SK TELECOM CO LTD
Form 6-K
September 30, 2004

Table of Contents

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

Form 6-K

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

FOR THE MONTH OF SEPTEMBER 2004
Commission File Number: 1-14418

SK Telecom Co., Ltd.

(Translation of registrant s name into English)

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

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

Form 20-F þ Form 40-F o

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

Yes o No þ

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

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and Exchange Commission and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

TABLE OF CONTENTS

Table of Contents

CERTAIN DEFINED TERMS AND CONVENTIONS USED IN THIS REPORT

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

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

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

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

Unless otherwise indicated, translations of Won amounts into Dollars in this report were made at the noon buying rate in The City of New York for cable transfers in Won per US$1.00 as certified for customs purposes by the Federal Reserve Bank of New York. Unless otherwise stated, the translations of Won into Dollars were made at the noon buying rate in effect on June 30, 2004, which was Won 1,156 to US$1.00.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 6-K contains forward-looking statements , as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as anticipate , believe , consider , depends , estima expect , intend , plan , project and similar expressions, or that certain events, actions or results will , may , mig or could occur, be taken or be achieved.

Forward-looking statements in this report on Form 6-K include, but are not limited to, statements related to the following:

Table of Contents

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

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

- our plans to spend approximately Won 1.7 trillion for capital expenditures in 2004 for a range of projects, including expansion and improvement of our wireless networks, investments in our Internet-related businesses and expansion of our W-CDMA network and our expected future capital expenditures on various initiatives;

- our ability to comply with governmental rules and regulations, including Korean Ministry of Information Communication (MIC) regulations related to telecommunications providers and rules related to our status as a market-dominating business entity under the Fair Trade Commission of Korea s Korean Monopoly Regulation and Fair Trade Act;

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

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

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

- our plans to pay dividends in 2004, and statements related to estimates of contractual obligations and commitments, financing activities and plans and other information more specifically detailed in Management s Discussion and Analysis of Financial Condition and Results of Operations .

We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. Risks and uncertainties associated with our business include, but are not limited to, risks related to changes in the regulatory environment; technology changes; potential litigation and governmental actions; changes in the competitive environment; political changes; currency risks; foreign ownership limitations; credit risks and other risks and uncertainties that are more fully described under the heading Key Information Risk Factors beginning on page 11 of our annual report on Form 20-F filed with the United States Securities and Exchange

Commission on June 1, 2004. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

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

For the Six Months Ended June 30, 2004

You should read the following discussion together with our consolidated financial statements and the related notes which appear elsewhere in this report. We prepare our financial statements in accordance with generally accepted accounting principles in Korea (Korean GAAP), which differs in material respects from generally accepted accounting principles in the United States (U.S. GAAP). The section titled U.S. GAAP Reconciliation below and notes 28 and 29 of our notes to consolidated financial statements describe the significant differences between Korean GAAP and U.S. GAAP as they relate to us and provide a reconciliation to U.S. GAAP of our net income and shareholders equity. In addition, you should read carefully note 2 of our notes to consolidated financial statements which provide summaries of certain critical accounting policies that require our management to make difficult, complex or subjective judgments relating to matters which are highly uncertain and that may have a material impact on our financial condition and results of operations.

Overview

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

Our wireless subscriber base has been increasing rapidly in recent years, growing from approximately 10.1 million subscribers at the end of 1999 to approximately 14.5 million subscribers (including approximately 3.5 million Shinsegi subscribers), 15.2 million subscribers (including approximately 3.3 million Shinsegi subscribers), 17.2 million subscribers and 18.3 million subscribers at the end of 2000, 2001, 2002 and 2003, respectively. As of June 30, 2004, we had approximately 18.6 million subscribers, representing a market share of approximately 51.3%. As of September 30, 2004, we had approximately 18.8 million subscribers, representing a market share of approximately 52.1%.

As a condition to the approval of the merger of Shinsegi into SK Telecom in January 2002, the Ministry of Information and Communication (MIC) imposed certain conditions on us. The MIC periodically reviews our compliance with the conditions to our merger with Shinsegi. Wireless telecommunications service providers are not allowed to provide handsets at below retail prices to attract new subscribers, offsetting a significant portion of the cost of handsets.

Table of Contents

In February 2004, the MIC imposed upon us a fine of Won 21.7 billion with respect to certain incentive payments that were deemed by the MIC to constitute improper handset subsidies. We paid the fine in March 2004. In February 2004, KT Freetel and KT Corporation were also fined Won 7.5 billion and Won 4.1 billion, respectively, in respect of such incentive payments.

On May 25, 2004, a policy advisory committee to the MIC announced the results of its review and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we have violated a merger condition related to our acquisition of Shinsegi by providing subsidies to handset buyers. On May 25, 2004, we voluntarily undertook to limit our market share to 52.3% of the wireless telecommunications market through the end of 2005, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. However, the advisory committee subsequently recommended that the MIC extend the post-merger monitoring period by two years until January 2007 and take appropriate corrective measures against us for providing subsidies to handset buyers. On June 7, 2004, MIC imposed a Won 11.9 billion fine on us and extended the post-merger monitoring period until January 2007. If we are subject to additional market share limitations in the future, our ability to compete effectively will be impeded.

On June 15, 2004, the MIC issued a suspension for violating the ban on handset subsidy that prohibits us from acquiring new subscribers for a period of 40 days beginning on August 20, 2004. The MIC also issued suspensions to our three largest competitors that prohibited them from acquiring new subscribers for periods ranging from 20 days to 30 days. KT Freetel Co. Ltd. was issued a 30 day suspension beginning on July 21, 2004; LG Telecom Ltd. was issued a 30 day suspension beginning on June 21, 2004; and Korea Telecom was issued a 20 day suspension beginning on July 21, 2004. During the suspensions, each company will be able to continue regular business activities, including replacement of handsets, changes in user names, changes in mobile phone numbers and changes in tariff plans applicable to the existing subscribers.

In 2004, the number portability system with respect to wireless telecommunications service was implemented in Korea. Previously, Korea s wireless telecommunications system was based on a network-specific prefix system in which a unique prefix is assigned to all the phone numbers of a network operator. We were assigned the 011 prefix, and all of our subscriber s mobile phone numbers began with 011 (former Shinsegi subscribers use the 017 prefix) and our subscribers could not change their wireless phone service to another wireless operator and keep their existing numbers. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. Subscribers who switch operators to or from SK Telecom must purchase a new handset, as we use a different frequency than our competitors, KT Freetel and LG Telecom. In accordance with the regulation issued by the MIC, we were required to permit number portability first, beginning on January 1, 2004. The following number of subscribers have transferred to the service of our competitors during each month following our implementation of the number portability system:

Number of Subscribers Transferred to Other Operator

Month	SKT KTF	SKT LGT	KTF SKT	KTF LGT	Sum
Jan	203,853	101,414			305,267

Table of Contents

Month	SKT KTF	SKT LGT	KTF SKT	KTF LGT	Sum
Feb	102,282	81,594			183,876
Mar	111,077	103,155			214,232
Apr	139,508	122,146			261,654
May	167,228	92,414			259,642
Jun	137,489	73,100			210,589
Jul	53,611	23,116	277,751	20,504	374,982
Aug	29,698	60,240	67,743	45,724	203,405
Sum	944,746	657,179	345,494	66,228	2,013,647

Subscribers who choose to transfer to a different wireless operator have the right to return to us without paying any penalties within 14 days of the initial transfer. KT Freetel introduced number portability beginning on July 1, 2004 and LG Telecom will be required to introduce number portability beginning on January 1, 2005. Notwithstanding our implementation of number portability on January 1, 2004, our total number of wireless subscribers increased to approximately 18.6 million as of June 30, 2004 up from approximately 18.3 million as of December 31, 2003 and 17.8 million as of June 30, 2003. We believe that the increase in the number of wireless subscribers resulted in part from our service quality and marketing efforts. Adoption of number portability system could, however, result in a deterioration of our market share as a result of weakened customer loyalty, increased competition among wireless service providers and higher costs as a result of maintaining the number portability system, increased subscriber deactivations, increased churn rate and higher marketing costs. In February 2004, the MIC imposed a total fine of Won 2.0 billion on us in connection with our marketing efforts related to the number portability system, for adopting a voice recording identifying our network for incoming calls and using reverse marketing activities.

