

SK TELECOM CO LTD
Form 6-K
June 22, 2006

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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 2006**

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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I. Company Overview

1. Business Objectives

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

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10. Tourism

11. Other businesses related to the above

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2. Company History

A. Company History

(1) Changes Since Incorporation

a) 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)

b) Location of the Headquarter

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 Eulji-ro 2-ga, Jung-gu, Seoul (December 13, 2004)

(2) Mergers

a) Subject: Shinsegi Communication Co., Ltd.

Date: January 13, 2002

Registration: January 16, 2002

b) Subject: SK IMT Co., Ltd.

Date: May 1, 2003

Registration: May 7, 2003

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(3) Significant Business Events

(a) Provision of Subsidy for Long-term Subscribers

Pursuant to the Telecommunications Business Act, as amended, telecommunications service providers may provide a one-time subsidy to subscribers with contract terms of over 18 consecutive months within 2 years, beginning March 27, 2006. We have stated in our standard subscription contract the company's obligation to notify the subscribers at least 30 days prior to the cancellation of the subsidy provision.

3. Total Number of Shares

A. Total number of shares

| Classification | Share type | | Note |
|---|---------------|-------------|------|
| | Common shares | Total | |
| I. Total number of issuable shares | 220,000,000 | 220,000,000 | |
| II. Total number of shares issued to date | 89,278,946 | 89,278,946 | |
| III. Total number of shares retired to date | 7,002,235 | 7,002,235 | |
| 1. Capital reduction | | | |
| 2. Share cancellation | 7,002,235 | 7,002,235 | |
| 3. Redeemed shares | | | |
| 4. Others | | | |
| IV. Total number of shares (II-III) | 82,276,711 | 82,276,711 | |
| V. Number of treasury shares | 8,662,415 | 8,662,415 | |
| VI. Number of shares outstanding (IV-V) | 73,614,296 | 73,614,296 | |

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B. Capital Stock and Price per Share

| Classification Type | Capital amount in financial statements (A) | Capital (total face value) | | Par value per share (B) | Price per share | | Note |
|-----------------------------|--|---|---|-------------------------------------|---|---|------|
| | | Total number of issued shares (IV of A. \times B) | Total amount of distributed shares (VI of A. \times 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 | 41,138,355,500 | 36,807,148,000 | 500 | 542.6 | 606.4 | |
| Total | 44,639,473,000 | 41,138,355,500 | 36,807,148,000 | 500 | 542.6 | 606.4 | |

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 | Note |
|--|---------------------------------|--|------------------------------------|-----|-----|--------------------------------------|------|
| | | | (+) | () | () | | |
| Direct acquisition pursuant to Article 189-2 (1) of the relevant Act | Common Share Preferred share | 4,697,735 | | | | 4,697,735 | |
| 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 | |

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| Acquisition method | Type of share | Amount at | | | Amount at | Note |
|--|------------------------|------------------|-------------|---------------|-----------|-----------|
| | | the beginning of | Acquisition | Dispositional | | |
| | | period | (+) | () | () | period |
| Sub-total | Common Share | 4,775,705 | | | | 4,775,705 |
| | Preferred share | | | | | |
| Indirect acquisition through trust and other agreements | Common share | 3,886,710 | | | | 3,886,710 |
| | Preferred share | | | | | |
| Total | Common share | 8,662,415 | | | | 8,662,415 |
| | Preferred share | | | | | |

(Unit: shares)

* Of the 4,775,705 shares of treasury stocks directly acquired based on causes other than those provided in Article 189-2 (1) of the relevant Act, 1,777,173 shares were deposited in the Korea Securities Depository as of March 13, 2006 for the exchange of exchangeable bonds offered abroad.

D. Employee Stock Ownership Program

(1) Details of Transaction with the Employee Stock Ownership Program

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

Terms of the loan: 10-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 2006: Won 2,611,849,150
Details of the loan repayment

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| (As of March 31, 2006) | | (Unit: in thousand Won) |
|-------------------------------------|---------------|--|
| Classification | Amount | Note |
| Initial loan amount | 118,577,755 | Loaned on August 23, 1999 to 3,540 persons |
| Accumulated repayment amount | 106,603,397 | Including Won 2.61 billion repaid in the first quarter of 2006 |
| Balance | 11,974,358 | Full repayment by June 2012 |

(2) Voting Rights of the Employee Stock Ownership Program

The voting rights are exercised individually during a designated period of 7 days or longer by expressing the intention to exercise such right on the agenda at the meeting of shareholders through a proxy with a written power of attorney.

(3) Shareholdings of the Employee Stock Ownership Program

| | | (Unit: shares) | |
|-------------------------------|-----------------------|---|-------------------------------------|
| Account classification | Types of share | Balance at the beginning of period | Balance at the end of period |
| E.S.O.P. account | | | |
| Member account | Common share | 297,246 | 259,738 |

As the relevant law requires an immediate transfer of the stocks 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.

5. Status of Voting Right

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| (As of March 31, 2006) | | (Unit: shares) | |
|--|-------------------------|--|--|
| Classification | Number of shares | Note | |
| Total outstanding shares (A) | 82,276,711 | | |
| | | Common share | |
| | | Preferred share | |
| Number of shares without voting right (B) | 8,662,415 | Treasury shares | |
| | | Common share | |
| | | Preferred share | |
| Shares with restricted voting right under the Stock Exchange Act and other laws (C) | 7 | Restriction under the Antitrust and Fair Trade Act: 7 shares (7 shares in SK Securities) | |
| Shares with reestablished voting right (D) | | | |
| The number of shares with exercisable voting right (E = A - B - C + D) | 73,614,289 | | |
| | | Common share | |
| | | Preferred share | |
| 6. Dividends and Others | | | |

| (Unit: in million Won except per share value) | | | |
|---|-------------|-------------|-------------|
| Year ended December 31, | | | |
| Classification | 2005 | 2004 | 2003 |
| Par value per share | 500 | 500 | 500 |
| Current net income | 1,871,380 | 1,494,852 | 1,942,750 |
| Net income per share | 25,421 | 20,307 | 25,876 |
| Dividendable income | 1,930,626 | 1,377,007 | 406,413 |
| Total cash dividend | 662,529 | 758,227 | 404,879 |
| Total share dividend | | | |

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| | | (Unit: in million Won except per share value) | | |
|--|------------------------|---|--------|-------|
| | | Year ended December 31, | | |
| Classification | | 2005 | 2004 | 2003 |
| Propensity to cash dividend (%) | | 35.4 | 50.7 | 20.8 |
| Cash dividend yield ratio (%) | Common share | 4.9 | 5.2 | 2.8 |
| | Preferred share | | | |
| Share dividend yield ratio (%) | Common share | | | |
| | Preferred share | | | |
| Cash dividend per share | Common share | 9,000 | 10,300 | 5,500 |
| | Preferred share | | | |
| Share dividend per share | Common share | | | |
| | Preferred 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 for the same period includes the interim dividend amount of Won 1,000 per share.

** The cash dividend per share for the year ended December 31, 2004 includes the periodic dividend of Won 5,100 (including the interim dividend amount of Won 1,000) and special dividend of Won 5,200.

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II. Business Summary

1. Business Summary

A. Industry Status

(1) Characteristics of Industry

As of the end of March 2006, the number of domestic mobile phone subscribers reached 38.92 million and with a 79.7% penetration rate, 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 the network-related technology evidenced by the 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.

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(2) Industry Growth

| | | | | | | | (Unit: 1,000 persons) |
|------------------------------|---|------------------------------|------------------------|------------------------|------------------------|------------------------|-----------------------|
| Classification | | End of March 2006 | End of 2005 | End of 2004 | End of 2003 | End of 2002 | End of 2001 |
| Penetration rate (%) | | 79.7 | 79.4 | 75.9 | 70.1 | 67.9 | 60.9 |
| SK | | | | | | | |
| Number of subscribers | Telecom Shinsegi Communication | 19,733 | 19,530 | 18,783 | 18,313 | 17,220 | 11,867 |
| | PCS | | | | | | 3,312 |
| | | 19,184 | 18,812 | 17,803 | 15,279 | 15,123 | 13,867 |
| | Total | 38,917 | 38,342 | 36,586 | 33,592 | 32,342 | 29,046 |

(Data: Ministry of Information and Communication website)

(3) Market Characteristics

The Korean mobile communication market includes the entire population of Korea with the mobile communication service needs, and almost every Korean is considered a potential user. With the market penetration rate reaching as high as 79.7% (as of the end of March 2006), the customer base is continuing to expand to include elementary school and pre-school children. Although demand to date has primarily been on 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 influence on the Korean mobile communication market compared to other industries.

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B. Company Status

(1) Market Shares

Our Market Share

| | (Unit: %) | | | |
|-----------------------------|---------------------|-------------|-------------|-------------|
| | End of March | | | |
| Classification | 2006 | 2005 | 2004 | 2003 |
| Mobile phone | 50.7 | 50.9 | 51.3 | 54.5 |
| Market Share of Competitors | | | | |

(As of March 31, 2006)

| | (Unit: %) | | |
|---|-------------------|------------|-------------------|
| Classification | SK Telecom | KTF | LG Telecom |
| Market share as of December 31, 2005 | 50.7 | 32.2 | 17.1 |

(Data: Ministry of Information and Communication website)

(2) New Business Contents and Prospects

- a) Resolution for capital investment regarding Mobile Virtual Network Operator (MVNO) service in the U.S. (January 26, 2005)

Investment amount: US\$220 million (From 2005 to 2007)

Investment method: Establishment of a joint venture with EarthLink which is one of the three major internet service providers in the U.S.

Service provided: MVNO (Mobile Virtual Network Operator)

Subscriber recruitment and service provision based on service facilities and fee plans

Combination of SK Telecom's mobile communications business capabilities and data service technology with the local customer base, marketing infrastructure and brand power of EarthLink

Scheduled to provide additional services related with music, games and messaging for target customers

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Recent business status

A new brand named HELIO launched in October 2005

Full scale business scheduled for initiation in May 2006.

b) Commercialization of the High Speed Downlink Packet Access (HSDPA) service in the first half of 2006

To facilitate service vitalization as part of our future growth strategy, more visual oriented products, such as video phones, will be developed while expanding the scope of global roaming services.

We plan to improve customer recognition toward HSDPA through early market dominance and upgraded market premium services focused on the early adopters and frequent users.

2. Major Products

A. Status of Major Products

(Unit: in million Won, %)

| Business field | Sales type | Item | Major trademarks | Sales amount (ratio) |
|--------------------------------------|-------------------|--------------|-------------------------|-----------------------------|
| Information and communication | Services | Mobile phone | June, NATE and others | 2,512,919 (98.92%) |
| | | Others | Others | 27,395(1.08%) |
| | | | | |

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B. Price Trend of Major Product

| Item | Basic fee (per month) Service fee (per 10 seconds) | First Quarter of 2006 | During 2005 | During 2004 | (Unit: Won) |
|---|---|-----------------------|-------------|-------------|-------------|
| | | | | | During 2003 |
| Mobile phone (Based on standard call charge) | | 13,000 | 13,000 | 13,000 | 14,000 |
| | | 20 | 20 | 20 | 20 |

* The base fee for standard call charge for mobile phone service changed to Won 13,000 beginning September 1, 2004.

** Caller ID service became free of charge beginning January 2006.

3. Investment Status

A. Investment in Progress

| Business field | Classification | Investment period | Subject of investment | Investment effect | Total investments | (Unit: in 100 million Won) | | Note |
|----------------|----------------|-------------------|-----------------------|---|-------------------|----------------------------|-------------------|------|
| | | | | | | Amount already invested | Future investment | |
| Network | Upgrade | 2006 | CDMA 1x, EV-DO, 95A/B | Capacity increase and quality improvement | 2,600 | 142 | 2,458 | |
| | Upgrade | 2006 | WCDMA | Capacity increase and quality improvement | 5,700 | 423 | 5,277 | |
| | Upgrade | 2006 | Network, and others | Network expansion | 1,700 | 0 | 1,700 | |
| Common | Upgrade | 2006 | System improvement | System Upgrade | 4,550 | 166 | 4,384 | |

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| | | | | | | |
|---------------------|------|---|---------------------------------------|--------|-----|--------|
| New installation | 2006 | Company building and general support | Improvement in work environment | 1,450 | 107 | 1,343 |
| Total | | | | 16,000 | 838 | 15,162 |

* Amount already
invested is the
amount
expended in the
quarter ended
March 31, 2006.

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B. Future Investment Plan

| Business field | Expected investment amount | | Expected investment for each year | | | Investment effect | Note |
|-----------------------|---------------------------------|--------|-----------------------------------|------|------|---|------|
| | Asset type | Amount | 2006 | 2007 | 2008 | | |
| Mobile phone business | Machinery, equipment and others | 16,000 | 16,000 | N/A | N/A | Upgrades to the existing services and provision of new services | |
| | Total | 16,000 | 16,000 | N/A | N/A | | |

* The above future investment plan is based on estimates and may differ from the actual results due to changes in the business and managerial conditions.

4. Derivative Products and Others

A. Derivative Product Contracts Status

(1) Purpose of Contract: Currency Exchange Risk Hedging

(2) Contract Terms

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a) Cross Currency Swap

| | | | | (Unit: in million Won) |
|------------------------|----------------|----------------|--|---------------------------|
| (As of March 31, 2006) | | | | |
| Contract amount | Contract party | Contract date | Proceeds payment method | Income/loss on valuation |
| US\$ 125 million | Citibank | March 23, 2004 | Exchange on the date immediately preceding the principal and interest payment date | (31,976) |
| US\$ 125 million | Credit Suisse | March 23, 2004 | Same as above | (32,702) |
| US\$ 50 million | BNP Paribas | March 23, 2004 | Same as above | (13,026) |
| Total: US\$300 million | | | | (77,704) |

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

b) FX Swap

| | | | | (Unit: in million Won) |
|------------------------|----------------|---------------|--|---------------------------|
| (As of March 31, 2006) | | | | |
| Contract amount | Contract party | Contract date | Proceeds payment method | Income on valuation |
| US\$100 million | Credit Suisse | May 27, 2004 | Exchange before principal payment date | (18,542) |

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5. R&D Activities

A. R&D Costs

(Unit: in thousand Won)

| Category | Quarter ended | | | Note |
|--|-------------------|--------------------|--------------------|------|
| | March 31, 2006 | 2005 | 2004 | |
| Raw material | 15,352 | 234,889 | 255,320 | |
| Labor | 13,027,400 | 35,191,759 | 36,026,539 | |
| Depreciation | 32,217,737 | 121,335,301 | 122,097,858 | |
| Commissioned service | 21,013,465 | 86,536,635 | 85,646,995 | |
| Others | 6,370,229 | 41,730,732 | 39,951,341 | |
| Total R&D costs | 72,644,182 | 285,029,316 | 283,978,053 | |
| Accounting | | | | |
| Sales and administrative expenses | 69,871,938 | 273,223,885 | 272,290,385 | |
| Development expenses (Intangible assets) | 2,772,244 | 11,805,431 | 11,687,668 | |
| R&D cost / Ratio of sales amount (Total R&D costs / Current sales amount×100) | 2.86% | 2.81% | 2.93% | |

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6. Other Matters Related with Investment Decisions

A. External Fund Procurement Summary

| | | | | | (Unit: in million Won) |
|--|----------------------|--------------------|-----------------------------|-------------------|---------------------------|
| (Domestic procurement) | | | | | |
| Source of procurement | Beginning balance | New procurement | Reduction from repayment | Ending balance | Note |
| Bank | | | | | |
| Insurance company | | | | | |
| Merchant banking | | | | | |
| Loan specialty financial company | | | | | |
| Mutual savings bank | | | | | |
| Other financial institutions | 24,543 | | 4,139 | 20,404 | |
| Total procurement from financial institutions | 24,543 | | 4,139 | 20,404 | |
| Corporate bond (public offering) | 2,500,000 | | | 2,500,000 | |
| Corporate bond (private offering) | | | | | |
| Paid-in capital increase (public offering) | | | | | |

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| (Domestic procurement) | | | | | (Unit: in million Won) |
|---|-------------------|-----------------|-----------------------------------|----------------|--------------------------|
| Source of procurement | Beginning balance | New procurement | Reduction from repayment | Ending balance | Note |
| Paid-in capital increase (private offering) | | | | | |
| Asset backed securitization (public offering) | | | | | |
| Asset backed securitization (private offering) | | | | | |
| Others | | | | | |
| Total procurement from capital market | 2,500,000 | | | 2,500,000 | |
| Borrowings from shareholder, officer and affiliated company | | | | | |
| Others | | | | | |
| Total | 2,524,543 | | 4,139 | 2,520,404 | |
| (Overseas procurement) | | | | | (Unit: in million Won) |
| Procurement source | Beginning balance | New procurement | Reduction in repayment and others | Ending balance | Note |
| Financial institutions | | | | | |
| Overseas securities (Corporate bond) | 303,900 | | | 292,770 | Exchange rate adjustment |
| Overseas securities (shares and others) | 385,885 | | | 385,885 | |
| Asset backed securitization | | | | | |
| Others | | | | | |
| Total | 689,785 | | | 678,655 | |

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B. Credit Ratings

(1) Corporate Bond

| Credit rating date | Subject of valuation | Credit rating | Credit rating entity (Credit rating range) | Evaluation classification |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| 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 |

* 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.

