

SK TELECOM CO LTD

Form 6-K

June 27, 2007

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**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 JUNE 2007**

**SK Telecom Co., Ltd.**

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

11, Euljiro2-ga, Jung-gu

Seoul 100-999, 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

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

*Note:* Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

*Note:* Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submission to furnish a report or other document that the registration foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's home country), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes  No

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

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QUARTERLY REPORT

(From January 1, 2007 to March 31, 2007)

THIS IS A SUMMARY OF THE QUARTERLY REPORT ORIGINALLY PREPARED IN KOREAN AND IS IN SUCH FORM AS REQUIRED BY THE KOREAN FINANCIAL SUPERVISORY COMMISSION.

IN THE TRANSLATION PROCESS, SOME PARTS OF THE REPORT WERE REFORMATTED, REARRANGED OR SUMMARIZED FOR THE CONVENIENCE OF READERS.

UNLESS EXPRESSLY STATED OTHERWISE, ALL INFORMATION CONTAINED HEREIN IS PRESENTED ON A NON-CONSOLIDATED BASIS IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN KOREA, OR KOREAN GAAP, WHICH DIFFER IN CERTAIN RESPECTS FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CERTAIN OTHER COUNTRIES, INCLUDING THE UNITED STATES. WE HAVE MADE NO ATTEMPT TO IDENTIFY OR QUANTIFY THE IMPACT OF THESE DIFFERENCES.

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Attachment: Korean GAAP Non-consolidated Financial Statements

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**I. OVERVIEW**

**1. Corporate Purpose of SK Telecom Co., Ltd. (the Company )**

**Business Objectives**

1. Information and communication business
2. Handset sales and lease business
3. New media business
4. Advertisement business
5. Communication sales business
6. Personal property and real property lease business
7. Research and technology development related to Clause 1 through 4
8. Overseas business and trading business related to Clause 1 through 4
9. Manufacturing and distribution business related to Clause 1 through 4
10. Tourism
11. Other businesses related to the above

**2. Company History**

**A. Changes Since Incorporation**

(1) Date of Incorporation

March 29, 1984 (date of shareholders meeting for the incorporation): Incorporated as Korea Mobile Communications Service Co., Ltd.

(Authorized capital: Won 500 million / Paid-in capital: Won 250 million)

(2) Location of Headquarters

22 Dohwa-dong, Mapo-gu, Seoul (July 11, 1988)

16-49 Hangang-ro 3-ga, Yongsan-gu, Seoul (November 19, 1991)

267 Namdaemun-ro 5-ga, Jung-gu, Seoul (June 14, 1995)

99 Seorin-dong, Jongro-gu, Seoul (December 20, 1999)

11, Euljiro 2-ga, Jung-gu, Seoul (December 13, 2004)

**B. Mergers**

(1) Target: Shinsegi Communication Co., Ltd.

Date: January 13, 2002

Registration: January 16, 2002

(2) Target: SK IMT Co., Ltd.

Date: May 1, 2003

Registration: May 7, 2003

C. Significant Recent Business Events

N/A

**3. Information Regarding Shares**

A. Total number of shares

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(As of March 31, 2007)

(Unit: shares)

<b>Classification</b>	<b>Common shares</b>	<b>Share type</b>	<b>Total</b>	<b>Remarks</b>
<b>I. Total number of issuable shares</b>	220,000,000		220,000,000	
<b>II. Total number of shares issued to date</b>	89,278,946		89,278,946	
<b>III. Total number of shares retired to date</b>	8,085,235		8,085,235	
<b>1. Capital reduction</b>				
<b>2. Share cancellation</b>	8,085,235		8,085,235	
<b>3. Redeemed shares</b>				
<b>4. Others</b>				
<b>IV. Total number of shares (II-III)</b>	81,193,711		81,193,711	
<b>V. Number of treasury shares</b>	8,526,252		8,526,252	
<b>VI. Number of shares outstanding (IV-V)</b>	72,667,459		72,667,459	

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## B. Capital Stock and Price per Share

(As of March 31, 2007)

(Unit: Won, shares)

Classification	Type	Capital (total face value)			Price per share		
		Capital amount in financial statements (a)	Total number of issued shares (IV of A×b)	Total amount of distributed shares (VI of A×b)	Par value per share (b)	Capital/ Total number of issued shares (a / IV of A.)	Capital/ Number of distributed shares (a / VI of A.)
Registered	Common shares	44,639,473,000	40,596,855,500	36,333,729,500	500	549.8	614.3
<b>Total</b>		44,639,473,000	40,596,855,500	36,333,729,500	500	549.8	614.3

## C. Acquisition and Disposition of Treasury Shares

## (1) Status of Acquisition and Disposition of Treasury Shares

Acquisition method	Type of share	Amount at the beginning of period	Acquisition/Disposition		Retirement (-)	Amount at the end of period
			(+)	(-)		
Direct acquisition pursuant to Article 189-2 (1) of the relevant Act	Common share	4,561,572				
	Preferred share					4,561,572
Direct acquisition based on causes other than those stipulated in Article 189-2 (1) of the relevant Act	Common share					
	Preferred share	77,970				77,970
Sub-total	Common share	4,639,542				4,639,542
	Preferred share					
Indirect acquisition through trust and other agreements	Common share	3,886,710				3,886,710
	Preferred share					
<b>Total</b>	Common share	8,526,252				8,526,252



Preferred  
share

*Notes:*

- \* Of the 4,639,542 shares of treasury stocks directly acquired based on causes other than those provided in Article 189-2 (1) of the relevant Act, 1,688,842 shares were deposited with the Korea Securities Depository as of March 31, 2007 for any exchange of the Company's overseas exchangeable bonds.
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**Table of Contents****D. Employee Stock Ownership Program****(1) Transactions with the Employee Stock Ownership Program**

- a) On August 23, 1999, the Company lent Won 118.6 billion of purchase funds for employee stock ownership to the Employee Stock Ownership Program, and the Employee Stock Ownership Program re-lent the amount to the Company's employees in accordance with its internal allotment standards.

Terms of the loan: 8-year installment repayment plan following a three-year grace period

The loan is deducted from wages for each individual to repay the Employee Stock Ownership Program, and is subsequently repaid to the company.

- b) Repayment amount during the first quarter of 2007 : Won 970,569,000

Details of the loan repayment

(As of March 31, 2007)

(Unit: in thousand Won)

<b>Classification</b>	<b>Amount</b>	<b>Remarks</b>
<b>Initial loan amount</b>	118,577,755	Lent on August 23, 1999 to 3,540 persons
	112,018,769	Includes Won 0.97 billion repaid during the first quarter of 2007
<b>Accumulated repayment amount</b>	6,558,986	Expected full repayment by June 2010
<b>Balance</b>		

**(2) Voting Rights of the Employee Stock Ownership Program**

During a designated period, to be 7 days or longer, each individual member of the Program may exercise his voting rights by expressing his intention on the shareholders' meeting agenda through a written power of attorney to a designated proxy.

**(3) Shareholdings of the Employee Stock Ownership Program**

(Unit: shares)

<b>Account classification</b>	<b>Types of share</b>	<b>Balance at the beginning of period</b>	<b>Balance at the end of period</b>
E.S.O.P. account	Common share	197,240	186,006

\* As the relevant law requires an immediate transfer of the shares directly purchased by the employees to the account of the individual purchasers, the Company transfers and holds the employees stocks in separate individual accounts within the program once the number of shares for each individual member is determined.

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**Table of Contents****4. Status of Voting Rights**

(As of March 31, 2007)

(Unit: shares)

Classification	Number of shares	Remarks
Total outstanding shares (A)	Common share	81,193,711
	Preferred share	
Number of shares without voting right (B)	Common share	8,526,252
	Preferred share	
Shares with restricted voting right under the Stock Exchange Act and other laws (C)	Common share	
Shares with reestablished voting right (D)		
The number of shares with exercisable voting right (E = A - B - C + D)	Common share	72,667,459
	Preferred share	

**5. Dividends and Others**

(Unit: in million Won except per share value)

Classification	1Q 2007	2006	2005
Par value per share	500	500	500
Current net income	396,310	1,446,598	1,871,380
Net income per share	5,454	19,734	25,421
Income available for distribution as dividend		1,608,891	1,930,626
Total cash dividend		582,386	662,529
Total stock dividend			
Percentage of cash dividend to available income (%)		40.3	35.4
Cash dividend yield ratio(%)	Common share	3.6	4.9
	Preferred share		
Stock dividend yield ratio (%)	Common share		
	Preferred share		
Cash dividend per share	Common share	8,000	9,000
	Preferred share		
Stock dividend per share	Common share		
	Preferred share		

\* The total amount of cash dividend for the year ended December 31, 2006 includes the interim dividend amount of Won 73,714 million, and the cash dividend amount per share of Won 8,000 for the same period includes the interim dividend amount of Won 1,000 per share.

\* The total amount of cash dividend for the year ended December 31, 2005 includes the interim dividend amount of Won 73,614 million, and the cash dividend amount per share of Won 9,000 for the same period includes the interim dividend amount of Won 1,000 per share.

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**Table of Contents****II. BUSINESS****1. Business Summary**

## A. Industry Status

## (1) Characteristics of the Industry

As of March 31, 2007, the number of domestic mobile phone subscribers reached 41.1 million and with a 85% penetration rate, and the Korean mobile communication market can be considered to have reached its maturation stage. However, considering the number of European countries with penetration rates exceeding 90%, additional future growth of the domestic market may be possible.

The Korean mobile communications market continues to improve with the help of advances in network-related technology evidenced by the world's first commercialization of CDMA2000 1x, CDMA 1x EV-DO, and the development of highly advanced handsets that enables the provision of convergence services for multimedia contents, mobile commerce, telematics, satellite DMB, digital home services and other related contents.

## (2) Industry Growth

(Unit: 1,000 persons)

Classification		End of 1Q 2007	End of 2006	End of 2005	End of 2004	End of 2003
Penetration rate (%)		85.0	83.2	79.4	75.9	70.1
Number of subscribers	SK Telecom	20,733	20,271	19,530	18,783	18,313
	PCS	20,368	19,926	18,812	17,803	15,279
	<b>Total</b>	41,101	40,197	38,342	36,586	33,592

(Data: Ministry of Information and Communication website)

**Table of Contents****(3) Market Characteristics**

The Korean mobile communication market includes the entire population of Korea with mobile communication service needs, and almost every Korean is considered a potential user. With the market penetration rate reaching as high as 85.0% (as of the end of March 2007), the customer base is continuing to expand to include elementary school and pre-school children. Although demand to date has primarily been in the domestic market, as the business territory expands to overseas market, the size of overseas sales is expected to grow in the near future. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

**B. Company Status****(1) Market Share**

\* Historical market share of the Company

(Unit: %)

	Classification	End of 1Q		
		2007	2006	2005
<b>Mobile phone</b>		50.4	50.4	50.9

\* Comparative market share

(As of March 31, 2007)

(Unit: %)

	Classification	SK	KTF	LG
		Telecom	Telecom	Telecom
<b>Market share</b>		50.4	32.0	17.5

(Data: Ministry of Information and Communication website)

**(2) New Business Contents and Prospects**

N/A

**2. Major Products****A. Status of Major Products as of March 31, 2007**

(Unit: in million Won, %)

Business field	Sales type	Item	Major	Sales amount (ratio)
			trademarks	
<b>Information and communication</b>	Services	Mobile phone	June, NATE and others	2,673,678 (98.6%)
		Others	Others	38,053 (1.4%)

**B. Price Trend of Major Products**

Item	Basic fee (per month)	1Q 2007	During 2006	During 2005
		<b>Mobile phone</b>	13,000	13,000
<b>(Based on standard call charge)</b>	<b>Service fee (per 10 seconds)</b>	20	20	20

\* Caller ID service became free of charge

beginning  
January 2006.

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**Table of Contents****3. Investment Status**

## A. Investments in Progress

(Unit: Won 100 million)

Business field	Classification	Investment period	Subject of investment	Investment effect	Total investments	Amount	
						already invested	Future investment
Network/Common	Upgrade/ New installation	2007	Network, systems and others	Capacity increase and quality improvement; systems improvement	15,500	2,920	12,580

\* Amount already invested is the cumulative amount expended through the first quarter of 2007

## B. Future Investment Plan

(Unit: Won 100 million)

Business field	Asset type	Expected investment amount	Expected investment for each year		Investment effect
			2008	2009	
Network/Common	Network, systems and others	15,500	N/A	N/A	Upgrades to the existing services and provision of new services
<b>Total</b>		15,500	N/A	N/A	

\* The expected investment amount of Won 1,550.0 billion is the planned investment amount for 2007.

**4. Derivative Products and Others**

## A. Derivatives Contracts

## (1) FX Swap

a) Purpose of Contracts: Currency Exchange Risk Hedging

b) Contract Terms

- Cross Currency Swap

(As of March 31, 2007)

(Unit: in million Won)

<b>Contract amount</b>	<b>Contract party</b>	<b>Contract date</b>	<b>Proceeds payment method</b>	<b>Income/loss on valuation</b>
US\$125 million	Citibank	March 23, 2004	Exchange on the date immediately preceding the principal and interest payment date	(36,838)
US\$125 million	Credit Suisse	March 23, 2004	Same as above	(36,712)
US\$50 million	BNP Paribas	March 23, 2004	Same as above	(14,131)
US\$100 million	Calyon	October 10, 2006	Same as above	(99)
Total: US\$400 million				(87,780)

\* Income/loss on valuation was calculated using the cash flow hedge accounting and was appropriated for capital adjustment.

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## FX Swap

(As of March 31, 2007)

(Unit: in million Won)

<b>Contract amount</b>	<b>Contract party</b>	<b>Contract date</b>	<b>Proceeds payment method</b>	<b>Income on valuation</b>
US\$100 million	Credit Suisse	May 27, 2004	Exchange before principal payment date	(21,769)
US\$300 million	Hana Bank	June 30, 2006	Payment of US Dollars and receipt of Korean Won on July 5, 2007	4,132
US\$140 million	Shinhan Bank			
US\$140 million	Woori Bank			
US\$140 million	Korea Exchange Bank			
US\$140 million	Citibank			
US\$140 million	Barclays Capital			

## (2) Interest Rate Swap

a) Purpose of Contracts: Interest Rate Risk Hedging

b) Contract Terms

(As of March 31, 2007)

(Unit: in million Won)

<b>Contract amount</b>	<b>Contract party</b>	<b>Contract date</b>	<b>Proceeds payment method</b>	<b>Income/loss on valuation</b>
2,000	Shinhan Bank	June 28, 2006	Fixing of interest payment date / exchange of floating interest rate	(1,416)

\* Income/loss on valuation was calculated using the cash flow hedge accounting and was appropriated for capital adjustment.

**Table of Contents****5. R&D Investments**

(Unit: in thousand Won)

	Category	1Q 2007	2006	2005
Raw material		24,750	184,969	234,889
Labor		13,414,757	33,986,701	35,191,759
Depreciation		30,640,254	134,461,257	121,335,301
Commissioned service		20,660,307	83,751,223	86,536,635
Others		6,508,932	35,680,197	41,730,732
<b>Total R&amp;D costs</b>		<b>71,249,000</b>	<b>288,064,347</b>	<b>285,029,316</b>
Accounting	Sales and administrative expenses	68,944,824	277,807,352	273,223,885
	Development expenses (Intangible assets)	2,304,176	10,256,995	11,805,431
<b>R&amp;D cost / sales amount ratio</b>		<b>1.95%</b>	<b>2.70%</b>	<b>2.81%</b>
<b>(Total R&amp;D costs / Current sales amount×100)</b>				

**6. Other Matters**

## A. External Fund Procurement Summary

\* Domestic procurement

(Unit: in million Won)

Source of procurement	Beginning balance	New procurement	Reduction from repayment	Ending balance	Remarks
Bank	200,000			200,000	
Insurance company					
Merchant banking					
Loan specialty financial company					
Mutual savings bank					
Other financial institutions	9,839		3,404	6,435	
<b>Total procurement from financial institutions</b>	209,839		3,404	206,435	
Corporate bond (public offering)	2,100,000			2,100,000	
Corporate bond (private offering)					
Paid-in capital increase (public offering)					

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Source of procurement	Beginning balance	New procurement	Reduction from repayment	Ending balance	Remarks
Paid-in capital increase (private offering)					
Asset backed securitization (public offering)					
Asset backed securitization (private offering)					
Others					
<b>Total procurement from capital market</b>	2,100,000			2,100,000	
Borrowings from shareholder, officer and affiliated company					
Others					
<b>Total</b>	2,309,839		3,404	2,306,435	

\* Overseas procurement

(Unit: in million Won)

Procurement source	Beginning balance	New procurement	Reduction in repayment and others	Ending balance	Remarks
Financial institutions	92,960	1,070		94,030	Exchange rate adjustment
Overseas securities (Corporate bonds)	278,880	3,210		282,090	Exchange rate adjustment
Overseas securities (shares and others)	356,356			356,356	
Asset backed securitization					
Others					
<b>Total</b>	728,196	4,280		732,476	

**Table of Contents**B. Credit Ratings  
(1) Corporate Bonds

<b>Credit rating date</b>	<b>Subject of valuation</b>	<b>Credit rating</b>	<b>Credit rating entity (Credit rating range)</b>	<b>Evaluation classification</b>
March 12, 2004	Corporate bond	AAA	Korea Ratings	Current valuation
March 15, 2004	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Current valuation
April 23, 2004	Corporate bond	AAA	Korea Investors Service, Inc.	Current valuation
April 23, 2004	Corporate bond	AAA	Korea Ratings	Current valuation
December 6, 2004	Corporate bond	AAA	Korea Investors Service, Inc.	Current valuation
December 6, 2004	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Current valuation
March 11, 2005	Corporate bond	AAA	Korea Investors Service, Inc.	Current valuation
March 11, 2005	Corporate bond	AAA	Korea Ratings	Current valuation
March 14, 2005	Corporate bond	AAA	Korea Ratings	Regular valuation
June 14, 2005	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Regular valuation
June 13, 2006	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Regular valuation
June 21, 2006	Corporate bond	AAA	Korea Ratings	Regular valuation
June 22, 2006	Corporate bond	AAA	Korea Investors Service, Inc.	Regular valuation
September 1, 2006	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Current valuation
September 1, 2006	Corporate bond	AAA	Korea Ratings	Current valuation
September 1, 2006	Corporate bond	AAA	Korea Investors Service, Inc.	Current valuation
October 27, 2006	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Current valuation
October 27, 2006	Corporate bond	AAA	Korea Ratings	Current valuation

\* Rating definition: AAA The certainty of principal and interest payment is at the highest level with extremely low investment risk, and is stable in that there is no influence of any environmental change under reasonable expectation conditions.

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## (2) Commercial Paper ( CP )

<b>Credit rating date</b>	<b>Subject of valuation</b>	<b>Credit rating</b>	<b>Credit rating entity (Credit rating range)</b>	<b>Evaluation classification</b>
January 26, 2004	CP	A1	National Information on Credit Evaluation, Inc.	Regular valuation
June 8, 2004	CP	A1	National Information on Credit Evaluation, Inc.	Current valuation
June 11, 2004	CP	A1	Korea Ratings	Current valuation
June 11, 2004	CP	A1	Korea Investors Service, Inc.	Current valuation
June 13, 2005	CP	A1	Korea Investors Service, Inc.	Current valuation
June 14, 2005	CP	A1	National Information on Credit Evaluation, Inc.	Current valuation
June 16, 2005	CP	A1	Korea Ratings	Current valuation
June 13, 2006	CP	A1	Korea Investors Service, Inc.	Current valuation
June 21, 2006	CP	A1	National Information on Credit Evaluation, Inc.	Current valuation
June 22, 2006	CP	A1	Korea Investors Service, Inc.	Current valuation
September 1, 2006	CP	A1	Korea Ratings	Current valuation
December 27, 2006	CP	A1	National Information on Credit Evaluation, Inc.	Current valuation
December 27, 2006	CP	A1	Korea Investors Service, Inc.	Current valuation

\* Rating definition: A1 Timely repayment capability is at the highest level with extremely low investment risk, and is stable in that there is no influence of any environmental change under reasonable expectation conditions.

