	₩ 796.8
2010	727.4
2011	1,674.4
After 2011	2,743.9

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

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

For example, in March 2008, we completed the acquisition of an additional 38.7% equity stake in SK Broadband, Korea's second-largest fixed-line operator, for approximately Won 1.1 trillion, increasing our total equity interest in SK Broadband to 43.4%. We may make additional capital investments in order to develop SK Broadband's business in line with our growth strategy.

In addition, we, via SK Telecom USA Holdings, Inc., our wholly-owned subsidiary in the United States, had invested US\$380 million in HELIO as of June 30, 2008. In August 2008, we sold our equity interest in HELIO to Virgin Mobile USA, Inc. in exchange for approximately 14.05% equity interest in Virgin Mobile USA, Inc. In addition, we invested US\$25 million of equity capital in Virgin Mobile USA, Inc. in exchange for mandatory convertible preferred stock, convertible into Virgin Mobile USA, Inc.'s Class A common stock. For a more detailed

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description of our investments in HELIO and Virgin Mobile USA, Inc., see Item 4. Information on the Company  
 Item 4.B. Business Overview Global Business Overseas Operations .

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

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

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

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

In a series of open market purchases in the period between November 1, 2007 and December 31, 2007, we acquired 471,000 shares of our common stock at an aggregate purchase price of Won 118.5 billion. In a series of open market purchases in the period between December 2, 2008 and December 30, 2008, we acquired 306,988 shares of our common stock at an aggregate purchase price of Won 63.5 billion.

As of December 31, 2008, the total number of our common stock outstanding was 72,486,015.

*Financing of Installment Payment Plans.* Since April 2008, we have been offering installment payment plans for new handset purchases by our new or existing subscribers. Under installment payment plans, we provide financing to our new or existing subscribers who wish to purchase new handsets on credit and, in certain cases, charge fees or interest. As of December 31, 2008, short-term and long-term accounts receivable (other), each net of present value discount, amounted to Won 1,067.3 billion and Won 572.1 billion, respectively, compared to Won 739.2 billion and zero, respectively, as of December 31, 2007. These increases were primarily attributable to the increase in purchases of new handsets on installment payment plans, which has required, and may continue to require, our capital resources.

*Severance Payments.* The total accrued and unpaid retirement and severance benefits for our employees as of December 31, 2008 of Won 53.8 billion was reflected in our consolidated financial statements as a liability, which is net of deposits with insurance companies totaling Won 68.6 billion to fund a portion of the employees' severance

indemnities.

Effective March 31, 2006, we implemented certain changes to our severance payment policy in respect of employees who had joined our company on or before December 31, 2002. As a result of such policy change, we required applicable employees to receive and settle all severance benefits accrued as of March 31, 2006. These accrued severance payments were made in April 2006. As compensation for the mandatory early settlement of their accrued severance benefits, we also paid such employees additional special bonuses of Won 125.9 billion in

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aggregate amount. We recorded the special bonus payments as special severance indemnities in other expenses for the year ended December 31, 2006. In 2006, we also sponsored a voluntary early retirement plan with respect to certain eligible employees. These early retirees were also paid special bonuses of Won 18.1 billion in the aggregate, which amount was also reflected in special severance indemnities in other expenses for the year ended December 31, 2006. We may, in the future, again sponsor early retirement plans, in part, to improve operational efficiencies.

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

*Dividends.* Total payments of cash dividends amounted to Won 662.8 billion in 2006, Won 581.3 billion in 2007 and Won 682.4 billion in 2008.

In April 2009, we distributed annual dividends at Won 8,400 per share to our shareholders for an aggregate payout amount of Won 609.2 billion.

**Contractual Obligations and Commitments**

The following summarizes our contractual cash obligations at December 31, 2008, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

	Total	Payments Due by Period(1)			After 5 Years
		Less Than 1 Year	1-3 Years	4-5 Years	
			(In billions of Won)		
Bonds					
Principal	₩ 4,876.1	₩ 737.7	₩ 1,554.9	₩ 1,280.5	₩ 1,303.0
Interest	1,413.3	257.9	393.2	211.2	551.0
Long-term borrowings					
Principal	865.5	9.0	723.5	133.0	
Interest	104.8	39.4	60.5	4.9	
Capital lease obligations					
Principal	201.1	61.8	111.9	27.4	
Interest	25.7	13.0	8.4	3.6	0.7
Operating leases	2.0	0.7	0.9	0.4	
Facility deposits	13.1	8.3			4.8
Derivatives	247.8	190.4	57.4		
Credit commitment to Virgin Mobile USA, Inc.	21.2	21.2			
Other long-term payables(2)					
Principal	450.0	130.0	320.0		
Interest	42.6	20.4	22.2		
Short-term borrowings	627.7	627.7			
Total contractual cash obligations(3)	₩ 8,890.9	₩ 2,117.5	₩ 3,252.9	₩ 1,661.0	₩ 1,859.5

- (1) We are contractually obligated to make severance payments to eligible employees we have employed for more than one year, upon termination of their employment, regardless of whether such termination is voluntary or involuntary. Accruals for severance indemnities are recorded based on the amount we would be required to pay in the event the employment of all our employees were to terminate at the balance date. However, we have not yet estimated cash flows for future periods. Accordingly, payments due in connection with severance indemnities have been excluded from this table.
- (2) Related to acquisition of IMT-2000 license. See note 2(1) and note 8 of the notes to our consolidated financial statements.



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

See note 22 of the notes to our consolidated financial statements for details related to our other commitments and contingencies.

## **Inflation**

We do not consider that inflation in Korea has had a material impact on our results of operations in recent years. According to data published by The Bank of Korea, annual inflation in Korea was 2.2% in 2006, 2.5% in 2007 and 4.7% in 2008.

## **U.S. GAAP Reconciliation**

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

Our net income in 2006 under U.S. GAAP is higher than under Korean GAAP by Won 428.8 billion, primarily due to the differing treatment of unrealized gains or losses on valuation of convertible notes and reversal of goodwill amortization under U.S. GAAP, partially offset by the tax effect of the reconciling items. Our net income in 2007 under U.S. GAAP is lower than under Korean GAAP by Won 56.9 billion, primarily due to the differing treatment of unrealized gains or losses on the valuation of convertible notes and the differing treatment of nonrefundable activation fees under U.S. GAAP, partially offset by the differing treatment of reclassification of our investment in the common stock of SK C&C, reversal of goodwill amortization and the tax effect of reconciling items under U.S. GAAP. Our net income in 2008 under U.S. GAAP is higher than net income under Korean GAAP by Won 100.5 billion, primarily due to the differing treatment of loss on impairment of investment securities, the reversal of goodwill amortization and goodwill impairment and reclassification of our investment in the common stock of SK C&C under U.S. GAAP, partially offset by differing treatment in valuation of currency and interest rate swaps under U.S. GAAP.

Our shareholders' equity as of December 31, 2006, 2007 and 2008 under U.S. GAAP is higher than under Korean GAAP by Won 1,235.3 billion, Won 970.1 billion, Won 390.8 billion, respectively, in each case, primarily due to increases from the differing treatment of intangible assets, reversal of goodwill amortization and goodwill impairment and tax effect of the reconciling items, partially offset by decreases from the differing treatment of nonrefundable activation fees and minority interest of equity in consolidated affiliates and, in 2008, reclassification of investment in the common stock of SK Broadband.

## **New Accounting Pronouncements under U.S. GAAP**

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

The adoption of such accounting standards did not have an effect on our consolidated financial position as of December 31, 2007.

In June 2006, the Financial Accounting Standard Board ( FASB ) issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes ( FIN 48 ), an interpretation of SFAS No. 109, Accounting for Income Taxes ( SFAS No. 109 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s

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financial statements in accordance with SFAS No. 109, and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. Effective January 1, 2007, we adopted FIN 48 for our annual reporting period ended December 31, 2007. As a result of our adoption of FIN 48, retained earnings as of January 1, 2007 decreased by Won 11,853 million and income tax provision for the year ended December 31, 2007 increased by Won 1,320 million.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurement ( SFAS No. 157 ), which provides guidance for using fair value to measure assets and liabilities when required for recognition or disclosure purposes. SFAS No. 157 is intended to make the measurement of fair value more consistent and comparable and improve disclosures about these measures. Specifically, SFAS No. 157 (1) clarifies the principle that fair value should be based on the assumptions market participants would use when pricing the asset or liability, (2) establishes a fair value hierarchy that prioritizes the information used to develop those assumptions, (3) clarifies the information required to be used to measure fair value, (4) determines the frequency of fair value measures and (5) requires companies to make expanded disclosures about the methods and assumptions used to measure fair value and the fair value measurement's effect on earnings. However, SFAS No. 157 does not expand the use of fair value to any new circumstances or determine when fair value should be used in the financial statements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years, with some exceptions. SFAS No. 157 is to be applied prospectively as of the first interim period for the fiscal year in which it is initially adopted, except for a limited form of retrospective application for some specific items. In February 2008, the FASB issued Staff Position No. 157-1, Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purpose of Lease Classification or Measurement Under Statement 13 ( FSP 157-1 ) in order to amend SFAS No. 157 to exclude FASB Statement No. 13, Accounting for Leases ( SFAS No. 13 ) and other accounting pronouncements that address fair value measurements for purposes of lease classification or measurement under SFAS No. 13. In addition, in February 2008, the FASB issued Staff Position No. 157-2, Effective Date of FASB Statement No. 157 ( FSP 157-2 ), which defers the effective date of SFAS No. 157 to fiscal years beginning after November 15, 2008 for non-financial assets and non-financial liabilities, except for those that are recognized or disclosed at fair value in an entity's financial statements on a recurring basis (at least annually). We adopted SFAS No. 157, FSP 157-1 and FSP 157-2 in the first quarter of 2008, the impact of which is disclosed in note 34(c) of the notes to our consolidated financial statements.

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

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

In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51 ( SFAS No. 160 ). SFAS No. 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the non-controlling interest,

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changes in a parent's ownership interest, and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. SFAS No. 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. This statement is effective for us beginning January 1, 2009. We are currently evaluating the potential impact of the adoption of SFAS No. 160 on our consolidated financial position, results of operations and cash flows.

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

In June 2008, the FASB ratified the consensus reached by the EITF on Issue 07-5, *Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity's Own Stock* (Issue 07-5). Under Issue 07-5, an instrument (or embedded feature) would not be considered indexed to an entity's own stock if its settlement amount is affected by variables other than those used to determine the fair value of a plain vanilla option or forward contract on equity shares, or if the instrument contains a feature (such as a leverage factor) that increases exposure to those variables. An equity-linked financial instrument (or embedded feature) would not be considered indexed to the entity's own stock if the strike price is denominated in a currency other than the issuer's functional currency. Issue 07-5 is effective for us beginning on January 1, 2009, and we are currently evaluating the impact of adopting Issue 07-5 on the our consolidated financial condition, results of operations and cash flows.

In December 2008, the FASB issued FSP No. FAS 140-4 and FIN 46R-8, *Disclosures by Public Entities (Enterprises) About Transfers of Financial Assets and Interests in Variable Interest Entities* ( FSP No. FAS 140-4 and FIN 46R-8 ). FSP No. FAS 140-4 and FIN 46R-8 amends the disclosure requirements of SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* and FIN 46R and is effective from the first reporting period ending after December 15, 2008. The adoption of FSP No. FAS 140-4 and FIN 46R-8 did not have a material impact on our financial condition, results of operations or cash flows.

In January 2009, the FASB issued FSP No. EITF 99-20-1, *Amendments to the Impairment Guidance of EITF Issue No. 99-20* ( FSP No. EITF 99-20-1 ). FSP No. EITF 99-20-1 amends the impairment guidance in EITF No. 99-20 to align impairment guidance in EITF 99-20 with that in SFAS No. 115 and related impairment guidance. FSP No. EITF 99-20-1 applies to beneficial interests within the scope of EITF 99-20 and is effective for periods ending after December 15, 2008. The adoption of FSP No. EITF 99-20-1 did not have a material impact on us.

In April 2009, the FASB issued FSP No. 141R-1, *Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies* ( FSP No. 141R-1 ). FSP No. 141R-1 amends and clarifies SFAS No. 141R, *Business Combinations* , to address application issues raised by preparers, auditors, and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP No. 141R-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is on or after the first annual reporting period beginning on or after December 15, 2008 and had no impact on our financial condition, results of operations or cash flows.

In April 2009, the FASB issued FSP No. FAS 115-2 and FAS 124-2. FSP No. FAS 115-2 and FAS 124-2 amends the other-than-temporary impairment guidance in GAAP for debt securities and the presentation and disclosure requirements of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than temporary impairments of equity securities. FSP No. FAS 115-2 and FAS 124-2 is effective for interim reporting periods ending after June 15, 2009 with early adoption permitted. We did not early adopt this FSP. We expect the adoption of this standard to decrease the impact of impairments on our results of operations in future periods when

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compared to the impact we believes would have occurred without this new accounting standard. We are currently evaluating the impact of the adoption of FSP No. FAS 115-2 and FAS 124-2 to our financial condition, results of operations and cash flows.

**Significant Changes in Korean GAAP**

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

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

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

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

The amended SKAS No. 25, *Consolidated Financial Statements*, which is effective December 29, 2008 (but the early adoption is allowed from 2008), clarifies that when the parent's ownership interest in a subsidiary is increased after control is obtained, the difference between the consideration for additional acquisition of interest and portion of net asset of subsidiary, which had been previously recognized as capital surplus, should be recognized as other capital adjustment if the difference is negative amount and there is no related capital surplus earned at previous transaction. As the amended SKAS No. 25, *Consolidated Financial Statements* is applied retroactively during the year ended December 31, 2008, the 2006 and 2007 financial statements presented comparatively are restated, which results in the increase in capital surplus by ₩16,072 million and ₩31,146 million as of December 31, 2006 and 2007, respectively, and the decrease in other capital adjustment by ₩16,072 million and ₩31,146 million as of December 31, 2006 and 2007, respectively.

**Critical Accounting Policies, Estimates And Judgments**

Our consolidated financial statements are prepared in accordance with Korean GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities,

revenue and expenses as well as the disclosure of contingent assets and liabilities. We continually evaluate our estimates and judgments including those related to revenue recognition, allowances for doubtful accounts, inventories, useful lives of property and equipment, intangible assets, investments, employee stock option compensation plans and income taxes. We base our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We also provide a summary of significant differences between



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accounting principles followed by us and our subsidiaries and U.S. GAAP. We believe that of our significant accounting policies, the following may involve a higher degree of judgment or complexity:

### ***Allowances for Doubtful Accounts***

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

### ***Derivative Instruments***

We record 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 portions of the gains or losses on the hedging instruments are recorded as accumulated other comprehensive income (loss) and credited or charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses are credited or charged immediately to operations.

### ***Estimated Useful Lives***

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

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

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

Our intangible assets include the WCDMA frequency usage right, which has a contractual life of 15 years and is amortized from the date commercial service is initiated through the end of its contractual life, which is December 15, 2015. We started to amortize this frequency usage right on December 1, 2003. Because WCDMA presents risks and challenges to our business, any or all of which, if realized or not properly addressed, may have a material adverse effect on our financial condition, results of operations and cash flows, we review the WCDMA frequency usage right for impairment on an annual basis. In connection with our review, we utilize the estimated long-term revenue and cash flow forecasts. The use of different assumptions within our cash flow model could result in different amounts for the WCDMA frequency usage right. The results of our review using the testing method described above did not indicate any need to impair the WCDMA frequency usage right for 2008.

***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.

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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.

### ***Income Taxes***

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

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

### ***Off-Balance Sheet Arrangements***

In July 2003, SKT Vietnam (formerly SLD Vietnam), our overseas subsidiary, entered into a business cooperation contract with Saigon Post & Telecommunication Services Corporation to establish cellular mobile communication services and provide CDMA service throughout Vietnam. Pursuant to such contract, in the event that the cash inflow for the business is insufficient to cover the cash outflow necessary to cover the expenditures necessary to operate the business, SKT Vietnam and Saigon Post & Telecommunication Services Corporation have agreed to contribute the necessary funds to the business and to bear additional cash shortfalls, on an equal basis. With respect to our involvement in the business, our maximum exposure to loss was approximately Won 236.3 billion as of December 31, 2008.

### ***Item 5.C. Research and Development***

#### **Overview**

We maintain a high level of spending on our internal research activity. We also donate funds to several Korean research institutes and educational organizations that focus on research and development activity. 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,  
2006            2007            2008  
(In billions of Won)**

Internal R&D Expenses	₩ 212.0	₩ 218.7	₩ 226.7
External R&D Expenses	67.0	74.4	73.0
Total R&D Expenses	₩ 279.0	₩ 293.1	₩ 299.7

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Our total research and development expenses were approximately 2.5% in 2006, 2.5% in 2007 and 2.1% in 2008, respectively, of operating revenue.

Our external research and development expenses have been influenced by the Ministry of Knowledge Economy, which makes annual recommendations concerning our minimum level of contribution to the Government-run Fund for Development of Information and Telecommunications. The minimum level of contribution recommended by the Ministry of Knowledge Economy was 0.75% for each of 2006, 2007 and 2008. We are not obligated to make donations to any other external research institutes.

## **Internal Research and Development**

The main focus of our internal research and development activity is the development of new wireless technologies and services and value-added technologies and services for our CDMA-based, WCDMA-based and WiBro networks, such as wireless data communications, as well as development of new technologies that reflect the growing convergence between telecommunications and other industries. In addition, together with the Chinese government, we have been jointly researching and developing China's TD-SCDMA technology. We spent approximately Won 226.7 billion on internal research and development in 2008.

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

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

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

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

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

## **External Research and Development**

In addition to conducting research in our own facilities, we have been a major financial supporter of other Korean research institutes, and we have helped coordinate the Government's effort to commercialize CDMA-based,

WCDMA-based and WiBro technology. We do not independently own intellectual property rights in the technologies or products developed by any external research institute.

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**Item 5.D. *Trend Information***

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

**Item 5.E. *Off-Balance Sheet Arrangements***

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

**Item 5.F. *Tabular Disclosure of Contractual Obligations***

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

**Item 5.G. *Safe Harbor***

These matters are discussed under Forward-Looking Statements.

**Item 6. *DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES***

**Item 6.A. *Directors and Senior Management***

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

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

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

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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 SK T-Tower, 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:

<b>Name</b>	<b>Date of Birth</b>	<b>Director Since</b>	<b>Expiration of Term</b>	<b>Position</b>	<b>Other Principal Directorships and Positions</b>	<b>Business Experience</b>
Man Won Jung	Oct. 5, 1952	2009	2012	President, Chief Executive Officer & Representative Director		CEO & President, SK Networks; Vice President, Internet Business Divisional Group, SK Telecom; Vice President, Customer Business Development Group, SK Corporation
Sung Min Ha	Mar. 24, 1957	2004	2010	Head of Mobile Network Operations Business		Head of Strategic Planning Group, SK Telecom; Director, SK Telink; Auditor, SK C&C; Chairman and Representative Director, SKT Vietnam; Auditor, SK Teletech

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

<b>Name</b>	<b>Date of Birth</b>	<b>Director Since</b>	<b>Expiration of Term</b>	<b>Position</b>	<b>Other Principal Directorships and Positions</b>	<b>Business Experience</b>
Jae Won Chey	May. 16, 1963	2009	2012	Vice Chairman & CEO, SK Gas Vice Chairman & CEO, SK E&S	Director, SK Holdings	Executive Vice President, Head of Corporate Center, SK Telecom; Executive Vice President, Head of Strategic Support Division, SK Telecom
Hyun Chin Lim	Apr. 26, 1949	2009	2012	Independent Non-executive Director	Dean, College of Social Science, Seoul National University	President, Korea Sociological Association; Dean, Faculty of Liberal



Dal Sup Shim	Jun. 27, 1950	2007	2010	Independent Non-executive Director	Research Fellow, Institute for Global Economics	Education, Seoul National University; President, Korean Association of NGO Studies Auditor, Korea Credit Guarantee Fund; Financial Attaché, Korean Embassy in the United States; Audit Officer, Korea Customs Service; Tax & Customs Office, Ministry of Strategy and Finance (formerly Ministry of Finance and Economy)
Rak Young Uhm	Jun. 23, 1948	2008	2011	Independent Non-executive Director	Visiting Professor Graduate School of Public Administration, Seoul National University	Independent Non-executive Director, Tong Yang Insurance Co., Ltd., Non-Standing Director KOTRA; President, Korea Development Bank Chief, Asia-Pacific Economic Association; Vice President, Sung Kyun Kwan University; Independent Non-executive Director, POSCO
Jay Young Chung	Oct. 15, 1944	2008	2011	Independent Non-executive Director	Professor, Graduate School of Business Administration, Sung Kyun Kwan University	Director, Kyung Hee Foundation; Visiting Professor, Graduate School of Economics, University of Tokyo, Advisory Committee Member, Samsung Securities
Jae Ho Cho	Jan. 18, 1955	2008	2011	Independent Non-executive Director	Professor of Finance, College of Business Administration, Seoul National University	

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### **Item 6.B. Compensation**

The aggregate of the remuneration paid and in-kind benefits granted to the directors (both standing directors, who also serve as our executive officers, and non-standing directors) during the year ended December 31, 2008 totaled approximately Won 5.0 billion.

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

In March 2002, pursuant to resolutions of the shareholders, and in accordance with our articles of incorporation, certain of our directors and officers were granted options to purchase our common shares. In 2002, 70 officers were granted options to purchase 65,730 common shares. The exercise price for the shares is Won 267,000. Each stock option agreement also provides for adjustments to the amount and exercise price of the shares in cases where the share price may become diluted as a result of issuance of new shares, stock dividends or mergers. No officer exercised his option to purchase for shares granted in 2002. The board of directors may, by resolution, cancel any director's or officer's stock options under certain circumstances. Since 2003, none of our directors and officers have been granted options to purchase our common shares.

### **Item 6.C. Board Practices**

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

### **Termination of Directors, Services**

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

### **Audit Committee**

Under relevant Korean laws and our articles of 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 independent non-executive directors independent with respect to applicable rules. The members of the audit committee are appointed annually by a resolution of the board of directors. They are required to:

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

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

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

**Independent Non-executive Director Nomination Committee**

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

**Capex Review Committee**

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

**Compensation Committee**

This committee oversees our overall compensation scheme for top-level executives and directors. It is responsible for reviewing both the criteria for and level of compensation. It is comprised of all independent directors, Hyun Chin Lim, Dal Sup Shim, Rak Young Uhm, Jay Young Chung and Jae Ho Cho.

**Corporate Citizenship Committee**

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

**Item 6.D. Employees**

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

	<b>Regular Employees</b>	<b>Temporary Employees</b>	<b>Total</b>
December 31, 2006	6,178	1,498	7,676
December 31, 2007	7,524	1,961	9,485
December 31, 2008	8,964	1,662	10,626

**Labor Relations**

As of December 31, 2008, we had a company union comprised of 8,964 regular employees. We have never experienced a work stoppage of a serious nature. Every two years, the union and management negotiate and enter into a new collective bargaining agreement that has a two-year duration, which is focused on employee benefits and welfare, except for employee wages, which are separately negotiated on an annual basis. Our wage negotiations completed in December 2007 resulted in an average wage increase of 3.5% for 2007 from 2006. Our wage

negotiations completed in November 2008 resulted in an average wage increase of 2% for 2008 from 2007. Our wage negotiations completed in June 2009 resulted in a wage freeze for 2009. We consider our relations with our employees to be good.

**Table of Contents****Employee Stock Ownership Association and Other Benefits**

Since April 1999, we have been required to contribute an amount equal to 4.5% of employee wages toward a national pension plan. Employees are eligible to participate in an employee stock ownership association. We are not required to, and we do not, make any contributions to the employee stock ownership association, although through the Employee Welfare Fund we subsidize the employee stock ownership association by providing low interest rate loans to employees desiring to purchase our stock through the plan in the case of a capitalization by the association. On December 26, 2007 and January 23, 2008, we loaned Won 31.0 billion and Won 29.7 billion, respectively, to our employee stock ownership association to help fund the employee stock ownership association's acquisition of our treasury shares. Such loans will be repaid over a period of five years, beginning on the second anniversary of each loan date. As of March 31, 2009, the employee stock ownership association owned approximately 0.6% of our issued common stock.

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, 2008, the accrued and unpaid retirement and severance benefits of Won 122.4 billion for all of our employees are reflected in our consolidated financial statements as a liability, of which a total of Won 68.6 billion was funded. Under Korean laws and regulations, we are prevented from involuntarily terminating a full-time employee except under certain limited circumstances. In September 2002, we entered into an employment stabilization agreement with the union. Among other things, this agreement provides for a one-year guarantee of the same wage level in the event that we reorganize a department into a separate entity or we outsource an employee to a separate entity where the wage is lower.

Under the Korean Intra-Company Labor Welfare Fund Law, we may also contribute up to 5% of our annual earnings before tax for employee welfare. Contribution amounts are determined annually following negotiation with the union. The contribution amount for 2006, which was decided in December 2006, was set at 2.1% of our annual earnings before tax, or Won 42.0 billion. The contribution amount for 2007, which was decided in December 2007, was set at 0.9% of our earnings before tax, or Won 20.0 billion. The contribution amount for 2008, which was decided in December 2008, was set at 2.6% of our earnings before tax, or Won 40 billion. The contribution amount for 2009 has not yet been determined.

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

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

**Table of Contents****Item 6.E. Share Ownership**

The following table sets forth the share ownership by our standing and non-standing directors as of February 28, 2009:

Name	Position	Number of Shares Owned	Percentage		Options
			of Total Shares Outstanding	Special Voting Rights	
<b>Standing Directors:</b>					
Man Won Jung	President, Chief Executive Officer and Representative Director	100	0	None	None
Sung Min Ha	Head of Mobile Network Operations Business	738	0	None	None
<b>Non-Standing Directors:</b>					
Jae Won Chey	Independent Non-executive Director	0	0	None	None
Hyun Chin Lim	Independent Non-executive Director	0	0	None	None
Dal Sup Shim	Independent Non-executive Director	0	0	None	None
Rak Young Uhm	Independent Non-executive Director	0	0	None	None
Jay Young Chung	Independent Non-executive Director	0	0	None	None
Jae Ho Cho	Independent Non-executive Director	0	0	None	None

**Item 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS****Item 7.A. Major Shareholders**

As of December 31, 2008, approximately 57.4% of our issued shares were held in Korea by approximately 23,000 shareholders. The following table sets forth certain information as of the close of our shareholders' registry on December 31, 2008 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 Holdings	18,748,452	23.09%	25.85%

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Employees(1)	484,105	0.60	0.67
Treasury shares(1)(2)	8,707,696	10.73	N/A
Officers and Directors	10,707	0*	0*
Other Domestic Shareholders	16,331,922	20.11	19.30
Foreign Shareholders	34,607,448	42.62	47.72
Total Issued Shares	81,193,711	100.00%	100.00%

\* Less than 0.00%.

(1) Represents shares owned by our employee stock ownership association. See Item 6.D. Employees .



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- (2) Treasury shares do not have any voting rights; includes 1,324,744 treasury shares that were deposited with Korea Securities Depository to be reserved and used to satisfy the conversion rights of the holders of US\$229.2 million in zero coupon convertible notes that were sold in May 2004.

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

Shareholder	As of December 31,		
	2006	2007	2008
	(As a percentage of total issued shares)(1)		
SK Group(2)	22.79 %	23.09 %	23.09 %
SK Holdings	21.47	21.75	23.09
SK Networks	1.32	1.34	0
POSCO(3)	3.64	2.88	2.88

- (1) Includes 8,526,252, 8,609,034 and 8,707,696 shares held in treasury as of December 31, 2006, 2007 and 2008, respectively.
- (2) SK Group's ownership interest as of December 31, 2006 and December 31, 2007 consisted of the ownership interests of SK Holdings and SK Networks. SK Group's ownership interest as of December 31, 2008 consisted of the ownership interest of SK Holdings only.
- (3) POSCO acquired these shares in connection with our acquisition of a 27.7% equity interest in Shinsegi.