(2) CP

| Credit rating date | Subject of valuation | Credit rating | Credit rating entity (Credit rating range) | Evaluation classification |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| 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 |

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| Credit rating date | Subject of valuation | Credit rating | Credit rating entity (Credit rating range) | Evaluation classification |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| 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 |

* 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

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

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III. Financial Information

1. Summary Financial Statements

(Unit: in million Won)

| Classification | Quarter ended | Year ended December 31, | | | |
|----------------|-------------------|-------------------------|------------|-----------|-----------|
| | March 31, 2006 | 2005 | 2004 | 2003 | 2002 |
| Current assets | 4,011,460 | 4,172,485 | 3,854,345 | 3,460,706 | 2,746,991 |
| - Quick assets | 4,007,002 | 4,166,500 | 3,843,384 | 3,452,682 | 2,736,273 |
| - Inventory | 4,458 | 5,985 | 10,961 | 8,024 | 10,718 |
| Fixed assets | 10,374,750 | 10,349,191 | 10,166,360 | 9,915,253 | 9,974,227 |

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(Unit: in million Won)

| Classification | Quarter | Year ended December 31, | | | |
|----------------------------------|----------------------------|-------------------------|-------------|-------------|-------------|
| | ended March 31, 2006 | 2005 | 2004 | 2003 | 2002 |
| - Investments | 2,666,775 | 2,366,760 | 2,112,488 | 1,763,359 | 3,132,330 |
| - Tangible assets | 4,399,170 | 4,595,884 | 4,605,253 | 4,551,626 | 4,451,548 |
| - Intangible assets | 3,308,805 | 3,386,547 | 3,448,619 | 3,600,268 | 2,390,350 |
| Total assets | 14,386,210 | 14,521,676 | 14,020,705 | 13,375,959 | 12,721,218 |
| Current liabilities | 2,849,856 | 2,747,268 | 2,859,711 | 4,231,974 | 4,015,859 |
| Fixed liabilities | 3,416,074 | 3,516,528 | 4,033,902 | 3,202,147 | 3,168,412 |
| Total liabilities | 6,265,930 | 6,263,796 | 6,893,613 | 7,434,121 | 7,184,271 |
| Capital | 44,639 | 44,639 | 44,639 | 44,639 | 44,576 |
| Capital surplus | 2,966,198 | 2,966,198 | 2,983,166 | 2,915,964 | 2,884,385 |
| - Surplus from share issuance | 2,915,887 | 2,915,887 | 2,915,887 | 2,915,964 | 2,884,385 |
| - Other capital surplus | 50,311 | 50,311 | 67,279 | | |
| Income surplus | 7,018,106 | 7,269,861 | 6,156,708 | 5,140,349 | 4,897,099 |
| Capital adjustment | (1,908,663) | (2,022,817) | (2,057,422) | (2,159,114) | (2,289,112) |
| Total capital | 8,120,280 | 8,257,881 | 7,127,091 | 5,941,838 | 5,536,948 |
| Sales | 2,540,314 | 10,161,129 | 9,703,681 | 9,520,244 | 8,634,049 |
| Operation income | 667,861 | 2,653,570 | 2,359,581 | 3,080,660 | 2,683,676 |
| Ordinary income | 478,318 | 2,554,613 | 2,115,778 | 2,714,194 | 2,179,993 |
| Current net income | 337,160 | 1,871,380 | 1,494,852 | 1,942,750 | 1,511,278 |

* See the attached
audit report

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- IV. Auditor's Opinion
- 1. Auditor's Opinion and Others
- A. Auditor

Quarter ended March 31, 2006
Deloitte Anjin LLC

Quarter ended March 31, 2005
Deloitte Anjin LLC

2005
Deloitte Anjin
LLC

2004
Deloitte Hana
Anjin LLC

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B. Audit Opinion

| Term | Auditor s opinion | Remark |
|-------------------------------------|--------------------------|---------------|
| Quarter ended March 31, 2006 | Appropriate | |
| Quarter ended March 31, 2005 | Appropriate | |
| Year ended December 31, 2005 | Appropriate | |
| Year ended December 31, 2004 | Appropriate | |

2. Remuneration for Independent non-executive Auditors for the Past Three Fiscal Years

A. Audit Contracts

| Term | Auditors | Contents | Fee | Total hours |
|---|-----------------------|--|---------------|--------------------|
| Quarter ended March 31, 2006 | Deloitte Anjin LLC | Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit | Not available | Not available |
| Year ended December 31, 2005 | Deloitte Anjin LLC | Semi-annual review Quarterly review Non-consolidated financial statements audit | 447,000 | 5,177 |

(Unit: in thousand
Won)

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| Term | Auditors | Contents | Fee | (Unit: in thousand Won) |
|---|----------------------------|--|------------|----------------------------|
| | | | | Total hours |
| | | Consolidated financial statements audit | | |
| Year ended December 31, 2004 | Deloitte Hana Anjin LLC | Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit | 360,000 | 4,808 |

B. Non-Audit Services Contract with External Auditors

| Term | Contract date | Service provided | (Unit: in thousand Won) | |
|---|----------------------|--|---------------------------|-----------------|
| | | | Service period | Fee Note |
| Quarter ended March 31, 2006 | March 31, 2006 | Tax adjustment for the year ended December 31, 2005 | 5 days | 29,590 |
| Year ended December 31, 2005 | 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 |

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| (Unit: in thousand Won) | | | | | |
|-------------------------------------|----------------------|--|-----------------------|------------|-------------|
| Term | Contract date | Service provided | Service period | Fee | Note |
| | April 29, 2005 | Tax consulting | 7 days | 19,000 | |
| | 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 | |
| Year ended December 31, 2004 | 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 | |
| | 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 | |

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V. Management Structure and Status Relating to Affiliated Companies

1. Summary of Management Structure

A. Board of Directors

(1) Authorities of the Board of Directors

- a) Resolution of the board of directors regarding Article 7
 - Convocation of shareholders meeting and submission of agenda
 - Prior approval of the financial statements
 - Decisions on the issuance of new shares
-

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- 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 rules for the Board of Directors
 - Annual business plan and budgeting
 - Approval of investments exceeding Won 15 billion
 - Planned budget increases and changes for investments exceeding Won 15 billion
 - Diversification into new businesses
 - Investments and joint ventures exceeding Won 15 billion (excluding the matters subject to prior approval by Independent non-executive directors)
 - Establishment of subsidiaries
 - Guarantees exceeding Won 15 billion (excluding the matters subject to prior approval by Independent non-executive directors)
 - Transactions exceeding the lesser of amount equivalent to 10% of capital or Won 10 billion undertaken with interested parties
 - Material changes in accordance with the Anti-trust Law and Fair Trade Act among disclosed information
 - Enactment of and amendment to the Internal Trading Procedure
 - Other matters considered necessary by the Board of Directors and those requiring Board of Directors approval under relevant laws
 - b) Reporting items: Article 7.2 of the regulations of the Board of Directors
 - The representative director must report the following within two months after the date of occurrence to the Board of Directors
 - 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
-

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Disposition of fixed assets under Won 15 billion

Matters related to guarantees of over Won 15 billion

Internal trading not subject to approval by the Board of Directors

Matters delegated to the representative director that are requested by the Board of Directors for reporting

- (2) Publication of Candidate Information Prior to the Shareholders Meeting for the Election of Directors and Shareholders Nomination
- a) On February 16, 2006, through the convocation of the shareholders meeting, information on candidates Kim Yong Woon and Lim Hyun Jin was publicized.
- b) There was no nomination by the shareholders
- (3) Major Activities of the Board of Directors

| Meeting | Date | Agenda | Approval | Note |
|--|----------------------|--|---|------|
| 264th (the first meeting of 2006) | January 23, 2006 | - Financial statements for the year ended December 31, 2005 | Approved as proposed | |
| | | - Annual business report for the year ended December 31, 2005 | Approved as proposed | |
| | | - Organization of Nomination Committee for Independent non-executive Directors | Approved as proposed | |
| | | - Amendment of regulation for the Remuneration Review Committee | Amendment to be proposed to the Board of Directors in April, 2006 | |
| 265th (the second meeting of 2006) | February 14, 2006 | - Convocation of the 22 nd General Meeting of Shareholders | Approved as proposed | |
| 266th (the third meeting of 2006) | March 31, 2006 | - Election of committee members | Approved as proposed | |

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| Meeting | Date | Agenda | Approval | Note |
|--|-------------------|---|--|-------------|
| 267th (the fourth meeting of 2006) | April 26, 2006 | <ul style="list-style-type: none"> - Amendment of regulation for the Remuneration Review Committee - Election of committee member for the Remuneration Review Committee - Establishment of the Service & Technology Center(STC) - Exercise of the iHQ call option | <ul style="list-style-type: none"> Approved after amendment Approved as proposed Approved as proposed Approved as proposed | |
| (4) Committee Structure and Activities of the Board of Directors | | | | |
| a) Independent non-executive Director Nomination Committee | | | | |
| - Organization | | | | |

(As of March 10, 2006)

| Persons | Company Directors | Members |
|----------------|---------------------------|---|
| 4 | Jung Nam Cho, Sung Min Ha | Independent non-executive Directors Jae Seung Yoon and Sang Jin Lee |

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- Activities

| Meeting | Date | Number of Attendees | Details |
|---|-------------------|----------------------------|--|
| 7th Meeting (the first meeting of 2006) | February 14, 2006 | 3 persons/4 persons | - Election of the Chairman: Jung Nam Cho - 22 nd General Meeting of Shareholders: Nomination of Independent non-executive director candidates - Yong Woon Kim, Hyun Jin Lim |

* The Nomination Committee for Independent non-executive Directors is a committee established under the provisions of the Articles of Incorporation.

b) Remuneration Review Committee
- Organization

(As of April 26, 2006)

| Number of Persons | Company Directors | Members Independent non-executive Directors |
|--------------------------|--------------------------|--|
| 8 persons | | Dae Sik Kim, Yong Woon Kim, Sang Gu Nam, Dae Kyu Byun, Seung Taik Yang, Jae Seung Yoon, Sang Jin Lee, Hyun Jin Lim |

* Director Sang Gu Nam resigned on May 12, 2006 (date of relevant disclosure: May 12, 2006)

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- Activities

| Meeting | Date | Number of Attendees | Details |
|--|--------------------------|---|----------------|
| <p>* The Compensation Review Committee is a committee established by the resolution of the Board of Directors.</p> | | | |
| <p>c) Investment Review Committee - Organization</p> | | | |
| <p>(As of March 31, 2006)</p> | | | |
| Persons | Company Directors | Members | |
| 5 persons | Lee Bang Hyung | Independent non-executive Directors | |
| | | Byon Dae Kyu, Yang Seung Taek, Yoon Jae Seung, Lee Sang Jin | |

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- Activities

| Meeting | Date | Number of Attendees | Details |
|-----------------------------------|-------------------|----------------------------|---|
| The first meeting of 2006 | February 13, 2005 | 4 persons/5 persons | - Additional report on the investment plan for 2006 |
| The second meeting of 2006 | April 25, 2005 | 4 persons/5 persons | - Establishment of the Service & Technology Center(STC) - Exercise of the iHQ call option |
| The third meeting of 2006 | April 26, 2005 | 4 persons/5 persons | - Election of chairman - Approval plans for the investment in the contents business and the restrictions thereof |

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

d) Global Business Committee
- Organization

(As of March 31, 2006)

Persons
4 persons

Company Directors
Ha Sung Min

Members
Independent non-executive Directors
Kim Dae Sik, Byon Dae Kyu, Lee Sang Jin

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- Activities

| Meeting | Date | Number of Attendees | Details |
|--|------|---------------------|---------|
| <p>* The Global Business Committee is a committee established by the resolution of the Board of Directors.</p> | | | |
| <p>e) Audit Committee: See B. Audit System</p> | | | |
| <p>* The Audit Committee is a committee established under the provisions of the Articles of Incorporation.</p> | | | |
| <p>B. Audit System</p> | | | |
| <p>(1) Establishment and Organization of the Audit Committee</p> | | | |
| <p>a) The Audit Committee is organized with more than three 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.</p> | | | |
| <p>b) The Audit Committee is convened when deemed necessary by the chairman or is requested by two or more of the committee members.</p> | | | |
| <p>c) The quorum for resolution is majority attendance with majority consent from the attending members.</p> | | | |
| <p>(2) Authority of the Audit Committee</p> | | | |

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Authority to inquire on the subsidiary companies, right to investigate the business and asset conditions, and right to request for the business report from the Audit Committee pursuant to the Audit Committee Regulations

(3) Members of the Audit Committee

Audit Committee Members are directors Kim Dae Sik, Kim Yong Woon and Im Hyun Jin.

* Director Nam Sang Gu resigned on May 12, 2006 (relevant disclosure on May 12, 2006)

(4) Major Activities of the Audit Committee

| Meeting | Date | Agenda | Approval | Note |
|-----------------------------------|-------------------|---|--|-------------|
| The first meeting of 2006 | January 20, 2006 | - Report on operational status of the internal accounting management system - Audit report for the year ended December 31, 2005 | Approved as proposed | |
| The second meeting of 2006 | February 13, 2006 | - Evaluation of the internal accounting management system | Approved as proposed | |
| The third meeting of 2006 | February 27, 2006 | - Auditor's opinion on the internal audit system - Management audit schedule for 2006 - Proposal for the election of outside auditor for 2006-2008 period | Approved as proposed | |
| The fourth meeting of 2006 | March 8, 2006 | - Election of outside auditor for 2006-2008 period | Approved as proposed | |
| The fifth meeting of 2006 | April 25, 2006 | - Election of chairman - Remuneration for outside auditor - Collective re-approval of outside auditor's service schedule for 2006 - Management report | Approved as proposed Approved as proposed Approved as proposed | |

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C. Exercise of Voting Right 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 Law will not be applied for the election of directors.

Article 4 of the 12th 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. Remuneration for Officers and Others

(1) Remuneration for Directors (including Independent non-executive Directors) and Members of the Audit Committee

| Classification | Total payment | Total approval by the Meeting of Shareholders | | Note |
|---|---------------|---|------------------------|--|
| | | Average payment per person | (Unit: in million Won) | |
| Company directors (4 persons) | 3,027 | 757 | | |
| Independent non-executive directors (8 persons) | 137 | 17 | 12,000 | Including members of the Audit Committee (4 persons) |

| | | | | | |
|-------------------------------------|------------|----------|--------|--------|--------|
| | Registered | March 8, | Common | | |
| Yoon Jae Seung | officer | 2002 | stock | 1,000 | 1,000 |
| | Registered | March 8, | Common | | |
| Lee Bang Hyung | officer | 2002 | stock | 1,620 | 1,620 |
| | | March 8, | Common | | |
| Kim Dae Ki and 58 others | | 2002 | stock | 48,830 | 48,830 |
| Sub-total | | | | 65,730 | 65,730 |
| Total | | | | 65,730 | 65,730 |

* The stock options granted on March 8, 2002, may be exercised between March 8, 2005 and March 7, 2007.

** The final price was calculated as of May 12, 2006.

*** Although the total grant amount in or after 2001 is 109,550 shares, the remaining number of options after deducting the number of options with expired exercise date is 65,730 shares.

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- 2. Affiliated Companies
 - (1) Summary of Corporate Group
 - Name: SK Group
-

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(2) Capital Investments between Affiliated Companies

(As of April 30, 2006)

* 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 | | 40.95% | 21.47% | | 46.22% | | 72.13% | |
| SK Networks | | | 1.32% | | | 0.02% | 17.71% | 22.71% |
| SK Telecom | | | | | | | | |
| SK Chemicals | 0.83% | | | | | 39.40% | | |
| SKC | | | | 6.20% | | | 10.16% | 12.41% |
| SK E&C | | | | | | | | |
| SK Shipping | | | | | | 30.94% | | |
| SK Securities | | | | | | | | |
| Walkerhill | | | | | | 2.38% | | |
| SK Gas | | | | | | | | |
| SK C&C | 11.16% | | | | | | | |
| Daehan City Gas | | | | | | | | |
| SK Telink | | | | | | | | |
| Busan City Gas | | | | | | | | |
| SK Capital | | | | | | | | |
| SK E&S | | | | | | | | |
| Jeonnam City Gas | | | | | | | | |
| Gangwon City Gas | | | | | | | | |
| WiderThan | | | | | | | | |
| Total affiliated companies | 11.99% | 40.95% | 22.79% | 6.20% | 46.22% | 72.75% | 100.00% | 35.12% |

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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 Gas | | | | | | | | |
| SK C&C | | | | | | | | |
| Daehan City Gas | | | | | | | | |
| SK Telink | | | | | | | | |
| Busan City Gas | | | | | | | | |
| SK Capital | | | | | | | | |
| SK E&S | | | 45.53% | | | 100.00% | 100.00% | 100.00% |
| Jeonnam City Gas | | | | | | | | |
| Gangwon City Gas | | | | | | | | |
| WiderThan | | | | | | | | |
| Total affiliated companies | 17.43% | 51.00% | 45.53% | 45.00% | 36.99% | 100.00% | 100.00% | 100.00% |

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| Investing companies | Invested companies | | | | | | | |
|-----------------------------------|-----------------------|-----------------------|----------------|----------------|-------------------|---------------|------------------------|----------------------------|
| | Daehan City Gas | Daehan Engineering | SK Sci-tech | SK Capital | K-Power 65.00% | SK NJC | SK Telink 90.77% | Busan City Gas 7.84% |
| SK Corporation | | | | | | | | |
| SK Networks | | | | | | | | |
| SK Telecom | | | | 100.00% | | | | |
| SK Chemicals | | | 50.00% | | | 60.00% | | |
| SKC | | | | | | | | |
| SK E&C | | | | | | | | |
| SK Shipping | | | | | | | | |
| SK Securities | | | | | | | | |
| Walkerhill | | | | | | | | |
| SK Gas | | | | | | | | |
| SK C&C | | | | | | | | |
| Daehan City Gas | | 100.00% | | | | | | |
| SK Telink | | | | | | | | |
| Busan City Gas | | | | | | | | |
| SK Capital | | | | | | | | |
| SK E&S | 40.00% | | | | | | | 40.00% |
| Jeonnam City Gas | | | | | | | | |
| Gangwon City Gas | | | | | | | | |
| WiderThan | | | | | | | | |
| Total affiliated companies | 40.00% | 100.00% | 50.00% | 100.00% | 65.00% | 60.00% | 90.77% | 47.84% |