## (3) International Credit Ratings

<b>Date of credit rating</b>	<b>Subject of valuation</b>	<b>Credit rating of securities</b>	<b>Credit rating company (Credit rating range)</b>	<b>Evaluation type</b>
June 14, 2005	Issuer Rating	A	Fitch (England)	Current valuation
July 14, 2005	Global Bonds	A2	Moody's (U.S.A.)	Current valuation
July 14, 2005	Exchangeable Bonds	A2	Moody's (U.S.A.)	Current valuation
July 27, 2005	Global Bonds	A	S&P (U.S.A.)	Current valuation
July 27, 2005	Exchangeable Bonds	A	S&P (U.S.A.)	Current valuation

**III. FINANCIAL INFORMATION**

## 1. Summary Financial Statements

(Unit: in million Won)

Classification	Year ended December 31,				
	1Q 2007	2006	2005	2004	2003
<b>Current assets</b>	<b>4,033,638</b>	4,189,325	4,172,485	3,854,345	3,460,706
<b>Quick assets</b>	<b>4,014,481</b>	4,172,887	4,166,500	3,843,384	3,452,682
<b>Inventory</b>	<b>19,157</b>	16,438	5,985	10,961	8,024
<b>Fixed assets</b>	<b>11,795,615</b>	11,624,728	10,349,191	10,166,360	9,915,253
<b>Investments</b>	<b>3,841,897</b>	3,547,942	2,366,760	2,112,488	1,763,359

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Classification	Year ended December 31,				
	1Q 2007	2006	2005	2004	2003
Tangible assets	4,391,357	4,418,112	4,595,884	4,605,253	4,551,626
Intangible assets	3,315,393	3,405,158	3,386,547	3,448,619	3,600,268
Other non-current assets	246,968	253,516			
<b>Total assets</b>	<b>15,829,253</b>	<b>15,814,053</b>	<b>14,521,676</b>	<b>14,020,705</b>	<b>13,375,959</b>
Current liabilities	3,238,898	2,985,620	2,747,268	2,859,711	4,231,974
Fixed liabilities	3,185,321	3,522,006	3,516,528	4,033,902	3,202,147
<b>Total liabilities</b>	<b>6,424,219</b>	<b>6,507,626</b>	<b>6,263,796</b>	<b>6,893,613</b>	<b>7,434,121</b>
Capital	44,639	44,639	44,639	44,639	44,639
Capital surplus	2,965,945	2,962,699	2,966,198	2,983,166	2,915,964
Capital adjustment	(2,022,477)	(2,019,568)	(2,022,817)	(2,057,422)	(2,159,114)
Accumulated comprehensive income	684,536	473,904			
Retained earnings	7,732,391	7,844,753	7,269,861	6,156,708	5,140,349
<b>Total capital</b>	<b>9,405,034</b>	<b>9,306,427</b>	<b>8,257,881</b>	<b>7,127,091</b>	<b>5,941,838</b>
Sales	2,711,730	10,650,952	10,161,129	9,703,681	9,520,244
Operation income	661,984	2,584,370	2,653,570	2,359,581	3,080,660
Ordinary income	563,792	2,021,643	2,554,613	2,115,778	2,714,194
Current net income	396,310	1,446,598	1,871,380	1,494,852	1,942,750

\* See the attached Korean GAAP Non-consolidated Financial Statements.

**IV. AUDITOR S OPINION****1. Auditor**

1Q 2007	2006	2005	2004
Deloitte Anjin LLC	Deloitte Anjin LLC	Deloitte Anjin LLC	Deloitte Hana Anjin LLC

**2. Audit Opinion**

Term	Auditor s opinion	Issues noted
1Q 2007	Appropriate	
Year ended December 31, 2006	Appropriate	
Year ended December 31, 2005	Appropriate	
Year ended December 31, 2004	Appropriate	

**Table of Contents****3. Remuneration for Independent non-executive Auditors for the Past Three Fiscal Years**

## A. Audit Contracts

(Unit: in thousand Won)

<b>Term</b>	<b>Auditors</b>	<b>Contents</b>	<b>Fee</b>	<b>Total hours</b>
<b>1Q 2007</b>	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit	To be determined	To be determined
<b>Year ended December 31, 2006</b>	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit	656,000	6,206 (excluding time spent on consolidated and US GAAP audit)
<b>Year ended December 31, 2005</b>	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit	447,000	5,177
<b>Year ended December 31, 2004</b>	Deloitte Hana Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit	360,000	4,808

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## B. Non-Audit Services Contract with External Auditors

(Unit: in thousand Won)

<b>Term</b>	<b>Contract date</b>	<b>Service provided</b>	<b>Service period</b>	<b>Fee</b>
<b>1Q 2007</b>	March 20, 2007	Tax adjustment for fiscal year 2006	10 days	30,000
<b>Year ended December 31, 2006</b>	January 1, 2006	Tax consulting service for fiscal year 2006	25 days	20,000
	February 7, 2006	Tax training for employees of authorized exclusive dealers	50 days	45,000
	March 31, 2006	Tax adjustment for fiscal year 2005	7 days	27,000
	April 30, 2006	Tax consulting	7 days	45,000
	July 26, 2006	Financial consulting	7 days	40,000
	October 13, 2006	Evaluation of and preparation of recommendations for improvement of subsidiaries' financial system infrastructure	10 days	49,500
<b>Year ended December 31, 2005</b>	November 13, 2006	Preparation of responses to the U.S. S.E.C. comments on the Company's Form 20-F for 2005	10 days	25,500
	February 4, 2005	Advisory service regarding the set up of the internal control	9 days	46,080
	March 30, 2005	-Form 20-F for the year ended December 31, 2003 -Response to the U.S. S.E.C. comments regarding the Form 6-K including the U.S. GAAP consolidated financial statements for the six months ended June 30, 2004	10 days	20,200
	March 31, 2005	Tax adjustment for the year ended December 31, 2004	7 days	24,920
	April 15, 2005	Tax consulting	3 days	5,000
	April 29, 2005	Tax consulting	7 days	19,000
<b>Year ended December 31, 2004</b>	June 1, 2005	2004 English audit	20 days	86,000
	July 18, 2005	Tax consulting	5 days	13,500
	December 31, 2005	Tax consulting	All year (100 hours)	10,000
	March 2, 2004	Consulting on the issuance of overseas unsecured debenture	17 days	49,500
	March 30, 2004	Tax adjustment for the year ended December 31, 2003	5 days	22,650
	April 1, 2004	Financial due diligence	6 days	6,100
	April 10, 2004	Thailand tax consulting	4 days	12,000

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<b>Term</b>	<b>Contract date</b>	<b>Service provided</b>	<b>Service period</b>	<b>Fee</b>
	April 14, 2004	Consulting on issuance of overseas exchangeable bond	15 days	48,800
	May 10, 2004	Indonesia tax consulting	4 days	9,600
	September 30, 2004	U.S. GAAP Consolidated Audit (yearly basis)	20 days	86,000
	September 30, 2004	U.S. GAAP Consolidated Audit (Semi-annual basis)	30 days	114,000
	October 15, 2004	Consulting on internal control recommendations	50 days	171,000

**V. MANAGEMENT STRUCTURE****1. Summary of Management Structure**

## A. Board of Directors

## (1) Authority of the Board of Directors

## a) Authority of the board of directors under Article 7 of the Regulations of the Board of Directors

Convocation of shareholders meeting and submission of agenda

Prior approval of financial statements

Decisions on issuance of new shares

Long-term borrowings, issuance of corporate bonds and redemptions

Capital transfer of reserves

Election of CEO and representatives

Appointment of executive directors

Establishment, transfer or closure of branches

Enactment of and revision to the Regulations for the Board of Directors

Annual business plan and budgeting

Approval of investments of Won 15 billion or above

Planned budget increases and changes for investments or Won 15 billion or above

Diversification into new businesses

Investments and joint ventures of Won 15 billion or above (excluding matters subject to prior approval by independent non-executive directors)

Establishment of subsidiaries

Guarantees of Won 15 billion or above (excluding matters subject to prior approval by independent non-executive directors)

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Transactions undertaken with related parties equal to or above the lesser of an amount equivalent to 10% of capital or Won 10 billion, and any material changes to such transactions in accordance with the Anti-trust Law and Fair Trade Act

Enactment of and amendment to the Internal Trading Procedures

Other matters considered necessary by the Board of Directors and those requiring Board of Directors approval under applicable laws

b) Reporting items under Article 7.2 of the Regulations of the Board of Directors

The representative director must report the following to the Board of Directors within two months after the date of occurrence:

Results for the six months ended June 30 of each year

Execution of investments between Won 5 billion and Won 15 billion

New investments and joint ventures under Won 15 billion

Acquisition of non-operational fixed assets

Disposition of fixed assets of Won 15 billion or above

Matters related to guarantees of under Won 15 billion

Internal trading not subject to approval by the Board of Directors

Matters delegated to the representative director that the Board of Directors requires to be reported

(2) Publication of Information on Director Candidates Prior to the Shareholders Meeting for the Election of Directors and Shareholders Nomination

a) On February 15, 2007, in the notice of the annual general meeting of shareholders, information on Jung Nam Cho, Sung Min Ha and Dal Sup Shim, candidates for the Board of Directors, was publicly disclosed.

b) There was no nomination by the shareholders.

(3) Significant Activities of the Board of Directors

<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
<b>276<sup>th</sup> (the first meeting of 2007)</b>	January 25, 2007	Financial statements for the year ended December 31, 2006 Annual business report for the year ended December 31, 2006	Approved as proposed Approved as proposed
<b>277<sup>th</sup> (the second meeting of 2007)</b>	February 13, 2007	Organization of Independent Non-executive Director Nomination Committee	Approved as proposed
<b>278<sup>th</sup> (the third meeting of 2007)</b>	February 13, 2007	Convocation of the 29 <sup>th</sup> General Meeting of Shareholders Change in the Fair Trade Voluntary Compliance Program manager	Approved as proposed Approved as proposed



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<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
<b>279<sup>th</sup></b> <b>(the fourth meeting of 2007)</b>	March 9, 2007	Election of the representative director and appointments of executive directors Election of committee members	Approved as proposed Approved as proposed
<b>280<sup>th</sup></b> <b>(the fifth meeting of 2007)</b>	April 27, 2007	Entry into UN Global Compact	Approved as proposed
(4) Committee Structure and Activities of the Board of Directors			
a) Independent non-executive Director Nomination Committee Organization			

(As of March 31, 2007)

<b>Number of Persons</b>	<b>Members</b>	
	<b>Company Directors</b>	<b>Independent non-executive Directors</b>
4 Activities	Shin Bae Kim, Sung Min Ha	Seung Taik Yang, Sang Jin Lee

<b>Meeting</b>	<b>Date</b>	<b>Number of Attendees</b>	<b>Details</b>
<b>8<sup>th</sup> Meeting</b> <b>(the first meeting of 2007)</b>	February 13, 2007	4 persons /4 persons	Election of the Chairman: Seung Taik Yang 2 <sup>nd</sup> General Meeting of Shareholders: Nomination of Independent non-executive director candidates Dal Sup Shim

\* The Independent Non-executive Director Nomination Committee is a committee established under the provisions of the Articles of Incorporation.



**Table of Contents**b) Compensation Review Committee  
Organization

(As of March 31, 2007)

**Members**

<b>Number of Persons</b>	<b>Company Directors</b>	<b>Independent non-executive Directors</b>
8 persons		Dae Sik Kim, Yong Woon Kim, Dae Kyu Byun, Dal Sup Shim, Seung Taik Yang, Jae Seung Yoon, Sang Jin Lee, Hyun Chin Lim
Activities		

<b>Meeting</b>	<b>Date</b>	<b>Number of Attendees</b>	<b>Details</b>
<b>The first meeting of 2007</b>	April 26, 2007	7 persons/ 8 persons	Election of chairman

\* The Compensation Review Committee is a committee established by the resolution of the Board of Directors.

c) Capex Review Committee  
Organization

(As of March 31, 2007))

**Members**

<b>Number of Persons</b>	<b>Company Directors</b>	<b>Independent non-executive Directors</b>
5 persons	Lee Bang Hyung	Dae Kyu Byun, Seung Taik Yang, Jae Seung Yoon, Sang Chin Lee
Activities		

<b>Meeting</b>	<b>Date</b>	<b>Number of Attendees</b>	<b>Details</b>
<b>The first meeting of 2007</b>	April 26, 2007	4 persons/ 5 persons	Election of chairman

\* The Capex Review Committee is a committee established by the resolution of the Board of Directors.

d) Globalization Committee  
Organization

(As of March 31, 2007)

**Number of Persons**

4 persons

Activities

N/A

**Company Directors**

Ha Sung Min

**Members**

**Independent non-executive Directors**

Dae Sik Kim, Dae Kyu Byun, Sang Chin Lee

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\* The Globalization Committee is a committee established by the resolution of the Board of Directors.

e) Audit Committee: See B. Audit System below.

\* The Audit Committee is a committee established under the provisions of the Articles of Incorporation.

**B. Audit System****(1) Establishment and Organization of the Audit Committee**

- a) The Audit Committee is composed of three or more directors. However, independent non-executive directors must account for 2/3 or more, and the members are elected by the resolution of the Board of Directors each year.
- b) The Audit Committee is convened when deemed necessary by the chairman or is requested by two or more of the committee members.
- c) The quorum for resolution is majority attendance with majority consent of the attending members.

**(2) Authority of the Audit Committee**

Includes authority to inquire on the subsidiary companies, right to investigate the business operations and asset conditions, and right to request for a business status report pursuant to the Audit Committee Regulations.

**(3) Members of the Audit Committee**

Audit Committee Members are directors Dae Sik Kim, Yong Woon Kim, Dal Sup Shim and Hyun Chin Lim.

**(4) Major Activities of the Audit Committee**

<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>	<b>Remarks</b>
<b>The first meeting of 2007</b>	January 24, 2007	Financial statements for the year ended December 31, 2006 Annual business report for the year ended December 31, 2006 Report on operation of internal accounting controls		
<b>The second meeting of 2007</b>	February 12, 2007	Report on K GAAP audit of the financial statements for the		

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year ended December 31, 2006	
Report on the review of internal accounting controls	
for the	
year ended December 31, 2006	
Report on the 2006 second-half management audit	
and the	
2007 plan	
Auditor's opinion on internal controls	Approved as proposed
Audit report for the year ended December 31, 2005	Approved as proposed
Evaluation of internal accounting controls	Approved as proposed

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<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>	<b>Remarks</b>
<b>The third meeting of 2007</b>	April 26, 2007	Election of committee chairman	Approved as proposed	
		Reaffirmation of services to be provided by external auditors for fiscal year 2007	To be re-proposed at subsequent meeting	
		Report on internal audit regarding the appropriateness of imposition of certain fines		

## C. Exercise of Voting Rights by the Shareholders

## (1) Use of the Cumulative Voting System

a) Pursuant to the Articles of Incorporation, the cumulative voting system was first introduced in the General Meeting of Shareholders in 2003.

## b) Articles of Incorporation

Article 32 (3) (Election of Directors): Cumulative voting under Article 382-2 of the Commercial Code will not be applied for the election of directors.

Article 4 of the 12<sup>th</sup> Supplement to the Articles of Incorporation (Interim Regulation): Article 32 (3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general shareholders meeting of 2003.

## D. Compensation of Officers and Others

## (1) Compensation of Directors (including Independent non-executive Directors) and Members of the Audit Committee

(Unit: in million Won)

<b>Classification</b>	<b>Total payment</b>	<b>Total amount approved by the Meeting of Shareholders</b>	<b>Average payment per person</b>	<b>Remarks</b>
Company directors	3,320	12,000	830	
Independent non-executive directors	133		18	Including members of the Audit Committee

## (2) Granting and Exercise of Stock Options

All of the options granted by the Company in or after 2001, in the total amount of 109,550 shares, have expired and there are no options that remain outstanding. The exercise period for the stock options granted on March 8, 2002 (for 65,730 shares) was from March 8, 2005 to March 7, 2007, and all such options have expired without exercise.

**Table of Contents****2. Affiliated Companies**

(1) Summary of Corporate Group

Name: SK Group

(2) Capital Investments between Affiliated Companies

(As of March 31, 2007)

\* Based on common shares

Investing company	Invested companies							
	SK Corporation	SK Networks	SK Telecom	SK Chemicals	SKC	SK E&C	SK Shipping	SK Securities
SK Corporation		40.58%	21.75%		44.19%		72.13%	
SK Networks			1.34%			0.02%	17.71%	22.71%
SK Telecom								
SK Chemicals						58.03%		
SKC				2.90%			10.16%	12.41%
SK E&C								
SK Shipping								
SK Securities	0.17%							
Walkerhill								
SK C&C	11.16%							
SK incheon oil								
Daehan City Gas								
SK Telink								
SK E&S								
SK Communications								
iHQ								
Empas								
<b>Total affiliated companies</b>	<b>11.33%</b>	<b>40.58%</b>	<b>23.09%</b>	<b>2.90%</b>	<b>44.19%</b>	<b>58.05%</b>	<b>100.00%</b>	<b>35.12%</b>

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Investing companies	Invested companies							
	Walkerhill	SK E&S	SK Gas	SK C&C	DOPCO	Cheongju Gas	Gumi Gas	Pohang Gas
SK Corporation		51.00%			32.38%			
SK Networks	9.68%			15.00%	4.61%			
SK Telecom				30.00%				
SK Chemicals	0.25%							
SKC	7.50%							
SK E&C								
SK Shipping								
SK Securities								
Walkerhill								
SK C&C								
SK incheon oil					5.23%			
Daehan City Gas								
SK Telink								
SK E&S			45.53%			100.00%	100.00%	100.00%
SK Communications								
iHQ								
Empas								
<b>Total affiliated companies</b>	17.43%	51.00%	45.53%	45.00%	42.23%	100.00%	100.00%	100.00%

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Investing companies	Invested companies						Busan City Gas
	Daehan City Gas	Daehan Engineering	SK Sci-tech	K-Power 65.00%	SK NJC 60.00%	SK Telink 90.77%	
SK Corporation							
SK Networks							
SK Telecom							
SK Chemicals			50.00%		60.00%		
SKC							
SK E&C							
SK Shipping							
SK Securities							
Walkerhill							
SK C&C							
SK incheon oil							
Daehan City Gas		100.00%					
SK Telink							
SK E&S	40.00%						40.00%
SK Communications							
iHQ							
Empas							
<b>Total affiliated companies</b>	<b>40.00%</b>	<b>100.00%</b>	<b>50.00%</b>	<b>65.00%</b>	<b>60.00%</b>	<b>90.77%</b>	<b>40.00%</b>

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	Invested companies						
	Stellar	Jeonnam City	Gangwon City	Iksan City Gas	OK Cashbag Service	Chungnam City Gas	SK Wyverns
<b>Investing companies</b>	<b>Shipping</b>	<b>Gas</b>	<b>Gas</b>	<b>Gas</b>	<b>Service</b>	<b>City Gas</b>	<b>Wyverns</b>
SK Corporation					96.67%		
SK Networks							
SK Telecom					1.19%		99.99%
SK Chemicals							
SKC							
SK E&C							
SK Shipping	100.00%						
SK Securities							
Walkerhill							
SK C&C							
SK incheon oil							
Daehan City Gas							
SK Telink							
SK E&S		100.00%	100.00%	100.00%		100.00%	
SK Communications							
iHQ							
Empas							
<b>Total affiliated companies</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>97.86%</b>	<b>100.00%</b>	<b>99.99%</b>

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Investing companies	Infosec	Invested companies				Innoace	AirCROSS
		MRO Korea	SK Communications	SK Telesys			
SK Corporation							
SK Networks		51.00%					
SK Telecom			85.90%		14.25%		100.00%
SK Chemicals							
SKC	20.63%			77.13%			
SK E&C							
SK Shipping							
SK Securities							
Walkerhill							
SK C&C	48.14%						
SK incheon oil							
Daehan City Gas							
SK Telink			1.18%				
SK E&S							
SK Communications							
iHQ							
Empas							
<b>Total affiliated companies</b>	<b>68.77%</b>	<b>51.00%</b>	<b>87.08%</b>	<b>77.13%</b>	<b>14.25%</b>		<b>100.00%</b>

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Investing companies	Encar network	Global C&I	Invested companies			
			Paxnet	TU Media	SK Utis	SK CTA
SK Corporation	50.00%					50.00%
SK Networks						
SK Telecom		50.00%	59.74%	32.70%		
SK Chemicals					60.00%	
SKC						
SK E&C						
SK Shipping						
SK Securities		40.00%				
Walkerhill						
SK C&C						
SK incheon oil						
Daehan City Gas						
SK Telink						
SK E&S						
SK Communications						
iHQ						
Empas						
<b>Total affiliated companies</b>	<b>50.00%</b>	<b>90.00%</b>	<b>59.74%</b>	<b>32.70%</b>	<b>60.00%</b>	<b>50.00%</b>

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Investing companies	Invested companies						SK Incheon Oil
	Seoul Records	In2Gen	Independence	SK Petrochemical	SK Mobile Energy	SKC Media	
SK Corporation					88.34%		90.63%
SK Networks							
SK Telecom	60.00%						
SK Chemicals		44.56%		100.00%			
SKC					11.66%	100.00%	
SK E&C							
SK Shipping							
SK Securities							
Walkerhill							
SK C&C			67.78%				
SK incheon oil							
Daehan City Gas							
SK Telink							
SK E&S							
SK Communications							
iHQ							
Empas							
<b>Total affiliated companies</b>	<b>60.00%</b>	<b>44.56%</b>	<b>67.78%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>90.63%</b>