In order to manage the availability of phone numbers efficiently and to secure phone number resources for the new services, the MIC decided to integrate mobile telephone identification numbers into a common prefix identification number 010 and to gradually retract the current mobile service identification numbers which had been unique to each wireless telecommunications service provider, including 011 for our cellular services, starting from January 1, 2004. All new subscribers have been given the 010 prefix starting in January 2004. We believe that the adoption of the common prefix identification system may pose a greater risk to us as compared to the other wireless telecommunications providers because 011 has a very high brand recognition in Korea as the premium wireless telecommunications service.

For cellular services, we charge initial connection fees, monthly access fees, usage charges, wireless Internet service fees and monthly charges for value-added services. Under current regulations, we must obtain prior MIC approval of the terms on which we may offer our services, including all rates and fees charged for these services. Each of our competitors, however, is permitted to offer its services at rates set at its discretion without having to obtain the MIC approval. Generally, the rates we charge for our services have been declining. In September 1997 and April 2000, we implemented revised rate plans which generally offer rates lower than our previous rates. Effective June 8, 1998, we have been providing a 20% discount for calls made between our cellular customers. Effective May 1, 2001, we implemented a new charge system based on the amount of data that is transmitted to the subscribers handsets, with respect to subscribers using our CDMA 1xRTT network. CDMA 1xRTT is an advanced

Table of Contents

CDMA-based technology which allows transmissions of data at speeds of up to 144 Kbps (compared to a maximum of 64 Kbps for our CDMA networks). After discussions with the MIC, effective January 1, 2003, we reduced our Standard rate plan s monthly access fee by Won 1,000, included 10 minutes of free air time per month and reduced our peak usage charges from Won 21 to Won 20 per minute. After discussions with the MIC, in October 2003, we reduced our monthly charges for caller ID service from Won 2,000 to Won 1,000. Effective September 1, 2004, we reduced our standard rate plan s monthly access fee by Won 1,000. As of June 30, 2004, our standard peak usage rate was approximately 11.1% higher than those charged by our competitors. We can give no assurance that these rate changes will not negatively affect our results of operations.

Our wireless telecommunications services depend, in part, on our interconnection arrangements with domestic and international fixed-line and other wireless networks. Charges for interconnection affect our revenues and operating results. The MIC determines the basic framework for interconnection arrangements in Korea and has changed this framework several times in the past. We cannot assure you that we will not be adversely affected by future changes in the MIC s interconnection policies. Under our interconnection agreements, we are required to make payments in respect of calls which originate from our networks and terminate in the networks of other Korean telecommunications operators, and the other operators are required to make payments to us in respect of calls which originate in their networks and terminate in our network. With respect to the interconnection arrangement for calls from fixed-line networks to wireless networks, for the years 1999 through 2001, fixed-line operators payments to wireless network service providers were calculated based on the actual imputed costs in 1998 of the leading wireless network service provider, which is us. For 2002, these payments were calculated based on each wireless operator s actual imputed costs in 2001. This change reduced the interconnection revenue we received from each call made from a fixed-line network terminating on our network, adversely affecting our interconnection revenue compared to previous years. For 2003, pursuant to a new MIC policy, an operator s interconnection fees are derived from that operator s actual interconnection fees for 2001 and actual imputed costs for 2001. The MIC also implemented interconnection charges for calls between wireless network service providers beginning in January 2000, affecting both our revenue and our expenses. These charges were also reduced beginning in January 2002 and in January 2003. In 2004, the MIC introduced a new method of calculating interconnection payments, based on the terminator s long-run incremental cost. The new interconnect rates are as follows:

Year	SK Telecom	KT Freetel	LG Telecom
2003	41.02	47.99	52.89
2004	31.81	47.66	58.55
2005	31.19	46.70	54.98

The interconnection rates were adjusted based on the original cost of individual operators under Long Run Incremental Cost (LRIC) method and the competitive market situation in the telecommunication service industry of Korea. The LRIC method is designed to calculate costs of interconnection of individual telecommunication service providers within a network using certain models called bottom-up and top-down. The LRIC method was adopted by other countries such as the United States, the United Kingdom and Japan. Assuming that the factors affecting the interconnection revenues and expenses such as call volumes and call patterns are the same as those of 2003, we estimate that the new rates may have a negative impact on our operations in this year.

Our consolidated average monthly revenue per subscriber increased by 0.74% to Won 39,281 for the six months ended June 30, 2004 compared to Won 38,992 for the six months ended June 30, 2003. These changes reflect the net effect of several offsetting trends, including:

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

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

our adoption of more stringent subscriber deactivation policies in 2000, which we believe positively affected revenue per subscriber since the policies favored deactivation of low-usage subscribers; and

Decreases in the rates we charge subscribers to use our wireless services.

We cannot assure you that the increases in our average monthly revenue per subscriber experienced during the six months ended June 30, 2004 will continue or that revenue per subscriber will not decrease in future periods.

Operating Expenses and Operating Margins. Our operating expenses consist principally of depreciation, commissions paid to authorized dealers, network interconnection and leased line expenses, the cost of manufacturing handsets, advertising costs and labor costs. Our operating margin (operating income divided by operating revenue) declined from 31.8% for the first six months of 2003 to 23.2% for the first six months of 2004, primarily due to an increase in operating expenses which was only partially offset by an increase in operating revenues.

Table of Contents

Acquisition of Hanaro Shares. On September 2, 2003, we purchased Won 120.0 billion of Hanaro Telecom commercial paper in order to provide Hanaro Telecom with short-term liquidity while it attempted to secure a foreign investor that would invest new capital into the company. The decision to provide liquidity support to Hanaro Telecom was made to protect the value of our stake in Hanaro Telecom, as we held a 1.8% stake in Hanaro Telecom as of December 31, 2003. Following an investment in Hanaro Telecom by a consortium led by AIG and Newbridge, we disposed of the Hanaro Telecom commercial paper in December 2003. In May 2004, we purchased from Samsung Electronics Co., Ltd. 13,870,000 shares of Hanaro Telecom, representing 3.0% of the outstanding shares of Hanaro Telecom for Won 39.3 billion as part of our strategic efforts in consideration of increasing convergence between wireless and fixed-line services. As a result of the acquisition, our equity interest in Hanaro Telecom increased to 4.8% from 1.8% as of June 30, 2004.

Selected Financial Data

The following table sets forth selected financial data derived from our interim consolidated financial statements as of and for the six months ended June 30, 2004. You should read the selected consolidated financial data below in conjunction with our interim consolidated financial statements included in this report.

	For the Six Months Ended June 30,	
	2003	2004
	(In Billions of Won)	
Consolidated income statement data		
Operating Revenue	W 5,026.6	W 5,223.4
Wireless Service	4,099.9	4,339.5
Interconnection	515.7	425.4
Total Cellular Revenue	4,933.4	5,110.1
Operating Expenses	3,428.7	4,009.2
Operating Income	1,597.9	1,214.2
Other Income	154.4	115.4
Other Expenses	272.8	231.2
Income Taxes	449.6	343.0
Minority Interest in net income of consolidated subsidiaries	7.2	6.8
Net Income	W 1,022.7	W 748.6

	As of December 31, 2003	As of June 30, 2004
	(In Billions of Won)	
Consolidated balance sheet data		

Total Current Assets	W 4,069.5	W 4,215.8
Total Non-Current Assets	9,748.7	9,589.8
Total Assets	13,818.2	13,805.6
Total Current Liabilities	4,530.9	3,661.3
Total Long-Term Liabilities	3,193.5	3,751.8
Total Stockholders Equity	6,093.8	6,392.5

Table of Contents

Six Months Ended in June 30, 2004 Compared to Six Months Ended June 30, 2003

Consolidated Operating Revenue. Our operating revenue increased by 3.9% to Won 5,223.4 billion in the six months ended June 30, 2004 from Won 5,026.6 billion in the corresponding period in 2003. This increase was principally a result of a 3.6% increase in our cellular revenue to Won 5,110.1 billion in the six months ended June 30, 2004 up from Won 4,933.4 billion in the corresponding period in 2003, as a result of an increase in the number of our wireless subscribers and the average monthly revenue per subscriber, which was offset by a 17.5 % decrease in interconnection revenue. Our wireless services revenue increased by 5.8% to Won 4,339.5 billion in the six months ended June 30, 2004 up from Won 4,099.9 billion in the corresponding period in 2003.