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| Investing companies | Infosec | Invested companies | | | | | | |
|-----------------------------------|---------------|--------------------|---------------|----------------------|---------------|---------------|---------------|---------------|
| | | MRO Korea | WiderThan | SK Communications | SK Telesys | Innoace | Jungjiwon | AirCROSS |
| SK Chemicals | | | | | | | | |
| SKC | 20.63% | | | | 77.13% | | | |
| SK E&C | | | | | | | 18.00% | |
| SK Shipping | | | | | | | | |
| SK Securities | | | | | | | | |
| Walkerhill | | | | | | | | |
| SK Gas | | | | | | | | |
| SK C&C | 48.14% | | | | | | | |
| Daehan City Gas | | | | | | | | |
| SK Telink | | | | 1.25% | | | | |
| Busan City Gas | | | | | | | | |
| SK Capital | | | | | | | | |
| SK E&S | | | | | | | | |
| Jeonnam City Gas | | | | | | | | |
| Gangwon City Gas | | | | | | | | |
| WiderThan | | | | | | 7.50% | | 42.86% |
| Total affiliated companies | 68.77% | 51.00% | 10.10% | 92.37% | 77.13% | 21.75% | 18.00% | 80.95% |

| Investing companies | Invested companies | | | | | | | |
|---------------------|--------------------|---------------|--------------|----------------------------|--------|-------------|------------|-----------|
| | Encar network | Global C&I | Oil chain | Dongshin Pharmaceutical | Paxnet | TU Media | SK Utis | SK CTA |
| SK Corporation | 50.00% | | 50.00% | | | | | 50.00% |
| SK Networks | | | | | | | | |
| SK Telecom | | 50.00% | | | 67.10% | 29.58% | | |
| SK Chemicals | | | | 40.14% | | | 60.00% | |

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| Investing companies | Encar network | Global C&I | Invested companies | | | | TU Media | SK Utis | SK CTA |
|-----------------------------------|---------------|------------|--------------------|-------------------------|--------|--------|----------|---------|--------|
| | | | Oil chain | Dongshin Pharmaceutical | Paxnet | | | | |
| SKC | | | | | | | | | |
| SK E&C | | | | | | | | | |
| SK Shipping | | | | | | | | | |
| SK Securities | | 40.00% | | | | | | | |
| Walkerhill | | | | | | | | | |
| SK Gas | | | | | | | | | |
| SK C&C | | | | | | | | | |
| Daehan City Gas | | | | | | | | | |
| SK Telink | | | | | | | | | |
| Busan City Gas | | | | | | | | | |
| SK Capital | | | | | | | | | |
| SK E&S | | | | | | | | | |
| Jeonnam City Gas | | | | | | | | | |
| Gangwon City Gas | | | | | | | | | |
| WiderThan | | | | | | | | | |
| Total affiliated companies | 50.00% | 90.00% | 50.00% | 40.14% | 67.10% | 29.58% | 60.00% | 50.00% | |

| Investing companies | Seoul Records | In2Gen | Invested companies | | | | SK Incheon Oil |
|---------------------|---------------|--------|--------------------|------------------|------------------|-----------|----------------|
| | | | Independence | SK Mobile Energy | SK Petrochemical | SKC Media | |
| SK Corporation | | | | 88.34% | | | 90.63% |
| SK Networks | | | | | | | |
| SK Telecom | 60.00% | | | | | | |
| SK Chemicals | | 45.03% | | | 100.00% | | |

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| | Invested companies | | | | | | |
|---------------------------------------|---------------------------|---------------|---------------------|-----------------------------|-----------------------------|----------------------|-------------------------------|
| Investing companies | Seoul Records | In2Gen | Independence | SK Mobile Energy | SK Petrochemical | SKC Media | SK Incheon Oil |
| SKC | | | | 11.66% | | 100.00% | |
| SK E&C | | | | | | | |
| SK Shipping | | | | | | | |
| SK Securities | | | | | | | |
| Walkerhill | | | | | | | |
| SK Gas | | | | | | | |
| SK C&C | | | 67.78% | | | | |
| Daehan City Gas | | | | | | | |
| SK Telink | | | | | | | |
| Busan City Gas | | | | | | | |
| SK Capital | | | | | | | |
| SK E&S | | | | | | | |
| Jeonnam City Gas | | | | | | | |
| Gangwon City Gas | | | | | | | |
| WiderThan | | | | | | | |
| Total affiliated companies | 60.00% | 45.03% | 67.78% | 100.00% | 100.00% | 100.00% | 90.63% |

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VI. Shares

1. Distribution of Shares

A. Shareholdings of Major Shareholders and other Interested Parties

(As of December 31, 2005)

(Unit: share, %)

| Name | Relationship | Types of stock | Number of stocks owned (equity rate) | | | | Cause of change |
|-----------------------|-------------------------------|-----------------|--------------------------------------|---------------------------|---------------------------|----------------------------|-----------------|
| | | | Beginning Ownership of stocks | Increase Number of stocks | Decrease Number of stocks | Ending Ownership of stocks | |
| SK Corporation | The company | Common stock | 17,663,127 | 21.47 | | 17,663,127 | 21.47 |
| SK Networks | Affiliated company | Common stock | 1,085,325 | 1.32 | | 1,085,325 | 1.32 |
| Tae Won Choi | Officer of affiliated company | Common stock | 100 | 0.00 | | 100 | 0.00 |
| Shin Won Choi | Officer of affiliated company | Common stock | 700 | 0.00 | | 700 | 0.00 |
| Shin Bae Kim | Director | Common stock | 1,270 | 0.00 | | 1,270 | 0.00 |
| Dae Kyu Byun | Director | Common stock | 50 | 0.00 | | 50 | 0.00 |
| Jae Seung Yoon | Director | Common stock | 200 | 0.00 | | 200 | 0.00 |
| Bang Hyung Lee | Director | Common stock | 1,630 | 0.00 | | 1,630 | 0.00 |
| Sung Min Ha | Director | Common stock | 738 | 0.00 | | 738 | 0.00 |
| | | Common stock | 18,753,140 | 22.79 | | 18,753,140 | 22.79 |
| | Total | Preferred stock | 0 | 0 | | 0 | 0 |
| | | Total | 18,753,140 | 22.79 | | 18,753,140 | 22.79 |

Largest shareholder: SK Corporation

Number of interested parties: 8 persons

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B. Shareholders with More than 5% Shareholding

(As of December 31, 2005)

(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 | 22,491,046 | 27.33 | | | 22,491,046 | 27.33 |
| 2 | SK Corporation | 17,663,127 | 21.47 | | | 17,663,127 | 21.47 |
| 3 | SK Telecom | 8,662,415 | 10.53 | | | 8,662,415 | 10.53 |
| | Total | 48,816,588 | 59.33 | | | 48,816,588 | 59.33 |

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C. Shareholder Distribution

(As of December 31, 2005)

| Classification | Number of shareholders | Ratio (%) | Number of shares | Ratio (%) | Note |
|---|-----------------------------------|------------------|-----------------------------|------------------|-------------|
| Total minority shareholders | 26,580 | 99.96 | 28,963,106 | 35.20 | |
| Minority shareholders (corporate) | 772 | 2.90 | 9,339,432 | 11.35 | |
| Minority shareholders (individual) | 25,808 | 97.06 | 19,623,674 | 23.85 | |
| Largest shareholder | 1 | 0.00 | 17,663,127 | 21.47 | |
| Major shareholders | | | | | |
| Other shareholders | 8 | 0.03 | 35,650,478 | 43.32 | |
| Other shareholders (corporate) | 6 | 0.02 | 11,700,945 | 14.22 | |
| Other shareholders (individual) | 2 | 0.00 | 23,949,533 | 29.10 | |
| Total | 26,589 | 100.00 | 82,276,711 | 100.00 | |

2. Share Price and Trading Volume in the Last Six Months

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A. Domestic Securities Market

| | | | | | | (Unit: Won, shares) |
|---|-------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Types | March 2006 | February 2006 | January 2006 | December 2005 | November 2005 | October 2005 |
| Common share | | | | | | |
| Highest | 203,000 | 204,500 | 192,000 | 200,500 | 194,500 | 209,500 |
| Lowest | 187,500 | 189,500 | 176,000 | 179,000 | 181,500 | 180,500 |
| Monthly transaction volume | 2,507,645 | 4,021,495 | 4,652,817 | 8,094,247 | 4,029,378 | 3,598,020 |

B. Overseas Securities Market

| | | | | | | (Unit: US\$, ADR) |
|-----------------------------------|-------------------|--------------------------|-------------------------|--------------------------|--------------------------|-------------------------|
| Types | March 2006 | February 2006 | January 2006 | December 2005 | November 2005 | October 2005 |
| New York Stock Exchange | | | | | | |
| Depository receipt | | | | | | |
| Highest | 24.56 | 24.51 | 23.23 | 21.61 | 21.13 | 21.95 |
| Lowest | 23.00 | 23.06 | 20.62 | 20.11 | 19.83 | 19.74 |
| Monthly transaction volume | 15,785,705 | 20,828,294 | 22,460,800 | 15,620,598 | 22,128,744 | 28,738,600 |

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VII. Employees

1. Employees Status

(As of March 31,
2006)(Unit: persons, in
million Won)

| Classification | Number of employees | | | Total | Average service year | Total quarterly wage | Average wage per person | Note |
|----------------|-----------------------------------|-------------------------|--------|-------|-------------------------|----------------------------|-------------------------------|------|
| | Office managerial positions | Production positions | Others | | | | | |
| Male | 3,777 | | | 3,777 | 8.74 | 56,024 | 15 | |
| Female | 620 | | | 620 | 7.63 | 7,189 | 12 | |
| Total | 4,397 | | | 4,397 | 8.58 | 63,213 | 14 | |

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VIII. Transactions with Interested Parties

1. Transactions with the Largest Shareholder

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

(Unit: in million
Won)

| Name (Corporate name) | Relationship | Account category | Change details | | | Ending | Accrued interest | Note |
|-----------------------|--------------------|--------------------------------|----------------|----------|----------|--------|------------------|------|
| | | | Beginning | Increase | Decrease | | | |
| SK Wyverns | Affiliated company | Long-term and short-term loans | 5,857 | | 575 | 5,282 | 117 | |

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B. Equity Investments

(Unit: in million Won)

| Name (Corporate name) | Relationship | Types of Investment | Details | | | Ending | Note |
|------------------------|--------------------|---------------------|-----------|----------|----------|---------|------|
| | | | Beginning | Increase | Decrease | | |
| SLD Telecom, Pte. Ltd. | Affiliated company | Common share | 93,987 | 97,285 | | 191,272 | |
| SKT U.S.A. Holdings | Affiliated company | Common share | 123,214 | 38,280 | | 161,494 | |
| SK Mobile | Affiliated company | Common share | | 10,322 | | 10,322 | |
| | Total | | 217,201 | 145,887 | | 363,088 | |

C. Transfer of Assets

(Unit: in thousand won)

| Name (Corporate name) | Relationship | Objective | Transfer purpose | Transfer date | Amount | | Note |
|-----------------------|--------------------|-------------|---------------------------------|----------------|-----------------------|----------------------|------|
| | | | | | Transfer (out) amount | Transfer (in) amount | |
| EnCar Network | Affiliated company | 10 vehicles | Disposition of surplus vehicles | March 28, 2006 | | 137,400 | |
| | Total | | | | | 137,400 | |

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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)

(Unit: in million Won)

Classification: Agency

| Name (Corporate name) Possible and others | Relationship | Account category | Change details | | | Ending | Accrued interest | Note |
|--|--------------|--------------------------------|----------------|----------|----------|--------|------------------|------|
| | | | Beginning | Increase | Decrease | | | |
| | Agency | Long-term and short-term loans | 62,776 | 32,133 | 38,946 | 55,963 | 16 | |

(Unit: in million Won)

Classification: Overseas Investment company

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

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B. Equity Investments

(Unit: in million
Won)

| Name (Corporate name) | Relationship | Types of Investment | Details | | | | Note |
|----------------------------|------------------|-----------------------------|-----------|----------|----------|--------|------|
| | | | Beginning | Increase | Decrease | Ending | |
| Flarion Technologies, Inc. | Affiliated party | Convertible preferred share | 3,638 | | 3,638 | | |
| Qualcomm, Inc. | Affiliated party | Common share | | 2,756 | | 2,756 | |
| Mobile Welcome Co. | Affiliated party | Common share | 1,000 | | 1,000 | | |
| | Total | | 4,638 | 2,756 | 4,638 | 2,756 | |

IX. Other Relevant Matters

1. Developments in the Items mentioned in the Report on Major Management Events

A. Status and Progress of Major Management Events

| Report date | Title | Report | Reports status |
|------------------|---|---|--|
| October 26, 2001 | Resolution on trust agreement for the acquisition of treasury shares and others | <ol style="list-style-type: none"> Signatories: Shinhan Bank, Hana Bank, Cho Hung Bank, Korea Exchange Bank Contract amount: Won 1,300 billion <p>Purpose: to increase shareholder value</p> | <ol style="list-style-type: none"> On December 24, 2003, cash surplus amount from the existing trust agreement was partially reduced (Won 318 billion). On September 24, 2004, the Board of Directors extended the term of the specified monetary trust agreement for 3 years. As of March 31, 2006, the balance of specified monetary trust for treasury shares was Won 982 billion. |

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2. Summary Minutes of the Shareholders Meeting

| Date | Agenda | Resolution |
|---|---|--|
| Meeting of Shareholders for the year ended December 31, 2005 (March 10, 2006) | 1. Approval of the financial statements for the year ended December 31, 2005 | Approved (Cash dividend, Won 8,000 per share) |
| | 2. Amendment of the Articles of Incorporation | Approved (Addition of business objective: travel business) |
| | 3. Remuneration limit for Directors | Approved (Won 12 billion) |
| | 4. Election of Directors (Election of Independent non-executive directors as Audit Committee members) | Approved (Kim Yong Woon and Im Hyun Jin) |

3. Contingent Liabilities

A. Material Legal Proceedings

- (1) Action Seeking to Revoke against the Intellectual Property Tribunal's Decision Nullifying Patent Registration Related with the Caller Ring Service
 - a) Parties to the litigation: Park Won Sup vs. SK Telecom

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- b) Overview: Mr. Park Won Sup (plaintiff: Representative Director of Ad Ring Systems Co., Ltd.) claimed that certain technology SK Telecom uses to provide the caller ring service infringed upon his patent rights, and SK Telecom 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 SK Telecom, there is a risk of material future royalty obligations. However, given the progress in the proceedings, the estimated impact should not be large. (nonetheless, the actual effect may depend on future events)
- (2) Action Seeking to Revoke Decision Nullifying Trademark Registration for SPEED 011
- a) Parties to the litigation: SK Telecom vs. KT Freetel Co., Ltd. (KTF) and LG Telecom Co., Ltd. (LGT)
 - b) Overview: The Intellectual Property Tribunal rendered decision nullifying our trademark registration for 011 and SPEED 011, and SK Telecom sought an administrative action to revoke such decision at the Patent Court.
 - c) Progress
 - Plaintiff (SK Telecom)'s claim regarding the 011 trademark was dismissed, while a partial recognition (within the context of telephone communication and wireless communication business) has been granted with respect to the Speed 011 and SPEED 011 trademark. (December 24, 2004)
 - All of the parties appealed the decision (January 2005).
 - The appeals have all been dismissed thereby confirming the Patent Court's decision.
 - d) Impact on business: SK Telecom may continue to use the above trademarks (although the exclusive right to use 011 would be lost) regardless of the outcome of the appeal, and its effect on our business is not expected to be material. (nonetheless, the actual effect may depend on future events)
-

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(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 , SK Telecom joined with the MIC)

b) Overview: Korea Multinet brought administrative action against the MIC (defendant) for the cancellation of our international satellite frequency registration related with the satellite DMB business.

c) Progress: The defendant won the trial and the appellate court affirmed the judgment of the lower court (June 30, 2004). The plaintiff appealed and the case is currently pending at the Supreme Court.

d) Impact on business: Given the progress in the proceedings, no significant impact on our business is expected. (nonetheless, the actual effect may depend 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 (SK Telecom joined with the MIC)

b) Overview: Korea Multinet brought an administrative action against the MIC to cancel our key communication business licenses and the allotment of our satellite DMB frequency.

c) Progress: Trial currently in progress

d) Impact on business: Our company plans to provide full support although no significant business impact is expected. (however, the actual effect may depend on future events)

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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 the 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/ Hyun Jong Song

(Signature)

Name: Hyun Jong Song

Title: Vice President

Date: June 21, 2006

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SK TELECOM CO., LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2006 AND 2005

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, 2006 and the related non-consolidated statements of income and cash flows for the three months ended March 31, 2006 and 2005 (all expressed in Korean won). These non-consolidated financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these non-consolidated 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, 2005, 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 3, 2006, we expressed an unqualified opinion on those non-consolidated financial statements. The accompanying non-consolidated balance sheet as of December 31, 2005, which is comparatively presented, does not differ in material respects from such audited non-consolidated balance sheet.

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Our reviews also comprehended the translation of the Korean won amounts into U.S. dollar amounts and, based on our reviews, 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 outside Korea.