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

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

As of March 31, 2009, SK Holdings held 23.22% of our shares of common stock. For a description of our foreign ownership limitation, see Item 3.D. Risk Factors If SK Holdings causes us to breach the foreign ownership limitations on shares of our common stock, we may experience a change of control and Item 4.B. Business Overview Law and Regulation Foreign Ownership and Investment Restrictions and Requirements. In the event that SK Holdings announces plans of a sale of our shares, we expect to be able to discuss the details of such sale with them in advance and will endeavor to minimize any adverse effects on our share prices as a result of such sale.

There is currently a 49% limit on the aggregate foreign ownership of our issued shares. As of March 31, 2009, SK Holdings owned 18,748,452 shares of our common stock, or approximately 23.22%, of our issued shares. As of March 31, 2009, a foreign investment fund and its related parties collectively held a 2.11% stake in SK Holdings.

Under the Telecommunications Business Act, a Korean entity, such as SK Holdings, is deemed to be a foreign entity if its largest shareholder (determined by aggregating the shareholdings of such shareholder and its related parties) is a foreigner and such shareholder (together with the shareholdings of its related parties) holds 15% or more of the outstanding voting stock of the Korean entity. Thus, if the foreign investment fund and its related parties increased their shareholdings in SK Holdings to 15% or more and such foreign investment fund and its related parties collectively constituted the largest shareholder of SK Holdings, SK Holdings would have been considered a foreign shareholder, and its shareholding in us would have been included in the calculation of our aggregate foreign shareholding.

If SK Holdings' shareholding in us were included in the calculation of our aggregate foreign shareholding, then our aggregate foreign shareholding, assuming foreign ownership level as of March 31, 2009 (which we believe was 45.95%), would have reached 69.17%, exceeding the 49% ceiling on foreign shareholding. If our aggregate foreign

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

If a corrective order is issued to us by the KCC arising from the violation of the foregoing foreign ownership limit, and we do not comply within the prescribed period under such corrective order, the KCC may

revoke our business license;

suspend all or part of our business; or

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

The Telecommunications Business Act also authorizes the KCC to assess monetary penalties of up to 0.3% of the purchase price of the shares for each day the corrective order is not complied with, as well as a prison term of up to one year and a penalty of Won 50 million. See [Item 3.D. Risk Factors](#) If SK Holdings causes us to breach the foreign ownership limitations on shares of our common stock, we may experience a change of control and [Item 4.B. Business Overview](#) [Law and Regulation](#) [Foreign Ownership and Investment Restrictions and Requirements](#) .

As of May 31, 2009, the total number of shares of our common stock outstanding was 72,345,003.

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

### **Item 7.B. *Related Party Transactions***

#### **SK Networks**

As of December 31, 2008, KT Corporation and SK Networks provided a substantial majority of our leased lines. For a more detailed discussion of the lines we lease from fixed-line operators, see [Item 4.B. Business Overview](#) [Digital Cellular Network](#) [Network Infrastructure](#) . In May 2009, we entered into an agreement with SK Networks to purchase its leased line business for Won 892.85 billion. The purchase remains subject to regulatory approvals and approval by shareholders of SK Networks. In addition, we will also assume Won 627.8 billion of debt as part of the transaction.

As of December 31, 2008, we had Won 1.1 billion of accounts receivables from SK Network. As of the same date, we had Won 71.8 billion of accounts payable to SK Networks, mainly consisting of leased line charges and commissions to dealers owned by SK Networks.

#### **Other Related Parties**

On July 22, 2003, we acquired 2,481,310 shares of POSCO common stock held by SK Holdings at a price of Won 134,000 per share in accordance with a resolution of our board of directors dated July 22, 2003. We decided to purchase the shares for strategic reasons in order to address overhang concerns arising from POSCO's ownership of our shares. As of December 31, 2008, POSCO owned 2.88% of our shares.

We are party to an agreement with SK C&C pursuant to which SK C&C provides us with information technology services. This agreement will expire on December 31, 2009 but may be terminated by us at any time without cause on six months prior notice. The agreement provides that the parties will agree annually on the specific services to be provided and the monthly fees to be paid by us. We also enter into agreements with SK C&C from time to time for specific information technology-related projects. The aggregate fees we paid to SK C&C for information technology services amounted to Won 287.6 billion in 2006, Won 251.4 billion in 2007 and Won 273.3 billion in 2008. We also purchase various information technology-related equipment from SK C&C

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from time to time. The total amount of such purchases was Won 215.8 billion for 2006, Won 205.7 billion for 2007 and Won 232.2 billion for 2008.

We are part of the SK Group of affiliated companies. See Item 7.A. Major Shareholders As disclosed in note 24 of the notes to 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, 2008.

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

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

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

In March 2005, we invested Won 14.4 billion to purchase 8,000,000 shares, representing a 21.5% equity stake, in iHQ, one of Korea's largest entertainment companies and the controlling shareholder of YTN Media, Inc. Following this investment, we became iHQ's second largest shareholder. In connection with this transaction, we also received a call option to purchase an additional 5,000,000 shares of iHQ, exercisable in the period between March 15, 2006 and April 30, 2006 at the price of Won 3,000 per share, in respect of 3,000,000 shares, and the price of Won 9,176.24 per share, in respect of 2,000,000 shares. We exercised our call option in April 2006. The share purchase pursuant to our exercise of the call option was consummated in July 2006, when we invested an additional Won 27.4 billion to increase our equity stake in iHQ to 34.1% and became its largest shareholder. As a result of this increase in our equity interest, iHQ became a consolidated subsidiary. In July 2007, we further invested Won 10 billion in iHQ, increasing our equity interest to 37.1%.

In December 2008, we transferred our MelOn business to our consolidated subsidiary, Loen Entertainment Inc., to acquire an additional 6,472,491 shares of its common stock and increase our equity interest to 63.5% from 60.0%.

### ***Item 7.C. Interests of Experts and Counsel***

**Not applicable.**

## **Item 8. FINANCIAL INFORMATION**

### ***Item 8.A. Consolidated Statements and Other Financial Information***

See Item 18. Financial Statements and pages F-1 through F-103.

## **Legal Proceedings**

***FTC Proceedings***

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

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the Seoul High Court, an appellate court, which found in our favor. The case is currently pending before the Supreme Court of Korea.

In January 2009, the FTC fined us Won 1.3 billion for our activities allegedly restricting competition in markets for wireless Internet services. We paid such fine in March 2009. In February 2009, the FTC fined us Won 500 million for our activities allegedly restricting competition in markets for personal digital assistant, or PDA, devices. We paid such fine in April 2009 and filed an appeal at the Seoul High Court where the case is currently pending.

***MIC and KCC Proceedings***

When the MIC approved the merger of Shinsegi into us in January 2002, the MIC imposed certain conditions on us. The MIC periodically reviews our compliance with the conditions related to our merger with Shinsegi. On May 25, 2004, a policy advisory committee to the MIC announced the results of its review and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we have violated the conditions related to our merger with Shinsegi by providing subsidies to handset buyers. In June 2004, the MIC imposed a Won 11.9 billion fine on us and extended the post-merger monitoring period until the end of 2006 pursuant to the policy advisory committee's recommendation. Such post-merger monitoring period expired on December 31, 2006 and we are no longer subject to any market share limitations. We can give no assurance that the MIC will not take action that may have a material adverse effect on our business, operations and financial condition. See Item 3.D. Risk Factors Our businesses are subject to extensive Government regulation and any change in Government policy relating to the telecommunications industry could have a material adverse effect on our results of operations, financial condition and cash flows .

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

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

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

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

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

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

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

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



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In September 2008, the KCC ordered us to pay a fine of Won 600 million alleging that we enrolled subscribers for our T-Ring service without such subscribers' consent. We paid such fine in September 2008.

***SK Broadband Litigation***

Since April 2008, customers of SK Broadband (then hanarotelecom incorporated) have filed lawsuits against SK Broadband in the Seoul Central District Court, alleging that subscribers' personal information was leaked due to the company's poor data protection policies. The plaintiffs also alleged that current and former employees were involved in the sale of subscribers' personal information, including resident registration identification numbers, telephone numbers and mailing addresses. As of April 23, 2009, the number of plaintiffs was 23,591 and the aggregate amount of damages claimed by such plaintiffs was approximately Won 24.2 billion. The case is currently pending before the Seoul Central District Court. In addition, in April 2008, an investigation against SK Broadband was initiated by the Seoul Central Prosecutor's Office, the KCC and the Korean Trade Commission. The main subjects of this investigation include the possible improper provision of broadband service by misusing subscribers' personal information and the violation of standardized customer contracts by SK Broadband. In connection with its investigation, the KCC suspended SK Broadband from soliciting new subscribers for its broadband Internet services for a period of 40 days from July 1, 2008 and, in addition, imposed an administrative fine of Won 178 million on the grounds that SK Broadband had violated the Telecommunication Business Act and standard customer contracts. SK Broadband paid such fine in July 2008.

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

**Dividends**

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

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 Item 10.B. Memorandum and Articles of Incorporation—Description of American Depositary Shares and Item 10.D. Exchange Controls—Korean Foreign Exchange Controls and Securities Regulations.

The following table sets forth the dividend per share and the aggregate total amount of dividends declared (including any interim dividends), as well as the number of outstanding shares entitled to dividends, with respect to the years indicated. The dividends set out for each of the years below were paid in the immediately following year.

<b>Year Ended December 31,</b>	<b>Dividend per Share</b>	<b>Total Amount of Dividends</b>	<b>Number of Shares Entitled to Dividend</b>
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	<b>(In Won)</b>	<b>(In billions of Won)</b>	
2004	₩ 10,300	₩ 758.2	73,614,296
2005	9,000	662.5	73,614,296
2006	8,000	582.4	72,667,459
2007	9,400	682.4	72,584,677
2008	9,400	682.0	72,524,203

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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 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 KOSPI Market-listed company, we are also required under the relevant laws and regulations to set aside in reserve a certain amount each fiscal year until the ratio of our own capital to total assets is at least 30%. We may not use our legal reserve to pay cash dividends but may transfer amounts from our legal reserve to capital stock or use our legal reserve to reduce an accumulated deficit.

In addition, the Korean Commercial Code and our articles of 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 2008, we distributed such interim dividends at Won 1,000 per share to our shareholders for a total amount of Won 72.8 billion.

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

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

### **Item 8.B. *Significant Changes***

**Not applicable.**

### **Item 9. *THE OFFER AND LISTING***

#### **Item 9.A. *Offering and Listing Details***

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

**Item 9.B. *Plan of Distribution***

**Not applicable.**

**Table of Contents****Item 9.C. Markets**

The principal trading market for our common stock is the KRX KOSPI Market. As of May 31, 2009, 72,345,003 shares of our common stock were outstanding.

The ADSs are traded on the New York Stock Exchange and the London Stock Exchange. The ADSs have been issued by the ADR depositary and are traded on the New York Stock Exchange under the ticker symbol **SKM**. Each ADS represents one-ninth of one share of common stock. As of June 1, 2009, ADSs representing 17,942,962 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 KOSPI Market since January 1, 2004:

Calendar Year	Prices			Average Daily Trading Volume (Number of shares)
	High(1)	Low(1) (Won per shares)	Close	
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	216,500	163,500	181,000	186,239
First Quarter	200,500	171,000	171,000	202,857
Second Quarter	192,500	163,500	182,000	137,021
Third Quarter	216,500	178,500	202,500	156,019
Fourth Quarter	209,500	181,000	181,000	249,550
2006	235,000	177,000	222,500	190,565
First Quarter	203,500	177,000	192,500	177,491
Second Quarter	235,000	190,000	204,000	216,607
Third Quarter	204,500	181,000	201,500	204,167
Fourth Quarter	233,000	195,000	222,500	163,534
2007	274,000	188,500	249,000	244,056
First Quarter	223,000	190,500	191,500	206,155
Second Quarter	215,000	188,500	213,000	220,091
Third Quarter	221,000	192,000	210,000	198,816
Fourth Quarter	274,000	204,500	249,000	349,701
2008	232,000	178,000	209,000	322,706
First Quarter	232,000	178,500	186,500	330,196
Second Quarter	212,000	180,000	190,500	265,973
Third Quarter	210,500	178,000	205,500	317,506
Fourth Quarter	227,500	187,500	209,000	374,768
2009 (through June 24)	218,000	170,500	173,000	378,180
First Quarter	218,000	181,500	192,000	341,322
January	218,000	204,000	207,500	365,646

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February	204,000	187,500	187,500	326,534
March	195,000	181,500	192,000	333,758
Second Quarter (through June 24)	192,500	170,500	173,000	416,287
April	192,500	183,000	183,500	405,964
May	183,500	176,000	176,000	439,608
June (through June 24)	182,000	170,500	173,000	404,289

Source: Korea Exchange

(1) 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, 2004:

Calendar Year	Prices			Average Daily Trading Volume (Number of ADSs)
	High(1)	Low(1)	Close	
2004	25.01	17.28	22.25	915,441
First Quarter	25.01	19.43	21.30	1,331,177
Second Quarter	21.83	19.15	20.99	845,597
Third Quarter	20.76	17.28	19.45	768,117
Fourth Quarter	23.10	19.30	22.25	727,683
2005	23.14	18.96	20.29	882,342
First Quarter	22.19	19.41	19.72	798,390
Second Quarter	21.84	18.96	20.40	618,870
Third Quarter	23.14	20.06	21.84	1,071,227
Fourth Quarter	21.95	19.74	20.29	1,039,398
2006	27.70	20.62	26.48	866,527
First Quarter	24.56	20.62	23.59	952,819
Second Quarter	27.70	22.54	23.42	1,045,503
Third Quarter	24.16	21.14	23.63	789,033
Fourth Quarter	27.42	22.89	26.48	680,124
2007	33.33	22.46	29.84	1,379,370
First Quarter	26.41	22.46	23.42	1,046,780
Second Quarter	28.02	23.41	27.35	1,498,295
Third Quarter	30.30	26.15	29.70	1,498,032
Fourth Quarter	33.33	29.00	29.84	1,462,495
2008	27.96	14.63	18.18	1,762,329
First Quarter	27.96	19.90	21.61	1,992,134
Second Quarter	23.47	20.67	20.77	1,106,308
Third Quarter	22.29	18.68	18.82	1,663,854
Fourth Quarter	19.51	14.63	18.18	2,297,794
2009 (through June 23)	18.35	12.69	15.06	1,206,829
First Quarter	18.35	12.69	15.45	1,244,030
January	18.35	16.35	16.35	1,113,119
February	16.56	13.39	13.39	984,754
March	16.25	12.69	15.45	1,586,959
Second Quarter (through June 23)	16.53	15.00	15.06	1,167,759
April	16.42	15.00	15.67	1,153,857
May	16.53	15.38	15.73	1,227,860
June (through June 23)	15.86	15.02	15.06	1,114,224

Source: New York Stock Exchange

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



**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 Korea Exchange) as a joint stock company. There are three different markets run by the Korea Exchange: the KRX KOSPI Market, the KRX KOSDAQ Market (the KRX KOSDAQ Market), and the KRX Derivatives Market (the KRX Derivatives Market). The Korea Exchange has two trading floors located in Seoul, one for the KRX KOSPI Market and one for the KRX KOSDAQ Market, and one trading floor in Busan for the KRX Derivatives Market. The Korea Exchange is a limited liability company, the shares of which are held by (i) securities companies and futures companies that were formerly members of the Korea Stock Exchange or the Korea Futures Exchange, (ii) the Small Business Corporation, (iii) the Korea Securities Finance Corporation and (iv) the Korea Securities Dealers Association. Currently, the Korea Exchange is the only stock exchange in Korea and is run by membership, having most of Korean securities companies and some Korean branches of foreign securities companies as its members.

As of June 19, 2009, the aggregate market value of equity securities listed on the KRX KOSPI Market was approximately Won 719.5 trillion. For the year ended December 31, 2008, the average daily trading volume of equity securities was approximately 355.2 million shares with an average transaction value of Won 5,189.6 billion. For the period from January 1, 2009 through June 19, 2009 the average trading volume of equity securities was approximately 568.9 million shares with an average transaction value of Won 5,915.2 billion.

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

The Government has in the past exerted, and continues to exert, substantial influence over many aspects of the private sector business community that can have the intention or effect of depressing or boosting the market. In the 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 Korea Exchange publishes the Korea Composite Stock Price Index, or KOSPI, every ten seconds, which is an index of all equity securities listed on the KRX KOSPI 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.

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

<b>Year</b>	<b>Opening</b>	<b>High</b>	<b>Low</b>	<b>Closing</b>	<b>Period Average Dividend Yield(1) (%)</b>	<b>Price Earnings Ratio(2)</b>
1980	100.00	119.36	100.00	106.87	20.9	2.6
1981	97.95	165.95	93.14	131.37	13.2	3.1
1982	123.60	134.49	106.00	127.31	10.5	3.4
1983	122.52	134.46	115.59	121.21	6.9	3.8
1984	116.73	142.46	114.37	142.46	5.1	4.5
1985	139.53	163.37	131.40	163.37	5.3	5.2
1986	161.40	279.67	153.85	272.61	4.3	7.6
1987	264.82	525.11	264.82	525.11	2.6	10.9
1988	532.04	922.56	527.89	907.20	2.4	11.2
1989	919.61	1,007.77	844.75	909.72	2.0	13.9
1990	908.59	928.77	566.27	696.11	2.2	12.8
1991	679.75	763.10	586.51	610.92	2.6	11.2
1992	624.23	691.48	459.07	678.44	2.2	10.9
1993	697.41	874.10	605.93	866.18	1.6	12.7
1994	879.32	1,138.75	860.47	1,027.37	1.2	16.2
1995	1,013.57	1,016.77	847.09	882.94	1.2	16.4
1996	888.85	986.84	651.22	651.22	1.3	17.8
1997	653.79	792.29	350.68	376.31	1.5	17.0
1998	385.49	579.86	280.00	562.46	1.9	10.8
1999	587.57	1,028.07	498.42	1,028.07	1.1	13.5
2000	1,059.04	1,059.04	500.60	504.62	2.4	15.3
2001	520.95	704.50	468.76	693.70	1.7	29.3
2002	724.95	937.61	584.04	829.44	1.8	15.6
2003	635.17	822.16	515.24	810.71	2.1	10.1
2004	821.26	936.06	719.59	895.92	2.1	15.8
2005	893.71	1,379.37	870.84	1,379.37	1.7	11.0
2006	1,389.27	1,464.70	1,192.09	1,434.46	1.7	11.4
2007	1,435.26	2,064.85	1,355.79	1,897.13	1.4	16.8
2008	1,853.45	1,888.88	938.75	1,124.47	2.6	9.0
2009 (through June 19)	1,157.40	1,435.70	1,018.81	1,383.34	2.2	12.0

Source: Korea Exchange

(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.

KOSPI closed at 1,363.79 on June 24, 2009.

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.

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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 Korea Exchange to 15.0% of the previous day's closing price of the shares, rounded down as set out below:

<b>Previous Day's Closing Price—₩</b>	<b>Rounded Down to ₩</b>
Less than 5,000	₩ 5
5,000 to less than 10,000	10
10,000 to less than 50,000	50
50,000 to less than 100,000	100
100,000 to less than 500,000	500
500,000 or more	1,000

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

Due to a recent deregulation of restrictions on brokerage commission rates, the brokerage commission rate on equity securities transactions may be determined by the parties, subject to commission schedules being filed with the Korea Exchange 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 KOSPI Market. See Item 10.E. Taxation Korean Taxation .

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The following table sets forth the number of companies listed on the KRX KOSPI 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	(Billions of Won)	(Millions of US\$)(1)	Thousands of Shares	(Millions of Won)	(Thousands of US\$)(1)
1981	343	₩ 2,959	US\$ 4,223	10,565	₩ 8,708	US\$ 12,427
1982	334	3,001	4,012	9,704	6,667	8,914
1983	328	3,490	4,361	9,325	5,941	7,425
1984	336	5,149	6,207	14,847	10,642	12,829
1985	342	6,570	7,362	18,925	12,315	13,798
1986	355	11,994	13,863	31,755	32,870	37,991
1987	389	26,172	32,884	20,353	70,185	88,183
1988	502	64,544	93,895	10,367	198,364	288,571
1989	626	95,477	140,119	11,757	280,967	412,338
1990	669	79,020	109,872	10,866	183,692	255,412
1991	686	73,118	95,541	14,022	214,263	279,973
1992	688	84,712	107,027	24,028	308,246	389,445
1993	693	112,665	138,870	35,130	574,048	707,566
1994	699	151,217	190,762	36,862	776,257	979,257
1995	721	141,151	181,943	26,130	487,762	628,721
1996	760	117,370	138,490	26,571	486,834	928,418
1997	776	70,989	41,881	41,525	555,759	327,881
1998	748	137,799	114,261	97,716	660,429	547,619
1999	725	349,504	307,662	278,551	3,481,620	3,064,806
2000	704	188,042	148,415	306,163	2,602,211	2,053,837
2001	689	255,850	194,785	473,241	1,997,420	1,520,685
2002	683	258,681	216,071	857,245	3,041,598	2,540,590
2003	684	355,363	298,624	542,010	2,216,636	1,862,719
2004	683	412,588	398,597	372,895	2,232,109	2,156,419
2005	702	655,075	648,589	467,629	3,157,662	3,126,398
2006	731	704,588	757,622	279,096	3,435,180	3,693,742
2007	745	951,900	1,017,205	363,732	5,539,588	5,919,697
2008	763	576,888	457,122	355,205	5,189,644	4,112,238
2009 (through June 19)	757	719,468	569,109	568,914	5,915,222	4,679,024

Source: Korea Exchange

(1) Converted at the noon buying rate on the last business day of the period indicated.

The Korean securities markets are principally regulated by the Financial Services Commission of Korea and became subject to the Financial Investment Services and Capital Markets Act beginning in February 2009. 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

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investment in stock index futures and options are subject to regulations similar to those that govern remittance and repatriation in the context of foreign investment in Korean stocks.

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

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

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

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

### ***Protection of Customer's Interest in Case of Insolvency of Financial Investment Companies with a Brokerage License***

Under Korean law, the relationship between a customer and a financial investment company with a brokerage license 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 financial investment company with a brokerage license) 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 rehabilitation procedure involving a financial investment company with a brokerage license, the customer of such financial investment company is entitled to the proceeds of the securities sold by such financial investment company.

When a customer places a sell order with a financial investment company with a brokerage license which is not a member of the Korea Exchange and this financial investment company places a sell order with another financial investment company with a brokerage license which is a member of the Korea Exchange, 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 rehabilitation of the non-member company.

Under the Financial Investment Services and Capital Markets Act, the Korea Exchange is obliged to indemnify any loss or damage incurred by a counterparty as a result of a breach by its members. If a financial investment company with a brokerage license which is a member of the Korea Exchange breaches its obligation in connection with a buy order, the Korea Exchange 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 financial investment company with a brokerage license is regarded as belonging to such financial investment company, which is liable to return the same at the request of its customer, the customer cannot take back deposited cash from the financial investment company with a brokerage license if a bankruptcy or rehabilitation procedure is instituted against such financial investment 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 such financial



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investment company's bankruptcy, liquidation, cancellation of securities business license or other insolvency events. Pursuant to the Financial Investment Services and Capital Markets Act, subject to certain exceptions, financial investment companies with a brokerage license are required to deposit the cash received from their customers with the Korea Securities Finance Corporation, a special entity established pursuant to the Financial Investment Services and Capital Markets Act. Set-off or attachment of cash deposits by financial investment companies with a brokerage license is prohibited. The premiums related to this insurance under the Depositor Protection Act are paid by financial investment companies with a brokerage license.

**Item 9.D. *Selling Shareholders***

**Not applicable.**

**Item 9.E. *Dilution***

**Not applicable.**

**Item 9.F. *Expenses of the Issue***

**Not applicable.**

**Item 10. *ADDITIONAL INFORMATION***

**Item 10.A. *Share Capital***

**Not applicable.**

**Item 10.B. *Memorandum and Articles of Incorporation***

**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 Financial Investment Services and Capital Markets Act, the Korean Commercial Code, the Telecommunications Business Act 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 Financial Investment Services and Capital Markets Act, the Korean Commercial Code and the Telecommunications Business Act. We have filed copies of our articles of incorporation and the Telecommunications Business Act as exhibits to our annual reports on Form 20-F.

***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 available and real estate property;

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

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

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

tourism

electronic financial services business;

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

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

Currently, our authorized share capital is 220,000,000 shares, which consists of shares of common stock, par value Won 500 per share, and shares of non-voting stock, par value Won 500 per share (common shares and 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 May 31, 2009, 80,745,711 common shares were issued, of which 8,400,708 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 independent non-executive directors is required for certain matters, which include:

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

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

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

There are no specific shareholding requirements for director's qualification. Directors are elected at a general meeting of shareholders if the approval of a majority vote of the shareholders present at such meeting is obtained, and such majority also represents at least one-fourth of the total number of shares outstanding. Under the Financial Investment Services and Capital Markets 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. However, our shareholders have opted not to adopt cumulative voting.

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

***Dividends***

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

Holders of non-voting shares are entitled to receive dividends in priority to the holders of common shares. The dividend on the non-voting shares is between 9.0% and 25.0% of the par value as determined by the board of directors at the time of their issuance. If the dividends for common shares exceed the dividends for non-voting shares, the holders of non-voting shares will be entitled to participate in the distribution of such excess amount with the holders of common shares. If the amount available for dividends is less than the aggregate amount of the minimum required dividend, holders of non-voting shares will be entitled to receive such accumulated unpaid

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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. We may not use legal reserve to pay cash dividends but may transfer amounts from legal reserve to capital stock or use legal reserve to reduce an accumulated deficit.

In addition, the Korean Commercial Code and our articles of 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 2008, we distributed such interim dividends at Won 1,000 per share to our shareholders for a total amount of Won 72.8 billion.

Under the Financial Investment Services and Capital Markets 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

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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, under our articles of incorporation, 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 Financial Investment Services and Capital Markets Act. This right is exercisable only to the extent that the total number of shares so acquired and held by members of our employee stock ownership association does not exceed 20.0% of the sum of the number of shares then outstanding and the number of newly-issued shares. As of March 31, 2009, approximately 0.6% of the issued shares were held by members of our employee stock ownership association.

### ***General Meeting of Shareholders***

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

as necessary;

at the request of holders of an aggregate of 3.0% or more of our outstanding common shares;

at the request of shareholders holding an aggregate of 1.5% or more of our outstanding shares and preferred shares for at least six months; or

at the request of our audit committee.

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

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

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

### ***Voting Rights***

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

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

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



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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;

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.

### ***Limitation on Shareholdings***

The Telecommunications Business Act prohibits foreign governments, individuals, and entities (including Korean entities that are deemed foreigners, as discussed below) from owning more than 49% of our voting stock. Korean entities whose largest shareholder is a foreign government or a foreigner (together with any of its related parties) and owns 15% or more of the outstanding voting stock are deemed foreigners. A foreigner who has acquired shares of our voting stock in excess of such limitation may not exercise its voting rights with respect to the shares exceeding such limitation, and may be subject to the KCC's corrective orders.

### ***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 KOSPI Market for the two-

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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 KOSPI 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 KOSPI Market for the one week period before such date of the adoption of the relevant resolution. However, a court may determine this price if we or dissenting shareholders do not accept the purchase price.

### ***Registry of Shareholders and Record Dates***

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

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

### ***Annual Report***

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

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

### ***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.

Under current Korean regulations, the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and internationally recognized custodians may act as agents and provide related services for foreign shareholders. Certain foreign exchange controls and securities regulations apply to the transfer of shares by non-residents or non-Koreans. See Item 10.D. Exchange Controls Korean Foreign Exchange Controls and Securities Regulations .

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

### ***Restrictions Applicable to Shares***

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

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### ***Acquisition of Shares by Us***

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

Notwithstanding the foregoing restrictions, pursuant to the Financial Investment Services and Capital Markets Act, a listed company may acquire common shares through purchases on the Korea Exchange or through a tender offer or pursuant to trust agreements with financial investment companies with a trust license. The aggregate purchase price for the common shares may not exceed the total amount available for distribution of dividends at the end of the preceding fiscal year, less the amount of dividends and mandatory reserves required to be set aside for that fiscal year, subject to certain procedural requirements.