On June 15, 2004, the Minister of Information and Communication (MIC) issued a suspension that prohibits us from acquiring new subscribers for a period of 40 days beginning on August 20, 2004. The MIC also issued suspensions to our three largest competitors that prohibited them from acquiring new subscribers for periods ranging from 20 days to 30 days. KT Freetel Co. Ltd. was issued a 30 day suspension beginning on July 21, 2004; LG Telecom Ltd. was issued a 30 day suspension beginning on June 21, 2004; and Korea Telecom was issued a 20 day suspension beginning on July 21, 2004. These suspensions resulted from MIC s determination that we violated the ban on providing subsidies to handset purchasers. During the suspensions, each company was or will be able to continue regular business activities, including replacement of handsets, changes in user names, changes in mobile phone numbers and changes in tariff plans applicable to the existing subscribers. Because of the length and timing of our suspension relative to our competitors, we believe the suspension may have negative impact on our operating revenues and results of operations.

On an aggregate basis, interconnection revenue decreased by 17.5% to Won 425.4 billion in the six months ended June 30, 2004 down from Won 515.7 billion in the corresponding period in 2003. This decrease was due in part to the new adjusted interconnect rates announced by the MIC on July 9, 2004, which were applied retroactively.

Our consolidated average monthly revenue per subscriber (excluding interconnection revenue) increased by 0.74% to Won 39,281 in the six months ended June 30, 2004 up from Won 38,992 in the corresponding period in 2003. The increase is principally due to increases in average monthly revenue per subscriber from wireless Internet services.

Our consolidated average monthly revenue per subscriber from wireless Internet services sales increased by 34.7% to Won 7,296 in the six months ended June 30, 2004 up from Won 5,415 in the corresponding period in 2003. Wireless Internet services sales increased by 41.7% to Won 808.8 billion in the six months ended June 30, 2004 (representing 15.8% of our cellular revenue) up from Won 570.7 billion in the corresponding period in 2003, primarily due to the increased number of subscribers who use wireless Internet-enabled handsets.

Our consolidated average monthly revenue per subscriber from value-added services and other sales decreased by 25.4% to Won 1,562 in the six months ended June 30, 2004 down from Won 2,094 in the corresponding period in 2003. Value-added services and other sales decreased by 21.5% to Won 173.2 billion in the six months ended June 30, 2004 down from Won 220.6 billion in the corresponding period in 2003 primarily due to a decrease in caller ID rates from Won 2,000 to Won 1,000 that took effect in October 2003.

Table of Contents

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

	Six Months Ended June 30,	
	2003 (unaudited)	2004 (unaudited)
	(In billions of Won, except percentages)	
Cellular Revenue:		
Wireless Services(1)	W 4,099.9	W 4,339.5
Interconnection	515.7	425.4
Digital Handset Sales	317.8	345.2
Total Cellular Revenue	4,933.4	5,110.1
Other Revenue:		
International Calling Service(2)	47.1	56.8
NetsGo	7.9	34.9
Miscellaneous	38.2	21.6
Total Other Revenue	93.2	113.3
Total Operating Revenue	W 5,026.6	W 5,223.4
Cellular Revenue as a percent of Total Revenue	98.1%	97.8%
Total Operating Revenue Growth	13.2%	3.9%

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

(2) Provided by our 90.8%-owned subsidiary, SK Telink Co., Ltd. as of June 30, 2004.

Consolidated Operating Expenses. Our operating expenses in the six months ended June 30, 2004 increased by 16.9% to Won 4,009.2 billion compared to Won 3,428.7 billion in the corresponding period in 2003, primarily due to increases in commissions paid, labor costs, depreciation and amortization expenses, leased line expenses and miscellaneous operating expenses, which more than offset decreases in network interconnection expenses, cost of goods sold and advertising expenses.

Commissions paid to our authorized dealers increased by 34.3 % to Won 1,456.5 billion in the six months ended June 30, 2004 compared to Won 1,084.3 billion in the corresponding period in 2003, primarily due to the 5.3% increase in the average number of subscribers during the period, increases in commissions paid to wireless Internet content providers and retail agents and an increase in the number of handsets sold. We also increased our marketing activities to maintain our market leadership in 2G and 2.5G services, to promote our 3G services and to counter the effects of number portability.

Labor costs increased by 37.8% to Won 273.9 billion in the six months ended June 30, 2004 compared to Won 198.8 billion in the corresponding period in 2003. The increase was primarily due to an increase in performance bonuses and an increase in salaries.

Depreciation and amortization expense increased by 9.1% to Won 733.0 billion in the six months ended June 30, 2004 compared to Won 671.7 billion in the corresponding period in 2003. The increase in depreciation and amortization expenses was primarily due to the continued expansion of our CDMA 1xRTT network.

Leased line expenses increased by 14.7% to Won 173.6 billion in the six months ended June 30, 2004 up from Won 151.4 billion in the corresponding period in 2003 primarily due to higher call volumes.

Table of Contents

Miscellaneous operating expenses increased by 22.7% to Won 510.5 billion in the six months ended June 30, 2004 compared to Won 416.0 billion in the corresponding period in 2003 primarily due to increases in taxes and other dues and rent expenses.

Network interconnection expenses decreased by 1.5% to Won 426.9 billion in the six months ended June 30, 2004 compared to Won 433.3 billion in the corresponding period in 2003, primarily due to a decrease in interconnection rates and a decrease in the level of interconnection fees that we must pay to other operators for calls using their networks, which was partially offset by the higher subscriber numbers. Mobile-to-mobile interconnection expenses increased by 2.1% to Won 202.3 billion in the six months ended June 30, 2004 compared to Won 198.1 billion in the corresponding period in 2003. Mobile-to-land interconnection expenses decreased by 34.1% to Won 184.6 billion in the six months ended June 30, 2004 compared to Won 280.3 billion in the corresponding period in 2003.

Cost of goods sold decreased by 12.1% to Won 243.9 billion in the six months ended June 30, 2004 compared to Won 277.6 billion in the corresponding period in 2003. The decrease was primarily due to a decrease in sales of wireless Internet solutions (including software, hardware and service) following the completion of our obligation to provide wireless Internet solutions to Asia Pacific Broadband Wireless Communications (APBW) at the end of 2003 and a decrease in costs of goods sold related to SK Teletech handset sales.

Advertising expenses decreased by 2.4% to Won 190.9 billion in the six months ended June 30, 2004 compared to Won 195.6 billion in the corresponding period in 2003. We reduced advertising and focused our efforts on managing our distribution network to mitigate the effect of number portability.

Consolidated Operating Income. Our operating income decreased by 24.0% to Won 1,214.2 billion in the six months ended June 30, 2004 down from Won 1,597.9 billion in the corresponding period in 2003. Our operating income decreased principally because our operating expenses increased at a faster rate than our operating revenue, as explained above.

Consolidated Other Income. Other income, consisting primarily of interest income, dividend income, foreign exchange and translation gains and commission income, decreased by 25.3% to Won 115.4 billion in the six months ended June 30, 2004 compared to Won 154.4 billion in the corresponding period in 2003, primarily due to decreases in commissions, dividend and interest income which were partially offset by increases in foreign exchange translation gains and gain on transaction of currency swap.

Consolidated Other Expenses. Other expenses include interest and discount expenses, loss on disposal of property, equipment and intangible assets, foreign exchange and translation losses and donations. Other expenses decreased by 15.2% to Won 231.2 billion in the six months ended June 30, 2004 compared to Won 272.8 billion in the corresponding period in 2003. The decrease was primarily due to decreases in interest expenses, which more than offset increases in loss on impairment of long-term investment securities. As a percentage of operating revenue, other expenses decreased to 4.4% in the six months ended June 30, 2004 from 5.4% in the corresponding period in 2003.

