

SK TELECOM CO LTD

Form 6-K

January 04, 2008

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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 JANUARY 2008**

**SK Telecom Co., Ltd.**

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

11, Euljiro2-ga, Jung-gu

Seoul 100-999, Korea

*(Address of principal executive offices)*

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

Form 20-F  Form 40-F

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

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

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

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

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

Yes  No

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

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QUARTERLY REPORT

(From January 1, 2007 to September 30, 2007)

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

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

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

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**I. OVERVIEW**

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

**Business Objectives**

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

**2. Company History**

**A. Changes Since Incorporation**

(1) Date of Incorporation

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

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

(2) Location of Headquarters

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

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

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

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

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

**B. Mergers**

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

Date: January 13, 2002

Registration: January 16, 2002

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

Date: May 1, 2003

Registration: May 7, 2003

**C. Significant Recent Business Events**

N/A

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**Table of Contents****3. Information Regarding Shares**

## A. Total number of shares

(As of June 30, 2007)

(Unit: shares)

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

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## B. Capital Stock and Price per Share

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

## C. Acquisition and Disposition of Treasury Shares

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

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

## Notes:

\* Of the 4,639,542 shares of treasury stocks directly acquired based on causes other than those provided in Article 189-2 (1) of the relevant Act, 1,504,657 shares were deposited with the Korea Securities Depository as of

November 2, 2007 for any exchange of the Company's overseas exchangeable bonds.

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## D. Employee Stock Ownership Program

## (1) Transactions with the Employee Stock Ownership Program

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

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

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

- b) Repayment amount during the first to the third quarter of 2007 : Won 2,669,948,000

Details of the loan repayment

(As of September 30, 2007)

(Unit: in thousand Won)

<b>Classification</b>	<b>Amount</b>	<b>Remarks</b>
<b>Initial loan amount</b>	118,577,755	Lent on August 23, 1999 to 3,540 persons
<b>Accumulated repayment amount</b>	113,718,148	Includes Won 2.67 billion repaid during the first to the third quarter of 2007
<b>Balance</b>	4,859,607	Expected full repayment by June 2010

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

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

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

(Unit: shares)

<b>Account classification</b>	<b>Types of share</b>	<b>Balance at the beginning of period</b>	<b>Balance at the end of period</b>
E.S.O.P. account			
Member account	Common share	197,240	163,011

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

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

(As of September 30, 2007)

(Unit: shares)

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

**5. Dividends and Others**

(Unit: in million Won except per share value)

Classification	3Q 2007	2006	2005
Par value per share	500	500	500
Current net income	1,504,780	1,446,598	1,871,380
Net income per share	21,693	19,734	25,421
Income available for distribution as dividend		1,574,716	1,930,626
Total cash dividend	72,667	582,386	662,529
Total stock dividend			
Percentage of cash dividend to available income (%)		40.3	35.4
Cash dividend yield ratio(%)		3.6	4.9
Stock dividend yield ratio (%)			
Cash dividend per share	1,000	8,000	9,000
Stock dividend per share			

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- \* The total amount of cash dividend for the year ended December 31, 2006 includes the interim dividend amount of Won 73,714 million, and the cash dividend amount per share of Won 8,000 for the same period includes the interim dividend amount of Won 1,000 per share.
- \* The total amount of cash dividend for the year ended December 31, 2005 includes the interim dividend amount of Won 73,614 million, and the cash dividend amount per share of Won 9,000 for the same period includes the interim dividend amount of Won 1,000 per share.

**II. BUSINESS****1. Business Summary****A. Industry Status****(1) Characteristics of the Industry**

As of September 30, 2007, the number of domestic mobile phone subscribers reached 42.8 million and with a 88.4% penetration rate, and the Korean mobile communication market can be considered to have reached its maturation stage. However, considering the number of European countries with penetration rates exceeding 90%, additional future growth of the domestic market may be possible.

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

**(2) Industry Growth**

		(Unit: 1,000 persons)				
<b>Classification</b>		<b>End of 3Q 2007</b>	<b>End of 2006</b>	<b>End of 2005</b>	<b>End of 2004</b>	<b>End of 2003</b>
<b>Penetration rate (%)</b>		88.4	83.2	79.4	75.9	70.1
<b>Number of subscribers</b>	<b>SK Telecom</b>	21,606	20,271	19,530	18,783	18,313
	<b>PCS</b>	21,195	19,926	18,812	17,803	15,279
	<b>Total</b>	42,801	40,197	38,342	36,586	33,592

(Data: Ministry of Information and Communication website)

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

The Korean mobile communication market includes the entire population of Korea with mobile communication service needs, and almost every Korean is considered a potential user. With the market penetration rate reaching as high as 88.4% (as of the end of September 2007), the customer base is continuing to expand to include elementary school and pre-school children. Although demand to date has primarily been in the domestic market, as the business territory expands to overseas market, the size of overseas sales is expected to grow in the near future. Seasonal and economic fluctuations have much less impact on the Korean mobile communication market compared to other industries.

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

\* Historical market share of the Company

		(Unit: %)		
		<b>End of 3Q</b>		
<b>Classification</b>		<b>2007</b>	<b>2006</b>	<b>2005</b>
<b>Mobile phone</b>		50.5	50.4	50.9
* Comparative market share				

(As of September 30, 2007)

		(Unit: %)		
		<b>SK</b>		<b>LG</b>
<b>Classification</b>		<b>Telecom</b>	<b>KTF</b>	<b>Telecom</b>
<b>Market share</b>		50.5	31.7	17.8
(Data: Ministry of Information and Communication website)				

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

N/A

**2. Major Products****A. Status of Major Products as of September 30, 2007**

				(Unit: in million Won, %)	
<b>Business field</b>	<b>Sales type</b>	<b>Item</b>	<b>Major trademarks</b>	<b>Sales amount (ratio)</b>	
<b>Information and communication</b>	Services	Mobile phone	June, NATE and others	8,238,525 (98.4%)	
		Others	Others	131,364 (1.5%)	

**B. Price Trend of Major Products**

		<b>3Q 2007</b>	<b>During 2006</b>	<b>During 2005</b>
<b>Mobile phone (Based on standard call charge)</b>	<b>Item</b>			
	<b>Basic fee (per month)</b>	13,000	13,000	13,000
	<b>Service fee (per 10 seconds)</b>	20	20	20

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

**3. Investment Status****A. Investments in Progress**

Business field	Classification	Investment period	Subject of investment	Investment effect	(Unit: Won 100 million)		
					Total investments	Amount already invested	Future investment
Network/Common	Upgrade/New installation	2007	Network, systems and others	Capacity increase and quality improvement; systems improvement	17,500	11,599	5,901

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

**B. Future Investment Plan**

Business field	Expected investment amount Asset type	Amount	Expected investment for each year		Investment effect
			2008	2009	
Network/Common	Network, systems and others	17,500	N/A	N/A	Upgrades to the existing services and provision of new services
	<b>Total</b>	17,500	N/A	N/A	

\* The expected investment amount of Won 1,750.0 billion is the planned investment amount for 2007.

**4. Derivative Products and Others****A. Derivatives Contracts****(1) FX Swap**

a) Purpose of Contracts: Currency Exchange Risk Hedging

b) Contract Terms

Cross Currency Swap

**Table of Contents**

(As of September 30, 2007)

(Unit: in million Won)

<b>Contract amount</b>	<b>Contract party</b>	<b>Contract date</b>	<b>Proceeds payment method</b>	<b>Income/loss on valuation</b>
US\$125 million	Citibank	March 23, 2004	Exchange on the date immediately preceding the principal and interest payment date	(35,584)
US\$125 million	Credit Suisse	March 23, 2004	Same as above	(37,509)
US\$50 million	BNP Paribas	March 23, 2004	Same as above	(14,543)
US\$100 million	Calyon	October 10, 2006	Same as above	(1,261)
US\$150 million	Merrill Lynch	July 13, 2007	Same as above	2,502
US\$150 million	Morgan Stanley	July 13, 2007	Same as above	2,191
US\$150 million	Barclays Capital	July 16, 2007	Same as above	1,566

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

FX Swap

(As of September 30, 2007)

(Unit: in million Won)

<b>Contract amount</b>	<b>Contract party</b>	<b>Contract date</b>	<b>Proceeds payment method</b>	<b>Income on valuation</b>
US\$100 million	Credit Suisse	May 27, 2004	Exchange before principal payment date	(23,929)
US\$1,000 million	Hana Bank	June , 2006	Payment of US Dollars and receipt of Korean Won on October 5, 2007	3,163
US\$1,000 million	Hana Bank	September, 2007	Payment of Korean Won and receipt of US Dollars on October 5, 2007	(12,344)
HKD 10,900 million	Calyon	September, 2007	Payment of HK Dollars and receipt of Korean Won on September 16, 2007	10,482

## (2) Interest Rate Swap

a) Purpose of Contracts: Interest Rate Risk Hedging

b) Contract Terms

(As of September 30, 2007)

(Unit: in million Won)

<b>Contract amount</b>	<b>Contract party</b>	<b>Contract date</b>	<b>Proceeds payment method</b>	<b>Income/loss on valuation</b>
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2,000	Shinhan Bank	June 28, 2006	Fixing of interest payment date / exchange of floating interest rate	1,972
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\* Income/loss on valuation was calculated using the cash flow hedge accounting and was appropriated for capital adjustment.