In general, corporate entities in which we own a 50% or more equity interest may not acquire our common shares. On October 26, 2001, in accordance with the approval of our board of directors, we established trust funds with four Korean banks with a total funding of Won 1.3 trillion for the purpose of acquiring our shares at market prices or within a range of five percent of market prices. In October 2007, in accordance with the approval of our board of directors, we extended such trust funds with four Korean banks, but the total amount of funding was reduced to Won 982 billion. For more details on the trust funds, see Item 5.B. Liquidity and Capital Resources .

### ***Liquidation Rights***

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

### **Description of American Depositary Shares**

The following is a summary of the deposit agreement dated as of May 31, 1996, as amended by amendment no. 1 dated as of March 15, 1999, amendment no. 2 dated as of April 24, 2000 and amendment no. 3 dated as of July 24, 2002, among us, Citibank, N.A., as ADR depository, and all holders and beneficial owners of ADSs, as supplemented by side letters dated as of July 25, 2002, October 1, 2002 and October 1, 2007. 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 SEC. 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 may execute and deliver 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, known as the Custodian . 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, the deposit of shares and issuance of ADSs may only be made if the total number of shares represented by ADSs after such deposit does not exceed a specified maximum, 24,321,893 shares as of June 1, 2009. This limit will be adjusted in certain

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circumstances, including (1) increases upon the cancellation of existing ADSs, (2) increases upon future offerings of ADSs by us or our shareholders, (3) increases for rights offerings and (4) adjustments for share reclassifications. The limit also may be decreased in certain circumstances. As of June 1, 2009, ADSs representing 17,942,962 shares of our common stock were outstanding. Notwithstanding the foregoing, the ADR depository and the custodian may not accept deposits of shares of common stock for issuance of ADSs (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.

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 ADSs if you or your broker deposit shares or evidence of rights to receive shares of common stock with the Custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the ADR depository will register the appropriate number of ADSs in the names 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 prerelease). 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 depositary's satisfaction;

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



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

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

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

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

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

***Dividends, Other Distributions and Rights***

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

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

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

sale in the same way as it does with cash. The ADR depositary will only distribute whole ADSs. If the ADR depositary does not distribute additional ADSs, then each outstanding ADS will also represent the new shares so distributed.

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

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

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

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

If a registration statement under the 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 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 Securities Act or to submit, obtain or request any filing, report, approval or consent.

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

## ***Record Dates***

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

any cash dividend or other cash distribution becomes payable;

any distribution other than cash is made;

rights are issued with respect to deposited shares of common stock;

the ADR depositary causes a change in the number of shares of common stock that are represented by each ADS; or

the ADR depositary receives notice of any shareholders' meeting.

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

***Voting of the Underlying Shares of Common Stock***

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

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

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a statement that the ADR holders as of the close of business on a specified record date will be entitled to instruct the ADR depository 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 depository for this purpose, the ADR depository 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 depository 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 depository sufficiently in advance of the scheduled date of a meeting or solicitation of consents or proxies to enable the ADR depository 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 depository.

### ***Inspection of Transfer Books***

The ADR depository 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 depository 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 depository sufficient copies of the notice in English in the form given or to be given to shareholders. We will furnish to the ADR depository 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 depository 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 depository 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 depository or at such other address as you have notified the ADR depository.

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 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.

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### ***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 depository 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 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 depository 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 depository 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 depository, or prejudices any substantial existing right of ADR holders, it will only become effective 30 days after the ADR depository 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 depository will terminate the deposit agreement if we ask it to do so with 90 days prior written notice. The ADR depository may also terminate the deposit agreement if the ADR depository has notified us at least 90 days in advance that it would like to resign and we have not appointed a new depository. In both cases, the ADR depository must notify you at least 30 days before the termination date.

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

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

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

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

At any time after the expiration of six months from the date of termination, the ADR depository 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 Depository***

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

taxes and other governmental charges;

registration fees applicable to transfers of shares of common stock on our shareholders' register, or that of any entity acting as registrar for the shares, to the name of the ADR 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;



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

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

***General***

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

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

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

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

transfer and registration of such Deposited Securities) in connection with voting at a shareholders' meeting or the payment of dividends, (2) payment of fees, taxes and similar charges, or (3) compliance with any United States or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of the Deposited Securities.

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### ***Governing Law***

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

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

This submission was made for the benefit of the ADR depositary and the holders and shall not limit the right of any of them to take legal actions or proceedings in any other court of competent jurisdiction nor shall the taking of legal actions or proceedings in one or more jurisdictions preclude the taking of legal actions or proceedings in any other jurisdiction (whether concurrently or not), to the extent permitted under applicable law.

### ***Information Relating to the ADR Depositary***

Citibank, N.A. has been appointed as ADR depositary pursuant to the deposit agreement. Citibank is an indirect wholly-owned subsidiary of Citigroup Inc., a Delaware corporation whose principal office is located in New York, New York. 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 Citigroup's most recent annual report on Form 10-K and quarterly report on Form 10-Q, each on file with the SEC.

Citibank's Articles of Association and By-laws, each as currently in effect, together with Citigroup's most recent annual and quarterly reports will be available for inspection at the Depositary Receipt office of Citibank, N.A., 388 Greenwich Street, 14th Floor, New York, New York 10013.

### **Item 10.C. *Material Contracts***

We have not entered into any material contracts since January 1, 2006, other than in the ordinary course of our business. For information regarding our agreements and transactions with entities affiliated with the SK Group, see Item 7.B. Related Party Transactions and note 24 of the notes to our consolidated financial statements. For a description of certain agreements entered into during the past three years related to our capital commitments and obligations, see Item 5B. Liquidity and Capital Resources.

### **Item 10.D. *Exchange Controls***

#### **Korean Foreign Exchange Controls and Securities Regulations**

##### ***General***

The Foreign Exchange Transaction Act and the Presidential Decree and regulations under that Act and Decree, collectively referred to as the Foreign Exchange Transaction Laws, regulate investment in Korean securities by non-residents and issuance of securities outside Korea by Korean companies. Non-residents may invest in Korean

securities pursuant to the Foreign Exchange Transaction Laws. The Financial Services Commission of Korea has also adopted, pursuant to its authority under the Financial Investment Services and Capital Markets 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 MOSF has authority to take the following actions under the Foreign Exchange Transaction Laws:

if the Government deems it necessary on account of war, armed conflict, natural disaster or grave and sudden and significant changes in domestic or foreign economic circumstances or similar events or circumstances,

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the MOSF may temporarily suspend performance under any or all foreign exchange transactions, in whole or in part, to which the Foreign Exchange Transaction Laws apply (including suspension of payment and receipt of foreign exchange) or impose an obligation to deposit, safe-keep or sell any means of payment to The Bank of Korea or certain other governmental agencies or financial institutions; and

if the Government concludes that the international balance of payments and international financial markets are experiencing or are likely to experience significant disruption or that the movement of capital between Korea and other countries are likely to adversely affect the Won, exchange rate or other macroeconomic policies, the MOSF may take action to require any person who intends to effect or effects a capital transaction to deposit all or a portion of the means of payment acquired in such transactions with The Bank of Korea or certain other governmental agencies or financial institutions.

### ***Government Review of Issuances of ADSs***

In order for us to issue ADSs in excess of US\$30 million, we are required to submit a report to the MOSF with respect to the issuance of the ADSs prior to and after such issuance; provided that such US\$30 million threshold amount would be reduced by the aggregate principal amount of any foreign currency loans borrowed, and any securities offered and issued, outside Korea during the one-year period immediately preceding the report's submission date. The MOSF may at its discretion direct us to take necessary measures to avoid exchange rate fluctuation in connection with its acceptance of report of the issuance of the ADSs.

Under current Korean laws and regulations, the depositary is required to obtain our prior consent for any proposed deposit of common shares if the number of shares to be deposited in such proposed deposit exceeds the number of common shares initially deposited by us for the issuance of ADSs (including deposits in connection with the initial and all subsequent issuances of ADSs by us or with our consent and stock dividends or other distributions related to the ADSs).

In addition to such restrictions under Korean laws and regulations, there are also restrictions on the deposits of our common shares for issuance of ADSs. See Item 10.B. Memorandum and Articles of Incorporation 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.

We submitted a report to and obtained acceptance thereof by the MOSF for the issuance of ADSs up to an amount corresponding to 24,321,893 common shares. No additional Korean governmental approval is necessary for the issuance of ADSs except that if the total number of our common shares on deposit for conversion into ADSs exceeds 24,321,893 common shares, we may be required to file a report to and obtain acceptance thereof by the MOSF with respect to the increase of such limit and the issuance of additional ADSs.

### ***Reporting Requirements for Holders of Substantial Interests***

Under the Financial Investment Services and Capital Markets Act, any person whose direct or beneficial ownership of shares with voting rights, certificates representing the rights to subscribe for shares and equity-related debt securities including convertible bonds and bonds with warrants (collectively referred to as Equity Securities), together with the Equity Securities beneficially owned by certain related persons or by any person acting in concert with the person, accounts for 5.0% or more of the total outstanding Equity Securities is required to report the status and purpose (in terms of whether the purpose of shareholding is to affect control over management of the issuer) of the holdings to the Financial Services Commission of Korea and the Korea Exchange within five business days after reaching the 5.0% ownership interest threshold and promptly deliver a copy of such report to the issuer. In addition, any change (i) in the ownership interest subsequent to the report which equals or exceeds 1.0% of the total outstanding Equity Securities, or

(ii) in the shareholding purpose is required to be reported to the Financial Services Commission of Korea and the Korea Exchange within five business days from the date of the change. However, reporting deadline of such reporting requirement is extended to (i) professional investors, as defined under the Financial Investment Services and Capital Markets Act, or (ii) persons 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

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issuer are prohibited from exercising their voting rights and acquiring additional shares for five days subsequent to the report under the Financial Investment Services and Capital Markets Act.

Violation of these reporting requirements may subject a person to criminal sanctions such as fines or imprisonment and may result in a loss of voting rights with respect to the ownership of unreported Equity Securities exceeding 5.0%. Furthermore, the Financial Services Commission of Korea may issue an order to dispose of such non-reported Equity Securities.

In addition to the reporting requirements described above, any person whose direct or beneficial ownership of our common shares accounts for 10% or more of the total issued and outstanding shares with voting rights (a major shareholder ) must report the status of his/her shareholding to the Securities and Futures Commission and the Korea Exchange within five business days after he/she becomes a major shareholder. In addition, any change in the ownership interest subsequent to the report must be reported to the Securities and Futures Commission and the Korea Exchange by the fifth business day of any changes in his/her shareholding. Violations of these reporting requirements may subject a person to criminal sanctions, such as fines or imprisonment.

Under the regulations of the Financial Services Commission amended on February 4, 2009, (i) if a company listed on the KRX KOSPI Market or a company listed on the KRX KOSDAQ Market has submitted a public disclosure of material matters to a foreign financial investment supervisory authority pursuant to the laws of the foreign jurisdiction, then it must submit a copy of the public disclosure and a Korean translation thereof to the Financial Services Commission of Korea and the Korea Exchange, and (ii) if a KRX KOSPI Market-listed company or KRX KOSDAQ Market-listed company is approved for listing on a foreign stock market or determined to be de-listed from the foreign stock market or actually listed on, or de-listed from a foreign stock market, then it must submit a copy of any document, which it submitted to or received from the relevant foreign government, foreign financial investment supervisory authority or the foreign stock market, and a Korean translation thereof to the Financial Services Commission of Korea and the Korea Exchange.

### ***Restrictions Applicable to ADSs***

No Korean governmental approval is necessary for the sale and purchase of ADSs in the secondary market outside Korea or for the withdrawal of shares underlying ADSs and the delivery of shares in Korea in connection with the withdrawal, provided that a foreigner who intends to acquire the shares must obtain an investment registration card from the Financial Supervisory Service, as described below. The acquisition of the shares by a foreigner must be reported by the foreigner or his standing proxy in Korea immediately to the Governor of the Financial Supervisory Service.

Persons who have acquired shares as a result of the withdrawal of shares underlying the ADSs may exercise their preemptive rights for new shares, participate in free distributions and receive dividends on shares without any further governmental approval.

In addition, under the regulations of the Financial Services Commission, effective as of November 30, 2006, we are required to file a securities registration statement with the Financial Services Commission and such securities registration statement has to become effective pursuant to the Financial Investment Services and Capital Markets Act in order for us to issue shares represented by ADSs, except in certain limited circumstances.

### ***Restrictions Applicable to Shares***

As a result of amendments to the Foreign Exchange Transaction Laws and the regulations of Financial Services Commission of Korea, together referred to as the Investment Rules, adopted in connection with the stock market

opening from January 1992 and after that date, foreigners may invest, with limited exceptions and subject to procedural requirements, in all shares of Korean companies, whether listed on the KRX KOSPI Market or the KRX KOSDAQ Market, unless prohibited by specific laws. Foreign investors may trade shares listed on the KRX KOSPI



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Market or the KRX KOSDAQ Market only through the KRX KOSPI 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;

acquisition of shares by direct investment under the Foreign Investment Promotion Law;

acquisition and disposal of shares on an overseas stock exchange market, if such shares are simultaneously listed on the KRX KOSPI Market or KRX KOSDAQ Market and such overseas stock exchange; and

arm's length transactions between foreigners in the event all such foreigners belong to an investment group managed by the same person.

For over-the-counter transactions of shares between foreigners outside the KRX KOSPI Market or the KRX KOSDAQ Market for shares with respect to which the limit on aggregate foreign ownership has been reached or exceeded, a financial investment company with a brokerage license in Korea must act as an intermediary. Odd-lot trading of shares outside the KRX KOSPI Market or the KRX KOSDAQ Market must involve a financial investment company with a dealing license in Korea as the other party. Foreign investors are prohibited from engaging in margin transactions through borrowing shares from financial investment 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 KOSPI Market or the KRX KOSDAQ Market (including Converted Shares) and shares being publicly offered for initial listing on the KRX KOSPI Market or the KRX KOSDAQ Market to register its identity with the Financial Supervisory Service prior to making any such investment; however, the registration requirement does not apply to foreign investors who acquire Converted Shares with the intention of selling such Converted Shares within three months from the date of acquisition of the Converted Shares or who acquire the shares in an over-the-counter transaction or dispose of shares where such acquisition or disposal is deemed to be a foreign direct investment pursuant to the Foreign Investment Promotion Law. Upon registration, the Financial Supervisory Service will issue to the foreign investor an investment registration card which must be presented each time the foreign investor opens a brokerage account with a financial investment company or financial institution in Korea. Foreigners eligible to obtain an investment registration card include foreign nationals who have not been residing in Korea for a consecutive period of six months or longer, foreign governments, foreign municipal authorities, foreign public institutions, international

financial institutions or similar international organizations, corporations incorporated under foreign laws and any person in any additional category designated by decree of the MOSF. All Korean offices of a foreign corporation as a group are treated as a separate foreigner from the offices of the corporation outside Korea for the purpose of investment registration. However, a foreign corporation or depositary issuing depositary receipts may obtain one or more investment registration cards in its name in certain circumstances as described in the relevant regulations.

Upon a foreign investor's purchase of shares through the KRX KOSPI 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

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shares outside the KRX KOSPI 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 KOSPI 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 Korea Securities Depository, financial investment companies with a dealing or brokerage license or securities finance companies engaged to facilitate such transaction. In the event a foreign investor desires to acquire or sell shares outside the KRX KOSPI 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 KOSPI 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 among the Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and certain eligible foreign 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. Generally, a foreign investor may not permit any person, other than its standing proxy, to exercise rights relating to its shares or perform any tasks related thereto on its behalf. 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. The Korea Securities Depository, foreign exchange banks (including domestic branches of foreign banks), financial investment companies with a dealing, brokerage or collective investment license and certain eligible foreign 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 designated public corporation which has set such a ceiling. Furthermore, an investment by a foreign investor of not less than 10.0% of the outstanding shares with voting rights of a Korean company is defined as a direct foreign investment under the Foreign Investment Promotion Law, which is, in general, subject to the report to, and acceptance by, the Ministry of Knowledge Economy of Korea, which delegates its authority to foreign exchange banks or the Korea Trade-Investment Promotion Agency under the relevant regulations. The acquisition of our shares by a foreign investor is also subject to the restrictions prescribed in the Telecommunications Business Act. The Telecommunications Business Act generally limits the maximum aggregate foreign shareholdings in us to 49.0% of the outstanding shares. A foreigner who has acquired shares in excess of such restriction described above may not exercise its voting rights with respect to the shares exceeding such limitations, and may be subject to corrective orders.

Under the Foreign Exchange Transaction Laws, a foreign investor who intends to make a portfolio investment in shares of a Korean company listed on the KRX KOSPI 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.

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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.

Financial investment companies with a securities dealing, brokerage or collective investment license are allowed to open foreign currency accounts with foreign exchange banks exclusively for accommodating foreign investors' stock investments in Korea. Through these accounts, these financial investment companies may enter into foreign exchange transactions on a limited basis, such as conversion of foreign currency funds and Won funds, either as a counterparty to or on behalf of foreign investors, without the investors having to open their own accounts with foreign exchange banks.

### **Item 10.E. Taxation**

#### **United States Taxation**

This summary describes certain material U.S. federal income tax consequences for a U.S. holder (as defined below) of acquiring, owning, and disposing of common shares or ADSs. This summary applies to you only if you hold the common shares or ADSs as capital assets for tax purposes. This summary does not apply to you if you are a member of a class of holders subject to special rules, such as:

- a dealer in securities or currencies;
- a trader in securities that elects to use a mark-to-market method of accounting for securities holdings;
- a bank;
- a life insurance company;
- a tax-exempt organization;
- a person that holds common shares or ADSs that are a hedge or that are hedged against interest rate or currency risks;
- a person that holds common shares or ADSs as part of a straddle or conversion transaction for tax purposes;
- a person whose functional currency for tax purposes is not the U.S. dollar; or
- a person that owns or is deemed to own 10% or more of any class of our stock.

This summary is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations promulgated thereunder, and published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis.

Please consult your own tax advisers concerning the U.S. federal, state, local, and other tax consequences of purchasing, owning, and disposing of common shares or ADSs in your particular circumstances.

For purposes of this summary, you are a U.S. holder if you are the beneficial owner of a common share or an ADS and are:

a citizen or resident of the United States;

a U.S. domestic corporation; or

otherwise subject to U.S. federal income tax on a net income basis with respect to income from the common share or ADS.

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In general, if you are the beneficial owner of ADSs, you will be treated as the beneficial owner of the common shares represented by those ADSs for U.S. federal income tax purposes, and no gain or loss will be recognized if you exchange an ADS for the common share represented by that ADS.

***Dividends***

The gross amount of cash dividends that you receive (prior to deduction of Korean taxes) generally will be subject to U.S. federal income taxation as foreign source dividend income and will not be eligible for the dividends received deduction. Dividends paid in Won will be included in your income in a U.S. dollar amount calculated by reference to the exchange rate in effect on the date of your receipt of the dividend, in the case of common shares, or the depository receipt, in the case of ADSs, regardless of whether the payment is in fact converted into U.S. dollars. If such a dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income.

Subject to certain exceptions for short-term and hedged positions, the U.S. dollar amount of dividends received by an individual prior to January 1, 2011 with respect to the ADSs will be subject to taxation at a maximum rate of 15% if the dividends are qualified dividends. Dividends paid on the ADSs will be treated as qualified dividends if (i) the ADSs are readily tradable on an established securities market in the United States and (ii) we were not, in the year prior to the year in which the dividend was paid, and are not, in the year in which the dividend is paid, a passive foreign investment company as defined for U.S. federal income tax purposes ( PFIC ). The ADSs are listed on the New York Stock Exchange, and will qualify as readily tradable on an established securities market in the United States so long as they are so listed. Based on our audited financial statements, we believe that we were not a PFIC in 2007 or 2008 taxable year. In addition, based on our audited financial statements and current expectations regarding our income, assets and activities, we do not anticipate becoming a PFIC for our 2009 taxable year.

Distributions of additional shares in respect of common shares or ADSs that are made as part of a pro-rata distribution to all of our stockholders generally will not be subject to U.S. federal income tax.

***Sale or Other Disposition***

For U.S. federal income tax purposes, gain or loss you realize on a sale or other disposition of common shares or ADSs generally will be treated as U.S. source capital gain or loss, and will be long-term capital gain or loss if the common shares or ADSs were held for more than one year. Your ability to offset capital losses against ordinary income is limited. Long-term capital gain recognized by an individual U.S. holder generally is subject to taxation at reduced rates.

***Foreign Tax Credit Considerations***

You should consult your own tax advisers to determine whether you are subject to any special rules that limit your ability to make effective use of foreign tax credits, including the possible adverse impact of failing to take advantage of benefits under the income tax treaty between the United States and Korea. If no such rules apply, you may claim a credit against your U.S. federal income tax liability for Korean taxes withheld from dividends on the common shares or ADSs, so long as you have owned the common shares or ADSs (and not entered into specified kinds of hedging transactions) for at least a 16-day period that includes the ex-dividend date. Instead of claiming a credit, you may, if you so elect, deduct such Korean taxes in computing your taxable income, subject to generally applicable limitations under U.S. tax law. Korean taxes withheld from a distribution of additional shares that is not subject to U.S. tax may be treated for U.S. federal income tax purposes as imposed on general limitation income. Such treatment could affect your ability to utilize any available foreign tax credit in respect of such taxes.

Any Korean securities transaction tax or agriculture and fishery special surtax that you pay will not be creditable for foreign tax credit purposes.

Foreign tax credits will not be allowed for withholding taxes imposed in respect of certain short-term or hedged positions in securities and may not be allowed in respect of arrangements in which a U.S. holder's expected economic profit is insubstantial.



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The calculation of foreign tax credits and, in the case of a U.S. holder that elects to deduct foreign taxes, the availability of deductions involve the application of complex rules that depend on a U.S. holder's particular circumstances. You should consult your own tax advisers regarding the creditability or deductibility of such taxes.

### ***U.S. Information Reporting and Backup Withholding Rules***

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries are subject to information reporting and may be subject to backup withholding unless the holder (i) is a corporation or other exempt recipient and demonstrates this when required or (ii) provides a taxpayer identification number and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons generally are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

### **Korean Taxation**

The following is a summary of the principal Korean tax consequences to owners of the common shares or ADSs, as the case may be, who are non-resident individuals or non-Korean corporations without a permanent establishment in Korea to which the relevant income is attributable or with which the relevant income is effectively connected ( Non-resident Holders ). The statements regarding Korean tax laws set forth below are based on the laws in force and as interpreted by the Korean taxation authorities as of the date hereof. This summary is not exhaustive of all possible tax considerations which may apply to a particular investor and potential investors are advised to satisfy themselves as to the overall tax consequences of the acquisition, ownership and disposition of the common shares or ADSs, including specifically the tax consequences under Korean law, the laws of the jurisdiction of which they are resident, and any tax treaty between Korea and their country of residence, by consulting their own tax advisors.

#### ***Tax on Dividends***

Dividends on the common shares or ADSs paid (whether in cash or in shares) to a Non-resident Holder will be subject to Korean withholding taxes at the rate of 22% (including local surtax) or such lower rate as is applicable under a treaty between Korea and such Non-resident Holder's country of tax residence. Free distributions of shares representing a capitalization of certain capital surplus reserves may be subject to Korean withholding taxes.

The tax is withheld by the payer of the dividend. Since the payer is required to withhold the tax, Korean law does not entitle the person who was subject to the withholding of Korean tax to recover from the Government any part of the Korean tax withheld, even if it subsequently produces evidence that it was entitled to have tax withheld at a lower rate, except in certain limited circumstances.

#### ***Tax on Capital Gains***

As a general rule, capital gains earned by Non-resident Holders upon transfer of the common shares or ADSs are subject to Korean withholding tax at the lower of (i) 11% (including local surtax) of the gross proceeds realized or (ii) 22% (including local surtax) of the net realized gains (subject to the production of satisfactory evidence of the acquisition costs and certain direct transaction costs), unless exempt from Korean income taxation under the effective Korean tax treaty with the Non-resident Holder's country of tax residence.

However, a Non-resident Holder will not be subject to Korean income taxation on capital gains realized upon the sale of the common shares through the KRX KOSPI Market if the Non-resident Holder (i) has no permanent establishment in Korea and (ii) did not or has not owned (together with any shares owned by any entity with certain special

relationship with such Non-resident Holder) 25% or more of the total issued and outstanding shares of us at any time during the calendar year in which the sale occurs and during the five calendar years prior to the calendar year in which the sale occurs.

It should be noted that capital gains earned by you (regardless of whether you have a permanent establishment in Korea) from a transfer of ADSs outside Korea will generally be exempt from Korean income taxation, provided

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that the ADSs are deemed to have been issued overseas. If and when an owner of the underlying common shares transfers the ADSs following the conversion of the underlying shares for ADSs, such person will not be exempt from Korean income taxation and will be obligated to file a corporate income tax return and pay tax on gain realized from such transfer unless a purchaser or a licensed financial investment company, as the case may be, withholds and remits the tax on capital gains derived from transfer of ADSs.

### ***Inheritance Tax and Gift Tax***

Korean inheritance tax is imposed upon (1) all assets (wherever located) of the deceased if at the time of his death he was domiciled in Korea and (2) all property located in Korea which passes on death (irrespective of the domicile of the deceased). Gift tax is imposed in similar circumstances to the above. The taxes are imposed if the value of the relevant property is above a certain limit and vary according to the identity of the parties involved.

Under Korean inheritance and gift tax laws, securities issued by a Korean corporation are deemed to be located in Korea irrespective of where they are physically located or by whom they are owned.

### ***Securities Transaction Tax***

Securities transaction tax is imposed on the transfer of shares issued by a Korean corporation or the right to subscribe for such shares generally at the rate of 0.5% of the sales price. In the case of the transfer of shares listed on the KRX KOSPI Market (such as the common shares), the securities transaction tax is imposed generally at the rate of (i) 0.3% of the sales price of such shares (including agricultural and fishery special surtax thereon) if traded on the KRX KOSPI Market or (ii) subject to certain exceptions, 0.5% of the sales price of such shares if traded outside the KRX KOSPI Market.

Securities transaction tax or the agricultural and fishery special surtax is not applicable if (i) the shares or rights to subscribe for shares are listed on a designated foreign stock exchange and (ii) the sale of the shares takes place on such exchange.

Securities transaction tax, if applicable, must be paid by the transferor of the shares or rights, in principle. When the transfer is effected through a securities settlement company, such settlement company is generally required to withhold and pay (to the tax authority) the tax, and when such transfer is made through a financial investment company with a brokerage license only, such company is required to withhold and pay the tax. Where the transfer is effected by a Non-resident Holder without a permanent establishment in Korea, other than through a securities settlement company or a financial investment company with a brokerage license, the transferee is required to withhold the securities transaction tax. Failure to do so will result in the imposition of penalties equal to the sum of (i) between 10% to 40% of the tax amount due, depending on the nature of the improper reporting, and (ii) 10.95% per annum on the tax amount due for the default period.

### ***Tax Treaties***

Currently, Korea has income tax treaties with a number of countries, inter alia, Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Ireland, the Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America under which the rate of withholding tax on dividend and interest is reduced, generally to between 5% and 16.5% (including local surtax), and the tax on capital gains derived by a non-resident from the transfer of securities issued by a Korean company is often eliminated.

Each Non-resident Holder of common shares should inquire for itself whether it is entitled to the benefits of a tax treaty with Korea. It is the responsibility of the party claiming the benefits of a tax treaty in respect of interest, dividend, capital gains or other income to submit to us (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, prior to or at the time of payment, such evidence of tax residence of the party claiming the treaty benefit as the Korean tax authorities may require in support of its claim for treaty protection. In the absence of sufficient proof, we (or our agent), the purchaser or the financial investment company with a brokerage license, as the case may be, must withhold tax at the normal rates.

