

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.

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

* 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 ⁽¹⁹⁾	₩	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 ₍₁₉₎	809.4	641.4
Operating Expenses	8,130.9	8,051.2	8,406.9	9,761.4 ₍₁₉₎	12,268.5	9,721.5
Operating Income	2,439.7	2,670.6	2,621.1	2,102.0 ₍₁₉₎	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 ₍₁₉₎	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
U.S. GAAP:						
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 ⁽²⁰⁾		3,296.9 ⁽²⁰⁾		2,612.4 ⁽²⁰⁾
Cash Flow from Investing Activities		(1,470.3)		(1,938.2)		(2,535.2)		(2,414.9) ⁽²⁰⁾		(3,875.4) ⁽²⁰⁾		(3,070.8) ⁽²⁰⁾
Cash Flow from Financing Activities		(968.6)		(1,429.0)		(952.4)		(1,041.3) ⁽²⁰⁾		869.4 ⁽²⁰⁾		688.9 ⁽²⁰⁾
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
SELECTED FINANCIAL DATA						
Revenue of Korea Telecom(12)	48.2	48.3	48.3	48.5	48.6	48.6
Revenue of SK Telecom(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 US\$ 18,783,338	₩ 1,613.3 US\$ 19,530,117	₩ 1,436.7 US\$ 20,271,133	₩ 1,267.1 US\$ 21,968,169	₩ 1,319.5 US\$ 23,032,045	₩ 1,319.5 US\$ 23,032,045
Average Monthly Revenue per Subscriber(16)	194	197	201	201	200	200
Average Monthly Revenue per Subscriber(17)	₩ 39,689 US\$ 30	₩ 40,205 US\$ 30	₩ 40,220 US\$ 30	₩ 40,154 US\$ 30	₩ 38,526 US\$ 30	₩ 38,526 US\$ 30
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.

	As of or for the Year Ended December 31,					
	2004	2005	2006	2007	2008	2008 ⁽¹⁾
	(In billions of Won and millions of Dollars)					
U.S. GAAP:						
Net Income(2)	₩ 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
EBITDA(2)	₩ 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.

	As of or for the Year Ended December 31,					
	2004	2005	2006	2007	2008	2008 ⁽¹⁾
	(In billions of Won and millions of Dollars)					
Korean GAAP:						
Net Income	₩ 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) ⁽²⁾	(136.3) ⁽²⁾	(108.0)
ADD: Interest expense	303.4	253.5	239.1	235.3 ⁽²⁾	344.6 ⁽²⁾	273.1
Taxes	629.8	693.3	572.0	694.5 ⁽²⁾	188.9 ⁽²⁾	149.7
Depreciation and Amortization	1,741.6	1,675.5	1,698.4	1,967.8 ⁽²⁾	2,638.9 ⁽²⁾	2,091.0
EBITDA	₩ 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.

Table of Contents**Exchange Rates**

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.

Year Ended December 31,	At End of Period	Average Rate(1) (Won per US\$1.00)	High	Low
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

	Past Six Months High Low (Won per US\$1.00)	
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