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

		(Unit: in thousand Won)		
	Category	3Q 2007	2006	2005
	Raw material	60,534	184,969	234,889
	Labor	30,663,616	33,986,701	35,191,759
	Depreciation	92,950,213	134,461,257	121,335,301
	Commissioned service	67,211,250	83,751,223	86,536,635
	Others	23,399,829	35,680,197	41,730,732
	<b>Total R&amp;D costs</b>	<b>214,285,442</b>	<b>288,064,347</b>	<b>285,029,316</b>
	Sales and administrative expenses	207,725,619	277,807,352	273,223,885
Accounting	Development expenses (Intangible assets)	6,559,823	10,256,995	11,805,431
	<b>R&amp;D cost / sales amount ratio (Total R&amp;D costs / Current sales amount×100)</b>	<b>2.56%</b>	<b>2.70%</b>	<b>2.81%</b>

**6. Other Matters**

## A. External Fund Procurement Summary

\* Domestic procurement

(Unit: in million Won)					
Source of procurement	Beginning balance	New procurement	Reduction from repayment	Ending balance	Remarks
Bank	200,000			200,000	
Insurance company					
Merchant banking					
Loan specialty financial company					
Mutual savings bank					
Other financial institutions	9,839		6,578	3,261	
<b>Total procurement from financial institutions</b>	<b>209,839</b>		<b>6,578</b>	<b>203,261</b>	
Corporate bond (public offering)	2,100,000		400,000	1,700,000	



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(Unit: in million Won)

Source of procurement	Beginning balance	New procurement	Reduction from repayment	Ending balance	Remarks
Corporate bond (private offering)					
Paid-in capital increase (public offering)					
Paid-in capital increase (private offering)					
Asset-backed securitization (public offering)					
Asset-backed securitization (private offering)					
Others					
<b>Total procurement from capital market</b>	2,100,000		400,000	1,700,000	
Borrowings from shareholder, officer and affiliated company					
Others					
<b>Total</b>	2,309,839		406,578	1,903,261	

\* Overseas procurement

(Unit: in million Won)

Procurement source	Beginning balance	New procurement	Reduction in repayment and others	Ending balance	Remarks
Financial institutions	92,960		890	92,070	Exchange rate adjustment
Overseas securities (Corporate bonds)	278,880	368,280	2,670	644,490	Exchange rate adjustment
Overseas securities (shares and others)	356,356		22,524	333,832	<b>New procurement</b> Exchange requirement
Asset-backed securitization					
Others					
<b>Total</b>	728,196	368,280	26,084	1,070,392	

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

<b>Credit rating date</b>	<b>Subject of valuation</b>	<b>Credit rating</b>	<b>Credit rating entity (Credit rating range)</b>	<b>Evaluation classification</b>
March 12, 2004	Corporate bond	AAA	Korea Ratings	Current valuation
March 15, 2004	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Current valuation
April 23, 2004	Corporate bond	AAA	Korea Investors Service, Inc.	Current valuation
April 23, 2004	Corporate bond	AAA	Korea Ratings	Current valuation
December 6, 2004	Corporate bond	AAA	Korea Investors Service, Inc.	Current valuation
December 6, 2004	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Current valuation
March 11, 2005	Corporate bond	AAA	Korea Investors Service, Inc.	Current valuation
March 11, 2005	Corporate bond	AAA	Korea Ratings	Current valuation
March 14, 2005	Corporate bond	AAA	Korea Ratings	Regular valuation
June 14, 2005	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Regular valuation
June 13, 2006	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Regular valuation
June 21, 2006	Corporate bond	AAA	Korea Ratings	Regular valuation
June 22, 2006	Corporate bond	AAA	Korea Investors Service, Inc.	Regular valuation
September 1, 2006	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Current valuation
September 1, 2006	Corporate bond	AAA	Korea Ratings	Current valuation
September 1, 2006	Corporate bond	AAA	Korea Investors Service, Inc.	Current valuation
October 27, 2006	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Current valuation
October 27, 2006	Corporate bond	AAA	Korea Ratings	Current valuation
May 29, 2007	Corporate bond	AAA	Korea Ratings	Regular valuation
June 14, 2007	Corporate bond	AAA	National Information on Credit Evaluation, Inc.	Regular valuation
June 27, 2007	Corporate bond	AAA	Korea Investors Service, 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.

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## (2) Commercial Paper ( CP )

<b>Credit rating date</b>	<b>Subject of valuation</b>	<b>Credit rating</b>	<b>Credit rating entity (Credit rating range)</b>	<b>Evaluation classification</b>
January 26, 2004	CP	A1	National Information on Credit Evaluation, Inc.	Regular valuation
June 8, 2004	CP	A1	National Information on Credit Evaluation, Inc.	Current valuation
June 11, 2004	CP	A1	Korea Ratings	Current valuation
June 11, 2004	CP	A1	Korea Investors Service, Inc.	Current valuation
June 13, 2005	CP	A1	Korea Investors Service, Inc.	Current valuation
June 14, 2005	CP	A1	National Information on Credit Evaluation, Inc.	Current valuation
June 16, 2005	CP	A1	Korea Ratings	Current valuation
June 13, 2006	CP	A1	Korea Investors Service, Inc.	Current valuation
June 21, 2006	CP	A1	National Information on Credit Evaluation, Inc.	Current valuation
June 22, 2006	CP	A1	Korea Investors Service, Inc.	Current valuation
September 1, 2006	CP	A1	Korea Ratings	Regular valuation
December 27, 2006	CP	A1	National Information on Credit Evaluation, Inc.	Regular valuation
December 27, 2006	CP	A1	Korea Investors Service, Inc.	Regular valuation
May 29, 2007	CP	A1	Korea Ratings	Current valuation
June 14, 2007	CP	A1	National Information on Credit Evaluation, Inc.	Current valuation
June 27, 2007	CP	A1	Korea Investors Service, Inc.	Current valuation

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

## (3) International Credit Ratings

<b>Date of credit rating</b>	<b>Subject of valuation</b>	<b>Credit rating of securities</b>	<b>Credit rating company (Credit rating range)</b>	<b>Evaluation type</b>
June 14, 2005	Issuer Rating	A	Fitch (England)	Current valuation
July 14, 2005	Global Bonds	A2	Moody s (U.S.A.)	Current valuation
July 14, 2005	Exchangeable Bonds	A2	Moody s (U.S.A.)	Current valuation
July 27, 2005	Global Bonds	A	S&P (U.S.A.)	Current valuation
July 27, 2005	Exchangeable Bonds	A	S&P (U.S.A.)	Current valuation
July 9, 2007	Global Bonds	A	Fitch (England)	Current valuation
July 9	Global Bonds	A2	Moody s (U.S.A.)	Current valuation

**Table of Contents****III. FINANCIAL INFORMATION**

## 1. Summary Financial Statements

(Unit: in million Won)

Classification	Year ended December 31,				
	3Q 2007	2006	2005	2004	2003
<b>Current assets</b>	<b>4,019,508</b>	4,189,325	4,172,485	3,854,345	3,460,706
<b>Quick assets</b>	<b>4,001,851</b>	4,172,887	4,166,500	3,843,384	3,452,682
<b>Inventory</b>	<b>17,657</b>	16,438	5,985	10,961	8,024
<b>Fixed assets</b>	<b>13,360,990</b>	11,624,728	10,349,191	10,166,360	9,915,253
<b>Investments</b>	<b>5,438,895</b>	3,547,942	2,366,760	2,112,488	1,763,359
<b>Tangible assets</b>	<b>4,468,605</b>	4,418,112	4,595,884	4,605,253	4,551,626
<b>Intangible assets</b>	<b>3,180,135</b>	3,405,158	3,386,547	3,448,619	3,600,268
<b>Other non-current assets</b>	<b>273,355</b>	253,516			
<b>Total assets</b>	<b>17,380,498</b>	15,814,053	14,521,676	14,020,705	13,375,959
<b>Current liabilities</b>	<b>2,518,951</b>	2,985,620	2,747,268	2,859,711	4,231,974
<b>Fixed liabilities</b>	<b>3,843,063</b>	3,522,006	3,516,528	4,033,902	3,202,147
<b>Total liabilities</b>	<b>6,362,013</b>	6,507,626	6,263,796	6,893,613	7,434,121
<b>Capital</b>	<b>44,639</b>	44,639	44,639	44,639	44,639
<b>Capital surplus</b>	<b>2,947,698</b>	2,962,699	2,966,198	2,983,166	2,915,964
<b>Capital adjustment</b>	<b>(2,022,478)</b>	(2,019,568)	(2,022,817)	(2,057,422)	(2,159,114)
<b>Accumulated comprehensive income</b>	<b>1,208,809</b>	473,904			
<b>Retained earnings</b>	<b>8,839,816</b>	7,844,753	7,269,861	6,156,708	5,140,349
<b>Total capital</b>	<b>11,018,485</b>	9,306,427	8,257,881	7,127,091	5,941,838
<b>Sales</b>	<b>8,369,889</b>	10,650,952	10,161,129	9,703,681	9,520,244
<b>Operation income</b>	<b>1,860,824</b>	2,584,370	2,653,570	2,359,581	3,080,660
<b>Ordinary income</b>	<b>2,174,304</b>	2,021,643	2,554,613	2,115,778	2,714,194
<b>Current net income</b>	<b>1,576,403</b>	1,446,598	1,871,380	1,494,852	1,942,750

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

**Table of Contents****IV. AUDITOR S OPINION****1. Auditor**

<b>3Q 2007</b> Deloitte Anjin LLC	<b>2006</b> Deloitte Anjin LLC	<b>2005</b> Deloitte Anjin LLC	<b>2004</b> Deloitte Hana Anjin LLC
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**2. Audit Opinion**

<b>Term</b>	<b>Auditor s opinion</b>	<b>Issues noted</b>
<b>3Q 2007</b>	Appropriate	
<b>3Q 2006</b>	Appropriate	
<b>Year ended December 31, 2006</b>	Appropriate	
<b>Year ended December 31, 2005</b>	Appropriate	

**3. Remuneration for Independent non-executive Auditors for the Past Three Fiscal Years****A. Audit Contracts**

<b>Term</b>	<b>Auditors</b>	<b>Contents</b>	<b>(Unit: in thousand Won)</b>	
			<b>Fee</b>	<b>Total hours</b>
<b>3Q 2007</b>	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit	941,000	10,441
<b>Year ended December 31, 2006</b>	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit	656,000	7,637
<b>Year ended December 31, 2005</b>	Deloitte Anjin LLC	Semi-annual review Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit	447,000	5,177
<b>Year ended December 31, 2004</b>	Deloitte Hana Anjin LLC	Semi-annual review Quarterly review	360,000	4,808

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<b>Term</b>	<b>Auditors</b>	<b>Contents</b>	<b>(Unit: in thousand Won)</b>	
			<b>Fee</b>	<b>Total hours</b>
<b>3Q 2007</b>	Deloitte Anjin LLC	Semi-annual review		
		Quarterly review		
		Non-consolidated financial statements audit		
		Consolidated financial statements audit	941,000	10,441
		Non-consolidated financial statements audit		
		Consolidated financial statements audit		

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

## A. Board of Directors

## (1) Authority of the Board of Directors

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

Convocation of shareholders meeting and submission of agenda

Prior approval of financial statements

Decisions on issuance of new shares

Long-term borrowings, issuance of corporate bonds and redemptions

Capital transfer of reserves

Election of CEO and representatives

Appointment of executive directors

Establishment, transfer or closure of branches

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

Annual business plan and budgeting

Approval of investments of Won 15 billion or above

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

Diversification into new businesses

**Table of Contents**

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

Establishment of subsidiaries

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

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

Enactment of and amendment to the Internal Trading Procedures

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

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

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

Results for the six months ended June 30 of each year

Execution of investments between Won 5 billion and Won 15 billion

New investments and joint ventures under Won 15 billion

Acquisition of non-operational fixed assets

Disposition of fixed assets of Won 15 billion or above

Matters related to guarantees of under Won 15 billion

Internal trading not subject to approval by the Board of Directors

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

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

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

b) There was no nomination by the shareholders.