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Furthermore, in order for a non-resident of Korea to obtain the benefits of tax exemption on certain Korean source income (e.g., capital gains and interest) under an applicable tax treaty, Korean tax law requires such non-resident (or its agent) to submit to the payer of such Korean source income an application for a tax exemption along with a certificate of tax residency of such non-resident issued by a competent authority of the non-resident's country of tax residence, subject to certain exceptions. The payer of such Korean source income, in turn, is required to submit such application to the relevant district tax office by the ninth day of the month following the date of the first payment of such income.

At present, Korea has not entered into any tax treaty relating to inheritance or gift tax.

**Item 10.F. *Dividends and Paying Agents***

**Not applicable.**

**Item 10.G. *Statements by Experts***

**Not applicable.**

**Item 10.H. *Documents on Display***

We file reports, including annual reports on Form 20-F, and other information with the SEC pursuant to the rules and regulations of the SEC that apply to foreign private issuers. You may read and copy any materials filed with the SEC at the Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Any filings we make electronically will be available to the public over the Internet at the SEC's Website at <http://www.sec.gov>.

Documents filed with annual reports and documents filed or submitted to the SEC are also available for inspection at our principal business office during normal business hours. Our principal business office is located at SK T-Tower, 11, Euljiro 2-ga, Jung-gu, Seoul 100-999, Korea.

**Item 10.I. *Subsidiary Information***

**Not applicable.**

**Item 11. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

**Exchange Rate and Interest Rate Risks**

We are exposed to foreign exchange rate and interest rate risk primarily associated with underlying liabilities. We have entered into floating-to-fixed cross currency swap contracts to hedge foreign currency and interest rate risks with respect to long-term borrowings of US\$100 million borrowed in October 2006, Yen 12.5 billion borrowed in November 2007, US\$150 million borrowed in November 2008. We have also entered into floating-to-fixed interest rate swap contracts to hedge the interest rate risks of a floating rate discounted bill with face amounts totaling Won 200 billion borrowed in June 2006 and long-term floating rate borrowings with face amounts totaling Won 500 billion borrowed in July and August 2008. In addition, we have entered into fixed-to-fixed cross currency swap contracts to hedge the foreign currency risks of our investment in U.S. dollar-denominated equity securities of China Unicom and long-term borrowing of US\$400 million borrowed in July 2007.

See note 27 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.

**Table of Contents****Exchange Rate Risk**

Korea is our main market and, therefore, substantially all of our cash flow is denominated in Won. We are exposed to foreign exchange risk related to foreign currency denominated liabilities. These liabilities relate primarily to foreign currency denominated debt, all in Dollars and Yen. A 10% change in the exchange rate between the Won and all foreign currencies would result in a change in net liabilities (total monetary liabilities minus total monetary assets) of approximately 0.74% or Won 16.9 billion as of December 31, 2008.

**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, 2008:

	2009	2010	2011	Maturities			Total	Fair Value
	(In billions of Won, except for percentage data)							
Local currency:								
Fixed rate	₩ 792.5	₩ 470.6	₩ 537.6	₩ 5.5	₩ 441.7	₩ 769.6	₩ 3,017.5	₩ 3,063.3
Average weighted rate(1)	6.33%	5.93%	6.15%	5.91%	5.75%	5.20%		
Variable rate	300.3	0.1	700.0				1,000.4	1,000.4
Average weighted rate(1)	7.31%	3.25%	4.93%	0.00%	0.00%	0.00%		
Sub-total	1,092.8	470.7	1,237.6	5.5	441.7	769.6	4,017.9	4,064.1
Foreign currency:								
Fixed rate	279.6		375.6	649.9		494.0	1,799.1	2,202.1
Average weighted rate(1)	0.00%	0.00%	4.25%	0.00%	0.00%	6.63%		
Variable rate		187.3		173.7	125.8		486.8	486.8
Average weighted rate(1)	0.00%	4.51%	0.00%	1.38%	0.00%	0.00%		
Sub-total	279.6	187.3	375.6	823.6	125.8	494.0	2,285.9	2,689.0
Total	₩ 1,372.4	₩ 658.0	₩ 1,613.2	₩ 829.1	₩ 567.5	₩ 1,263.6	₩ 6,303.8	₩ 6,753.1

(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 4.12% in the fair value of our liabilities resulting in a Won 203.5 billion change in their value as of December 31, 2008 and a Won 14,871 million annualized change in interest expenses.

**Item 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

**PART II**

**Item 13. *DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES***

**None.**

**Item 14. *MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS***

**None.**

**Item 15. *CONTROLS AND PROCEDURES***

Our management has evaluated, with the participation of our Chief Executive Officers and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and



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15d-15(e) under the Exchange Act, as of December 31, 2008. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon our evaluation, our Chief Executive Officers and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date. Our disclosure controls and procedures are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that it is accumulated and communicated to our management, including our Chief Executive Officers and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

**Management's Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officers and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the Republic of Korea and accounting principles generally accepted in the United States of America. Based on our evaluation, our management concluded that our internal control over financial reporting was effective as of December 31, 2008. The effectiveness of our internal control over financial reporting as of December 31, 2008 has been audited by Deloitte Anjin LLC, an independent registered public accounting firm, as stated in its report which is included herein.

**Attestation Report of the Registered Public Accounting Firm**

The attestation report of our independent registered public accounting firm is furnished in Item 18 of this Form 20-F.

**Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting during 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 16. *RESERVED*****Item 16A. *AUDIT COMMITTEE FINANCIAL EXPERT***

At our annual shareholders' meeting in March 2008, our shareholders elected the following three members of the Audit Committee: Dal Sup Shim, Hyun Chin Lim and Jae Ho Cho. In addition, they determined and designated that Jae Ho Cho is an audit committee financial expert within the meaning of this Item 16A. The board of directors have approved this newly elected Audit Committee, and reaffirmed the determination by our shareholders that Jae Ho Cho is an audit committee financial expert and further determined that he is independent within the meaning of applicable SEC rules and the listing standards of the New York Stock Exchange. See Item 6.C. Board Practices - Audit Committee for

additional information regarding our Audit Committee.

**Table of Contents****Item 16B. CODE OF ETHICS****Code of Ethics for Chief Executive Officer, Chief Financial Officer and Controller**

We have a code of ethics that applies to our Chief Executive Officers, senior accounting officers and employees. We also have internal control and disclosure policy designed to promote full, fair, accurate, timely and understandable disclosure in all of our reports and publicly filed documents. A copy of our code of ethics is available on our website at [www.sktelecom.com](http://www.sktelecom.com). If we amend the provisions of our code of ethics that apply to our Chief Executive Officers, Chief Financial Officer and persons performing similar functions, or if we grant any waiver of such provisions, we will disclose such amendment or waiver on our website.

**Item 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The table sets forth the fees we paid to our independent registered public accounting firm Deloitte Anjin LLC for the year ended December 31, 2007 and 2008, respectively:

	<b>Years Ended December 31,</b>	
	<b>2007</b>	<b>2008</b>
	<b>(In millions of Won)</b>	
Audit Fees	₩ 1,220.5	₩ 1,687.0
Audit-Related Fees	₩ 81.1	₩
Tax Fees	₩ 277.0	₩ 229.7
All Other Fees	₩	₩
Total	₩ 1,578.6	₩ 1,916.7

*Audit Fees* are the aggregate fees billed by Deloitte Anjin LLC in 2007 and 2008, respectively, for the audit of our consolidated annual financial statements, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements.

*Audit-Related Fees* are fees charged by Deloitte Anjin LLC in 2007 and 2008, respectively, for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under *Audit Fees*. This category comprises fees billed for advisory services associated with our financial reporting.

*Tax Fees* are fees for professional services rendered by Deloitte Anjin LLC in 2007 and 2008, respectively, for tax compliance, tax advice on actual or contemplated transactions.

Fees disclosed under the category *All Other Fees* are fees for professional services rendered by Deloitte Anjin LLC in 2007 and 2008, respectively, primarily for business consulting.

**Pre-Approval of Audit and Non-Audit Services Provided by Independent Registered Public Accounting Firm**

Our audit committee pre-approves all audit services to be provided by Deloitte Anjin LLC, our independent registered public accounting firm. Our audit committee's policy regarding the pre-approval of non-audit services to be provided to us by our independent auditors is that all such services shall be pre-approved by the Audit Committee. Non-audit services that are prohibited to be provided to us by our independent auditors under the rules of the SEC and applicable

law may not be pre-approved. In addition, prior to the granting of any pre-approval, our audit committee must be satisfied that the performance of the services in question will not compromise the independence of our independent registered public accounting firm.

Our audit committee did not pre-approve any non-audit services under the *de minimis* exception of Rule 2-01 (c)(7)(i)(C) of Regulation S-X as promulgated by the SEC.

**Item 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

**Not applicable.**

**Table of Contents****Item 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

The following table sets forth the repurchases of common shares by us or any affiliated purchasers (as defined in Rule 10b-18(a)(3) of the Exchange Act) during the fiscal year ended December 31, 2008.

<b>Period 2008</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Program<sup>(2)</sup></b>	<b>Maximum Number of Shares That May yet be Purchased Under the Plans or Program<sup>(2)</sup></b>
January		₩		
February		₩		
March		₩		
April		₩		
May		₩		
June		₩		
July		₩		
August		₩		
September		₩		
October		₩		
November		₩		
December	306,988 <sup>(1)</sup>	₩ 206,972	306,988	141,012
<b>Total</b>	<b>306,988<sup>(1)</sup></b>	<b>₩ 206,972</b>	<b>306,988</b>	<b>141,012</b>

(1) Purchased through open market transactions.

(2) On October 24, 2008, we announced a plan to repurchase up to 448,000 common shares during the period between October 27, 2008 and January 26, 2009. In January 2009, we completed the repurchase under this plan by purchasing the remaining 141,012 shares.

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**Item 16G. CORPORATE GOVERNANCE**

The following is a summary of the significant differences between the New York Stock Exchange's corporate governance standards and those that we follow under Korean law.

**NYSE Corporate Governance Standards**

**Director Independence**

Listed companies must have a majority of independent directors.

**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

**Our Corporate Governance Practice**

Of the eight members of our board of directors, five are independent directors.

Our Audit Committee, which is comprised solely of three independent directors, holds meetings whenever there are matters related to management directors, and such meetings are generally held once every month.

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 ). We manage such compensation plans in compliance with the applicable laws and our articles of incorporation, provided that, under certain limited circumstances, the grant of stock options or matters relating to ESOP are not subject to shareholders approval under Korean law.

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

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

for directors or executive officers.

[www.sktelecom.com](http://www.sktelecom.com).

**Table of Contents****PART III****Item 17. FINANCIAL STATEMENTS**

Not applicable.

**Item 18. FINANCIAL STATEMENTS**

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**Item 19. EXHIBITS**

<b>Number</b>	<b>Description</b>
1.1	Articles of Incorporation
2.1*	Deposit Agreement dated as of May 31, 1996, as amended by Amendment No. 1 dated as of March 15, 1999, Amendment No. 2 dated as of April 24, 2000 and Amendment No. 3 dated as of July 24, 2002, entered into among SK Telecom Co., Ltd., Citibank, N.A., as Depositary, and all Holders and Beneficial Owners of American Depositary Shares
8.1	List of Subsidiaries of SK Telecom Co., Ltd.
12.1	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1**	Framework Act on Telecommunications, as amended (English translation)
15.2**	Enforcement Decree of the Framework Act on Telecommunications, as amended (English translation)
15.3**	Telecommunications Business Act, as amended (English translation)
15.4**	Enforcement Decree of the Telecommunications Business Act (English translation)
15.5**	Amendment to the Government Organization Act
99.1	Consent of Deloitte Anjin LLC

\* Filed previously as exhibits to our Form 20-F filed on June 30, 2006.

\*\* Filed previously as exhibits to our Form 20-F filed on June 30, 2008.



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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

**SK TELECOM CO., LTD.**

*(Registrant)*

/s/ Man Won Jung

Name: Man Won Jung

Title: President, Chief Executive Officer &

Representative Director

Date: June 30, 2009

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON CONSOLIDATED FINANCIAL STATEMENTS**

To the Board of Directors and Stockholders of  
SK Telecom Co., Ltd.

We have audited the accompanying consolidated balance sheets of SK Telecom Co., Ltd. and subsidiaries (the Company ) as of December 31, 2006, 2007 and 2008, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2008 (all expressed in Korean won). These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of SK Telecom Co., Ltd. and subsidiaries at December 31, 2006, 2007 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the Republic of Korea.

As discussed in Note 2 to the consolidated financial statements, the Company adopted the amended Statements of Korea Accounting Standards ( SKAS ) No. 25, *Consolidated Financial Statements*, as of January 1, 2008.

Our audits also comprehended the translation of the Korean won amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2(a) to the accompanying consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers of the financial statements.

Accounting principles generally accepted in the Republic of Korea vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented in Notes 33 and 34 to the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated June 19, 2009 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte Anjin LLC

Seoul, Korea  
June 19, 2009



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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Board of Directors and Stockholders of  
SK Telecom Co., Ltd.

We have audited the internal control over financial reporting of SK Telecom Co., Ltd. and subsidiaries (the Company) as of December 31, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2008 (all expressed in Korean

won) of the Company and our report dated June 19, 2009, expressed an unqualified opinion on those financial statements, and included explanatory paragraphs relating to (1) the Company's adoption of the amended Statements of Korea Accounting Standards ( SKAS ) No. 25, *Consolidated Financial Statements*, (2) the translation of Korean won amounts to U.S. dollar amounts and (3) information relating to the nature and effect of differences between accounting principles generally accepted in the Republic of Korea and accounting principles generally accepted in the United States of America.

/s/ Deloitte Anjin LLC

Seoul, Korea  
June 19, 2009

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2006, 2007 AND 2008**

	December 31, 2006	Korean Won December 31, 2007 (In millions)	December 31, 2008	Translation into U.S. Dollars (Note 2) December 31, 2008 (In thousands)
<b>ASSETS</b>				
<b>CURRENT ASSETS :</b>				
Cash and cash equivalents, net of government subsidy of nil, ₩142 million and ₩127 million as of December 31, 2006, 2007 and 2008 (Notes 2, 13 and 29)	₩ 485,972	₩ 885,847	₩ 1,011,340	\$ 801,379
Short-term financial instruments (Notes 21 and 22)	98,085	148,103	368,490	291,989
Short-term investment securities (Notes 2 and 4)	665,647	736,643	372,913	295,494
Accounts receivable – trade, net of allowance for doubtful accounts of ₩106,737 million, ₩93,551 million and ₩150,320 million as of December 31, 2006, 2007 and 2008 (Notes 2, 13 and 24)	1,800,606	1,774,935	1,900,002	1,505,548
Short-term loans, net of allowance for doubtful accounts of ₩9,629 million, ₩6,845 million and ₩7,599 million as of December 31, 2006, 2007 and 2008 (Notes 2, 6 and 13)	69,745	84,570	119,087	94,364
Accounts receivable – other, net of allowance for doubtful accounts of ₩31,233 million, ₩28,649 million and ₩30,357 million as of December 31, 2006, 2007 and 2008 and present value discount of ₩27,314 million as of December 31, 2008 (Notes 2, 13 and 24)	1,305,284	948,322	1,346,056	1,066,605
Inventories (Notes 2, 3 and 23)	19,778	47,052	34,974	27,713
Prepaid expenses	116,727	108,552	127,432	100,976
Current deferred income tax assets, net (Notes 2 and 17)	49,940	36,383	27,786	22,017
Currency swap (Notes 2 and 27)	16,660	8,236	8,236	6,526
Advanced payments and other	35,518	42,665	106,131	84,098
<b>Total Current Assets</b>	<b>4,663,962</b>	<b>4,813,072</b>	<b>5,422,447</b>	<b>4,296,709</b>

## NON-CURRENT ASSETS:

Property and equipment, net (Notes 2, 7, 12, 22, 23 and 24)	4,507,335	4,969,354	7,437,689	5,893,573
Intangible assets, net (Notes 2, 8 and 12)	3,518,411	3,433,962	3,978,145	3,152,254
Long-term financial instruments (Note 21)	10,445	15,535	114	90
Long-term investment securities (Notes 2 and 4)	2,475,418	5,058,519	3,105,295	2,460,614
Equity securities accounted for using the equity method (Notes 2 and 5)	750,921	350,966	898,512	711,975
Long-term loans, net of allowance for doubtful accounts of ₩19,117 million, ₩23,079 million and ₩26,376 million as of December 31, 2006, 2007 and 2008 (Notes 2 and 6)	18,569	84,906	155,360	123,106
Long-term accounts receivable other, net of present value discount of ₩45,464 million as December 31, 2008 (Note 2)			572,139	453,359
Guarantee deposits (Notes 13 and 24)	139,619	148,987	239,480	189,762
Long-term currency swap (Notes 2 and 27)		13,057	494,711	392,006
Long-term interest rate swap (Notes 2 and 27)		3,170		
Non-current deferred income tax assets (Notes 2 and 17)	2,655	7,286	4,948	3,921
Other	152,633	150,121	164,831	130,611
Total Non-Current Assets	11,576,006	14,235,863	17,051,224	13,511,271
TOTAL ASSETS	₩ 16,239,968	₩ 19,048,935	₩ 22,473,671	\$ 17,807,980



**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS (Continued)**

	December 31, 2006	Korean Won December 31, 2007 (In millions)	December 31, 2008	Translation into U.S. Dollars (Note 2) December 31, 2008 (In thousands)
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable (Notes 13 and 24)	₩ 1,221,704	₩ 1,252,734	₩ 1,268,750	\$ 1,005,349
Short-term borrowings (Notes 21 and 22)	58,344	24,616	627,657	497,351
Income taxes payable	336,536	319,108	328,403	260,224
Dividend payable	268	308	227	180
Accrued expenses (Notes 2 and 26)	375,063	436,008	861,836	682,913
Withholdings	339,144	226,407	315,537	250,029
Current portion of long-term debt, net (Notes 2, 8, 9, 10 and 12)	797,042	634,990	936,009	741,687
Current portion of subscription deposits (Note 11)	17,576	7,564	8,281	6,562
Currency swap (Notes 2 and 27)		12,646	190,359	150,839
Current deferred income tax liabilities (Notes 2 and 17)		4		
Advanced receipts and other	62,739	102,489	91,762	72,711
<b>Total Current Liabilities</b>	<b>3,208,416</b>	<b>3,016,874</b>	<b>4,628,821</b>	<b>3,667,845</b>
<b>NON-CURRENT LIABILITIES:</b>				
Bonds payable, net (Notes 2, 9 and 22)	1,995,323	2,348,661	4,074,392	3,228,520
Long-term borrowings (Notes 10 and 22)	293,026	323,421	856,471	678,662
Subscription deposits (Note 11)	21,140	6,425	4,796	3,800
Long-term payables other, net of present value discount of ₩42,461 million, ₩27,886 million and ₩15,416 million as of December 31, 2006, 2007 and 2008 (Notes 2 and 8)	517,539	422,114	304,584	241,350
Obligations under capital lease (Notes 2, 12 and 22)	1,860	712	139,273	110,359
Accrued severance indemnities, net (Note 2)	22,284	44,322	53,815	42,643
Non-current deferred income tax liabilities, net (Notes 2 and 17)	532,639	1,044,758	408,755	323,895

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Long-term currency swap (Notes 2 and 27)	112,970	110,911	23,947	18,975
Long-term interest swap (Notes 2 and 27)	454		33,499	26,544
Guarantee deposits received and other (Notes 2, 21, 24 and 26)	51,229	43,104	120,878	95,783
<b>Total Non-Current Liabilities</b>	<b>3,548,464</b>	<b>4,344,428</b>	<b>6,020,410</b>	<b>4,770,531</b>
<b>Total Liabilities</b>	<b>6,756,880</b>	<b>7,361,302</b>	<b>10,649,231</b>	<b>8,438,376</b>
<b>STOCKHOLDERS EQUITY:</b>				
Capital stock (Notes 1 and 14)	44,639	44,639	44,639	35,372
Capital surplus (Note 14)	2,966,399	2,956,106	2,958,854	2,344,575
Capital adjustments:				
Treasury stock (Notes 1 and 16)	(2,014,927)	(2,041,483)	(2,055,620)	(1,628,859)
Loss on disposal of treasury stock (Notes 16 and 17)	(7,887)	(94)		
Other capital adjustment (Notes 2, 5 and 17)	(12,826)	(31,146)	(103,769)	(82,226)
Accumulated other comprehensive income (loss) (Note 18):				
Unrealized gains on valuation of long-term investment securities, net (Notes 2, 4 and 17)	429,228	1,624,613	407,842	323,171
Equity in other comprehensive gain (loss) of affiliates, net (Notes 2, 5 and 17)	107,324	1,727	(68,763)	(54,487)
Gain (loss) on valuation of currency swap, net (Notes 2, 17 and 27)	(16,487)	(11,816)	8,544	6,770
Gain (loss) on valuation of interest swap, net (Notes 2, 17 and 27)	(329)	2,298	(26,129)	(20,704)
Foreign-based operations translation adjustment (Note 2)	(29,726)	(25,564)	34,698	27,494
Retained earnings (Note 15)	7,847,434	8,914,970	9,448,185	7,486,676
Minority interest in equity of consolidated subsidiaries (Note 2)	170,246	253,383	1,175,959	931,822
<b>Total Stockholders Equity</b>	<b>9,483,088</b>	<b>11,687,633</b>	<b>11,824,440</b>	<b>9,369,604</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS EQUITY</b>	<b>₩ 16,239,968</b>	<b>₩ 19,048,935</b>	<b>₩ 22,473,671</b>	<b>\$ 17,807,980</b>

See accompanying notes to consolidated financial statements.

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008**

	Korean Won			Translation into U.S. Dollars (Note 2) 2008 (In thousands except for per share data)
	2006	2007	2008	
	(In millions except for per share data)			
OPERATING REVENUE (Notes 2, 24, 30 and 32)	₩ 11,027,977	₩ 11,863,357	₩ 14,020,984	\$ 11,110,130
OPERATING EXPENSES (Notes 24 and 30):				
Labor cost	(491,839)	(544,713)	(731,418)	(579,571)
Commissions paid	(3,293,197)	(4,055,147)	(4,884,819)	(3,870,697)
Depreciation and amortization (Notes 7 and 8)	(1,553,635)	(1,821,972)	(2,599,791)	(2,060,056)
Network interconnection	(1,014,913)	(1,078,714)	(1,327,417)	(1,051,836)
Leased line	(412,902)	(410,408)	(521,118)	(412,930)
Advertising	(307,190)	(312,604)	(363,412)	(287,965)
Research and development (Note 2)	(211,961)	(218,652)	(226,714)	(179,647)
Rent	(206,708)	(234,006)	(290,655)	(230,313)
Frequency usage	(158,958)	(166,395)	(163,938)	(129,903)
Repair	(150,848)	(168,633)	(226,858)	(179,761)
Provision for bad debts (Note 2)	(61,457)	(48,835)	(62,973)	(49,899)
Cost of goods sold (Note 2)	(121,381)	(239,146)	(233,200)	(184,786)
Other	(421,856)	(462,177)	(636,203)	(504,123)
Sub-total	(8,406,845)	(9,761,402)	(12,268,516)	(9,721,487)
OPERATING INCOME (Note 31)	2,621,132	2,101,955	1,752,468	1,388,643
OTHER INCOME:				
Interest income (Note 4)	79,969	93,838	136,006	107,770
Dividends	20,351	21,119	52,477	41,582
Rent		17,367	19,295	15,289
Commissions (Note 24)	33,226	32,196	17,148	13,588
Reversal of allowance for doubtful accounts	789	614	2,084	1,651
Foreign exchange and translation gains (Note 2)	4,412	12,091	478,394	379,076
	45,787	247,382	24,894	19,726

Equity in earnings of affiliates (Notes 2 and 5)				
Gain on disposal of investment assets	27,490	3,721	17,409	13,795
Gain on disposal of property and equipment and intangible assets	4,507	9,776	10,000	7,924
Gain on transactions and valuation of currency swap (Notes 2 and 27)	16,660	10,799	265,142	210,097
Gain on transactions and valuation of interest swap (Notes 2 and 27)			2	2
Gain on conversion of convertible bonds (Note 4)		373,140		
Gain on repayment of bonds		6,160		
Other	51,667	33,681	34,233	27,126
Sub-total	284,858	861,884	1,057,084	837,626

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME (Continued)**

	Korean Won			Translation into U.S. Dollars (Note 2)
	2006	2007	2008	2008
	(In millions except for per share data)			
				(In thousands except for per share data)
<b>OTHER EXPENSES:</b>				
Interest and discounts	(239,138)	(238,958)	(366,022)	(290,033)
Donations	(103,348)	(72,849)	(100,224)	(79,417)
Foreign exchange and translation losses (Note 2)	(4,139)	(12,966)	(161,788)	(128,200)
Loss on valuation of short-term investment securities (Notes 2 and 4)		(1,203)	(8,358)	(6,623)
Equity in losses of affiliates (Notes 2 and 5)	(211,464)	(175,474)	(54,268)	(43,002)
Impairment loss on investment securities (Notes 2 and 4)	(27,696)	(5,466)	(223,207)	(176,868)
Loss on disposal of investment assets	(6,096)	(1,190)	(12,148)	(9,626)
Loss on disposal of property, equipment and intangible assets	(17,148)	(30,680)	(70,314)	(55,716)
Impairment loss on assets (Note 2)	(7,030)	(10,634)	(14,754)	(11,691)
Loss on transactions and valuation of currency swap (Notes 2 and 27)	(9,258)	(33,876)	(441,207)	(349,609)
Loss on transactions and valuation of interest swap (Notes 2 and 27)			(48)	(38)
External research and development cost (Note 2)	(67,021)	(74,388)	(72,993)	(57,839)
Special severance indemnities (Note 2)	(144,021)			
Other	(48,053)	(20,390)	(25,488)	(20,196)
Sub-total	(884,412)	(678,074)	(1,550,819)	(1,228,858)
<b>INCOME FROM CONTINUING</b>				
<b>OPERATION BEFORE INCOME TAX</b>	2,021,578	2,285,765	1,258,733	997,411
<b>INCOME TAX FOR CONTINUING</b>				
<b>OPERATION (Notes 2 and 17)</b>	572,026	694,487	298,850	236,807
<b>PREACQUISITION NET LOSS OF</b>				
<b>SUBSIDIARIES</b>		21,088	32,664	25,883
<b>LOSS FROM DISCONTINUED</b>				
<b>OPERATION (Note 2)</b>		(50,101)	(20,209)	(16,013)

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NET INCOME	₩ 1,449,552	₩ 1,562,265	₩ 972,338	\$ 770,474
ATTRIBUTABLE TO:				
Majority interests	₩ 1,451,491	₩ 1,648,876	₩ 1,215,719	\$ 963,327
Minority interests	(1,939)	(86,611)	(243,381)	(192,853)
	₩ 1,449,552	₩ 1,562,265	₩ 972,338	\$ 770,474
NET INCOME PER SHARE FROM CONTINUING OPERATION (In Korean won and U.S. dollars) (Notes 2 and 19)				
	₩ 19,801	₩ 23,143	₩ 16,453	\$ 13.04
NET INCOME PER SHARE (In Korean won and U.S. dollars) (Notes 2 and 19)				
	₩ 19,801	₩ 22,696	₩ 16,707	\$ 13.24
DILUTED NET INCOME PER SHARE FROM CONTINUING OPERATION (In Korean won and U.S. dollars) (Notes 2 and 19)				
	₩ 19,523	₩ 22,813	₩ 16,309	\$ 12.92
DILUTED NET INCOME PER SHARE (In Korean won and U.S. dollars) (Notes 2 and 19)				
	₩ 19,523	₩ 22,375	₩ 16,559	\$ 13.12

See accompanying notes to consolidated financial statements.