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Investing companies	iHQ	YTN Media	Invested companies			Empas	Ecolgreen
			I Film Co.	NTRREEV Soft	SK I-Media		
SK Corporation							
SK Networks							55.00%
SK Telecom	34.05%						
SK Chemicals							
SKC							
SK E&C							
SK Shipping							
SK Securities							
Walkerhill							
SK C&C						40.00%	
SK incheon oil							
Daehan City Gas							
SK Telink							
SK E&S							
SK Communications						60.00%	24.43%
IHQ		51.42%	45.00%	51.00%			
Empas							
<b>Total affiliated companies</b>	34.05%	51.42%	45.00%	51.00%	100.00%	24.43%	55.00%

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**Table of Contents****VI. SHARES****1. Distribution of Shares**

## A. Shareholdings of Major Shareholders and other Related Parties

(As of December 31, 2006)

(Unit: share, %)

Name	Relationship	Types of shares	Number of shares owned (equity rate)				Cause of change	
			Beginning Number of shares	Ownership ratio	Increase of shares	Decrease of shares		Ending Number of shares
<b>SK Corporation</b>	Parent company	Common stock	17,663,127	21.47			17,663,127	21.75
<b>SK Networks</b>	Affiliated company	Common stock	1,085,325	1.32			1,085,325	1.34
<b>Tae Won Choi</b>	Officer of affiliated company	Common stock	100	0.00			100	0.00
<b>Shin Won Choi</b>	Officer of affiliated company	Common stock	700	0.00	70		770	0.00
<b>Shin Bae Kim</b>	Director	Common stock	1,270	0.00			1,270	0.00
<b>Dae Kyu Byun</b>	Director	Common stock	50	0.00			50	0.00
<b>Jae Seung Yoon</b>	Director	Common stock	200	0.00			200	0.00
<b>Bang Hyung Lee</b>	Director	Common stock	1,630	0.00		1,230	400	0.00
<b>Sung Min Ha</b>	Director	Common stock	738	0.00			738	0.00
<b>Total</b>		Common stock	18,753,140	22.79	70	1,230	18,751,980	23.10
		Preferred stock	0	0			0	0
		<b>Total</b>	18,753,140	22.79	70	1,230	18,751,980	23.10

Largest shareholder: SK Corporation

Number of related parties: 8 persons

## B. Shareholders with More than 5% Shareholding

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(As of December 31, 2006)

(Unit: share, %)

Rank	Name (title)	Common share		Preferred share		Sub-total	
		Number of shares	Ownership ratio	Number of shares	Ownership ratio	Number of shares	Ownership ratio
1	Citibank ADR	21,649,448	26.66			21,649,448	26.66
2	SK Corporation	17,663,127	21.75			17,663,127	21.75
3	SK Telecom	8,526,252	10.50			8,526,252	10.50
	<b>Total</b>	47,838,827	58.92			47,838,827	58.92

## C. Shareholder Distribution

(As of December 31, 2006)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
<b>Total minority shareholders</b>	21,571	99.96	29,242,806	36.01	
<b>Minority shareholders (corporate)</b>	1,077	4.99	11,103,941	13.67	
<b>Minority shareholders (individual)</b>	20,494	94.97	18,138,865	22.34	
<b>Largest shareholder</b>	1	0.00	17,663,127	21.75	
<b>Major shareholders</b>					
<b>Other shareholders</b>	8	0.04	34,287,778	42.23	
<b>Other shareholders (corporate)</b>	6	0.03	11,663,018	14.36	
<b>Other shareholders (individual)</b>	2	0.01	22,624,760	27.87	
<b>Total</b>	21,580	100.00	81,193,711	100.00	

**Table of Contents****2. Share Price and Trading Volume in the Last Six Months**

## A. Domestic Securities Market

(Unit: Won, shares)

Types		March 2007	February 2007	January 2007	December 2006	November 2006	October 2006
		<b>Common share</b>	<b>Highest</b>	198,500	205,500	225,500	235,000
	<b>Lowest</b>	190,000	191,000	195,500	211,500	205,000	194,500
<b>Monthly transaction volume</b>		4,158,566	4,619,096	4,003,944	3,192,160	3,534,043	3,085,835

## B. Overseas Securities Market

## New York Stock Exchange

(Unit: US\$, ADR)

Types		March 2007	February 2007	January 2007	December 2006	November 2006	October 2006
		<b>Depository receipt</b>	<b>Highest</b>	23.70	24.14	26.41	27.42
	<b>Lowest</b>	22.51	22.46	23.03	25.44	24.91	22.89
<b>Monthly transaction volume</b>		24,665,014	22,246,378	16,942,200	11,177,000	16,392,201	15,388,604

**VII. EMPLOYEES**

(As of March 31, 2007)

(Unit: persons, in million Won)

Classification	Number of employees				Average service year	Total quarterly wage	Average wage per person	Remarks
	Office managerial positions	Production positions	Others	Total				
<b>Male</b>	3,774			3,774	8.80	56,654	15	
<b>Female</b>	554			554	7.27	6,423	12	
<b>Total</b>	4,328			4,328	8.60	63,077	14	



**Table of Contents****VIII. TRANSACTIONS WITH RELATED PARTIES****1. Transactions with the Largest Shareholder****A. Provisional Payment and Loans (including loans on marketable securities)**

(As of March 31, 2007)

(Unit: in million Won)

<b>Name (Corporate name)</b>	<b>Relationship</b>	<b>Account category</b>	<b>Beginning</b>	<b>Change details</b>		<b>Ending</b>	<b>Accrued interest</b>	<b>Remarks</b>
				<b>Increase</b>	<b>Decrease</b>			
<b>SK Wyverns</b>	Affiliated company	Long-term and short-term loans	5,282		575	4,707	106	

**B. Equity Investments**

(As of March 31, 2007)

(Unit: in million Won)

<b>Name (Corporate name)</b>	<b>Relationship</b>	<b>Types of Investment</b>	<b>Beginning</b>	<b>Details</b>			<b>Note</b>
				<b>Increase</b>	<b>Decrease</b>	<b>Ending</b>	
<b>SKT U.S.A. Holdings</b>	Affiliated company	Common share	199,047	12,719		211,766	
<b>AirCROSS</b>	Affiliated company	Common share	300	2,140		2,440	
<b>TU Media</b>	Affiliated company	Common share	64,611	32,368		96,979	
<b>China STC</b>	Affiliated company	Common share	1,343	1,124		2,467	
	<b>Total</b>		265,301	48,351		313,652	

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## C. Transfer of Assets

Unit: in thousand won)

Name (Corporate name)	Relationship	Subject matter	Transfer purpose	Transfer details		Remarks
				Transfer date	Amount	
				Transfer (out) amount	Transfer (in) amount	
<b>SK Corporation</b>	Affiliated company	Intellectual property (trademarks)	Brand consolidation	February 6, 2007		4,125,000
<b>SK Corporation</b>	Affiliated company	Vehicles	Sale of vehicles	February 13, 2007		7,273
<b>SK Networks</b>	Affiliated company	Equipment	Sale of assets	February 15, 2007		1,770
<b>Encar Networks Limited</b>	Affiliated company	Vehicles	Sale of vehicles	February 8, 2007		77,273
<b>Encar Networks Limited</b>	Affiliated company	Vehicles	Sale of vehicles	March 26, 2007		100,545
<b>SK Communications</b>	Affiliated company	Vehicles	Sale of operational vehicles	February 28, 2007	21,202	
		<b>Total</b>			21,202	4,311,861

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**2. Transactions with Shareholders (excluding the largest shareholder and others), Officers, Employees and other Interested Parties**

**A. Provisional Payment and Loans (including loans on marketable securities)**

\* Agents

(Unit: in million Won)

Name (Corporate name) Hong Eun and others	Relationship	Account category	Beginning	Change details		Ending	Accrued interest	Remarks
				Increase	Decrease			
	Agency	Long-term and short-term loans	64,984	38,743	21,900	81,827		

\* Overseas investment companies

(Unit: in million Won)

(Corporate name) DSS Mobile Com. (India)	Relationship	Account category	Beginning	Change details		Ending	Accrued interest	Remarks
				Increase	Decrease			
	Overseas Investment company	Long-term loans	18,887			18,887		Payment guarantee

B. Equity Investments

(Unit: in million Won)

Name (Corporate name)	Relationship	Types of investment	Beginning	Details			Ending	Remarks
				Increase	Decrease			
Nayio Media, Inc.		Common share	247,500		247,500			
DCM V.L.P.		Fund investment		4,691,500		4,691,500		
Sky Lake Fund		Fund investment		352,000		352,000		
Centurion IT Investment Group		Common share	3,000,000		900,000	2,100,000		
		<b>Total</b>	3,247,500	5,043,500	1,147,500	7,143,500		



**Table of Contents****IX. OTHER RELEVANT MATTERS****1. Developments in the Items mentioned in prior Reports on Important Business Matters****A. Status and Progress of Major Management Events**

<b>Date of Disclosure in Korea</b>	<b>Title</b>	<b>Report</b>	<b>Reports status</b>
October 26, 2001	Resolution on trust agreement for the acquisition of treasury shares and others	1. Signatories: Shinhan Bank, Hana Bank, Cho Hung Bank, Korea Exchange Bank  2. Contract amount: Won 1,300 billion  3. Purpose: to increase shareholder value	1. On December 24, 2003, cash surplus amount from the existing trust agreement was partially reduced (Won 318 billion).  2. On September 24, 2004, the Board of Directors extended the term of the specified monetary trust agreement for 3 years.  3. As of March 31, 2007, the balance of specified monetary trust for treasury shares was Won 982 billion.

**2. Summary Minutes of the Shareholders Meeting**

<b>Date</b>	<b>Agenda</b>	<b>Resolution</b>
22 <sup>nd</sup> Fiscal Year Meeting of Shareholders (March 10, 2006)	1. Approval of the financial statements for the year ended December 31, 2005  2. Amendment of the Articles of Incorporation  3. Remuneration limit for Directors  4. Election of Directors (Election of Independent non-executive directors as Audit Committee members)	Approved (Cash dividend, Won 8,000 per share)  Approved (Addition of business objective: travel business)  Approved (Won 12 billion)  Approved (Kim Yong Woon and Im Hyun Jin)
23 <sup>rd</sup> Fiscal Year Meeting of Shareholders (March 9, 2007)	1. Approval of the financial statements for the year ended December 31, 2006  2. Remuneration limit for Directors 3. Election of Directors - Election of executive directors  - Election of independent non-executive directors as Audit Committee members	Approved (Cash dividend, Won 7,000 per share)  Approved (Won 12 billion)  Approved (Jung Nam Cho, Sung Min Ha)  Approved (Dal Sup Shim)

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**3. Contingent Liabilities**

A. Material Legal Proceedings

(1) Action for Monetary Damages

- a) Parties to the litigation: G.Mate Inc. (plaintiff) vs. the Company (defendant)
- b) Overview: G.Mate alleged that the Company had engaged G.Mate to develop and deliver certain PDA units, but that the Company subsequently refused to take delivery of such units. G.Mate sought approximately Won 4.5 billion in damages.
- c) Progress: An initial mediation process, which was requested by G.Mate, was terminated in January 2007. G.Mate commenced a lawsuit, which is currently pending at the Seoul Central District Court.
- d) Impact on business: In the event that the case is decided against the Company, there is a risk that the Company will be obligated to pay up to Won 4.5 billion in damages. But as G.Mate, to date, has been unable to produce detailed evidence in support of its claim and calculation of requested damages, the Company expects that the likelihood of a ruling against the Company to be low and the estimated impact on the Company's operations and finances should not be large; however, the actual results of the litigation and actual impact on impact on the Company's operations and finances may differ depending on future events.

(2) Action Seeking to Vacate Judgment of the Intellectual Property Tribunal Nullifying Patent Registration Related to Caller Ring Service

- a) Parties to the litigation: Park Won Sup (plaintiff) vs. the Company (defendant)
- b) Overview: Mr. Park Won Sup (the representative director of Ad Ring Systems Co., Ltd.) claimed that certain technology the Company uses to provide the caller ring service infringed upon his patent rights, and the Company sought an administrative action to nullify Mr. Park's patent rights in the Intellectual Property Tribunal. The Tribunal upheld the nullification of Mr. Park's patent rights and Mr. Park appealed the decision.
- c) Progress: The Patent Court dismissed plaintiff's claim (September 2005), after which the plaintiff appealed.
- d) Impact on business: In the event that the case is decided against the Company, there is a risk of material future royalty obligations. However, given the progress of the proceedings, the estimated impact should not be large; however, the actual impact may differ depending on future events.

(3) Actions for the Cancellation of the International Registration for Satellite Network

- a) Parties to the litigation: Korea Multinet Co., Ltd. ( Korea Multinet ) vs. the Ministry of Information and Communication ( MIC ; the Company is participating in the action on behalf of MIC)
- b) Overview: Korea Multinet brought an administrative action against MIC to cancel the Company's international satellite frequency registration related to the satellite DMB business.
- c) Progress: The trial court found for the defendant and the appellate court affirmed the judgment of the trial court (June 30, 2004). The plaintiff appealed and the case is currently pending at the Supreme Court.

- d) Impact on business: Given the progress of the proceedings, no significant impact on the Company's business is expected; however, the actual impact may differ depending on future events.

(4) Actions for the Cancellation of Key Communication Business Licenses and Allotment of Satellite DMB Frequency

- a) Parties to the litigation: Korea Multinet vs. MIC (the Company is participating in the action on behalf of MIC)



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- b) Overview: Korea Multinet brought an administrative action against MIC to cancel the Company's key communication business licenses and the allotment of the Company's satellite DMB frequency.
  - c) Progress: The Seoul Administrative Court dismissed the claim in July 2006, and Korea Multinet has appealed to the Seoul Appellate Court where the lawsuit is currently pending.
  - d) Impact on business: The Company plans to provide full support to MIC in the action although no significant impact to the Company's business is expected; however, the actual impact may differ depending on future events.
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***SK TELECOM CO., LTD.***

***NON-CONSOLIDATED FINANCIAL STATEMENTS***

***FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006***

***AND INDEPENDENT ACCOUNTANTS REVIEW REPORT***

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**INDEPENDENT ACCOUNTANTS' REVIEW REPORT**

English Translation of a Report Originally Issued in Korean

To the Stockholders and Board of Directors of

SK Telecom Co., Ltd.

We have reviewed the accompanying non-consolidated balance sheet of SK Telecom Co., Ltd. (the Company) as of March 31, 2007, the related non-consolidated statements of income and cash flows for the three months ended March 31, 2007 and 2006, and non-consolidated statement of stockholders' equity for the three months ended March 31, 2007, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

We conducted our reviews in accordance with standards for review of interim financial statements in the Republic of Korea. Those standards require that we plan and perform the review to obtain moderate assurance as to whether the non-consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and this provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our reviews, nothing has come to our attention that causes us to believe that the financial statements referred to above are not presented fairly, in all material respects, in conformity with accounting principles generally accepted in the Republic of Korea.

We have previously audited, in accordance with auditing standards generally accepted in the Republic of Korea, the non-consolidated balance sheet of the Company as of December 31, 2006, and the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the year then ended (not presented herein); and in our report dated February 14, 2007, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying balance sheet as of December 31, 2006, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet.

Our reviews also comprehended the translation of the Korean won amounts into U.S. dollar amounts and nothing has come to our attention that causes us to believe that such translation has not been made in conformity with the basis stated in Note 2(a). Such U.S. dollar amounts are presented solely for the convenience of readers of financial statements.

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Accounting principles and review standards and their application in practice vary among countries. The accompanying non-consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Republic of Korea. In addition, the procedures and practices utilized in the Republic of Korea to review such non-consolidated financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying non-consolidated financial statements are for use by those knowledgeable about Korean accounting principles and review standards and their application in practice.

April 27, 2007

**Notice to Readers**

This report is effective as of April 27, 2007, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modification to the accountants' review report.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2007 AND DECEMBER 31, 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(In millions)		(In thousands)	
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 2 and 12)	₩ 266,103	₩ 241,100	\$ 282,757	\$ 256,190
Short-term financial instruments (Note 20)	43,755	61,953	46,493	65,830
Trading securities (Notes 2 and 3)	730,114	665,299	775,809	706,938
Current portion of long-term investment securities (Notes 2 and 3)	491	156	522	166
Accounts receivable – trade, net of allowance for doubtful accounts of ₩105,843 million as of March 31, 2007 and ₩88,285 million as of December 31, 2006 (Notes 2, 12 and 22)	1,576,545	1,700,650	1,675,215	1,807,087
Short-term loans, net of allowance for doubtful accounts of ₩765 million as of March 31, 2007 and ₩9,212 million as of December 31, 2006 (Notes 2, 5 and 22)	75,710	61,967	80,448	65,845
Accounts receivable – other, net of allowance for doubtful accounts of ₩28,661 million as of March 31, 2007 and ₩26,708 million as of December 31, 2006 (Notes 2, 12 and 22)	1,123,338	1,257,244	1,193,644	1,335,930
Inventories (Note 2)	19,157	16,439	20,356	17,468
Prepaid expenses	136,386	113,256	144,922	120,344
Current deferred income tax assets, net (Notes 2 and 17)	37,406	40,113	39,747	42,624
Currency swap (Notes 2 and 24)	4,132	16,660	4,391	17,703
Accrued income and other	20,501	14,488	21,785	15,395
<b>Total Current Assets</b>	<b>4,033,638</b>	<b>4,189,325</b>	<b>4,286,089</b>	<b>4,451,520</b>
<b>NON-CURRENT ASSETS:</b>				
Property and equipment, net (Notes 2, 6, 11, 21 and 22)	4,391,357	4,418,112	4,666,196	4,694,625
Intangible assets, net (Notes 2, 7, 11)	3,315,393	3,405,159	3,522,891	3,618,275
Long-term financial instruments (Note 20)	10,019	10,024	10,646	10,651
Long-term investment securities (Notes 2 and 3)	2,612,971	2,376,268	2,776,507	2,524,990
	1,218,907	1,161,651	1,295,194	1,234,354

Equity securities accounted for using the equity method (Notes 2 and 4)

Long-term loans, net of allowance for doubtful accounts of ₩23,796 million as of March 31, 2007 and ₩23,148 million as of

December 31, 2006 (Notes 2, 5 and 22)	14,728	12,828	15,650	13,631
Guarantee deposits, net of allowance for doubtful accounts of ₩163 million as of March 31, 2007 and December 31, 2006 (Notes 2, 12 and 22)	118,300	120,006	125,704	127,517
Long-term deposits and other	113,940	120,680	121,071	128,234

Total Non-current Assets	11,795,615	11,624,728	12,533,859	12,352,277
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TOTAL ASSETS	₩ 15,829,253	₩ 15,814,053	\$ 16,819,948	\$ 16,803,797
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(Continued)

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**MARCH 31, 2007 AND DECEMBER 31, 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	March 31, 2007 (In millions)	December 31, 2006 (In millions)	March 31, 2007 (In thousands)	December 31, 2006 (In thousands)
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable (Notes 12 and 22)	₩ 917,942	₩ 1,107,786	\$ 975,393	\$ 1,177,118
Income tax payable (Note 17)	524,078	331,496	556,878	352,243
Accrued expenses (Notes 2 and 23)	354,632	373,865	376,827	397,264
Dividend payable	246	268	261	285
Withholdings	298,832	327,895	317,535	348,417
Current portion of long-term debt, net (Notes 2, 8 and 11)	1,104,604	794,186	1,173,737	843,891
Current portion of subscription deposits (Note 10)	15,902	15,760	16,897	16,746
Advanced receipts and other	22,662	34,364	24,081	36,515
<b>Total Current Liabilities</b>	<b>3,238,898</b>	<b>2,985,620</b>	<b>3,441,609</b>	<b>3,172,479</b>
<b>LONG-TERM LIABILITIES:</b>				
Bonds payable, net (Notes 2 and 8)	1,689,198	1,978,874	1,794,919	2,102,724
Long-term borrowings (Note 9)	294,030	292,960	312,432	311,295
Subscription deposits (Note 10)	20,462	21,140	21,743	22,463
Long-term payables other, net of present value discount of ₩30,721 million as of March 31, 2007 and ₩42,461 million as of December 31, 2006 (Note 2)	419,279	517,539	445,520	549,930
Obligations under capital lease (Notes 2 and 11)		1,642		1,745
Accrued severance indemnities, net (Note 2)	18,025	9,568	19,153	10,167
Non-current deferred income tax liabilities, net (Notes 2 and 17)	588,269	530,454	625,087	563,653
Long-term currency swap (Notes 2 and 24)	109,550	112,970	116,406	120,040
Long-term interest rate swap (Notes 2 and 24)	1,416	454	1,505	482
Guarantee deposits received and other (Notes 2, 22 and 23)	45,092	56,404	47,913	59,935
<b>Total Long-term Liabilities</b>	<b>3,185,321</b>	<b>3,522,005</b>	<b>3,384,678</b>	<b>3,742,434</b>
<b>Total Liabilities</b>	<b>6,424,219</b>	<b>6,507,625</b>	<b>6,826,287</b>	<b>6,914,913</b>