(3) Significant Activities of the Board of Directors

Meeting	Date	Agenda	Approval
276 <sup>th</sup> (the first meeting of 2007)	January 25, 2007	Financial statements for the year ended December 31, 2006 Annual business report for the year ended December 31, 2006	Approved as proposed Approved as proposed



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<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>
<b>277<sup>th</sup> (the second meeting of 2007)</b>	February 13, 2007	Organization of Independent Non-executive Director Nomination Committee	Approved as proposed
<b>278<sup>th</sup> (the third meeting of 2007)</b>	February 13, 2007	Convocation of the 23 <sup>rd</sup> General Meeting of Shareholders Change in the Fair Trade Voluntary Compliance Program manager	Approved as proposed Approved as proposed
<b>279<sup>th</sup> (the fourth meeting of 2007)</b>	March 9, 2007	Election of the representative director and appointments of executive directors Election of committee members	Approved as proposed Approved as proposed
<b>280<sup>th</sup> (the fifth meeting of 2007)</b>	April 27, 2007	Entry into UN Global Compact	Approved as proposed
<b>281<sup>th</sup> (the sixth meeting of 2007)</b>	May 29, 2007	WCDMA Investment Plan	Approved as proposed
<b>282<sup>th</sup> (the seventh meeting of 2007)</b>	June 29, 2007	Capital Investment in AD Chips & Acquisition of Convertible Bond Capital Investment in iHQ Capital Investment in NTREEV Issuance of Global Bond Capital Injection into USA Holdings Inc.	Disapproval Approved as proposed Approved as proposed Approved as proposed
<b>283<sup>th</sup> (the eighth meeting of 2007)</b>	July 27, 2007	Interim Dividend	Approved as proposed
<b>284<sup>th</sup> (the ninth meeting of 2007)</b>	September 20, 2007	Capital Increase Review on SK Telecom USA Holdings New Corporate Establishment and Equity Participation in the USA Transactions with SK C&C during 4Q 2007	Approved Approved as proposed Approved as proposed
<b>285<sup>th</sup> (the tenth meeting of 2007)</b>	October 16, 2007	Extension of Stock Buyback Trust Contract	Approved as proposed

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- (4) Committee Structure and Activities of the Board of Directors  
 a) Independent non-executive Director Nomination Committee  
 Organization

(As of September 30, 2007)

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

Activities

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

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

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

(As of September 30, 2007)

**Members**

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

<b>Meeting</b>	<b>Date</b>	<b>Number of Attendees</b>	<b>Details</b>
<b>The first meeting of 2007</b>	April 26, 2007	7 persons/ 8 persons	Election of chairman
<b>The second meeting of 2007</b>	July 27, 2007	7 persons/ 8 persons	Compensation System Review
* The Compensation Review Committee is a committee established by the resolution of the Board of Directors.			

c) Capex Review Committee  
Organization

(As of September 30, 2007)

**Members**

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

<b>Meeting</b>	<b>Date</b>	<b>Number of Attendees</b>	<b>Details</b>
<b>The first meeting of 2007</b>	April 26, 2007	4 persons/5 persons	Election of chairman Capital Investment in AD Chips & Acquisition of Convertible Bond
<b>The second meeting of 2007</b>	June 28, 2007	5 persons/5 persons	Capital Investment in iHQ Capital Investment in NTREEV
<b>The third meeting of 2007</b>	September 19, 2007	5 persons/5 persons	

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

- d) Globalization Committee  
Organization

(As of September 30, 2007)

<b>Number of Persons</b>	<b>Company Directors</b>	<b>Members</b>	
<b>Activities</b>		<b>Independent non-executive Directors</b>	
4 persons	Ha Sung Min	Dae Sik Kim, Dae Kyu Byun, Sang Chin Lee	
<b>Meeting</b>	<b>Date</b>	<b>Number of Attendees</b>	<b>Details</b>
	June 28, 2007	5 persons/5 persons	Capital Injection into USA Holdings Inc.

**The first meeting of 2007**

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

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

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

**B. Audit System**

(1) Establishment and Organization of the Audit Committee

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

(2) Authority of the Audit Committee

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

(3) Members of the Audit Committee

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

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## (4) Major Activities of the Audit Committee

<b>Meeting</b>	<b>Date</b>	<b>Agenda</b>	<b>Approval</b>	<b>Remarks</b>
<b>The first meeting of 2007</b>	January 24, 2007	Financial statements for the year ended December 31, 2006 Annual business report for the year ended December 31, 2006 Report on operation of internal accounting controls Report on K GAAP audit of the financial statements for the year ended December 31, 2006 Report on the review of internal accounting controls for the year ended December 31, 2006		
<b>The second meeting of 2007</b>	February 12, 2007	Report on the 2006 second-half management audit and the 2007 plan Auditor's opinion on internal controls Audit report for the year ended December 31, 2005 Evaluation of internal accounting controls Election of committee chairman	Approved as proposed Approved as proposed Approved as proposed Approved as proposed	
<b>The third meeting of 2007</b>	April 26, 2007	Reaffirmation of services to be provided by external auditors for fiscal year 2007 Report on internal audit regarding the appropriateness of imposition of certain fines Accounting audit schedule for 2007		To be re-proposed at subsequent meeting
<b>The fourth meeting of 2007</b>	May 28, 2007	Remuneration for outside auditor for 2007 Collective re-approval of outside auditor's service schedule for 2007	Approved as proposed Approved as proposed	
<b>The fifth meeting of 2007</b>	June 28, 2007	Issuance of Global Bond plan Report on US-GAAP audit of the financial statements for the year ended		

		December 31, 2007
		Interim dividend plan
		Financial results for the first half of 2007
<b>The sixth meeting of 2007</b>	July 26, 2007	Report on K-GAAP audit of the financial statements for the first half of 2007
		Management audit results for the first half of 2007
<b>The seventh meeting of 2007</b>	September 19, 2007	Evaluation of internal accounting controls

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**Table of Contents****C. Exercise of Voting Rights by the Shareholders****(1) Use of the Cumulative Voting System**

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

b) **Articles of Incorporation**

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

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

**D. Compensation of Officers and Others****(1) Compensation of Directors (including Independent non-executive Directors) and Members of the Audit Committee**

(Unit: in million Won)

<b>Classification</b>	<b>Total payment</b>	<b>Total amount approved by the Meeting of Shareholders</b>	<b>Average payment per person</b>	<b>Remarks</b>
Company directors	4,360		1,090	
Independent non-executive directors	465	12,000	60	Including members of the Audit Committee

**(2) Granting and Exercise of Stock Options**

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

**2. Affiliated Companies****(1) Summary of Corporate Group**

Name: SK Group

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## (2) Capital Investments between Affiliated Companies

(As of October 15, 2007)

\* Based on common shares

Investing company	Invested companies							
	SK Corporation	SK Energy	SK Networks	SK Telecom	SKC	SK E&C	SK Shipping	SK Securities
SK Corporation		17.34%	40.55%	21.75%	42.50%		72.13%	
SK Energy								
SK Networks				1.34%		0.02%	17.71%	22.71%
SK Telecom								
SK Chemicals						58.03%		
SKC							10.16%	12.41%
SK E&C								
SK Shipping								
SK Securities								
Walkerhill								
SK C&C	11.16%	11.16%						
SK incheon oil								
Daehan City Gas								
SK Telink								
SK E&S								
SK Communications								
iHQ								
Empas								
<b>Total affiliated companies</b>	<b>11.16%</b>	<b>28.50%</b>	<b>40.55%</b>	<b>23.09%</b>	<b>42.50%</b>	<b>58.05%</b>	<b>100.00%</b>	<b>35.12%</b>



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	<b>Invested companies</b>							<b>Pohang Gas</b>
<b>Investing companies</b>	<b>Walkerhill</b>	<b>SK E&amp;S</b>	<b>SK Gas</b>	<b>SK C&amp;C</b>	<b>DOPCO</b>	<b>CCES</b>	<b>YNES</b>	
<b>SK Corporation</b>		51.00%						
<b>SK Energy</b>					32.38%			
<b>SK Networks</b>	50.37%			15.00%	4.61%			
<b>SK Telecom</b>				30.00%				
<b>SK Chemicals</b>	0.25%							
<b>SKC</b>	7.50%							
<b>SK E&amp;C</b>								
<b>SK Shipping</b>								
<b>SK Securities</b>								
<b>Walkerhill</b>								
<b>SK C&amp;C</b>								
<b>SK incheon oil</b>					5.23%			
<b>Daehan City Gas</b>								
<b>SK Telink</b>								
<b>SK E&amp;S</b>			45.53%			100.00%	100.00%	100.00%
<b>SK Communications</b>								
<b>iHQ</b>								
<b>Empas</b>								
<b>Total affiliated companies</b>	58.12%	51.00%	45.53%	45.00%	42.22%	100.00%	100.00%	100.00%

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

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

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Investing companies	Infosec	Invested companies				Innoace	AirCROSS
		MRO Korea	SK Communications	SK Telesys			
SK Corporation							
SK Energy							
SK Networks		51.00%				43.08%	
SK Telecom			85.90%			14.25%	100.00%
SK Chemicals							
SKC	20.63%					77.13%	
SK E&C							
SK Shipping							
SK Securities							
Walkerhill							
SK C&C	48.14%						
SK incheon oil							
Daehan City Gas							
SK Telink				1.18%			
SK E&S							
SK Communications							
iHQ							
Empas							
<b>Total affiliated companies</b>	<b>68.77%</b>	<b>51.00%</b>	<b>87.08%</b>	<b>77.13%</b>	<b>57.33%</b>	<b>100.00%</b>	

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Investing companies	Encar network	Global C&I	Invested companies				SK Utis	SK CTA
			Paxnet	TU Media	SK D&D			
SK Corporation								
SK Energy	50.00%						33.67%	
SK Networks								
SK Telecom		50.00%	59.74%	32.70%				
SK Chemicals						60.00%		
SKC								
SK E&C					44.98%			
SK Shipping								
SK Securities		40.00%						
Walkerhill								
SK C&C								
SK incheon oil								
Daehan City Gas								
SK Telink								
SK E&S								
SK Communications								
iHQ								
Empas								
<b>Total affiliated companies</b>	50.00%	90.00%	59.74%	32.70%	44.98%	60.00%	33.67%	

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Investing companies	Invested companies						
	Seoul Records	In2Gen	Independence	SK Petrochemical	SK Mobile Energy	SKC Media	SK Incheon Oil
SK Corporation							
SK Energy					88.34%		90.63%
SK Networks							
SK Telecom	60.00%						
SK Chemicals		84.19%		100.00%			
SKC					11.66%	100.00%	
SK E&C							
SK Shipping							
SK Securities							
Walkerhill							
SK C&C			67.78%				
SK incheon oil							
Daehan City Gas							
SK Telink							
SK E&S							
SK Communications							
iHQ							
Empas							
<b>Total affiliated companies</b>	60.00%	84.19%	67.78%	100.00%	100.00%	100.00%	90.63%