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008**

	<b>Common Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Minority Interest</b>	<b>Total Stockholders Equity</b>
<b>(In millions of Korean won)</b>							
Balance, January 1, 2006	₩ 44,639	₩ 2,954,840	₩ (2,043,625)	₩ (4,890)	₩ 7,267,649	₩ 108,927	₩ 8,327,540
Cumulative effect of change in accounting policies (Note 2)		15,025	(15,025)				
Adjusted balance, January 1, 2006	44,639	2,969,865	(2,058,650)	(4,890)	7,267,649	108,927	8,327,540
Cash dividends (Note 20)					(588,914)		(588,914)
Interim dividends (Note 20)					(73,714)		(73,714)
Net income					1,451,491	(1,939)	1,449,552
Conversion of convertible bonds (Notes 9 and 16)		(3,733)					(3,733)
Transfer of stock option from capital adjustments to capital surplus (Notes 2 and 14)		234	(234)				
Difference between the acquisition cost and the net book value incurred from the capital			(1,095)				(1,095)

transactions between companies under common control (Note 2)			
Equity in capital surplus changes of affiliates	33		33
Equity in other capital adjustment changes of affiliates		48	48
Treasury stock (Note 16)		32,178	32,178
Loss on disposal of treasury stock (Notes 16 and 17)		(7,887)	(7,887)
Unrealized gain on valuation of long-term investment securities (Notes 2 and 4)		471,321	471,321
Equity in other comprehensive income changes of affiliates, net (Notes 2 and 5)		45,956	45,956
Foreign-based operations translation adjustment (Note 2)		(19,737)	(19,737)
Gain on valuation of currency swap (Notes 2 and 27)		(2,311)	(2,311)
Gain on valuation of interest rate swap (Notes 2 and 27)		(329)	(329)
Acquisition and retirement of			(209,078)



treasury stock								
Increase in minority interest in equity of consolidated subsidiaries							63,258	63,258
Balance, December 31, 2006	₩ 44,639	₩ 2,966,399	₩ (2,035,640)	₩ 490,010	₩ 7,847,434	₩ 170,246	₩ 9,483,088	
Balance, January 1, 2007	₩ 44,639	₩ 2,950,327	₩ (2,019,568)	₩ 490,010	₩ 7,847,434	₩ 170,246	₩ 9,483,088	
Cumulative effect of change in accounting policies (Note 2)		16,072	(16,072)					
Adjusted balance, January 1, 2007	44,639	2,966,399	(2,035,640)	490,010	7,847,434	170,246	9,483,088	
Cash dividends (Note 20)					(508,672)		(508,672)	
Interim dividends (Note 20)					(72,668)		(72,668)	
Net income					1,648,876	(86,611)	1,562,265	
Conversion of convertible bonds (Notes 9 and 16)		(11,116)						(11,116)
Transfer of stock option from capital adjustments to capital surplus (Notes 2 and 14)		3,247	(3,247)					
Difference between the acquisition cost and the net book value incurred from the capital transactions between companies			(30,086)					(30,086)

under common control (Note 2) Equity in capital surplus changes of affiliates	(2,424)		(2,424)
Equity in other capital adjustment changes of affiliates		15,013	15,013
Treasury stock (Note 16)		(26,556)	(26,556)

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Continued)**

	<b>Common Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Minority Interest</b>	<b>Total Stockholders Equity</b>
Loss on disposal of treasury stock (Notes 16 and 17)			7,793				7,793
Unrealized gain on valuation of long-term investment securities (Notes 2 and 4)				1,195,385			1,195,385
Equity in other comprehensive income							
Changes of affiliates, net (Notes 2 and 5)				(105,597)			(105,597)
Foreign-based operations translation adjustment (Note 2)				4,162			4,162
Gain on valuation of currency swap (Notes 2 and 17)				4,671			4,671
Gain on valuation of interest rate swap (Notes 2 and 27)				2,627			2,627
Increase in minority interest in equity of consolidated subsidiaries						169,748	169,748

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Balance, December 31, 2007	₩ 44,639	₩ 2,956,106	₩ (2,072,723)	₩ 1,591,258	₩ 8,914,970	₩ 253,383	₩ 11,687,633
Balance, January 1, 2008	₩ 44,639	₩ 2,924,960	₩ (2,041,577)	₩ 1,591,258	₩ 8,914,970	₩ 253,383	₩ 11,687,633
Cumulative effect of change in accounting policies (Note 2)		31,146	(31,146)				
Adjusted balance, January 1, 2008	44,639	2,956,106	(2,072,723)	1,591,258	8,914,970	253,383	11,687,633
Cash dividends (Note 20)					(609,711)		(609,711)
Interim dividends (Note 20)					(72,793)		(72,793)
Net income					1,215,719	(243,381)	972,338
Conversion of convertible bonds (Notes 9 and 16)		1,544					1,544
Difference between the acquisition cost and the net book value incurred from the capital transactions between companies under common control (Note 2)			(75,329)				(75,329)
Equity in capital surplus changes of affiliates		481					481
Equity in other capital adjustment changes of affiliates			2,706				2,706
Treasury stock (Note 16)		723	(14,137)				(13,414)

Loss on disposal of treasury stock (Notes 16 and 17)			94					94
Unrealized loss on valuation of long-term investment securities (Notes 2 and 4)				(1,216,771)				(1,216,771)
Equity in other comprehensive income changes of affiliates, net (Notes 2 and 5)				(70,490)				(70,490)
Foreign-based operations translation adjustment (Note 2)				60,262				60,262
Gain on valuation of currency swap (Notes 2 and 17)					20,360			20,360
Gain on valuation of interest rate swap (Notes 2 and 27)				(28,427)				(28,427)
Increase in minority interest in equity of consolidated subsidiaries							1,165,957	1,165,957
Balance, December 31, 2008	₩ 44,639	₩ 2,958,854	₩ (2,159,389)	₩ 356,192	₩ 9,448,185	₩ 1,175,959		₩ 11,824,440

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Continued)**

	<b>Common Stock</b>	<b>Capital Surplus</b>	<b>Capital Adjustments</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Retained Earnings</b>	<b>Minority Interest</b>	<b>Total Stockholders Equity</b>
<b>(In thousands of U.S. dollars)</b>							
<b>(Note 2 a)</b>							
Balance, January 1, 2008	\$ 35,372	\$ 2,317,718	(\$ 1,617,731)	\$ 1,260,902	\$ 7,064,160	\$ 200,778	\$ 9,261,199
Cumulative effect of change in accounting policies (Note 2)		24,680	(24,680)				
Adjusted balance, January 1, 2008	35,372	2,342,398	(1,642,411)	1,260,902	7,064,160	200,778	9,261,199
Cash dividends (Note 20)					(483,131)		(483,131)
Interim dividends (Note 20)					(57,680)		(57,680)
Net income					963,327	(192,853)	770,474
Conversion of convertible bonds (Notes 9 and 16)		1,223					1,223
Difference between the acquisition cost and the net book value incurred from the capital transactions between companies under common control (Note 2)				(59,690)			(59,690)

Equity in capital surplus changes of affiliates	381						381
Equity in other capital adjustment changes of affiliates		2,143					2,143
Treasury stock (Note 16)	573	(11,201)					(10,628)
Loss on disposal of treasury stock (Notes 16 and 17)		74					74
Unrealized loss on valuation of long-term investment securities (Notes 2 and 4)				(964,161)			(964,161)
Equity in other comprehensive income changes of affiliates, net (Notes 2 and 5)				(55,856)			(55,856)
Foreign-based operations translation adjustment (Note 2)				47,751			47,751
Gain on valuation of currency swap (Notes 2 and 27)				16,133			16,133
Gain on valuation of interest rate swap (Notes 2 and 27)				(22,525)			(22,525)
Increase in minority interest in equity of consolidated subsidiaries						923,897	923,897
	\$ 35,372	\$ 2,344,575	(\$ 1,711,085)	\$ 282,244	\$ 7,486,676	\$ 931,822	\$ 9,369,604

Balance,  
December 31,  
2008

See accompanying notes to consolidated financial statements.

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008**

	2006	2007	2008	2008
	In millions of Korean Won			In thousands of U.S. Dollars (Note 2a)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net Income:	₩ 1,449,552	₩ 1,562,265	₩ 972,338	\$ 770,474
Expenses not involving cash payments:				
Provision for severance indemnities	47,370	44,233	93,094	73,767
Depreciation and amortization	1,698,364	1,971,327	2,759,276	2,186,431
Allowance for doubtful accounts	86,321	58,272	73,325	58,102
Foreign currency translation loss	1,106	9,411	132,162	104,724
Loss on valuation of short-term investment securities		1,203	8,358	6,623
Equity in losses of affiliates	211,464	175,474	54,268	43,002
Impairment loss on investment securities	27,696	5,466	223,207	176,868
Loss on disposal of investment assets	6,096	1,190	12,148	9,626
Loss on disposal of property, equipment and intangible assets	17,148	30,680	70,314	55,716
Loss on disposal of consolidated subsidiaries			724	574
Impairment loss on assets	7,030	10,634	14,754	11,691
Loss on transaction and valuation of currency swap	9,258	33,876	441,207	349,609
Loss on transaction of interest rate swap			48	38
Amortization of discounts on bonds and other	51,077	47,640	46,586	36,915
Loss from discontinued operation		50,101	20,209	16,013
<b>Sub-total</b>	<b>2,162,930</b>	<b>2,439,507</b>	<b>3,949,680</b>	<b>3,129,699</b>
Income not involving cash receipts:				
Foreign translation gain	924	5,373	428,575	339,600
Reversal of allowance for doubtful accounts	789	614	2,084	1,651
Equity in earnings of affiliates	45,787	247,382	24,894	19,726
Gain on valuation of trading securities		128		
Gain on disposal of investment assets	27,490	3,721	17,409	13,795
Gain on disposal of consolidated subsidiaries	1,556			
Gain on disposal of property, equipment and intangible assets	4,507	9,776	10,000	7,924
Gain on transactions and valuation of currency swap	16,660	10,799	265,142	210,097

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Gain on transactions of interest rate swap			2	2
Gain on conversion of convertible bond		373,140		
Gain on repayment of bonds		6,160		
Gain on disposal of other non-current assets and other	3,075	13,623	6,036	4,782
Sub-total	100,788	670,716	754,142	597,577
Changes in assets and liabilities related to operating activities :				
Accounts receivable trade	(161,914)	43,020	72,097	57,129
Accounts receivable other	57,253	372,778	(383,668)	(304,016)
Inventories	(9,145)	(8,895)	(66,166)	(52,429)
Prepaid expenses	61,148	67,669	8,841	7,006
Advanced payments and other	5,865	(16,248)	(59,552)	(47,189)
Long-term accounts receivables other			514	407
Accounts payable	161,611	(33,475)	(104,300)	(82,647)
Income taxes payable	(44,637)	(21,791)	118,011	93,511
Accrued expenses	37,985	(9,723)	405,084	320,986
Withholdings	123,003	(111,918)	70,400	55,784
Current portion of subscription deposits	885	(8,220)	(1,113)	(882)
Advance receipts and other	21,585	21,832	(20,367)	(16,138)
Deferred income taxes	(76,423)	121,681	(194,865)	(154,410)
Dividends received from affiliates	1,318	2,184	1,214	962
Severance indemnity payments	(262,948)	(13,732)	(107,037)	(84,815)
Deposits for group severance indemnities and other	162,545	(14,518)	(610,031)	(483,384)
Sub-total	78,131	390,644	(870,938)	(690,125)
Net Cash Provided by Operating Activities	3,589,825	3,721,700	3,296,938	2,612,471

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

	2006	2007	2008	2008
	In millions of Korean Won			In thousands of U.S. Dollars (Note 2a)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash inflows from investing activities:				
Decrease in short-term investment securities, net	₩ 80,061	₩ 28,852	₩	\$
Decrease in short-term financial instruments, net	4,470		174,441	138,226
Collection of short-term loans	69,892	119,608	215,074	170,423
Decrease in long-term financial instruments	2	2,118	16,159	12,804
Collection of long-term loans	654	3,652	10,646	8,436
Proceeds from sales of long-term investment securities	305,953	4,804	386,740	306,450
Proceeds from sales of equity securities accounted for using the equity method	80,014	20,258	8,292	6,571
Proceeds from disposal of consolidated subsidiary	39,062			
Decrease in guarantee deposits	71,164	32,594	26,361	20,888
Decrease in other non-current assets	19,940	30,444	40,913	32,419
Proceeds from disposal of property and equipment	14,353	30,429	45,533	36,080
Proceeds from disposal of intangible assets	1,630	6,739	9,496	7,525
Cash inflows from transaction of currency swap		17,242	727	576
Sub-total	714,195	296,740	934,382	740,398
Cash outflows from investing activities:				
Increase in short-term financial instruments, net	₩ 10,091	₩ 7,822	₩	\$
Increase in short-term investment securities, net			40	32
Increase in short-term loans	92,753	104,674	239,414	189,710
Increase in long-term financial instruments		652	6,086	4,823
Acquisition of long-term investment securities	1,127,396	371,394	31,420	24,897
Increase in long-term loans	12,623	100,006	35,290	27,964

Acquisition of equity securities accounted for using the equity method	244,333	76,629	601,066	476,281
Increase in equity of consolidated subsidiaries	27,406	12,514	1,093,104	866,168
Increase in guarantee deposits	30,290	31,056	57,287	45,394
Increase in other non-current assets	132,349	78,853	96,303	76,308
Acquisition of property and equipment	1,498,142	1,804,148	2,236,930	1,772,528
Acquisition of intangible assets	73,964	115,102	149,341	118,337
Cash outflows from transaction of currency swap		8,769	263,495	208,792
Sub-total	3,249,347	2,711,619	4,809,776	3,811,234
Net Cash Used in Investing Activities	(2,535,152)	(2,414,879)	(3,875,394)	(3,070,836)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>				
Cash inflows from financing activities:				
Issuance of bonds payable	₩ 384,990	₩ 761,117	₩ 1,307,679	\$ 1,036,196
Proceeds from short-term borrowings	51,230	35,946	472,958	374,769
Proceeds from long-term borrowings	294,800		510,577	404,578
Increase in guarantee deposits received and other	3,370	2,327	4,532	3,591
Proceeds from disposal of treasury stock		45,133	42,246	33,475
Cash inflows from transaction of currency swap		2,901		
Increase in equity of consolidated subsidiaries	19,050	4,677	64,402	51,032
Sub-total	753,440	852,101	2,402,394	1,903,641
Cash outflows from financing activities:				
Repayment of current portion of long-term debt	815,287	907,176	558,107	442,240
Repayment of short-term borrowings		86,561		
Repayment of long-term borrowings	404	93,336	193,400	153,250
Repayment of bonds payable	1,230	61,306		
Payment of dividends	662,815	581,309	682,504	540,811
Decrease in subscription deposits	2,630	14,714		
Cash outflows from transaction of currency swap		11,838		
Acquisition and retirement of treasury stock	209,078	118,512	63,538	50,347

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)**

	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2008</b>
	<b>In millions of Korean Won</b>			<b>In thousands of U.S. Dollars (Note 2a)</b>
Decrease in equity of consolidated subsidiaries		6,607	24,863	19,701
Other	14,374	11,997	10,567	8,374
Sub-total	1,705,818	1,893,356	1,532,979	1,214,723
Net Cash Provided by (Used in) Financing Activities	(952,378)	(1,041,255)	869,415	688,918
THE EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS HELD IN FOREIGN CURRENCIES (Note 2)	(9,317)	6,097	37,371	29,613
NET INCREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGES IN CONSOLIDATED SUBSIDIARIES	14,568	102,079	36,413	28,853
PRE ACQUISITION CASH FLOWS OF SUBSIDIARIES		(11,396)	17,250	13,669
INCREASE IN CASH AND CASH EQUIVALENTS DUE TO MERGER		50,448		
CASH FLOWS FROM DISCONTINUED OPERATION (Note 2)		(12,777)	(256,515)	(203,261)
NET INCREASE IN CASH AND CASH EQUIVALENTS	107,546	400,017	125,478	99,427
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR (Note 29)	378,426	485,972	885,989	702,052
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (Note 29)	₩ 485,972	₩ 885,989	₩ 1,011,467	\$ 801,479

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See accompanying notes to consolidated financial statements.

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2006, 2007 AND 2008****1. GENERAL**

SK Telecom Co., Ltd. ( SK Telecom ) was incorporated in March 1984 under the laws of Korea to engage in providing cellular telephone communication services in the Republic of Korea. SK Telecom Co., Ltd. and its subsidiaries (the Company ) mainly provide wireless telecommunications in the Republic of Korea and recently acquired foreign wireless telecommunications operators in Vietnam, Mongolia, and the United States of America. 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 December 31, 2008, the Company's total issued shares are held by the following:

	<b>Number of Shares</b>	<b>Percentage of Total Shares Issued (%)</b>
SK Group	18,748,452	23.09
POSCO	2,341,569	2.88
Institutional investors and other minority stockholders	51,395,994	63.30
Treasury stock	8,707,696	10.73
	81,193,711	100.00

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the Republic of Korea. Significant accounting policies followed in preparing the accompanying consolidated financial statements are summarized as follows:

***a. Basis of Presentation***

The Company maintains its official accounting records in Korean won and prepares statutory consolidated financial statements in 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 conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these consolidated financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions 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, changes in stockholders' equity or cash flows, is not presented in the accompanying consolidated financial statements.

The accompanying consolidated financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is

included solely for the convenience of readers of financial statements and has been made at the rate of ₩1,262.00 to US\$1.00, 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 period ended December 31, 2008. 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 that or any other rate.

***b. Principles of Consolidation***

The consolidated financial statements include the accounts of SK Telecom and the following controlled subsidiaries as of December 31, 2006, 2007 and 2008. Controlled subsidiaries include (a) majority-owned entities

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

by SK Telecom or its controlled subsidiaries and (b) other entities where SK Telecom or its controlled subsidiaries own more than 30% of total outstanding common stock and is the largest stockholder. Meanwhile, if the total assets of the controlled subsidiaries at the beginning of fiscal year were less than ₩7 billion, those investee are excluded and accounted for using equity method in accordance with Korean GAAP. All significant intercompany balances and transactions have been eliminated in the consolidation procedures.

Subsidiary	Year of Establishment	Primary Business	Ownership Percentage (%)		
			2006	2007	2008
SK Broadband Co., Ltd. (formerly hanarotelecom incorporated)	1997	Telecommunication services	4.8	4.8	43.42
SK Communications Co., Ltd.	1999	Internet website services	87.08	65.71	65.71
SK Telink Co., Ltd.	1998	Telecommunication services	90.77	90.77	90.77
SK Wyverns Baseball Club Co., Ltd.	2000	Business related sports	99.99	99.99	99.99
PAXNet Co., Ltd.	1999	Internet website services	59.74	59.74	59.74
F&U Credit information Co., Ltd. (formerly Global Credit & information Corp)	1998	Credit and collection services	50.00	50.00	50.00
Loen Entertainment, Inc. (formerly Seoul Records, Inc.)	1982	Release of music disc	60.00	60.00	63.48
TU Media Corp.	2003	Satellite broadcasting services	29.58	32.70	44.15
IHQ, Inc.	1962	Business related entertainment	34.08	37.09	37.09
Ntreev Soft Co., Ltd.	2003	Game software	51.00	66.70	63.70
Commerce Planet Co., Ltd.	1997	Online shopping mall operation agency		100.00	100.00
The First Music Investment Fund of SK-PVC	2005	Investment association	99.00	99.00	99.00
The Second Music Investment Fund of SK-PVC	2005	Investment association	99.00	99.00	99.00
SK-KTB Music Investment Fund	2005	Investment association	99.00	99.00	99.00
IMM Cinema Fund	2005	Investment association	60.84	72.24	72.24
Michigan Global Cinema Fund	2006	Investment association	36.36	45.45	45.45
SK i-media Co., Ltd.	2006	Game software	60.00	60.00	100.00
CU Media, Inc. (formerly YTN Media, Inc)	2000	Broadcasting services	51.42	51.42	52.52
Konan Technology	1999	Multimedia contents	7.51	29.49	29.49
Broadband Media Co., Ltd. (formerly hanaromedia incorporated)	1997	Multimedia contents			100.00
HanaroDream Incorporated	2001	Internet website services			36.03
	1998	Facilities Maintenance			100.00

Broadband D&M Co., Ltd. (formerly hanaro Realty Development & Management Co., Ltd.)					
Broadband CS Co., Ltd. (formerly hanaro Customer Service, Inc.)	1998	Telemarketing Service			100.00
Etoos Co., Ltd.	2008	Internet Education Service			100.00
K-net Culture and Contents Venture Fund	2008	Investment association			59.00
Benex Digital Cultural Contents Fund	2008	Investment association			39.84
Benex Focus Limited Partnership II	2008	Investment association			66.67
Open Innovation Fund	2008	Investment association			98.52
SK Telecom China Co., Ltd.	2002	Telecommunication services	100.00	100.00	100.00
ULand Company Ltd.	2004	Telecommunication services	100.00	100.00	100.00
SKT Vietnam PTE., Ltd.	2000	Telecommunication services	73.32	73.32	73.32
SKT Americas, Inc. (formerly SK Telecom International Inc.)	1995	Internet website services	100.00	100.00	100.00
SK Telecom Advanced Tech & Service Center	2006	Mobile handset services	100.00	100.00	100.00
Cyworld China Holdings Limited	2006	Internet website services		100.00	100.00
SK Telecom China Holdings Co., Ltd.	2007	Internet website services		100.00	100.00
Centurion IT Investment Association	2001	Investment association	37.50		
SK Telecom USA Holdings, Inc.	2005	Telecommunication services	100.00	100.00	
Helio, Inc & LLC	2005	Mobile handset services	48.08	64.86	
AirCross Co., Ltd.	2000	Advertising agency	38.10	100.00	
SK Cyberpass, Inc.	2001	International telephone call services	70.54	70.54	

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Effective July 1, 2006, IHQ, Inc. and its subsidiary, CU Media, Inc. (formerly YTN Media, Inc) were included in the consolidation of the accompanying financial statements as the Company owned more than 30% of total outstanding common stock and became the largest stockholder.

During the year ended December 31, 2007, TU Media Corp., Commerce Planet Co., Ltd., Michigan Global Cinema Fund and Konan Technology became the controlled subsidiaries of the Company, as the Company owns majority ownership interest or more than 30% of total outstanding common stock and is the largest stockholder other than Konan Technology. Konan Technology is owned by SK Communications Co., Ltd. by 29.49% as of December 31, 2008. As SK Communications Co., Ltd. has call option to acquire all other stockholders' common stocks and the call option are exercisable at little or no economic cost, which is regarded as de facto control of Konan Technology, Konan Technology was included in consolidation even though the Company's ownership interest is below 30%.

Effective January 1, 2007, Ntreev Soft Co., Ltd. and SK i-media Co., Ltd. were included in the consolidation of the accompanying consolidated financial statements as their total assets at the beginning of that fiscal year were more than ₩7 billion, in accordance with Korean GAAP.

Effective January 1, 2007, Centurion IT investment Association was excluded in the consolidation of the accompanying consolidated financial statements as it was dissolved on February 28, 2008. It was accounted for using the equity method of accounting from January 1, 2007.

Effective April 1, 2008, the Company acquired an additional 91,406,249 common shares of SK Broadband Co., Ltd. (formerly hanarotelecom incorporated) which increased the Company's ownership from 4.6% to 43.4%. As a result, SK Broadband Co., Ltd. and its subsidiaries, Broadband Media Co., Ltd., Hanaro Dream Incorporated, Broadband D&M Co., Ltd. and Broadband CS Co., Ltd., were included in the consolidation of accompanying financial statements as the Company owned more than 30% of total outstanding common stock and became the largest stockholder.

For the year ended December 31, 2008, Etoos Co., Ltd, a newly established by SK Communications was included in the consolidation.

During the year ended December 31, 2008, Benex Digital Cultural Contents Fund, Benex Focus Limited Partnership II, K-net Culture and Contents Venture Fund and Open Innovation Fund became the controlled subsidiaries of the Company, as the Company owns majority ownership interest or more than 30% of total outstanding common stock and is the largest stockholder.

Effective January 1, 2008, SK Telecom Advanced Tech & Service Center, Cyworld China Holdings Limited and SK Telecom China Holdings Co., Ltd. were included in the consolidation of accompanying financial statements as its total assets at the beginning of that fiscal year were more than ₩7 billion, in accordance with Korean GAAP.

For the year ended December 31, 2008, SK Telecom USA Holdings, Inc. which was incorporated to manage the Company's investment to Helio LLC in 2005 was fully liquidated. Meanwhile, for the year ended December 31, 2008, the equity interest in Helio held by SK Telecom USA Holding, Inc. were exchanged into the equity interest in Virgin mobile USA Inc. As a result, Helio Inc & LLC was excluded from the consolidation.

Effective January 1, 2008, SK Cyberpass, Inc. was excluded from the consolidation as its total assets at the beginning of that fiscal year were less than ₩7 billion, in accordance with Korean GAAP.

Effective January 1, 2008, Aircross Co., Ltd. was excluded from the consolidation as it was liquidated in March 2009.

*c. Use of Estimates*

The preparation of consolidated financial statements in conformity with Korean GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

and the disclosure of contingent assets and liabilities at the dates of the consolidated balance sheets, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

***d. Cash Equivalents***

Cash equivalents are highly liquid investments and short term financial instruments, which are readily convertible without significant transaction cost, do not have significant risk from changes in interest rates, and with original maturities of three months or less.

***e. Allowance for Doubtful Accounts***

Allowance for doubtful accounts is provided based on the estimated collectability of individual accounts and historical bad debt experience.

Details of changes in the allowance for doubtful accounts receivable trade for 2006, 2007 and 2008 are as follows (In millions of Korean won):

	2006	2007	2008
Beginning balance	₩ 133,499	₩ 106,737	₩ 93,551
Write-offs	(90,780)	(90,475)	(50,065)
Net	42,719	16,262	43,486
Provision for doubtful accounts receivable-trade	61,457	48,835	62,973
Provision for doubtful accounts receivable-trade for the discontinued operation		22,604	
Increase (decrease) due to the changes in consolidated subsidiaries	2,561	5,850	43,861
End of year	₩ 106,737	₩ 93,551	₩ 150,320

***f. Inventories***

Inventories are stated at the acquisition cost using the following methods:

Assets	Methods
E-commerce inventories	Moving average method
Replacement units for wireless telecommunication facilities and supplies for sales promotion	Moving average method
Wireless device	FIFO
Books and CDs	FIFO

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 is reduced to the market value and any difference is charged to current operations as operating expenses. A valuation loss of ₩168 million and ₩584 million was recorded for the years ended December 31, 2006, 2007, respectively, and a reversal of allowance for inventory valuation loss of ₩168 million was recorded for the year ended December 31, 2008.

***g. 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 consideration paid) including incidental cost incurred in connection with acquisition of the related securities and classified into trading,

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

available-for-sale and held-to-maturity (debt only) securities depending on the acquisition purpose and nature. The acquisition cost of the equity securities acquired by exercising a conversion right is the carrying amount of the convertible bonds exchanged. However, if those newly acquired equity securities are marketable securities in an active trading market, the acquisition cost of such equity securities is the market value of those equity securities at the acquisition date and the difference between the market value of the newly acquired equity securities and the carrying amount of the exchanged convertible bonds is charged to the current operation as gain or loss on conversion.

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 accumulated other comprehensive income (loss) and the unrealized gains or losses are reflected in net income when the securities are sold or if there is an objective evidence of impairment such as bankruptcy of investees. Equity securities are stated at acquisition cost if fair value cannot be reliably measured.

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 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 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 asset section of the balance sheet if their maturities are within one year; otherwise such securities are recorded in the non-current section of the balance sheet.

***h. Equity 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 Company's portion of stockholders' equity of the investee. Differences between the acquisition cost and net asset fair value of the investee are amortized over 5 to 20 years using the straight-line method. When applying the equity method of accounting, unrealized inter-company gains and losses are eliminated. In addition, the Company provides for additional losses for those investments accounted for using the equity method that are reduced to zero to the extent that the Company has other investment assets related to the equity method investees.