<b>STOCKHOLDERS EQUITY:</b>				
Capital stock (Notes 1 and 13)	44,639	44,639	47,433	47,433
Capital surplus (Notes 2, 8, 13, 16 and 17)	2,965,945	2,962,699	3,151,573	3,148,123
Capital adjustments:				
Treasury stock (Notes 1 and 15)	(2,014,927)	(2,014,927)	(2,141,034)	(2,141,034)
Losses on disposal of treasury stock (Notes 15 and 17)	(7,550)	(7,887)	(8,023)	(8,381)
Stock options (Notes 2 and 16)		3,246		3,449
Accumulated other comprehensive income (Note 18):				
Unrealized gains on valuation of long-term investment securities, net (Notes 2, 3 and 17)	576,821	408,521	612,922	434,089
Equity in other comprehensive income of affiliates, net (Notes 2, 4 and 17)	126,482	82,200	134,398	87,345
Loss on valuation of currency swap, net (Notes 2, 17 and 24)	(17,741)	(16,487)	(18,851)	(17,519)
Loss on valuation of interest swap, net (Notes 2, 17 and 24)	(1,026)	(329)	(1,090)	(350)
Retained earnings (Note 14):				
Appropriated	7,335,037	6,679,234	7,794,110	7,097,264
Before appropriations	397,354	1,165,519	422,223	1,238,465
Total Stockholders Equity	9,405,034	9,306,428	9,993,661	9,888,884
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	₩ 15,829,253	₩ 15,814,053	\$ 16,819,948	\$ 16,803,797

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
OPERATING REVENUE (Notes 2 and 22)	₩ 2,711,731	₩ 2,540,314	\$ 2,881,448	\$ 2,699,303
OPERATING EXPENSES (Note 2):				
Labor cost	(157,336)	(158,922)	(167,183)	(168,868)
Commissions paid (Notes 2 and 22)	(878,062)	(716,285)	(933,017)	(761,115)
Depreciation and amortization (Notes 6 and 7)	(361,701)	(328,928)	(384,339)	(349,514)
Network interconnection	(233,270)	(235,447)	(247,870)	(250,183)
Leased line	(97,788)	(98,743)	(103,908)	(104,923)
Advertising	(50,953)	(57,486)	(54,142)	(61,084)
Research and development (Note 2)	(51,178)	(52,830)	(54,381)	(56,136)
Rent	(46,314)	(47,588)	(49,213)	(50,566)
Frequency usage	(41,020)	(38,400)	(43,587)	(40,803)
Repair	(30,565)	(27,433)	(32,478)	(29,150)
Cost of goods sold	(10,763)	(4,633)	(11,437)	(4,923)
Other	(90,797)	(105,758)	(96,478)	(112,377)
Sub-total	(2,049,747)	(1,872,453)	(2,178,033)	(1,989,642)
OPERATING INCOME	661,984	667,861	703,415	709,661
OTHER INCOME:				
Interest income (Note 3)	16,771	19,095	17,821	20,290
Dividends	14,893	15,007	15,825	15,946
Commissions (Note 22)	12,948	10,580	13,758	11,242
Equity in earnings of affiliates (Notes 2 and 4)	4,679	16,417	4,972	17,444
Foreign exchange and translation gains (Note 2)	275	669	292	711
Reversal of allowance for doubtful accounts	402	72	427	77
Gain on disposal of investment assets	457	1,779	486	1,890
Gain on disposal of property and equipment and intangible assets	4,567	222	4,853	236
Gain on valuation of currency swap (Notes 2 and 24)	733		779	
Other	10,573	14,634	11,235	15,550



Sub-total	66,298	78,475	70,448	83,386
(Continued)				

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006**  
**(See Independent Accountants' Review Report)**

	Korean won		Translation into U.S. dollars (Note 2)	
	2007 (In millions)	2006	2007 (In thousands)	2006
<b>OTHER EXPENSES:</b>				
Interest and discounts (Note 2)	₩ 54,520	₩ 57,783	\$ 57,932	\$ 61,399
Donations	(18,295)	(16,683)	(19,440)	(17,727)
Foreign exchange and translation losses (Note 2)	(306)	(880)	(325)	(935)
Loss on valuation of currency swap (Notes 2 and 24)	(12,528)	(5,297)	(13,312)	(5,629)
Equity in losses of affiliates (Notes 2 and 4)	(49,716)	(24,203)	(52,828)	(25,718)
Loss on disposal of investment assets	(3)	(788)	(3)	(837)
Loss on disposal of property, equipment and intangible assets	(1,276)	(827)	(1,356)	(879)
Special severance indemnities (Note 2)		(140,595)		(149,394)
External research and development cost (Note 2)	(17,767)	(17,042)	(18,879)	(18,109)
Other	(10,080)	(3,920)	(10,711)	(4,165)
 Sub-total	 (164,491)	 (268,018)	 (174,786)	 (284,792)
 INCOME BEFORE INCOME TAX	 563,791	 478,318	 599,077	 508,255
 PROVISION FOR INCOME TAX (Notes 2 and 17)	 (167,481)	 (141,158)	 (177,963)	 (149,993)
 NET INCOME (Note 18)	 ₩ 396,310	 ₩ 337,160	 \$ 421,114	 \$ 358,262
 NET INCOME PER SHARE (In Korean won and U.S. dollars) (Note 19)	 ₩ 5,454	 ₩ 4,580	 \$ 5.80	 \$ 4.87
 DILUTED NET INCOME PER SHARE (In Korean won and U.S. dollars) (Note 19)	 ₩ 5,373	 ₩ 4,516	 \$ 5.71	 \$ 4.80

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	₩ 396,310	₩ 337,160	\$ 421,114	\$ 358,262
Expenses not involving cash payments:				
Provision for severance indemnities	9,879	19,974	10,497	21,224
Depreciation and amortization	392,341	361,146	416,896	383,749
Allowance for doubtful accounts	13,500	20,533	14,345	21,818
Foreign translation loss	44	450	47	478
Loss on valuation of currency swap	12,528	5,297	13,312	5,629
Equity in losses of affiliates	49,716	24,203	52,828	25,718
Loss on disposal of investment assets	3	788	3	837
Loss on disposal of property, equipment and intangible assets	1,276	827	1,356	879
Amortization of discounts on bonds and other	11,060	12,062	11,752	12,816
Sub-total	490,347	445,280	521,036	473,148
Income not involving cash receipts:				
Foreign translation gain	(206)	(121)	(219)	(128)
Reversal of allowance for doubtful accounts	(402)	(72)	(427)	(77)
Equity in earnings of affiliates	(4,679)	(16,417)	(4,972)	(17,444)
Gain on disposal of investment assets	(457)	(1,779)	(486)	(1,890)
Gain on disposal of property, equipment and intangible assets	(4,567)	(222)	(4,853)	(236)
Gain on valuation of currency swap	(733)		(779)	
Other	(96)	(847)	(102)	(901)
Sub-total	(11,140)	(19,458)	(11,838)	(20,676)
Changes in assets and liabilities related to operating activities:				
Accounts receivable trade	111,886	59,101	118,889	62,800
Accounts receivable other	138,078	131,224	146,720	139,437

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Inventories	(2,718)	1,528	(2,888)	1,624
Prepaid expenses	973	34,845	1,034	37,026
Accrued income and other	(6,021)	7,546	(6,398)	8,018
Accounts payable	(189,882)	(125,540)	(201,766)	(133,397)
Income tax payable	189,138	14,326	200,975	15,223
Accrued expenses	(34,105)	6,862	(36,240)	7,291
Withholdings	(29,062)	111,471	(30,881)	118,448
Current portion of subscription deposits	142	304	151	323
Advanced receipts and other	(11,702)	2,295	(12,434)	2,438
Deferred income taxes	(15,541)	(32,868)	(16,514)	(34,925)
Severance indemnity payments	(2,018)	(248,346)	(2,144)	(263,889)
Deposits for group severance indemnities and other deposits	475	178,266	504	189,423
Dividends received from affiliates	1,260	990	1,339	1,052
Sub-total	150,903	142,004	160,347	150,892
Net Cash Provided by Operating Activities	1,026,420	904,986	1,090,659	961,626

(Continued)

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash inflows from investing activities:				
Decrease in short-term financial instruments	₩ 18,198	₩ 61,599	\$ 19,337	\$ 65,454
Decrease in long-term financial instruments	5		5	
Collection of short-term loans	31,796	39,642	33,786	42,123
Proceeds from sales of long-term investment securities	246	5,226	261	5,553
Proceeds from sales of equity securities accounted for using the equity method	900		956	
Decrease in guarantee deposits	8,566	14,578	9,102	15,490
Decrease in other non-current assets	1,241	6,600	1,319	7,014
Proceeds from disposal of property and equipment	15,484	832	16,453	884
Proceeds from disposal of intangible assets	4,136	3	4,395	3
 Sub-total	 80,572	 128,480	 85,614	 136,521
 Cash outflows for investing activities:				
Increase of trading securities	(64,814)	(178,267)	(68,870)	(189,424)
Extension in short-term loans	(38,743)	(38,427)	(41,168)	(40,832)
Extension in long-term loans	(8,330)	(1,180)	(8,851)	(1,254)
Acquisition of long-term investment securities	(5,052)	(2,756)	(5,368)	(2,928)
Acquisition of equity securities accounted for using the equity method	(48,351)	(145,888)	(51,377)	(155,019)
Increase in guarantee deposits and other non-current assets	(25,454)	(68,401)	(27,048)	(72,682)
Acquisition of property and equipment	(288,514)	(86,106)	(306,571)	(91,495)
Increase in intangible assets	(3,514)	(1,573)	(3,734)	(1,671)
 Sub-total	 (482,772)	 (522,598)	 (512,987)	 (555,305)
 Net Cash Used in Investing Activities	 (402,200)	 (394,118)	 (427,373)	 (418,784)

**CASH FLOWS FROM FINANCING  
ACTIVITIES:**
**Cash inflows from financing activities:**

Increase in guarantee deposits received and other	₩	3,668	₩	605	\$	3,898	\$	643
Sub-total		3,668		605		3,898		643

**Cash outflows for financing activities:**

Repayment of current portion of long-term debt		(93,404)		(4,139)		(99,250)		(4,398)
Payment of dividends		(508,694)		(588,936)		(540,531)		(625,795)
Decrease in facility deposits		(678)		(724)		(720)		(769)
Decrease in guarantee deposits and other		(109)		(1,025)		(116)		(1,090)
Sub-total		(602,885)		(594,824)		(640,617)		(632,052)

Net Cash Used in Financing Activities		(599,217)		(594,219)		(636,719)		(631,409)
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NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		25,003		(83,351)		26,567		(88,567)
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CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		241,100		151,766		256,190		161,264
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CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	₩	266,103	₩	68,415	\$	282,757	\$	72,697
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See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007**

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total Stockholders equity
<b>(In millions of Korean won)</b>						
Balance, January 1, 2007	₩ 44,639	₩ 2,962,699	(₩ 2,019,568)	₩ 473,905	₩ 7,844,753	₩ 9,306,428
Cash dividends					(508,672)	(508,672)
Net income					396,310	396,310
Stock options (Notes 2 and 16)		3,246	(3,246)			
Loss on disposal of treasury stock (Notes 2 and 15)						337
Unrealized gain on valuation of long-term investment securities (Notes 2, 3, 17 and 18)				168,300		168,300
Equity in capital surplus and other comprehensive income changes of affiliates (Notes 2, 4, 17 and 18)				44,282		44,282
Loss on valuation of currency swap, net (Notes 2, 17, 18 and 24)				(1,254)		(1,254)
Loss on valuation of interest swap (Notes 2, 17, 18 and 24)				(697)		(697)
 Balance, March 31, 2007	 ₩ 44,639	 ₩ 2,965,945	 (₩ 2,022,477)	 ₩ 684,536	 ₩ 7,732,391	 ₩ 9,405,034
<b>(In thousands of U.S. dollars) (Note 2)</b>						
Balance, January 1, 2007	\$ 47,433	\$ 3,148,123	(\$ 2,145,966)	\$ 503,565	\$ 8,335,729	\$ 9,888,884
Cash dividends paid					(540,510)	(540,510)

Net income					421,114	421,114
Stock options (Notes 2 and 16)	3,450	(3,450)				
Loss on disposal of treasury stock (Notes 2 and 15)		359				359
Unrealized gain on valuation of long-term investment securities (Notes 2, 3 and 18)				178,833		178,833
Equity in capital surplus and other comprehensive income changes of affiliates (Notes 2, 4 and 18)				47,053		47,053
Loss on valuation of currency swap, net (Notes 2, 18 and 24)				(1,331)		(1,331)
Loss on valuation of interest swap (Notes 2, 18 and 24)				(741)		(741)
Balance, March 31, 2007	\$ 47,433	\$ 3,151,573	(\$ 2,149,057)	\$ 727,379	\$ 8,216,333	\$ 9,993,661

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE THREE MONTHS ENDED MARCH 31, 2007 AND 2006**

**1. GENERAL**

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of Korea to engage in providing nationwide cellular telephone communication services in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange (formerly Korea Stock Exchange) and the New York and London Stock Exchanges. As of March 31, 2007, the Company's total issued shares are held by the following:

	Number of shares	Percentage of total shares issued (%)
SK Group	18,748,452	23.09
POSCO Corp.	2,341,569	2.88
Institutional investors and other minority shareholders	51,577,438	63.53
Treasury stock	8,526,252	10.50
	81,193,711	100.00

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying non-consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the Republic of Korea, using the same accounting policies which were adopted in preparing the annual financial statements. Significant accounting policies followed in preparing the accompanying non-consolidated financial statements are summarized as follows:

**a. Basis of Presentation**

The Company maintains its official accounting records in Korean won and prepares statutory non-consolidated financial statements in Korean language (Hangul) in conformity with the accounting principles generally accepted in the Republic of Korea (Korean GAAP). Certain accounting principles applied by the Company that conform with financial accounting standards and accounting principles in the Republic of Korea may not conform with accounting principles generally accepted in other countries. Accordingly, these financial statements are intended for use by those who are informed about Korean accounting principles and practices. The accompanying financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations, changes in stockholders' equity or cash flows, is not presented in the accompanying financial statements.

The accompanying financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of ₩941.10 to US\$1.00, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the period ended March 31, 2007. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.

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b. Adoptions of New Statements of Korea Accounting Standards ( SKAS )

On January 1, 2007, the Company adopted SKAS No. 11 and SKAS No. 21 through No. 24. The adoption of such accounting standards did not have an effect on the financial position of the Company as of March 31, 2007 and the ordinary income and net income of the Company for the three months ended March 31, 2007. Details of primary change due to such adoption of SKAS are as follows:

Pursuant to adoption of SKAS No. 21, Preparation and Presentation of Financial Statements , statement of stockholders' equity was prepared for the three months ended March 31, 2007. Unrealized gain/loss on available-for-sale securities, equity in capital adjustments of affiliates and gain/loss on valuation of derivative instruments, which were classified as capital adjustments through 2006, are classified as accumulated other comprehensive income. Long-term loans, guarantee deposits, long-term deposits and others, which were classified as investment assets through 2006, are classified as other non-current assets. The accompanying balance sheet as of December 31, 2006, which is comparatively presented, was reclassified in accordance with SKAS No. 21 and the statement of stockholders' equity for the three months ended March 31, 2006 was not prepared as allowed in accordance with the transitional provision of SKAS No. 21.

c. Cash Equivalents

Cash equivalents are highly liquid investments and short term financial instruments, which are readily convertible without significant transaction cost, do not have significant risk of changes in interest rates and with original maturities of three months or less.

d. Allowance for Doubtful Accounts

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

e. Inventories

Inventories, which consist mainly of replacement units for wireless telecommunication facilities and supplies for sales promotion, are stated at the lower of cost or market value, with cost determined using the moving average method. The Company maintains perpetual inventory systems, which are adjusted to physical inventory counts performed at year end. When the market value of inventories is less than the acquisition cost, the carrying amount is reduced to the market value and any difference is charged to current operations as operating expenses. There was no such loss for the three months ended March 31, 2007 and 2006.

f. Securities (excluding securities accounted for using the equity method of accounting)

Debt and equity securities are initially recorded at their acquisition costs (fair value of considerations paid) including incidental cost incurred in connection with acquisition of the related securities and classified into trading, available-for-sale and held-to-maturity securities depending on the acquisition purpose and nature.

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

Securities classified as available-for-sale are reported at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in accumulated other comprehensive income and the unrealized gains or losses are reflected in net income when the securities are sold or if impairment is other than temporary. Equity securities are stated at acquisition cost if fair value cannot be reliably measured. If the declines in the fair value of individual available-for-sale securities below their acquisition or amortized cost are other than temporary and there is objective evidence of impairment, write-downs of the individual securities are recorded to reduce the carrying value to their fair value. The related write-downs are recorded in current operations as a loss on impairment of investment securities.

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

Trading securities are presented in the current asset section of the balance sheet, and available-for-sales and held-to-maturity securities are presented in the current asset section of the balance sheet if their maturities are within one year; otherwise, such securities are recorded in the non-current section of the balance sheet.

**g. Equity Securities Accounted for Using the Equity Method**

Investment securities of affiliated companies, in which the Company has the ability to exercise significant influence, are carried using the equity method of accounting, whereby the Company's initial investment is recorded at cost and the carrying value is subsequently increased or decreased to reflect the Company's portion of stockholders' equity of the investee. Differences between the purchase cost and net asset fair value of the investee are amortized over 5 to 20 years using the straight-line method. When applying the equity method of accounting, unrealized inter-company gains and losses are eliminated (See Note 4). In addition, the Company provides for additional losses for those investments accounted for using the equity method that are reduced to zero to the extent that the Company has other investment assets related to the equity method investees.

When the Company's share of equity interest in the equity method investees increases as a result of capital transactions of the investees with (or without) consideration, the increase in the Company's proportionate shares in the investees are treated as goodwill or negative goodwill and when the Company's share of equity interest in the equity method investees decreases as a result of capital transactions of the investees with (or without) consideration, the decrease in the Company's proportionate shares in the investees are accounted for as gain or loss on disposal. However, if equity method investees are subsidiaries, such differences in the Company's proportionate shares in the investees are accounted for as capital adjustments of affiliates in the Company's stockholders' equity.

In translating the foreign currency statements of the Company's foreign-based investees, the Company applies (a) the current rate of exchange at the balance sheet date to the investee's balance sheet items (except historical rates applied for stockholders' equity), and (b) the average rate for the current period for income statements items. After translating the balance sheet and income statements items as noted above, the Company's portion of the amount after deducting the translated total liabilities from translated total assets and equity is recorded as capital adjustment of affiliates in the Company's stockholders' equity.

**h. Troubled Debt Restructuring**

In case that contractual terms such as on the face amount, interest rate, or maturity should be changed to alleviate the debtor's burdens in accordance with an agreement between the creditor and the debtor, initiation of corporate reorganization procedures under court trustee or under debtor's management, the Company recognizes the restructured receivables at present value of the expected future cash flows discounted by the reasonable interest rate and amortizes the difference between face value and present value to interest income using the effective interest rate method.

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**Table of Contents****i. Property and Equipment**

Property and equipment are stated at cost. Major renewals and betterments, which prolong the useful life or enhance the value of assets, are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the declining balance method (except for buildings and structures acquired on or after January 1, 1995 which are depreciated using the straight-line method) over the estimated useful lives (430~ years) of the related assets (See Note 6).

Interest expense and other financing charges for borrowings related to the manufacture or construction of property and equipment are charged to current operations as incurred.

**j. Intangible Assets**

Intangible assets are recorded at cost, less amortization computed using the straight-line method over 5 to 20 years.

The amortization for the three months ended March 31, 2007 and 2006 were ₩107,361 million and ₩84,492 million, respectively.

With its application for a license to provide IMT 2000 service, the Company has a commitment to pay ₩1,300,000 million to the Ministry of Information Communication ( MIC → ₩650,000 million was paid in March 2001 by SK IMT Co., Ltd. (a former subsidiary of the Company), which was merged into the Company on May 1, 2003, and the remainder is required to be paid over 10 years with an annual interest rate equal to the 3-year-maturity government bond rate minus 0.75% (4.04% as of March 31, 2007). The future payment obligations are ₩110,000 million (related present value discount: ₩8,486 million) in 2008, ₩130,000 million in 2009, ₩150,000 million in 2010 and ₩170,000 million in 2011. On December 4, 2001, SK IMT Co., Ltd. received the IMT 2000 license from MIC, and recorded the total license cost (measured at present value) as an intangible asset. As a result of the merger with SK IMT Co., Ltd., the Company acquired such IMT license of ₩1,259,253 million and assumed the related long-term payable with principal amount of ₩650,000 million on May 1, 2003 (the date of merger). Amortization of the IMT license commenced when the Company started its commercial IMT 2000 service in December 2003, using the straight-line method over the estimated useful life of the IMT license which expires in December 2016. As of March 31, 2007, the present value discount related to the current portion and long-term portion of payments to be made to MIC totaled ₩8,486 million and ₩30,721 million, respectively.