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 28, 2006

Notice to Readers

This report is effective as of April 28, 2006, 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 non-consolidated 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, 2006 AND DECEMBER 31, 2005
(See Independent Accountants' Review Report)

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|------------------------------------|---------------------------------------|---|--|
| | March 31, 2006 (In millions) | December 31, 2005 (In millions) | March 31, 2006 (In thousands) | December 31, 2005 (In thousands) |
| ASSETS | | | | |
| CURRENT ASSETS : | | | | |
| Cash and cash equivalents (Notes 2 and 11) | ₩ 68,415 | ₩ 151,766 | \$ 70,429 | \$ 156,234 |
| Short-term financial instruments (Note 18) | 11,463 | 73,062 | 11,800 | 75,213 |
| Trading securities (Notes 2 and 3) | 923,627 | 745,360 | 950,820 | 767,305 |
| Accounts receivable - trade (net of allowance for doubtful accounts of ₩139,290 million at March 31, 2006 and ₩121,319 million at December 31, 2005) (Notes 2, 11 and 20) | 1,530,906 | 1,607,596 | 1,575,979 | 1,654,927 |
| Short-term loans (net of allowance for doubtful accounts of ₩720 million at March 31, 2006 and ₩648 million at December 31, 2005) (Notes 2, 5 and 20) | 66,019 | 64,150 | 67,963 | 66,039 |
| Accounts receivable - other (net of allowance for doubtful accounts of ₩17,292 million at March 31, 2006 and ₩14,246 million at December 31, 2005) (Notes 2, 11 and 20) | 1,198,788 | 1,333,238 | 1,234,083 | 1,372,491 |
| Inventories (Note 2) | 4,458 | 5,986 | 4,589 | 6,162 |
| Prepaid expenses | 116,348 | 101,274 | 119,774 | 104,256 |
| Current deferred income tax assets, net (Notes 2 and 16) | 70,091 | 61,152 | 72,155 | 62,952 |
| Accrued income and other | 21,345 | 28,901 | 21,973 | 29,752 |
| Total Current Assets | 4,011,460 | 4,172,485 | 4,129,565 | 4,295,331 |
| NON-CURRENT ASSETS : | | | | |
| Property and equipment, net (Notes 2, 6, 10, 19 and 20) | 4,399,170 | 4,595,883 | 4,528,691 | 4,731,195 |
| Intangible assets, net (Notes 2, 7 and 23) | 3,308,805 | 3,386,547 | 3,406,223 | 3,486,254 |
| Long-term investment securities (Notes 2 and 3) | 1,324,433 | 1,203,333 | 1,363,427 | 1,238,762 |
| Equity securities accounted for using the equity method (Notes 2 and 4) | 1,109,411 | 925,904 | 1,142,074 | 953,165 |
| | 12,300 | 14,204 | 12,662 | 14,622 |

| | | | | |
|--|--------------|--------------|---------------|---------------|
| Long-term loans (net of allowance for doubtful accounts of ₩23,665 million at March 31, 2006 and ₩23,737 million at December 31, 2005) (Notes 2, 5 and 20) | | | | |
| Guarantee deposits (net of allowance for doubtful accounts of ₩311 million at March 31, 2006 and December 31, 2005) (Notes 2, 11 and 20) | 121,689 | 122,846 | 125,272 | 126,463 |
| Long-term deposits and other (Note 18) | 98,942 | 100,474 | 101,855 | 103,432 |
| | | | | |
| Total Non-Current Assets | 10,374,750 | 10,349,191 | 10,680,204 | 10,653,893 |
| | | | | |
| TOTAL ASSETS | ₩ 14,386,210 | ₩ 14,521,676 | \$ 14,809,769 | \$ 14,949,224 |

(Continued)

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SK TELECOM CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)
MARCH 31, 2006 AND DECEMBER 31, 2005
(See Independent Accountants Review Report)

| LIABILITIES AND STOCKHOLDERS EQUITY | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|------------------------------------|---------------------------------------|---|-------------------------|
| | March 31, 2006 (In millions) | December 31, 2005 (In millions) | March 31, 2006 (In thousands) | December 31, 2005 |
| CURRENT LIABILITIES : | | | | |
| Accounts payable (Notes 11 and 20) | ₩ 845,988 | ₩ 971,558 | \$ 870,896 | \$ 1,000,163 |
| Income taxes payable (Note 16) | 385,328 | 366,579 | 396,673 | 377,372 |
| Accrued expenses (Notes 2 and 21) | 369,040 | 362,178 | 379,905 | 372,841 |
| Dividend payable | 276 | 298 | 284 | 307 |
| Withholdings | 316,531 | 205,060 | 325,850 | 211,097 |
| Current portion of long-term debt, net (Notes 2, 8 and 10) | 897,989 | 809,490 | 924,428 | 833,323 |
| Current portion of subscription deposits (Note 9) | 15,179 | 14,875 | 15,626 | 15,313 |
| Advance receipts and other | 19,525 | 17,230 | 20,100 | 17,737 |
| Total Current Liabilities | 2,849,856 | 2,747,268 | 2,933,762 | 2,828,153 |
| LONG-TERM LIABILITIES : | | | | |
| Bonds payable, net (Notes 2 and 8) | 2,310,003 | 2,314,208 | 2,378,014 | 2,382,343 |
| Subscription deposits (Note 9) | 23,046 | 23,770 | 23,725 | 24,470 |
| Long-term payables other (net of present value discount of ₩52,310 million at March 31, 2006 and ₩58,413 million at December 31, 2005) (Note 2) | 507,690 | 591,587 | 522,637 | 609,005 |
| Obligations under capital lease (Notes 2 and 10) | 6,703 | 10,204 | 6,900 | 10,504 |
| Accrued severance indemnities, net (Note 2) | 14,377 | 64,029 | 14,800 | 65,914 |
| Non-current deferred income tax liabilities, net (Notes 2 and 16) | 428,864 | 409,715 | 441,491 | 421,778 |
| Long-term currency swap (Notes 2 and 22) | 96,246 | 73,450 | 99,080 | 75,613 |
| Guarantee deposits received and other (Note 20) | 29,145 | 29,565 | 30,003 | 30,435 |
| Total Long-Term Liabilities | 3,416,074 | 3,516,528 | 3,516,650 | 3,620,062 |
| Total Liabilities | 6,265,930 | 6,263,796 | 6,450,412 | 6,448,215 |
| STOCKHOLDERS EQUITY : | | | | |
| Capital stock (Notes 1 and 12) | 44,639 | 44,639 | 45,953 | 45,953 |
| Capital surplus (Notes 2, 12 and 16) | 2,966,198 | 2,966,198 | 3,053,529 | 3,053,529 |

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| | | | | |
|--|--------------|--------------|---------------|---------------|
| Retained earnings (Note 13) : | | | | |
| Appropriated | 6,679,235 | 5,470,701 | 6,875,886 | 5,631,770 |
| Unappropriated | 338,871 | 1,799,160 | 348,848 | 1,852,131 |
| Capital adjustments : | | | | |
| Treasury stock (Note 14) | (2,047,105) | (2,047,105) | (2,107,376) | (2,107,376) |
| Unrealized gains (losses) on valuation of long-term investment securities, net (Notes 2, 3 and 16) | 45,688 | (42,134) | 47,033 | (43,375) |
| Equity in capital adjustments of affiliates, net (Notes 2, 4 and 16) | 108,142 | 77,119 | 111,326 | 79,390 |
| Loss on valuation of currency swap, net (Notes 2, 16 and 22) | (18,868) | (14,178) | (19,424) | (14,595) |
| Stock options (Notes 2 and 15) | 3,480 | 3,480 | 3,582 | 3,582 |
| | | | | |
| Total Stockholders Equity | 8,120,280 | 8,257,880 | 8,359,357 | 8,501,009 |
| | | | | |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | ₩ 14,386,210 | ₩ 14,521,676 | \$ 14,809,769 | \$ 14,949,224 |

See accompanying notes to non-consolidated financial statements.

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SK TELECOM CO., LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(See Independent Accountants Review Report)

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|--|-------------|---|--------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (In millions except for per share data) | | (In thousands except for per share data) | |
| OPERATING REVENUE (Notes 2 and 20) | ₩ 2,540,314 | ₩ 2,411,935 | \$ 2,615,106 | \$ 2,482,947 |
| OPERATING EXPENSES (Notes 2 and 20) | | | | |
| Labor cost | (158,922) | (135,685) | (163,601) | (139,680) |
| Commissions paid | (716,285) | (713,836) | (737,374) | (734,853) |
| Depreciation and amortization (Notes 2, 6, 7 and 10) | (328,928) | (341,248) | (338,612) | (351,295) |
| Network interconnection | (235,447) | (217,907) | (242,379) | (224,323) |
| Leased line | (98,743) | (96,867) | (101,650) | (99,719) |
| Advertising | (57,486) | (56,319) | (59,179) | (57,977) |
| Research and development (Note 2) | (52,830) | (50,984) | (54,385) | (52,485) |
| Rent | (47,588) | (43,736) | (48,989) | (45,024) |
| Frequency usage | (38,400) | (38,919) | (39,531) | (40,065) |
| Repair | (27,433) | (18,218) | (28,241) | (18,754) |
| Cost of goods sold | (4,633) | (1,922) | (4,769) | (1,979) |
| Other | (105,758) | (81,831) | (108,872) | (84,239) |
| Sub-total | (1,872,453) | (1,797,472) | (1,927,582) | (1,850,393) |
| OPERATING INCOME | 667,861 | 614,463 | 687,524 | 632,554 |
| OTHER INCOME : | | | | |
| Interest income (Note 3) | 19,095 | 11,341 | 19,657 | 11,675 |
| Dividends | 15,007 | 16,204 | 15,449 | 16,681 |
| Commissions (Note 20) | 10,580 | 7,076 | 10,891 | 7,284 |
| Equity in earnings of affiliates (Notes 2 and 4) | 16,417 | 6,446 | 16,900 | 6,636 |
| Foreign exchange and translation gains (Note 2) | 669 | 390 | 689 | 401 |
| Reversal of allowance for doubtful accounts | 72 | 212 | 74 | 218 |
| Gain on disposal of investment assets | 1,779 | 956 | 1,831 | 984 |
| | 222 | 89 | 229 | 92 |

| | | | | |
|--|--------|--------|--------|--------|
| Gain on disposal of property and equipment | | | | |
| Other | 14,634 | 12,863 | 15,065 | 13,242 |
| Sub-total | 78,475 | 55,577 | 80,785 | 57,213 |

(Continued)

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SK TELECOM CO., LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(See Independent Accountants' Review Report)

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|--|---------------|---|----------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (In millions except for per share data) | | (In thousands except for per share data) | |
| OTHER EXPENSES : | | | | |
| Interest and discounts | ₩ (57,783) | ₩ (66,309) | \$ (59,484) | \$ (68,261) |
| Donations | (16,683) | (15,865) | (17,174) | (16,332) |
| Foreign exchange and translation losses (Note 2) | (880) | (678) | (906) | (698) |
| Loss on valuation of currency swap (Notes 2 and 22) | (5,297) | (394) | (5,453) | (406) |
| Equity in losses of affiliates (Notes 2 and 4) | (24,203) | (19,644) | (24,916) | (20,222) |
| Loss on disposal of investment assets (Note 4) | (788) | (47) | (811) | (48) |
| Loss on disposal of property, equipment and intangible assets | (827) | (1,889) | (851) | (1,945) |
| Special severance indemnities (Note 2) | (140,595) | | (144,734) | |
| Other | (20,962) | (18,009) | (21,579) | (18,539) |
| Sub-total | (268,018) | (122,835) | (275,908) | (126,451) |
| ORDINARY INCOME | 478,318 | 547,205 | 492,401 | 563,316 |
| INCOME BEFORE INCOME TAXES | 478,318 | 547,205 | 492,401 | 563,316 |
| PROVISION FOR INCOME TAXES (Notes 2 and 16) | (141,158) | (178,787) | (145,314) | (184,051) |
| NET INCOME | ₩ 337,160 | ₩ 368,418 | \$ 347,087 | \$ 379,265 |
| NET INCOME PER SHARE (In Korean won and U.S. dollars) (Note 17) | ₩ 4,580 | ₩ 5,005 | \$ 4,715 | \$ 5,152 |
| DILUTED NET INCOME PER SHARE (In Korean won and U.S. dollars) (Note 17) | ₩ 4,516 | ₩ 4,932 | \$ 4,649 | \$ 5,077 |

See accompanying notes to non-consolidated financial statements.

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SK TELECOM CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(See Independent Accountants' Review Report)

| | Korean won | | Translation into U.S. dollars | |
|---|---------------|-----------|-------------------------------|------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES : | | | | |
| Net income | ₩ 337,160 | ₩ 368,418 | \$ 347,087 | \$ 379,265 |
| Expenses not involving cash payments : | | | | |
| Provision for severance indemnities | 19,974 | 11,046 | 20,562 | 11,371 |
| Depreciation and amortization | 361,146 | 369,582 | 371,779 | 380,463 |
| Allowance for doubtful accounts | 20,533 | 15,046 | 21,138 | 15,489 |
| Foreign translation loss | 450 | 174 | 463 | 179 |
| Loss on valuation of currency swap | 5,297 | 394 | 5,453 | 406 |
| Equity in losses of affiliates | 24,203 | 19,644 | 24,916 | 20,222 |
| Loss on disposal of investment assets | 788 | 47 | 811 | 48 |
| Loss on disposal of property, equipment and intangible assets | 827 | 1,889 | 851 | 1,945 |
| Amortization of discounts on bonds and other | 12,062 | 12,449 | 12,417 | 12,816 |
| Sub-total | 445,280 | 430,271 | 458,390 | 442,939 |
| Income not involving cash receipts : | | | | |
| Foreign translation gain | (121) | (79) | (125) | (80) |
| Reversal of allowance for doubtful accounts | (72) | (212) | (74) | (218) |
| Equity in earnings of affiliates | (16,417) | (6,446) | (16,900) | (6,636) |
| Gain on disposal of investment assets | (1,779) | (956) | (1,831) | (984) |
| Gain on disposal of property and equipment | (222) | (89) | (229) | (92) |
| Other | (847) | | (871) | |
| Sub-total | (19,458) | (7,782) | (20,031) | (8,011) |
| Changes in assets and liabilities related to operating activities : | | | | |
| Accounts receivable - trade | 59,101 | 8,920 | 60,841 | 9,183 |
| Accounts receivable - other | 131,224 | 35,718 | 135,088 | 36,770 |
| Inventories | 1,528 | 358 | 1,573 | 369 |

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| | | | | |
|---|-----------|-----------|-----------|-----------|
| Prepaid expenses | 34,845 | (4,215) | 35,871 | (4,339) |
| Accrued income and other | 7,546 | (20,281) | 7,768 | (20,878) |
| Accounts payable | (125,540) | (444,180) | (129,236) | (457,258) |
| Income taxes payable | 14,326 | 43,772 | 14,748 | 45,061 |
| Accrued expenses | 6,862 | (16,305) | 7,064 | (16,785) |
| Withholdings | 111,471 | 65,913 | 114,753 | 67,854 |
| Current portion of subscription deposits | 304 | 458 | 313 | 471 |
| Advance receipts and other | 2,295 | (5,649) | 2,363 | (5,815) |
| Deferred income taxes | (32,868) | 16,959 | (33,836) | 17,458 |
| Severance indemnity payments | (248,346) | (3,929) | (255,658) | (4,045) |
| Deposits for group severance indemnities and other deposits | 178,266 | 2,696 | 183,514 | 2,774 |
| Dividends received from affiliate | 990 | 600 | 1,019 | 618 |
| | | | | |
| Sub-total | 142,004 | (319,165) | 146,185 | (328,562) |
| | | | | |
| Net Cash Provided by Operating Activities | 904,986 | 471,742 | 931,631 | 485,631 |

(Continued)

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SK TELECOM CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(See Independent Accountants' Review Report)

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|---------------|---------------|---|---------------|
| | 2006 | 2005 | 2006 | 2005 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM INVESTING ACTIVITIES : | | | | |
| Cash inflows from investing activities : | | | | |
| Decrease in current portion of long-term investment securities | ₩ | ₩ 3,600 | \$ | \$ 3,706 |
| Decrease in short-term loans | 39,642 | 14,996 | 40,809 | 15,438 |
| Decrease in short-term financial instruments | 61,599 | | 63,413 | |
| Proceeds from sales of long-term investment securities | 5,226 | 1,686 | 5,380 | 1,736 |
| Decrease in guarantee deposits | 14,578 | 114,855 | 15,007 | 118,237 |
| Decrease in other non-current assets | 6,600 | 10,047 | 6,794 | 10,341 |
| Proceeds from disposal of property and equipment | 832 | 472 | 856 | 486 |
| Proceeds from disposal of intangible assets | 3 | 1 | 3 | 1 |
| Sub-total | 128,480 | 145,657 | 132,262 | 149,945 |
| Cash outflows for investing activities : | | | | |
| Increase in short-term financial instruments | | (89,801) | | (92,445) |
| Increase of trading securities | (178,267) | (149,971) | (183,516) | (154,386) |
| Increase in short-term loans | (38,427) | (26,907) | (39,558) | (27,699) |
| Acquisition of long-term investment securities | (2,756) | (239) | (2,837) | (246) |
| Acquisition of equity securities accounted for using the equity method | (145,888) | (97,878) | (150,183) | (100,760) |
| Increase in long-term loans | (1,180) | (169) | (1,215) | (174) |
| Increase in guarantee deposits and other non-current assets | (68,401) | (20,022) | (70,415) | (20,611) |
| Acquisition of property and equipment | (86,106) | (93,291) | (88,641) | (96,038) |
| Increase in intangible assets | (1,573) | (119,545) | (1,619) | (123,065) |
| Sub-total | (522,598) | (597,823) | (537,984) | (615,424) |
| Net Cash Used in Investing Activities | (394,118) | (452,166) | (405,722) | (465,479) |

(Continued)

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SK TELECOM CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
THREE MONTHS ENDED MARCH 31, 2006 AND 2005
(See Independent Accountants' Review Report)

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|-----------------------|-----------|---|------------|
| | 2006 (In millions) | 2005 | 2006 (In thousands) | 2005 |
| Cash inflows from financing activities : | | | | |
| Issuance of bonds | ₩ | ₩ 193,683 | \$ | \$ 199,385 |
| Increase in guarantee deposits received and other | 605 | 13,589 | 623 | 13,990 |
| Sub-total | 605 | 207,272 | 623 | 213,375 |
| Cash outflows for financing activities : | | | | |
| Repayment of short-term borrowings | | (200,000) | | (205,888) |
| Repayment of current portion of long-term debt | (4,139) | | (4,261) | |
| Payment of dividends | (588,936) | (11) | (606,275) | (11) |
| Decrease in subscription deposits | (724) | (1,367) | (745) | (1,407) |
| Decrease in guarantee deposits and other | (1,025) | (10,109) | (1,056) | (10,408) |
| Sub-total | (594,824) | (211,487) | (612,337) | (217,714) |
| Net Cash Used in Financing Activities | (594,219) | (4,215) | (611,714) | (4,339) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (83,351) | 15,361 | (85,805) | 15,813 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 151,766 | 112,966 | 156,234 | 116,292 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | ₩ 68,415 | ₩ 128,327 | \$ 70,429 | \$ 132,105 |

See accompanying notes to non-consolidated financial statements.

