SK TELECOM CO LTD
Form 6-K
September 30, 2003

1934 Act Registration No. 1-14418

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE MONTH OF SEPTEMBER 2003

SK TELECOM CO., LTD.
(Translation of registrant's name into English)

99, Seorin-dong
Jongro-gu
Seoul, Korea
(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F [ ] Form 40-F [X]

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes [X] No [ ]

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82- .)

This report on Form 6-K shall be deemed to be incorporated by reference in the prospectuses included in Registration Statements on Form F-3 (File Nos. 333-91034 and 333-99073) filed with the Securities and Exchange Commission and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2003

In this report on Form 6-K, unless the context indicates or otherwise requires, references to "we", "us", "our" or the "Company" shall mean SK Telecom Co., Ltd. and its consolidated subsidiaries, and references to "SK Telecom" shall mean SK Telecom Co., Ltd., but shall not include its consolidated subsidiaries. Unless otherwise indicated, references to our number of subscribers shall include Shinsegi Telecomm, Inc.'s subscribers from April 1, 2000. All references to "Korea" contained in this report shall mean The Republic of Korea and all references to the "Government" shall mean the government of The Republic of Korea.

All references to "Kbps" shall mean one thousand binary digits, or bits, of information per second. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

The financial information appearing in this report and in our accompanying consolidated financial statements is stated in Korean won. All references to "Won" or "W" in this prospectus supplement and the prospectus are to the currency of Korea, all references to "Dollars", "$" or "US$" are to the currency of the United States of America and all references to "Yen" or "Y" are to the currency of Japan. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

Unless otherwise indicated, the translations of Won amounts in to Dollars were made at the rate of W1,196.0 to US$1.00, the noon buying rate in the City of New York for cable transfers in Won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the six months ended June 30, 2003. Such conversion into U.S. dollars should not be construed as representations that the Won amounts could be converted into Dollars at the above or any other rate.

This report contains "forward-looking statements", as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "estimate", "expect", "intend", "project", "should", and similar expressions. Those statements include, among other things, the discussions of our liquidity and capital resources. 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. 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.

You should read the following discussion together with our consolidated financial statements and the related notes which appear elsewhere in this report. We prepare our financial statements in accordance with generally accepted accounting principles in Korea

("Korean GAAP"), which differs in some respects from generally accepted accounting principles in the United States ("U.S. GAAP"). This section titled "--U.S. GAAP Reconciliation" below and notes 30 and 31 of our notes to consolidated financial statements describe 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. In addition, you should read carefully note 2 of our notes to 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 condition and results of operations.

OVERVIEW

Revenue. We earn revenue principally from connection fees and monthly and usage fees paid by subscribers to our wireless services, interconnection fees paid to us by other telecommunications operators and sales of wireless handsets by our subsidiary, SK Teletech. The amount of our revenue depends principally upon the number of our wireless subscribers, the rates we charge for our services, subscriber usage of our services and the terms of our interconnection with other telecommunications operators.

Our wireless subscriber base has been increasing rapidly in recent years, growing from approximately 6.0 million subscribers at the end of 1998 to approximately 10.1 million subscribers, 14.5 million subscribers (including approximately 3.5 million Shinsegi subscribers), 15.2 million subscribers (including approximately 3.3 million Shinsegi subscribers) and 17.2 million subscribers at the end of 1999, 2000, 2001 and 2002, respectively. As a condition to its approval of our acquisition of Shinsegi, the FTC required that SK Telecom's and Shinsegi's combined market share of the wireless telecommunications market, based on numbers of subscribers, be less than 50% as of June 30, 2001. As a result, we reduced the level of our subscriber activations and adopted more stringent involuntary subscriber deactivation policies beginning in 2000 and ceased accepting new subscribers for two months, from April 1, 2001 through June 30, 2001. As of June 30, 2001, we reduced our market share to approximately 49.7%. We are no longer subject to this restriction and resumed activation of new subscribers since that time. As of June 30, 2003, we had approximately 17.9 million subscribers, representing a market share of approximately 53.8%.

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 MIC prohibited all wireless telecommunications service providers from providing handset subsidies beginning June 1, 2000. In March 2002, the MIC concluded that certain incentive payments made to wireless handset dealers by us and other wireless network service providers were being passed on to purchasers of wireless handsets and therefore constituted improper handset subsidies. In May 2002, we, KT Freetel, LG Telecom and KT Corporation were fined an aggregate of Won 20.0 billion by the MIC in respect of these incentive payments. We were assessed and have paid in full a fine of Won 10.0 billion. On November 15, 2002, we received an order from the MIC prohibiting us from signing on new subscribers for 30 days (from November 2002 through December 2002) for violating MIC's handset subsidy regulation. KT Freetel and LG Telecom were also prohibited from signing on new subscribers for 20 days.

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As a result of the MIC's handset subsidy regulation and steps we have taken as a result, we experienced a significant reduction in our gross and net additions of new subscribers in April and May 2002. The MIC's November 2002 order also resulted in a reduction in our gross and net additions of new subscribers in November and December 2002. We believe that our competitors have also experienced similar reductions and our market share has not been adversely affected. We cannot assure you that the elimination of dealer incentives will not continue to adversely affect the rate at which we attract new subscribers or the rate at which existing subscribers upgrade their wireless handsets to take advantage of the higher data transmission capabilities of our CDMA 1xRTT and CDMA 1xEV/DO network technologies. We also believe that beginning in March 2002, there was an expectation among dealers that dealer incentives would soon be eliminated or reduced as a result of the MIC's actions. This expectation contributed to the abnormally high number of gross and net subscriber additions and the higher churn rate that we experienced in March 2002 which was 2.1%, compared to 1.2% in January 2002 and 1.1% in February 2002. Churn rate increased in part because many existing subscribers chose to upgrade their handsets by terminating their service and opening a new subscriber account. For the first six months of 2003, our churn rate has ranged from 0.9% (in February 2003) to 1.6% (in May 2003), with churn rate for June 2003 at 1.1%. We cannot assure you that our churn rates will not increase in the future.

At present, Korea's wireless telecommunications system uses a network-specific prefix system in which a unique prefix is assigned to all the phone numbers of a network operator. We have been assigned the "011" prefix, and all our current subscriber's mobile phone numbers begin with "011" (the former Shinsegi subscribers use the "017" prefix) and our subscribers cannot change their wireless phone service to another wireless operator and keep their current numbers. In January 2003, the MIC announced its 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. According to the MIC's plan, number portability will first be adopted by SK Telecom, starting from January 1, 2004. KT Freetel and LG Telecom will be required to introduce number portability starting from June 1, 2004 and January 1, 2005, respectively. In addition, in order to manage the availability of phone numbers efficiently and to secure phone number resources for the new services, the MIC plans to integrate mobile telephone identification numbers into a common prefix identification number "010" and to gradually retract the current mobile service identification numbers which had been unique to each wireless telecommunications service provider, including "011" for our cellular services, starting from 2004. All new subscribers will be given the "010" prefix starting in January 2004, while existing users will be able to maintain their mobile service identification number unless and until they switch to a different wireless service provider. We believe that the use of the common prefix identification system may have a greater effect on us as compared to our competitors because "011" has a very high brand recognition in Korea as the premium wireless telecommunications service. We can give no assurance that the implementation of the number portability system will not negatively affect our results of operations due to, among others factors, increased competition among wireless service providers (and a corresponding increase in our marketing costs), an adverse effect on our ability to attract new subscribers and a possible increase in our churn rate. We may also incur additional costs related to maintaining the number portability system and increased subscriber deactivations.

For cellular services, we charge initial connection fees, monthly access fees, usage charges, wireless Internet service fees and monthly charges for value-added services. Under current regulations, we must obtain prior MIC approval of the terms on which we may offer our

services, including all rates and fees charged for these services. Each of our competitors, however, is permitted to offer its services at rates set at its discretion without having to obtain the MIC approval. Generally, the rates we charge for our services have been declining. In September 1997, April 2000 and January 2001, we implemented revised rate plans which generally offer rates lower than our previous rates. Effective May 1, 2001, we implemented a new charge system based on the amount of data that is transmitted to the subscribers' handsets, with respect to subscribers using our CDMA 1xRTT network. CDMA 1xRTT is an advanced CDMA-based technology which allows transmissions of data at speeds of up to 144 Kbps (compared to a maximum of 64 Kbps for our CDMA networks). After discussions with the MIC, effective January 1, 2003, we reduced our Standard rate plan's monthly access fee by Won 1,000, included 10 minutes of free air time per month and reduced our peak usage charges from Won 21 to Won 20 per minute. As of June 30, 2003, our standard peak usage rate is approximately 11.1% higher than those charged by our competitors. We can give no assurance that these rate changes will not negatively affect our results of operations.