Consolidated Income Tax. Provision for income taxes decreased by 23.7% to Won 343.0 billion in the six months ended June 30, 2004 from Won 449.6 billion in the corresponding period in 2003. Our effective tax rate increased to 31.23% in the six months ended June 30, 2004 from an effective tax rate of 30.39% in the corresponding period in 2003.

Consolidated Net Income. Principally as a result of the factors discussed above, our net income decreased by 26.8% to Won 748.6 billion in six months ended June 30, 2004 down from Won 1,022.7 billion in the corresponding period in 2003, with net income as a percentage of operating revenues at 14.3% in the six months ended June 30, 2004 as compared to 20.3% in the corresponding period in 2003.

Liquidity and Capital Resources

Liquidity

We had a working capital (current assets minus current liabilities) surplus of Won 554.5 billion as of June 30, 2004 and deficit of Won 461.4 billion as of December 31, 2003. We had cash, cash equivalents, short-term financial instruments and trading securities of Won 1,041.0 billion as of June 30, 2004 and Won 1,365.6 billion as of December 31, 2003. We had outstanding short-term borrowings of Won 220.5 billion as of June 30, 2004 and Won 786.1 billion as of December 31, 2003.

Operating cash flow is our principal source of liquidity. Cash and cash equivalents decreased by Won 12.5 billion to Won 305.0 billion at June 30, 2004 down from Won 317.5 billion at December 31, 2003.

Net Cash Flow from Operating Activities. Our principal source of liquidity is cash flow from operations. Cash flow provided by operations was Won 835.6 billion in the six month period ended June 30, 2004, compared to Won 730.9 billion during the same period in 2003.

Net Cash from Investing Activities. Net cash used in investing activities was Won 393.0 billion in the six month period ended June 30, 2004, compared to net cash flow of Won 69.3 billion during the same period in 2003. The primary contributor to cash inflows for investing activities related to a decrease in trading securities of Won 282.6 billion in the six month period ended June 30, 2004, compared to an increase of Won 41.5 billion during the same period in 2003 and an increase from sales of current portion of long term investment securities of Won 37.5 billion in the six month period ended June 30, 2004, compared to nil in the same period in 2003. Proceeds from sales of long-term investment securities was Won 793 million in the six month period ended June 30, 2004, compared to Won 776.8 billion during the same period in 2003. The primary contributors to the overall cash outflows for investing activities were expenditures related to the acquisition of property and equipment, which were Won 489.6 billion in the six month period ended June 30, 2004, compared to Won 495.5 billion during the same period in 2003 and an increase in short-term financial instruments, which were Won 22.7 billion in the six month period ended June 30, 2004, compared to Won 117.7 billion during the same period in 2003.

Net Cash from Financing Activities. Financing activities used cash of Won 422.9 billion in the six month period ended June 30, 2004, compared to using cash of Won 1,168.7 billion during the same period in 2003. Cash inflows from financing activities included net increase in issuance of bonds, which provided cash of Won 1,018.0 billion in the six month period ended June 30, 2004, compared to Won 315.8 billion during the same period in 2003. Cash outflows for financing activities included, among other items, net repayment of short-term borrowing of Won 636.8 billion in the six month period ended June 30, 2004, compared to Won 2.3 billion during the same period in 2003; repayment of the current portion of long-term debt, which used cash of Won 466.8 billion in the six month period ended June 30, 2004, compared to Won 127.4 billion during the same period in 2003; payment of dividends which used cash of Won 404.7 billion in the six month period ended June 30, 2004, compared to Won 151.7 billion during the same period in 2003; acquisition of treasury stock, which used cash of Won 2 million in the six month period ended June 30, 2004, compared to Won 874.8 billion during the same period in 2003; and decreases in minority interest in equity of consolidated subsidiaries of Won 1.2 billion in the six month period ended June 30, 2004, compared to Won 588.6 billion during the same period in 2003.

The net decrease in cash and cash equivalents was Won 12.5 billion in the six month period ended June 30, 2004, compared to Won 368.4 billion during the same period in 2003.

Long Term Debt

We had total consolidated long-term debt (excluding current portion and facility deposits) of Won 3,751.8 billion as of June 30, 2004 and Won 3,193.5 billion as of December 31, 2003. Our consolidated long-term debt as of June 30, 2004 included, among other items, bonds payable in the net amount of Won 2,726.7 billion, facility deposits of Won 37.4 billion, long-term payables of Won 570.6 billion and deferred income tax liabilities of Won 262.3 billion. Our consolidated long-term debt as of December 31, 2003 included, among other items, bonds payable in the net amount of Won 2,261.9 billion, facility deposits of Won 44.2 billion, long-term payables of Won 564.1 billion and deferred income tax liabilities of Won 226.0 billion. As of June 30, 2004, substantially all of our foreign currency-denominated long-term debt was denominated in Dollars. Depreciation of the Won against the Dollar will result in net foreign exchange and translation losses. Changes in foreign currency exchange rates will also affect our liquidity because of the effect of such changes on the amount of funds required for us to make interest and principal payments on our foreign currency-denominated debt.

In May, July, August and November 2002, we issued Won 500.0 billion, Won 200.0 billion, Won 200.0 billion and Won 300.0 billion principal amount of unsecured and unguaranteed Won-denominated bonds, respectively. These bonds mature in May 2005, July 2007, August 2007 and November 2007, and have an annual interest rate of 6.0%, 6.0%, 6.0% and 5.0%, respectively. We issued Won-denominated bonds with a principal amount of Won 300.0 billion, Won 150.0 billion and Won 250.0 billion in March, August and November 2003, respectively. These bonds mature in March 2008, August 2006 and November 2006, respectively, and have an annual interest rate of 5.0%.

In March 2004, we issued Won-denominated bonds with a principal amount of Won 150.0 billion. These bonds will mature in 2009 and have an annual interest rate of 5.0%. We used the net proceeds from the sale of these bonds to repay commercial paper which matured at the end of March 2004.

During the quarter ended June 30, 2004, we completed the following debt offerings:

Table of Contents

In April 2004, we issued notes in the principal amount of US$300,000,000 with a maturity of seven years and an interest rate of 4.25%. The proceeds from the offering in April 2004 were used to pay maturing debt.

In May 2004, we issued Won-denominated notes in the principal amount of Won 150.0 billion with a maturity of five years and an interest rate of 5.0%. The proceeds of the Won-denominated note offering in May 2004 were used for repayment of commercial paper which matured in May and June, 2004.

On May 27, 2004, we issued our US$329,450,000 Zero Coupon Convertible Notes due 2009, pursuant to an indenture dated as of May 27, 2004 between us and Citibank, N.A. Holders of Zero Coupon Convertible Notes will have the right to convert their notes (or any portion thereof being US$100,000 in principal amount or an integral multiple of US$10,000 in excess thereof) into shares of our common stock at the initial conversion price of Won 235,625 per share, subject to adjustments for stock splits, dividends, sub-divisions and similar distributions, at any time on or after July 7, 2004 up to the close of business on May 13, 2009, subject to our right of redemption. In connection with the issuance of the zero coupon convertible notes, we deposited 1,644,978 shares of our common stock with Korea Securities Depository to be reserved and used to satisfy the note holders conversion rights. This will be deemed as the repurchase of treasury stock and cancellation thereof for the purposes of Korean law. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock upon conversion of these notes would result in a violation of applicable Korean law or (2) we do not have a sufficient number of shares of our common stock to ratify the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we intend to sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Law or other legal restrictions. The Company entered into an agreement with Credit Suisse First Boston International to reduce its exposure with respect to cash settlement payments exceeding the proceeds from sales of treasury shares held in trust.