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SK TELECOM CO., LTD.
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
THREE MONTHS ENDED March 31, 2006 AND 2005
(See Independent Accountants' Review Report)

1. GENERAL

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of the Republic of Korea to engage in providing nationwide cellular telephone communication services in the Republic of Korea. The Company mainly provides wireless telecommunications in the Republic of Korea and recently acquired foreign wireless telecommunications operations in Vietnam, Mongolia and the United States of America. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange (formerly Korea Stock Exchange) and the New York and London Stock Exchanges, respectively. As of March 31, 2006, the Company's total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|---|---------------------|---|
| SK Group | 18,748,452 | 22.79 |
| POSCO Corp. | 2,991,496 | 3.64 |
| Institutional investors and other minority shareholders | 51,874,348 | 63.04 |
| Treasury stock | 8,662,415 | 10.53 |
| | 82,276,711 | 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 accompanying non-consolidated statutory financial statements have been prepared in the 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 non-consolidated financial statements have been condensed, restructured and translated into English with certain expanded descriptions from the Korean language financial statements. Certain information included in the Korean language financial statements, but not required for a fair presentation of the Company's financial position, results of operations or cash flows, is not presented in the accompanying non-consolidated financial statements.

The official accounting records of the Company are maintained and expressed 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 are included solely for the convenience of readers outside of the Republic of Korea and have been made at the rate of ₩971.40 to US\$1, the Noon Buying Rate in the City of New York for

cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the three months ended March 31, 2006. 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 the above or any other rate.

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

On January 1, 2006, the Company adopted SKAS No. 18 through No. 20, which are effective from the fiscal year beginning after December 31, 2005. Such adoption of SKAS did not have an effect on the non-consolidated financial position of the Company as of March 31, 2006 or the non-consolidated ordinary income and net income of the Company for the three months ended March 31, 2006.

Meanwhile, the adoption of SKAS No.15 through No.17, which are effective from January 1, 2005 have no material effect on the non-consolidated financial position of the Company as of December 31, 2005 and ordinary income and net income for the three months ended March 31, 2005 except as follows :

Through 2004, the Company discontinued applying the equity method of accounting for an investment when the investment is reduced to zero and did not provide for additional losses. Effective January 1, 2005, additional losses are provided for to the extent that the Company has other investment assets related to the equity method investee, including preferred stock and long-term receivables, pursuant to adoption of SKAS No.15, Investments : Equity Method . As a result of this accounting change, total assets as of December 31, 2005 decreased by ₩4,706 million and ordinary income and net income for the three months ended March 31, 2005 decreased by ₩3,904 million (See Note 4).

Through 2004, tax effects of temporary differences related to capital adjustments were excluded in determining the deferred tax assets or liabilities. Effective January 1, 2005, such tax effects of temporary differences are included in determining the deferred tax assets or liabilities, pursuant to adoption of SKAS No. 16 Income Taxes . Accordingly, adjustments made directly to capital surplus or capital adjustments, which result in temporary differences, are recorded net of related tax effects. In addition, effective January 1, 2005, deferred income tax assets and liabilities which were presented on the balance sheet as a single non-current net number through 2004, are separated into current and non-current portions. As a result of adopting SKAS No. 16, total assets and total liabilities as of December 31, 2005 increased by ₩61,152 million and ₩90,645 million, respectively, and total stockholders' equity as of December 31, 2005 decreased by ₩29,493 million, which was directly reflected in capital surplus or capital adjustments (See Note 16).

Through 2004, provisions were recorded at nominal value. Effective January 1, 2005, provisions are recorded at the present value when the effect of the time value of money is material, pursuant to adoption of SKAS No. 17 Provisions, Contingent Liabilities and Contingent Assets . SKAS No. 17 is prospectively applied and as a result of adopting such accounting standard, total liabilities as of December 31, 2005 decreased by ₩7,415 million (See Note 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.

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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. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at fiscal 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, 2006 and 2005.

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 capital adjustments and the unrealized gains or losses are reflected in net income when the securities are sold or if an 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.

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. Investment Securities Accounted for Using the Equity Method of Accounting

Investment securities of affiliated companies, in which the Company has the ability to exercise significant influence, are carried using the equity method of accounting, whereby the Company's initial investment is recorded at cost and the carrying value is subsequently increased or decreased to reflect the Company's portion of shareholders' equity of the investee. Differences between the purchase cost and net asset value of the investee are amortized over 5 to 20 years using the straight-line method. When applying the equity method of accounting, unrealized intercompany gains and losses are eliminated (See Note 4). In addition, effective January 1, 2005, 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.

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h. 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 (4 ~ 30 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.

i. 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, 2006 and 2005 were ₩84,492 million and ₩81,054 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% (4.17% as of March 31, 2006). The future payment obligations are ₩90,000 million in 2007, ₩110,000 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 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 a 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.

j. Convertible Bonds

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

k. Discounts on Bonds

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

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l. 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.

m. 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 21).

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.

n. 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 ~~₩8,837 million and ₩187,103 million~~ as of March 31, 2006 and December 31, 2005, 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 ~~₩222 million and ₩5,172 million~~ as of March 31, 2006 and December 31, 2005, respectively, are deducted from accrued severance indemnities.

Actual payment of severance indemnities amounted to ~~₩248,346 million and \$3,929 million~~ for the three months ended March 31, 2006 and 2005, respectively.

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Meanwhile, 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 has scheduled 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 within non-operating expense 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. Such costs are recorded as non-operating expense for the three months ended March 31, 2006.

o. 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 15). 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 that were expired, due to such stock options not being exercised within the exercisable period, are transferred to other capital surplus from capital adjustments (See Note 12).

p. 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 10).

q. 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 ₩52,830 million and ₩50,984 million for the three months ended March 31, 2006 and 2005, respectively, and external research and development costs of ₩17,042 million and ₩17,167 million for the three months ended March 31, 2006 and 2005, respectively.

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r. 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, for US dollars, ₩975.90=US\$1 and ₩1,013.00=US\$1 at March 31, 2006 and December 31, 2005, respectively. The resulting gains or losses arising from the translation or settlement of such assets and liabilities are included in current operations.

s. 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 separate component of shareholders' equity 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.

t. Revenue Recognitions

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

u. Income Taxes

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the 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. Effective January 1, 2005 deferred income tax assets and liabilities, which were presented on the balance sheet as a single non-current net amount through 2004, are classified into current and non-current based on the classification of related assets or liabilities for financial reporting purposes

v. 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 financial position as of December 31, 2005 and ordinary income and net income for the three months ended March 31, 2005.

Table of Contents**3. INVESTMENT SECURITIES****a. Trading Securities**

Trading securities as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | | | December 31, 2005 |
|--------------------------|---------------------|------------|--------------------|-----------------------------------|
| | Acquisition cost | Fair value | Carrying amount | Fair value and carrying amount |
| Beneficiary certificates | ₩ 923,627 | ₩ 923,627 | ₩ 923,627 | ₩ 745,360 |

b. Long-term Investment Securities

Long-term investment securities as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | December 31, 2005 |
|--------------------------------------|-------------------|----------------------|
| Available-for-sale equity securities | ₩ 1,026,458 | ₩ 907,069 |
| Available-for-sale debt securities | 297,975 | 296,264 |
| Total | ₩ 1,324,433 | ₩ 1,203,333 |

b-(1). Available-for-sale Equity Securities

Available-for-sale equity securities as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | Number of Shares at March 31, 2006 | Percentage (%) at March 31, 2006 | Acquisition cost at March 31, 2006 | Carrying amount | | |
|--|---|--|---|---------------------------------------|-------------------------|---------|
| | | | | Fair value at March 31, 2006 | December 31, 2005 | |
| | | | | | March 31, 2006 | |
| (Investments in listed companies) | | | | | | |
| Digital Chosunilbo Co., Ltd. | 2,890,630 | 7.8 | ₩ 5,781 | ₩ 4,148 | ₩ 4,148 | ₩ 5,796 |
| hanarotelecom incorporated. KRTnet Corporation (formerly Korea Radio Wave Basestation Management) | 22,090,000 | 4.8 | 121,677 | 58,207 | 58,207 | 56,440 |
| | 234,150 | 4.4 | 1,171 | 2,447 | 2,447 | 2,646 |
| POSCO | 2,481,310 | 2.8 | 332,662 | 621,568 | 621,568 | 501,225 |

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| | | | | | | |
|------------------|--------|-----|---------|---------|---------|---------|
| INNOTG Co., Ltd. | 59,473 | 0.4 | 1,695 | 90 | 90 | 83 |
| Sub-total | | | 462,986 | 686,460 | 686,460 | 566,190 |

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| | Number of Percentage Acquisition | | | Fair value at March 31, 2006 | Carrying amount | |
|--|----------------------------------|-----------------------|-------------------------|------------------------------|-----------------|-------------------|
| | Shares at March 31, 2006 | (%) at March 31, 2006 | cost at March 31, 2006 | | March 31, 2006 | December 31, 2005 |
| (Investments in non-listed companies) | | | | | | |
| Powercomm Co., Ltd. | 7,500,000 | 5.0 | 240,243 | 77,130 (note a) | 77,130 | 77,130 |
| Japan MBCO Eonex Technologies Inc. | 54,000 | 7.3 | 27,332 (note b) | | 27,332 | 27,332 |
| The Korea Economic Daily | 144,000 | 12.6 | 3,600 (note b) | | 4,593 | 4,593 |
| Others | 2,585,069 | 13.8 | 13,964 (note b) | | 13,964 | 13,964 |
| | | | 118,183 (notes b and c) | | 21,944 | 22,825 |
| Sub-total | | | 403,322 | | 144,963 | 145,844 |
| (Investments in funds) | | | | | | |
| Korea IT Fund | | | 190,000 (note b) | | 190,000 | 190,000 |
| Others | | | 5,035 (note b) | | 5,035 | 5,035 |
| Sub-total | | | 195,035 | | 195,035 | 195,035 |
| Total | | | ₩ 1,061,343 | | ₩ 1,026,458 | ₩ 907,069 |

(note a) The Company recorded its investments in common stock of 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 ₩118,257 (net of tax effect of ₩44,856 million) as of December 31, 2005 was recorded as a capital adjustment. Based on the opinion of the outside professional valuation company, there was no significant change in 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, 2006. No additional unrealized loss or recovery on valuation of such investments was recorded accordingly.

(note b) 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 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.

(note c) Due to the impairment of the Company's investments in common stock of TeleMerc.com, the Company recorded impairment losses on such investments of ₩1,793 million for the 4th quarter of 2005.

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

Available-for-sale debt securities as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | | Acquisition cost of March 31, 2006 | Carrying amount March 31, 2006 | Carrying amount December 31, 2005 |
|--|----------------------|--|--------------------------------------|--|
| Public bonds | Maturity (note a) | ₩ 1,590 | ₩ 1,590 | ₩ 1,590 |
| Currency stabilization bonds | (note b) | 295,739 | 296,385 | 294,674 |
| Convertible bonds of Real Telecom Co., Ltd. (note c) | March, 2007 | 10,656 | | |
| Convertible bonds of Eonex Technologies, Inc. (3 rd) (note d) | January, 2005 | | | |
| Long-term available-for-sale debt securities | | ₩ 307,985 | ₩ 297,975 | ₩ 296,264 |

The interest income incurred from available-for-sale debt securities for the three months ended March 31, 2006 and 2005 were ₩3,598 million and ₩ 614 million, respectively.

(note a) The maturities of public bonds as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | Maturity | March 31, 2006 | December 31, 2005 |
|-------------------|----------|----------------|-------------------|
| Within five years | | ₩ 1,582 | ₩ 1,229 |
| Within ten years | | 8 | 361 |
| | | ₩ 1,590 | ₩ 1,590 |

(note b) The maturities of currency stabilization bonds as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | Maturity | March 31, 2006 | December 31, 2005 |
|-------------------|----------|----------------|-------------------|
| Within five years | | ₩ 296,385 | ₩ 294,674 |

(note c) The convertible bonds of Real Telecom Corp. with a principal amount of ₩10,656 million can be converted into 371,018 shares of common stock of Real Telecom Corp. at ₩28,721 per share during the period from September 29, 2004 to March 28, 2007. Due to the impairment of such bonds, the Company recorded an impairment loss of ₩10,656 million prior to December 31, 2005.

(note d)

The convertible bonds of Eonex Technologies, Inc. (3rd) were all settled in cash during the three months ended March 31, 2005.

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 during the three months ended March 31, 2006 and 2005 are as follows (in millions of Korean won) :

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 |
| INNOTG Co., Ltd. | (1,611) | 6 | | (1,605) |
| 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) | | | ₩ 45,688 |

For the three months ended March 31, 2005

| | Beginning balance | Increase/ (decrease) | Transferred to realized gain (loss) | Ending balance |
|------------------------------|----------------------|-------------------------|--|-------------------|
| Digital Chosunilbo Co., Ltd. | ₩ (3,758) | ₩ 1,156 | ₩ | ₩ (2,602) |
| hanarotelecom incorporated | (50,657) | (7,732) | | (58,389) |
| KRTnet Corporation | 1,007 | 293 | | 1,300 |
| POSCO | 131,343 | 34,738 | | 166,081 |
| INNOTG Co., Ltd. | (1,543) | 51 | | (1,492) |
| SINJISOFT Corporation | 460 | | (460) | |
| Cowon System, Inc | | 157 | | 157 |
| Powercomm Co., Ltd. | (168,678) | | | (168,678) |
| Eonex Technologies Inc. | 2,011 | | | 2,011 |
| WiderThan Co., Ltd. | (27) | | | (27) |
| Sub-total | (89,842) | 28,663 | (460) | (61,639) |
| Less tax effect (note) | | 16,951 | | 16,951 |
| Total | ₩ (89,842) | | | ₩ (44,688) |

(note) Represents adjustments to reflect the tax effect of temporary differences directly charged or credited to unrealized gains (losses) on valuation of long-term investment securities, which are capital adjustment items, in accordance with SKAS No. 16, Income Taxes , which is effective January 1, 2005.

Table of Contents**4. EQUITY SECURITIES ACCOUNTED FOR USING THE EQUITY METHOD OF ACCOUNTING**

Equity securities accounted for using the equity method of accounting as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | | | Carrying Amount | | |
|---------------------------------------|------------------|--------------------------|------------------|-------------------|----------------|-------------------|
| | Number of shares | Ownership Percentage (%) | Acquisition Cost | Net Asset Value | March 31, 2006 | December 31, 2005 |
| Pantech Co., Ltd. | 25,570,306 | 22.7 | ₩ 26,309 | ₩ 56,345 (note a) | ₩ 57,127 | ₩ 55,634 |
| SK Capital Co., Ltd. | 10,000,000 | 100.0 | 50,000 | 37,506 | 37,506 | 37,501 |
| SK Communications Co., Ltd. | 7,844,454 | 86.5 | 175,441 | 145,783 | 165,709 | 158,170 |
| SK Telink Co., Ltd. | 943,997 | 90.8 | 5,296 | 75,063 | 75,063 | 70,863 |
| SK C&C Co., Ltd. | 300,000 | 30.0 | 19,071 | 254,939 | 259,708 | 198,251 |
| SK Wyverns Baseball Club Co., Ltd. | 199,997 | 100.0 | 1,000 | | | |
| STIC Ventures Co., Ltd. | 1,600,000 | 21.9 | 8,000 | 8,379 | 8,379 | 8,308 |
| Paxnet Co., Ltd. | 5,590,452 | 67.1 | 26,563 | 10,512 | 28,481 | 27,372 |
| Global Credit & information Co., Ltd. | 300,000 | 50.0 | 2,410 | 2,648 | 3,266 | 3,276 |
| TU Media Corp. | 12,922,266 | 29.6 | 64,611 | 24,947 | 25,888 | 32,393 |
| Aircross Co., Ltd. | 600,000 | 38.1 | 300 | 966 | 966 | 970 |
| Widerthan Co., Ltd. | 2,000,000 | 10.1 | 1,000 | 11,503 (note b) | 11,503 | 12,827 |
| IHQ, Inc. | 8,000,000 | 21.6 | 14,440 | 8,422 (note c) | 14,295 | 13,935 |
| Seoul Records, Inc. | 9,582,321 | 60.0 | 27,874 | 23,778 | 27,244 | 27,242 |
| Harex Info Tech, Inc. | 225,000 | 21.2 | 3,375 | 1,128 | 2,530 | 2,568 |
| SK Mobile | | 42.5 | 10,322 | 7,130 (note d) | 10,322 | |
| SLD Telecom PTE. Ltd. | 180,476,700 | 73.3 | 191,273 | 138,203 | 138,604 | 55,358 |
| Skytel Co., Ltd. | 1,756,400 | 28.6 | 2,159 | 5,180 | 5,180 | 4,872 |
| SK China Company Ltd. | 28,160 | 20.7 | 3,195 | 1,571 | 485 | 483 |
| SK Telecom China Co., Ltd. | 6,150,000 | 100.0 | 7,340 | 6,889 | 6,889 | 6,927 |
| ULand Company Limited | 14,100,100 | 70.1 | 17,511 | 7,278 | 11,973 | 12,564 |
| SK Telecom USA Holdings, Inc. | 1,000 | 100.0 | 161,494 | 127,333 (note e) | 127,333 | 103,751 |
| SK Telecom International, Inc. | 1,099 | 100.0 | 17,467 | 24,819 | 24,819 | 25,957 |
| SK USA, Inc. | 49 | 49.0 | 3,184 | 3,352 | 3,352 | 3,353 |
| Centurion IT Investment Association | | 37.5 | 3,000 | 3,076 | 3,076 | 3,635 |
| 1st Music Investment Fund of SK-PVC | | 69.3 | 6,925 | 6,995 | 6,995 | 6,990 |
| 2nd Music Investment Fund of SK-PVC | | 79.3 | 7,925 | 7,966 | 7,966 | 7,966 |
| SK-KTB Music Investment Fund | | 74.3 | 14,850 | 14,995 | 14,995 | 14,999 |
| IMM Cinema Fund | | 48.4 | 12,000 | 11,884 | 11,884 | 11,884 |
| SKT-HP Ventures, LLC | | 50.0 | 6,415 | 5,290 | 5,290 | 5,272 |
| Other investments in affiliates | | | 13,083 | (note f) | 12,583 | 12,583 |
| Total | | | ₩ 903,833 | | ₩ 1,109,411 | ₩ 925,904 |