Under our interconnection agreements, we are required to make payments in respect of calls from our subscribers which are routed through networks of other Korean telecommunication 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. The MIC revised the method for calculating interconnection charges between us and KT Corporation for 2000 and 2001, which we believe has adversely affected our per-minute interconnection charges, and consequently, our interconnection revenue. The MIC implemented interconnection charges for calls between wireless networks starting in January 2000. In April 2002, the MIC revised the manner in which interconnection charges for calls made from fixed-line operators to wireless networks and calls made between wireless networks are calculated. These charges, which were previously calculated on the basis of our actual imputed costs for 1998, are now calculated based on each wireless operator's actual imputed costs for 2000. The effect of this change was to reduce the interconnection fees payable by fixed-line operators for 2002 by between 10.2% and 28.1%, depending on the operators involved. For 2003, an operator's interconnection charges are based on that operator's actual interconnection charges for 2002, and decreased by 10.3% for each operator in accordance with new MIC policy. We expect these changes to adversely affect our net revenue, because the changes reduce the interconnection charges payable to us in respect of calls made from fixed-line networks to our wireless networks. The reduction in fixed-to-wireless charges was also larger, in percentage terms, than the reduction in wireless-to-wireless interconnection charges, which affect both our revenue and our expenses. However, we do not expect that the impact of this change will fully offset the adverse effect of the changes described above. The MIC is expected to introduce a new method of calculating interconnection payments, based on the originator's long-run incremental cost, in 2004. We believe that our interconnection revenue may be reduced even further under the new framework.

Our average monthly outgoing minutes of voice traffic increased by 2.7% to 193 minutes for the six months ended June 30, 2003 from 188 minutes for the six months ended June 30, 2002. We believe that this trend principally reflects lower overall tariff levels and increased use of wireless telecommunications as a substitute for fixed-line communications. The average monthly outgoing voice minutes per subscriber is computed by dividing the total minutes of outgoing voice usage for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. The monthly weighted average number of subscribers is the sum of the average number of subscribers for the months calculated by taking the simple average number of subscribers at

the beginning of the month and at the end of the month, divided by the number of months in the period.

Our consolidated average monthly revenue per subscriber increased by 13.3% to Won 38,942 for the six months ended June 30, 2003 compared to Won 34,352 for the six months ended June 30, 2002. Average monthly revenue per subscriber excludes interconnection revenue and is computed by dividing total initial connection fees, monthly access fees, usage charges for voice and data, international charges, value-added service fees and interest on overdue subscriber accounts (net of telephone tax) for the period by the monthly weighted average number of subscribers for the period and dividing the quotient by the number of months in the period. The increase in consolidated average monthly revenue per subscriber reflects the net effect of several offsetting trends, including:

- increased usage of our data services by our subscribers, which we attribute principally to the lower overall tariff levels and our introduction of an increased range of wireless data and wireless Internet services as well as other value-added services such as caller ID services and the increase in the number of our subscribers using our CDMA 1xRTT network;

- increased usage of our voice services by our subscribers, which we attribute principally to lower overall tariff levels and increased use of wireless telecommunications as a substitute for fixed-line communications; and

- the inclusion of Shinsegi's subscribers from April 1, 2000 since Shinsegi's subscriber base has produced less revenue per subscriber than SK Telecom's.

We cannot assure you that the increases in our average monthly revenue per subscriber experienced during the six months ended June 30, 2003 will continue or that revenue per subscriber will not decrease in future periods.

Operating Expenses and Operating Margins. Our operating expenses consist principally of depreciation, commissions paid to authorized dealers, network interconnection and leased line expenses, the cost of manufacturing handsets, advertising costs and labor costs. Our operating margin (operating income divided by operating revenue) declined slightly from 32.0% for the first six months of 2002 to 31.8% for the first six months of 2003, primarily due to an increase in operating expenses which was only partially offset by an increase in operating revenues.

Industry Consolidation. Beginning in 2000, there has been considerable consolidation in the wireless telecommunications industry resulting in the emergence of stronger competitors. In July 2000, KT Corporation acquired a 47.9% interest in KT M.Com and merged KT M.Com into KT Freetel in May 2001. In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. It is widely believed that KT Corporation is likely to operate more efficiently and be managed more effectively and profitably as a privatized business. We believe that these transactions have increased KT Freetel's ability to compete with us.

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

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50,900 per share of KT Corporation's common stock and Won 224,000 per share of the Company's common stock.

On August 29, 2003, we purchased Won 120.0 billion of Hanaro Telecom commercial paper in order to provide Hanaro Telecom with short-term liquidity while it attempts to secure a foreign investor that will inject new capital into the company and enhance its corporate value. The commercial paper will be repaid as soon as a foreign investor infuses capital into Hanaro Telecom.

RESULTS OF OPERATIONS

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

	FOR THE SIX MONTHS ENDED JUN	
	2002 (UNAUDITED)	200

(IN BILLIONS OF WON, EXCEPT PERCE

Operating Revenue....................................	W 4,439.9	100.0%	W 5,026
Operating Expenses...................................	(3,018.9)	(68.0)	(3,428
Operating Income.....................................	1,421.0	32.0	1,597
Other Income...	150.0	3.4	154
Other Expenses.......................................	(223.7)	(5.0)	(272
Income Before Income Taxes and Minority Interest......	1,347.3	30.4	1,479
Income Taxes...	(420.8)	(9.5)	(449
Minority Interest....................................	(18.5)	(0.4)	(7
Net Income...	W 908.0	20.5%	W 1,022
Depreciation and Amortization........................	W 676.0	15.2%	W 737

SIX MONTHS ENDED JUNE 30, 2003 COMPARED TO SIX MONTHS ENDED JUNE 30, 2002

Operating Income. Operating income increased by 12.4% to Won 1,597.9 billion for the six months ended June 30, 2003 from Won 1,421.0 billion for the six months ended June 30, 2002. The increase in operating income for the six months ended June 30, 2003 compared to the six months ended June 30, 2002 is lower than the increase in operating revenue for the same period (13.2% for the six months ended June 30, 2003 compared to the six months ended June 30, 2002) because operating expenses increased at a greater rate (13.6% for the six months ended June 30, 2003 compared to the six months ended June 30, 2002) than operating income for the same period.

Operating Revenue. Our operating revenue increased by 13.2% to Won 5,026.6 billion for the six months ended June 30, 2003 from Won 4,439.9 billion for the six months ended June 30, 2002 principally reflecting a 13.8% increase in our cellular revenue to Won 4,993.4 billion for the six months ended June 30, 2003 from Won 4,334.2 billion for the six months ended June 30, 2002, which was partially offset by a 3.7% decrease in interconnection revenue and an 11.8% decline in other non-cellular operating revenue, such as international calling services.

The increase in our cellular revenue was principally due to an increase in the number of our wireless subscribers, as well as an increase in the average monthly revenue per subscriber. The number of our wireless subscribers increased to approximately 17.9 million as of June 30, 2003 from approximately 16.5 million as of June 30, 2002 reflecting a market share of approximately 53.8%.

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Our consolidated average monthly revenue per subscriber (including interconnection revenue) increased by 2.2% to Won 43,849 for the six months ended June 30, 2003 from Won 42,888 for the six months ended June 30, 2002. The increase is principally due to increases in average monthly revenue per subscriber from wireless Internet sales and average monthly revenue per subscriber from value-added services and other sales, which was partially offset by the reduction in tariffs by 7.3% (based on a reduction in the standard tariff plan) from January 2003 and the decrease in interconnection rates.

Our consolidated average monthly revenue per subscriber from wireless internet sales increased by 76.0% to Won 5,408 for the six months ended June 30, 2003 from Won 3,073 for the six months ended June 30, 2002. Wireless Internet sales increased by 98.8% to Won 570.7 billion for the six months ended June 30, 2003 from Won 287.1 billion for the six months ended June 30, 2002, representing 11.6% of our cellular revenue, primarily due to the increased number of wireless Internet-enabled handset holders.