Assets and liabilities of foreign-based companies accounted for using the equity method are translated at current rate of exchange at the balance sheet date while profit and loss items in the statement of earnings are translated at average rate and capital account at historical rate. The translation gains and losses arising from collective translation of the foreign currency financial statements of foreign-based companies are offset and the balance is remained as accumulated other comprehensive income (loss) in the Company's stockholders' equity.

Under the equity method of accounting, the Company does not record its share of losses of an affiliate when such losses would make the Company's investment in such entity less than zero unless the Company has guaranteed obligations of the investee or is otherwise committed to provide additional financial support. The Company provides

for additional losses for these investments accounted for using the equity method that are reduced to zero to the extent that the Company has other investment assets related to the equity method investees. In addition, when the Company's share of equity interest in the equity method investees increases as a result of capital transactions of the investees with (or without) consideration, the increase in the Company's proportionate shares in the investees are treated as goodwill or negative goodwill and when the Company's share of equity interest in the equity method investees decrease as a result of capital transactions of the investees with (or without) consideration, the decrease in the Company's proportionate shares in the investees are accounted for as gain or loss on disposal.



**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****i. Troubled Debt Restructuring***

In case that contractual terms such as the face amount, interest rate, or maturity are changed to alleviate the debtor's burdens in accordance with an agreement between the creditor and the debtor, initiation of corporate reorganization procedures under court trustee or under debtor's management, the Company recognizes the restructured receivables at present value of the expected future cash flows discounted by the reasonable interest rate and amortizes the difference between principal amount and present value to interest income using the effective interest rate method.

***j. Valuation of Long-term Accounts Receivable - Other***

Long-term accounts receivable 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 receivable balances. Such imputed interest is included in operations using the effective interest rate method over the collection period.

***k. Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. 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 of the related assets as follows:

<b>Assets</b>	<b>Depreciation Method</b>	<b>Useful Lives (Years)</b>
Buildings and structures	Declining balance method (straight-line method)	15 ~ 50
Machinery	Declining balance method	3 ~ 9
Other	Declining balance method	3 ~ 5

Interest expenses and other financing charges for borrowings related to the manufacture or construction of property and equipment are charged to current operations as incurred.

***l. Intangible Assets***

Intangible assets are stated at cost less amortization computed using the straight-line method over 2 to 20 years.

The Company capitalizes the cost of internal-use software which has a useful life in excess of one year. Capitalized internal-use software costs are amortized using the straight-line method over 5 years and are recorded in intangible assets.

***m. Government Subsidy***

Government subsidy, which is used for the acquisition of certain assets, is accounted for as a deduction from the acquisition cost of the acquired assets. Such subsidy amount is offset against the depreciation or amortization of the acquired assets during such assets' useful life. Government subsidy, which is required to be repaid, is recorded as a liability in the balance sheet. Government subsidy with no repayment obligation, which is used to purchase a designated asset or to develop a certain technology, is presented as a deduction of the related asset and is amortized against the depreciation or amortization expense of the related asset. Government subsidy, contributed to compensate for specific expenses, is offset against the related expenses as incurred.

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***n. Impairment Losses***

When the recoverable amount of assets (that are not recorded at fair value) including investment assets (except for trading and available-for-sale investments in listed companies), property and equipment, and intangible assets are significantly less than the carrying value due to obsolescence, physical damage, decline in market value or other causes, the carrying value is reduced to the recoverable amount and any difference is charged to current operation as an impairment losses.

***o. Convertible Bonds and Bonds with Stock Purchase Warrants***

The proceeds from issuance of convertible bonds are allocated between the conversion rights or warrant 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 issuance date.

***p. Discounts on Bonds***

Discounts on bonds are amortized to interest expense using the effective interest rate method over the redemption period of the bonds.

***q. Valuation of Long-term Payables***

Long-term payables resulting from long-term installment transactions are stated at 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.

***r. Provisions, Contingent Liabilities and Contingent Assets***

The Company recognizes a provision when i) it has a present obligation as a result of a past event, ii) it is probable that a disbursement of economic resources will be required to settle the obligation, and iii) a reliable estimate can be made of the amount of the obligation (see Note 26). When a possible range of loss in connection with a probable loss contingency as of the balance sheet date is estimable with reasonable certainty, and some amount within that range appears at the time to be a better estimate than any other amount within the range, the Company accrues such amount. When no amount within the range appears to be a better estimate than any other amount, the minimum amount in that range is recorded.

The Company does not recognize the following contingent obligations as liabilities:

Possible obligations related to past events, for which the existence of a liability can only be confirmed upon occurrence of uncertain future event or events outside the control of the Company.

Present obligations arising from past events or transactions, for which i) a disbursement of economic resources to fulfill such obligations is not probable or ii) a disbursement of economic resources is probable, but the related amount cannot be reasonably estimated.

In addition, the Company does not recognize potential assets related to past events or transactions, for which the existence of an asset or future benefit can only be confirmed upon occurrence of uncertain future event or events outside the control of the Company.

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***s. Accrued Severance Indemnities*

In accordance with the policies of the Company, 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.

SK Telecom and certain domestic 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 deposits with outside insurance companies, where the beneficiaries are their employees, totaling ₩28,868 million, ₩45,878 million and ₩68,559 million as of December 31, 2006, 2007 and 2008, respectively, are deducted from accrued severance indemnities.

In accordance with the Korean National Pension Fund Law, SK Telecom and its domestic subsidiaries transferred a portion of its accrued severance indemnities to the National Pension Fund through March 1999. Such transfers, amounting to ₩91 million, ₩86 million and ₩27 million as of December 31, 2006, 2007 and 2008, respectively, are deducted from accrued severance indemnities.

Effective March 31, 2006, SK Telecom changed its policy for the severance indemnities applicable to those employees who joined SK Telecom before or on December 31, 2002 from cumulative method, where employees are entitled to get paid more than one month of salary for each year depending on the length of service, to simple multiplier method, where employees are paid one month of salary for each year regardless of their service period in accordance with the resolution of SK Telecom's joint labor-management conference held on March 16, 2006. As a result of such policy change, SK Telecom distributed early settlements to those eligible employees on their accumulated severance indemnities as of March 31, 2006 on a mandatory basis, and paid the additional bonuses of ₩125,890 million for those employees who received the mandatory distribution for their early settlement as compensation for those employees.

The Company recorded such compensation costs as special severance indemnities in other expenses for the year ended December 31, 2006. In addition, SK Telecom executed the early retirement program and the related special bonus of ₩18,131 million were paid to eligible employees and accounted for as special severance indemnities in other expenses for the year ended December 31, 2006.

Changes in accrued severance indemnities for 2006, 2007 and 2008 are as follows (In millions of Korean won):

	<b>2006</b>	<b>2007</b>	<b>2008</b>
Beginning net balance	₩ 71,284	₩ 22,284	₩ 44,322
Provision	47,370	44,233	93,094
Payments to employees	(262,948)	(13,732)	(107,037)
Net increase due to the changes in consolidated subsidiaries	4,010	6,291	44,718
Changes in deposits for severance indemnities	162,568	(14,754)	(21,282)

Ending net balance	₩	22,284	₩	44,322	₩	53,815
Ending balance :						
Accrued severance indemnities	₩	51,243	₩	90,286	₩	122,401
Deposits with insurance companies		(28,868)		(45,878)		(68,559)
National Pension Fund		(91)		(86)		(27)
Net balance	₩	22,284	₩	44,322	₩	53,815

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***t. Accounting for Leases***

A lease is classified as a finance lease or an operating lease depending on the extent of transfer to the Company of the risks and rewards incidental to ownership. If a lease meets any one of the following criteria, it is accounted for as a finance lease:

The lease transfers ownership of the asset to the lessee by the end of the lease term;

The lessee has the option to purchase the asset at a bargain price and it is certain that the option will be exercised;

The lease term is for the major part (75% or more) of the economic life of the asset even if title is not transferred;

At the date of lease commencement, the present value of the minimum lease payments amounts to at least substantially all (90% or more) of the fair value of the leased asset; or

The leased assets are of such a specialized nature that only the lessee can use them without major modifications.

All other leases are treated as operating leases.

Assets and liabilities related to finance leases are recorded as property and equipment and obligations under finance 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.

***u. Research and Development Costs***

The Company charges substantially all research and development costs to expense as incurred. The Company incurred internal research and development costs of ₩211,961 million, ₩218,652 million and ₩226,714 million for the years ended December 31, 2006, 2007 and 2008, respectively, and external research and development costs of ₩67,021 million, ₩74,388 million and ₩72,993 million for the years ended December 31, 2006, 2007 and 2008, respectively.

***v. 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 accumulated other comprehensive income (loss) 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 stockholders' equity, the historical rate for stockholders' equity and the daily average rate for statement of income items.

***w. Accounting for Foreign Currency Transactions and Translation***

SK Telecom 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 ₩929.60=US\$1, ₩938.20=US\$1 and ₩1,257.50=US\$1 at December 31, 2006, 2007 and 2008, respectively. The resulting gains and losses arising from the translation or settlement of such assets and liabilities are included in current operations.

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***x. 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 portions of the gains or losses on the hedging instruments are recorded as accumulated other comprehensive income (loss) and credited/charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses are credited/charged immediately to operations.

***y. Revenue Recognition***

The Company recognizes revenue when they are realized or realizable and earned. Revenues are realized or realizable and earned when the Company has persuasive evidence of an arrangement, the goods have been delivered or the services have been rendered to the customer, sales price is fixed or determinable and collectability is reasonably assured.

The revenue of the Company is principally derived from telecommunication service including data services and wireless device 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 are recognized when the activation service was performed.

Meanwhile, the Company recognizes sales revenues on a gross basis when the Company is the primary obligator in the transactions with customers and if the Company merely acts an agent for the buyer or seller from whom it earns a commission, then sales revenues are recognized on a net basis.

SK Telecom's subsidiaries also sell products and merchandises to customers and these sales are recognized at the time products and merchandises are delivered.

***z. Income Taxes***

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets and liabilities.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred income tax assets and liabilities are classified into current and non-current based on the classification of related assets or liabilities for financial reporting purposes.

***aa. 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. Diluted net income per share of common stock is calculated by dividing adjusted net income by adjusted weighted average number of shares outstanding during the period, taking into account the dilutive effect of stock option and convertible bonds.

***ab. Handset Subsidies to Long-term Mobile Subscribers***

Effective April 1, 2008, the Telecommunication Business Act was revised to allow wireless carriers to provide handset subsidies to customers without any restrictions. As a result, the Company provides lump-sum handset

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

subsidies to customers who agree to use the Company's service for the predetermined service period and the subsidies are charged to commission paid as the related payments are made. In case where the customers agree to use the Company's service for the predetermined service period and purchase handsets on installment basis, the subsidies are paid every month over the installment period and the Company provides provision for handset subsidies estimated to be paid based on the historical experience (See note 26).

***ac. Use of Estimates***

The Company's management makes reasonable estimates and assumptions in preparing the financial statements in conformity with accounting principles generally accepted in the Republic of Korea. These estimates and assumptions can change according to additional experiences, changes in circumstances, new information and other and could differ from actual results.

***ad. Reclassification***

Certain reclassifications have been made in prior periods financial statements to conform to classifications used in the current period. Such reclassifications did not have an effect on the previously reported net assets as of December 31, 2007 and 2006 or net income for the years then ended.

***ae. Adoption of New Statements of Korea Accounting Standards ( SKAS )***

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

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

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

Pursuant to adoption of SKAS No. 25, *Consolidated Financial Statements*, net income is allocated to majority interest and minority interest. In addition, when a subsidiary is purchased during the year, statement of income of the subsidiary is included in the consolidation as though it had been acquired at the beginning of the year, and pre-acquisition earnings are presented as deduction at the bottom of the consolidated statements of income. The accompanying consolidated statements of income for the years ended December 31, 2005 and 2006, which

are comparatively presented, were reclassified in accordance with SKAS No. 25. In addition, in connection with the Company's adoption of SKAS No. 25, the Company also began to present pre-acquisition cash flows of subsidiaries as a separate deduction (addition) at the bottom of the Company's consolidated statements of cash flows.

There is no significant change due to the adoption of SKAS No. 11, No. 22 and No. 23.

The amended SKAS No. 25, *Consolidated Financial Statements*, which is effective December 29, 2008, clarifies that when the parent's ownership interest in a subsidiary is increased after control is obtained, the

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

difference between the consideration for additional acquisition of interest and portion of net asset of subsidiary, which had been previously recognized as capital surplus, should be recognized as other capital adjustment if the difference is negative amount and there is no related capital surplus earned at previous transaction. As the amended SKAS No. 25,

Consolidated Financial Statements is applied retroactively during the year ended December 31, 2008, the 2006 and 2007 financial statements presented comparatively are restated, which results in the increase in capital surplus by ₩16,072 million and ₩31,146 million as of December 31, 2006 and 2007, respectively, and the decrease in other capital adjustment by ₩16,072 million and ₩31,146 million as of December 31, 2006 and 2007, respectively.

***af. Discontinued Operation***

When a subsidiary is disposed during the year, the results of its operations in the consolidated income statement are treated as discontinued operation and should be presented as a single item between income tax expenses for continuing operation and net income.

On August 22, 2008, the Company disposed its investment in Helio LLC which was incorporated to provide cellular telephone communication service in the US to Virgin Mobile USA in accordance with the agreement entered into on June 27, 2008. As a result, the operation of Helio LLC was presented as discontinued operation.

And, the details from discontinued operation for the years ended December 31, 2007 and 2008 are as following (In millions of Korean won):

	<b>2006</b>	<b>2007</b>	<b>2008</b>
Revenue	₩	₩ 154,805	₩ 116,607
Operating Expense		(446,348)	(230,478)
Other Income (expense)		(603)	(15,917)
Income tax benefit			109,579
Preacquisition net loss for subsidiary		242,045	
Net loss		₩ (50,101)	₩ (20,209)

Cash flows from discontinued operation for the years ended December 31, 2007 and 2008 are as following (In millions of Korean won)

	<b>2006</b>	<b>2007</b>	<b>2008</b>
Operating Activities	₩	₩ (38,749)	₩ (213,899)
Investing Activities		(1,832)	(51,631)
Financing Activities		27,804	9,015
Net	₩	₩ (12,777)	₩ (256,515)

Meanwhile, total assets and liabilities related to discontinued operation as of December 31, 2007 totaled ₩224,583 million and ₩160,968 million, respectively.

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****3. INVENTORIES**

Inventories as of December 31, 2006, 2007 and 2008 consist of the following (In millions of Korean won):

	<b>2006</b>	<b>2007</b>	<b>2008</b>
Merchandise	₩ 1,167	₩ 42,787	₩ 17,032
Finished goods	2,282	4,054	4,079
Semi-finished goods	41	706	509
Raw materials	313	165	13
Supplies	16,782	3,733	14,105
Total	20,585	51,445	35,738
Less allowance for valuation loss	(807)	(4,393)	(764)
Net	₩ 19,778	₩ 47,052	₩ 34,974

**4. INVESTMENT SECURITIES*****a. Short-term Investment Securities***

Short-term investment securities as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

	<b>Acquisition Cost at December 31, 2008</b>	<b>Fair Value at December 31, 2008</b>	<b>Carrying Amount</b>		
			<b>2006</b>	<b>2007</b>	<b>2008</b>
Trading securities(Note)	₩ 376,563	₩ 367,001	₩ 665,312	₩ 635,434	₩ 367,001
Current portion of long-term investment securities	7,545	5,912	335	101,209	5,912
Total	₩ 384,108	₩ 372,913	₩ 665,647	₩ 736,643	₩ 372,913

(Note) The Company's trading securities are all beneficiary certificates as of December 31, 2008, and the difference between the fair value and acquisition cost was recorded in other expenses as loss on valuation of short-term investment securities.

**b. Long-term Investment Securities**

Long-term investment securities as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

	<b>2006</b>	<b>2007</b>	<b>2008</b>
Available-for-sale equity securities	₩ 1,011,971	₩ 4,689,905	₩ 3,102,833
Available-for-sale debt securities	1,463,636	469,729	8,261
Held-to-maturity securities	146	94	113
Total	2,475,753	5,159,728	3,111,207
Less current portion	(335)	(101,209)	(5,912)
Long-term portion	₩ 2,475,418	₩ 5,058,519	₩ 3,105,295

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**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, 2006, 2007 and 2008 are as follows (In millions of Korean won, except for share data):

	Number of Shares	December 31, 2008		Fair Value	Carrying Amount		
		Ownership Percentage (%)	Acquisition Cost		2006	2007	2008
<b>(Investments in listed companies)</b>							
Digital Chosunilbo Co., Ltd.	2,890,630	7.8	₩ 5,781	₩ 5,636	₩ 5,897	₩ 8,629	₩ 5,636
SK Broadband Co., Ltd. (formerly hanarotelecom (incorporated))				(note a)	88,581	116,525	
KRTnet Corporation	234,150	4.4	1,171	1,098	2,517	2,470	1,098
POSCO	2,481,310	2.8	332,662	942,898	766,725	1,426,753	942,898
DAEA TI Co., Ltd. (formerly Comas Interactive Co., Ltd.)	99,120	0.2	1,695	89	83	228	89
Extended Computing Environment Co., Ltd.	133,333	3.0	10	40	876	905	40
nTels Co., Ltd.	205,200	6.2	34	504	34	1,525	504
Qualcomm Inc.	55,805	0.1	2,756	2,514		2,060	2,514
China Unicom Ltd. (note b)	899,745,075	3.8	1,333,009	1,357,648		1,936,840	1,357,648
LG Powercomm Co., Ltd. (note c)	6,066,666	4.6	241,243	39,433	80,370	89,422	39,433
ZeroOne Interactive Co., Ltd. (note d)					3,845	2,770	
T-Entertainment Co., Ltd.	1,026,695	6.2	2,500	1,355		1,817	1,355
HB Entertainment Co., Ltd.					1,137		
De Chocolate E&TF Co., Ltd.	709,219	2.7	1,000	660			660
C.C.S. Inc.	29,696	0.6	414	249			249
Medifron DBT Co., Ltd.	170,525	0.9	328	246			246

sub-total			1,922,603	2,352,370	950,065	3,589,944	2,352,370
<b>(Investments in non-listed companies)</b>							
SK C&C Co., Ltd. (note e)	6,000,000	30.0	501,652	676,716		1,037,604	676,716
Eonex Technologies Inc.	144,000	12.3	3,600	(note f)	4,593	4,593	
The Korea Economic Daily	2,585,069	13.8	13,964	(note g)	13,964	13,964	13,964
Dreamline Corp.	1,520,373	8.9	16,160	(note h)			8,519
Cheongsol	216,400	7.1	4,494	(note g)	5,000	5,000	4,494
Other			148,928	(note f, g)	34,333	20,611	24,329
sub-total			688,798		57,890	1,081,772	728,022
<b>(Investments in funds)</b>							
Others			22,441	(note f)	4,016	18,189	22,441
sub-total			22,441		4,016	18,189	22,441
Total			₩ 2,633,842		₩ 1,011,971	₩ 4,689,905	₩ 3,102,833

(note a) the first quarter of 2008, the Company acquired additional 91,406,249 shares of SK Broadband Co., Ltd. (formerly hanarotelecom incorporated) common stock which increased the Company's ownership from 4.6% to 43.4%. As the Company's ownership in such investees increased to more than 20% and the Company can exercise significant influence, the investment in common stock of SK Broadband Co., Ltd. was included in the consolidation of accompanying financial statement.

(note b) In accordance with the resolution of the Company's board of directors on August 20, 2007, convertible bonds of China Unicom Ltd. were converted into common stock and reclassified to available-for sale equity securities from available-for-sale debt securities. And, the related gain on conversion of convertible bonds of ₩373,140 million was recorded during the year ended December 31, 2007.

(note c) As the common stocks of LG Powercomm Co., Ltd. were listed on the stock Market of Korea Exchange during the year ended December 31, 2008, the Company recorded the investment at its market value as of December 31, 2008. In addition, as the difference between the market value and carrying value of the

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investments is material and the market value is significantly less than the acquisition cost over the long-term period, the Company recorded ₩201,243 million of impairment loss on investment securities during the year ended December 31, 2008.

- (note d) During the year ended December 31, 2008, SK-KTB Music Investment Fund, a subsidiary of the Company, sold 2,472,999 common shares of ZeroOne Interactive Co.,Ltd.
- (note e) The investment in common stock of SK C&C Co., Ltd. was reclassified to available-for-sale securities from equity securities accounted for using the equity method during the year ended December 31, 2007, as SK C&C Co., Ltd. became the ultimate parent company of the Company. The Company recorded its investments in common stock of SK C&C Co., Ltd. at its fair value, which was estimated with the assistance of an outside professional valuation company using the present value of expected future cash flows and the unrealized gain on valuation of investments totals ₩501,155 million (net of tax effect of ₩190,093 million) and ₩250,413 million (net of tax effect of ₩79,947 million) as of December 31, 2007 and 2008, respectively.
- (note f) Due to the impairment of the investment of Eonex Technologies Inc. and others, the Company recorded ₩17,486 million of impairment loss during the year ended December 31, 2008.
- (note g) As a reasonable estimate of fair value could not be made, the investment is stated at acquisition cost.
- (note h) The Company recorded its investment in common stock of Dreamline Corp. at its fair value (₩5,603 per share) estimated using market approach and income approach valuation method and related unrealized losses on valuation of the investment are included in accumulated other comprehensive loss.

**b-(2). Available-for-sale Debt Securities**

Available-for-sale debt securities as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

	Maturity	Acquisition Cost at December 31, 2008	2006	Carrying Amount 2007	2008
Public bonds	(note a)	₩ 1,260	₩ 51,313	₩ 51,353	₩ 1,260
Currency stabilization bonds	(note b)		49,894	49,713	
Closed beneficiary certificates	Oct. 20, 2009	3,501		4,788	3,551
Bond-type beneficiary certificates	(note c)	3,000	5,072	360,641	1,868
Convertible bonds of China Unicom Ltd.	Jul. 5, 2009 Oct. 11, 2008		1,276,703 1,000		1,000

Convertible bonds of Eonex Technologies, Inc.					
Convertible bonds of Empas Corp.	Oct. 18, 2009		78,670		
Others		2,134	984	2,234	1,582
Total		9,895	1,463,636	469,729	8,261
Less current portion of available-for-sale debt securities		(7,544)	(256)	(101,209)	(5,911)
Long-term available-for-sale debt securities		₩ 2,351	₩ 1,463,380	₩ 368,520	₩ 2,350

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Interest income incurred from available-for-sale debt securities for the years ended December 31, 2006, 2007 and 2008 were ₩7,991 million, ₩4,800 million and ₩5,226 million, respectively.

(note a) The maturities of public bonds as of December 31, 2008 are within 1 year for ₩159 million, within 5 years for ₩1,089 million and over 5 years for ₩12 million.

(note b) Currency stabilization bonds were fully redeemed at their maturities for the year ended December 31, 2008.

(note c) The maturities of bond-type beneficiary certificates as of December 31, 2008 are within 1 year.

**b-(3). Held-to-maturity Securities**

Held-to-maturity securities as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

		Acquisition Cost at December 31, 2008	Carrying Amount		
	Maturity		2006	2007	2008
Public bonds	(note a)	₩ 113	₩ 146	₩ 94	₩ 113
Less current portion of held-to-maturity securities			(79)		(1)
Long-term held-to-maturity securities			₩ 67	₩ 94	₩ 112

The Interest income incurred from held-to-maturity securities for the years ended December 31, 2006, 2007 and 2008 were ₩8 million, ₩25 million and ₩3 million, respectively.

(note a) The maturities of public bonds as of December 31, 2008 are within 1 year for ₩1 million, within 5 years for ₩51 million and within 10 years for ₩61 million.

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****b-(4). Changes in Unrealized Gains (Losses) on Valuation on Long-term Investment Securities***

The changes in unrealized gains (losses) on valuation on long-term investment securities for the years ended December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

	<b>For the Year Ended December 31, 2006</b>				
	<b>Beginning Balance</b>	<b>Increase/ (Decrease)</b>	<b>Transferred to Realized Gain (Loss)</b>	<b>Minority Interest in Equity of Consolidated Subsidiaries</b>	<b>Ending Balance</b>
Digital Chosunilbo Co., Ltd.	₩ 14	₩ 102	₩	₩	₩ 116
SK Broadband Co., Ltd. (formerly hanarotelecom incorporated)	(65,237)	32,141			(33,096)
KRTnet Corporation	1,475	(129)			1,346
POSCO	168,563	265,500			434,063
Comas Interactive Co., Ltd. (Formerly INNOTG Co., Ltd.)	(1,611)				(1,611)
Extended Computing Environment Co., Ltd.		866			866
ZeroOne Interactive Co., Ltd.		(655)		71	(584)
HB Entertainment Co., Ltd.	56	(1,272)		795	(421)
LG Powercomm Co., Ltd.	(163,113)	3,240			(159,873)
Eonex Technologies Inc.	2,011				2,011
Public bonds		(4)			(4)
Currency stabilization bonds	(217)	906	(677)		12
Convertible bonds of China Unicom Ltd.		319,648			319,648
Convertible bonds of Empas Corp.		33,820		(4,218)	29,602
Sub-total	(58,059)	654,163	(677)	(3,352)	592,075
Less tax effect (note a)	15,966	(179,894)	186	895	(162,847)
Total	₩ (42,093)	₩ 474,269	₩ (491)	₩ (2,457)	₩ 429,228



**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	<b>For the Year Ended December 31, 2007</b>				
	<b>Beginning</b>	<b>Increase/</b>	<b>Transferred</b>	<b>Minority</b>	<b>Ending</b>
	<b>Balance</b>	<b>(Decrease)</b>	<b>to Realized</b>	<b>Interest in</b>	<b>Balance</b>
			<b>Gain (Loss)</b>	<b>Equity</b>	
				<b>of</b>	
				<b>Consolidated</b>	
				<b>Subsidiaries</b>	
Digital Chosunilbo Co., Ltd.	₩ 116	₩ 2,731	₩	₩	₩ 2,847
SK Broadband Co., Ltd. (formerly hanarotelecom incorporated)	(33,096)	27,944			(5,152)
KRTnet Corporation	1,346	(46)			1,300
POSCO	434,063	660,028			1,094,091
DAEA TI Co., Ltd. (Formerly Comas Interactive Co., Ltd.)	(1,611)	145			(1,466)
Extended Computing Environment Co., Ltd.	866	29			895
nTels Co., Ltd.		1,490			1,490
Qualcomm Inc. Ltd.		(696)			(696)
China Unicom Ltd.		599,012			599,012
ZeroOne Interactive Co., Ltd.	(584)	(1,147)		189	(1,542)
T-Entertainment Co., Ltd.		(682)		74	(608)
HB Entertainment Co., Ltd.	(421)	421			
LG Powercomm Co., Ltd.	(159,873)	9,053			(150,820)
SK C&C Co., Ltd.		691,248			691,248
Eonex Technologies Inc.	2,011				2,011
Public bonds	(4)	(201)			(205)
Currency stabilization bonds	12	(247)			(235)
Convertible bonds of China Unicom Ltd.	319,648	208,095	(527,743)		
Convertible bonds of Empas Corp.	29,602		(29,602)	137	137
Beneficiary certificates		9,256		46	9,302
Sub-total	592,075	2,206,433	(557,345)	446	2,241,609
Less tax effect (note a)	(162,847)	(607,406)	153,270	(13)	(616,996)
Total	₩ 429,228	₩ 1,599,027	₩ (404,075)	₩ 433	₩ 1,624,613



**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	<b>For the Year Ended December 31, 2008</b>				
	<b>Beginning</b>	<b>Increase/</b>	<b>Transferred</b>	<b>Minority</b>	<b>Ending</b>
	<b>Balance</b>	<b>(Decrease)</b>	<b>to</b>	<b>Interest in</b>	<b>Balance</b>
			<b>Realized</b>	<b>Equity</b>	
			<b>Gain</b>	<b>of</b>	
			<b>(Loss)</b>	<b>Consolidated</b>	
				<b>Subsidiaries</b>	
Available-for-sales securities:					
Digital Chosunilbo Co., Ltd.	₩ 2,847	₩ (2,992)	₩	₩	₩ (145)
SK Broadband Co., Ltd. (formerly hanarotelecom incorporated)	(5,152)		5,152		
KRTnet Corporation	1,300	(1,373)			(73)
POSCO	1,094,091	(483,855)			610,236
DAEA TI Co., Ltd. (Formerly Comas Interactive Co., Ltd.)	(1,466)	(140)			(1,606)
Extended Computing Environment Co., Ltd.	895	(865)			30
nTels Co., Ltd.	1,490	(1,020)			470
Qualcomm Inc. Ltd.	(696)	454			(242)
China Unicom Ltd.	599,012	(998,891)			(399,879)
LG Powercomm Co., Ltd.	(150,820)	150,459		204	(157)
ZeroOne Interactive Co., Ltd.	(1,542)		1,730	(188)	
T-Entertainment Co., Ltd.	(608)	(462)		50	(1,020)
De Chocolate E&TF Co., Ltd.		(341)		214	(127)
C.C.S. Inc.		(44)		25	(19)
Medifron DBT Co., Ltd.		(83)		47	(36)
Dreamline Corp.		(9,162)		5,184	(3,978)
Saeronet Broadcasting Co., Ltd.		(81)		46	(35)
SK C&C Co., Ltd.	691,248	(360,888)			330,360
Eonex Technologies Inc.	2,011	(2,011)			
Public bonds	(205)	205			
Currency stabilization bonds	(235)	235			
Convertible bonds of Empas Corp.	137				137
Beneficiary certificates	9,302	(10,656)	133	985	(236)
Sub-total	2,241,609	(1,721,511)	7,015	6,567	533,680
Less tax effect (note a)	(616,996)	492,830	(1,453)	(219)	(125,838)
Total	₩ 1,624,613	₩ (1,228,681)	₩ 5,562	₩ 6,348	₩ 407,842

(note a) Represents adjustments to reflect the tax effect of temporary differences directly charged or credited to unrealized gains (losses) on valuation of long-term investment securities, which are other comprehensive income (loss) items, in accordance with SKAS No. 16 Income Taxes , which is effective January 1, 2005.