Capital Requirements and Resources

The following table sets forth our actual capital expenditures for 2003 and our currently planned capital expenditures for 2004 :

	Year Ended/Ending December 31,	
	2003	**2004(1)**
	(In billions of Won)	
CDMA Network	W 96	W
CDMA 1xRTT Network(3)	641	800(2)
Wireless Data(4)	175	650
W-CDMA(5)	204	250
Other (including land and buildings)(6)	532	
Total	W 1,648	W 1,700

(1) Estimated.

Table of Contents

(2) Our capital expenditures for our CDMA network in 2004 are included in our estimated capital expenditures for our CDMA 1xRTT network.

(3) Includes upgrades to CDMA 1xEV/DO Network technology which account for Won 36 billion for 2003.

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

(5) W-CDMA estimated capital expenditures for 2004 assume the additional investment in our W-CDMA network and provision of W-CDMA services in Seoul area by the end of 2004. Please see the discussion below.

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

We estimate that we will spend a total of approximately Won 1.7 trillion for capital expenditures in 2004 primarily for the expansion and upgrading of our CDMA 1xRTT network, for our initial investment in the satellite-based digital multimedia broadcasting (DMB) business, the roll-out of our W-CDMA network and for the development and introduction of wireless data services. We have spent approximately Won 490 billion on capital expenditures in the six month period ended June 30, 2004. Of the Won 1.7 trillion for capital expenditures in 2004, we plan to spend up to Won 800 billion of which we have spent approximately Won 279 billion as of June 30, 2004 on capital expenditures related to expansion and improvement of our 95A/B and CDMA 1xRTT Network; Won 250 billion of which we have spent approximately Won 5 billion as of June 30, 2004 on capital expenditures related to construction of our W-CDMA network and provision of W-CDMA services, which began service on a limited basis in Seoul at the end of 2003; and Won 650 billion of which we have spent approximately Won 206 billion as of June 30, 2004 on other capital expenditures and projects. We may also make additional capital expenditure investments as opportunities arise. In addition, we may increase, reduce or suspend our planned capital expenditures for 2004 or change the timing and area of our capital expenditure spending from the estimates reflected in the table above in response to market conditions or for other reasons.

The actual scope and timing of our planned full nationwide roll-out of our W-CDMA network and expenditures related to the rollout will depend on several factors, including the availability of network equipment, progress on the development of dual band/dual mode handsets, ability to overcome technical problems currently affecting W-CDMA performance, adoption of CDMA 1xEV/DO service, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. At the time we applied for the W-CDMA license, we estimated that the construction of a nationwide W-CDMA network would require capital expenditures amounting to approximately Won 3.1 trillion over a six-year period. We have not subsequently revised or updated this estimate. Accordingly, our actual construction costs are likely to differ significantly from this original estimate. Our actual capital expenditures for the construction of the W-CDMA network will depend upon many factors, including the scope and timing of the network roll-out, whether W-CDMA technology is widely implemented worldwide (which could lower the cost of network equipment) and other factors. Our future capital expenditures will be fixed after we have reviewed the progress of the introduction and marketability of our W-CDMA service.

In September 2003, we entered into an agreement with Mobile Broadcasting Corporation for the purposes of co-owning and launching a satellite for the satellite DMB business. Under the terms of the agreement, SK Telecom is committed to fund 34.7% of the cost of launching and maintaining the operations of the satellite, which is approximately Won 100.6 billion.

Table of Contents

We launched the satellite in March 2004. Although actual implementation of the satellite DMB business will depend on many factors, including government approvals that have yet to be obtained, our current expectations are to begin commercial service by December 2004.

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

As of June 30, 2004, our principal repayment obligations (on a consolidated basis) with respect to long-term borrowings, bonds and obligations under capital leases outstanding were as follows for the periods indicated:

Twelve Months Ending June 30,	Total *(In Billions of Won)*
2005	W1,403.1
2006	
2007	804.6
Thereafter	2,031.6

We also intend to incur research and development expenses, which are influenced by the MIC, which makes annual recommendations concerning the level of our research and development spending. Our research and development expenses (including donations to research institutes and educational organizations) equaled 2.8 % of operating revenue in 2003 and 3.0 % of operating revenue for the six month period ended June 30, 2004.

We anticipate that capital expenditures, repayment of outstanding debt and research and development expenditures will represent our most significant use of funds during the remainder of 2004 and thereafter. To fund our scheduled debt repayment and planned capital expenditures over the next several years, we intend to rely primarily on funds provided by operations, as well as bank and institutional borrowings, and offerings of debt or equity in the domestic or international markets. In particular, we expect that we will require external sources of financing to fund our construction of the W-CDMA network. We believe that these sources will be sufficient to fund our planned capital expenditures for the remainder of 2004. Our ability to rely on these alternatives could be affected by the liquidity of the Korean financial markets or by government policies regarding Won and foreign currency borrowings and the issuance of equity and debt. Our failure to make needed expenditures would adversely affect our ability to sustain subscriber growth and provide quality services and, consequently, our results of operations.

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

We generally collect refundable, non-interest bearing deposits from our customers as a condition to activating their service. Subject to the approval of the MIC, we set the amounts to be collected for deposits for cellular services. Effective February 1, 1996, we generally require cellular subscribers to pay a facility deposit of Won 200,000. These deposits were an important source of interest-free capital for us and historically funded a substantial portion of our capital expenditures. Since 1997, we have been offering existing and new cellular subscribers the option of obtaining facility insurance from the Seoul Guarantee Insurance Company, instead of paying the facility deposit. In order to obtain this facility insurance, subscribers must meet Seoul Guarantee Insurance Company s credit requirements and pay a Won 10,000 premium for three years of coverage. Since August 1, 2002, SK Telecom has been paying initial premium for the first three years as well as renewal premium on behalf of the subscriber who elects to have facility insurance. For each defaulting insured subscriber, Seoul Guarantee Insurance Company reimburses us up to Won 350,000. We refund the facility deposit to any existing subscriber who elects to have facility insurance. As a result of the facility insurance program, we have refunded a substantial amount of facility deposits, and facility deposits decreased from Won 44.2 billion as of December 31, 2003 to Won 37.4 billion as of June 30, 2004. We do not expect to have a significant amount of facility deposits available for capital expenditures in the future.

Dividend Policy

In 2004, we amended our articles of incorporation to permit payment of interim dividends in accordance with relevant laws. On July 23, 2004, SKT s board of directors approved the interim dividend rate of 1,000 Korean Won per common stock for the first half of fiscal year 2004. The shareholders who are registered in the SKT s shareholders registry as of June 30, 2004 were entitled to receive the interim dividends. The interim dividend was paid on August , 2004. The total amount of the interim dividend paid was 73,614,296,000 Korean Won. The overall dividend payout ratio with respect to dividends for 2004 is currently expected to be up to 25% of net income from 2004.

Derivative Instruments

In connection with the issuance of our US$300 million notes in April 2004, we entered into currency swap agreements and currency forward contracts with three banks to reduce our foreign currency exposure.

In May 2004, we sold US$329.5 million in zero coupon convertible notes due 2009. These convertible notes are convertible by the holders into shares of our common stock at the rate of Won 235,625 per share. In connection with the issuance of the zero coupon convertible notes, we deposited 1,644,978 shares of our common stock with Korea Securities Depository to be reserved and used to satisfy the note holders conversion rights. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock upon conversion of these notes would result in a violation of applicable Korean law or (2) we do not have a sufficient number of shares of our common stock to ratify the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we intend to sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Law or other legal restrictions. The Company entered into an agreement with Credit Suisse First Boston International to reduce its exposure with respect to cash settlement payments exceeding the proceeds from sales of treasury shares held in trust.

Table of Contents

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

Contractual Obligations and Commitments

The following summarizes our contractual cash obligations at June 30, 2004, and the effect such obligations are expected to have on liquidity and cash flow in future periods:

	Payments Due by Period				
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**4-5 years**	**After 5 years**
	(in billions of Won)				
Bonds	W4,236.3	W1,400.0	W804.6	W1,685.9	345.8
Long-term Borrowings	3.1	3.1			
Capital lease Obligations					
Operating Leases					
Other Long-term Payables(1)	650.0		90.0	240.0	320.0
Total Contractual Cash Obligations	W4,889.4	W1,403.1	W894.6	W1,925.9	W665.8

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

Inflation

We do not consider that inflation in Korea has had a material impact on our results of operations in recent years. Annual inflation in Korea was 4.1% in 2001, 2.7% for 2002 and 3.6% in 2003. For the first half of 2004, the average inflation rate in Korea was 3.6 %, compared to an average of 3.0 % for the first half of 2003, on an annualized basis. We can give no assurance that inflation will not have an adverse effect on our operations.