Our consolidated average monthly revenue per subscriber from value-added services and other sales increased by 28.5% to Won 2,091 for the six months ended June 30, 2003 from Won 1,627 for the six months ended June 30, 2002. Value-added services and other sales increased by 45.0% to Won 220.6 billion for the six months ended June 30, 2003 from Won 152.1 billion for the six months ended June 30, 2002 primarily due to the increased number of wireless Internet-enabled handset holders.

On an aggregate basis, interconnection revenue decreased by 3.7% to Won 515.7 billion for the six months ended June 30, 2003 from Won 535.7 billion for the six months ended June 30, 2002. The decrease was primarily due to lower interconnection rates during the six months ended June 30, 2003 compared to the six months ended June 30, 2002.

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

	SIX MONTHS ENDED JUNE	
	2002 (UNAUDITED)	2003
	(IN BILLIONS OF WON, EXCEPT	
CELLULAR REVENUE:		
Wireless Services(1)......................................	W 3,538.0	W
Interconnection...	535.7	
Digital Handset Sales.....................................	260.5	
Total Cellular Revenue....................................	4,334.2	
OTHER REVENUE:		
International Calling Service(2)..........................	48.2	
Netsgo..	15.1	
Miscellaneous...	42.4	
Total Other Revenue.......................................	105.7	
TOTAL OPERATING REVENUE...................................	W 4,439.9	W
Cellular Revenue as a percent of Total Revenue............	97.6%	
Total Operating Revenue Growth............................	14.8%	

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

(2) Provided by our 90.8%-owned subsidiary, SK Telink Co., Ltd. as of June 30, 2003.

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Operating Expenses. Our operating expenses for the six months ended June 30, 2003 increased by 13.6% to Won 3,428.7 billion compared to Won 3,018.9 billion for the six months ended June 30, 2002 primarily due to increases in commissions paid, network interconnection expenses, depreciation and amortization expenses, cost of goods and materials sold, labor costs, advertising expenses and miscellaneous operating expenses.

Commissions paid to our authorized dealers increased by 22.1% to Won 1,084.3 billion for the six months ended June 30, 2003 compared to Won 888.1 billion for the six months ended June 30, 2002, primarily due to the increase in average subscribers by 11.2% during the period, increase in commissions paid to retail agents and wireless Internet content providers as wireless Internet sales increase, increase in the number of handsets sold and our aggressive marketing activities to maintain our market leadership in 2G & 2.5G services as well as 3G services going forward.

Network interconnection expenses increased by 10.0% to Won 412.1 billion for the six months ended June 30, 2003 compared to Won 374.5 billion for the six months ended June 30, 2002, primarily due to the higher subscriber numbers and an increase of the mandated payment in Universal Service Obligation fund for the first quarter of 2003 of Won 22.5 billion compared to Won 7.2 billion in the first quarter of 2002, which were only partially offset by a decrease in interconnection rates and a decrease in the level of interconnection fees that we must pay to other operators for calls using their networks. Additionally, we reflected as an expense in the second quarter of 2003 all of the amounts due to be paid to KT Corporation for the years 1998, 1999, 2000 and 2001 pursuant to a cost sharing arrangement regarding the provision of directory assistance services by KT Corporation to our subscribers. We will discuss with KT Corporation the amounts to be paid by us for directory assistance services provided to our subscribers during 2002 and the six months ended June 30, 2003.

Depreciation and amortization expenses increased by 9.1% to Won 737.3 billion for the six months ended June 30, 2003 compared to Won 676.0 billion for the six months ended June 30, 2002. The increase in depreciation and amortization expenses was primarily due to the expansion of our CDMA 1xRTT network.

Cost of goods and materials sold increased by 16.2% to Won 277.6 billion for the six months ended June 30, 2003 compared to Won 238.8 billion for the six months ended June 30, 2002, primarily due to an increase in wireless Internet-enabled handset sales .

Labor cost increased by 13.7% to Won 198.8 billion for the six months ended June 30, 2003 compared to Won 174.8 billion for the six months ended June 30, 2002. The increase was primarily due to payment of performance bonuses to employees in 2003.

Advertising expenses increased by 8.5% to Won 195.6 billion for the six months ended June 30, 2003 compared to Won 180.2 billion for the six months ended June 30, 2002, primarily due to our marketing activities related to the promotion of our wireless Internet services.

Miscellaneous operating expenses increased by 13.9% to Won 437.2 billion for the six months ended June 30, 2003 compared to Won 384.0 billion for the six months ended June 30, 2002 primarily due to increases in research and development expenses and maintenance expenses.

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Other Income. Other income, consisting primarily of dividend income, commission income and interest income, increased by 3.0% to Won 154.4 billion for the six months ended June 30, 2003 compared to Won 150.0 billion for the six months ended June 30, 2002, primarily due to increases dividend income, commission income and interest income, which were offset by a declines in foreign exchange and translation gains and declines in equity in earnings of affiliates.

Other Expenses. Other expenses includes interest expenses, foreign exchange and translation losses, loss on disposal and impairment of property and equipment, donations and miscellaneous expenses. Other expenses increased by 21.9% to Won 272.8 billion for the six months ended June 30, 2003 compared to Won 223.7 billion for the six months ended June 30, 2002. The increase was primarily due to increases in interest expense, donations and losses on the impairment of long-term investment securities which were only partially offset by decreases in foreign exchange translation losses, losses on disposal of property and equipment and other miscellaneous expenses. As a percentage of operating revenue, other expenses increased by 5.4% for the six months ended June 30, 2003 from 5.0% for the six months ended June 30, 2002.

Income Tax. Provision for income taxes increased by 6.8% to Won 449.6 billion for the six months ended June 30, 2003 from Won 420.8 billion for the six months ended June 30, 2002. Our effective tax rate in the six months ended June 30, 2003 decreased to 30.4% from an effective tax rate of 31.2% for the six months ended June 30, 2002. See note 19 of the notes to our consolidated financial statements.

Net Income. Principally as a result of the factors discussed above, our net income increased by 12.6% to Won 1,022.7 billion for the six months ended June 30, 2003 from Won 908.0 billion for the six months ended June 30, 2002, with net income as a percentage of operating revenues at 20.4% for the six months ended June 30, 2003 as compared to 20.5% for the six months ended June 30, 2002.

LIQUIDITY AND CAPITAL RESOURCES

We had a working capital (current assets minus current liabilities) surplus of Won 21.9 billion as of June 30, 2003 as compared to a working capital deficit of Won 189.7 billion as of December 31, 2002.

We had cash, cash equivalents, short-term financial instruments and marketable securities of Won 1,380.1 billion as of June 30, 2003 and Won 1,621.2 as of December 31, 2002. We had outstanding short-term borrowings including the current portion of long-term debt of Won 2,243.8 billion as of June 30, 2003 and Won 1,609.5 billion as of December 31, 2002. As of June 30, 2003, we had availability under unused credit lines of approximately Won 198.5 billion. We funded our investment in shares and exchangeable bonds of KT Corporation in May 2002 with Won 901.7 billion of cash and by incurring Won 1,040.0 billion of short-term debt.

In 2002 and the first half of 2003, our principal sources of funds were operating cash flow and increases in debt. Cash flow provided by operations in the six months ended June 30, 2003 was Won 730.9 billion, compared to Won 2,098.6 billion for the six months ended June 30, 2002. Depreciation and amortization for the six months ended June 30, 2003 were Won 737.3 billion, compared to Won 676.0 billion for the six months ended June 30, 2002.

As of June 30, 2003, we had total long-term debt (excluding current portion and facility deposits) outstanding of Won 3,573.3 billion. Our long-term debt included bonds in the amount of Won 2,756.2 billion, bank and institutional loans in the amount of Won 3.3 billion and obligation under capital lease of Won 0.48 billion. We had total long-term debt (excluding current portion and facility deposits) of Won 3,693.4 billion as of December 31, 2002. Our long-term debt decreased as of June 30, 2003 primarily due to a decrease in bonds payable of Won 152.5 million. For a description of our long-term liabilities, see notes 2, 9, 10, 11, 12, 13, 19, 22 and 24 of the notes to our consolidated financial statements.

As of June 30, 2003, substantially all of our foreign currency-denominated long-term debt, which amounted to approximately 6.3% of our total outstanding long-term debt, including current portion, as of such date, was denominated in Dollars. 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.

We issued an unsecured and un-guaranteed Won-denominated bond with a principal amount of Won 300 billion on March 10, 2003 and an unsecured and un-guaranteed Won-denominated bond with a principal amount of Won 150 billion on August 4, 2003. These bonds mature in March 2008 and August 2006, respectively, and have an annual interest rate of 5.0%. We used the net proceeds from the sale of these bonds to pay for our operating expenses. See note 29 of the notes to our consolidated financial statements.