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Investing companies	iHQ	YTN Media	Invested companies				Empas	Ecolgreen
			I Film Co.	NTREEV Soft	SK I-Media			
SK Corporation								
SK Energy								
SK Networks							55.00%	
SK Telecom	37.09%			66.69%				
SK Chemicals								
SKC								
SK E&C								
SK Shipping								
SK Securities								
Walkerhill								
SK C&C						40.00%		
SK incheon oil								
Daehan City Gas								
SK Telink								
SK E&S								
SK Communications						60.00%	24.43%	
IHQ		51.42%	45.00%					
Empas								
<b>Total affiliated companies</b>	<b>37.09%</b>	<b>51.42%</b>	<b>45.005</b>	<b>66.69%</b>	<b>100.00%</b>	<b>24.43%</b>	<b>55.00%</b>	

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Investing companies	Invested companies			SKN Service
	Pullbbang	Island	SKC Air Gas	
SK Corporation				
SK Energy				
SK Networks	58.33%			100.00%
SK Telecom				
SK Chemicals				
SKC			80.00%	
SK E&C				
SK Shipping				
SK Securities				
Walkerhill				
SK C&C				
SK incheon oil		50.00%		
Daehan City Gas				
SK Telink				
SK E&S				
SK Communications				
IHQ				
Empas				
<b>Total affiliated companies</b>	<b>58.33%</b>	<b>50.00%</b>	<b>80.00%</b>	<b>100.00%</b>

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

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

(As of September 30,  
2007)

(Unit: share, %)

Name	Relationship	Types of shares	Number of shares owned (equity rate)			Ending Number of shares	Ownership ratio	Cause of change
			Beginning Number of shares	Ownership ratio	Increase Decrease Number Number of shares			
<b>SK Corporation</b>	Parent company	Common stock	17,663,127	21.75		17,663,127	21.75	
<b>SK Networks</b>	Affiliated company	Common stock	1,085,325	1.34		1,085,325	1.34	
<b>Tae Won Choi</b>	Officer of affiliated company	Common stock	100	0.00		100	0.00	
<b>Shin Won Choi</b>	Officer of affiliated company	Common stock	770	0.00	770		0.00	
<b>Shin Bae Kim</b>	Director	Common stock	1,270	0.00		1,270	0.00	
<b>Dae Kyu Byun</b>	Director	Common stock	50	0.00		50	0.00	
<b>Jae Seung Yoon</b>	Director	Common stock	200	0.00		200	0.00	
<b>Bang Hyung Lee</b>	Director	Common stock	400	0.00		400	0.00	
<b>Sung Min Ha</b>	Director	Common stock	738	0.00		738	0.00	
		Common stock	18,751,980	23.10		18,751,210	23.09	
<b>Total</b>		Preferred stock	0	0		0	0	
		<b>Total</b>	18,751,980	23.10		18,751,210	23.09	

Largest shareholder: SK  
Corporation

Number of related parties: 8 persons

**Table of Contents****B. Shareholders with More than 5% Shareholding**

(As of June 30, 2007)

(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	24,321,893	29.96			24,321,893	29.96
2	SK Corporation	17,663,127	21.75			17,663,127	21.75
3	SK Telecom	8,526,252	10.50			8,526,252	10.50
	<b>Total</b>	50,511,272	62.21			50,511,272	62.21

**C. Shareholder Distribution**

(As of June 30, 2007)

Classification	Number of shareholders	Ratio (%)	Number of shares	Ratio (%)	Remarks
<b>Total minority shareholders</b>	23,259	99.96	26,207,534	32.27	
<b>Minority shareholders (corporate)</b>	883	3.79	9,912,469	12.20	
<b>Minority shareholders (individual)</b>	22,376	96.16	16,295,065	20.06	
<b>Largest shareholder</b>	1	0.00	17,663,127	21.75	
<b>Major shareholders</b>	9	0.03	54,986,177	67.72	
<b>Other shareholders (corporate)</b>	7	0.03	29,293,172	36.07	
<b>Other shareholders (individual)</b>	2	0.00	25,693,005	31.64	
<b>Total</b>	23,268	100.00	81,193,711	100.00	

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

## A. Domestic Securities Market

(Unit: Won, shares)

Types		September 2007	August 2007	July 2007	June 2007	May 2007	April 2007
Common share	Highest	212,000	206,500	221,000	213,000	215,000	197,000
	Lowest	206,000	192,000	200,000	200,000	200,500	188,500
Monthly transaction volume		2,494,024	4,408,098	5,311,253	4,251,318	4,493,840	4,900,458

## B. Overseas Securities Market

(Unit: US\$,  
ADR)

New York Stock Exchange

Types		September 2007	August 2007	July 2007	June 2007	May 2007	April 2007
Depository receipt	Highest	29.70	29.33	30.30	28.02	27.76	24.83
	Lowest	28.05	26.15	27.41	26.11	25.46	23.41
Monthly transaction volume		20,339,291	42,018,148	32,018,574	23,520,924	39,284,124	31,587,540

**VII. EMPLOYEES**

(As of September 30, 2007) (Unit: persons, in  
million Won)

Classification	Number of employees			Average service year	Total half year wage	Average wage per person	Remarks
	Office manageria positions	Production positions	Others				
Male	3,802			9.15	175,847	46	
Female	570			7.39	21,076	37	
<b>Total</b>	<b>4,372</b>			<b>8.27</b>	<b>196,923</b>	<b>45</b>	

**Table of Contents****VIII. TRANSACTIONS WITH RELATED PARTIES****1. Transactions with the Largest Shareholder**

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

(As of September 30, 2007)

(Unit: in million Won)

Name (Corporate name)	Relationship	Account category	Beginning	Change details		Ending	Accrued interest	Remarks
				Increase	Decrease			
SK Wyverns	Affiliated company	Long-term and short-term loans	5,282		575	4,707	317	

## B. Equity Investments

(As of September 30, 2007)

(Unit: in million Won)

Name (Corporate name)	Relationship	Types of Investment	Beginning	Details			Note
				Increase	Decrease	Ending	
SKT U.S.A. Holdings	Affiliated company	Common share	199,047	73,536		272,583	
AirCROSS	Affiliated company	Common share	300	2,140		2,440	
TU Media	Affiliated company	Common share	64,611	32,368		96,979	
China STC	Affiliated company	Common share	1,343	5,646		6,989	
SK Telecom(CHINA) Holding Co.,Ltd.	Affiliated company	Common share		4,168		4,168	
iHQ	Affiliated company	Common share	41,846	10,000		51,846	
Pillio	Affiliated company	Common share		6,276		6,276	
Baba.com	Affiliated company	Common share		1,975		1,975	
ENTREEV	Affiliated company	Common share		17,720		17,720	
<b>Total</b>			307,147	153,829		460,976	

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

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

\* Agents

Name (Corporate name)	Relationship	Account category	Change details			Ending	(Unit: in million Won)	
			Beginning	Increase	Decrease		Accrued interest	Remarks
<b>Hong Eun and others</b>	Agency	Long-term and short-term loans	64,984	193,751	135,021	123,714		

\* Overseas investment companies

Name (Corporate name)	Relationship	Account category	Change details			Ending	(Unit: in million Won)	
			Beginning	Increase	Decrease		Accrued interest	Remarks
<b>DSS Mobile Com. (India)</b>	Overseas Investment company	Long-term loans	18,887			18,887		Payment guarantee

B. Equity Investments

Name (Corporate name)	Relationship	Types of Investment	Details				Remarks
			Beginning	Increase	Decrease	Ending	
<b>Nayio Media, Inc.</b>		Common share	248		248		
<b>DCM V.L.P.</b>				4,692		4,692	
<b>Sky Lake Fund</b>				352		352	
<b>Centurion IT Investment Group</b>			3,000		900	2,100	
<b>KTB Investment Group</b>			1,060		371	689	
<b>Bridge Mobile Alliance</b>				1,392		1,392	
<b>KINX</b>		Common share	54		54		
<b>NTS Company</b>		Common share	95		95		

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(Unit: in million Won)						
Name (Corporate name)	Relationship	Types of Investment	Details			Remarks
			Beginning	Increase	Decrease	
JS Tech		Common share	95		95	
P&T Telecom		Common share	95		95	
GN Solitech		Common share	95		95	
RF Solution		Common share	95		95	
Kyoungseo Telecom		Common share	95		95	
PWNT		Common share	95		95	
WithNet		Common share	95		95	
NS Tech		Common share	95		95	
Hangil Telecom		Common share	95		95	
M-Cube works		Common share	188		188	
Stic Investment		Common share	8,000		8,000	
Helio.com		Common share	1,100	242		1,342
China Unicom		Common share		1,333,009		1,333,009
<b>Total</b>			14,695	1,339,687	10,806	1,343,576

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

Date of Disclosure in Korea	Title	Report	Reports status
October 26, 2001	Resolution on trust agreement for the acquisition of treasury shares and others	1. Signatories: Shinhan Bank, Hana Bank, Cho Hung Bank, Korea Exchange Bank 2. Contract amount: Won 1,300 billion 3. Purpose: to increase shareholder value	1. On December 24, 2003, cash surplus amount from the existing trust agreement was partially reduced (Won 318 billion). 2. On September 24, 2004, the Board of Directors extended the term of the specified monetary trust agreement for 3 years. 3. On October 16, 2007, the Board of Directors extended the term of the specified monetary trust agreement for 3 years. 4. As of September 30, 2007, the balance of

specified monetary trust for treasury shares was  
Won 982 billion.

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

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

**3. Contingent Liabilities****A. Material Legal Proceedings****(1) Action for Monetary Damages**

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

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

- a) Parties to the litigation: Korea Multinet vs. MIC (the Company is participating in the action on behalf of MIC)
- b) Overview: Korea Multinet brought an administrative action against MIC to cancel the Company's key communication business licenses and the allotment of the Company's satellite DMB frequency.
- c) Progress: The Seoul Administrative Court dismissed the claim in July 2006, and Korea Multinet has appealed to the Seoul Appellate Court where the lawsuit is currently pending.



- d) Impact on business: The Company plans to provide full support to MIC in the action although no significant impact to the Company's business is expected; however, the actual impact may differ depending on future events.
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***SK TELECOM CO., LTD.***

***NON-CONSOLIDATED FINANCIAL STATEMENTS***

***FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006***

***AND INDEPENDENT ACCOUNTANTS REVIEW REPORT***

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**Independent Accountants' Review Report**

English Translation of a Report Originally Issued in Korean

To the Stockholders and Board of Directors of

SK Telecom Co., Ltd.