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- (note a) 60% equity interest in SKY Teletech Co., Ltd. (formerly SK Teletech Co., Ltd.) of which carrying amount was ₩115,478 million were sold to Curitel Communications, Inc. and the Company recorded a gain of ₩175,488 million during the 3rd quarter of 2005. SKY Teletech Co., Ltd. was merged into Pantech Co., Ltd. during the 4th quarter of 2005 and the Company's ownership interest decreased from 29.1% to 22.7%. In addition, the difference between the Company's portion of the merged company's equity and the carrying amount at the date of merger of ₩269 million was recorded as a loss on disposal of investment assets.
- (note b) Effective January 1, 2005, the investment in common stock of WiderThan Co., Ltd. was reclassified to equity securities accounted for using the equity method. Although the Company's ownership in WiderThan Co., Ltd. is less than 20%, the Company exercises significant influences on the selection of directors and the investee has significant transactions with the Company.
- (note c) In February 2005, the Company acquired 8,000,000 shares of IHQ, Inc., an entertainment management company, for ₩1,805 per share with an option to purchase an additional 5,000,000 shares at the previously agreed upon price during the period from March 15, 2006 to April 30, 2006, in order to secure high-quality content for the Company's wireless internet services (See Note 24).
- (note d) In March 2006, the Company acquired 42.5% interests of common stock of SK Mobile from Pantech Co., Ltd. and others.
- (note e) 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 in SK USA Holdings, Inc. during the 1st quarter of 2006 (See Note 23).
- (note f) As allowed under Korean GAAP, investments in equity securities of SK Telecom Europe Limited and certain others were not accounted for using the equity method of accounting, as changes in the Company's portion of shareholders' 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, 2006 and 2005 are as follows (in millions of Korean won) :

| | | | For the three months ended March 31, 2006 | | | | | |
|---|-----------------------|----------------------|--|-----------------------------------|--|----------------------|---------------------------------|-------------------|
| | | Beginning balance | Acquisition | Equity in earnings (losses) | Equity in surplus and capital adjustments | Dividend received | Other increase (decrease) | Ending balance |
| Pantech Co., Ltd. | (note a) | ₩ 55,634 | ₩ | ₩ 1,577 | ₩ (84) | ₩ | ₩ | ₩ 57,127 |
| SK Capital Co., Ltd. | (note b) | 37,501 | | 5 | | | | 37,506 |
| SK Communications Co., Ltd | (note a) | 158,170 | | 5,678 | 1,861 | | | 165,709 |
| SK Telink Co., Ltd. | (note a) | 70,863 | | 4,163 | 37 | | | 75,063 |
| SK C&C Co., Ltd. | (notes a and c) | 198,251 | | 3,676 | 58,771 | (990) | | 259,708 |
| SK Wyverns Baseball Club Co., Ltd. | (note b) | | | | | | | |
| STIC Ventures Co., Ltd. | (note b) | 8,308 | | 71 | | | | 8,379 |
| Paxnet Co., Ltd. | (note a) | 27,372 | | 1,109 | | | | 28,481 |
| Global Credit & information Co., Ltd. | (note b) | 3,276 | | (10) | | | | 3,266 |
| TU Media Corp. | (note a) | 32,393 | | (6,505) | | | | 25,888 |
| Aircross Co., Ltd. | (note b) | 970 | | (4) | | | | 966 |
| WiderThan Co., Ltd. | (notes b and d) | 12,827 | | (500) | (54) | | (770) | 11,503 |
| IHQ, Inc. | (notes a and d) | 13,935 | | (166) | 353 | | 173 | 14,295 |
| Seoul Records, Inc. | (note a) | 27,242 | | 2 | | | | 27,244 |
| Harex Info Tech, Inc. | (note b) | 2,568 | | (38) | | | | 2,530 |
| SK Mobile | (note e) | | 10,322 | | | | | 10,322 |

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| | | | | | | |
|-------------------------------------|----------|---------|--------|----------|----------|---------|
| SLD Telecom PTE Ltd. | (note a) | 55,358 | 97,286 | (3,633) | (10,407) | 138,604 |
| Skytel Co., Ltd. | (note b) | 4,872 | | 111 | 197 | 5,180 |
| SK China Company Ltd. | (note b) | 483 | | 2 | | 485 |
| SK Telecom China Co., Ltd. | (note b) | 6,927 | | (290) | 252 | 6,889 |
| ULand Company Limited. | (note a) | 12,564 | | (1,796) | 1,205 | 11,973 |
| SK Telecom USA Holdings, inc. | (note a) | 103,751 | 38,280 | (10,356) | (4,342) | 127,333 |
| SK Telecom International, Inc. | (note a) | 25,957 | | (211) | (927) | 24,819 |
| SK USA, Inc. | (note b) | 3,353 | | (75) | 74 | 3,352 |
| Centurion IT investment Association | (note b) | 3,635 | | (615) | 56 | 3,076 |
| 1st Music Investment Fund of SK-PVC | (note b) | 6,990 | | 5 | | 6,995 |
| 2nd Music Investment Fund of SK-PVC | (note b) | 7,966 | | | | 7,966 |
| SK-KTB Music Investment Fund | (note b) | 14,999 | | (4) | | 14,995 |
| IMM Cinema Fund | (note b) | 11,884 | | | | 11,884 |
| SKT-HP Ventures, LLC | (note b) | 5,272 | | 18 | | 5,290 |

₩913,321 ₩145,888 ₩ (7,786) ₩ 46,992 ₩ (990) ₩ (597) ₩1,096,828

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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, 2006. 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, 2005 as information as of March 31, 2006 was not available and the change in the Company's portion of shareholders' equity of the investee for the three months ended March 31, 2006 was immaterial.
- (note c) The Company received dividends from SK C&C Co., Ltd. and the corresponding amount was deducted from the carrying amount of equity method securities.
- (note d) Other increase (decrease) in investments in equity securities of WiderThan Co., Ltd. and IHQ, Inc. represent gains (losses) on disposal of investments in equity securities, which have resulted from the dilution of the Company's ownership as a result of investees' sale of their unissued shares to third parties.
- (note e) As the acquisition of investments in SK Mobile's common stock was assumed to have occurred on March 31, 2006, no change in such investments is recorded for the three months ended March 31, 2006.
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| | | For the three months ended March 31, 2005 | | | | | |
|---------------------------------------|-----------------|---|-------------|-----------|-------------|------------|-----------|
| | | Beginning | | Equity in | Equity in | Other | Ending |
| | | balance | Acquisition | earnings | capital | increase | balance |
| | | | | (losses) | surplus | (decrease) | |
| | | | | | and capital | | |
| | | | | | adjustments | Dividend | |
| | | | | | | received | |
| SK Teletech Co., Ltd. | | ₩ 190,896 | ₩ | ₩ (9,666) | ₩ | ₩ | ₩ 181,230 |
| SK Capital Co., Ltd. | (note a) | 34,891 | | | | | 34,891 |
| SK Communications Co., Ltd | | 143,096 | | (1,274) | (1,440) | | 140,382 |
| SK Telink Co., Ltd. | | 56,182 | | 2,876 | 27 | | 59,085 |
| SK C&C Co., Ltd. | | 201,353 | | 2,582 | 14,118 | (600) | 217,453 |
| SK Wyverns Baseball Club Co., Ltd. | (notes a and b) | | | (3,904) | | | |
| STIC Ventures Co., Ltd. | (note a) | 7,321 | | (285) | 441 | | 7,477 |
| Paxnet Co., Ltd. | | 25,244 | | 516 | | | 25,760 |
| Global Credit & information Co., Ltd. | (note a) | 3,054 | | | | | 3,054 |
| TU Media Corp. | | 34,607 | | (2,485) | | | 32,122 |
| Aircross Co., Ltd. | (note a) | 944 | | (4) | | | 940 |
| IHQ, Inc. | (note d) | | 14,440 | | | | 14,440 |
| SLD Telecom PTE Ltd. | | 59,804 | | (1,701) | (1,616) | | 56,487 |
| Skytel Co., Ltd. | (note a) | 3,633 | | 88 | (8) | | 3,713 |
| SK China Company Ltd. | (note a) | 803 | | 35 | (8) | | 830 |
| SK Telecom China Co., Ltd. | (note a) | 9,212 | | 179 | (179) | | 9,212 |
| SK Telecom USA Holdings, inc. | (note d) | | 83,438 | | | | 83,438 |
| SK Telecom International, Inc. | (note a) | 21,995 | | (49) | 4 | | 21,950 |
| SK USA, Inc. | (notes a and c) | 3,184 | | 169 | (297) | | 3,056 |
| Centurion IT investment | (note a) | 3,205 | | (277) | | | 2,928 |

| | | | | | | | |
|----------------------------------|----------|-----------|----------|------------|----------|---------|-----------|
| Association | | | | | | | |
| SKT-QC Wireless Development Fund | (note a) | 5,145 | 2 | | | 5,147 | |
| SKT-HP Ventures, LLC | (note a) | 5,284 | | (3) | | 5,281 | |
| | | ₩ 809,853 | ₩ 97,878 | ₩ (13,198) | ₩ 11,039 | ₩ (600) | ₩ 908,876 |

- (note a) Investments in equity securities are carried using the equity method of accounting based on the financial statements as of December 31, 2004, as information as of March 31, 2005 was not available and the change of the Company's portion of shareholders' equity of the investee for the three months ended March 31, 2005 was not material.
- (note b) Additional losses of ₩3,904 million was provided for the three months ended March 31, 2005 in accordance with SKAS No.15, which requires the Company to provide additional allowance for doubtful accounts related to the long-term loans to SK Wyverns Baseball Club Co., Ltd. at the same amount.
- (note c) As the Company's portion of the investee's shareholders' equity for the three months ended March 31, 2005 was material, investments in equity securities of SK USA, Inc. were accounted for using the equity method of accounting, effective January 1, 2005.
- (note d) As the acquisitions of investments in common stock of SK Telecom USA Holdings, Inc. and IHQ, Inc. were assumed to be on March 31, 2005, there is no change in such investments to be reported for the three months ended March 31, 2005.
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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, 2006 and 2005 are as follows (in millions of Korean won) :

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 |
| Total | ₩ 64,708 | ₩ 4,297 | ₩ (1,433) | ₩ 67,572 |

For the three months ended March 31, 2005

| | Beginning balance | Increase | Amortization | Ending balance |
|---------------------------------------|----------------------|----------------|----------------|-------------------|
| Pantech Co., Ltd. | ₩ 3,287 | ₩ | ₩ (43) | ₩ 3,244 |
| SK Communications Co., Ltd. | 24,622 | | (108) | 24,514 |
| SK C&C Co., Ltd. | 5,276 | | (102) | 5,174 |
| Paxnet Co., Ltd. | 19,310 | | (268) | 19,042 |
| Global Credit & information Co., Ltd. | 670 | | | 670 |
| IHQ, Inc. | | 7,401 | | 7,401 |
| SLD Telecom PTE. Ltd. | 428 | | (6) | 422 |
| Total | ₩ 53,593 | ₩ 7,401 | ₩ (527) | ₩ 60,467 |

Details of changes in unrealized intercompany gains incurred from sales of assets for the three months ended March 31, 2006 and 2005 are as follows (in millions of Korean won) :

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 |

| | For the three months ended March 31, 2005 | | | |
|-----------------------|---|----------|----------|-------------------|
| | Beginning balance | Increase | Decrease | Ending balance |
| SK China Company Ltd. | ₩ 1,206 | ₩ | ₩ (120) | ₩ 1,086 |

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Details of market price of the equity securities accounted for using the equity method as of March 31, 2006 are as follows (in millions of Korean won, except for market price per share) :

| | Market price per share (in Korean won) | Shares owned by the Company | Market price |
|---------------------|---|-----------------------------------|--------------|
| Pantech Co., Ltd. | ₩ 6,790 | 25,570,306 | ₩173,622 |
| WiderThan Co., Ltd. | 12,901 | 2,000,000 | 25,802 |
| IHQ, Inc. | 9,050 | 8,000,000 | 72,400 |
| Seoul Records, Inc. | 4,955 | 9,582,321 | 47,480 |

The condensed financial information of the investees as of and for the three months ended March 31, 2006 are as follows (in millions of Korean won) :

| | Total Assets | Total Liabilities | Revenue | Net Income (loss) |
|--------------------------------|-----------------|----------------------|----------|-------------------------|
| Pantech Co., Ltd. | ₩ 978,875 | ₩732,294 | ₩387,619 | ₩ 6,241 |
| SK Communications Co., Ltd. | 230,192 | 55,439 | 39,207 | 8,891 |
| SK Telink Co., Ltd. | 134,320 | 51,960 | 45,366 | 5,964 |
| SK C&C Co., Ltd. | 1,466,207 | 616,408 | 166,032 | 12,707 |
| Paxnet Co., Ltd. | 21,058 | 4,808 | 9,084 | 2,052 |
| TU Media Corp. | 394,959 | 310,624 | 16,440 | (21,643) |
| IHQ, Inc. | 68,480 | 27,593 | 11,429 | (757) |
| Seoul Records, Inc. | 45,504 | 5,874 | 5,376 | 367 |
| SLD Telecom PTE Ltd. | 199,961 | 11,467 | | (3,853) |
| ULand Company Limited | 12,114 | 1,739 | 1,504 | (1,963) |
| SK Telecom USA Holdings, Inc. | 167,415 | 40,081 | | (9,731) |
| SK Telecom International, Inc. | 26,115 | 1,296 | 2,741 | 291 |

5. LOANS TO EMPLOYEES

Short-term and long-term loans to employees as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | Short-term | March 31, 2006 Long-term | Total | December 31, 2005 |
|--|------------|-----------------------------|----------|-------------------------|
| Loans to employees stock ownership association | ₩ 2,849 | ₩ 9,127 | ₩ 11,976 | ₩ 14,586 |
| Loans to employees for housing and other | 91 | 306 | 397 | 433 |
| Total | ₩ 2,940 | ₩ 9,433 | ₩ 12,373 | ₩ 15,019 |

Table of Contents**6. PROPERTY AND EQUIPMENT**

Property and equipment as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | Useful lives (years) | March 31, 2006 | December 31, 2005 |
|-------------------------------|--------------------------------|-------------------|----------------------|
| Land | | ₩ 461,194 | ₩ 461,513 |
| Buildings and structures | 30, 15 | 1,478,095 | 1,477,838 |
| Machinery | 6 | 10,358,231 | 10,376,529 |
| Vehicles | 4 | 20,655 | 20,442 |
| Other | 4 | 821,869 | 807,534 |
| Construction in progress | | 311,967 | 264,309 |
| | | 13,452,011 | 13,408,165 |
| Less accumulated depreciation | | (9,052,841) | (8,812,282) |
| Property and equipment, net | | ₩ 4,399,170 | ₩ 4,595,883 |

The standard value of land declared by the government as of March 31, 2006 and December 31, 2005 are ₩ 412,811 million and ₩ 412,829 million, respectively.

Details of change in property and equipment for the three months ended March 31, 2006 and 2005 are as follows (in millions of Korean won) :

| | 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 |
| Total | ₩ 4,595,883 | ₩ 86,106 | ₩ (1,424) | ₩ (4,741) | ₩ (276,654) | ₩ 4,399,170 |

| | For the three months ended March 31, 2005 | | | | | Ending balance |
|-----------------------------|---|-------------|----------|----------|--------------|-------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | |
| Land | ₩ 463,656 | ₩ 649 | ₩ (54) | ₩ 237 | ₩ | ₩ 464,488 |
| Buildings and structures | 1,163,069 | 3,436 | (219) | 155 | (13,558) | 1,152,884 |

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| | | | | | | |
|--------------------------|------------------------|---------------------|----------------------|------------------|------------------------|------------------------|
| Machinery | 2,585,118 | 484 | (900) | 12,704 | (255,859) | 2,341,547 |
| Vehicles | 4,030 | 62 | | | (489) | 3,603 |
| Other | 251,377 | 42,990 | (1,020) | (15,700) | (18,622) | 259,025 |
| Construction in progress | 138,003 | 45,670 | | 2,882 | | 186,554 |
| Total | ₩ 4,605,253 | ₩ 93,291 | ₩ (2,193) | ₩ 278 | ₩ (288,528) | ₩ 4,408,101 |

Table of Contents**7. INTANGIBLE ASSETS**

Intangible assets as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | | | December 31, 2005 | | |
|----------------------------|------------------|--------------------------|------------------|-------------------|--------------------------|------------------|
| | Acquisition cost | Accumulated amortization | Carrying amounts | Acquisition cost | Accumulated amortization | Carrying amounts |
| Goodwill | ₩ 2,335,532 | ₩ (546,813) | ₩ 1,788,719 | ₩ 2,335,532 | ₩ (514,648) | ₩ 1,820,884 |
| Frequency use rights | 1,384,433 | (224,243) | 1,160,190 | 1,384,433 | (200,141) | 1,184,292 |
| Software development costs | 221,913 | (168,610) | 53,303 | 221,913 | (160,657) | 61,256 |
| Computer software | 495,995 | (228,774) | 267,221 | 489,807 | (210,050) | 279,757 |
| Other | 104,475 | (65,103) | 39,372 | 103,974 | (63,616) | 40,358 |
| | ₩ 4,542,348 | ₩ (1,233,543) | ₩ 3,308,805 | ₩ 4,535,659 | ₩ (1,149,112) | ₩ 3,386,547 |

Details of changes in intangible assets for the three months ended March 31, 2006 and 2005 are as follows (in millions of Korean won) :

| | 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 |

| | For the three months ended March 31, 2005 | | | | | Ending balance |
|----------------------------|---|-----------|----------|----------|--------------|----------------|
| | Beginning balance | Increase | Decrease | Transfer | Amortization | |
| Goodwill | ₩ 1,949,546 | ₩ | ₩ | ₩ | ₩ (32,165) | ₩ 1,917,381 |
| Frequency use rights | 1,163,319 | 117,380 | | | (24,102) | 1,256,597 |
| Software development costs | 100,579 | 35 | | | (10,650) | 89,964 |
| Computer software | 190,745 | 1,572 | | | (12,196) | 180,121 |
| Other | 44,430 | 558 | (80) | 425 | (1,941) | 43,392 |
| | ₩ 3,448,619 | ₩ 119,545 | ₩ (80) | ₩ 425 | ₩ (81,054) | ₩ 3,487,455 |

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The book value as of March 31, 2006 and residual useful lives of major intangible assets are as follows (in millions of Korean won) :

| | Amount | Description | Residual useful lives |
|---------------|------------|--|-----------------------|
| Goodwill | ₩1,788,719 | Goodwill related to acquisition of Shinsegi Telecomm, Inc. | 14 years |
| IMT license | 1,035,945 | Frequency use rights relating to W-CDMA Service | (note a) |
| WiBro license | 117,000 | WiBro Service | (note b) |
| DMB license | 7,245 | DMB Service | 10 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 20, 2005. The license period is seven years from that date. Amortization of the WiBro license will be on a straight line basis over the remaining useful life from the commencement date of the Company's commercial WiBro services.