We also have long-term liabilities in respect of facility deposits received from subscribers, which stood at Won 43.7 billion at June 30, 2003 and Won 46.8 billion at December 31, 2002. These non-interest bearing deposits are collected from some subscribers when they initiate service and returned (less unpaid amounts due from the subscriber for our services) when the subscriber's service is deactivated.

In December 2002, May 2003 and September 2003, we sold Won 650.6 billion, Won 577.3 billion and Won 549.3 billion, respectively, of accounts receivable under our handset dealer financing plan to a third party in an asset-backed securitization transaction. The proceeds from this transaction amounted to approximately Won 600.0 billion, Won 499.0 billion and Won 451.0 billion, respectively, a portion of which we used to repay short-term debt.

The following table sets forth our actual capital expenditures for 2002 and our currently planned capital expenditures for 2003:

	YEAR ENDED/ENDING DECEMBER 31,	
	2002	2003(1)
	(IN BILLIONS OF WON)	
CDMA Network	W 175	W 140
CDMA 1xRTT Network(2)	1,186	710
Wireless Data(3)	221	210
W-CDMA(4)	15	250
Other (including land and buildings)(5)	428	741
Total	W2,025	W2,021

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(1) Estimated.

(2) Includes upgrades to CDMA 1xEV/DO Network technology which are estimated at Won 200 billion for 2002 and are estimated at Won 30 billion for 2003.

(3) Consists principally of equipment necessary for the provision of data services.

(4) W-CDMA estimated capital expenditures for 2003 assume that the commencement of construction of our W-CDMA network and provision of W-CDMA services on a limited basis in Seoul by the end of 2003. Please see the discussion below.

(5) Includes investments in internet-related businesses, real estate, satellite-based digital multimedia broadcasting business and information technology systems.

Our actual capital expenditures for the six months ended June 30, 2003 were Won 495.5 billion compared with Won 633.9 billion for the six months ended June 30, 2002. Our capital expenditures in 2002 were primarily for the construction and expansion of our CDMA 1xRTT network and, to a lesser extent, for the expansion of SK Telecom's CDMA network. Our capital expenditures for the first half of 2003 were primarily for the expansion and upgrading of our CDMA 1xRTT network, for our initial investment in the satellite-based digital multimedia broadcasting (DMB) business and for the development and introduction of wireless data services.

We estimate that we will spend approximately Won 2.0 trillion for capital expenditures in 2003 for a range of projects, including primarily for the expansion and improvement of our wireless networks, investments in our Internet-related businesses and the satellite-based DMB business and the roll-out of our W-CDMA network. We may also make additional capital expenditure investments if the right opportunities arise. In addition, we may increase, reduce or suspend our planned capital expenditures for 2003 or change the timing and area of our capital expenditure spending from the estimates reflected in the table above in response to market conditions or for other reasons.

We currently plan to spend Won 250 billion in 2003 on capital expenditures related to commencement of construction of our W-CDMA network and provision of W-CDMA services on a limited basis in Seoul by the end of 2003. However, the actual scope and timing of the roll-out of our W-CDMA network will depend on several factors, including the availability of network equipment, progress of dual band/dual mode handset developments, adoption of CDMA 1xEV/DO service, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. At the time we applied for the W-CDMA license, we estimated that the construction of a nationwide W-CDMA network would require capital expenditures amounting to approximately Won 3.1 trillion over a six-year period. We have not subsequently revised or updated this estimate. Our actual construction costs are likely to differ significantly from this original estimate. Our actual capital expenditures for the construction of the W-CDMA network will depend upon many factors, including the scope and timing of the network roll-out, whether W-CDMA technology is widely implemented worldwide (which could lower the cost of network equipment) and other factors.

In September 2003, we entered into an agreement with Mobile Broadcasting Corporation for the purposes of co-owing and launching a satellite for the satellite DMB business. Under the terms of the agreement, SK Telecom is committed to fund 34.66% of the costs of launching and maintaining the operations of the satellite, which is expected to be approximately Won 92.0 billion. Although actual implementation of the satellite DMB business will depend on many factors, including government approvals, our current expectations are to launch the satellite in January 2004 and begin commercial service by March 2004.

In May 2002, the Government sold its remaining 28.4% stake in KT Corporation. By participating in this privatization, we acquired 9.6% of KT Corporation's common stock and

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Won 332.0 billion aggregate principal amount of exchangeable bonds issued by KT Corporation exchangeable at our option for 1.8% of KT Corporation's common stock. We purchased 29,808,333 shares of common stock of KT Corporation for Won 1.6 trillion and bonds exchangeable into 5,589,666 shares of such common stock for Won 332.0 billion. We funded our investment in shares and bonds of KT Corporation in May 2002 with Won 901.7 billion of cash and by incurring Won 1,040.0 billion of short-term debt. On July 16, 2002, we sold all of the exchangeable bonds of KT Corporation which we owned to several Korean institutional investors for an aggregate sale price of Won 340.3 billion. We used the proceeds of the sale to repay our short-term debt and for general corporate purposes. We exchanged 29,808,333 shares of KT Corporation's common stock at Won 50,900 per share for 8,266,923 shares of our common stock at Won 224,000 per share and settled the difference of Won 334.5 billion between the aggregate sale and purchase prices in cash on December 30, 2002 and January 10, 2003, under a mutual agreement on stock exchange between us and KT Corporation dated November 14, 2002. Related to these stock exchanges, a loss on exchange of investments in 15,454,659 shares of KT Corporation for 4,457,635 shares of our common stock on December 31, 2002, amounting to Won 47,909 million, was recorded as a loss on disposal of investments during the year ended December 31, 2002. An impairment loss amounting to Won 44,496 million, which was related to the investments in 14,353,674 shares of KT Corporation's common stock as of December 31, 2002, was also recorded during the year ended December 31, 2002. 4,457,635 shares were subsequently cancelled and 3,809,288 shares were designated as treasury stock for use in future mergers and acquisitions transactions and strategic alliances or for other corporate purposes to be determined by us. As a result of the share swap, all cross-holdings between KT Corporation and us have been completely eliminated.

On July 22, 2003, we acquired 2,481,310 shares of POSCO common stock held by SK Corporation at a price of Won 134,000 per share in accordance with a resolution of our board of directors dated July 22, 2003. For a description of this transaction, please see note 29 in the notes to our consolidated financial statements.

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 interests.

Our research and development expenses have been influenced by the MIC, which makes annual recommendations concerning the level of our research and development spending. Our research and development expenses (including donations to research institutes and educational organizations) were 2.8% of operating revenue for the six months ended June 30, 2003 and 1.5% of operating revenue for the six months ended June 30, 2002.

We anticipate that capital expenditures, repayment of outstanding debt and research and development expenditures will represent our most significant use of funds in the second half of 2003 and thereafter. To fund our scheduled debt repayment and planned capital expenditures over the next several years, we intend to rely primarily on funds provided by operations, as well as bank and institutional borrowings, and offerings of debt or equity in the domestic or international markets. In particular, we expect that we will require external sources of financing to fund our planned construction of the W-CDMA network. We believe that these sources will be sufficient to fund our planned capital expenditures for the second half of 2003 and for 2004. Our ability to rely on these alternatives could be affected by the

liquidity of the Korean financial markets or by government policies regarding Won and foreign currency borrowings and the issuance of equity and debt. Our failure to make needed expenditures would adversely affect our ability to sustain subscriber growth and provide quality services and, consequently, our results of operations.

No commercial bank in Korea may extend credit (including loans, guarantees and purchase of bonds) in excess of 20% of its shareholders' equity to any one borrower. In addition, no commercial bank in Korea may extend credit exceeding 25% of the bank's shareholders' equity to any one borrower and to any person with whom the borrower shares a credit risk. We believe that we have never operated near our limit with any Korean commercial bank.