Table of Contents

U.S. GAAP Reconciliation

Our consolidated financial statements are prepared in accordance with Korean GAAP, which differs in certain significant respects from U.S. GAAP. For a discussion of significant differences between Korean GAAP and U.S. GAAP, see notes 28 and 29 of our notes to consolidated financial statements.

On January 17, 2003, the FASB issued Interpretation No. 46 (FIN 46) Consolidation of Variable Interest Entities , which addresses consolidation by business enterprises where equity investors do not bear the residual economic risks and rewards. These entities have been commonly referred to as Special purpose entities (SPEs). The underlying principle behind the new Interpretation is that if a business enterprise has the majority financial interest in an entity, which is defined in the guidance as a variable interest entity, the assets, liabilities and results of the activities of the variable interest entity should be included in the consolidated financial statements with those of the business enterprise. The Interpretation also explains how to identify variable interest entities and how an enterprise should assess its interest in an entity when deciding whether or not it will consolidate that entity. In December 2003, the FASB released a revision of FIN No. 46 (FIN No. 46R) in which the calculation of expected losses and expected residual returns have been altered to reduce the impact of decision maker and guarantor fees. In addition, FIN No. 46R changes the definition of a variable interest. Certain special purpose companies (SPC) established by the Company have been consolidated from the date of their establishment (See Note 28(p)). The Company as a foreign private issuer applied either FIN 46 or FIN 46R to variable interest entities (VIEs) created after January 31, 2003 and the Company fully adopted FIN 46R as of June 30, 2004. The adoption of this Interpretation did not have a significant impact on the Company s consolidation financial position or results of operations.

Significant Changes in Korean GAAP

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

Critical Accounting Policies, Estimates And Judgments

Our consolidated financial statements are prepared in accordance with Korean GAAP. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. We continually evaluate our estimates and judgments

Table of Contents

including those related to revenue recognition, allowances for doubtful accounts, inventories, useful lives of property and equipment, investments, employee stock option compensation plans and income taxes. We base our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We also provide a summary of significant differences between accounting principles followed by us and our subsidiaries and U.S. GAAP. We believe that of our significant accounting policies, the following may involve a higher degree of judgment or complexity:

Revenue Recognition

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

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

Allowances for Doubtful Accounts

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

Inventories

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

Estimated Useful Lives and Impairment of Long-lived Assets

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

Alternatively, these technological changes could result in the recognition of an impairment charge to reflect the write-down in value of the asset. We review these types of assets for

Table of Contents

impairment annually, or when events or circumstances indicate that the carrying amount may not be recoverable over the remaining lives of the assets. In assessing impairments, we use cash flows that take into account management s estimates of future operations.

Impairment of Investment Securities

When the declines in fair value of individual available-for-sale and held-to-maturity securities below their acquisition cost are other than temporary and there is objective evidence of impairment, the carrying value of the securities is adjusted to their fair value with the resulting valuation loss charged to current operations.

As part of this review, the investee s operating results, net asset value and future performance forecasts as well as general market conditions are taken into consideration. If we believe, based on this review, that the market value of an equity security or a debt security may realistically be expected to recover, the loss will continue to be classified as temporary. If economies or specific industry trends worsen beyond our estimates, valuation losses previously determined to be recoverable may need to be charged as an impairment loss in current operations.

Significant management judgment is involved in the evaluation of declines in value of individual investments. The estimates and assumptions used by management to evaluate declines in value can be impacted by many factors, such as the financial condition, earnings capacity and near-term prospects of the company in which we have invested and, for publicly-traded securities, the length of time and the extent to which fair value has been less than cost. The evaluation of these investments is also subject to the overall condition of the economy and its impact on the capital markets.

Employee Stock Option Compensation Plan

We adopted the fair value based method of accounting for the employee stock option compensation plan. The plan was established, effective as of March 17, 2000, to reward the performance of management who have contributed, or have the ability to contribute, significantly to our company. Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period. For stock options, fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, expected dividends and the current risk-free interest rate for the expected life of the option. However, as permitted under Korean GAAP by the end of 2003, we exclude the volatility factor in estimating the value of our stock options, which results in measurement at minimum value. The total compensation cost of an option estimated at the grant date is not subsequently adjusted for changes in the price of the underlying stock or its volatility, the life of the option, dividends on the stock, or the risk-free interest rate. However, the revised Korean GAAP requires the Company to estimate the value of stock options granted on or after January 1, 2004, considering the volatility factor. In the first half of 2004, no additional stock option was granted to employees.

Income Taxes

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

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

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

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

Research and Development

Overview

In conformity with the MIC s guidance, we have maintained a high level of spending on research and development activity. Prior to 1996, the majority of our research and development expense consisted of the MIC-directed donations to several Korean research institutes and educational organizations. More recently, we have sharply increased our spending for our internal research activity resulting in such amounts exceeding our spending on external research. We believe that we must maintain a substantial in-house technology capability to achieve our strategic goals.

The following table sets forth our annual research and development expenses:

	As of and for the Year Ended December 31,		
	2001	**2002**	**2003**
	(in billions of Won)		
Internal R&D Expenses(1)	W 130.7	W 194.3	W 235.8
External R&D Expenses(2)	23.0	59.0	64.4
Total R&D Expenses(3)	W 153.7	W 253.3	W 300.2

(1) Includes Won 4.8 billion for Shinsegi for the year ended December 31, 2001.

(2) Shinsegi did not incur any R&D expenses for the year ended December 31, 2001.

(3) Includes Won 4.8 billion for Shinsegi for the year ended December 31, 2001.

Table of Contents

The MIC has the statutory power to recommend levels of spending by telecommunications service providers on research and development activity and the allocation of expenditures between internal and external research. In practice, the MIC has issued guidelines regarding the amount and allocation of research spending. In its May 1995 guidelines, the MIC recommended that our minimum level of total research and development spending (set as a percentage of budgeted revenue and calculated according to MIC guidelines which differ from our accounting treatment of such expenses) be: 9.0% from 1995 through 1997; 9.5% for 1998; and 10.0% for 1999 through 2001. With respect to the level of contribution specifically for external research and development, in July 1998, the MIC reduced the recommended minimum level of contribution to the MIC-run Fund for Development of Information and Telecommunications to 1.5% from 2.0%. In 2001, the recommended minimum level of contribution was further reduced to 1.0%. In 2002, the contribution became mandatory, and the required minimum level of contribution was further reduced to 0.75%. In 2003 and 2004, the required minimum level of contribution is 0.75%, the same as 2002. We are not obligated to make donations to any other external research institutes.

Internal Research and Development

The main focus of our internal research and development activity is the development of 3G technologies and services and value-added technologies and services for our CDMA network, such as wireless data communications. We spent approximately Won 120.3 billion on internal research and development in the first half of 2004.

Our internal research and development activity is centered at a research center with state-of-the-art facilities and equipment established in January 1999 in Bundang-gu, Sungnam-si, Kyunggi-do, Korea. As of June 30, 2004 our research center housed 556 research engineers (including both full time and temporary research engineers). Their work focuses on cell planning, network management, digital wireless technologies, multimedia, information processing and other wireless telecommunications areas. Our research center includes a team that is helping to develop a fourth generation wireless technology, which is expected to enable wireless data transmissions at speeds of up to 155 Mbps, 70 times faster than W-CDMA technology.

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

External Research and Development

In addition to conducting research in our own facilities, we have been a major financial supporter of other Korean research institutes, and we have helped coordinate the Government s effort to commercialize the CDMA digital technology. We do not have any independently-owned intellectual property rights in the technologies or products developed by any external research institute.