We have reviewed the accompanying non-consolidated balance sheet of SK Telecom Co., Ltd. (the Company) as of September 30, 2007, the related non-consolidated statements of income for the three months and nine months ended September 30, 2007 and 2006, the non-consolidated statement of cash flows for nine months ended September 30, 2007 and 2006, and the non-consolidated statement of changes in stockholders' equity for nine months ended September 30, 2007, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

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

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

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

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

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Accounting principles and review standards and their application in practice vary among countries. The accompanying 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 financial statements may differ from those generally accepted and applied in other countries. Accordingly, this report and the accompanying financial statements are for use by those knowledgeable about Korean accounting principles and practices and review standards and their application in practice.

November 2, 2007

**Notice to Readers**

This report is effective as of November 2, 2007, the accountants' review report date. Certain subsequent events or circumstances may have occurred between the accountants' review report date and the time the accountants' review report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modification to the accountants' review report.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED BALANCE SHEETS**  
**SEPTEMBER 30, 2007 AND DECEMBER 31, 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	September 30, 2007  (In millions)	December 31, 2006  (In millions)	September 30, 2007  (In thousands)	December 31, 2006  (In thousands)
<b>ASSETS</b>				
<b>CURRENT ASSETS:</b>				
Cash and cash equivalents (Notes 2 and 12)	₩ 368,439	₩ 241,100	\$ 403,283	\$ 263,901
Trading securities (Notes 2 and 3)	525,114	665,299	574,775	728,217
Short-term financial instruments (Note 20)	168,759	61,953	184,719	67,812
Current portion of long-term investment securities (Notes 2 and 3)	79,906	156	87,463	171
Accounts receivable – trade, net of allowance for doubtful accounts of ₩87,714 million as of September 30, 2007 and ₩88,285 million as of December 31, 2006 (Notes 2, 12 and 23)	1,669,990	1,700,650	1,827,923	1,861,482
Short-term loans, net of allowance for doubtful accounts of ₩792 million as of September 30, 2007 and ₩9,212 million as of December 31, 2006 (Notes 2, 5 and 23)	78,446	61,967	85,865	67,827
Accounts receivable – other, net of allowance for doubtful accounts of ₩24,915 million as of September 30, 2007 and ₩26,708 million as of December 31, 2006 (Notes 2, 12 and 23)	952,745	1,257,244	1,042,847	1,376,143
Inventories (Note 2)	17,657	16,439	19,327	17,994
Prepaid expenses	107,567	113,256	117,740	123,967
Current deferred income tax assets, net (Notes 2 and 17)	27,798	40,113	30,427	43,907
Currency swap (Notes 2 and 25)	13,751	16,660	15,051	18,236
Accrued income and other	9,336	14,488	10,217	15,857
<b>Total Current Assets</b>	<b>4,019,508</b>	<b>4,189,325</b>	<b>4,399,637</b>	<b>4,585,514</b>
<b>NON-CURRENT ASSETS:</b>				
Property and equipment, net (Notes 2, 6, 11, 22 and 23)	4,468,605	4,418,112	4,891,205	4,835,937
Intangible assets, net (Notes 2, 7 and 11)	3,180,135	3,405,159	3,480,883	3,727,188
Long-term financial instruments (Notes 20)	10,019	10,024	10,967	10,972
Long-term investment securities (Notes 2 and 3)	4,008,861	2,376,268	4,387,983	2,600,994
Equity securities accounted for using the equity method (Notes 2 and 4)	1,411,784	1,161,651	1,545,298	1,271,509

Long-term loans, net of allowance for doubtful accounts of ₩24,097 million as of September 30, 2007 and ₩23,148 million as of December 31, 2006 (Notes 2, 5 and 23)	51,812	12,828	56,712	14,041
Guarantee deposits, net of allowance for doubtful accounts of ₩163 million as of September 30, 2007 and December 31, 2006 (Notes 2, 12 and 23)	116,449	120,006	127,462	131,355
Long-term currency swap (Notes 2 and 25)	6,258		6,850	
Long-term interest rate swap (Notes 2 and 25)	1,972		2,158	
Long-term deposits and other	105,095	120,680	115,033	132,093
Total Non-current Assets	13,360,990	11,624,728	14,624,551	12,724,089
TOTAL ASSETS	₩ 17,380,498	₩ 15,814,053	\$ 19,024,188	\$ 17,309,603

(Continued)

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)**  
**SEPTEMBER 30, 2007 AND DECEMBER 31, 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	September 30, 2007 (In millions)	December 31, 2006 (In millions)	September 30, 2007 (In thousands)	December 31, 2006 (In thousands)
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
<b>CURRENT LIABILITIES:</b>				
Accounts payable (Notes 12 and 23)	₩ 875,518	₩ 1,107,786	\$ 958,317	\$ 1,212,550
Income tax payable (Note 17)	262,635	331,496	287,473	362,846
Accrued expenses (Notes 2 and 24)	362,153	373,865	396,402	409,222
Dividend payable	299	268	327	293
Withholdings	265,508	327,895	290,617	358,904
Current portion of long-term debt, net (Notes 2, 8 and 11)	705,427	794,186	772,140	869,293
Current portion of subscription deposits (Note 10)	8,242	15,760	9,021	17,250
Currency swap (Notes 2 and 25)	13,201		14,449	
Advanced receipts and other	25,968	34,364	28,425	37,615
<b>Total Current Liabilities</b>	<b>2,518,951</b>	<b>2,985,620</b>	<b>2,757,171</b>	<b>3,267,973</b>
<b>NON-CURRENT LIABILITIES:</b>				
Bonds payable, net (Notes 2 and 8)	2,035,127	1,978,874	2,227,591	2,166,018
Long-term borrowings (Note 9)	292,070	292,960	319,691	320,665
Subscription deposits (Note 10)	10,770	21,140	11,789	23,139
Long-term payables other, net of present value discount of ₩25,218 million as of September 30, 2007 and ₩42,461 million as of December 31, 2006 (Note 2)	424,782	517,539	464,954	566,483
Obligations under capital lease (Notes 2 and 11)		1,642		1,797
Accrued severance indemnities, net (Note 2)	31,022	9,568	33,956	10,473
Non-current deferred income tax liabilities, net (Notes 2 and 17)	896,081	530,454	980,824	580,620
Long-term currency swap (Notes 2 and 25)	112,825	112,970	123,495	123,654
Long-term interest rate swap (Notes 2 and 25)		454		497
Guarantee deposits received and other (Notes 2, 23 and 24)	40,385	56,404	44,204	61,738
<b>Total Non-current Liabilities</b>	<b>3,843,062</b>	<b>3,522,005</b>	<b>4,206,504</b>	<b>3,855,084</b>
<b>Total Liabilities</b>	<b>6,362,013</b>	<b>6,507,625</b>	<b>6,963,675</b>	<b>7,123,057</b>

## STOCKHOLDERS EQUITY:

Capital stock (Notes 1 and 13)	44,639	44,639	48,861	48,861
Capital surplus (Notes 2, 8, 13,16 and 17)	2,947,698	2,962,699	3,226,465	3,242,884
Capital adjustments:				
Treasury stock (Notes 1 and 15)	(2,014,927)	(2,014,927)	(2,205,481)	(2,205,481)
Loss on disposal of treasury stock (Notes 15 and 17)	(7,550)	(7,887)	(8,264)	(8,633)
Stock options (Notes 2 and 16)		3,246		3,553
Accumulated other comprehensive income (loss) (Note 18):				
Unrealized gain on valuation of long-term investment securities, net (Notes 2, 3 and 17)	1,130,060	408,521	1,236,931	447,155
Equity in other comprehensive income of affiliates, net (Notes 2, 4 and 17)	88,692	82,200	97,080	89,974
Loss on valuation of currency swap, net (Notes 2, 17 and 25)	(11,373)	(16,487)	(12,449)	(18,046)
Gain (loss) on valuation of interest rate swap, net (Notes 2, 17 and 25)	1,430	(329)	1,565	(360)
Retained earnings:				
Appropriated (Note 14)	7,335,037	6,679,234	8,028,718	7,310,895
unappropriated	1,504,779	1,165,519	1,647,087	1,275,744
Total Stockholders Equity	11,018,485	9,306,428	12,060,513	10,186,546

TOTAL LIABILITIES AND STOCKHOLDERS  
EQUITY

₩ 17,380,498    ₩ 15,814,053    \$ 19,024,188    \$ 17,309,603

See accompanying notes to non-consolidated financial statements.



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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**

	Korean won				Translation into U.S. dollars (Note 2)			
	2007		2006		2007		2006	
	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30	Three months ended September 30	Nine months ended September 30
	(In millions)				(In thousands)			
OPERATING REVENUE (Notes 2 and 23)	₩ 2,815,566	₩ 8,369,888	₩ 2,712,531	₩ 7,891,177	\$ 3,081,837	\$ 9,161,436	\$ 2,969,058	\$ 8,637,453
OPERATING EXPENSES (Note 2):								
Labor cost	(102,514)	(323,731)	(100,339)	(320,169)	(112,209)	(354,347)	(109,828)	(350,448)
Commissions paid (Notes 2 and 23)	(1,008,563)	(2,877,487)	(806,258)	(2,397,787)	(1,103,944)	(3,149,614)	(882,507)	(2,624,548)
Depreciation and amortization (Notes 6 and 7)	(443,319)	(1,215,252)	(383,545)	(1,057,068)	(485,244)	(1,330,180)	(419,817)	(1,157,036)
Network interconnection	(250,221)	(737,919)	(207,954)	(712,292)	(273,885)	(807,705)	(227,620)	(779,654)
Leased line	(95,287)	(291,550)	(99,339)	(296,950)	(104,298)	(319,122)	(108,734)	(325,033)
Advertising	(70,027)	(197,454)	(68,453)	(206,116)	(76,650)	(216,127)	(74,927)	(225,609)
Research and development (Note 2)	(53,388)	(151,782)	(51,539)	(153,294)	(58,437)	(166,136)	(56,413)	(167,791)
Rent	(52,046)	(148,788)	(47,948)	(141,588)	(56,968)	(162,859)	(52,482)	(154,978)
Frequency usage	(41,427)	(122,750)	(40,174)	(118,484)	(45,345)	(134,359)	(43,973)	(129,689)
Repair	(39,049)	(109,038)	(34,844)	(97,785)	(42,742)	(119,350)	(38,139)	(107,033)
Cost of goods sold	(19,885)	(46,836)	(11,666)	(24,286)	(21,766)	(51,265)	(12,769)	(26,583)
Other	(103,229)	(286,477)	(102,352)	(319,848)	(112,990)	(313,568)	(112,033)	(350,095)
Sub-total	(2,278,955)	(6,509,064)	(1,954,411)	(5,845,667)	(2,494,478)	(7,124,632)	(2,139,242)	(6,398,497)
	536,611	1,860,824	758,120	2,045,510	587,359	2,036,804	829,816	2,238,956

OPERATING  
INCOMEOTHER  
INCOME:

Interest income

Note 3)	19,587	54,415	12,917	49,275	21,439	59,561	14,139	53,935
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Dividends	6,203	21,096	4,969	20,345	6,790	23,091	5,439	22,269
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Commissions								
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Note 23)	4,357	27,245	9,261	27,220	4,769	29,822	10,137	29,794
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Reversal of								
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allowance for								
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doubtful								
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accounts	37	476			40	521		
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Foreign								
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exchange and								
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translation								
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gains (Note 2)	2,551	2,879	288	2,332	2,792	3,151	315	2,553
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Equity in								
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earnings of								
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affiliates (Notes								
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2 and 4)	254,871	271,166	14,415	47,831	278,974	296,810	15,778	52,354
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Gain on								
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disposal of								
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investment								
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assets	72	2,002	2,494	4,915	79	2,191	2,730	5,380
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Gain on								
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disposal of								
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property,								
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equipment and								
---------------	--	--	--	--	--	--	--	--

intangible								
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assets	712	6,430	302	1,056	779	7,038	331	1,156
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Gain on								
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transaction and								
-----------------	--	--	--	--	--	--	--	--

valuation of								
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currency swap								
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Notes 2 and								
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25)	22,645	22,645	4,930	4,358	24,787	24,787	5,396	4,770
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Gain on								
---------	--	--	--	--	--	--	--	--

conversion of								
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convertible								
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bonds (Note 3)	373,140	373,140			408,428	408,428		
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Gain on								
---------	--	--	--	--	--	--	--	--

repayment of								
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bonds	3,346	3,346			3,662	3,662		
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Other	11,960	30,376	13,686	35,978	13,092	33,250	14,980	39,381
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Sub-total	699,481	815,216	63,262	193,310	765,631	892,312	69,245	211,592
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(Continued)



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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)**  
**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**

	Korean won				Translation into U.S. dollars (Note 2)				
	2007			2006			2007		
	Three months	Nine months	Three months	Nine months	Three months	Nine months	Three months	Nine months	Three months
	ended	ended	ended	ended	ended	ended	ended	ended	ended
	September 30	September 30	September 30	September 30	September 30	September 30	September 30	September 30	September 30
	(In millions)				(In thousands)				
OTHER EXPENSES:									
Interest and discounts (Note 2)	₩ 54,020	₩ 162,432	₩ 61,744	₩ 178,534	\$ 59,129	\$ 177,793	\$ 67,583	\$ 195,418	\$ 195,418
Donations	(4,722)	(32,298)	(20,960)	(42,479)	(5,169)	(35,352)	(22,942)	(46,496)	(46,496)
Foreign exchange and translation losses (Note 2)	(14,887)	(15,333)	(1,197)	(2,637)	(16,295)	(16,783)	(1,310)	(2,886)	(2,886)
Equity in losses of affiliates (Notes 2 and 4)	(63,984)	(174,069)	(55,762)	(112,054)	(70,035)	(190,531)	(61,035)	(122,651)	(122,651)
Impairment loss on investment securities	(2,036)	(4,386)			(2,229)	(4,801)			
Loss on disposal of investment assets		(9)	(489)	(3,194)		(10)	(535)	(3,496)	(3,496)
Loss on disposal of property, equipment and intangible assets	(7,371)	(21,149)	(1,385)	(15,019)	(8,068)	(23,149)	(1,516)	(16,439)	(16,439)
Impairment loss on assets (Note 2)	(369)	(369)			(404)	(404)			
Loss on transaction and valuation	(17,791)	(19,559)		(8,553)	(19,474)	(21,409)		(9,362)	(9,362)

of currency swap (Notes 2 and 25)									
Special severance indemnities (Note 2)				(144,021)					(157,641)
External research and development cost (Note 2)	(17,769)	(55,956)	(16,354)	(49,702)	(19,449)	(61,248)	(17,901)		(54,402)
Other	(1,955)	(16,176)	(17,556)	(31,990)	(2,139)	(17,706)	(19,218)		(35,016)
Sub-total	(184,904)	(501,736)	(175,447)	(588,183)	(202,391)	(549,186)	(192,040)		(643,807)
INCOME BEFORE INCOME TAX PROVISION FOR INCOME TAX (Notes 2 and 17)	1,051,188	2,174,304	645,935	1,650,637	1,150,599	2,379,930	707,021		1,806,741
NET INCOME (Note 18)	₩ 776,819	₩ 1,576,403	₩ 456,802	₩ 1,167,300	₩ 850,283	₩ 1,725,485	₩ 500,002		₩ 1,277,694
NET INCOME PER SHARE (In Korean won and U.S. dollars) (Note 19)	₩ 10,690	₩ 21,693	₩ 6,231	₩ 15,875	\$ 11,701	\$ 23,745	\$ 6,820		\$ 17,376
DILUTED NET INCOME PER SHARE (In Korean won and U.S. dollars) (Note 19)	₩ 10,502	₩ 21,338	₩ 6,135	₩ 15,641	\$ 11,495	\$ 23,356	\$ 6,715		\$ 17,120

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Net income	₩ 1,576,403	₩ 1,167,300	\$ 1,725,485	\$ 1,277,694
Expenses not involving cash payments:				
Provision for severance indemnities	23,207	33,710	25,402	36,898
Depreciation and amortization	1,308,202	1,155,994	1,431,920	1,265,317
Allowance for doubtful accounts	35,128	47,479	38,450	51,969
Foreign translation loss	14,521	1,237	15,894	1,354
Equity in losses of affiliates	174,069	112,054	190,531	122,651
Impairment loss on investment securities	4,386		4,801	
Loss on disposal of investment assets	9	3,194	10	3,496
Loss on disposal of property, equipment and intangible assets	21,149	15,019	23,149	16,439
Impairment loss on assets	369		404	
Loss on transaction and valuation of currency swap	19,559	8,553	21,409	9,362
Donations	199		218	
Amortization of discounts on bonds and other	32,612	36,513	35,695	39,967
<b>Sub-total</b>	<b>1,633,410</b>	<b>1,413,753</b>	<b>1,787,883</b>	<b>1,547,453</b>
Income not involving cash receipts:				
Foreign translation gain	(94)	(312)	(103)	(342)
Reversal of allowance for doubtful accounts	(476)		(521)	
Equity in earnings of affiliates	(271,166)	(47,831)	(296,810)	(52,354)
Gain on disposal of investment assets	(2,002)	(4,915)	(2,191)	(5,380)
Gain on disposal of property, equipment and intangible assets	(6,430)	(1,056)	(7,038)	(1,156)
Gain on transaction and valuation of currency swap	(22,645)	(4,358)	(24,787)	(4,770)
Gain on conversion of convertible bonds	(373,140)		(408,428)	
Gain on repayment of bonds	(3,346)		(3,662)	
Other	(298)	(1,580)	(327)	(1,729)
<b>Sub-total</b>	<b>(679,597)</b>	<b>(60,052)</b>	<b>(743,867)</b>	<b>(65,731)</b>

## Changes in assets and liabilities related to operating activities:

Accounts receivable trade	(669)	(3,275)	(732)	(3,585)
Accounts receivable other	301,113	9,315	329,590	10,196
Inventories	118	(10,425)	129	(11,411)
Prepaid expenses	53,622	48,332	58,693	52,903
Advanced payments and other	(6,876)	10,895	(7,526)	11,925
Accounts payable	(232,244)	73,094	(254,208)	80,007
Income tax payable	(72,543)	(106,941)	(79,403)	(117,055)
Accrued expenses	(22,140)	(33,909)	(24,234)	(37,116)
Withholdings	(62,387)	92,750	(68,287)	101,521
Current portion of subscription deposits	(7,518)	893	(8,229)	977
Advanced receipts and other	(8,396)	6,988	(9,190)	7,649
Deferred income taxes	99,970	(60,696)	109,424	(66,436)
Severance indemnity payments	(3,514)	(257,989)	(3,846)	(282,387)
Deposits for group severance indemnities	1,175	183,685	1,285	201,056
Dividends received from affiliate	7,134	1,318	7,809	1,443
Sub-total	46,845	-45,965	51,275	-50,313
Net Cash Provided by Operating Activities	2,577,061	2,475,036	2,820,776	2,709,103

(Continued)

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**

	Korean won		Translation into U.S. dollars (Note 2)	
	2007	2006	2007	2006
	(In millions)		(In thousands)	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash inflows from investing activities:				
Decrease in trading securities, net	₩ 140,186	₩ 262,246	\$ 153,444	287,047
Decrease in current portion of long-term investment securities	94		103	
Collection of short-term loans	59,306	80,292	64,915	87,885
Decrease in long-term financial instruments	5		5	
Proceeds from sales of long-term investment securities	3,303	304,621	3,615	333,429
Proceeds from sales of equity securities accounted for using the equity method	9,707	5,079	10,625	5,559
Decrease in guarantee deposits	17,969	24,526	19,668	26,845
Decrease in other non-current assets	7,843	9,970	8,584	10,914
Proceeds from disposal of property and equipment	21,848	2,283	23,914	2,499
Proceeds from disposal of intangible assets	5,832	124	6,384	136
Cash inflows from transaction of currency swap	17,242		18,873	
 Sub-total	 283,335	 689,141	 310,130	 754,314
 Cash outflows for investing activities:				
Acquisition of short-term financial instruments	(106,806)	(48,405)	(116,907)	(52,983)
Extension of short-term loans	(49,246)	(73,942)	(53,903)	(80,935)
Extension of long-term loans	(65,486)	(7,902)	(71,679)	(8,649)
Acquisition of long-term investment securities	(362,642)	(960,250)	(396,937)	(1,051,062)
Acquisition of equity securities accounted for using the equity method	(175,564)	(213,634)	(192,167)	(233,838)
Increase in guarantee deposits and other non-current assets	(54,581)	(110,129)	(59,743)	(120,543)
Acquisition of property and equipment	(1,129,597)	(714,441)	(1,236,424)	(782,006)
Increase in intangible assets	(29,697)	(15,815)	(32,505)	(17,311)
 Sub-total	 (1,973,619)	 (2,144,518)	 (2,160,265)	 (2,347,327)
 Net Cash Used in Investing Activities	 (1,690,284)	 (1,455,377)	 (1,850,135)	 (1,593,013)



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

Issuance of bonds	359,574	197,362	393,579	216,027
Proceeds from long-term borrowings		200,000		218,914
Increase in guarantee deposits received and other	1,843	1,241	2,018	1,358
Cash inflows from transaction of currency swap	2,054		2,248	

Sub-total	363,471	398,603	397,845	436,299
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**Cash outflows for financing activities:**

Repayment of current portion of long-term debt	(496,577)	(10,889)	(543,539)	(11,919)
Repayment of bonds	(22,286)	(350,000)	(24,394)	(383,100)
Payment of dividends	(581,309)	(662,815)	(636,284)	(725,498)
Decrease in subscription deposits	(10,370)	(2,103)	(11,351)	(2,302)
Acquisition of treasury stock		(209,077)		(228,850)
Cash outflows from transaction of currency swap	(4,931)		(5,397)	
Decrease in guarantee deposits and other	(7,436)	(3,624)	(8,139)	(3,966)