We generally collect refundable, non-interest bearing deposits from our customers as a condition to activating their service. Subject to the approval of the MIC, we set the amounts to be collected for deposits for cellular services. Effective February 1, 1996, we generally require cellular subscribers to pay a facility deposit of Won 200,000. These deposits were an important source of interest-free capital for us and historically funded a substantial portion of our capital expenditures. Since 1997, we have been offering existing and new cellular subscribers the option of obtaining facility insurance from the Seoul Guarantee Insurance Company, instead of posting the facility deposit. In order to obtain this facility insurance, subscribers must meet Seoul Guarantee Insurance Company's credit requirements and pay a Won 10,000 premium for three years of coverage. After three years, we pay the cost of such insurance on the subscriber's behalf. For each defaulting insured subscriber, Seoul Guarantee Insurance Company reimburses us up to Won 350,000. We refund the facility deposit to any existing subscriber who elects to have facility insurance. As a result of the facility insurance program, we have refunded a substantial amount of facility deposits, and facility deposits decreased to Won 43.7 billion as of June 30, 2003 from Won 47.3 billion as of June 30, 2002. We do not expect to have a significant amount of facility deposits available for capital expenditures in the future.

On August 11, 2003 SK Telecom concluded the stock buyback program it had commenced on June 30, 2003. SK Telecom acquired a total of 2,544,600 shares of its outstanding common stock, all of which were cancelled on August 20, 2003. The total purchase price for the stock buyback was Won 524.4 billion (or an average of approximately Won 206,078.55 per share), with the price per share ranging from Won 192,000 (on July 24, 2003) to Won 216,000 (on July 15-16, 2003). As a result of the stock buyback and subsequent cancellation of shares, the total number of SK Telecom's outstanding common stock declined from 84,821,311 to 82,276,711.

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 and do not bear dividends. Upon termination of the trust funds, we are required to resell the shares acquired by the trust funds. On November 6, 2001, these funds purchased an aggregate of 2,674,580 of our shares of common stock, or approximately 3.0% of our issued shares, from KT Corporation. On January 31, 2002, these funds purchased from SK Global an aggregate of 1,367,180 shares of our common stock, or approximately 1.5% of our issued shares.

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The total accrued and unpaid retirement and severance benefits for all of our employees as of June 30, 2003 of Won 71.6 billion is reflected in our consolidated financial statements as a liability, which is net of deposits with insurance companies totaling Won 115.4 billion to fund a portion of the employees' severance indemnities. See note 2(k) of the notes to our consolidated financial statements.

Dividends declared on our common stock amounted to Won 48.1 billion, Won 57.3 billion and Won 151.7 billion, respectively, in 2001, 2002 and 2003.

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

We do not have any material swap or derivative transactions outstanding. We may consider in the future entering into such transactions solely for hedging purposes.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following summarizes our contractual cash obligations at June 30, 2003, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

	PAYMENTS DUE BY PERIOD			
CONTRACTUAL OBLIGATIONS	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5
	(IN BILLIONS OF WON)			
Bonds	W 4,041.6	W 1,285.4	W2,456.2	W
Long-term Borrowings	17.2	13.9	3.3	
Capital lease Obligations	0.5	0.5	--	
Operating Leases	1.0	1.0	--	
Other Long-term Payables(1)	557.9	--	--	

Total Contractual Cash Obligations......	W 4,618.2	W 1,300.8	W2,459.5	W

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

The following summarizes our contractual cash commercial commitments at June 30, 2003, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

		AMOUNT OF COMMITMENT EXPIRATIO		
OTHER COMMERCIAL COMMITMENTS	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	4-5 YE
		(IN BILLIONS OF WON)		
Lines of Credit........................	W --	W --	--	--
Standby Letters of Credit..............	--	--	--	--
Guarantees.............................	0.3	--	--	--
Standby Repurchase Obligation...........	--	--	--	--
Other Commercial Commitments............	--	--	--	--
Total Commercial Commitments............	W 0.3	W --	--	--

INFLATION

We do not consider that inflation in Korea has had a material impact on our results of operations in recent years. Annual inflation in Korea was 4.1% in 2001 and 3.1% for 2002. For the first half of 2003, the average inflation rate in Korea was 3.0%, compared to an

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average of 2.6% for the first half of 2002, on an annualized basis. We can give no assurance that inflation will not have an adverse effect on our operations.

U.S. GAAP RECONCILIATION

Our consolidated financial statements are prepared in accordance with Korean GAAP, which differs in certain significant respects from U.S. GAAP. For a discussion of significant differences between Korean GAAP and U.S. GAAP, see notes 30 and 31 of our notes to consolidated financial statements.

Our net income for the six months ended June 30, 2003 under U.S. GAAP is higher than under Korean GAAP by Won 36.0 billion, principally as a result of differences in the treatment of cancellation of amortization of goodwill and capitalization of interest expenses, which increased net income under U.S. GAAP, the effect of which was only partially offset by deferred income taxes, intangible assets and nonrefundable activation fees. Our net income for the six months ended June 30, 2002 under U.S. GAAP was lower than under Korean GAAP by

Won 2.8 billion, principally as a result of differences in the treatment of capitalization of foreign exchange losses and interest expenses, intangible assets and nonrefundable activation fees.

Our shareholders' equity at June 30, 2003 under U.S. GAAP is higher than under Korean GAAP by Won 785.6 billion, principally as a result of differences in the treatment of intangible assets, deferred income taxes and cancellation of amortization of goodwill, which increased shareholders' equity under U.S. GAAP, the effect of which was only partially offset by differences in the treatment of minority interest in equity of consolidated affiliates and nonrefundable activation fees. Our shareholders' equity at December 31, 2002 under U.S. GAAP is higher than under Korean GAAP by Won 124.3 billion, principally as a result of the differing treatment of intangible assets, which increased shareholders' equity under U.S. GAAP, the effect of which was only partially offset by differences in the treatment of minority interests in equity of consolidated affiliates and nonrefundable activation fees.

On January 1, 2003, we adopted SFAS No. 143, "Accounting for Asset Retirement Obligations." This statement addresses accounting for the cost of legal obligations associated with the retirement of ling-lived assets. SFAS No. 143 requires that companies recognize the fair value of a liability for asset retirement obligations in the period in which the obligations are incurred and that such amount be capitalized as part of the book value of the long-lived asset. We have determined that we do not have a material legal obligation to remove long-lived assets as described by this statement. Thus, the adoption of SFAS No. 143 did not have a significant impact on our future consolidated financial position or results of operations.

On January 1, 2003, we adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement nullifies Emerging Issues Task Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than the date of an entity's commitment to an exit plan. The adoption of SFAS No. 146 did not have a significant impact on our consolidated financial position or results of operations.

In December of 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," which is an amendment of FASB statement No.

123, "Accounting for Stock-Based Compensation." In response to a growing number of companies announcing plans to record expenses for the fair value of stock options, SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require more prominent and more frequent disclosures in financial statements about the effects of stock-based compensation. We have already adopted the fair value method to evaluate stock options.

In November 2002, the FASB issued Interpretation No. 45 ("FIN 45"), "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of certain guarantees, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of FIN 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002. The disclosures were effective for our annual financial statements for the year ended December 31, 2002. The adoption of FIN 45 did not have a significant impact on our consolidated financial position or results of operations.

On January 17, 2003, the FASB issued Interpretation No. 46 ("FIN 46"), "Consolidation of Variable Interest Entities," which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as "special purpose entities." The underlying principle behind FIN 46 is that if a business enterprise is the primary beneficiary of an entity, which is defined in the guidance as a variable interest entity (VIE), the assets, liabilities and results of the activities of the variable interest entity should be included in the consolidated financial statements with those of the business enterprise. FIN 46 also explains how to identify variable interest entities and how an enterprise should assess its interest in an entity when deciding whether or not it will consolidate that entity. VIEs created after January 31, 2003 must be consolidated immediately, while VIEs that existed prior to February 1, 2003 must be consolidated as of July 1, 2003. Management is currently reviewing existing VIEs that may require consolidation.

In April 30, 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." The statements amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under Statement 133. The new guidance amends Statement 133 regarding implementation issues raised in relation to the application of the definition of a derivative, particularly regarding the meaning of an underlying and the characteristics of a derivative that contains financing components. The amendments set forth in SFAS No. 149 improve financial reporting by requiring that contracts with comparable characteristics be accounted for similarly. In particular, this statement clarifies under what circumstances a contract with an initial net investment meets the characteristic of a derivative as discussed in Statement 133. In addition, it clarifies when a derivative contains a financing component that warrants special reporting in the statement of the statement of cash flows. We do not believe the adoption of SFAS No. 149 will have a significant impact on our consolidated financial position or results of operations.