**k. Impairment Losses**

When the recoverable amount of assets (that are not recorded at fair value) including investment assets (except for trading and available for sale investments in listed companies), property and equipment, and intangible assets is significantly less than the carrying value due to obsolescence, physical damage, decline in market value or other causes, the carrying value is reduced to the recoverable amount and any difference is charged to current operation as an impairment loss. There was no such impairment loss for the three months ended March 31, 2007 and 2006.

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**I. Convertible Bonds**

The proceeds from issuance of convertible bonds are allocated between the conversion rights and the debt issued; and the portion allocable to the conversion rights is accounted for as capital surplus with a corresponding conversion right adjustment deducted from the related bonds. Such conversion right adjustment is amortized to interest expense using the effective interest rate method over the redemption period of the convertible bonds. The portion allocable to the conversion rights is measured by deducting the present value of the debt at time of issuance from the gross proceeds from issuance of convertible bonds, with the present value of the debt being computed by discounting the expected future cash flows (including call premium, if any) using the effective interest rate applied to ordinary or straight debt of the Company at the issue date.

**m. Discounts on Bonds**

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

**n. Valuation of Long-term Payables**

Long-term payables resulting from long-term installment transactions are stated at the present value of the expected future cash flows. Imputed interest amounts are recorded in present value discount accounts which are deducted directly from the related nominal payable balances. Such imputed interest is included in operations using the effective interest rate method over the redemption period.

**o. Provisions, Contingent Liabilities and Contingent Assets**

The Company recognizes a provision when i) it has a present obligation as a result of a past event, ii) it is probable that a disbursement of economic resources will be required to settle the obligation, and iii) a reliable estimate can be made of the amount of the obligation (See Note 23). When a possible range of loss in connection with a probable loss contingency as of the balance sheet date is estimable with reasonable certainty, and some amount within that range appears at the time to be a better estimate than any other amount within the range, the Company accrues such amount. When no amount within the range appears to be a better estimate than any other amount, the minimum in that range is recorded.

The Company does not recognize the following contingent obligations as liabilities:

Possible obligations related to past events, for which the existence of a liability can only be confirmed upon occurrence of uncertain future event or events outside the control of the Company.

Present obligations arising out of past events or transactions, for which i) a disbursement of economic resources to fulfill such obligations is not probable or ii) a disbursement of economic resources is probable, but the related amount cannot be reasonably estimated.

In addition, the Company does not recognize potential assets related to past events or transactions, for which the existence of an asset or future benefit can only be confirmed upon occurrence of uncertain future event or events outside the control of the Company.

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**Table of Contents****p. Accrued Severance Indemnities**

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

The Company has deposits with insurance companies to fund the portion of the employees' severance indemnities which is in excess of the tax deductible amount allowed under the Corporate Income Tax Law, in order to take advantage of the additional tax deductibility for such funding. Such deposits with outside insurance companies, where the beneficiaries are the Company's employees, totaling ~~₩23,421 million~~ and ~~₩23,895 million~~ as of March 31, 2007 and December 31, 2006, respectively, are deducted from accrued severance indemnities.

In accordance with the Korean National Pension Fund Law, the Company transferred a portion of its accrued severance indemnities to the National Pension Fund through March 1999. Such transfers, amounting to ~~₩50 million~~ as of March 31, 2007 and December 31, 2006, respectively, are deducted from accrued severance indemnities.

Actual payment of severance indemnities amounted to ~~₩2,018 million~~ and ~~₩248,346 million~~ for the three months ended March 31, 2007 and 2006, respectively.

Effective March 31, 2006, the Company changed its policy for the severance indemnities applicable to those employees who joined the Company before or on December 31, 2002 from cumulative method, where employees are entitled to get paid more than one month of salary each year depending on the length of service, to simple multiplier method, where employees are paid one month of salary each year regardless of their service period in accordance with the resolution of the Company's joint labor-management conference held on March 16, 2006. As a result of such policy change, the Company has decided to distribute early settlements to those eligible employees on their accumulated severance indemnities as of March 31, 2006 on a mandatory basis. In addition, the Company paid the additional bonuses of ~~₩125,890 million~~ for those employees who received the mandatory distribution for their early settlement as compensation for those employees. The Company recorded such compensation costs as special severance indemnities in other expenses for the three months ended March 31, 2006. In addition, the Company executed the early retirement program and the related special bonus of ~~₩14,705 million~~ were paid to eligible employees and accounted for as special severance indemnities in other expenses for the three months ended March 31, 2006.

**q. Accounting for Employee Stock Option Compensation Plan**

The Company adopted the fair value based method of accounting for its employee stock option compensation plan (See Note 16). Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period. For stock options, fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock, expected dividends and the current risk-free interest rate for the expected life of the option. However, as permitted under Korean GAAP, the Company excludes the volatility factor in estimating the value of its stock options granted before December 31, 2003, which results in measurement at minimum value. The total compensation cost of an option estimated at the grant date is not subsequently adjusted for changes in the price of the underlying stock or its volatility, the actual life of the option, dividends on the stock, or the risk-free interest rate. In addition, recognized compensation costs related to stock options expired due to such stock options not being exercised within the exercisable period are transferred to other capital surplus from capital adjustments (See Note 13).

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r. Accounting for Leases

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

Assets and liabilities related to capital leases are recorded as property and equipment and obligations under capital leases, respectively, and the related interest is calculated using the effective interest rate method and charged to other expenses. For operating leases, the future minimum lease payments are expensed ratably over the lease term while contingent rentals are expensed as incurred (See Note 11).

s. Research and Development Costs

The Company charges substantially all research and development costs to expense as incurred. The Company incurred internal research and development costs of ₩51,178 million and ₩52,830 million for the three months ended March 31, 2007 and 2006, respectively. In addition, external research and development costs were ₩17,767 million and ₩17,042 million for the three months ended March 31, 2007 and 2006, respectively.

t. Accounting for Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded in Korean won based on the prevailing rate of exchange at the dates of transactions. Monetary assets and liabilities denominated in foreign currency are translated into Korean won at the Base Rates announced by Seoul Money Brokerage Services, Ltd. on the balance sheet date, which were ₩940.30 and ₩929.60 to US\$1.00 at March 31, 2007 and December 31, 2006, respectively. The resulting gains or losses arising from the translation or settlement of such assets and liabilities are included in current operations.

u. Derivative Instruments

The Company records rights and obligations arising from derivative instruments as assets and liabilities, which are stated at fair value. The gains and losses that result from the change in the fair value of derivative instruments are reported in current earnings. However, for derivative instruments designated as hedging the exposure of variable cash flows, the effective portions of the gains or losses on the hedging instruments are recorded as a accumulated other comprehensive income (loss) and credited/charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses are credited/charged immediately to operations.

v. Revenue Recognition

Operating revenue is recognized when cellular telephone communication services are provided.

w. Income Tax

Income tax expense is determined by adding or deducting the total income tax and surtaxes to be paid for the current period and the changes in deferred income tax assets and liabilities.

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Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred income tax assets and liabilities are classified into current and non-current based on the classification of related assets or liabilities for financial reporting purposes (See Note 17).

## x. Handset Subsidies to Long-term Mobile Subscribers

Effective March 27, 2006, the Telecommunication Law of Korea was revised to allow wireless carriers to provide handset subsidies to customers who have maintained their wireless account with the same carrier for 18 months or longer to acquire new or renewed customer relationships. The Company commenced its handset subsidy program on the effective date of the revised Telecommunications Law and included a clause in the service contract which allows the Company to change the terms of its subsidy program, including the Company's ability to terminate the program at any time after a thirty day notice to its customers. The Company charges such handset subsidies to commissions paid as the related payments are made.

## y. Reclassifications

Certain reclassifications have been made in prior periods' financial statements to conform to classifications used in the current period. Such reclassifications did not have an effect on the previously reported net assets as of December 31, 2006 and net income for the three months March 31, 2006.

**3. INVESTMENT SECURITIES****a. Trading Securities**

Trading securities as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007			December 31, 2006
	Acquisition cost	Fair value	Carrying amount	Fair value and carrying amount
Beneficiary certificates	₩ 730,114	₩ 730,114	₩ 730,114	₩ 665,299

**b. Long-term Investment Securities**

Long-term investment securities as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007	December 31, 2006
Available-for-sale equity securities	₩ 1,218,334	₩ 992,455
Available-for-sale debt securities	1,395,128	1,383,969
Total	2,613,462	2,376,424
Less: current portion	(491)	(156)



Long-term portion

₩ 2,612,971

₩ 2,376,268

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**Table of Contents****b-(1). Available-for-sale Equity Securities**

Available-for-sale equity securities as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	Number of Shares	March 31, 2007		Fair value	Carrying amount	
		Percentage (%)	Acquisition cost		March 31, 2007	December 31, 2006
<b>(Investments in listed companies)</b>						
Digital Chosunilbo Co., Ltd.	2,890,630	7.8	₩ 5,781	₩ 6,634	₩ 6,634	₩ 5,897
hanarotelecom incorporated KRTnet Corporation	11,045,000	4.8	121,677	95,429	95,429	88,581
POSCO	234,150	4.4	1,171	2,494	2,494	2,517
Comas Interactive Co., Ltd. (Formerly INNOTG Co., Ltd.)	2,481,310	2.8	332,662	980,117	980,117	766,725
Extended Computing Environment Co., Ltd.	59,473	0.4	1,695	121	121	83
	133,333	3.3	10	968	968	876
Sub-total			462,996	1,085,763	1,085,763	864,679
<b>(Investments in non-listed companies)</b>						
LG Powercomm Co., Ltd. (Formerly Powercomm Co., Ltd.)	7,500,000	5.0	240,243	80,370 (note a)	80,370	80,370
Japan MBCO Eonex Technologies Inc.	54,000	7.3	27,332 (note b)			
The Korea Economic Daily	144,000	12.3	3,600 (note c)		4,593	4,593
Others	2,585,069	13.8	13,964 (note c)		13,964	13,964
			121,402 (note c)		25,163	25,411
Sub-total			406,541		124,090	124,338

**(Investments in funds)**

Others	8,481 (note c)	8,481	3,438
Sub-total	8,481	8,481	3,438
Total	₩ 878,018	₩ 1,218,334	₩ 992,455

(note a) The Company recorded its investments in common stock of LG Powercomm Co., Ltd. at its fair value, which was estimated by an outside professional valuation company using the present value of expected future cash flows and the unrealized loss on valuation of investments amounting to ₩115,908 million (net of tax effect of ₩43,965 million) as of December 31, 2006 was recorded as accumulated other comprehensive income. Based on the opinion of the outside professional valuation company, there

was no significant change in LG Powercomm Co., Ltd.'s operation and financial results, which have an effect on the fair value of the common stocks, for the three months ended March 31, 2007. No additional unrealized loss or recovery on valuation of such investments was recorded accordingly.

(note b) Due to the impairment of the Company's investments in common stock of Japan MBCO, the Company recorded impairment loss on such investments of ₩27,332 million for the year ended December 31, 2006.

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(note c) As a reasonable estimate of fair value could not be made, the investment is stated at acquisition cost. The investment in common stock of Eonex Technologies Inc. was reclassified to available-for-sale securities from equity securities accounted for using the equity method during the year ended December 31, 2003, as the Company's ownership in such investees decreased to less than 20% and the Company no longer exercises significant influence. Such securities were transferred to available-for-sale securities at the carrying amount valued using the equity method of accounting prior to the reclassification.

**b-(2). Available-for-sale Debt Securities**

Available-for-sale debt securities as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	Acquisition cost	Carrying amount	
		March 31, 2007	December 31, 2006
Maturity			

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Public bonds	(note a)	₩	51,395	₩	51,470	₩	51,300
Currency stabilization bonds	(note b)		49,898		49,989		49,894
Beneficiary certificates (note c)	October, 2009		5,000		5,069		5,072
Convertible bonds of Real Telecom Co., Ltd. (note d)	March, 2007		10,656				
Convertible bonds of China Unicom Ltd. (note e)	July, 2009		957,055		1,287,600		1,276,703
Convertible bonds of Eonex Technologies, Inc. (note f)	October, 2008		1,000		1,000		1,000
Total			1,075,004		1,395,128		1,383,969
Less: current portion			(491)		(491)		(156)
Long-term available-for-sale debt securities		₩	1,074,513	₩	1,394,637	₩	1,383,813

The interest income incurred from available-for-sale debt securities for the three months ended March 31, 2007 and 2006 were ₩1,276 million and ₩3,598 million, respectively.

(note a) The maturities of public bonds as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	Maturity	March 31, 2007	December 31, 2006
Within one year		₩ 491	₩ 156
After one year but within five years		50,979	51,144
		₩ 51,470	₩ 51,300

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(note b) The maturities of currency stabilization bonds as of March 31, 2007 and December 31, 2006 are as follows  
(In millions of Korean won):

Maturity	March 31, 2007	December 31, 2006
After one year but within five years	₩ 49,989	₩ 49,894

(note c) Returns on beneficiary certificates were accounted for as interest income.

(note d) Due to the impairment of such bonds, the Company recorded an impairment loss of ₩10,656 million prior to December 31, 2004 and as of March 31, 2007, the principal amount of the bond has not been redeemed at its maturity.

(note e) On July 5, 2006, the Company purchased zero coupon convertible bonds of China Unicom Ltd. with maturity of three years and principal amount of US\$1,000,000,000 for US\$1,000,000,000. Such convertible bonds have initial conversion price of US\$1.111426 per share of common stock of China Unicom Ltd. The bond holders may redeem their notes at 102.82% of the principal amount on July 5, 2008 (2 years from the issuance date). The conversion right may be exercised during the period from July 5, 2007 to June 29, 2009 and the number of common shares to be converted as of March 31, 2007 is 899,745,075 shares. Unless either previously redeemed or converted, the notes are redeemable at 104.26% of the principal amount at maturity. The Company recorded the convertible bonds of China Unicom Ltd. at its fair value, which was estimated by an outside professional valuation company using Cox, Ross & Rubinstein Model (1979) and discount rate of 5.8907%. If all such bonds are converted, the Company's equity interest in China Unicom Ltd. will be 6.67%.

(note f) On October 11, 2006, the Company purchased convertible bonds of Eonex Technologies, Inc at face value of ₩1,000 million. Such convertible bonds can be converted into 7,142 shares of common stock of Eonex Technologies, Inc. at ₩140,000 per share during the period from April 1, 2007 to October 11, 2008. Unless either previously redeemed or converted, the notes are redeemable at 106% of the principal amount at maturity. If all such bonds are converted, the Company's equity interest in Eonex Technologies, Inc. will increase to 12.9%.

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**Table of Contents****b-(3). Changes in Unrealized Gains (Losses) on Investments in Common Stock**

The changes in unrealized gains (losses) on investments in common stock for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	For the three months ended March 31, 2007			
	Beginning balance	Increase (decrease)	Transferred to realized gain (loss)	Ending balance
Available-for-sales securities:				
Digital Chosunilbo Co., Ltd.	₩ 115	₩ 738	₩	₩ 853
hanarotelecom incorporated	(33,096)	6,848		(26,248)
KRTnet Corporation	1,347	(24)		1,323
POSCO	434,063	213,393		647,456
Comas Interactive Co., Ltd. (Formerly INNOTG Co., Ltd.)	(1,611)	37		(1,574)
Extended Computing Environment Co., Ltd.	866	92		958
LG Powercomm Co., Ltd.	(159,873)			(159,873)
Eonex Technologies Inc.	2,011			2,011
Currency stabilization bonds	12	79		91
Public bonds	(5)	79		74
Convertible bonds of China Unicom Ltd.	319,648	10,896		330,544
Sub-total	563,477	232,138		795,615
Less tax effect	(154,956)	(63,838)		(218,794)
Total	₩ 408,521	₩ 168,300	₩	₩ 576,821

	For the three months ended March 31, 2006			
	Beginning balance	Increase/ (decrease)	Transferred to realized gain (loss)	Ending balance
Available-for-sales equity securities:				
Digital Chosunilbo Co., Ltd.	₩ 14	(₩1,648)	₩	(₩1,634)
hanarotelecom incorporated	(65,237)	1,767		(63,470)
KRTnet Corporation	1,475	(199)		1,276
POSCO	168,563	120,344		288,907
Comas Interactive Co., Ltd. (Formerly INNOTG Co., Ltd.)	(1,611)	6		(1,605)
LG Powercomm Co., Ltd.	(163,113)			(163,113)
Eonex Technologies Inc.	2,011			2,011
Currency stabilization bonds	(218)	864		646
Sub-total	(58,116)	121,134		63,018
Less tax effect	15,982	(33,312)		(17,330)



Total	(₩42,134)	₩ 87,822	₩	₩ 45,688
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**Table of Contents****4. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD**

Equity securities accounted for using the equity method of accounting as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007				Carrying Amount	
	Number of shares	Ownership percentage (%)	Acquisition cost	Net asset value	March 31, 2007	December 31, 2006
Pantech Co., Ltd.	25,570,306	22.7	₩ 26,309	₩ (note a)	₩	₩
SK Communications Co., Ltd.	7,844,454	85.9	175,441	152,151	171,368	177,913
SK Telink Co., Ltd.	943,997	90.8	5,296	82,525	82,525	86,284
SK C&C Co., Ltd.	6,000,000	30.0	19,071	330,654	335,017	272,554
SK Wyverns Baseball Club Co., Ltd.	199,997	100.0	1,000			
STIC Ventures Co., Ltd.	1,600,000	21.9	8,000	8,611	8,611	8,651
Paxnet Co., Ltd.	5,590,452	59.7	26,563	12,730	29,626	30,807
Global Credit & Information Co., Ltd.	300,000	50.0	2,410	3,118	3,694	3,704
TU Media Corp.	17,538,064	32.7	96,980	23,399 (note b)	33,704	7,016
Aircross Co., Ltd.	1,575,000	100.0	2,439	3,616 (note c)	3,617	1,713
IHQ, Inc.	13,000,000	34.1	41,846	13,218	36,621	38,938
Seoul Records, Inc.	9,582,321	60.0	27,874	22,502	25,153	25,995
Harex Info Tech, Inc.	225,000	21.2	3,375	753	1,717	1,835
SK Mobile		42.5	10,322	4,538	4,539	4,643
SLD Telecom PTE. Ltd.	180,476,700	73.3	191,273	115,481	115,860	118,463
Skytel Co., Ltd.	1,756,400	28.6	2,159	5,823	5,823	6,009
SK China Company Ltd.		20.7	3,195	1,086		93
SK Telecom China Co., Ltd.		100.0	7,340	6,512	6,512	6,536
ULand Company Ltd.	14,100,100	70.1	17,511	3,730	5,441	6,761
SK Telecom USA Holdings, Inc.	1,000	100.0	211,766	63,879 (note d)	63,879	77,786
SK Telecom International, Inc.	1,099	100.0	17,467	25,800	25,800	25,146
SK USA, Inc.	49	49.0	3,184	3,016	3,016	2,969
Helio, Inc.	650,000	0.6	1,100	832	832	1,100
Korea IT Fund		63.3	190,000	193,060	193,061	193,060
Centurion IT Investment Association		37.5	2,100	1,821	1,821	3,262
1st Music Investment Fund of SK-PVC		69.3	6,925	7,186	7,186	7,186

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2nd Music Investment Fund of SK-PVC	79.3	7,925	8,238	8,238	8,238
SK-KTB Music Investment Fund	74.3	14,850	14,509	14,509	15,311
IMM Cinema Fund	45.6	12,000	11,503	11,503	11,569
Michigan Global Cinema Fund	36.4	4,000	3,773	3,773	3,773
3rd Fund of Isu Entertainment	31.3	2,500	2,419	2,419	2,419
Other investments in affiliates		13,054	(note e)	13,042	11,917
 Total		 ₩ 1,155,275		 ₩ 1,218,907	 ₩ 1,161,651

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(note a) Pantech Co., Ltd.  
( Pantech ) requested  
its creditor banks  
for a debt  
restructuring due to  
deterioration of its  
liquidity on  
December 11,  
2006. On  
December 15,  
2006, Pantech  
entered into  
creditor banks  
agreement (the  
Agreement ) with its  
eight creditor banks  
including Korea  
Development Bank  
( KDB ), its main  
creditor bank.  
Currently, creditor  
banks association,  
which was  
organized  
according to the  
Agreement and  
represented by  
KDB, has been  
supervising  
Pantech s debt  
repayment schedule  
and operations. As  
the investment was  
written down to  
zero and the  
Company is not  
committed to  
further provide  
financial support  
for the investee,  
equity in losses of  
affiliates of  
~~₩~~61,334 million  
was not recorded  
for the three  
months ended  
March 31, 2007.