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****5. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD**

Equity securities accounted for using the equity method as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won, except for share data):

	December 31, 2008			Net Asset Value		Carrying Amount		2008
	Number of Shares	Ownership Percentage (%)	Acquisition Cost			2006	2007	
Marketing & Company								
l.	5,000,000	50.0	₩ 190,000	₩ 96,798	(note n)	₩	₩	₩ 9
ss Co., Ltd.	1,575,000	100.0	2,440	7,289	(note d)	1,477		
C Co., Ltd.					(note a)	268,278		
ventures Co., Ltd.					(note b)	8,611		
dia Corp.					(note c)	7,214		
Info Tech, Inc.	225,000	21.2	3,375	245		1,805	1,118	
obile		20.0	4,930	2,110	(note e)	4,666	3,273	
Co., Ltd.	1,951,777	29.3	2,159	13,858		5,823	7,743	1
na Company Ltd.	94,960	29.7	6,159	4,556			137	
LC & Helio, Inc.					(note f)	80,130		
ertainment	13,542,553	42.2	10,953	2,770	(note o)			
Mobile USA, Inc.		16.6	72,496	(57,084)	(note p)			6
ecom China Holding					(note u)		19,070	
A, Inc.	49	49.0	3,184	5,249		3,016	3,141	
T Fund	190	63.3	190,000	210,735	(note g)	193,061	210,568	21
an Global Cinema					(note h)	3,773		
on IT Investment					(note i)		2,463	
tion							2,028	
d of Isu Entertainment	25	31.3	2,500	1,882		2,419		
Tech Network	4,500	30.0	8,494	2,162	(note g)			
ecom Global								
ent B.V.	18,000	100.0	26,044	31,807	(note r)			3
roperty Mgmt. Ltd.	22,980	60.0	283,368	287,006	(note s)			28
Mobile Phone Center		50.0	161,256	67,139		84,689	66,001	6
City Development Co.,								
	380,000	19.0	1,967	1,908	(note t)			
erpass, Inc.	33,196	84.9	6,372	3,809	(note m)	1,780		
High Tech		65.5	20,952	11,121	(note u)			1
d Japan Co., Ltd.	1,250,000	100.0	10,584	1,169		4,362	4,091	
d Incorporated	9,500,000	100.0	9,071			3,592	2,672	

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oftware tech.Co.,Ltd.		89.3	7,128	7,127	(note v)				
Money Ventures,		50.0	8,821	5,283	(note w)				
ecom Holdings									
a, Inc.	100	100.0	12,990	12,990				4,050	1
Movie Expert Fund	810	46.6	8,100	8,045	(note x)				
Corp.					(note j)	36,474			
edia Co., Ltd.					(note k)	11,312			
Soft Co., Ltd.					(note k)	4,800			
Technology					(note k)	4,037			
Investment in affiliates			44,183			19,602		24,611	2
			₩ 1,097,526			₩ 750,921		₩ 350,966	₩ 89

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (note a) For the year ended December 31, 2007, the Company's shares of SK C&C Co., Ltd. were increased to 6,000,000 shares from 300,000 shares as a result of SK C&C Co., Ltd.'s 20 to 1 stock split. In addition, the investment in common stock of SK C&C Co., Ltd. was reclassified to available-for-sale equity securities, as SK C&C Co., Ltd. became the ultimate parent company of the Company by increasing its ownership interest in SK Holdings Co., Ltd., a split-off company from SK Corporation Co., Ltd. to 25.42% as of December 31, 2007.
- (note b) For the year ended December 31, 2007, the Company disposed all of its 1,600,000 shares of STIC Ventures Co., Ltd.
- (note c) TU Media Corp. was newly included in consolidation effective April 1, 2007 as the Company's ownership interest increased to 32.7% and is the largest stockholder of TU Media Corp.
- (note d) For the year ended December 31, 2007, the Company acquired additional 975,000 shares of AirCross Co., Ltd. from WiderThan Co., Ltd. and others, which increased the Company's ownership interest from 38.1% to 100.0%. Accordingly AirCross Co., Ltd. was newly included in consolidation in 2007. However, for the year ended December 31, 2008, AirCross Co., Ltd. Was excluded from the consolidation and accounted for using the equity method as it was fully liquidated during March 2009.
- (note e) On March 31, 2006, the Company acquired 42.5% interests of common stock of SK Mobile from Pantech Co., Ltd. and others.
- (note f) In the first quarter of 2005, the Company incorporated SK Telecom USA Holdings, Inc. with an initial investment of US\$83 million in order to invest and manage Helio, LLC, a joint venture company in the United States of America, which was established in order to provide wireless telecommunication service in the United States of America. Through December 31, 2007, the Company additionally invested in Helio, LLC and the Company's ownership interest increased to 64.9%. As a result, Helio, LLC became subsidiary and included in consolidation effective November 1, 2007.
- (note g) The investment in Korea IT Fund was reclassified to equity securities accounted for using the equity method for the year ended December 31, 2006 as the Company has ability to exercise significant influence on the investee. In accordance with the Agreement of Korea IT Fund, the Company has voting rights of 14.3%, while the Company invested 63.3% of total capital contribution and has profit sharing rights of 63.3%.
- (note h) As TU Media Corp. became a subsidiary of the Company during the year ended December 31, 2007, TU Media Corp.'s ownership interest in Michigan Global Cinema Fund added to the Company's ownership interest in Michigan Global Fund for the calculation of controlling ownership interest. As a result, Michigan Global Cinema Fund was newly included in consolidation effective April 1, 2007.
- (note i) Centurion IT Investment Association was deconsolidated as it was dissolved on February 2008; instead, it was accounted for using the equity method for the year ended December 31, 2007.
- (note j) Empas Corp. was merged into SK Communications Co., Ltd. during the year ended December 31, 2007.
- (note k) Through the year ended December 31, 2006, these investees were excluded from consolidation and accounted for using the equity method even though the Company's ownership interest is over majority because their total assets at the beginning of the fiscal year were less than ₩7 billion in accordance with Korean GAAP. However, as the investees' total assets as of December 31, 2006 increased to more than ₩7 billion, these investees were included in consolidation effective January 1, 2007.
- (note l) Even though the Company's ownership interest is over majority, these investees are excluded from the consolidation and accounted for using the equity method as their total assets at the beginning of the fiscal

year were less than ₩7 billion, in accordance with Korean GAAP.

(note m) Through the year ended December 31, 2006, SK Cyberpass, Inc. was excluded from consolidation and accounted for using the equity method even though the Company's ownership interest is over majority because its total assets at the beginning of the fiscal year were less than ₩7 billion in accordance with Korean GAAP. As its total assets as of December 31, 2006 increased to more than ₩7 billion, these investees were included in consolidation effective January 1, 2008. But, as its total assets as of December 31, 2007 declined to below ₩7 billion, it was accounted for using the equity method again in 2008.

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (note n) For the year ended December 31, 2008, the Company acquired 5,000,000 shares of SK Marketing & Company Co., Ltd. As a result, the Company holds 50.0% ownership in SK Marketing & Company Co. Ltd.
- (note o) For the year ended December 31, 2008, the Company acquired 13,542,553 shares of TR Entertainment. As a result, the Company holds 42.2% ownership in TR Entertainment.
- (note p) For the year ended December 31, 2008, the Company acquired 16.6% ownership in Virgin Mobile USA Inc. The company is expected to exercise significant influence to Virgin Mobile USA Inc. as the Company has the right to nominate the director for the Virgin Mobile USA Inc. even though its ownership percentage is below 20.0%
- (note q) For the year ended December 31, 2008, the Company acquired 4,500 shares of Magic Tech Network. As a result, the Company holds 30.0% ownership in Magic Tech Network.
- (note r) For the year ended December 31, 2008, the Company established in SKT Global Investment B.V. and holds 100% ownership for the investee. However, SKT Global Investment B.V. is accounted for using the equity method as its capital stock as of incorporation is less ₩7 billion.
- (note s) For the year ended December 31, 2008, the Company acquired 22,980 shares of SKY Property Mgmt Ltd. As a result, the Company holds 60.0% ownership for the investee. However, SKT Global Investment B.V. is included in the equity securities accounted for using the equity method as its capital as of incorporation is less ₩7 billion.
- (note t) For the year ended December 31, 2008, the Company acquired 380,000 shares of Wave City Development Co., Ltd. As a result, the Company holds 19.0% ownership for the investee. The Company is expected to exercise significant influence to Wave City Development Co., Ltd. as the Company have the right to nominate the director for the Wave City Development Co., Ltd. even though its ownership percentage is less than 20.0%.
- (note u) E-Eye High Tech whose total assets are less ₩7 billion as of December 31, 2007 is included in the equity securities accounted for using the equity method as SK Telecom China Holding Co., Ltd., a subsidiary of the Company and parent company of E-Eye High Tech, is included in the consolidation for the year ended December 31, 2008 as its total assets as of December 31, 2007 was over ₩7 billion.
- (note v) For the year ended December 31, 2008, the Company acquired 89.3% of equity interest in Prmaxsoftware tech.Co.,Ltd. which is accounted for using the equity method as their total assets at the beginning of the fiscal year were less than ₩7 billion.
- (note w) SKT America, Inc. (formerly SK Telecom International Inc.), a wholly-owned subsidiary of the Company, acquired 50.0% of equity interest in Mobile Money Ventures, LLC for the year ended December 31, 2008.
- (note x) For the year ended December 31, 2008, the Company acquired 810 shares of Benex Movie Expert Fund. As a result, the Company holds 46.6% ownership for the investee.

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Details of changes in investments in affiliates accounted for using the equity method for the years ended December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

		<b>For the Year Ended December 31, 2006</b>							
		<b>Beginning</b>			<b>Equity in</b>	<b>Other</b>	<b>Dividend</b>	<b>Other</b>	<b>Ending</b>
		<b>Balance</b>	<b>Acquisition</b>	<b>Equity in</b>	<b>Comprehensive</b>	<b>Received</b>	<b>Increase</b>	<b>Balance</b>	
				<b>(Losses)</b>	<b>Income</b>		<b>(Decrease)</b>		
		<b>₩</b>	<b>₩</b>	<b>₩</b>	<b>₩</b>	<b>₩</b>	<b>₩</b>	<b>₩</b>	
antech Co., Ltd.	(note a)	55,732		(55,902)	170				
K C&C Co., Ltd.	(note b)	168,244		37,825	63,199	(990)		268,278	
TIC Ventures Co., Ltd.		8,379		845	(613)			8,611	
U Media Corp.		32,343		(25,129)				7,214	
irCross Co., Ltd.		966		511				1,477	
viderThan Co., Ltd.	(note c)	11,503					(11,503)		
HQ, Inc.		14,755		(1,346)	84		(13,493)		
arex Info Tech, Inc.		2,530		(725)				1,805	
K Mobile			10,322	(5,520)	(136)			4,666	
kytel Co., Ltd.	(note b)	4,786		1,970	(605)	(328)		5,823	
K China Company Ltd.		485		(380)	(105)				
elio, LLC & Helio, Inc.	(note d)	102,272	76,933	(88,309)			(10,766)	80,130	
K USA, Inc.		3,279		7	(270)			3,016	
orea IT Fund	(note e)			2,339	722		190,000	193,061	
Michigan Global inema Fund		4,000		(227)				3,773	
rd Fund of Isu ntertainment		2,500		(81)				2,419	
KT-HP Ventures, LC	(note f)	5,290					(5,290)		
DMA Mobile Phone enter	(note g)	40,810	76,039	(21,474)			(10,686)	84,689	
mpas Corp.			37,092	(1,369)	751			36,474	
K i-media Co., Ltd.			12,000	(636)	(52)			11,312	
yworld Japan Co., Ltd.		726	6,118	(2,549)	67			4,362	
toos Group Inc.	(note h)	2,586		(259)			(2,327)		
yworld Incorporated		524	8,547	(5,358)	(121)			3,592	



ther investments in  
 affiliates

10,169	17,282	90	(640)		3,318	30,219
₩ 471,879	₩ 244,333	₩ (77,368)	₩ 62,451	₩ (1,318)	₩ 139,253	₩ 750,921

- (note a) Pantech Co., Ltd. suffered a significant loss due to deterioration of its liquidity during the fourth quarter of 2006, which resulted in the Company's investments in Pantech Co., Ltd. to be reduced to zero. Equity in losses of affiliates that exceeded the carrying amount was ₩43,543 million for the year ended December 31, 2006.
- (note b) The Company received dividends from SK C&C Co., Ltd. and Skytel Co., Ltd. and the corresponding amount was deducted from its equity method securities.
- (note c) The Company sold all of investments in equity securities of WiderThan Co., Ltd. for the year ended December 31, 2006 and recognized gains on disposal of investment in equity securities of ₩21,780 million.
- (note d) Other decrease in investments in equity securities of Helio, Inc. represents losses from disposal of investments in equity securities of Helio, Inc. amounting to ₩1,991 million resulting from the dilution of the Company's ownership as a result of the fact that investee sold its unissued shares to third parties directly, and translation loss of ₩8,776 million incurred from translating the foreign currency financial statements of Helio, Inc. into Korean won.

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (note e) Other increase in investments in Korea IT Fund is the carrying amount transferred from available-for-sale equity securities.
- (note f) Investment was fully liquidated due to dissolution of SKT-HP Ventures, LLC for the year ended December 31, 2006.
- (note g) For the year ended December 31, 2006, SLD received a cash distribution of ₩5,978 million from CDMA Mobile Phone Center, and such reimbursement decreased SLD's investment in CDMA Mobile Phone Center. The amount was equivalent to the depreciation from the contributed machinery provided to CDMA Mobile Phone Center as an in-kind contribution from SLD. In addition, translation loss of ₩4,708 million incurred from translating the foreign currency financial statements of SLD Telecom PTE Ltd. into Korean won and such translation loss was accounted for as a decrease in the investment in CDMA Mobile Phone Center.
- (note h) For the year ended December 31, 2006, Etoos Group Inc. was merged into SK Communications Co., Ltd., the Company's subsidiary.

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

		<b>For the Year Ended December 31, 2007</b>							
		<b>Beginning</b>	<b>Acquisition</b>	<b>Equity in</b>	<b>Equity in</b>	<b>Comprehensive</b>	<b>Dividend</b>	<b>Other</b>	<b>Ending</b>
		<b>Balance</b>		<b>Earnings</b>	<b>in</b>	<b>Income</b>	<b>Received</b>	<b>Increase</b>	<b>Balance</b>
				<b>(Losses)</b>	<b>Capital</b>			<b>(Decrease)</b>	
					<b>Surplus</b>				
					<b>and</b>				
					<b>Other</b>				
	(notes a and d)	₩ 268,278	₩	₩ 230,252	₩ 4,381	₩ (1,260)	₩	₩ 501,651	₩
K C&C Co., Ltd.									
TIC Ventures Co., Ltd.		8,611			(238)			(8,373)	
J Media Corp.	(note b)	7,214		(5,879)				(1,335)	
rCross Co., Ltd.	(note c)	1,477		(95)				(1,382)	
arex Info Tech, Inc.		1,805		(687)					1,118
K Mobile		4,666		(1,678)	285				3,273
cytel Co., Ltd.	(note d)	5,823		2,562	12	(654)			7,743
K China Company Ltd.				54	83				137
elio, Inc. & Helio, LLC	(note e)	80,130	18,527	(116,725)	(38)			18,106	
K USA, Inc.		3,016		96	29				3,140
orea IT Fund		193,061		14,383	3,124				210,568
ichigan Global Cinema Fund	(note f)	3,773						(3,773)	
d Fund of Isu									
ntertainment	(note g)	2,419		(891)				500	2,028
enturion IT Investment Association				35	777			1,651	2,463
DMA Mobile Phone Center	(note h)	84,689	12,094	(20,651)				(10,131)	66,001
mpas Corp.	(note i)	36,474		(6,397)	24			(30,101)	
K i-media Co., Ltd.	(note j)	11,312						(11,312)	
yworld Japan Co., Ltd.		4,362		(391)	120				4,091
yworld Incorporated	(note k)	3,592		(4,052)					2,670
K Telecom China Holding Co., Ltd.			19,070						19,070
reev Soft Co., Ltd.	(note j)	4,800						(4,800)	
onan Technology	(note l)	4,037		(109)	8			(3,936)	

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SK Cyberpass, Inc.	(note j)	1,780					(1,780)		
World Europe mbH	(note m)	512	3,696	(4,208)					
World China (Holdings) Ltd.	(note m)		8,467	(8,467)					
Other investment in Filiates	(note m)	19,090	14,775	(5,244)	176	(268)	132	28,660	
		₩ 750,921	₩ 76,629	₩ 71,908	₩ 8,744	₩ (2,182)	₩ (558,185)	₩ 350,960	

(note a) The investment in SK C&C Co., Ltd. was reclassified to available-for-sale security during the fourth quarter of 2007 as it became the ultimate parent company of the Company.

(note b) TU Media Corp. was included in the consolidation of accompanying consolidated financial statements effective April 1, 2007, as the Company acquired additional equity of TU Media Corp. in February 2007.

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (note c) AirCross Co., Ltd. was included in the consolidation of accompanying consolidated financial statements effective April 1, 2007, as the Company acquired additional equity of AirCross Co., Ltd. in March 2007.
- (note d) The Company received dividends from SK C&C Co., Ltd. and Skytel Co., Ltd.; the corresponding amount was deducted from its equity method securities.
- (note e) Helio, Inc. & Helio LLC was included in the consolidation of accompanying consolidated financial statements effective November 2007, as the Company acquired additional equity of Helio, LLC during the fourth quarter of 2007.
- (note f) As TU Media Corp. who had certain ownership interest of Michigan Global Cinema Fund became a subsidiary of the Company in February 2007, the Company became the largest stockholder owning more than 30% of total outstanding common stock of Michigan Global Cinema Fund and included Michigan Global Cinema Fund in the consolidation of accompanying consolidated financial statements effective April 1, 2007.
- (note g) Other increase in investments in equity securities of 3rd Fund of Isu Entertainment resulted from additional investment by TU Media Corp..
- (note h) For the year ended December 31, 2007, SKT Vietnam PTE Ltd. (formerly SLD Telecom PTE Ltd.) received a cash distribution of ₩10,728 million from CDMA Mobile Phone Center, and such reimbursement decreased SKT Vietnam PTE Ltd.'s investment in CDMA Mobile Phone Center. The amount was equivalent to the depreciation from the contributed machinery provided to CDMA Mobile Phone Center as an in-kind contribution from SKT Vietnam PTE Ltd. In addition, translation gain of ₩597 million incurred from translating the foreign currency financial statements of SKT Vietnam PTE Ltd. into Korean won and such translation gain was accounted for as an increase in the investment in CDMA Mobile Phone Center.
- (note i) Other decrease in investments in equity securities of Empas Corp. resulted from the merger between Empas Corp. and SK Communications Co., Ltd.
- (note j) SK i-media Co., Ltd., Ntreev Soft Co., Ltd. and SK Cyberpass, Inc. were newly included in the consolidation of the accompanying financial statements as their total assets at the beginning of 2007 increased to more than ₩7 billion, in accordance with Korean GAAP.
- (note k) Equity in losses of affiliates amounting to ₩3,133 million resulted from the additional recognition of equity losses for short-term loans provided for by SK Communications Co., Ltd.
- (note l) Konan Technology which was a subsidiary of Empas Corp. was included in the consolidation of accompanying consolidated financial statements as SK Communications Co., Ltd. merged with Empas Corp. for the year ended December 31, 2007.
- (note m) As carrying amounts of equity securities accounted for using the equity method of Cyworld Europe GmbH, Cyworld China (Holdings) Ltd. and Cyworld Vietnam became nil, the equity method accounting was discontinued. Unrecognized losses because of the discontinuance of the equity method were ₩3,164 million as of December 31, 2007.

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

		<b>For the Year Ended December 31, 2008</b>						
		<b>Beginning</b>		<b>Equity in</b>	<b>Equity in</b>	<b>Dividend</b>	<b>Other</b>	<b>Ending</b>
		<b>Balance</b>	<b>Acquisition</b>	<b>Earnings</b>	<b>Comprehensive</b>	<b>Received</b>	<b>Increase</b>	<b>Balance</b>
				<b>(Losses)</b>	<b>Income</b>		<b>(Decrease)</b>	
Marketing & Company Co., Ltd.		₩	₩ 190,000	₩ 7,410	₩ (100,612)	₩	₩	₩ 96,79
Cross Co., Ltd.	(Note a)			2,261			5,028	7,28
rex Info Tech, Inc.		1,118		(522)				59
Mobile	(Note c)	3,273	2,004				(3,166)	2,11
ytel Co., Ltd.		7,743		5,189	2,140	(1,214)		13,85
China Company								
d.		137	2,963	164	313			3,57
Entertainment			10,953	(2,108)	781			9,62
gin Mobile USA								
.			29,693	(8,896)	(1,504)		42,803	62,09
Telecom China								
lding Co., Ltd.	(Note d)	19,070					(19,070)	
USA, Inc.		3,141		911	1,197			5,24
rea IT Fund		210,568		4,771	(4,604)			210,73
nturion IT								
vestment								
sociation	(Note e)	2,463					(2,463)	
l Fund of Isu								
ertainment		2,028		(146)				1,88
gic Tech Network			8,494	(1,233)	464			7,72
Telecom Global								
vestment B.V.			26,044	125	5,638			31,80
Y Property Mgmt.								
d.			283,368	(1,998)	5,636			287,00
DMA Mobile Phone								
nter	(Note f)	66,001	13,629	(25,766)			13,275	67,13
ave City								
velopment Co.,								
d.			1,967	(59)				1,90
Cyberpass, Inc.	(Note b)		3,444	(1,584)	980		1,228	4,06
enzhen E-Eye High								
ch				(1,151)			20,952	19,80
world Japan Co.,								
d.		4,091		(539)	138			3,69

World Incorporated	2,672							2,672
Maxsoftware								
h.Co., Ltd.		7,127						7,127
Mobile Money								
Ventures, LLC	(Note g)	8,821	(4,189)			651		5,283
SK Telecom Holdings								
America, Inc.		4,050	8,940					12,990
Next Movie Expert								
and			8,100	(55)				8,045
Other investment in								
subsidiaries		24,611	7,010	(1,959)	1,112		(5,340)	25,435
		₩ 350,966	₩ 612,557	₩ (29,374)	₩ (88,321)	₩ (1,214)	₩ 53,898	₩ 898,511

- (note a) Aircross Co., Ltd. was included in the equity securities accounted for using equity method as it was fully liquidated in March 2009.
- (note b) SK Cyberpass, Inc was included in the equity securities accounted for using equity method as its total assets at the beginning of 2008 decreased to less than ₩7 billion.
- (note c) Other decrease in investments in equity securities of SK Mobile represent disposal of part of the equity shares.
- (note d) Other decreases in investments in equity securities of SK Telecom China Holding Co., Ltd. resulted from the fact that SK Telecom China Holding Co., Ltd. is included in consolidation for the year ended December 31, 2008.
- (note e) Other decrease in investments in Centurion IT Investment Association represents the collection of the Company's investment from the full liquidation of Centurion IT Investment Association.

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (note f) Translation gain of ₩13,275 million incurred from translating the foreign currency financial statements of SKT Vietnam PTE Ltd. into Korean won and such translation gain was accounted for as an increase in the investment in CDMA Mobile Phone Center.
- (note g) The amount represent translation gain of ₩651 million incurred from translating the foreign currency financial statements of SKT Americas, Inc. (formerly SK Telecom International inc.) into Korean won and such translation gain was accounted for as an increase in the investment in Mobile Money Ventures, LLC.