In May 15, 2003, the FASB has issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." The statement changes the

accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. The new statement requires that certain instruments be classified as liabilities in statements of financial position. One type of instrument is a mandatory redeemable stock, which the issuing company is obligated to buy back in exchange for cash or other assets. A second type of instrument, which includes put options and forward purchase contracts, involves instruments that do or may require the issuer to buy back some of its shares in exchange for cash or other assets. The third type of instruments that are considered liabilities under this statement are obligations that can be settled with shares, the monetary value of which is fixed, tied solely or predominantly to a variable such as a market index, or varies inversely with the value of the issuers' shares. SFAS No. 150 does not apply to features embedded in a financial instrument that is not a derivative in its entirety. In addition to its requirements for the classification and measurement of financial instruments in its scope, SFAS No. 150 also requires disclosures about alternative ways of settling the instruments and the capital structure of entities, all of whose shares are mandatory redeemable. Most of the guidance in this statement is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. We do not believe the adoption of SFAS No. 150 will have a significant impact on our consolidated financial position or results of operations.

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Directors and Shareholders of
SK Telecom Co., Ltd.

We have reviewed the accompanying consolidated balance sheet of SK Telecom Co., Ltd. (the "Company") and its subsidiaries as of June 30, 2003 and the related consolidated statements of income and cash flows for the six months ended June 30, 2002 and 2003 (all expressed in Korean won). These consolidated financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to such consolidated financial statements for them to be in conformity with accounting principles generally accepted in Korea.

The consolidated balance sheet of SK Telecom Co., Ltd. and its subsidiaries as of December 31, 2002 and the related consolidated statement of income, shareholders' equity and cash flows for the year then ended (not presented herein) were audited by other auditors whose report dated March 28, 2003, expressed an unqualified opinion on those consolidated financial statements. The information set forth in the accompanying consolidated balance sheet as of December 31, 2002 has been derived from those consolidated financial statements referred to above.

Our reviews also comprehended the translation of the Korean won amounts into U.S. dollar amounts and, based on our reviews, we are not aware of any material modifications that should be made thereto in order for such translation to be in conformity with the basis stated in Note 2(a) to the accompanying consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside of Korea.

Accounting principles generally accepted in Korea vary in certain respects from accounting principles generally accepted in the United States of America. Based on our reviews, we are not aware of any modifications that should be made to the disclosures in Notes 30 and 31 to the accompanying consolidated financial statements regarding application of accounting principles generally accepted in the United States of America as of June 30, 2003 and for the six months ended June 30, 2002 and 2003.

August 28, 2003

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SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2002 AND JUNE 30, 2003

	In millions of Korean wo	
A S S E T S	December 31, 2002	June 30 2003 (Unaudite
CURRENT ASSETS:		
Cash and cash equivalents (Note 13)	(Won) 664,117	(Won) 295
Short-term financial instruments (Notes 13 and 22)	202,905	292
Trading securities (Notes 2 and 4)	754,219	792
Current portion of long-term investment securities (Notes 2 and 4)	70,267	66
Accounts receivable -- trade, net of allowance for doubtful accounts of (Won)60,542 million and (Won)66,480 million at December 31, 2002 and June 30, 2003, respectively (Notes 2, 13 and 24)	1,442,135	1,510
Accounts receivable -- other, net of allowance for doubtful accounts of (Won)23,355 million and (Won)24,037 million at December 31, 2002 and June 30, 2003, respectively (Notes 2, 13 and 24)	852,873	1,072
Inventories (Note 4)	27,460	44
Short-term loans and other (Note 6)	99,748	151
Total Current Assets	4,113,724	4,224
NON-CURRENT ASSETS:		
Property and equipment, net (Notes 2, 7, 12, 22, 23 and 25)	4,569,417	4,402

Intangible assets (Notes 2 and 8)	3,721,235	3,658
Long-term investment securities (Notes 2, 4 and 21)	1,394,697	677
Equity securities accounted for using the equity method (Notes 2 and 5)	81,247	76
Long-term bank deposits (Note 22)	177	
Long-term loans, net of allowance for doubtful accounts of (Won)19,486 million and (Won)19,414 million at December 31, 2002 and June 30, 2003, respectively (Notes 2 and 6)	52,688	45
Guarantee deposits (Notes 13 and 24)	249,331	257
Other	46,194	55
Total Non-Current Assets	10,114,986	9,173
TOTAL ASSETS	(Won)14,228,710	(Won)13,398

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2002 AND JUNE 30, 2003

	In millions of Korean won	
LIABILITIES AND SHAREHOLDERS' EQUITY	December 31, 2002	June 30, 2003
		(Unaudited
CURRENT LIABILITIES:		
Accounts payable (Notes 13 and 24)	(Won) 1,697,502	(Won) 812,
Short-term borrowings (Note 13)	687,296	944,
Income taxes payable	383,900	417,
Accrued expenses	408,521	452,
Current portion of long-term debt (Notes 9,10,12 and 13)	922,209	1,299,
Current portion of facility deposits	18,415	14,
Other	185,543	263,
Total Current Liabilities	4,303,386	4,202,
LONG-TERM LIABILITIES:		
Bonds payable, net (Notes 2 and 9)	2,908,496	2,756,
Long-term borrowings (Notes 10 and 22)	10,284	3,
Facility deposits (Note 11)	46,850	43,
Long-term payables -- other (Note 2)	551,983	557,
Obligations under capital leases (Notes 2, 12, 13 and 22)	121	
Accrued severance indemnities, net (Note 2)	48,519	71,
Deferred income tax liabilities (Notes 2 and 19)	104,770	122,
Guarantee deposits received and other		

(Notes 2, 11 and 24)	22,401	18,
Total Long-Term Liabilities	3,693,424	3,573,
Total Liabilities	7,996,810	7,776,
COMMITMENTS AND CONTINGENCIES (Note 22)		
SHAREHOLDERS' EQUITY:		
Capital stock (Notes 1 and 14)	44,576	44,
Capital surplus (Note 14):		
Additional paid-in capital	3,736,253	3,758,
Other capital surplus	(851,871)	(846,
Retained earnings (Note 15)	4,873,205	4,732,
Capital adjustments:		
Treasury stock (Note 16)	(2,192,449)	(2,067,
Unrealized loss on valuation of long-term investment securities (Notes 2 and 4)	(104,117)	(108,
Equity in capital adjustments of affiliates (Notes 2 and 5)	(5,171)	(9,
Stock options (Notes 2 and 17)	2,452	3,
Foreign-based operations' translation credit (Note 2)	3,515	2,
Minority interest in equity of consolidated subsidiaries (Note 2)	725,507	111,
Total Shareholders' Equity	6,231,900	5,621,
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	(Won)14,228,710	(Won)13,398,

See accompanying Notes to
Consolidated Financial Statements and Independent Accountants' Review Report.

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2002 AND 2003
(UNAUDITED)

	In millions of Korean won, except for income per share data	
	2002	2003
OPERATING REVENUE (Note 4)	(Won)4,439,933	(Won)5,026,591
OPERATING EXPENSES (Notes 2, 18, 22, 24 and 28)	3,018,936	3,428,691
OPERATING INCOME	1,420,997	1,597,900

OTHER INCOME:		
Interest	39,477	47,292
Dividends	207	25,980
Commissions	36,493	45,601
Foreign exchange and translation gains (Note 2)	38,266	5,110
Gain on disposal of property and equipment	2,634	772
Equity in earnings of affiliates (Notes 2 and 5)	7,796	1,716
Other	25,077	27,961
	149,950	154,432
OTHER EXPENSES:		
Interest	(152,936)	(202,475)
Donations	(3,105)	(41,284)
Foreign exchange and translation losses (Note 2)	(8,759)	(5,381)
Loss on disposal and valuation of trading securities (Note 2)	--	(1,724)
Loss on disposal and impairment of property and equipment	(9,553)	(3,480)
Loss on disposal of investment assets	--	(299)
Loss on impairment of long-term investment securities (Note 2)	(419)	(3,555)
Loss on impairment of intangible assets	(2,977)	--
Other	(45,960)	(14,594)
	(223,709)	(272,792)
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	1,347,238	1,479,540
INCOME TAXES (Notes 2 and 19)	(420,759)	(449,641)
INCOME BEFORE MINORITY INTEREST	926,479	1,029,899
MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(18,505)	(7,222)
NET INCOME	(Won) 907,974	(Won) 1,022,677
NET INCOME PER SHARE (Notes 2 and 20) (In Korean won and U.S. dollars)	(Won) 10,772	(Won) 13,411

See accompanying Notes to
Consolidated Financial Statements and Independent Accountants' Review Report.