8. BONDS PAYABLE

Bonds payable as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won and thousands of U.S. dollars) :

| | Maturity year | Annual interest rate (%) | March 31, 2006 | December 31, 2005 |
|---|---------------|--------------------------|----------------|-------------------|
| Domestic general bonds | 2006 | 5.0 - 6.0 | ₩ 800,000 | ₩ 800,000 |
| | 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 |
| Dollar denominated bonds (US \$300,000) | 2011 | 4.25 | 292,770 | 303,900 |
| Convertible bonds (US \$329,450) | 2009 | | 385,885 | 385,885 |
| Total | | | 3,178,655 | 3,189,785 |
| Less discounts on bonds | | | (35,747) | (40,016) |
| Less conversion right adjustments | | | (60,929) | (65,219) |
| Add long-term accrued interest | | | 24,808 | 24,808 |
| Net | | | 3,106,787 | 3,109,358 |
| Less portion due within one year | | | (796,784) | (795,150) |
| Long-term portion | | | ₩ 2,310,003 | ₩ 2,314,208 |

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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 ₩ 218,098 per share in accordance with antidilution protection. The Company may redeem their 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 March 31, 2006 is 1,777,173 shares. 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 a 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.

9. 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, 2006 and December 31, 2005 are as follows (in millions of Korean won except deposit per subscriber amounts) :

| Service type | Deposit per subscriber | March 31, 2006 | December 31, 2005 |
|--------------|------------------------------|-------------------|----------------------|
| Cellular | ₩ 200,000 | ₩ 23,046 | ₩ 23,770 |

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.

Table of Contents**10. 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 and liabilities acquired from SK C&C Co., Ltd. as of and for the three months ended March 31, 2006 and as of and for the year ended December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | December 31, 2005 |
|--------------------------|-------------------|----------------------|
| Acquisition cost | | |
| Office equipment | ₩ 16,096 | ₩ 16,919 |
| Computer software | 7,609 | 7,625 |
| | ₩ 23,705 | ₩ 24,544 |
| Accumulated depreciation | | |
| Office equipment | ₩ 2,740 | ₩ 744 |
| Computer software | 507 | 127 |
| | ₩ 3,247 | ₩ 871 |
| Carrying amounts | | |
| Office equipment | ₩ 13,357 | ₩ 16,175 |
| Computer software | 7,102 | 7,498 |
| | ₩ 20,459 | ₩ 23,673 |
| Depreciation expenses | | |
| Office equipment | ₩ 2,135 | ₩ 744 |
| Computer software | 381 | 127 |
| | ₩ 2,516 | ₩ 871 |

The Company's minimum future lease payments as of March 31, 2006 are as follows (in millions of Korean won) :

| | Annual lease payments | Interest | Principal |
|------|--------------------------|----------|-----------|
| 2006 | ₩ 10,936 | ₩ (736) | ₩ 10,200 |
| 2007 | 8,846 | (352) | 8,494 |
| 2008 | 1,734 | (24) | 1,710 |

| | | | | |
|----------------------------------|---|--------|----------|----------|
| Total | ₩ | 21,516 | ₩(1,112) | 20,404 |
| Less portion due within one year | | | | (13,701) |
| Capital lease liabilities | | | ₩ | 6,703 |

Table of Contents**11. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES**

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable denominated in foreign currencies described in Note 8) as of March 31, 2006 and December 31, 2005 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 and thousands of Euros) :

| | March 31, 2006 | | December 31, 2005 | |
|---------------------------|--|--|---|--|
| | Foreign currencies | Korean won equivalent | Foreign currencies | Korean won equivalent |
| Cash and cash equivalents | US\$ 2,807 | ₩ 2,740 | US\$ 4,175 EUR 3 | ₩ 4,229 3 |
| Accounts receivable trade | US\$ 7,717 EUR 248 SG\$ 59 | 7,531 294 36 | US\$ 9,390 EUR 248 | 9,512 298 |
| Accounts receivable other | US\$ 3,360 | 3,279 | US\$ 3,364 | 3,408 |
| Guarantee deposits | JPY 16,156 | 134 | JPY 16,156 | 139 |
| | | ₩ 14,014 | | ₩ 17,589 |
| Accounts payable | US\$ 19,175 JPY 16,907 HK\$ 283 GBP 60 SG\$ 8 EUR 412 | 18,712 141 35 102 5 489 | US\$ 15,633 JPY 8,498 HK\$ 254 GBP 453 SG\$ 22 EUR 504 CHF 19 | 15,836 73 33 792 13 604 15 |
| | | ₩ 19,484 | | ₩ 17,366 |

12. 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, 2006 and December 31, 2005 are as follows :

| | March 31, 2006 | December 31, 2005 |
|---|----------------|-------------------|
| Authorized shares | 220,000,000 | 220,000,000 |
| Issued shares | 82,276,711 | 82,276,711 |
| Outstanding shares, net of treasury stock | 73,614,296 | 73,614,296 |

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There is no change in capital stock and capital surplus during the three months ended March 31, 2006 and significant changes in capital stock and capital surplus for the year ended December 31, 2005 are as follows (in millions of Korean won except for share data) :

| | Number of shares | Capital stock | Capital surplus |
|--|---------------------|------------------|--------------------|
| At January 1, 2005 | 82,276,711 | ₩ 44,639 | ₩ 2,983,166 |
| Deferred tax liabilities deducted from capital surplus (note a) | | | (18,501) |
| Transferred from stock option in capital adjustment (note b) | | | 1,533 |
| December 31, 2005 and March 31, 2006 | 82,276,711 | ₩ 44,639 | ₩ 2,966,198 |

(note a) The tax effects of consideration for conversion rights, which resulted in temporary differences, was deducted directly from related components of stockholders equity, pursuant to adoption of SKAS No. 16 for the year ended December 31, 2005.

(note b) During the year ended December 31, 2005, the exercisable period for the stock options representing 17,800 shares, of which recognized

compensation costs was ₩1,533 million, expired and the related stock options of ₩1,533 million in capital adjustments were transferred to capital surplus in accordance with Korean GAAP (See Note 2 (o))

13. RETAINED EARNINGS

Retained earnings as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | December 31, 2005 |
|----------------|-------------------|----------------------|
| Appropriated | ₩ 6,679,235 | ₩ 5,470,701 |
| Unappropriated | 338,871 | 1,799,160 |
| | ₩ 7,018,106 | ₩ 7,269,861 |

The details of appropriated retained earnings as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | December 31, 2005 |
|--|-------------------|----------------------|
| Legal reserve | ₩ 22,320 | ₩ 22,320 |
| Reserve for improvement of financial structure | 33,000 | 33,000 |
| Reserve for loss on disposal of treasury stock | 477,182 | 477,182 |
| Reserve for research and manpower development | 880,595 | 822,061 |
| Reserve for business expansion | 5,266,138 | 4,116,138 |
| Total | ₩ 6,679,235 | ₩ 5,470,701 |

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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 unappropriated from appropriated retained earnings in accordance with the relevant tax laws. Such unappropriation will be included in taxable income in the year of unappropriation.

d. Reserve for Business Expansion

The reserve for business expansion is voluntary and was approved by the board of directors and shareholders.

14. TREASURY STOCK

Upon the 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 2004. 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 2004 in order to stabilize the market price of its stock.

15. 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. During the year ended December 31, 2004, stock options representing 530 shares, of which total compensation cost was ₩3 million, were forfeited.

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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, 2006 and 2005 and the outstanding balance of stock option in capital adjustment as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| Grant date | Total Compensation Cost | Recognized compensation cost for the three months ended March 31, | | Stock option in capital adjustment | |
|-----------------------|-------------------------------|--|-------|---------------------------------------|-------------------------|
| | | 2006 | 2005 | March 31, 2006 | December 31, 2005 |
| March 17, 2000 (note) | ₩ 1,533 | ₩ | ₩ | ₩ | ₩ |
| March 16, 2001 | 234 | | | 234 | 234 |
| March 8, 2002 | 3,246 | | 180 | 3,246 | 3,246 |
| | ₩ 5,013 | ₩ | ₩ 180 | ₩ 3,480 | ₩ 3,480 |

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

The pro forma net income and net income per common share, 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

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granted in 2002) in estimating the value of its stock options, for three months ended March 31, 2006, 2005 and 2004 are as follows :

| | For the three months ended March 31, | | |
|--|--------------------------------------|----------|----------|
| | 2006 | 2005 | 2004 |
| Pro forma ordinary income (in millions of Korean won) | ₩478,318 | ₩546,906 | ₩669,634 |
| Pro forma ordinary income per common share (in Korean won) | 4,580 | 5,001 | 6,138 |
| Pro forma net income (in millions of Korean won) | 337,160 | 368,120 | 451,877 |
| Pro forma net income per common share (in Korean won) | 4,580 | 5,001 | 6,138 |

Table of Contents**16. INCOME TAXES**

a. Details of income tax expense

Income tax expense for the three months ended March 31, 2006 and 2005 consist of the following (in millions of Korean won) :

| | 2006 | 2005 |
|--|-----------|-----------|
| Current | ₩ 174,026 | ₩ 161,828 |
| Changes in net deferred tax liabilities (note a) | (32,868) | 16,959 |
| | | |
| Income tax expenses | ₩ 141,158 | ₩ 178,787 |

(note a) Changes in net deferred tax liabilities for the three months ended March 31, 2006 and 2005 are as follows (in millions of Korean won) :

| | 2006 | 2005 |
|--|------------|-----------|
| Ending balance of net deferred tax liabilities | ₩ 358,773 | ₩ 362,977 |
| Beginning balance of net deferred tax liabilities | (348,563) | (323,096) |
| Adjustment to the beginning net deferred income tax liabilities based on tax return filed | 4,424 | 8,536 |
| Tax effect of temporary differences charged or credited directly to related components of stockholders' equity | (47,502) | (31,458) |
| | ₩ (32,868) | ₩ 16,959 |

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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, 2006 and 2005 are as follows (in millions of Korean won) :

| | 2006 | 2005 |
|---|-----------|-----------|
| (Temporary Differences) | | |
| Additions : | | |
| Allowance for doubtful accounts | ₩ 150,398 | ₩ 78,864 |
| Accrued interest income prior period | 3,931 | 4,423 |
| Reserves for research and manpower development | 47,000 | 32,867 |
| Reserves for loss on disposal of treasury stock | 59,225 | |
| Equity in losses of affiliates | 8,383 | 19,644 |
| Accrued expenses | 15,300 | 1,516 |
| Depreciation | 14,788 | 4,401 |
| Loss on impairment of other assets | 5,233 | 11,930 |
| Loss on valuation of derivative instruments | 5,297 | 394 |
| Accrued severance indemnities | 20,929 | 7,451 |
| Deposits for severance indemnities | 148,610 | 2,696 |
| Consideration of conversion right | 4,289 | 4,063 |
| Other | 27,582 | 17,718 |
| Sub-total | 510,965 | 185,967 |
| Deductions: | | |
| Reserves for research and manpower development | (47,500) | (32,500) |
| Allowance for doubtful accounts prior period | (124,184) | (59,612) |
| Depreciation prior period | (4,919) | (19,698) |
| Accrued interest income | (2,083) | (4,614) |
| Accrued expenses prior period | (19,555) | (6,525) |
| Equity in earnings of affiliates | | (6,446) |
| Accrued severance indemnities | (148,610) | (2,696) |
| Deposits for severance indemnities | (8,837) | (7,451) |
| Loss on impairment of other assets prior period | (5,109) | (14,156) |
| Other | (176,018) | (59,215) |
| Sub-total | (536,815) | (212,913) |
| Total Temporary Differences | (25,850) | (26,946) |
| (Permanent Differences) | 209,919 | 80,511 |
| Total | ₩ 184,069 | ₩ 53,565 |

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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, 2006 and 2005 and deferred tax assets (liabilities) as of March 31, 2006 and 2005 are as follows (in millions of Korean won) :

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 -capital adjustment | 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) |
| | ₩(1,489,873) | ₩ (53,183) | ₩ 16,450 | ₩(1,559,506) |

Total non-current cumulative temporary
differences-net

Total non-current deferred tax liabilities-net
(note b)

₩ (409,715)

₩ (428,864)

(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 ContentsFor the three months ended March 31, 2005

| Description | January 1, 2005 | Increase (note b) | Decrease (note b) | March 31, 2005 |
|--|--------------------|----------------------|----------------------|-------------------|
| Current : | | | | |
| Allowance for doubtful accounts | ₩ 59,622 | ₩ 78,854 | ₩ 59,612 | ₩ 78,864 |
| Accrued interest income | (7,796) | (1,241) | (4,423) | (4,614) |
| Other | 235,000 | 843 | 11,673 | 224,170 |
| Total | 286,826 | 78,456 | 66,862 | 298,420 |
| Temporary differences unlikely to be realized (note a) | (128,555) | | | (128,555) |
| Total current cumulative temporary differences-net | ₩ 158,271 | ₩ 78,456 | ₩ 66,862 | ₩ 169,865 |
| Current deferred tax assets-net (note c) | ₩ 43,525 | | | ₩ 46,713 |
| Non-current : | | | | |
| Property and equipment | (127,822) | (16,264) | 2,175 | (146,261) |
| Loss on impairment of long-term investment securities | 106,752 | (400) | | 106,352 |
| Loss on impairment of other long-term assets | 21,070 | 11,930 | 14,156 | 18,844 |
| Reserves for research and manpower development | (709,467) | (32,500) | (32,867) | (709,100) |
| Reserves for loss on disposal of treasury stock | (474,081) | | | (474,081) |
| Equity in (earnings) losses of affiliates | (89,441) | | (13,198) | (76,243) |
| Equity in capital adjustment of affiliates | | (135,183) | | (135,183) |
| Unrealized loss on valuation of long-term investment securities | | 61,639 | | 61,639 |
| Accrued severance indemnities | 139,524 | 4,064 | 2,696 | 140,892 |
| Deposits for severance indemnities | (139,524) | (4,064) | (2,696) | (140,892) |
| Loss on valuation of derivative instruments | 15,789 | 395 | | 16,184 |
| Loss on valuation of derivative instruments-capital adjustment | | 49,452 | 7,422 | 42,030 |
| Considerations for conversion right | | (67,279) | | (67,279) |
| Other | (75,966) | 117,148 | 66,780 | (25,598) |
| Total | (1,333,166) | (11,062) | 44,468 | (1,388,696) |
| Temporary differences unlikely to be realized (note a) | | (101,086) | | (101,086) |
| | ₩ (1,333,166) | ₩ (112,148) | ₩ 44,468 | ₩ (1,489,782) |

Total non-current cumulative temporary differences-net

Total non-current deferred tax liabilities-net
(note c)

₩ (366,621)

₩ (409,690)

(note a) Through 2004, the tax effects of temporary differences, which are unlikely to be realized, and temporary differences directly adjusted to capital surplus or capital adjustments, such as net unrealized loss on valuation of long-term investment securities, were excluded in determining the net deferred tax assets or liabilities. However, effective January 1, 2005, pursuant to adoption of SKAS No. 16, Income Taxes , temporary differences are presented on a gross basis, including temporary differences which are unlikely to be realized. In addition, tax

effects of temporary differences related to adjustments made directly to capital surplus or capital adjustments are included in determining the net deferred tax assets or liabilities.