(note b) In the first quarter of 2007, the Company additionally invested ~~₩~~32,368 million in TU Media Corp. which increased the Company's ownership from 26.9% to 32.7%.

(note c) In the first quarter of 2007, the Company acquired 975,000 shares of Air cross Co., Ltd.'s common stock from WiderThan Co., Ltd. and others, which increased the Company's ownership from 38.1% to 100.0%.

(note d) In 2005, the Company incorporated SK Telecom USA Holdings, Inc. with an investment of US\$122 million in order to invest in and manage Helio, Inc., a joint venture company in the United States of America, which was established in order to provide wireless telecommunication services in the United States of America. In addition, the Company invested an additional US\$ 39.5 million and US\$ 13.5 million in

SK USA Holdings,  
Inc. for the three  
months ended  
March 31, 2007  
and 2006,  
respectively (See  
Note 25).

(note e) As allowed under  
Korean GAAP,  
investments in  
equity securities of  
SK Telecom  
Europe Limited and  
others were not  
accounted for using  
the equity method  
of accounting, as  
changes in the  
Company's portion  
of stockholders  
equity of such  
investees were not  
expected to be  
material.

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Details of the changes in investments in affiliates accounted for using the equity method for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

		For the three months ended March 31, 2007							
				Equity in other		Other			
		Beginning	Acquisition	Equity income	earnings	Dividend	increase	Ending	
		balance		(losses)	of	received	(decrease)	balance	
					affiliates				
SK Communications Co., Ltd.	(note a)	₩ 177,913	₩	₩ (6,474)	₩ (71)	₩	₩	₩	₩ 171,368
SK Telink Co., Ltd.	(notes a and c)	86,284		1,184	(450)	(4,493)			82,525
SK C&C Co., Ltd.	(notes a and c)	272,554		2,816	60,907	(1,260)			335,017
STIC Ventures Co., Ltd.	(note b)	8,651		(40)					8,611
Paxnet Co., Ltd.	(notes a and c)	30,807		(460)	6	(727)			29,626
Global Credit & Information Co., Ltd.	(note b)	3,704		(10)					3,694
TU Media Corp.	(notes a and d)	7,016	32,368	(5,680)	(334)		334		33,704
Aircross Co., Ltd.	(note b)	1,713	2,139	(235)					3,617
IHQ, Inc.	(notes a and e)	38,938		(2,559)	244		(2)		36,621
Seoul Records, Inc.	(note a)	25,995		(672)	(170)				25,153
Harex Info Tech, Inc.	(note b)	1,835		(118)					1,717
SK Mobile	(note a)	4,643		(209)	105				4,539
SLD Telecom	(note a)	118,463		(3,950)	1,347				115,860
PTE Ltd.	(note b)	6,009		169	(355)				5,823
Skytel Co., Ltd.	(note b)	93		(112)	19				
SK China Company Ltd.	(note b)	6,536		(24)					6,512
SK Telecom China Co., Ltd.	(note a)	6,761		(1,460)	140				5,441
ULand Company Limited	(note a)	77,786	12,719	(27,153)	527				63,879
SK Telecom USA Holdings, inc.	(note a)	25,146		409	245				25,800
SK Telecom International, Inc.	(note b)	2,969		48	(1)				3,016
SK USA, Inc.	(notes a and e)	1,100		(402)	11		123		832
Helio, Inc.	(note b)	193,060		1					193,061
Korea IT Fund	(note b)								

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Centurion IT Investment Association	(note f)	3,262	(64)	(477)	(900)	1,821		
1st Music Investment Fund of SK-PVC	(note b)	7,186				7,186		
2nd Music Investment Fund of SK-PVC	(note b)	8,238				8,238		
SK-KTB Music Investment Fund	(note a)	15,311	51	(853)		14,509		
IMM Cinema Fund	(note a)	11,569	(93)	27		11,503		
Michigan Global Cinema Fund	(note b)	3,773				3,773		
3rd Fund of Isu Entertainment	(note b)	2,419				2,419		
Total		₩ 1,149,734	₩ 47,226	₩ (45,037)	₩ 60,867	₩ (6,480)	₩ (445)	₩ 1,205,865

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- (note a) Investments were recorded using the equity method of accounting based on unaudited and unreviewed financial statements as of and for the three months ended March 31, 2007. In order to verify the reliability of such unaudited and unreviewed financial statements, the Company has performed the following procedures and found no significant errors:
- i) obtained the signature from the chief executive officer of the equity method investee asserting that the unaudited and unreviewed financial statements are accurate
  - ii) checked whether the major transactions identified by the Company, including public disclosures, were appropriately reflected in the unaudited and unreviewed financial statements
  - iii) performed an analytical review on the unaudited and unreviewed financial statements
- (note b) Investments in equity securities are carried using the equity method of accounting based on the financial statements as of December 31, 2006 as information as

of March 31, 2007 was not available and the change in the Company's portion of stockholders equity of the investee for the three months ended March 31, 2007 was immaterial.

(note c) The Company received dividends from SK Telink Co., Ltd., SK C&C Co., Ltd. and Paxnet Co., Ltd. and the corresponding amount was deducted from the carrying amount of equity method securities.

(note d) Other increase in investments in TU Media Corp. represents realization of equity in other comprehensive income of affiliates as TU Media Corp. became the Company's subsidiary as a result of the Company's additional investment in TU Media Corp. for the three months ended

March 31,  
2006.

(note e) Other increase (decrease) in investments in equity securities of IHQ, Inc. and Helio, Inc. represent gains on disposal of investments in equity securities, which have resulted from the dilution of the Company's ownership as a result of capital transactions of the investees.

(note e) Other decrease in investments in Centurion IT Investment Association resulted from the collection of a portion of the Company's investment.

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For the three months ended March 31, 2006

	Beginning balance	Acquisition	Equity in earnings (losses)	Equity in comprehensive income of affiliates	Dividend received	Other increase (decrease)	Ending balance
Pantech Co., Ltd.	₩ 55,634	₩	₩ 1,577	₩ (84)	₩	₩	₩ 57,127
SK Capital Co., Ltd. (note a)	37,501		5				37,506
SK Communications Co., Ltd	158,170		5,678	1,861			165,709
SK Telink Co., Ltd.	70,863		4,163	37			75,063
SK C&C Co., Ltd.	198,251		3,676	58,771	(990)		259,708
SK Wyverns Baseball Club Co., Ltd. (note a)							
STIC Ventures Co., Ltd. (note a)	8,308		71				8,379
Paxnet Co., Ltd.	27,372		1,109				28,481
Global Credit & information Co., Ltd. (note a)	3,276		(10)				3,266
TU Media Corp.	32,393		(6,505)				25,888
Aircross Co., Ltd. (note a)	970		(4)				966
WiderThan Co., Ltd. (note a)	12,827		(500)	(54)		(770)	11,503
IHQ, Inc.	13,935		(166)	353		173	14,295
Seoul Records, Inc.	27,242		2				27,244
Harex Info Tech, Inc. (note a)	2,568		(38)				2,530
SK Mobile SLD Telecom		10,322					10,322
PTE Ltd.	55,358	97,286	(3,633)	(10,407)			138,604
Skytel Co., Ltd. (note a)	4,872		111	197			5,180
SK China Company Ltd. (note a)	483		2				485
SK Telecom China Co., Ltd. (note a)	6,927		(290)	252			6,889
ULand Company Limited.	12,564		(1,796)	1,205			11,973
SK Telecom USA Holdings, inc.	103,751	38,280	(10,356)	(4,342)			127,333
SK Telecom International, Inc.	25,957		(211)	(927)			24,819
SK USA, Inc. (note a)	3,353		(75)	74			3,352

Centurion IT investment Association	(note a)	3,635	(615)	56		3,076
1st Music Investment Fund of SK-PVC	(note a)	6,990		5		6,995
2nd Music Investment Fund of SK-PVC	(note a)	7,966				7,966
SK-KTB Music Investment Fund	(note a)	14,999	(4)			14,995
IMM Cinema Fund	(note a)	11,884				11,884
SKT-HP Ventures, LLC	(note a)	5,272		18		5,290
		<del>₩</del> 913,321	<del>₩</del> 145,888	<del>(₩)</del> 7,786	<del>₩</del> 46,992	<del>₩</del> (990)
					<del>₩</del> (597)	<del>₩</del> 1,096,828

(note a) Investments in equity securities are carried using the equity method of accounting based on the financial statements as of December 31, 2005 as information as of March 31, 2006 was not available and the change in the Company's portion of stockholders equity of the investee for the three months ended March 31, 2006 was immaterial.

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Details of changes in the differences between the acquisition cost and net asset value of equity method investees at the acquisition date for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	For the three months ended March 31, 2007			
	Beginning balance	Increase	Amortization	Ending balance
SK Communications Co., Ltd.	₩ 22,417	₩	₩ (350)	₩ 22,067
SK C&C Co., Ltd.	4,464		(101)	4,363
Paxnet Co., Ltd.	17,164		(268)	16,896
Global Credit & Information Co., Ltd.	587		(11)	576
TU Media Corp.	784	9,572	(52)	10,304
IHQ, Inc.	24,780		(1,377)	23,403
Seoul Records, Inc.	2,855		(204)	2,651
Harex Info Tech, Inc.	1,051		(87)	964
SLD Telecom PTE Ltd.	384		(5)	379
ULand Company Ltd.	4,502		(64)	4,438
Helio, Inc.		38	(38)	
<b>Total</b>	<b>₩ 78,988</b>	<b>₩ 9,610</b>	<b>₩ (2,557)</b>	<b>₩ 86,041</b>

	For the three months ended March 31, 2006			
	Beginning balance	Increase/ (Decrease)	Amortization	Ending balance
Pantech Co., Ltd.	₩ 793	₩	₩ (11)	₩ 782
SK Communications Co., Ltd.	23,814		(350)	23,464
SK C&C Co., Ltd.	4,870		(101)	4,769
Paxnet Co., Ltd.	18,237		(268)	17,969
Global Credit & information Co., Ltd.	628		(10)	618
TU Media Corp.	993		(52)	941
IHQ, Inc.	6,267	(27)	(367)	5,873
Seoul Records, Inc.	3,670		(204)	3,466
Harex Info Tech, Inc.	1,402			1,402
SK Mobile		3,192		3,192
SLD Telecom PTE Ltd.	406		(5)	401
ULand Company Limited	3,628	1,132	(65)	4,695
<b>Total</b>	<b>₩ 64,708</b>	<b>₩ 4,297</b>	<b>₩ (1,433)</b>	<b>₩ 67,572</b>

Details of changes in unrealized inter-company gains incurred from sales of assets for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	For the three months ended March 31, 2007			
	Beginning balance	Increase	Decrease	Ending balance
SK Communications Co., Ltd.	₩ 2,913	₩ 263	₩ (325)	₩ 2,851
ULand Company Ltd.		2,726		2,726

SK China Company Ltd.	1,086			1,086
Total	₩ 3,999	₩ 2,989	₩ (325)	₩ 6,663

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	For the three months ended March 31, 2006			
	Beginning balance	Increase	Decrease	Ending balance
SK Communications Co., Ltd.	₩ 4,016	₩	₩ (478)	₩ 3,538
SK China Company Ltd.	1,086			1,086
Total	₩ 5,102	₩	₩ (478)	₩ 4,624

Details of market price of the equity securities accounted for using the equity method as of March 31, 2007 are as follows (In millions of Korean won, except for market price per share):

	Market price per share (In Korean won)	Number of shares owned by the Company	Market price
IHQ, Inc.	4,575	13,000,000	59,475
Seoul Records, Inc.	3,565	9,582,321	34,161

The condensed financial information of the investees as of and for the three months ended March 31, 2007 is as follows (In millions of Korean won):

	Total assets	Total liabilities	Revenue	Net income (loss)
SK Communications Co., Ltd.	₩ 324,666	₩ 136,966	₩ 43,117	(₩6,789)
SK Telink Co., Ltd.	148,608	57,690	54,621	2,841
SK C&C Co., Ltd.	2,073,295	971,113	184,619	24,010
Paxnet Co., Ltd.	29,171	7,258	7,077	(213)
TU Media Corp.	383,254	311,696	26,814	(19,698)
IHQ, Inc.	68,951	28,166	10,078	(2,750)
Seoul Records, Inc.	44,815	7,312	9,221	(781)
SK Mobile	11,623	943	371	(547)
SLD Telecom PTE Ltd.	199,780	42,277	469	(5,663)
ULand Company Limited	7,072	1,754	1,130	1,016
SK Telecom USA Holdings, Inc.	64,025	146		(28,644)
SK Telecom International, Inc.	27,936	2,136	4,491	520
SKT-KTB Music Investment Fund	19,694	134		69
IMM Cinema Fund	25,218	7	949	832
Helio, Inc.	224,814	87,502	291,829	(59,274)



**Table of Contents****5. LOANS TO EMPLOYEES**

Short-term and long-term loans to employees as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007		Total	December 31, 2006
	Short-term	Long-term		
Loans to employees stock ownership association	₩ 2,035	₩ 4,519	₩ 6,554	₩ 7,526
Loans to employees for housing and other	77	181	258	277
Total	₩ 2,112	₩ 4,700	₩ 6,812	₩ 7,803

**6. PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	Useful lives (years)	March 31, 2007	December 31, 2006
Land		₩ 448,139	₩ 462,393
Buildings and structures	15,30	1,488,886	1,488,824
Machinery	6	11,399,859	11,235,472
Vehicles	4	20,887	21,136
Other	4	977,015	956,670
Construction in progress		175,120	130,667
		14,509,906	14,295,162
Less: accumulated depreciation		(10,118,549)	(9,877,050)
Property and equipment, net		₩ 4,391,357	₩ 4,418,112

The standard value of land declared by the government as of March 31, 2007 and December 31, 2006 are ₩502,186 million and ₩506,831 million, respectively.

Details of change in property and equipment for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	For the three months ended March 31, 2007					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	
Land	₩ 462,393	₩	₩ (14,254)	₩	₩	₩ 448,139
Buildings and structures	1,101,232	339	(167)		(13,946)	1,087,458
Machinery	2,346,517	715	(1,383)	200,523	(248,183)	2,298,189
Vehicles	2,341	1,091	(64)		(384)	2,984
Other	374,962	217,078	(315)	(189,791)	(22,467)	379,467

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Construction in progress	130,667	69,291	(24,838)			175,120
Total	₩ 4,418,112	₩ 288,514	₩ (16,183)	₩ (14,106)	₩ (284,980)	₩ 4,391,357

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	For the three months ended March 31, 2006					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	
Land	₩ 461,513	₩	₩ (319)	₩	₩	₩ 461,194
Buildings and structures	1,145,497	348	(132)	105	(13,841)	1,131,977
Machinery	2,429,564	120	(413)	10,964	(243,660)	2,196,575
Vehicles	2,786	520	(71)		(402)	2,833
Other	292,214	59,059	(489)	(37,409)	(18,751)	294,624
Construction in progress	264,309	26,059		21,599		311,967
<b>Total</b>	<b>₩ 4,595,883</b>	<b>₩ 86,106</b>	<b>₩ (1,424)</b>	<b>₩ (4,741)</b>	<b>₩ (276,654)</b>	<b>₩ 4,399,170</b>

**7. INTANGIBLE ASSETS**

Intangible assets as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007			December 31, 2006		
	Acquisition cost	Accumulated amortization	Carrying amounts	Acquisition Cost	Accumulated amortization	Carrying amounts
Goodwill	₩ 2,335,532	₩ (675,475)	₩ 1,660,057	₩ 2,335,532	₩ (643,310)	₩ 1,692,222
Frequency use rights	1,385,120	(337,420)	1,047,700	1,385,120	(308,287)	1,076,833
Software development costs	231,318	(198,051)	33,267	231,318	(190,611)	40,707
Computer software	874,490	(340,037)	534,453	858,375	(303,272)	555,103
Other	110,857	(70,941)	39,916	109,753	(69,459)	40,294
	<b>₩ 4,937,317</b>	<b>₩ (1,621,924)</b>	<b>₩ 3,315,393</b>	<b>₩ 4,920,098</b>	<b>₩ (1,514,939)</b>	<b>₩ 3,405,159</b>

Details of changes in intangible assets for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	For the three months ended March 31, 2007					Ending balance
	Beginning balance	Increase	Decrease	Transfer	Amortization	
Goodwill	₩ 1,692,222	₩	₩	₩	₩ (32,165)	₩ 1,660,057
Frequency use rights	1,076,833				(29,133)	1,047,700
Software development costs	40,707				(7,440)	33,267
Computer software	555,103	2,138	(7)	14,227	(37,008)	534,453
Other	40,294	1,376	(139)		(1,615)	39,916

₩ 3,405,159    ₩ 3,514    ₩ (146)    ₩ 14,227    ₩ (107,361)    ₩ 3,315,393

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	For the three months ended March 31, 2006						Ending balance
	Beginning balance	Increase	Decrease	Transfer	Amortization		
Goodwill	₩ 1,820,884	₩	₩	₩	₩ (32,165)	₩ 1,788,719	
Frequency use rights	1,184,292				(24,102)	1,160,190	
Software development costs	61,256				(7,953)	53,303	
Computer software	279,757	1,093	(1)	5,144	(18,772)	267,221	
Other	40,358	480	(15)	49	(1,500)	39,372	
	₩ 3,386,547	₩ 1,573	₩ (16)	₩ 5,193	₩ (84,492)	₩ 3,308,805	

The book value as of March 31, 2007 and residual useful lives of major intangible assets are as follows (In millions of Korean won):

	Amount	Description	Residual useful lives
Goodwill	₩1,660,057	Goodwill related to acquisition of Shinsegi Telecomm, Inc.	13 years
IMT license	940,242	Frequency use rights relating to W-CDMA Service	(note a)
WiBro license	100,917	WiBro Service	(note b)
DMB license	6,541	DMB Service	9 years and 3 months

(note a) Amortization of the IMT license commenced when the Company started its commercial IMT 2000 service in December 2003, using the straight-line method over the estimated useful life (13 years) of the IMT license which expires in December 2016.

(note b) The Company purchased the WiBro license

from MIC on  
March 30, 2005.  
The license  
period is seven  
years from the  
purchase date.  
Amortization of  
the WiBro  
license  
commenced  
when the  
Company started  
its commercial  
WiBro services  
on June 30, 2006  
using the straight  
line basis over  
the remaining  
useful life.

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**Table of Contents****8. BONDS PAYABLE**

Bonds payable as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won and thousands of U.S. dollars):

		Annual		December
	Maturity year	interest	March 31,	31,
		rate (%)	2007	2006
Domestic general bonds	2007	5.0 - 6.0	₩ 700,000	₩ 700,000
	2008	5.0	300,000	300,000
	2009	5.0	300,000	300,000
	2010	4.0	200,000	200,000
	2011	3.0	200,000	200,000
	2013	4.0	200,000	200,000
	2016	5.0	200,000	200,000
Dollar denominated bonds (US\$300,000)	2011	4.25	282,090	278,880
Convertible bonds (US\$304,240)	2009		356,356	356,356
Total			2,738,446	2,735,236
Less: discounts on bonds			(36,055)	(39,097)
Less: conversion right adjustments			(39,448)	(43,629)
Add: long-term accrued interest			22,910	22,910
Net			2,685,853	2,675,420
Less: portion due within one year			(996,655)	(696,546)
Long-term portion			₩ 1,689,198	₩ 1,978,874

All of the above bonds will be paid in full at maturity.

On May 27, 2004, the Company issued zero coupon convertible bonds with a maturity of five years in the principal amount of US\$329,450,000 for US\$324,923,469, with an initial conversion price of ₩235,625 per share of the Company's common stock, which was greater than market value at the date of issuance. Subsequently, the initial conversion price was changed to ₩211,943 per share in accordance with anti-dilution protection. The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 103.81% of the principal amount on May 27, 2007 (3 years from the issuance date). The conversion right may be exercised during the period from July 7, 2004 to May 13, 2009 and the number of common shares to be converted as of December 31, 2006 is 1,649,014 shares. During the three months ended March 31, 2007, the conversion price was changed from ₩217,062 to ₩211,943 and the number of shares to be converted was changed from 1,649,014 shares to 1,688,842 shares due to the payment of annual dividends in accordance with the resolution of the Company's board of directors dated January 25, 2007.

Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the

Company's voting stock, if this 49% ownership limitation is violated due to the exercise of conversion rights. In this case, the Company will pay a bond holder as cash settlement determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five business days. The Company intends to sell treasury shares held in trust by the Company that corresponds to the number of shares of common stock that would have been delivered in the absence of the 49% foreign shareholding restrictions. The Company entered into an agreement with Credit Suisse First Boston International to reduce the effect of fluctuation with respect to cash settlement payments that may be more or less than the proceeds from sales of treasury shares held in trust. Unless either previously redeemed or converted, the notes are redeemable at 106.43% of the principal amount at maturity.