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2002 AND 2003
(UNAUDITED)

	In millions of Korean	
	2002	2003
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	(Won)907,974	(Won)1,022
Expenses not involving cash payments:		
Depreciation and amortization	675,990	737
Provision for severance indemnities	37,148	27
Provision for bad debts	9,734	10
Foreign translation loss	6,039	
Loss on disposal and impairment of property and equipment	9,553	3
Loss on disposal of investment assets	--	
Loss on disposal and valuation of trading securities............	--	1
Loss on impairment of long-term investment securities...........	419	3
Loss on impairment of intangible assets	2,977	
Deferred income taxes	6,487	28
Minority interest in net income of consolidated subsidiaries	18,505	7
Other	14,942	29
Sub-total	781,794	849
Income not involving cash receipts:		
Reversal of allowance for doubtful accounts	(1,629)	
Foreign translation gain	(34,380)	(2
Gain on disposal of property and equipment	(2,634)	
Equity in earnings of affiliates	(7,796)	(1
Other	(8,935)	(1
Sub-total	(55,374)	(6
Changes in assets and liabilities related to operating activities:		
Accounts receivable -- trade	(101,740)	(78
Accounts receivable -- other	301,665	(231
Inventories	6,629	(16
Other current assets	(26,700)	(61
Accounts payable	(6,339)	(884
Income taxes payable	40,853	13
Accrued expenses	127,434	43
Current portion of facility deposits	3,868	3
Other current liabilities	125,804	83
Severance indemnity payments	(10,706)	(9
Deposits for group severance indemnities and other deposits	3,480	5
Sub-total	464,248	(1,134
Net Cash Provided by Operating Activities	2,098,642	730

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
SIX MONTHS ENDED JUNE 30, 2002 AND 2003
(UNAUDITED)

	In millions of Korean wo	
	2002	2003
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in short-term financial instruments	(Won)313,014	(Won)(117,6
Increase in trading securities	(125,663)	(41,5
Proceeds from sales of long-term investment securities	2,801	776,8
Proceeds from sales of equity securities accounted for using the equity method	--	3,4
Decrease (increase) in short-term loans	(1,840)	31,8
Increase in long-term bank deposits	(15)	(3
Decrease in long-term loans	8,803	27,8
Decrease in guarantee deposits	28,312	44,4
Proceeds from disposal of property and equipment	14,216	4,3
Proceeds from disposal of intangible assets	10	2
Acquisition of property and equipment	(633,856)	(495,4
Acquisition of intangible assets	(9,859)	(12,9
Acquisition of long-term investment securities	(1,943,873)	(52,8
Acquisition of equity securities accounted for using the equity method	--	(15,0
Increase in long-term loans	(8,633)	(22,2
Increase in guarantee deposits	(10,109)	(52,8
Increase in other non-current assets	--	(8,4
Net Cash Provided by (Used in) Investing Activities	(2,366,692)	69,3

(Continued)

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
SIX MONTHS ENDED JUNE 30, 2002 AND 2003
(UNAUDITED)

	In millions of Korean wo	
	2002	2003
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in short-term borrowings	(Won)381,938	(Won)259,5
Issuance of bonds payable	487,259	315,8
Increase in long-term borrowings	2,872	13,5
Payment of short-term borrowings	--	(2,3
Payment of current portion of long-term debt	(345,596)	(127,3
Payment of dividends	(57,265)	(151,7
Decrease in facility deposits	(9,241)	(3,1
Net increase in treasury stock	(351,734)	(874,8
Increase (decrease) in minority interest in equity of consolidated subsidiaries	7,443	(588,619)
Other	(2,046)	(9,5
Net Cash Provided by (Used in) Financing Activities	113,630	(1,168,6
NET INCREASE IN CASH AND CASH EQUIVALENTS DUE TO CHANGES IN CONSOLIDATED SUBSIDIARIES	68	
NET DECREASE IN CASH AND CASH EQUIVALENTS	(154,352)	(368,3
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	867,280	664,1
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	(Won)712,928	(Won)295,7
Cash paid for interest (net of amounts capitalized)	(Won) 96,693	(Won)100,2
Cash paid for income taxes	(Won)376,761	(Won)393,7

See accompanying Notes to
Consolidated Financial Statements and Independent Accountants' Review Report

SK TELECOM CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2002 AND 2003

(Unaudited)

1. GENERAL

SK Telecom Co., Ltd. (the "Company") was incorporated in March 1984 under the laws of Korea as a wholly-owned subsidiary of KT Corporation (formerly known as Korean Telecom Corp.), the Korean government-owned fixed-line telephone company, and is currently engaged in providing cellular telephone communication services. The Company's common shares and depositary receipts (DRs) are listed on the Korea Stock Exchange and the New York and London Stock Exchanges, respectively. As of June 30, 2003, the Company's largest shareholders are the SK Group (26.78%) and POSCO (formerly known as Pohang Iron & Steel Co., Ltd.) (7.62%).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies followed in preparing the accompanying consolidated financial statements are summarized as follows:

a. Basis of Presentation

The official accounting records of the Company are expressed in Korean won and are maintained in accordance with the relevant laws and regulations of Korea. The accounting principles and reporting practices followed by the Company and generally accepted in Korea ("Korean GAAP") may differ in certain respects from accounting principles and reporting practices generally accepted in other countries and jurisdictions. To conform more closely to presentations customary in filings with the Securities and Exchange Commission of the United States of America, the accompanying consolidated financial statements have been condensed, restructured and translated into English. The conversion into U.S. dollars was made at the rate of (Won)1,196.0 to US$1, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the six months ended June 30, 2003. Such conversion into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at the above or any other rate.

b. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all majority-owned subsidiaries. Significant intercompany accounts and transactions have been eliminated in consolidation. 20% to 50% owned affiliates are accounted for by the equity method.

The Company's subsidiaries are as follows:

Subsidiary	Year of Establishment	Primary business
SK Teletech Co., Ltd..................	1995	Engineering and maintenance.....
SK Capital Co., Ltd...................	1995	Finance.........................

SK Telink Co., Ltd....................	1998	Telecommunication services......
SK Communications Corp................	1999	Internet website services.......
SK Wyverns Baseball Club..............	2000	Business related sports.........
Centurion IT Investment Association...	2001	Investments.....................
Global Credit and Information Corp....	1998	Credit and collection...........
Paxnet Inc............................	1999	Internet website services.......
SK Telecom International Inc..........	1995	Investments.....................
SLD Telecom PTE Ltd...................	2000	Telecommunication services......

c. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Korea and the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

d. Allowance for Doubtful Accounts

The allowance for doubtful accounts is provided based on the estimated collectibility of individual accounts and historical bad debt experience.

Activity in the allowance for doubtful accounts receivable -- trade for the six months ended June 30, 2002 and 2003 is as follows (in millions of Korean won):

	Six months ended June 30,	
	2002	2003
Beginning balance....................	(Won)81,681	(Won)60,542
Increase in allowance from newly consolidated subsidiaries..........	--	--
Additions............................	11,093	9,775
Reductions...........................	(13)	(3,837)
Ending balance.......................	(Won)92,761	(Won)66,480

e. Inventories

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

f. Investment Securities

Effective January 1, 2003, the Company and its subsidiaries adopted Statement of Korea Accounting Standards ("SKAS") No. 8, "Securities", and applied it retroactively, by reclassifying the accounts relating to securities in the consolidated financial statements for the year ended December 31, 2002, presented for comparative purposes in the accompanying consolidated financial statements. Such reclassification did not have an effect on the reported financial position of the Company and its subsidiaries as of December 31, 2002 or the results of their operations for the year ended December 31, 2002 and the six months ended June 30, 2002. This statement requires that certain investment securities be classified into three separate categories such as "trading securities", "available-for-sales securities", and "held-to-maturity securities", each with different accounting treatment.

Trading securities are stated at fair value with gains or losses on valuation charged to current operations.

Securities classified as available-for-sale are reported at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in capital adjustments and the unrealized gains or losses are reflected in net income when the securities are soldor if an impairment is other than temporary as discussed below. Equity securities without readily determinable fair value are stated at acquisition cost The declines in the fair value (or recoverable value) of individual available-for-sale securities below their acquisition or amortized cost that are other than temporary and where there is objective evidence of impairment, result in write-downs of the individual securities to their fair value. The related write-downs are recorded in current operations as loss on impairment of long-term investment securities.