Off Balance Sheet Arrangements

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

On September 4, 2003 and December 15, 2003, we sold Won 549.3 billion and Won 498.4 billion of accounts receivable resulting from our mobile phone dealer financing plan Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company, respectively, in asset-backed securitization transactions and recorded a loss on disposal of accounts receivable-other of Won 12.9 billion and Won 9.9 billion, respectively. In connection with these asset-backed securitization transactions, we have obligations to repurchase up to 13.3% and 13.2% of the receivables for Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company, respectively, if receivables become past due for three months or the debtors become insolvent. At June 30, 2004, the uncollected balances of accounts receivable sold to Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company were Won 14.4 billion and Won 101.3 billion, respectively. See notes 3 and 19 of the notes to our consolidated financial statements. Under Korean GAAP, we accounted for these transactions as sales of the receivables to the special purpose companies. See note 19(d) of the notes to our consolidated financial statements. Under U.S. GAAP, we are required to consolidate these entities as these entities have nominal capital and do not meet the qualifications for a qualifying special purpose entity. See note 28(p) of our notes to consolidated financial statements.

PaxNet Co. Ltd., our subsidiary, has guaranteed the repayment of the borrowings of Fimger Co., Ltd., a former affiliated company of ours. The outstanding balance of such guarantee as of June 30, 2004 was approximately Won 332 million.

SLD Telecom, the Company s overseas subsidiary, entered into a business cooperation contract with Saigon Post & Telecommunication Services Corporation to establish cellular mobile communication services and provide CDMA service throughout Vietnam. In accordance with this contract, in the event that the cash inflow for the business is insufficient to cover the cash outflow necessary to cover the joint expenditure of the business (cash shortfall), SLD Telecom and Saigon Post & Telecommunication Services Corporation will contribute the necessary funds to business and bear additional cash shortfalls according to their gross profit sharing ratios at that time. With respect to the Company s involvement in the Business, the Company s maximum exposure to loss was approximately Won 19.6 billion as of June 30, 2004.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have reviewed the accompanying consolidated balance sheet of SK Telecom Co., Ltd. (the Company) and its subsidiaries as of June 30, 2004 and the related consolidated statements of income and cash flows for the six months ended June 30, 2003 and 2004 (all expressed in Korean won). These consolidated interim financial statements are the responsibility of the Company s management.

We conducted our reviews in accordance with standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquires of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

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

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

We have previously audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of the Company and its subsidiaries as of December 31, 2003 and the related consolidated statement of income, shareholders equity, and cash flows for the year then ended (not presented herein); and in our report dated April 2, 2004 (May 31, 2004 with respect to contingency discussed in Note 21(k)), we expressing an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 2003 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Table of Contents

As described in Note 27 to the accompanying consolidated financial statements, the board of directors of the Company resolved to pay interim cash dividends of W1,000 per share totaling W73,614 million on July 23, 2004. The ex-dividend date was June 30, 2004 and the interim dividends were fully paid by August 12, 2004.

Generally accepted accounting principles in the Republic of Korea vary in certain respects from generally accepted accounting principles in the United States of America. Based on our reviews, we are not aware of any modifications that should be made to the disclosures in Notes 28 and 29 to the accompanying consolidated financial statements regarding application of generally accepted accounting principles in the United States of America as of June 30, 2004 and for the six months ended June 30, 2003 and 2004.

September 9, 2004

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2003 AND JUNE 30, 2004

ASSETS	In millions of Korean won December 31, 2003	In millions of Korean won June 30, 2004	In thousands of U.S. dollars (Note 2) December 31, 2003	In thousands of U.S. dollars (Note 2) June 30, 2004
		(Unaudited)		(Unaudited)
CURRENT ASSETS:				
Cash and cash equivalents (Note 12)	W 317,488	W 305,024	$ 274,644	$ 263,862
Short-term financial instruments (Note 12)	154,922	124,046	134,016	107,306
Trading securities (Notes 2 and 3)	893,217	611,978	772,679	529,393
Current portion of long-term investment securities (Notes 2 and 3)	85,861	51,983	74,274	44,968
Accounts receivable trade, net of allowance for doubtful accounts of W65,327 million and W55,522 million at December 31, 2003 and June 30, 2004, respectively (Notes 2 ,12 and 21)	1,579,153	1,540,039	1,366,049	1,332,214
Accounts receivable other, net of allowance for doubtful accounts of W16,768 million and W16,830 million at December 31, 2003 and June 30, 2004, respectively (Notes 2, 12 and 21)	867,120	1,363,465	750,104	1,179,468
Inventories (Notes 2 and 20)	31,516	50,900	27,263	44,031
Short-term loans and other (Note 5)	140,248	168,352	121,321	145,632
Total Current Assets	4,069,525	4,215,787	3,520,350	3,646,874
NON-CURRENT ASSETS:				
Property and equipment, net (Notes 2, 6, 11 and 20)	4,641,547	4,431,141	4,015,179	3,833,167
Intangible assets (Notes 2 and 7)	3,674,944	3,564,069	3,179,017	3,083,105
Long-term investment securities (Notes 2 and 3)	879,193	873,972	760,548	756,031
Equity securities accounted for using the equity method (Notes 2 and 4)	183,709	257,643	158,918	222,875
Long-term bank deposits (Note 19)	352	60,354	304	52,209
Long-term loans, net of allowance for doubtful accounts of W19,552 million and W19,272 million at December 31, 2003 and June 30, 2004, respectively (Notes 2 and 5)	40,819	35,932	35,311	31,083
Guarantee deposits (Notes 12 and 21)	270,255	282,944	233,785	244,761
Other	57,873	83,797	50,063	72,489

Total Non-Current Assets	9,748,692	9,589,852	8,433,125	8,295,720
TOTAL ASSETS	W 13,818,217	W 13,805,639	$ 11,953,475	$ 11,942,594

(Continued)

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2003 AND JUNE 30, 2004

	In millions of Korean won		In thousands of U.S. dollars (Note 2)	
LIABILITIES AND SHAREHOLDERS EQUITY	**December 31, 2003**	**June 30, 2004**	**December 31, 2003**	**June 30, 2004**
		(Unaudited)		**(Unaudited)**
CURRENT LIABILITIES:				
Accounts payable (Notes 12 and 21)	W 1,317,162	W 995,255	$ 1,139,413	$ 860,947
Short-term borrowings (Note 12)	786,096	220,515	680,014	190,757
Income taxes payable	402,559	304,347	348,234	263,276
Accrued expenses (Note 12)	420,995	452,991	364,183	391,861
Current portion of long-term debt (Notes 8, 9 and 11)	1,364,264	1,397,807	1,180,159	1,209,176
Current portion of facility deposits	12,881	12,819	11,143	11,089
Other	226,953	277,573	196,326	240,115
Total Current Liabilities	4,530,910	3,661,307	3,919,472	3,167,221
LONG-TERM LIABILITIES:				
Bonds payable, net (Notes 2 and 8)	2,261,868	2,726,686	1,956,633	2,358,725
Long-term borrowings (Note 9)	1,633		1,413	
Facility deposits (Note 10)	44,197	37,391	38,233	32,345
Long-term payables other, net of present value discount of W85,881 million and W79,422 million at December 31, 2003 and June 30, 2004, respectively (Note 2)	564,119	570,578	487,992	493,580
Accrued severance indemnities, net (Note 2)	67,824	95,698	58,671	82,784
Deferred income tax liabilities (Notes 2 and 17)	226,029	262,250	195,527	226,860
Long-term currency swap (Notes 2 and 22)		33,741		29,188
Guarantee deposits received and other (Note 21)	27,790	25,471	24,040	22,034
Total Long-Term Liabilities	3,193,460	3,751,815	2,762,509	3,245,516
Total Liabilities	7,724,370	7,413,122	6,681,981	6,412,737

COMMITMENTS AND CONTINGENCIES (Note 19)
SHAREHOLDERS EQUITY:

Capital stock (Notes 1 and 13)	44,639	44,639	38,615	38,615
Capital surplus (Note 13) :	2,911,556	2,973,533	2,518,647	2,572,260
Retained earnings (Note 14)	5,139,911	5,483,603	4,446,290	4,743,601
Capital adjustments :				
Treasury stock (Note 15)	(2,047,103)	(2,047,105)	(1,770,850)	(1,770,852)
Unrealized loss on valuation of long-term investment securities (Notes 2 and 3)	(160,622)	(204,719)	(138,946)	(177,093)
Equity in capital adjustments of affiliates (Notes 2 and 4)	42,581	102,947	36,835	89,054
Stock options (Notes 2 and 16)	3,741	4,295	3,236	3,715
Loss on valuation of currency swap (Notes 2 and 22)		(32,339)		(27,975)
Foreign-based operations translation credit (Note 2)	3,159	1,189	2,732	1,029
Minority interest in equity of consolidated subsidiaries (Note 2)	155,985	66,474	134,935	57,503
Total Shareholders Equity	6,093,847	6,392,517	5,271,494	5,529,857
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	W13,818,217	W13,805,639	$11,953,475	$11,942,594

See accompanying Notes to Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2003 AND 2004
(Unaudited)

	In millions of Korean won, except for income per share data		In thousands of U.S. dollars except for income per share data (Note 2)	
	2003	**2004**	**2003**	**2004**
OPERATING REVENUE (Notes 21 and 26)	W5,026,591	W5,223,408	$4,348,262	$4,518,519
OPERATING EXPENSES (Notes 2, 19 and 21)				
Labor cost	198,808	273,925	171,979	236,959
Commissions paid (Note 21)	1,084,312	1,456,501	937,986	1,259,949
Depreciation and amortization (Notes 6 and 7)	671,708	732,962	581,062	634,050
Network interconnection (Note 26)	433,269	426,862	374,800	369,258
Leased line	151,404	173,632	130,972	150,201
Advertising	195,565	190,864	169,174	165,107
Cost of goods sold	277,612	243,941	240,149	211,022
Other	416,013	510,491	359,873	441,600
Sub-total	3,428,691	4,009,178	2,965,995	3,468,146
OPERATING INCOME	1,597,900	1,214,230	1,382,267	1,050,373
OTHER INCOME:				
Interest	47,292	42,405	40,910	36,683
Dividends	25,980	18,792	22,474	16,256
Commissions	45,601	15,877	39,447	13,734
Foreign exchange and translation gains (Note 2)	5,110	14,031	4,420	12,138
Gain on disposal and valuation of trading securities (Note 2)	94	2,669	81	2,309
Gain on disposal of property, equipment and intangible assets	772	391	668	338
Gain on transaction of currency swap (Notes 2 and 22)		2,850		2,465
Equity in earnings of affiliates (Notes 2 and 4)	1,716		1,484	
Other	27,867	18,390	24,106	15,908
	154,432	115,405	133,590	99,831

OTHER EXPENSES:				
Interest	(202,475)	(157,751)	(175,151)	(136,463)
Donations	(41,284)	(39,706)	(35,713)	(34,348)
Foreign exchange and translation losses (Note 2)	(5,381)	(3,134)	(4,655)	(2,711)
Loss on disposal and valuation of trading securities (Note 2)	(1,724)	(460)	(1,491)	(398)
Loss on disposal of property, equipment and intangible assets	(3,480)	(8,534)	(3,010)	(7,382)
Loss on disposal of investment assets	(299)	(815)	(259)	(705)
Loss on impairment of long-term investment securities (Notes 2 and 3)	(3,555)	(12,251)	(3,075)	(10,598)
Loss on transaction and valuation of currency swap (Notes 2 and 22)		(2,173)		(1,880)
Equity in losses of affiliates (Notes 2 and 4)		(3,125)		(2,703)
Other	(14,594)	(3,337)	(12,625)	(2,887)
	(272,792)	(231,286)	(235,979)	(200,075)

(Continued)

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
SIX MONTHS ENDED JUNE 30, 2003 AND 2004
(Unaudited)

	In millions of Korean won, except for income per share data		In thousands of U.S. dollars except for income per share data (Note 2)	
	2003	**2004**	**2003**	**2004**
INCOME BEFORE INCOME TAXES AND MINORITY INTEREST	1,479,540	1,098,349	1,279,879	950,129
INCOME TAXES (Notes 2 and 17)	449,641	343,001	388,963	296,714
INCOME BEFORE MINORITY INTEREST	1,029,899	755,348	890,916	653,415
MINORITY INTEREST IN NET INCOME OF CONSOLIDATED SUBSIDIARIES	(7,222)	(6,778)	(6,247)	(5,863)
NET INCOME	W 1,022,677	W 748,570	$ 884,669	$ 647,552
NET INCOME PER SHARE (Notes 2 and 18) (In Korean won and U.S. dollars)	W 13,411	W 10,169	$ 11.60	$ 8.80

See accompanying Notes to Consolidated Financial Statements and Report of Independent Registered Public Accounting Firm.

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2003 AND 2004
(Unaudited)

	In millions of Korean won		In thousands of U.S. dollars (Note 2)	
	2003	2004	2003	2004
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	W 1,022,677	W 748,570	$ 884,669	$ 647,552
Expenses not involving cash payments:				
Depreciation and amortization	737,340	797,150	637,837	689,576
Provision for severance indemnities	27,091	36,006	23,435	31,147
Provision for bad debts	10,359	3,840	8,961	3,322
Foreign translation loss	364	1,285	315	1,112
Loss on disposal and valuation of trading securities	1,724	460	1,491	398
Loss on impairment of long-term investment securities	3,555	12,251	3,075	10,598
Loss on disposal of property, equipment and intangible assets	3,480	8,534	3,010	7,382
Loss on disposal of investment assets	299	815	259	705
Loss on transaction and valuation of currency swap		2,173		1,880
Equity in losses of affiliates		3,125		2,703
Minority interest in net income of consolidated subsidiaries	7,222	6,778	6,247	5,863
Amortization of discounts on bonds and other	29,950	20,469	25,908	17,707
Sub-total	821,384	892,886	710,538	772,393
Income not involving cash receipts:				
Reversal of allowance for doubtful accounts	(5)	(4,559)	(4)	(3,944)
Foreign translation gain	(2,338)	(1,463)	(2,022)	(1,266)
Gain on disposal of property, equipment and intangible assets	(772)	(391)	(668)	(338)
Gain on disposal and valuation of trading securities	(94)	(2,669)	(81)	(2,309)
Gain on transaction of currency swap		(2,850)		(2,465)
Equity in earnings of affiliates	(1,716)		(1,484)	
Other	(1,567)	(89)	(1,355)	(77)
Sub-total	(6,492)	(12,021)	(5,614)	(10,399)

Changes in assets and liabilities related to operating activities:				
Accounts receivable trade	(78,320)	41,180	(67,751)	35,623
Accounts receivable other	(231,663)	(497,891)	(200,401)	(430,702)
Inventories	(16,608)	(19,442)	(14,367)	(16,818)
Other current assets	(61,787)	(24,558)	(53,449)	(21,244)
Deferred income taxes	28,278	35,977	24,462	31,122
Accounts payable	(884,973)	(303,663)	(765,548)	(262,684)
Income taxes payable	13,170	(98,115)	11,393	(84,875)
Accrued expenses	43,583	31,908	37,702	27,602
Current portion of facility deposits	3,396	1,994	2,938	1,725
Other current liabilities	83,030	48,563	71,825	42,010
Severance indemnity payments	(9,872)	(15,369)	(8,540)	(13,295)
Deposits for group severance indemnities and other deposits	5,123	5,531	4,432	4,784
Sub-total	(1,106,643)	(793,885)	(957,304)	(686,752)
Net Cash Provided by Operating Activities	W 730,926	W 835,550	$ 632,289	$ 722,794

(Continued)

Table of Contents

SK TELECOM CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
SIX MONTHS ENDED JUNE 30, 2003 AND 2004
(Unaudited)

	In millions of Korean won		In thousands of U.S. dollars (Note 2)	
	2003	2004	2003	2004
CASH FLOWS FROM INVESTING ACTIVITIES: &n				