Details of changes in the differences between the acquisition cost and net asset value of equity method investees at the acquisition date for the years ended December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

**For the Year Ended December 31, 2006**

	<b>Beginning Balance</b>	<b>In(De)crease</b>	<b>Amortization</b>	<b>Ending Balance</b>
Pantech Co., Ltd.	₩ 793	₩	₩ (793)	₩
SK C&C Co., Ltd.	4,870		(406)	4,464
TU Media Corp.	993		(209)	784
IHQ, Inc.	6,267	(5,533)	(734)	
Harex Info Tech, Inc.	1,402		(351)	1,051
SK Mobile		3,192	(3,192)	
Helio, Inc.		38		38
Empas Corp.		24,159	(1,208)	22,951
Etoos Group Inc.	1,581	(1,553)	(28)	
Other investments in affiliates		12,531	(1,086)	11,445
Total	₩ 15,906	₩ 32,834	₩ (8,007)	₩ 40,733

**For the Year Ended December 31, 2007**

	<b>Beginning Balance</b>	<b>In(De)crease</b>	<b>Amortization</b>	<b>Ending Balance</b>
SK C&C Co., Ltd.	₩ 4,464	₩ (4,160)	₩ (304)	₩
TU Media Corp.	784	(732)	(52)	
IHQ, Inc.				
Harex Info Tech, Inc.	1,051		(350)	701
SK Mobile				
Helio, Inc.	38		(38)	
Empas Corp.	22,951	(18,924)	(4,027)	
Etoos Group Inc.				
Ntreev Soft Co., Ltd.	1,785	(1,785)		



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Konan Technology	3,859	(3,859)		
Other investments in affiliates	5,801	2,899	(1,770)	6,930
Total	₩ 40,733	₩ (26,561)	₩ (6,541)	₩ 7,631

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Year Ended December 31, 2008**

	<b>Beginning Balance</b>	<b>In(De)crease</b>	<b>Amortization</b>	<b>Ending Balance</b>
Harex Info Tech, Inc.	₩ 701	₩	₩ (351)	₩ 350
TR Entertainment		8,066	(1,210)	6,856
Virgin Mobile USA Inc.		126,363	(7,183)	119,180
Skytel Co., Ltd.		(1,387)	1,387	
SK China Company Ltd.		107		107
Magic Tech Network		6,181	(618)	5,563
SK Cyberpass Inc.		304	(46)	258
Shenzhen E-Eye High Tech		10,851	(2,171)	8,680
Other investments in affiliates	6,930	(1,893)	(1,601)	3,436
<b>Total</b>	<b>₩ 7,631</b>	<b>₩ 148,592</b>	<b>₩ (11,793)</b>	<b>₩ 144,430</b>

Details of changes in unrealized intercompany gains incurred from sales of assets for the years ended December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

**For the Year Ended December 31, 2006**

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>
Pantech Co., Ltd.	₩	₩ 271	₩ (271)	₩
SK China Company Ltd.	1,086			1,086
Cyworld Japan Co., Ltd.	2,526	681	(570)	2,637
Cyworld Incorporated		1,888	(94)	1,794
Other investments in affiliates		892	(104)	788
<b>Total</b>	<b>₩ 3,612</b>	<b>₩ 3,732</b>	<b>₩ (1,039)</b>	<b>₩ 6,305</b>

**For the Year Ended December 31, 2007**

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>
SK China Company Ltd.	₩ 1,086	₩	₩	₩ 1,086
Cyworld Japan Co., Ltd.	2,637		(2,227)	410
Cyworld Incorporated	1,794		(378)	1,416
Other investments in affiliates	788	2,552	(385)	2,955

Total	₩ 6,305	₩ 2,552	₩ (2,990)	₩ 5,867
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**For the Year Ended December 31, 2008**

	<b>Beginning Balance</b>	<b>Increase</b>	<b>Decrease</b>	<b>Ending Balance</b>
SK China Company Ltd.	₩ 1,086	₩	₩	₩ 1,086
Cyworld Japan Co., Ltd.	410		(410)	
Cyworld Incorporated	1,416			1,416
Other investments in affiliates	2,955	57	(192)	2,820
Total	₩ 5,867	₩ 57	₩ (602)	₩ 5,322

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The condensed financial information of the investees as of and for the year ended December 31, 2008 are as follows (In millions of Korean won):

	<b>Total</b>	<b>Total</b>	<b>Revenue</b>	<b>Net</b>
	<b>Assets</b>	<b>Liabilities</b>		<b>Income</b>
				<b>(Loss)</b>
SK Marketing & Company Co., Ltd.	₩ 593,884	₩ 400,287	₩ 133,271	₩ 14,823
AirCross Co., Ltd.	7,402	114	24,352	2,261
Harex Info Tech, Inc.	2,241	1,082	2,798	(812)
Skytel Co., Ltd.	50,653	3,448	39,815	14,409
SK China Company Ltd.	16,449	1,101	11,632	(1,222)
TR Entertainment	7,521	956	6,383	(2,129)
SK USA, Inc.	12,028	1,316	9,710	1,860
Korea IT Fund	332,724		19,742	7,534
3rd Fund of Isu Entertainment	6,012		305	(390)
Magic Tech Network	10,194	2,986	556	(2,049)
SK Telecom Global Investment B.V.	31,845	39	286	125
SKY Property Mgmt. Ltd.	656,923	178,581	9,448	(3,330)
CDMA Mobile Phone Center	451,998	317,719	73,803	(51,532)
Wave City Development Co., Ltd.	27,413	17,371	523	(311)
SK Cyberpass, Inc.	8,850	4,361	22,031	(2,454)
Shenzhen E-Eye High Tech	17,557	579	5,965	1,462
Cyworld Japan Co., Ltd.	1,931	221	194	(868)
Cyworld Incorporated	2,737	13,673	57	(5,821)
Money Mobile USA, Inc.	12,404	1,838		(8,378)
Virgin Mobile USA Inc.	480,661	825,373	479,739	(10,345)
Benex Movie Expert Fund	17,428	146	82	(119)

**6. LOANS TO EMPLOYEES**

Short-term and long-term loans to employees as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

	<b>2006</b>	<b>2007</b>	<b>2008</b>
Loans to employees stock ownership association	₩ 7,526	₩ 34,817	₩ 74,878
Loans to employees for housing and other	4,580	15,231	15,488
	₩ 12,106	₩ 50,048	₩ 90,366

On December 26, 2007 and January 23, 2008, we loaned ₩ 31.0 billion and ₩ 29.7 billion, respectively, to our employee stock ownership association to help fund the employee stock ownership association's acquisition of our treasury shares. Such loans will be repaid over a period of five years, beginning on the second anniversary of each loan date.

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. PROPERTY AND EQUIPMENT**

Property and equipment as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

	Useful Lives (Years)	2006	2007	2008
Land		₩ 473,109	₩ 454,916	₩ 756,348
Buildings and structures	15-50	1,502,755	1,510,199	1,925,563
Machinery	3-9	11,380,257	12,909,629	18,572,546
Other	3-5	1,004,196	1,028,442	1,135,325
Construction in progress		132,831	308,955	356,150
Total		14,493,148	16,212,141	22,745,932
Less accumulated depreciation		(9,985,813)	(11,242,431)	(15,305,773)
Accumulated impairment				(2,197)
Government subsidy			(356)	(273)
Property and equipment, net		₩ 4,507,335	₩ 4,969,354	₩ 7,437,689

The government's declared standard value of land owned as of December 31, 2006, 2007 and 2008 are ₩519,234 million, ₩561,326 million and ₩895,866 million, respectively.

Details of changes in property and equipment for the years ended December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

	For the Year Ended December 31, 2006					Ending Balance
	Beginning Balance	Acquisition	Disposal	Transfer	Depreciation	
Land	₩ 466,562	₩ 115	₩ (645)	₩ 7,077	₩	₩ 473,109
Buildings and structures	1,151,094	4,664	(849)	14,262	(55,947)	1,113,224
Machinery	2,479,623	65,819	(8,571)	1,014,646	(1,152,632)	2,398,885
Other	301,781	839,284	(17,308)	(636,866)	(97,605)	389,286
Construction in progress	264,309	588,260		(719,738)		132,831
	₩ 4,663,369	₩ 1,498,142	₩ (27,373)	₩ (320,619)	₩ (1,306,184)	₩ 4,507,335

## For the Year Ended December 31, 2007

	<b>Beginning Balance</b>	<b>Other Increase (Decrease)</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Transfer</b>	<b>Depreciation</b>	<b>Ending Balance</b>
Land	₩ 473,109	₩	₩ 471	₩ (20,362)	₩ 1,698	₩	₩ 454,916
Buildings and structures	1,113,224	5	4,998	(3,488)	7,779	(56,438)	1,066,080
Machinery	2,398,885	282,925	106,524	(8,420)	1,333,354	(1,312,840)	2,800,428
Other	389,286	19,008	1,034,181	(14,273)	(964,200)	(125,027)	338,975
Construction in progress	132,831	5,941	669,793	(893)	(498,717)		308,955
<b>Total</b>	<b>₩ 4,507,335</b>	<b>₩ 307,879</b>	<b>₩ 1,815,967</b>	<b>₩ (47,436)</b>	<b>₩ (120,086)</b>	<b>₩ (1,494,305)</b>	<b>₩ 4,969,354</b>

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Year Ended December 31, 2008**

	<b>Beginning Balance</b>	<b>Other Increase (Decrease)</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Transfer</b>	<b>Depreciation</b>	<b>Ending Balance</b>
Land	₩ 454,916	₩ 294,629	₩ 141	₩ (3,394)	₩ 10,056	₩	₩ 756,348
Buildings and structures	1,066,080	319,266	10,984	(2,900)	28,692	(67,310)	1,354,812
Machinery	2,800,428	1,675,918	358,052	(55,090)	1,600,116	(1,804,916)	4,574,508
Other	338,975	(950)	1,138,814	(29,633)	(928,313)	(123,022)	395,871
Construction in progress	308,955	61,155	728,939	(13,461)	(729,438)		356,150
<b>Total</b>	<b>₩ 4,969,354</b>	<b>₩ 2,350,018</b>	<b>₩ 2,236,930</b>	<b>₩ (104,478)</b>	<b>₩ (18,887)</b>	<b>₩ (1,995,248)</b>	<b>₩ 7,437,689</b>

Other increase (decrease) resulted from merger and the changes in consolidated subsidiaries.

**8. INTANGIBLE ASSETS**

Intangible assets as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

	<b>December 31, 2008</b>			<b>Carrying Amounts</b>		
	<b>Acquisition Cost</b>	<b>Accumulated Amortization</b>	<b>Accumulated Impairment</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Goodwill	₩ 2,998,512	₩ (1,093,395)	₩ (5,378)	₩ 1,775,695	₩ 1,684,357	₩ 1,899,739
Frequency use rights	1,385,120	(541,349)		1,076,833	960,302	843,771
Software development costs	270,638	(232,872)	(3,193)	45,653	19,837	34,573
Customer relationships	504,156	(68,621)			25,139	435,535
Other	1,628,458	(861,947)	(1,984)	620,230	744,327	764,527
	<b>₩ 6,786,884</b>	<b>₩ (2,798,184)</b>	<b>₩ (10,555)</b>	<b>₩ 3,518,411</b>	<b>₩ 3,433,962</b>	<b>₩ 3,978,145</b>

Details of changes in intangible assets for the years ended December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won):

**For the Year Ended December 31, 2006**



	<b>Beginning Balance</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Transfer</b>	<b>Amortization</b>	<b>Impairment</b>	<b>Ending Balance</b>
Goodwill	₩ 1,868,932	₩ 1,672	₩	₩ 44,947	₩ (139,806)	₩ (50)	₩ 1,775,695
Frequency use rights	1,184,292	687			(108,146)		1,076,833
Software development costs	65,991	1,946		9,340	(31,624)		45,653
Other	333,674	69,659	(1,250)	330,866	(112,604)	(115)	620,230
	₩ 3,452,889	₩ 73,964	₩ (1,250)	₩ 385,153	₩ (392,180)	₩ (165)	₩ 3,518,411

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**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****For the Year Ended December 31, 2007**

	<b>Beginning Balance</b>	<b>Other Increase (Decrease)</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Transfer</b>	<b>Amortization</b>	<b>Impairment</b>	<b>Ending Balance</b>
Goodwill	₩ 1,775,695	₩ 59,460	₩ 958	₩ (124)	₩ 6,092	₩ (157,724)	₩ ( )	₩ 1,684,357
Frequency use rights	1,076,833					(116,531)		960,302
Software development	45,653	1,881	3,294	(5,673)	1,679	(26,930)	(67)	19,837
Customer relationships	620,230	33,152			629	(8,642)		43,139
		85,983	110,850	(5,750)	129,729	(196,569)	(146)	764,327
	₩ 3,518,411	₩ 180,476	₩ 115,102	₩ (11,547)	₩ 138,129	₩ (506,396)	₩ (213)	₩ 3,433,962

**For the Year Ended December 31, 2008**

	<b>Beginning Balance</b>	<b>Other Increase (Decrease)</b>	<b>Acquisition</b>	<b>Disposal</b>	<b>Transfer</b>	<b>Amortization</b>	<b>Impairment</b>	<b>Ending Balance</b>
Goodwill	₩ 1,684,357	₩ 481,106	₩ 1,305	₩ (55)	₩ 1,197	₩ (267,078)	₩ (1,093)	₩ 1,894,732
Frequency use rights	960,302					(116,531)		843,771
Software development	19,837	4,950	16,356	(1)	10,769	(14,713)	(2,625)	33,573
Customer relationships	25,139	479,017				(68,621)		431,535
	744,327	16,255	131,680	(10,809)	180,673	(297,085)	(514)	764,327
	₩ 3,433,962	₩ 981,328	₩ 149,341	₩ (10,865)	₩ 192,639	₩ (764,028)	₩ (4,232)	₩ 3,978,175

Other increase (decrease) resulted from merger and change in consolidated subsidiary.

The book value and residual useful lives of major intangible assets as of December 31, 2008 are as follows (In millions of Korean won):

	<b>Amount</b>	<b>Description</b>	<b>Residual Useful Lives</b>
Goodwill	₩ 1,434,898	Goodwill related to merger of Shinsegi Telecomm, Inc.	11 years and 3 months
	29,956	Goodwill related to merger of Empas Corp.	3 years and 10 months

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	378,084	Goodwill related to acquire of SK Broadband Co., Ltd.	19 years and 3 months
IMT license	772,762	Frequency use rights relating to W-CDMA service	(note a)
WiBro license	65,699	WiBro service	(note b)
DMB license	5,310	DMB service	7 years and 6 months
Customer relationships	435,535	Customer relationships related to acquisition of SK Broadband Co., Ltd.	4 years and 9 months

(note a) With its application for a license to provide IMT services, the Company has a commitment to pay ₩1,300,000 million to the Ministry of Information Communication ( MIC ). SK IMT Co., Ltd., which was merged into SK Telecom on May 1, 2003, paid ₩650,000 million in March 2001 and SK Telecom 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% (4.54% as of December 31, 2008). The future payment obligations are ₩130,000 million in 2009, ₩150,000 million in 2010 and ₩170,000 million in 2011. On December 4, 2001, SK IMT Co., Ltd. received the IMT license from MIC, and recorded the total license cost (measured

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

at present value) as an intangible asset. 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. The Company determined the IMT license has a finite life, considering that renewal cost is expected to be substantial. As of December 31, 2008, the present value discount related to the current portion and long-term portion of payments to be made to MIC amounts to ₩805 million and ₩15,416 million, respectively.

(note b) The Company purchased the WiBro license from MIC on March 30, 2005. The license period is seven years from the purchase date. Amortization of the WiBro license commenced when the Company started its commercial WiBro services on June 30, 2006 using the straight line method over the remaining useful life.

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Bonds as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won and thousands of U.S. dollars and thousands of Japanese yen):

	<b>Maturity Year</b>	<b>Annual Interest Rate (%)</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Domestic general bonds	2007	5.0-6.0	₩ 700,000	₩	₩
	2008	5.0	300,000	300,000	
	2009	5.0	300,000	300,000	300,000
	2010	4.0 ~ 6.77	200,000	200,000	250,000
	2011	3.0	200,000	200,000	200,000
		3 month Euro Yen			
(note a)	2012	Libor+0.55		104,166	174,236
	2013	4.0 ~ 6.92	200,000	200,000	450,000
	2014	5.0		200,000	200,000
	2015	5.0			200,000
	2016	5.0	200,000	200,000	200,000
	2018	5.0			200,000
Unsecured private bonds (note b)	2008	6.07-6.14		30,000	
	2009	6.51-7.48		34,584	23,205
	2009	6.45		30,000	30,000
(note b)	2010	6.50-7.07		36,250	28,182
Unsecured public bonds	2008	5.50		50,000	
	2010	6.30-6.81		110,000	110,000
	2011	9.08			25,000
Debentures (notes c and e) (notes c and f)	2009	6.08			96,172
(notes c and f)	2010	8.75 ~ 9.25			80,000
(notes c and f)	2011	6.65 ~ 9.20			315,718
Dollar denominated bonds (US\$300,000)	2011	4.25	278,880	281,460	377,250
Dollar denominated bonds (US\$500,000) (notes c and g)	2012	7.0			656,251
Dollar denominated bonds (US\$400,000)	2027	6.63		375,280	503,000
Floating rate notes		3-month LIBOR rate			
(US\$150,000) (note a)	2010	+3.05			188,625
Private bonds (¥125,000)	2007	4.65	684		
	2009		356,356	268,415	268,415

Convertible bonds (SK Telecom) (note d)				
Convertible bonds (IHQ, Inc.)	2008		18,356	
Convertible bonds (YTN Media, Inc.)	2007	1.0	1,000	
Bond with stock purchase warrant (SK Communications Co., Ltd.)	2007	4.65	684	
Sub total			2,755,960	2,920,155
Less discounts on bonds			(39,422)	(46,557)
Less conversion right adjustments			(46,079)	(19,665)
Less warrant right adjustments			(23)	(5,733)
Add long-term accrued interest			23,854	17,256
Net			2,694,290	2,871,189
Less portion due within one year			(698,967)	(522,528)
Long-term portion			₩ 1,995,323	₩ 2,348,661
				₩ 4,074,392

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**SK TELECOM CO., LTD. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

- (note a) The 3-months Euro Yen LIBOR rate and the 3-month Libor rate as of December 31, 2008 are 0.83% and 1.425%, respectively.
- (note b) These bonds are scheduled to repay in 3 years with a two-year grace period.
- (note c) These bonds are debentures of SK Broadband Co., Ltd. which was newly included in consolidation of accompanying consolidated financial statements for the year ended December 31, 2008.
- (note d) The principal amount of these convertible bonds denominated in U.S. dollar as of December 31, 2006, 2007 and 2008 are US\$304,240,000, US\$229,160,000 and US\$229,160,000, respectively.
- (note e) SK Broadband Co., Ltd. is required to keep the debt ratio lower than 400% and prohibited from disposing or leasing of its property and equipment more than ₩1,000 billion in each fiscal year in accordance with the covenant provision of related borrowings.
- (note f) SK Broadband Co., Ltd. is required to keep the debt ratio lower than 1,000% and prohibited from disposing or leasing of its property and equipment more than 20 times of its stockholders equity in each fiscal year in accordance with covenant provision of related borrowings.
- (note g) SK Broadband Co., Ltd. is required to propose tender offer to purchase its outstanding bonds at 101% of principal if investors other than foreign majority shareholders acquire more than 45% equity interest in SK Broadband Co., Ltd., and its credit rating is down-graded by designated credit rating agency (S&P, Moody s) due to such change in management right.

All of the above bonds will be paid in full at maturities except for bonds of mentioned at the above note b.

**Convertible Bonds Issued by SK Telecom**

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 ₩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 ₩203,516 per share in accordance with anti-dilution protection. The Company may redeem the 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, 2008 is 1,324,744 shares. Effective July 1, 2008, the conversion price was changed from ₩204,636 to ₩203,516 and the number of shares to be converted was changed from 1,317,494 shares to 1,324,744 shares due to the payment of interim dividends in accordance with the resolution of the Company s board of directors of July 18, 2008.

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 as 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.

During the year ended December 31, 2006, the convertible bonds with a principal amount of US\$25,210,000 were converted into 136,613 shares of treasury stock (see Note 16), and the principal amount of the convertible



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bonds decreased from US\$329,450,000 to US\$304,240,000. In addition, the consideration for conversion right (capital surplus) decreased by ₩3,733 million (net of tax effect of ₩1,416 million).

During the year ended December 31, 2007, the conversion rights for the convertible bond with a principal amount of US\$75,080,000 were exercised. The Company paid ₩42,962 million in cash to bond holders with a principal amount of US\$36,260,000 without delivering the Company's common stocks due to the 49% ownership limitation as explained above and the convertible bonds with principal amount of US\$38,820,000 were converted into 216,347 shares of treasury stock (see Note 16). Therefore, the principal amount of the convertible bonds decreased from US\$304,240,000 to US\$229,160,000. In addition, the consideration for conversion right (capital surplus) decreased by ₩11,116 million (net of tax effect of ₩4,216 million). In 2008, no conversion right was exercised.

**Convertible Bonds and Bonds with Stock Purchase Warrants Issued by Subsidiaries**

In 2005, IHQ, Inc. ( IHQ ) and YTN Media, Inc. ( YTN ) which were consolidated effective July 1, 2006, issued convertible bonds with the principal amount of US\$18,000,000 and ₩1,000 million, respectively. As of December 31, 2006, IHQ's convertible bonds are convertible into IHQ's common stock at ₩7,359 (convertible rate of exchange: 1,034.70 = US\$1) per share during the period from May 15, 2006 to November 15, 2008. Unless converted, these bonds are redeemable for cash at 104.57% of the principal amount at maturity. During the year ended December 31, 2007, all convertible bonds were converted into common stocks, therefore no convertible bonds are remained as of December 31, 2008.

As SK Communications Co., Ltd. merged with Etoos Group on May 1, 2006, bonds with stock purchase warrants with the principal amount of ¥125,000,000 were transferred to the Company. During the year ended December 31, 2007, these bonds were all redeemed at maturity, accordingly no bonds with stock purchase warrants are remained as of December 31, 2008.

Table of Contents**SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****10. LONG-TERM BORROWINGS**

Long-term borrowings as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won, thousands of U.S. dollars and thousands of Japanese yen):

Lender	Final Maturity Year	Annual Interest Rate (%) (Note a)	2006			2007			2008		
Shinhan Bank (note b)	2011	91 days CD yield + 0.25	₩	200,000	₩	200,000	₩	200,000			
Korea Development Bank	2011	91 days CD yield + 1.02					₩	100,000			
Citibank	2011	91 days CD yield + 1.20					₩	100,000			
Nonghyup	2011	91 days CD yield + 1.30					₩	100,000			
Hana Bank	2011	91 days CD yield + 1.50					₩	150,000			
Nonghyup	2011	91 days CD yield + 1.50					₩	50,000			
Shinhan Bank	2011	4.36			₩	762	₩	635			
Korea Development Bank	2011	5.79					₩	16,253			
Kookmin Bank	2012	5.91					₩	11,860			
Korea Development Bank	2013	5.91					₩	10,577			
Small Business Corporation	2009	5.25			₩	156	₩	31			
Calyon Bank	2013	6M Libor + 0.29	US\$	50,000	US\$	50,000	US\$	50,000			
DBS Bank			US\$	25,000	US\$	25,000	US\$	25,000			
SMBC			US\$	25,000	US\$	25,000	US\$	25,000			
Earthlink, Inc.	2010	10			US\$	30,000					
Industrial Bank of Korea	2008	3.50 ~ 3.90	¥	8,880							
	2009	3.11	¥	9,100							
	2010	2.50 ~ 4.00			₩	641	₩	384			
Resona Bank	2010	1.85			¥	98,573					
Total			₩	200,000	₩	201,559	₩	739,740			
			US\$	100,000	US\$	130,000	US\$	100,000			
			¥	17,980	¥	98,573					
Equivalent in Korean won			₩	293,101	₩	324,346	₩	865,490			
Less portion due within one year				(75)		(925)		(9,019)			
Long-term portion			₩	293,026	₩	323,421	₩	856,471			

- (note a) At December 31, 2008, the 91-day CD yield and the 6M LIBOR rate are 3.93% and 1.75%, respectively.
- (note b) This long-term borrowings is classified as long-term borrowing as the borrowing is to be rolled-over exceeding 1 year from December 31, 2008 in accordance with the loan agreement.

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The repayment schedule of long-term borrowings at December 31, 2008 is as follows (In millions of Korean won and thousands of denominated in Yen):

Year Ending December 31,	Long-Term Borrowing in Korean Won	Long-Term Borrowing in Foreign Currencies		Total
		Foreign Currencies	Korean Won Equivalent	
2009	₩ 9,019			₩ 9,019
2010	12,599			12,599
2011	710,856			710,856
2012	5,503			5,503
2013 and thereafter	1,763	US\$ 100,000	₩ 125,750	127,513
Total	₩ 739,740	US\$ 100,000	₩ 125,750	₩ 865,490

**11. SUBSCRIPTION DEPOSITS**

The Company receives facility guarantee deposits from subscribers 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.

Long-term subscription guarantee deposits by service type held as of December 31, 2006, 2007 and 2008 are as follows (In millions of Korean won, except deposit per subscriber amounts):

Service Type	Deposit per Subscriber	2006	2007	2008
Cellular	₩ 200,000	₩ 21,140	₩ 6,425	₩ 4,796

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.

Subscription deposits payable in current liabilities section represents payable to subscribers who cancelled services.

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. LEASES**

During the year ended December 31, 2005, the Company acquired certain computer equipment and software from SK C&C Co., Ltd. and succeeded SK C&C Co., Ltd. in certain capital lease agreements between SK C&C Co., Ltd. and HP Financial Service. YTN Media, Inc., which was consolidated effective July 1, 2006, acquired certain broadcasting equipment from HYOSUNG CAPITAL Co., Ltd. under certain finance lease agreements. The acquisition cost of such leased broadcasting equipment, computer equipment and software totaled ₩265,625 million as of December 31, 2008. Depreciation expense for the year ended December 31, 2008 was ₩45,807 million. The Company's minimum future lease payments as of December 31, 2008 are as follows (In millions of Korean won):

<b>Year Ending December 31,</b>	<b>Annual Lease Payments</b>	<b>Interest</b>	<b>Principal</b>
2009	₩ 74,741	₩ 12,951	₩ 61,791
2010	74,650	8,401	66,249
2011	49,260	3,625	45,635
2012	28,147	758	27,388
Total	₩ 226,798	₩ 25,735	201,063
Less portion due within one year			(61,790)
Finance lease liabilities			₩ 139,273

The Company leased certain machinery and equipment under an operating lease and the Company's minimum future lease payments as of December 31, 2008 are as follows (In millions of Korean won):

<b>Year Ending December 31,</b>	<b>Minimum Lease Payments</b>
2009	₩ 672,837
2010	460,046
2011	436,425
2012	410,590
2013 and thereafter	
Total	₩ 1,979,898

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****13. 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 9 and 10) as of December 31, 2006, 2007 and 2008 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, thousands of Vietnam dong, thousands of Canadian dollars and thousands of France francs):

	Foreign Currencies			Korean Won Equivalent		
	2006	2007	2008	2006	2007	2008
Cash and cash equivalents	US\$ 1,330	US\$ 357,413	US\$ 7,269	₩ 1,236	₩ 335,325	₩ 9,140
<sup>2</sup>	EUR2	EUR117	EUR85	2	162	152
<sup>2</sup>			JPY1,313			18
Accounts receivable trade	US\$ 30,849	US\$ 26,818	US\$ 35,837	28,677	25,161	45,066
<sup>2</sup>	¥800	¥41,307		6	344	
<sup>2</sup>	EUR248	EUR248	EUR187	303	343	332
<sup>2</sup>		CNY5,620	CNY5,620		722	1,035
Short-term loans		US\$ 2,419	US\$ 2,168		2,270	2,726
Accounts receivable other	US\$ 1,657	US\$ 965	US\$ 2	1,541	905	3
<sup>2</sup>			CNY7,888			1,452
Guarantee deposits	US\$ 17	US\$ 12	US\$ 8	16	11	9
<sup>2</sup>	¥21,536	¥16,912	¥17,397	168	141	242
Total assets				₩ 31,949	₩ 365,384	₩ 60,175

	Foreign Currencies			Korean Won Equivalent		
	2006	2007	2008	2006	2007	2008
Accounts payable trade		US\$ 27,904	US\$ 22,295	₩	₩ 26,179	₩ 28,036
<sup>2</sup>		¥1,251	¥1,251		10	17
<sup>2</sup>			FRF11,474			3
Accounts payable other	US\$ 36,373	US\$ 22,596	US\$ 31,605	33,812	21,199	39,744
<sup>2</sup>	¥19,956	¥16,954	¥112,370	156	141	1,566
<sup>2</sup>	HK\$ 190	HK\$ 248	HK\$ 41	23	30	7

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2		GBP48		GBP931		GBP38	88	1,745	70
2	SG\$	6	SG\$	27	SG\$	1	4	18	1
2		EUR 813		EUR 588		EUR 1,116	993	812	1,983
2		CHF250		CHF250			190	208	
2	CA\$	2					1		
2		FRF11		FRF11			2	2	
Total liabilities							₩ 35,269	₩ 50,344	₩ 71,427

**Table of Contents****SK TELECOM CO., LTD. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****14. CAPITAL STOCK AND CAPITAL SURPLUS**

The Company's outstanding capital stock consists entirely of common stock with a par value of ₩500. The number of authorized, issued and outstanding common shares as of December 31, 2006, 2007 and 2008 are as follows:

	<b>2006</b>	<b>2007</b>	<b>2008</b>
Authorized shares	220,000,000	220,000,000	220,000,000
Issued shares	81,193,711	81,193,711	81,193,711
Outstanding shares, net of treasury stock	72,667,459	72,584,677	72,486,015

Significant changes in common stock and capital surplus in 2006, 2007 and 2008 are as follows (In millions of Korean won, except for share data):

	<b>Number of Shares Issued</b>	<b>Common Stock</b>	<b>Capital Surplus</b>
At December 31, 2005	82,276,711	44,639	2,969,865
Retirement of treasury stock (note a)	(1,083,000)		
Conversion of convertible bonds (note b)			(3,733)
Transfer of stock options from capital adjustment (note c)			234