Held-to-maturity securities are presented at acquisition cost after premiums or discounts for debt securities are amortized or accreted, respectively. The Company and its subsidiaries recognize write-downs resulting from the other-than-temporary declines in the fair value below their book value on the balance sheet date where there is objective evidence of impairment. The related write-downs are recorded in current operations as loss on impairment of long-term investment securities.

Trading securities are presented in the current asset section of the balance sheet, and available-for-sales and held-to-maturity securities are presented in the current and/or non-current asset section of the balance sheet as current portion of long-term investment securities and/or long-term investment securities.

g. Investments with 20% or More Ownership Interest

Investment securities of non-consolidated affiliated companies, in which the Company has a 20% or more ownership interest, are carried using the equity method of accounting, whereby the Company's initial investment is recorded at cost and the carrying value is subsequently increased or decreased to reflect the Company's portion of shareholders' equity of the investee. Differences between the purchase cost and net asset value of the investee are amortized over 20 years using the straight-line method. When applying the equity method of accounting, unrealized intercompany gains and losses are eliminated similar to the method used in preparing consolidated financial statements.

h. Property and Equipment

Property and equipment are stated at cost. Routine maintenance and repairs are expensed as incurred. Expenditures which result in an enhancement of the value or extension of the useful life of the facilities involved are capitalized.

Depreciation is computed using the declining balance method (except for buildings and structures acquired on or after January 1, 1995 which are depreciated using the straight-line method) over the estimated useful lives (3i-30 years) of the related assets.

Through 2002, interest expense and other financing charges for borrowings related to the manufacture or construction of property and equipment were capitalized until such manufacture or construction activities were complete. Effective January 1, 2003, in accordance with the application of SKAS No. 7, "Capitalization of Financing Costs", the Company changed the accounting policy for capitalization of interest costs to charge such interest expense and other financial charges to current operations as incurred. In accordance with this statement, this accounting change has been applied prospectively. If financing costs had been capitalized, total assets of the Company and its subsidiaries as of June 30, 2003 and net income for the six months then ended would have increased by (Won)9,132 million and (Won)6,420 million (net of income tax effect of (Won)2,712 million), respectively. For the six months ended June 30, 2002, the Company and its subsidiaries capitalized financing costs amounting to (Won)5,086 million.

i. Intangible Assets

Intangible assets are stated at cost less amortization computed using the straight-line method over 4 to 20 years.

With its application for a license to provide IMT 2000 service, the Company has a commitment to pay (Won)1,300,000 million to the Ministry of Information Communication ("MIC"). SK IMT Co., Ltd., which was merged to the Company on May 1, 2003, paid (Won)650,000 million of this amount in March 2001 and the Company is required to pay the remainder over 10 years with an annual interest rate equal to the 3-year-maturity government bond rate minus 0.75% (3.41% as of June 30, 2003). The future payments are (Won)90,000 million in 2007, (Won)110,000 million in 2008, (Won)130,000 million in 2009, (Won)150,000 million in 2010 and (Won)170,000 million in 2011. On December 4, 2001, SK IMT received the IMT 2000 license from the MIC, and recorded the total license cost as an intangible asset. Amortization of the IMT license is to commence when the Company commences providing IMT 2000 service, and will be computed using the straight-line method over the estimated useful life of the IMT license which expires in December 2016. The Company determined the IMT license has a finite life, considering that renewal cost is expected to be substantial.

Through 2002, interest expense and other financing charges for borrowings related to the purchase of intangible assets were capitalized until the assets were put in use. Effective January 1, 2003, in accordance with the application of SKAS No. 7, "Capitalization of Financing Costs", the Company changed the accounting policy for capitalization of interest costs to charge such interest expense and other financing charges to current operations as incurred. In accordance with this statement, this accounting change has been applied prospectively. If financing costs had been capitalized, total assets of the Company and its subsidiaries as of June 30, 2003 and net income for the six months then ended would have increased by (Won)20,965 million and (Won)14,738 million (net of income tax effect of (Won)6,227 million), respectively. For the six months ended June 30, 2002, the Company and its subsidiaries capitalized interest amounting to (Won)47,505 million relating to intangible assets.

j. Discounts on Bonds

Discounts on bonds are amortized to interest expense using the effective interest rate method over the redemption period of the bonds.

k. Accrued Severance Indemnities

In accordance with the policies of the Company and its subsidiaries, all employees with more than one year of service are entitled to receive severance indemnities, based on length of service and rate of pay, upon termination of their employment. Accruals for severance indemnities are recorded to approximate the amount required to be paid if all employees were to terminate at the balance sheet date.

The Company and certain subsidiaries have deposits with insurance companies to fund the portion of the employees' severance indemnities which is in excess of the tax deductible amount allowed under the Corporate Income Tax Law, in order to take advantage of the additional tax deductibility for such funding. Such funding of severance indemnities in outside insurance companies, where the beneficiaries are their employees, totaling (Won)120,413 million and (Won)115,416 million as of December 31, 2002 and June 30, 2003, respectively, were deducted from accrued severance indemnities in accordance with Korean GAAP.

In accordance with the Korean National Pension Fund Law, the Company and its domestic subsidiaries transferred a portion of its accrued severance indemnities to the National Pension Fund through March 1999. Such transfers, amounting to (Won)6,860 million and (Won)6,565 million as of December 31, 2002 and June 30, 2003, respectively, are deducted from accrued severance indemnities.

Changes in accrued severance indemnities for the six months ended June 30, 2002 and 2003 are as follows (in millions of Korean won):

	Six months ended June 30,	
	2002	2003
Beginning balance....................	(Won)61,620	(Won)48,519
Provision............................	37,148	27,091
Payments to employees................	(10,706)	(9,872)
Capitalized as construction-in-progress.......................	--	885
Increase in accrued severance indemnities from newly		

consolidated subsidiaries..........	177	--
Decrease (increase) in deposits for severance indemnities..............	3,480	4,997
Ending balance.......................	(Won)91,719	(Won)71,620

l. Accounting for Leases

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, have a lease term equal to 75% or more of the estimated economic life of the leased property or where the present value of minimum lease payments equals or exceeds 90% of the fair value of the leased property, are accounted for as capital leases. All other leases are accounted for as operating leases.

Assets and liabilities related to capital leases are recorded as property and equipment and obligations under capital leases, respectively, and the related interest is calculated using the effective interest rate method and charged to expense. For operating leases, the future minimum lease payments are expensed ratably over the lease term while contingent rentals are expensed as incurred.

m. Research and Development Costs

The Company and its subsidiaries charge substantially all research and development costs to expense as incurred. The Company and its subsidiaries incurred internal research and development costs of (Won)68,130 million and (Won)110,594 million for the six months ended June 30, 2002 and 2003, respectively, and external research and development costs of (Won)50,310 million and (Won)32,210 million for the six months ended June 30, 2002 and 2003, respectively.

n. Income Taxes

Deferred tax assets and liabilities are recorded for future tax consequences of operating loss carryforwards, tax credits and temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are recognized to the extent that they are expected to be realizable. Deferred tax assets and liabilities are presented on the balance sheet as a single non-current net number.

o. 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.

p. Foreign-Based Operations' Translation Credit

In translating the foreign currency financial statements of the Company's overseas subsidiaries into Korean won, the Company presents the translation gain as a foreign-based operations' translation credit in the capital adjustment section of the balance sheet. The translation gain arises from the application of different exchange rates; the year-end rate for balance sheet items except shareholders' equity, the historical rate for shareholders' equity and the daily average rate for statement of income items.

q. Accounting for Foreign Currency Transactions

The Company and its domestic subsidiaries maintain their accounts in Korean won. Transactions in foreign currencies are recorded in Korean won based on the prevailing rate of exchange at the dates of transactions. As allowed under Korean GAAP, monetary assets and liabilities denominated in foreign currencies are translated in the accompanying consolidated financial statements at the Base Rates announced by the Korean government on the balance sheet dates, which, for U.S. dollars, were (Won)1,200.4 to US$1 and (Won)1,193.1 to US$1 at December 31, 2002 and June 30, 2003, respectively. The resulting gains and losses arising from the translation or settlement of such assets and liabilities are included in current operations.

r. Valuation of Long-Term Payables

Long-term payables resulting from long-term installment transactions are stated at the present value of the expected future cash flows. Imputed interest amounts are recorded as a present value discount 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.

s. Accounting for Employee Stock Opt