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During the three months ended March 31, 2007, no conversion was made. During the year ended December 31, 2006, the convertible bonds with a principal amount of US\$25,210,000 were converted into 136,613 shares of treasury stock, the principal amount of the convertible bonds decreased from US\$329,450,000 to US\$304,240,000. As a result of such conversion, the consideration for conversion right (capital surplus) decreased by ₩3,733 million (net of tax effect of ₩1,416 million).

**9. LONG-TERM BORROWINGS**

Long-term borrowings as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won and thousands of U.S. dollars):

	Lender	Final maturity year	Annual interest rate (%) (note)	March 31, 2007	December 31, 2006
Long-term floating rate discount bill	Shinhan Bank	June 29, 2011	91 days CD yield + 0.25%	₩ 200,000	₩ 200,000
Long-term floating rate borrowings	Calyon Bank	October 10, 2013	6M LIBOR + 0.29%	US\$ 50,000	US\$ 50,000
	DBS Bank			US\$ 25,000	US\$ 25,000
	SMBC			US\$ 25,000	US\$ 25,000
				US\$ 100,000	US\$ 100,000
Total				₩ 200,000	₩ 200,000
Equivalent in Korean won				₩ 294,030	₩ 292,960
Less: portion due within one year					
Long-term borrowings				₩ 294,030	₩ 292,960

The above long-term floating rate discount bill is classified as long-term borrowing as the borrowing is to be rolled-over exceeding 1 year from March 31, 2007 in accordance with the loan agreement.

(note) At March 31, 2007, the 91 days CD yield and the 6M LIBOR rate are 4.94% and 5.32%, respectively.

**Table of Contents****10. SUBSCRIPTION DEPOSITS**

The Company receives subscription deposits from customers of cellular services at the subscription date. The Company has no obligation to pay interest on subscription deposits but is required to return them to subscribers upon termination of the subscription contract.

Long-term subscription deposits held as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won except deposit per subscriber amounts):

	Service type	Deposit per subscriber	March 31, 2007	December 31, 2006
Cellular		₩ 200,000	₩ 20,462	₩ 21,140

The Company offers existing and new cellular subscribers the option of obtaining credit insurance from Seoul Guarantee Insurance Company ( SGIC ) in lieu of the subscription deposits. Existing subscribers who elect this option are refunded their subscription deposits. As a result, the balance of subscription deposits has been decreasing.

**11. LEASES**

The Company acquired certain computer equipment and software from SK C&C Co., Ltd. and succeeded certain capital lease agreements between SK C&C Co., Ltd. and HP Financial Service. Details of capital lease assets acquired and liabilities assumed from SK C&C Co., Ltd. as of and for the three months ended March 31, 2007 and as of and for the year ended December 31, 2006 are as follows (In millions of Korean won):

		March 31, 2007	December 31, 2006
Acquisition cost	Office equipment	₩ 8,271	₩ 15,784
	Computer software	5,728	7,180
		₩ 13,999	₩ 22,964
Accumulated depreciation	Office equipment	₩ 5,031	₩ 8,662
	Computer software	1,528	1,555
		₩ 6,559	₩ 10,217
Carrying amounts	Office equipment	₩ 3,240	₩ 7,122
	Computer software	4,200	5,625
		₩ 7,440	₩ 12,747

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Depreciation expenses	Office equipment	₩	493	₩	8,071
	Computer software		286		1,437
		₩	779	₩	9,508

The Company's minimum future lease payments as of March 31, 2007 are as follows (In millions of Korean won):

	Annual lease payments	Interest	Principal
2007	₩ 4,993	₩ (200)	₩ 4,793
2008	1,664	(22)	1,642
Total	₩ 6,657	₩ (222)	6,435
Less: portion due within one year			(6,435)
Capital lease liabilities			₩

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**Table of Contents****12. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable and long-term borrowings denominated in foreign currencies described in Notes 8 and 9, respectively) as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won, thousands of U.S. dollars, thousands of HK dollars, thousands of Japanese yen, thousands of Great Britain pounds, thousands of Singapore dollars, thousands of Swiss Franc, thousands of Euros and thousands of Chinese yuan):

	March 31, 2007		December 31, 2006	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Cash and cash equivalents	US\$ 698	₩ 656	US\$ 959	₩ 892
	EUR 50	62	EUR 2	2
	SG\$ 5	3		
Accounts receivable trade	US\$ 19,161	18,017	US\$ 16,534	15,370
	EUR 248	311	EUR 248	303
	CNY 5,620	684		
Accounts receivable other	US\$ 1,657	1,558	US\$ 1,657	1,541
Guarantee deposits	US\$ 17	16	US\$ 17	16
	JPY 21,536	172	JPY 21,536	168
		₩ 21,479		₩ 18,292
Accounts payable	US\$ 6,919	₩ 6,506	US\$ 16,046	₩ 14,916
	JPY 23,228	185	JPY 18,704	146
	HK\$ 179	22	HK\$ 190	23
	GBP 25	46	GBP 48	88
	SG\$ 17	11	SG\$ 6	3
	EUR 432	541	EUR 813	993
			CHF 250	190
	CNY 41	5	CNY 2	1
		₩ 7,316		₩ 16,360

**Table of Contents****13. CAPITAL STOCK AND CAPITAL SURPLUS**

The Company's capital stock consists entirely of common stock with a par value of ₩500. The number of authorized and issued shares as of March 31, 2007 and December 31, 2006 are as follows:

	March 31, 2007	December 31, 2006
Authorized shares	220,000,000	220,000,000
Issued shares	81,193,711	81,193,711
Outstanding shares, net of treasury stock	72,667,459	72,667,459

Significant changes in capital stock and capital surplus for the three months ended March 31, 2007 and for the year ended December 31, 2006 are as follows (In millions of Korean won except for share data):

	Number of shares issued	Capital stock	Capital surplus
At January 1, 2006	82,276,711	₩ 44,639	₩ 2,966,198
Consideration for conversion right (note a)			(3,733)
Transferred from stock options in capital adjustment (note b)			234
Retirement of treasury stock (note c)	(1,083,000)		
At December 31, 2006	81,193,711	44,639	2,962,699
Transferred from stock options in capital adjustment (note d)			3,246
At March 31, 2007	81,193,711	₩ 44,639	₩ 2,965,945

(note a) During the year ended December 31, 2006, the convertible bonds with a face value of US\$25,210,000 were converted and the capital surplus amount (in connection with the related conversion rights) decreased by ₩3,733 million (net of tax effect of ₩1,416 million).

(note b) During the year ended December 31, 2006, the exercisable period for the stock options representing 43,390 shares, of which recognized compensation costs were ₩234 million, expired and the related stock options of ₩234 million in capital adjustments were transferred to capital surplus in accordance with Korean GAAP [See Note 2 (q)].

(note c) The Company retired 491,000 shares and 592,000 shares of treasury stock on August 17, 2006 and September 29, 2006, respectively, and reduced retained earnings before appropriations in accordance with Korean Commercial laws.

(note d) During the three months ended March 31, 2007, the exercisable period for the stock options representing 65,730 shares, for which the Company recognized compensation costs of ₩3,246 million, expired and the related stock options of ₩3,246 million in capital adjustments were transferred to capital surplus in accordance with Korean GAAP [See Note 2 (q)].

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**Table of Contents****14. RETAINED EARNINGS**

Retained earnings as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007	December 31, 2006
Appropriated	₩ 7,335,037	₩ 6,679,234
Unappropriated	397,354	1,165,519
	₩ 7,732,391	₩ 7,844,753

The details of appropriated retained earnings as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007	December 31, 2006
Legal reserve	₩ 22,320	₩ 22,320
Reserve for improvement of financial structure	33,000	33,000
Reserve for loss on disposal of treasury stock	255,984	477,182
Reserve for research and manpower development	872,595	880,594
Reserve for business expansion	6,151,138	5,266,138
Total	₩ 7,335,037	₩ 6,679,234

a. Legal Reserve

The Korean Commercial Code requires the Company to appropriate as a legal reserve at least 10% of cash dividends for each accounting period until the reserve equals 50% of outstanding capital stock. The legal reserve may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to capital stock.

b. Reserve for Improvement of Financial Structure

The Financial Control Regulation for listed companies in Korea requires that at least 10% of net income (net of accumulated deficit), and an amount equal to net gain (net of related income taxes, if any) on the disposal of property and equipment be appropriated as a reserve for improvement of financial structure until the ratio of stockholders' equity to total assets reaches 30%. The reserve for improvement of financial structure may not be utilized for cash dividends, but may only be used to offset a future deficit, if any, or may be transferred to capital stock.

c. Reserves for Loss on Disposal of Treasury Stock and Research and Manpower Development

Reserves for loss on disposal of treasury stock and research and manpower development were appropriated in order to recognize certain tax deductible benefits through the early recognition of future expenditures for tax purposes. These reserves will be reversed to unappropriated from appropriated retained earnings in accordance with the relevant tax laws. Such reversal will be included in taxable income in the year of reversal.





**Table of Contents****15. TREASURY STOCK**

Upon issuances of stock dividends and new common stock, and the merger with Shinsegi Telecomm, Inc. and SK IMT Co., Ltd., the Company acquired fractional shares totaling 77,970 shares for ₩6,110 million through 2005. In addition, the Company acquired 8,584,445 shares of treasury stock in the market or through the trust funds for ₩2,040,995 million through 2005 in order to stabilize the market price of its stock. In addition, during the year ended December 31, 2006, the convertible bonds with a principal amount of US\$25,210,000 were converted into 136,163 shares of common stock. Such conversion was settled by the Company by using its treasury stock with carrying value totaling ₩32,178 million, which resulted in loss on disposal of treasury stock of ₩7,887 million. In addition, the losses on disposal of treasury stock decreased by ₩337 million for the three months ended March 31, 2007 to reflect the change in accumulated temporary differences related to treasury stocks based on the prior year tax return.

On August 17, 2006, the Company retired 491,000 shares of treasury stock, which were acquired by the Company during the period from August 1, 2006 through August 14, 2006 for ₩92,518 million in accordance with a resolution of the board of directors dated July 28, 2006. On September 29, 2006, the Company retired 592,000 shares of treasury stock, which were acquired by the Company during the period from September 4, 2006 through September 27, 2006 for ₩116,559 million in accordance with a resolution of the board of directors dated August 31, 2006. In connection with the retired treasury stocks discussed above, the Company reduced its retained earnings before appropriations by ₩209,077 million in accordance with Korean Commercial law.

There was no change in the shares of treasury stock for the three months ended March 31, 2007.

**16. STOCK OPTIONS**

On March 17, 2000, March 16, 2001 and March 8, 2002, in accordance with the approval of its stockholders or its board of directors, the Company granted stock options to its management, representing 17,800 shares at an exercise price of ₩424,000 per share, 43,820 shares at an exercise price of ₩211,000 per share and 65,730 shares at an exercise price of ₩267,000 per share. The stock options will become exercisable after three years from the date of grant and shall be exercisable for two years from the first exercisable date. Upon exercise of stock options, the Company will issue its common stock. If the employees leave the Company within three years after the grant of stock options, such employees forfeit their unvested stock options awarded. Stock options representing 530 shares for which total compensation cost was ₩3 million were forfeited during the year ended December 31, 2004.

The value of stock options granted is determined using the Black-Scholes option-pricing model, without considering the volatility factor in estimating the value of its stock options, as permitted under Korean GAAP. The following assumptions are used to estimate the fair value of options granted in 2000, 2001 and 2002; risk-free interest rate of 9.1% for 2000, 5.9% for 2001 and 6.2% for 2002; expected life of three years for 2000, 2001 and 2002; expected dividend of ₩500 per share for 2000, 2001 and 2002. Under these assumptions, total compensation cost, the recognized compensation cost (included in labor cost) for the three months ended March 31, 2007 and 2006 and the outstanding balance of stock option in capital adjustment as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	Total	Recognized compensation cost		Stock options in capital adjustment	
		March 31, 2007	March 31, 2006	March 31, 2007	December 31, 2006
Grant date	Compensation cost	31, 2007	31, 2006	31, 2007	31, 2006

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March 17, 2000 (note a)	₩	1,533	₩	₩	₩	₩	
March 16, 2001(note b)		234					
March 8, 2002 (note c)		3,246					3,246
	₩	5,013	₩	₩	₩	₩	3,246

(note a) During the year ended December 31, 2005, the exercisable period expired for stock options representing 17,800 shares, for which the Company had recognized compensation cost of ₩1,533

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million. The related capital adjustment of ₩1,533 million was transferred to capital surplus.

(note b) During the year ended December 31, 2006, the exercisable period expired for stock options representing 43,820 shares, for which the Company had recognized compensation cost of ₩234 million. The related capital adjustment of ₩234 million was transferred to capital surplus.

(note c) During the three months ended March 31, 2007, the exercisable period expired for stock options representing 65,730 shares, for which the Company had recognized compensation cost of ₩3,246 million. The related capital adjustment of ₩3,246 million was transferred to capital surplus.

If the Company had not excluded the volatility factor (expected volatility of 66.8% for options granted in 2000, 67.5% for options granted in 2001, and 63.0% for options granted in 2002), the pro forma total compensation cost would be ₩15,967 million (₩3,738 million, ₩3,617 million and ₩8,613 million for options granted in 2000, 2001 and 2002, respectively) and the recognized compensation cost for the three months ended March 31, 2007 would be nil, and the pro forma net income and net income per common share for the three months ended March 31, 2007, 2006, and 2005 are as follows:

	For the three months ended March 31,		
	2007	2006	2005
Pro forma income before income taxes (In millions of Korean won)	₩563,792	₩478,318	₩546,906
Pro forma net income (In millions of Korean won)	336,310	337,160	368,120
Pro forma net income per share (In Korean won)	5,454	4,580	5,001

**17. INCOME TAX**

## a. Details of income tax expense

Income tax expense for the three months ended March 31, 2007 and 2006 consists of the following (In millions of Korean won):

	2007	2006
Current	₩ 183,022	₩ 174,026
Changes in net deferred tax liabilities (note a)	(15,541)	(32,868)
Income tax expense	₩ 167,481	₩ 141,158

(note a) Changes in net deferred tax liabilities for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	2007	2006
Ending balance of net deferred tax liabilities	₩ 550,863	₩ 358,773
Beginning balance of net deferred tax liabilities	(490,341)	(348,563)
Adjustment to the beginning net deferred income tax liabilities based on tax return filed	3,443	4,424
Tax effect of temporary differences charged or credited directly to related components of stockholders' equity	(79,506)	(47,502)
	₩ (15,541)	₩ (32,868)



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## b. Reconciling items between accounting income and taxable income

Reconciling items between accounting income and taxable income for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	2007	2006
<b>(Temporary Differences)</b>		
<b>Additions:</b>		
Allowance for doubtful accounts	₩ 62,904	₩ 150,398
Accrued interest income prior period	4,576	3,931
Reserves for research and manpower development	52,500	47,000
Reserves for loss on disposal of treasury stock		59,225
Equity in losses of affiliates	45,037	8,383
Unrealized loss on valuation of long-term investment securities	23	1,847
Accrued expenses	1,032	15,300
Depreciation	13,374	14,788
Loss on impairment of other assets	1,234	5,233
Loss on valuation of derivative instruments	1,146	5,297
Accrued severance indemnities	7,339	20,929
Deposits for severance indemnities	475	148,610
Consideration of conversion right	4,182	4,289
Other	18,097	25,735
Sub-total	211,919	510,965
<b>Deductions:</b>		
Reserves for research and manpower development		(47,500)
Allowance for doubtful accounts prior period	(43,975)	(124,184)
Depreciation prior period	(4,432)	(4,919)
Accrued interest income	(1,972)	(2,083)
Accrued expenses prior period	(25,475)	(19,555)
Gain on valuation of derivative instruments	(733)	
Unrealized gains on valuation of long-term investment securities	(232,161)	(122,981)
Equity in capital adjustments of affiliates	(60,866)	(46,993)
Accrued severance indemnities	(3,837)	(148,610)
Deposits for severance indemnities	(475)	(8,837)
Loss on impairment of other assets prior period	(971)	(5,109)
Other	(12,812)	(6,044)
Sub-total	(387,709)	(536,815)
Total temporary differences	(175,790)	(25,850)
<b>(Permanent Differences)</b>	338,857	209,919
Total	₩ 163,067	₩ 184,069



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## c. Change in cumulative temporary differences and deferred tax assets (liabilities)

Changes in cumulative temporary differences for the three months ended March 31, 2007 and 2006, and deferred tax assets (liabilities) as of March 31, 2007 and 2006 are as follows (In millions of Korean won):

For the three months ended March 31, 2007

Description	January 1, 2007	Increase (note a)	Decrease (note a)	March 31, 2007
Current:				
Allowance for doubtful accounts	₩ 50,824	₩ 56,055	₩ 43,975	₩ 62,904
Accrued interest income	(4,574)	(2)	(4,576)	
Accrued expenses	56,001	2,982	27,425	31,558
Other	172,169	1,031	3,084	170,116
Total	274,420	60,066	69,908	264,578
Temporary differences unlikely to be realized	(128,555)			(128,555)
Total current cumulative temporary differences-net	₩ 145,865	₩ 60,066	₩ 69,908	₩ 136,023
Current deferred tax assets-net (note b)	₩ 40,113			₩ 37,406
Non-current:				
Property and equipment	₩ (188,535)	₩ 124	₩ (9,316)	₩ (179,095)
Loss on impairment of long-term investment securities	108,145	25,832		133,977
Loss on impairment of other long-term assets	971	1,234	971	1,234
Reserves for research and manpower development	(760,000)		(52,500)	(707,500)
Reserves for loss on disposal of treasury stock	(255,984)			(255,984)
Equity in losses (earnings) of affiliates	114,214	40,254	455	154,013
Equity in capital adjustment of affiliates	(123,206)	(61,312)		(184,518)
Unrealized loss on valuation of long-term investment securities (other comprehensive income)	(563,477)	(6,870)	225,268	(795,615)
Accrued severance indemnities	20,058	7,339	3,837	23,560
Deposits for severance indemnities	(20,058)	(475)	(475)	(20,058)
Loss on valuation of currency swap	22,502		733	21,769
Loss on valuation of currency swap (other comprehensive income)	24,249	1,146		25,395
Loss on valuation of interest rate swap (other comprehensive income)	454	962		1,416
Considerations for conversion right	(62,131)		(5,148)	(56,983)
Other	24,564	8,170	6,005	26,729

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Total	(1,658,234)	16,404	169,830	(1,811,660)
Temporary differences unlikely to be realized	(270,688)	(2,471)	54,341	(327,500)
Total non-current cumulative temporary differences-net	<del>₩</del> (1,928,922)	<del>₩</del> 13,933	<del>₩</del> 224,171	<del>₩</del> (2,139,160)
Total non-current deferred tax liabilities-net (note b)	<del>₩</del> (530,454)			<del>₩</del> (588,269)

(note a) These changes include adjustment to reflect the change in accumulated temporary differences based on the prior year tax return.

(note b) The tax rate used in measuring deferred tax assets and liabilities is 27.5%.



**Table of Contents**For the three months ended March 31, 2006

Description	January 1, 2006	Increase (note a)	Decrease (note a)	March 31, 2006
Current:				
Allowance for doubtful accounts	₩ 122,561	₩ 152,021	₩ 124,184	₩ 150,398
Accrued interest income	(3,931)	(983)	(3,931)	(983)
Other	251,515	4,686	22,184	234,017
Total	370,145	155,724	142,437	383,432
Temporary differences unlikely to be realized	(147,774)		(19,220)	(128,554)
Total current cumulative temporary differences-net	₩ 222,371	₩ 155,724	₩ 123,217	₩ 254,878
Current deferred tax assets-net (note b)	₩ 61,152			₩ 70,091
Non-current:				
Property and equipment	₩ (196,446)	₩ 13,984	₩ (9,696)	₩ (172,766)
Loss on impairment of long-term investment securities	108,145			108,145
Loss on impairment of other long-term assets	7,461	2,881	5,109	5,233
Reserves for research and manpower development	(768,000)	(47,500)	(47,000)	(768,500)
Reserves for loss on disposal of treasury stock	(474,081)		(59,225)	(414,856)
Equity in losses (earnings) of affiliates	5,380	(1,265)	5,380	(1,265)
Equity in capital adjustment of affiliates	(109,468)	(45,907)		(155,375)
Unrealized loss on valuation of long-term investment securities	58,116	1,847	122,981	(63,018)
Accrued severance indemnities	148,465	21,074	148,610	20,929
Deposits for severance indemnities	(148,465)	(8,982)	(148,610)	(8,837)
Loss on valuation of derivative instruments	13,244	5,297		18,541
Loss on valuation of derivative instruments (other comprehensive income)	19,554	6,471		26,025
Considerations for conversion right	(67,279)			(67,279)
Other	(21,052)	26,279	(1,099)	6,326
Total	(1,424,426)	(25,821)	16,450	(1,466,697)
Temporary differences unlikely to be realized	(65,447)	(27,362)		(92,809)
Total non-current cumulative temporary differences-net	₩ (1,489,873)	₩ (53,183)	₩ 16,450	₩ (1,559,506)

Total non-current deferred tax liabilities-net (note b)	₩ (409,715)	₩ (428,864)
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(note a) These changes include adjustment to reflect the change in accumulated temporary differences based on the prior year tax return.