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

(note c) 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 are as follows (in millions of Korean won) :

| | March 31, 2006 | December 31, 2005 |
|--|-------------------|----------------------|
| Deferred tax assets | ₩ 158,048 | ₩ 192,044 |
| Deferred tax liabilities | (516,821) | (540,607) |
| Deferred tax assets (liabilities), net | ₩ (358,773) | ₩ (348,563) |
| Current, net | ₩ 70,091 | ₩ 61,152 |
| Non-current, net | ₩ (428,864) | ₩ (409,715) |

d. Deferred tax assets (liabilities) added to (deducted from) capital surplus or capital adjustments

Deferred tax assets (liabilities) added to (deducted from) capital surplus or capital adjustments as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | December 31, 2005 |
|---|-------------------|----------------------|
| Considerations for conversion right | ₩ (18,502) | ₩ (18,502) |
| Unrealized loss on valuation of long-term investment securities | (17,330) | 15,982 |
| Equity in capital adjustment of affiliates, net | (48,319) | (32,349) |
| Loss on valuation of currency swap | 7,157 | 5,377 |
| Total | ₩ (76,994) | ₩ (29,492) |

e. Effective tax rate

Effective tax rates for the three months ended March 31, 2006 and 2005 are as follows (in millions of Korean won) :

| | 2006 | 2005 |
|-----------------------------------|-----------|-----------|
| Income before income tax expenses | ₩ 478,318 | ₩ 547,205 |
| Income tax expenses | 141,158 | 178,787 |
| Effective tax rate | 29.51% | 32.67% |

f. Income taxes payable and income tax refund receivables before offset

Income taxes payable and income tax refund receivables as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

| | March 31, 2006 | December 31, 2005 |
|--------------------------|-------------------|----------------------|
| Prepaid income taxes | ₩ (1,936) | ₩ (312,143) |
| Income taxes payable | 387,264 | 678,722 |
| Income taxes payable-net | ₩ 385,328 | ₩ 366,579 |

Table of Contents**17. NET INCOME AND ORDINARY INCOME PER SHARE**

The Company's net income and ordinary income per share amounts for the three months ended March 31, 2006 and 2005 and for the year ended December 31, 2005 are computed as follows (in millions of Korean won, except for per share income per share) :

Net income and ordinary income per share

| | For the three months ended | | For the year ended |
|--|----------------------------|-------------------|----------------------|
| | March 31, 2006 | March 31, 2005 | December 31, 2005 |
| Net income and ordinary income | ₩ 337,160 | ₩ 368,418 | ₩ 1,871,380 |
| Weighted average number of common shares outstanding | 73,614,296 | 73,614,296 | 73,614,296 |
| Net income and ordinary income per share | ₩ 4,580 | ₩ 5,005 | ₩ 25,421 |

The weighted average number of common shares outstanding for the three months ended March 31, 2006 and 2005 is calculated as follows :

| | Number of shares | Weighted number of days | Weighted number of shares |
|---|---------------------|-------------------------------|---------------------------------|
| 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 |
| For the three months ended March 31, 2005 | | | |
| At January 1, 2005 | 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 |

Diluted net income and ordinary income per share amounts for the three months ended March 31, 2006 and 2005 and the year ended December 31, 2005 are computed as follows (in millions of won, except for share data) :

Diluted net income and ordinary income per share

| | For the three months ended | | For the year ended |
|---|----------------------------|-------------------|----------------------|
| | March 31, 2006 | March 31, 2005 | December 31, 2005 |
| Adjusted net income and ordinary income | ₩ 340,449 | ₩ 371,533 | ₩ 1,844,435 |
| Adjusted weighted average number of common shares outstanding | 75,391,469 | 75,325,046 | 75,332,996 |

| | | | | | | |
|--|---|-------|---|-------|---|--------|
| Diluted net income and ordinary income per share | ₩ | 4,516 | ₩ | 4,932 | ₩ | 25,015 |
|--|---|-------|---|-------|---|--------|

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Adjusted net income and ordinary income per share and the adjusted weighted average number of common shares outstanding for the three months ended March 31, 2006 and 2005 and for the year ended December 31, 2005 are calculated as follows :

| | For the three months ended | | For the year ended |
|---|----------------------------|-------------------|----------------------|
| | March 31, 2006 | March 31, 2005 | December 31, 2005 |
| Net income and ordinary income | ₩ 337,160 | ₩ 368,418 | ₩ 1,871,380 |
| Effect of stock option (note a) | | | |
| Effect of convertible bonds (note b) | 3,289 | 3,115 | 13,055 |
| Adjusted net income and ordinary income | ₩ 340,449 | ₩ 371,533 | ₩ 1,884,435 |
| Weighted average number of common shares outstanding | 73,614,296 | 73,614,296 | 73,614,296 |
| Effect of stock option (note a) | | | |
| Effect of convertible bonds (note b) | 1,777,173 | 1,710,750 | 1,718,700 |
| Adjusted weighted average number of common shares outstanding | 75,391,469 | 75,325,046 | 75,332,996 |

(note a) In the three months ended March 31, 2006 and 2005 and the year ended December 31, 2005, 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, 2006 and 2005 and for the year ended December 31,

2005,
respectively.

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

18. RESTRICTED DEPOSITS

- a. At March 31, 2006, the Company has restricted guarantee deposits for its checking accounts totaling ₩26 million and deposits totaling ₩10,000 million from which the interest incurred is restricted for use of the public interest until August 10, 2006, the due date.
 - b. The Company entered into a contract with First Data Corporation to sell the investment in common stock of KPMS Corporation, which was held by the Company and accounted for as available-for-sale securities. 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 long-term deposits.
-

Table of Contents**19. INSURANCE**

At March 31, 2006, certain of the 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\$ 58,115 |
| Property and equipment | Fire and comprehensive liability | ₩ 3,436,269 | ₩ 7,255,411 |

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

20. RELATED PARTY TRANSACTIONS

As of March 31, 2006 and December 31, 2005, a list of parent company and subsidiaries of the Company are as follows:

a. Holding company and subsidiaries

| Type | Company |
|----------------|--|
| Parent company | SK Corporation |
| Subsidiary | SK Capital Co., Ltd. |
| | SK Telink Co., Ltd. |
| | SK Communications Co., Ltd. |
| | SK Wyverns Baseball Club Co., Ltd. |
| | Global Credit & information Co., Ltd. |
| | PAXNet Co., Ltd. |
| | Seoul Records, Inc. |
| | SLD Telecom PTE Ltd. |
| | SK Telecom China Co., Ltd. |
| | U-Land Company Limited |
| | SK Telecom USA Holdings, Inc. |
| | SK Telecom International Inc. |
| | Centurion IT Investment Association |
| | The First Music Investment Fund of SK-PVC |
| | The Second Music Investment Fund of SK-PVC |
| | SK-KTB Music Investment Fund |
| | IMM Cinema Fund |

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

Significant related party transactions for the three months ended March 31, 2006 and 2005, and account balances as of March 31, 2006 and December 31, 2005 are as follows (in millions of Korean won) :

b-(1). Transactions

| | For the three months ended March 31, 2006 | | |
|---|---|--|--------------------------------------|
| | Purchases of property and equipment | Commissions paid and other expenses | Commission and other income |
| Parent Company : | | | |
| SK Corporation | ₩ 288 | ₩ 8,211 | ₩ 1,348 |
| Subsidiaries : | | | |
| SK Communications Co., Ltd. | | 7,537 | 378 |
| Global Credit & information Co., Ltd. | | 10,964 | 292 |
| PAXNet Co., Ltd. | | 2,526 | 220 |
| SK Telink Co., Ltd. | | 2,887 | 4,259 |
| Others | 984 | 11,419 | |
| Equity Method Investees : | | | |
| WiderThan Co., Ltd. | 617 | 21,907 | 69 |
| Helio, Inc. | | | 4,659 |
| SK C&C Co., Ltd. | 9,830 | 65,328 | 1,783 |
| Others | 1,706 | 3,906 | 9,986 |
| Others : | | | |
| SK Engineering & Construction Co., Ltd. | | 146 | 629 |
| SK Networks Co., Ltd. | 1,684 | 99,942 | 2,295 |
| Innoace Co., Ltd. | 339 | 456 | 46 |
| SK Telesys Co., Ltd. | 8,606 | 180 | 756 |
| Others | | 2,019 | 585 |
| Total | ₩ 24,054 | ₩ 237,428 | ₩ 27,305 |

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| | For the three months ended March 31, 2005 | | |
|---|---|--|--------------------------------------|
| | Purchases of property and equipment | Commissions paid and other expenses | Commission and other income |
| Parent Company : | | | |
| SK Corporation | ₩ 211 | ₩ 8,745 | ₩ 981 |
| Subsidiaries : | | | |
| SK Communications Co., Ltd. | 126 | 7,432 | 233 |
| Global Credit & information Co., Ltd. | | 7,277 | 203 |
| PAXNet Co., Ltd. | | 5,293 | 414 |
| SK Telink Co., Ltd. | | 2,762 | 2,914 |
| Others | | 6,616 | 7 |
| Equity Method Investees : | | | |
| WiderThan Co., Ltd. | 1,245 | 21,361 | 6 |
| SK C&C Co., Ltd. | 3,780 | 68,529 | 1,816 |
| Others | 90 | 2,851 | 5,592 |
| Others : | | | |
| SK Engineering & Construction Co., Ltd. | 1,264 | 99 | 239 |
| SK Networks Co., Ltd. | 690 | 96,494 | 2,574 |
| Innoace Co., Ltd. | 665 | 689 | 51 |
| SK Telesys Co., Ltd. | 13,681 | 158 | 54 |
| Others | 18 | 1,925 | 390 |
| Total | ₩ 21,770 | ₩ 230,231 | ₩ 15,474 |

Table of Contents**b-(2). Account balances**

| | As of March 31, 2006 | | | | | |
|--|------------------------|---------------------|--------------------|-----------------------|---------------------|-----------------------------------|
| | Accounts receivable | Short-term loans | Long-term loans | Guarantee deposits | Accounts payable | Guarantee deposits received |
| Parent Company : | | | | | | |
| SK Corporation | ₩ 1,096 | ₩ | ₩ | ₩ 1,325 | ₩ 9,412 | ₩ 6,174 |
| Subsidiaries : | | | | | | |
| SK Communications Co., Ltd. | 468 | | | | 3,290 | 3,681 |
| SK Wyverns Baseball Club Co., Ltd. | 117 | 575 | 4,706 | | | |
| Global Credit & information Co., Ltd. | 47 | | | | 6,055 | |
| PAXNet Co., Ltd. | 41 | | | | 1,014 | |
| SK Telink Co., Ltd. | 584 | | | | 1,209 | 712 |
| Equity Method Investees : | | | | | | |
| WiderThan Co., Ltd. | 47 | | | | 6,947 | 3,180 |
| SK C&C Co., Ltd. | 130 | | | | 46,993 | 346 |
| Helio, Inc. | 10,392 | | | | | |
| Others | 7,124 | | | | 8,688 | |
| Others : | | | | | | |
| SK Engineering & Construction Co., Ltd. | 181 | | | | 57 | 942 |
| SK Networks Co., Ltd. | 624 | | | 113 | 9,105 | 2,755 |
| Innoace Co., Ltd. | | | | | 2,298 | 2,138 |
| SK Telesys Co., Ltd. | 9 | | | | 35,249 | |
| Others | 251 | | | 900 | 1,894 | |
| Total | ₩ 21,111 | ₩ 575 | ₩ 4,706 | ₩ 2,338 | ₩ 132,211 | ₩ 19,928 |

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As of March 31, 2005

| | Accounts receivable | Short-term loans | Long-term loans | Guarantee deposits | Accounts payable | Guarantee deposits received |
|---|---------------------|------------------|-----------------|--------------------|------------------|-----------------------------|
| Parent Company : | | | | | | |
| SK Corporation | ₩ 1,643 | ₩ | ₩ | ₩ 1,307 | ₩ 6,767 | ₩ 6,174 |
| Subsidiaries : | | | | | | |
| SK Communications Co., Ltd. | 195 | | | | 5,891 | 3,681 |
| SK Wyverns Baseball Club Co., Ltd. | | 1,150 | 4,706 | | | |
| Global Credit & information Co., Ltd. | 70 | | | | 6,533 | |
| PAXNet Co., Ltd. | 401 | | | | 2,077 | |
| SK Telink Co., Ltd. | 436 | | | | 1,179 | 514 |
| Others | 527 | | | | 24 | 70 |
| Equity Method Investees : | | | | | | |
| WiderThan Co., Ltd. | 4 | | | | 17,398 | |
| SK C&C Co., Ltd. | 91 | | | | 174,884 | 346 |
| Helio, Inc. | 11,914 | | | | | |
| Others | 6,050 | | | | 4,154 | 3,062 |
| Others : | | | | | | |
| SK Engineering & Construction Co., Ltd. | 97 | | | | 21,326 | 942 |
| SK Networks Co., Ltd. | 1,760 | | | 113 | 20,465 | 2,700 |
| Innoace Co., Ltd. | | | | | 6,100 | 2,138 |
| SK Telesys Co., Ltd. | 3 | | | | 65,496 | |
| Others | 223 | | | 900 | 7,499 | |
| Total | ₩ 23,414 | ₩ 1,150 | ₩ 4,706 | ₩ 2,320 | ₩ 339,793 | ₩ 19,627 |

c. Compensation for the key management

The Company regards the registered directors, consisting of four standing directors and eight outside directors, as the key management as these directors have significant authority and responsibility for planning, operating, and controlling the Company's business activities. Substantial compensation to the key management for the three months ended March 31, 2006 are as follows (in millions of Korean won):

| Payee | Payroll | Severance indemnities | Total |
|---|---------|-----------------------|---------|
| Registered directors (including eight outside directors) | ₩ 2,638 | ₩ 526 | ₩ 3,164 |

In addition, on March 8, 2002, the Company granted stock options to its nine key management, representing 15,110 shares at an exercise price of ₩267,000 per share. The stock options will fully vest after three years from the date of grant and shall be exercisable for two years upon vesting. Upon exercise of stock options, the Company will issue its

common stock or deliver treasury stock. As of March 31, 2006, outstanding stock options totaled 15,110 shares and there have been no cancelled and excised stock options since the grant date.

Table of Contents**21. 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 and details of change in the provisions for such mileage points for the three months ended March 31, 2006 and 2005 are as follows (in millions of Korean won):

| | March 31, 2006 (note a) | March 31, 2005 (note a) |
|-------------------|-------------------------------|-------------------------------|
| Beginning balance | ₩ 52,172 | ₩ 61,596 |
| Increase | 2,160 | 1,340 |
| Decrease | (2,916) | (4,255) |
| | | |
| Ending balance | ₩ 51,416 | ₩ 58,681 |

(note a) Beginning and ending balances for the three months ended March 31, 2006 are discounted value in accordance with SKAS No. 17 and beginning and ending balances for the three months ended March 31, 2005 are stated at their nominal values.

Rainbow Points expire after 5 years so that all unused points are expired on their fifth anniversary. The expected year when unused Rainbow Points as of March 31, 2006 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 year of the usage (note b) | Estimated amount to be paid | |
|--|--------------------------------|---------------------------|
| | In nominal value (note b) | Current value (note b) |
| 2006 | ₩ 25,895 | ₩ 24,756 |
| 2007 | 15,489 | 14,156 |
| 2008 | 8,250 | 7,209 |
| 2009 | 4,259 | 3,558 |
| 2010 | 2,174 | 1,737 |

| | | | | |
|----------------|---|--------|---|--------|
| Ending Balance | ₩ | 56,067 | ₩ | 51,416 |
|----------------|---|--------|---|--------|

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

Table of Contents**22. DERIVATIVE INSTRUMENTS**

The Company has entered into a fixed-to-fixed cross currency swap contract with Citi Bank, BNP Paribas and Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed US 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, 2006, 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 ₩18,868 million (excluding tax effect totaling ₩7,157 million and foreign exchange translation gain arising from unguaranteed US dollar denominated bonds totaling ₩51,679 million) was accounted for as a capital adjustment.

In addition, 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 US 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, losses on valuation of currency swap of ₩5,297 million and ₩394 million for the three months ended March 31, 2006 and 2005 were charged to current operations. As of March 31, 2006, fair values of above derivatives totaling ₩96,246 million are recorded in long-term liabilities. Details of derivative instruments as of March 31, 2006 are as follows (in thousands of US dollars and millions of Korean won) :

| Type | Hedged item | Face Amount | Duration of contract | Fair value | | Total |
|--|--|----------------|-----------------------------------|--|-------------------|----------|
| | | | | Designated as cash flow hedge | Not Designated | |
| Fix-to-fixed cross currency swap | Unguaranteed US dollar denominated bonds | US\$300,000 | March 23, 2004 ~ April 1, 2011 | ₩ 77,704 | ₩ | ₩ 77,704 |
| Fix-to-fixed cross currency swap | Unguaranteed US dollar denominated convertible bond | US\$100,000 | May 27, 2004 ~ May 27, 2009 | | 18,542 | 18,542 |
| | | | | ₩ 77,704 | ₩ 18,542 | ₩ 96,246 |

23. SUBSTANTIAL CHANGES IN THE BUSINESS ENVIRONMENT**a. Acquisition of WiBro License**

The Company, together with KT Corporation and hanarotelecom incorporated, acquired a license for WiBro, a portable internet service which is scheduled to start commercial operations in June 2006, as a result of the decision of the Committee of Information and Communication Policy dated January 20, 2005. With regard to this service, the Company paid ₩117 billion and received the WiBro license from the Ministry of Information and Technology in March 2005, which was recorded as an intangible asset.

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b. Establishment of Helio, Inc., a joint venture company in the U.S.A.

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, Inc., 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, will invest US\$220 million for a 50% equity interest in the joint venture company from 2005 through 2007. Helio, Inc. will launch cellular voice and data services extensively across the United States of America during the second quarter of 2006 by renting networks from network operators throughout the United States of America also known as partial mobile virtual network operator (MVNO) system.

c. 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 accounts with the same carrier for 18 months or longer. The Company commenced its handset subsidy program on the effective date of the revised Telecommunication 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.

24. SUBSEQUENT EVENTS

(1) Request for conversion of convertible bonds and delivery of treasury stocks

At the request of bond holders, US\$310,000 and US\$2,000,000 of convertible bonds issued in May, 2004 were converted into 1,672 and 10,788 shares of treasury stock on April 20, 2006 and April 26, 2006, respectively, at the conversion price of ₩218,098 (standard foreign currency ratio of ₩1,176.50 for US\$1 based on the related indenture).

(2) Resolution to acquire equity interest in IHQ, Inc.

In accordance with the resolution of the Company's board of directors held on April 26, 2006, the Company decided to purchase additional 5,000,000 shares in IHQ, Inc.'s common stock by exercising its stock options at the exercise price of ₩5,740.49 per share on June 6, 2006 in order to strengthen the Company's communication service and platform business. As a result of this acquisition, the Company's ownership in IHQ, Inc. increased from 21.6% to 34.9%.