Sub-total	(1,122,909)	(1,238,508)	(1,229,104)	(1,355,635)
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Net Cash Used in Financing Activities	(759,438)	(839,905)	(831,259)	(919,336)
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**NET INCREASE IN CASH AND CASH  
EQUIVALENTS**

	127,339	179,754	139,382	196,754
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**CASH AND CASH EQUIVALENTS AT  
BEGINNING OF THE PERIOD**

	241,100	151,766	263,901	166,119
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**CASH AND CASH EQUIVALENTS AT END  
OF THE PERIOD**

	₩ 368,439	₩ 331,520	\$ 403,283	\$ 362,873
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See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007**

	Common stock	Capital surplus	Capital adjustments	Accumulated other comprehensive income	Retained earnings	Total Stockholders equity
<b>(In millions of Korean won)</b>						
Balance, January 1, 2007	₩ 44,639	₩ 2,962,699	(₩ 2,019,568)	₩ 473,905	₩ 7,844,753	₩ 9,306,428
Cash dividends					(508,672)	(508,672)
Interim dividends (Note 21)					(72,668)	(72,668)
Net income					1,576,403	1,576,403
Conversion of convertible bonds		(2,847)				(2,847)
Stock options (Notes 2 and 16)		3,246	(3,246)			
Adjustment due to acquisition of equity interest of subsidiaries		(15,400)				(15,400)
Loss on disposal of treasury stock (Notes 2 and 15)				337		337
Unrealized gain on valuation of long-term investment securities, net (Notes 2, 3, 17 and 18)				721,539		721,539
Equity in other comprehensive income changes of affiliates, net (Notes 2, 4, 17 and 18)				6,492		6,492
Gain on valuation of currency swap, net (Notes 2, 17, 18 and 25)				5,114		5,114
Gain on valuation of interest rate swap, net (Notes 2, 17, 18 and 25)				1,759		1,759
Balance, September 30, 2007	₩ 44,639	₩ 2,947,698	(₩ 2,022,477)	₩ 1,208,809	₩ 8,839,816	₩ 11,018,485

**(In thousands of U.S.  
dollars) (Note 2)**

Balance, January 1, 2007	\$ 48,861	\$ 3,242,884	(\$ 2,210,560)	\$ 518,723	\$ 8,586,638	\$ 10,186,546
Cash dividends					(556,778)	(556,778)
Interim dividends					(79,540)	(79,540)
Net income					1,725,485	1,725,485
		(3,116)				(3,116)

Conversion of convertible bonds						
Stock options (Notes 2 and 16)	3,553	(3,553)				
Adjustment due to acquisition of equity interest of subsidiaries	(16,856)				(16,856)	
Loss on disposal of treasury stock (Notes 2 and 15)		368				368
Unrealized gain on valuation of long-term investment securities, net (Notes 2, 3, 17 and 18)				789,775		789,775
Equity in other comprehensive income changes of affiliates, net (Notes 2, 4, 17 and 18)				7,106		7,106
Gain on valuation of currency swap, net (Notes 2, 17, 18 and 25)				5,598		5,598
Gain on valuation of interest rate swap, net (Notes 2, 17, 18 and 25)				1,925		1,925

Balance, September 30, 2007 \$ 48,861 \$ 3,226,465 (\$ 2,213,745) \$ 1,323,127 \$ 9,675,805 \$ 12,060,513

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.  
NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006**

**1. GENERAL**

SK Telecom Co., Ltd. (the Company) was incorporated in March 1984 under the laws of Korea to engage in providing nationwide cellular telephone communication services in the Republic of Korea. The Company's common shares and depositary receipts (DRs) are listed on the Stock Market of Korea Exchange (formerly Korea Stock Exchange) and the New York and London Stock Exchanges. As of September 30, 2007, the Company's total issued shares are held by the following:

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

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

a. **Basis of Presentation**

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

The accompanying financial statements are stated in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts is included solely for the convenience of readers of financial statements and has been made at the rate of ₩913.60 to US\$1.00, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York on the last business day of the period ended September 30, 2007. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at that or any other rate.



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

On January 1, 2007, the Company adopted SKAS No. 11 and SKAS No. 21 through No. 24. The adoption of such accounting standards did not have an effect on the financial position of the Company as of September 30, 2007 and the ordinary income and net income of the Company for the three months and nine months ended September 30, 2007. Details of primary change due to such adoption of SKAS are as follows:

Pursuant to adoption of SKAS No. 21, Preparation and Presentation of Financial Statements , a statement of changes in stockholders' equity was prepared for the nine months ended June 30, 2007. Certain amounts classified as capital adjustments through 2006 are classified as accumulated other comprehensive income (loss); such amounts include unrealized gain/loss on available-for-sale securities, equity in capital adjustments of affiliates and gain/loss on valuation of derivative instruments. In addition, certain amounts classified as investment assets through 2006 are classified as other non-current assets; such amounts include long-term loans, guarantee deposits, long-term deposits and others. The accompanying balance sheet as of December 31, 2006, which is comparatively presented, was reclassified in accordance with SKAS No. 21 and the statement of changes in stockholders' equity for the nine months ended September 30, 2006 was not prepared as allowed in accordance with the transitional provision of SKAS No. 21.

c. Early adoption of revised SKAS No.2, Interim Financial Reporting

The Company early adopted SKAS No. 2 Interim Financial Reporting revised in May 2007, which requires company to prepare the statements of cash flows and changes in stockholders' equity only for the accumulated interim period. Therefore, the statements of cash flows and changes in stockholders' equity for the three months ended September 30, 2007 and 2006 have not been prepared.

d. 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.

e. Allowance for Doubtful Accounts

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

f. Inventories

Inventories, which consist mainly of replacement units for wireless telecommunication facilities and supplies for sales promotion, are stated at the lower of cost or market value, with cost determined using the moving average method. The Company maintains perpetual inventory systems, which are adjusted to physical inventory counts performed at 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 and nine months ended September 30, 2007 and 2006.

g. 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 .

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

Securities classified as available-for-sale are reported at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in accumulated other comprehensive income (loss) and the unrealized gains or losses are reflected in net income when the securities are sold or if there is an objective evidence of impairment such as bankruptcy of investees. Equity securities are stated at acquisition cost if fair value cannot be reliably measured.

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 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.

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

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

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

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



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## i. Troubled Debt Restructuring

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

## j. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. 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.

## k. 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 nine months ended September 30, 2007 and 2006 were ₩325,475 million and ₩260,627 million, respectively, and for the three months ended September 30, 2007 and 2006 were ₩109,033 million and ₩89,367 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% (4.44% as of September 30, 2007). The future payment obligations are ₩110,000 million (related present value discount: ₩6,908 million) in 2008, ₩130,000 million in 2009, ₩150,000 million in 2010 and ₩170,000 million in 2011. On December 4, 2001, SK IMT Co., Ltd. received the IMT 2000 license from MIC, and recorded the total license cost (measured at present value) as an intangible asset. As a result of the merger with SK IMT Co., Ltd., the Company acquired such IMT license of ₩1,259,253 million and assumed the related long-term payable with principal amount of ₩650,000 million on May 1, 2003 (the date of merger). Amortization of the IMT license commenced when the Company started its commercial IMT 2000 service in December 2003, using the straight-line method over the estimated useful life of the IMT license which expires in December 2016. As of September 30, 2007, the present value discount related to the current portion and long-term portion of payments to be made to MIC totaled ₩6,908 million and ₩25,218 million, respectively.

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l. Impairment Losses

When the recoverable amount of assets (that are not recorded at fair value) including investment assets (except for trading and available for sale investments in listed companies), property and equipment, and intangible assets is significantly less than the carrying value due to obsolescence, physical damage, decline in market value or other causes, the carrying value is reduced to the recoverable amount and any difference is charged to current operation as an impairment loss. The impairment loss for the nine months ended September 30, 2007 and 2006 were ₩369 million and nil, respectively.

m. Convertible Bonds

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

n. Discounts on Bonds

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

o. 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.

p. 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 24). When a possible range of loss in connection with a probable loss contingency as of the balance sheet date is estimable with reasonable certainty, and some amount within that range appears to be a better estimate than any other amount within the range, the Company accrues such amount. When no amount within the range appears to be a better estimate than any other amount, the minimum in that range is recorded.

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

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

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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 events or events outside the control of the Company.

q. **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 ~~₩22,721 million~~ and ₩23,895 million as of September 30, 2007 and December 31, 2006, respectively, are deducted from accrued severance indemnities.

In accordance with the Korean National Pension Fund Law, the Company transferred a portion of its accrued severance indemnities to the National Pension Fund through March 1999. Such transfers, amounting to ₩50 million as of September 30, 2007 and December 31, 2006, respectively, are deducted from accrued severance indemnities.

Actual payment of severance indemnities amounted to ₩3,514 million and ₩257,989 million for the nine months ended September 30, 2007 and 2006, respectively.

Effective March 31, 2006, the Company changed its policy for the severance indemnities applicable to those employees who joined the Company before or on December 31, 2002 from cumulative method, where employees are entitled to get paid more than one month of salary each year depending on the length of service, to simple multiplier method, where employees are paid one month of salary each year regardless of their service period in accordance with the resolution of the Company's joint labor-management conference held on March 16, 2006. As a result of such policy change, the Company distributed early settlements to those eligible employees on their accumulated severance indemnities as of September 30, 2006 on a mandatory basis. In addition, the Company paid the additional bonuses of ₩125,890 million for those employees who received the mandatory distribution for their early settlement as compensation for those employees. The Company recorded such settlements as compensation costs as special severance indemnities in other expenses for the nine months ended September 30, 2006. In addition, the Company executed the early retirement program and the related special bonus of ₩18,131 million was paid to eligible employees and accounted for as special severance indemnities in other expenses for the nine months ended September 30, 2006.

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## r. Accounting for Employee Stock Option Compensation Plan

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

## s. 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.

## t. 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 ₩151,782 million and ₩153,294 million for the nine months ended September 30, 2007 and 2006, respectively, and ₩53,388 million and ₩51,539 million for the three months ended September 30, 2007 and 2006, respectively. In addition, external research and development costs were ₩55,956 million and ₩49,702 million for the nine months ended September 30, 2007 and 2006, respectively, and ₩17,769 million and ₩16,354 million for the three months ended September 30, 2007 and 2006, respectively.

## u. 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 date of the 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 ₩920.70 and ₩929.60 to US\$1.00 at September 30, 2007 and December 31, 2006, respectively. The resulting gains or losses arising from the translation or settlement of such assets and liabilities are included in current operations.