(note b) The tax rate used in measuring deferred tax assets and liabilities is 27.5%.

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Deferred tax assets and liabilities before offsetting each other as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007	December 31, 2006
Deferred tax assets	₩ 92,740	₩ 93,697
Deferred tax liabilities	(643,603)	(584,038)
Deferred tax assets (liabilities), net	₩ (550,863)	₩ (490,341)
Current, net	₩ 37,406	₩ 40,113
Non-current, net	₩ (588,269)	₩ (530,454)

d. Deferred tax assets (liabilities) added to (deducted from) capital surplus, capital adjustments and accumulated other comprehensive income.

Deferred tax assets (liabilities) added to (deducted from) capital surplus, capital adjustments and accumulated other comprehensive income as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	March 31, 2007	December 31, 2006
Gains on disposal of treasury stock	₩ (38,004)	₩ (38,341)
Considerations for conversion right	(17,086)	(17,086)
Unrealized loss on valuation of long-term investment securities	(218,794)	(154,956)
Equity in capital adjustment of affiliates, net	(58,026)	(41,441)
Loss on valuation of currency swap	6,984	6,668
Loss on valuation of interest rate swap	389	125
Total	₩ (324,537)	₩ (245,031)

e. Effective tax rate

Effective tax rates for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	March 31, 2007	December 31, 2006
Income before income tax	₩ 563,791	₩ 478,318
Income tax expense	167,481	141,158
Effective tax rate	29.71%	29.51%

**Table of Contents****18. COMPREHENSIVE INCOME**

Details of comprehensive income for the three months ended March 31, 2007 are as follows (In millions of Korean won):

	Profit and loss effect	Tax effect
Net income	₩ 396,310	
Other comprehensive income:		
Unrealized gains (loss) on valuation of long- term investment securities, net	168,300	(₩63,838)
Equity in capital adjustments of affiliates, net	44,282	(16,585)
Loss on valuation of currency swap, net	(1,254)	316
Loss on valuation of interest swap, net	(697)	264
Sub total	210,631	(₩79,843)
Comprehensive income	₩ 606,941	

**19. NET INCOME PER SHARE**

The Company's net income and ordinary income per share for the three months ended March 31, 2007 and 2006, and for the year ended December 31, 2006 are computed as follows (In millions of Korean won, except for per share income per share):

Net income per share

	For the three months ended		For the year ended
	March 31, 2007	March 31, 2006	December 31, 2006
Net income	₩ 396,310	₩ 337,160	₩ 1,446,598
Weighted average number of common shares outstanding	72,667,459	73,614,296	73,305,026
Net income per share	₩ 5,454	₩ 4,580	₩ 19,734

The weighted average number of common shares outstanding for the three months ended March 31, 2007 and 2006 is calculated as follows:

	Number of shares	Weighted number of days	Weighted number of shares
For the three months ended March 31, 2007			
At January 1, 2007	81,193,711	90 / 90	81,193,711
Treasury stock, at the beginning	(8,526,252)	90 / 90	(8,526,252)

Total	72,667,459		72,667,459
For the three months ended March 31, 2006			
At January 1, 2006	82,276,711	90 / 90	82,276,711
Treasury stock, at the beginning	(8,662,415)	90 / 90	(8,662,415)
Total	73,614,296		73,614,296

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Diluted net income per share amounts for the three months ended March 31, 2007 and 2006, and for the year ended December 31, 2006 are computed as follows (In millions of Korean won, except for share data):

Diluted net income per share

	For the three months ended		For the year ended
	March 31, 2007	March 31, 2006	December 31, 2006
Adjusted net income	₩ 399,517	₩ 340,449	₩ 1,459,875
Adjusted weighted average number of common shares outstanding	74,356,301	75,391,469	75,025,926
Diluted net income per share	₩ 5,373	₩ 4,516	₩ 19,458

Adjusted net income per share and the adjusted weighted average number of common shares outstanding for the three months ended March 31, 2007 and 2006, and for the year ended December 31, 2006 are calculated as follows (In millions of Korean won, except for share data):

	For the three months ended		For the year ended
	March 31, 2007	March 31, 2006	December 31, 2006
Net income	₩ 396,310	₩ 337,160	₩ 1,446,598
Effect of stock option (note a)			
Effect of convertible bonds (note b)	3,207	3,289	13,277
Adjusted net income	₩ 399,517	₩ 340,449	₩ 1,459,875
Weighted average number of common shares outstanding	72,667,459	73,614,296	73,305,026
Effect of stock option (note a)			
Effect of convertible bonds (note b)	1,688,842	1,777,173	1,720,900
Adjusted weighted average number of common shares outstanding	74,356,301	75,391,469	75,025,926

(note a) For the three months ended March 31, 2007 and 2006 and for the year ended December 31, 2006, the outstanding stock options did not have a dilutive effect because the exercise price exceeded the average market price of common stock for the three months ended March 31, 2007 and 2006, and for the year ended December 31, 2006, respectively.

(note b) The effect of convertible bonds increased net income related to interest expenses that would not have incurred, and increased the weighted average number of common shares outstanding related to common shares that would have been issued, assuming that the conversion of convertible bonds were made at the beginning of the period.



**Table of Contents****20. RESTRICTED CASH AND CASH EQUIVALENTS**

- a. At December 31, 2007, the Company has guarantee deposits restricted for its checking accounts totaling ₩19 million and deposits restricted for a charitable trust for the public totaling ₩10,000 million of which due date is February 8, 2009.
- b. The Company entered into a contract with First Data Corporation to sell the investment in common stock of KMPS Corporation, which was held by the Company and accounted for as available-for-sale securities. At March 31, 2007, certain portion of proceeds from sales of such investment totaling ₩1,137 million is kept in escrow accounts in accordance with the Escrow Agreement, which is restricted for use until November 16, 2007, the final settlement date, and recorded as short-term deposits.

**21. INSURANCE**

As of March 31, 2007, certain Company's assets are insured with local insurance companies as follows (In millions of Korean won and thousands of U.S. dollars):

Insured	Risk	Carrying value	Coverage
			US\$ 59,115
Property and equipment	Fire and comprehensive liability	₩ 3,530,999	₩ 7,617,737

In addition, the Company carries directors and officers liability coverage insurance totaling ₩50,000 million.



**Table of Contents****22. RELATED PARTY TRANSACTIONS****a. Holding company and subsidiaries**

As of March 31, 2007 and December 31, 2006, parent company and subsidiaries of the Company are as follows:

Type	Company	Ownership percentage (%)	Types of business
Parent company	SK Corporation	21.8 (note a)	Manufacturing and selling petrochemicals
Subsidiary	SK Telink Co., Ltd.	90.8	Telecommunication service
	SK Communications Co., Ltd.	85.9	Internet website services
	SK Wyverns Baseball Club Co., Ltd.	100.0	Business related sports
	Global Credit & Information Co., Ltd.	50.0	Credit and collection services
	PAXNet Co., Ltd.	59.7	Internet website services
	Seoul Records, Inc.	60.0	Release of music disc
	Aircross Co., Ltd.	100.0	Wireless marketing related business
	TU Media Corp.	32.7	Digital multi media broadcasting service
	SLD Telecom PTE Ltd.	73.3	Telecommunication service
	SK Telecom China Co., Ltd.	100.0	Telecommunication service
	U-Land Company Ltd.	70.1	Network and mobile value added service
	IHQ, Inc.	34.1	Entertainment management
	YTN Media Inc.	51.4 (note b)	Broadcasting program production
	SK Telecom USA Holdings, Inc.	100.0	Telecommunication service
	SK Telecom International Inc.	100.0	Telecommunication service
	Centurion IT Investment Association	37.5	Investment association
	The First Music Investment Fund of SK-PVC	69.3	Investment association
	The Second Music Investment Fund of SK-PVC	79.3	Investment association
	SK-KTB Music Investment Fund	74.3	Investment association
	IMM Cinema Fund	45.6	Investment association
Equity method investee	Cyworld, Inc.	30.0	Internet website services
	Cyworld Japan Co., Ltd.	30.0	Internet website services
	SK Cyberpass Inc.	70.5 (note b)	Telecommunication service
	Ntreev Soft Co., Ltd.	51.0 (note b)	Game program production
	IHQ USA, Inc.	100.0 (note b)	Surveying marketing information
	SK Telecom Europe Ltd.	100.0	Wireless telecommunication related business
	SK Telecom Advanced Tech & Service Center	100.0	Research & development

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Cyworld Europe GmbH	50.2 (note b)	Internet website services
Cyworld China Ltd.	100.0 (note b)	Internet website services
SK I Media Co., Ltd.	60.0 (note b)	Game software production

(note a) The ownership percentage represents parent company's ownership over the Company.

(note b) The ownership percentage represents subsidiaries' ownership over their subsidiaries, in which the Company has no direct investment.

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**Table of Contents****b. Transactions and balances with related parties**

Significant related party transactions for the three months ended March 31, 2007 and 2006, and account balances as of March 31, 2007 and December 31, 2006 are as follows (In millions of Korean won):

**b-(1) Transactions**

	For three months ended March 31, 2007			For three months ended March 31, 2006		
	Purchases of property and equipment	Commissions paid and other expenses	Commissions earned and other income	Purchases of property and equipment	Commissions paid and Other expenses	Commissions earned and other income
Parent Company:						
SK Corporation	₩	₩ 8,053	₩ 5,341	₩ 288	₩ 8,211	₩ 1,348
Subsidiaries:						
SK Communications Co., Ltd.	156	7,885	938		7,537	378
TU Media Corp. Global Credit In- formation Co., Ltd.		383	15,045	573	193	9,869
PAXNet Co., Ltd.		10,342	313		10,964	292
SK Telink Co., Ltd.		2,581	316		2,526	220
SK Wyverns Baseball Club Co., Ltd.		3,801	10,219		2,887	4,259
Aircross Co., Ltd.	225	5,400			6,100	
SK Telecom China Co., Ltd.		4,153	187		2,963	117
SLD Telecom PTE Ltd.		5,732	683		3,177	
SK Telecom International Inc.		2,358	10,781			
Others		1,776			2,142	
Equity Method Investees:		527	19	984		
WiderThan Co., Ltd.				617	21,907	69
Helio, LLC			3,098			4,659
SK C&C Co., Ltd.	11,412	44,641	2,309	9,830	65,328	1,783
Others	109	4	211	1,133	750	
Others :						
SK Engineering & Construction Co., Ltd.	47,596	416	764		146	629
SK Networks Co., Ltd.	645	144,659	1,640	1,684	99,942	2,295
Innoace Co., Ltd.	456	1,509	46	339	456	46
SK Telesys Co., Ltd.	53,927	441	1,675	8,606	180	756
Others	1,390	3,288	972		2,019	585

Total	₩ 115,916	₩ 247,949	₩ 54,557	₩ 24,054	₩ 237,428	₩ 27,305
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**Table of Contents****b-(2) Account balances**

As of March 31, 2007

	Accounts receivable	Short-term loans	Long-term loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Parent Company:						
SK Corporation	₩ 497	₩	₩	₩ 304	₩ 4,603	₩ 6,174
Subsidiaries:						
SK Communications Co., Ltd.	1,659				4,518	5,459
TU Media Corp.	7,774				198	3,016
Global Credit & Information Co., Ltd.	12				4,330	
SK Telink Co., Ltd.	992				750	954
PAXNet Co., Ltd.	250				1,077	
SK Wyverns Baseball Club Co., Ltd.	104	575	4,132			
Aircross Co., Ltd.	764				1,568	254
SK Telecom China Co., Ltd.	684					
SLD Telecom PTE Ltd.	11,584					
Others					156	
Equity Method Investees:						
SK C&C Co., Ltd.	1,314				25,881	346
Helio, LLC.	15,491					
Others	990				468	
Others:						
SK Engineering & Construction Co., Ltd.	261				706	1,135
SK Networks Co., Ltd.	1,479			113	69,081	3,161
Innoace Co., Ltd.	17				1,343	2,291
SK Telesys Co., Ltd.	1,791				71,657	
Others	499			900	2,356	
Total	₩46,162	₩ 575	₩ 4,132	₩ 1,317	₩188,692	₩ 22,790

As of December 31, 2006

	Accounts receivable	Short-term loans	Long-term loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Parent Company:						
SK Corporation	₩ 3,560	₩	₩	₩ 291	₩ 7,962	₩ 6,174

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Subsidiaries:

SK Communications Co., Ltd.	535				7,255	5,459
SK Wyverns Baseball Club Co., Ltd.	475	1,150	4,132			
Global Credit & Information Co., Ltd.	82				7,645	
PAXNet Co., Ltd.	121				913	
SK Telink Co., Ltd.	4,352				2,209	955
Others	10,964				2,237	

Equity Method Investees:

SK C&C Co., Ltd.	650				86,332	346
Helio, LLC.	13,335					
TU Media Corp.	6,369				886	3,016
Others	4,316				4,053	226

Others:

SK Engineering & Construction Co., Ltd.	258				1,635	942
SK Networks Co., Ltd.	771			113	69,546	3,010
Innoace Co., Ltd.	1				13,574	2,291
SK Telesys Co., Ltd.	12				51,531	
Others	847			900	12,078	

Total	₩46,648	₩ 1,150	₩ 4,132	₩ 1,304	₩267,856	₩ 22,419
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**Table of Contents****c. Compensation for the key management**

The Company considers registered directors who have substantial roles and responsibility for planning, operating, and controlling of the business as key management, and the considerations given to the key management for the three months ended March 31, 2007 are as follows (In millions of Korean won):

Payee	For the three months ended March 31, 2007		
	Payroll	Severance indemnities	Total
12 Registered directors (including outside directors)	₩ 3,153	₩ 299	₩ 3,452

In addition, on March 8, 2002, the Company granted stock options to its nine key members of the management, representing 15,110 shares at an exercise price of ₩267,000 per share. The stock options fully vested after three years from the date of grant and are exercisable for two years upon vesting. During the three months ended March 31, 2007, the exercisable period elapsed and those stock options representing 15,110 shares have expired.

**23. PROVISION FOR MILEAGE POINTS**

The Company, for its marketing purposes, grants certain mileage points ( Rainbow Points ) to its subscribers based on their usage of the Company's services. Rainbow Points provision was provided based on the historical usage experience and the Company's marketing policy. Such provision was recorded as accrued expenses or other non-current liabilities in accordance with the expected points usage duration since balance sheet date.

Details of change in the provisions for such mileage points for the three months ended March 31, 2007 and 2006 are as follows (In millions of Korean won):

	March 31, 2007 (note a)	March 31, 2006 (note a)
Beginning balance	₩ 52,593	₩ 52,172
Increase	1,813	2,160
Decrease (used points)	(2,792)	(2,916)
Decrease (reversal of provision for mileage points)	(21,170)	
Ending Balance	₩ 30,444	₩ 51,416

(note a) Effective January 1, 2005, pursuant to adoption of SKAS No.17 [See Note 2(o)], Rainbow Points provision is recorded at the present value.

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Rainbow Points expire after 5 years. The expected year when unused Rainbow Points as of March 31, 2007 are expected to be used and the respective estimated monetary amount to be paid in a given year are as follows (In millions of Korean won):

Expected usage for the year ended March 31,	Estimated amount to be paid	
	In nominal value (note b)	Present value (note b)
2008	₩ 15,632	₩ 14,872
2009	8,459	7,657
2010	4,864	4,188
2011	2,889	2,367
2012	1,745	1,360
Ending balance	₩ 33,589	₩ 30,444

(note b) The above expected year of the usage and the present value of the estimated amount to be paid are estimated based on historical usage experience.

**24. DERIVATIVE INSTRUMENTS**

## a. Currency swap contract to which the cash flow hedge accounting is applied

The Company has entered into a fixed-to-fixed cross currency swap contract with Citibank, BNP Paribas and Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling US\$300,000,000 at annual fixed interest rate of 4.25% issued on April 1, 2004. As of March 31, 2007, in connection with unsettled foreign currency swap contract to which the cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩18,411 million (excluding tax effect totaling ₩6,984 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling ₩62,286 million) was accounted for as accumulated other comprehensive income.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Calyon bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of March 31, 2007, in connection with unsettled cross currency interest rate swap contract to which the cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩670 million (excluding foreign exchange translation gain arising from U.S. dollar denominated long-term borrowings totaling ₩770 million) was accounted for as accumulated other comprehensive income.

## b. Currency swap contract to which the cash flow hedge accounting is not applied

The Company has entered into a fixed-to-fixed cross currency swap contract with Credit Suisse First Boston International to hedge foreign currency risk of unguaranteed U.S. dollar denominated convertible bonds with face amounts of US\$329,450,000 issued on May 27, 2004. In connection with unsettled fixed-to-fixed cross currency swap contract to which the cash flow hedge accounting is not applied, gain on valuation of currency swap of ₩733 million for the three months ended March 31, 2007 and loss on valuation of currency swap of ₩5,297 million for the three months ended March 31, 2006 was charged to current operations.





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In addition, the company has entered into a fixed-to-fixed cross currency swap contract with Hana Bank, Korea Exchange Bank, Woori Bank, Shinhan Bank, Citibank and Barclays Bank to hedge foreign currency risk of unguaranteed U.S. dollar denominated convertible bonds issued by China Unicom which was acquired on July 5, 2006. In connection with unsettled fixed-to-fixed cross currency swap contract to which the cash flow hedge accounting is not applied, loss on valuation of currency swap of ₩12,528 million for the three months ended March 31, 2007 was charged to current operations.

## c. Interest rate swap

The Company has entered into a floating-to-fixed interest rate swap contract with Shinhan Bank to hedge the interest rate risk of floating rate discounted bill with face amounts totaling ₩200,000 million borrowed on June 29, 2006. As of March 31, 2007, in connection with unsettled interest rate swap contract to which the cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩1,026 million (excluding tax effect totaling ₩389 million) was accounted for as other comprehensive income.

As of March 31, 2007, fair values of above derivatives recorded in long-term liabilities and details of derivative instruments as of March 31, 2007 are as follows (In thousands of U.S. dollars and millions of Korean won):

Type	Hedged item	Face Amount	Duration of contract	Fair value		
				Designated as cash flow hedge	Not designated	Total
<b>Current assets:</b>						
Fix-to-fixed cross currency swap	U.S. dollar denominated convertible bond issued by China Unicom	US\$1,000,000	July 5, 2006~ July 5, 2007	₩	₩ 4,132	₩ 4,132
				₩	₩ 4,132	₩ 4,132
<b>Non-current liabilities:</b>						
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US\$300,000	March 23, 2004 ~ April 1, 2011	₩87,681	₩	₩ 87,681
Fix-to-fixed cross currency swap	U.S. dollar denominated convertible bond	US\$100,000	May 27, 2004 ~ May 27, 2009		21,770	21,770
Floating-to-fixed cross currency interest rate swap	U.S. dollar denominated long-term borrowings	US\$100,000	October 10, 2006 ~October 10,	99		99
				87,780	21,770	109,550
Floating-to-fixed interest rate swap	Long-term floating rate discounted bill	₩200,000	June 29, 2006 ~ June 29, 2010	1,416		1,416

₩89,196    ₩21,770    ₩110,966

**25. COMMITMENTS**

In accordance with the resolution of the Company's board of directors dated January 26, 2005, the Company and EarthLink, Inc., an internet service provider in the United States of America, agreed to establish Helio, LLC, a joint venture company, in the United States of America in February 2005 in order to provide wireless telecommunication service across the United States of America. The Company, via SK Telecom USA Holdings, Inc., its wholly-owned subsidiary in the United States of America, has invested US\$214 million from 2005 through March 31, 2007 and will additionally invest US\$6 million through 2007 to maintain a 50% equity interest in the joint venture company. Helio, LLC launched cellular voice and data services extensively across the United States of America in May 2006, by renting networks from network operators throughout the United States of America also known as partial mobile virtual network operator (MVNO) system.

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**Forward-Looking Statement Disclaimer**

The material above contains forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements. These statements are based on current plans, estimates and projections, and therefore you should not place undue reliance on them. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results or performance to be materially different from any future results or performance expressed or implied by such forward-looking statements. We do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained herein, and nothing contained herein is, or shall be relied upon as, a promise or representation, whether as to the past or the future. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to update publicly any of them in light of new information or future events. Additional information concerning these and other risk factors are contained in our latest annual report on Form 20-F and in our other filings with the U.S. Securities and Exchange Commission.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**SK Telecom Co., Ltd.**  
*(Registrant)*

By: /s/ Tae Jin Park  
*(Signature)*  
Name: Tae Jin Park

Title: Vice President

Date: June 26, 2007