## v. 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

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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 accumulated other comprehensive income (loss) and credited/charged to operations at the time the hedged transactions affect earnings, and the ineffective portions of the gains or losses are credited/charged immediately to operations.

w. Revenue Recognition

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

x. Income Tax

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

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

y. Handset Subsidies to Long-term Mobile Subscribers

Effective March 27, 2006, the Telecommunication Law of Korea was revised to allow wireless carriers to provide handset subsidies to customers who have maintained their wireless account with the same carrier for 18 months or longer and who have not received such subsidies within the last two years to acquire new or renewed customer relationships. The Company commenced its handset subsidy program on the effective date of the revised Telecommunications Law and included a clause in the service contract which allows the Company to change the terms of its subsidy program, including the Company's ability to terminate the program at any time after a thirty day notice to its customers. The Company charges such handset subsidies to commissions paid as the related payments are made.

z. Reclassifications

Certain reclassifications have been made in prior period's financial statements to conform to classifications used in the current period. Such reclassifications did not have an effect on the previously reported net assets as of December 31, 2006 and net income for the three months and nine months ended September 30, 2006.

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

Trading securities as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	September 30, 2007			December 31, 2006
	Acquisition cost	Fair value	Carrying amount	Fair value and carrying amount
Beneficiary certificates	₩ 525,114	₩ 525,114	₩ 525,114	₩ 665,299

**b. Long-term Investment Securities**

Long-term investment securities as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	September 30, 2007	December 31, 2006
Available-for-sale equity securities	₩ 3,627,082	₩ 992,455
Available-for-sale debt securities	461,685	1,383,969
Total	4,088,767	2,376,424
Less : current portion	(79,906)	(156)
Long-term portion	₩ 4,008,861	₩ 2,376,268

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

Available-for-sale equity securities as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

(Investments in listed companies)	September 30, 2007				Carrying amount	
	Number of shares	Percentage (%)	Acquisition cost	Fair value	September 30, 2007	December 31, 2006
Digital Chosunilbo Co., Ltd.	2,890,630	7.8	₩ 5,781	₩ 6,793	₩ 6,793	₩ 5,897
hanarotelecom incorporated	11,045,000	4.8	121,677	98,300	98,300	88,581
KRTnet Corporation	234,150	4.4	1,171	2,833	2,833	2,517
POSCO	2,481,310	2.8	332,662	1,669,922	1,669,922	766,725
Comas Interactive Co., Ltd. (Formerly INNOTG Co., Ltd.)	59,473	0.4	1,695	193	193	83

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Extended Computing Environment Co., Ltd.	133,333	3.3	10	836	836	876
China Unicom Ltd.	899,745,075	6.6	1,333,009	1,716,906(note a)	1,716,906	
Sub-total			1,796,005	3,495,783	3,495,783	864,679

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	September 30, 2007			Fair value	Carrying amount	
	Number of shares	Percentage (%)	Acquisition cost		September 30, 2007	December 31, 2006
<b>(Investments in non-listed companies)</b>						
LG Powercomm Co., Ltd. (Formerly Powercomm Co., Ltd.)	7,500,000	5.0	₩ 240,243	80,370(note b)	₩ 80,370	₩ 80,370
Japan MBCO	54,000	7.3	27,332(note c)			
Eonex Technologies Inc.	144,000	12.3	3,600(note d)		4,593	4,593
The Korea Economic Daily	2,585,069	13.8	13,964(note d)		13,964	13,964
Others			146,424(note d)		19,490	25,411
Sub-total			431,563		118,417	124,338
<b>(Investments in funds)</b>						
Others			12,882(note d)		12,882	3,438
Sub-total			12,882		12,882	3,438
Total			₩ 2,240,450		₩ 3,627,082	₩ 992,455

(note a) In accordance with the resolution of the Company's board of directors dated August 20, 2007, convertible bonds of China Unicom Ltd. were converted into its common stocks and reclassified to available-for sale equity securities from available-for-sale debt securities.

(note b) The Company recorded its investments in common stock of LG Powercomm Co., Ltd. at its fair value, which was estimated with the assistance of an outside professional valuation company using the present value of expected future cash flows. The unrealized loss on valuation of investments amounting to ₩115,908 million (net of tax effect of ₩43,965 million) as of December 31, 2006 was recorded as accumulated other comprehensive loss. Based in part, on the opinion of the outside professional valuation company, there was no significant change in LG Powercomm Co., Ltd.'s operation and financial results, which have an effect on the fair value of the investment, for the nine months ended September 30, 2007. Accordingly, no additional unrealized loss or recovery on valuation of such investments was recorded.

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

(note d) As a reasonable estimate of fair value could not be made, the investment is stated at acquisition cost.



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

Available-for-sale debt securities as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	Maturity	Acquisition cost	Carrying amount	
			September 30, 2007	December 31, 2006
Public bonds	(note a)	₩ 51,474	₩ 51,279	₩ 51,300
Currency stabilization bonds	(note b)	49,931	49,729	49,894
Closed beneficiary certificates (note c)	October, 2009	5,000	5,070	5,072
Bond-type beneficiary certificates	(note d)	350,000	354,607	
Convertible bonds of Real Telecom Co., Ltd. (note e)	March, 2007	10,656		
Convertible bonds of China Unicom Ltd. (note f)	July, 2009			1,276,703
Convertible bonds of Eonex Technologies, Inc. (note g)	October, 2008	1,000	1,000	1,000
Total		468,061	461,685	1,383,969
Less: current portion		(80,202)	(79,906)	(156)
Long-term available-for-sale debt securities		₩ 387,859	₩ 381,779	₩ 1,383,813

The interest income incurred from available-for-sale debt securities for the nine months ended September 30, 2007 and 2006 were ₩3,585 million and ₩6,904 million, respectively, and for the three months ended September 30, 2007 and 2006 were ₩1,233 million and ₩18 million, respectively.

(note a) The maturities of public bonds as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

Maturity	September 30, 2007	December 31, 2006
One year or less	₩ 50,032	₩ 156
More than one year and within five years	1,247	51,144
	₩ 51,279	₩ 51,300

(note b) The maturities of currency stabilization bonds as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

Maturity	September 30, 2007	December 31, 2006
One year or less	₩ 29,874	₩

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More than one year and within five years	19,855	49,894
	₩ 49,729	₩ 49,894

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

(note d) The maturities of bond-type beneficiary certificates as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

Maturity	September 30, 2007	December 31, 2006
More than one year and within five years	₩ 354,607	₩

(note e) Due to the impairment of such bonds, the Company recorded an impairment loss of ₩10,656 million prior to December 31, 2004 and as of September 30, 2007, the principal amount of the bond has not been redeemed at its maturity.

(note f) In accordance with the resolution of the Company's board of directors dated August 20, 2007, convertible bonds of China Unicom Ltd. were converted into its common stocks and reclassified to available-for sale equity securities from available-for-sale debt securities. As a result of such conversion, the Company recorded gain on conversion of convertible bonds of ₩373,140 million for the nine months ended September 30, 2007.

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

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**Table of Contents****b-(3). Changes in Unrealized Gains (Losses) on Investments in Available-for-sale Securities**

The changes in unrealized gains (losses) on investments in available-for-sales securities for the nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

	For the nine months ended September 30, 2007			
	Beginning balance	Increase/ (decrease)	Transferred to realized gain (loss)	Ending balance
Available-for-sales securities:				
Digital Chosunilbo Co., Ltd. hanarotelecom incorporated	₩ 116 (33,096)	₩ 896 9,720	₩	₩ 1,012 (23,376)
KRTnet Corporation	1,346	316		1,662
POSCO	434,063	903,197		1,337,260
Comas Interactive Co., Ltd. (Formerly INNOTG Co., Ltd.)	(1,611)	110		(1,501)
Extended Computing Environment Co., Ltd.	866	(40)		826
China Unicom Ltd.		396,474		396,474
LG Powercomm Co., Ltd.	(159,873)			(159,873)
Eonex Technologies Inc.	2,011			2,011
Currency stabilization bonds	12	(214)		(202)
Public bonds	(5)	(190)		(195)
Convertible bonds of China Unicom Ltd.	319,648	208,095	(527,743)	
Beneficiary certificates		4,606		4,606
Sub-total	563,477	1,522,970	(527,743)	1,558,704
Less: tax effect	(154,956)	(418,817)	145,129	(428,644)
 Total	 ₩ 408,521	 ₩ 1,104,153	 (₩ 382,614)	 ₩ 1,130,060

	For the nine months ended September 30, 2006			
	Beginning balance	Increase/ (decrease)	Transferred to realized gain (loss)	Ending balance
Available-for-sales equity securities:				
Digital Chosunilbo Co., Ltd. hanarotelecom incorporated	₩ 14 (65,237)	(₩ 1,358) 20,764	₩	(₩ 1,344) (44,473)
KRTnet Corporation	1,475	(281)		1,194
POSCO	168,563	106,696		275,259
Comas Interactive Co., Ltd. (Formerly INNOTG Co., Ltd.)	(1,611)	(13)		(1,624)
eXtended Computing Environment Co., Ltd.		907		907
LG Powercomm Co., Ltd.	(163,113)			(163,113)

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Eonex Technologies Inc.	2,011			2,011
Currency stabilization bonds	(218)	895	(677)	
Convertible bonds of China Unicom Ltd.		54,961		54,961
Sub-total	(58,116)	182,571	(677)	123,778
Less: tax effect	15,982	(50,207)	186	(34,039)
Total	(₩ 42,134)	₩ 132,364	(₩ 491)	₩ 89,739

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

Equity securities accounted for using the equity method of accounting as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	September 30, 2007			Net asset value	Carrying Amount	
	Number of shares	Ownership percentage (%)	Acquisition cost		September 30, 2007	December 31, 2006
Pantech Co., Ltd.	1,278,515	0.5	₩	₩	(note a)₩	₩
SK Communications Co., Ltd.	7,844,454	85.9	175,441	158,338	177,294	177,913
SK Telink Co., Ltd.	943,997	90.8	5,296	91,047	91,047	86,284
SK C&C Co., Ltd.	6,000,000	30.0	19,071	524,636(note b)	528,796	272,554
SK Wyverns Baseball Club Co., Ltd.	199,997	100.0	1,000			
STIC Ventures Co., Ltd.					(note c)	8,651
Paxnet Co., Ltd.	5,590,452	59.7	26,563	13,833	30,193	30,807
Global Credit & Information Co., Ltd.	300,000	50.0	2,410	3,118	3,673	3,704
TU Media Corp.	17,538,064	32.7	96,980	12,974(note d)	22,248	7,016
Aircross Co., Ltd.	1,575,000	100.0	2,440	3,617(note e)	3,617	1,713
IHQ, Inc.	14,960,784	37.1	51,846	21,439(note f)	42,089	38,938
Ntreev Soft Co., Ltd.	2,064,970	66.7	17,720	12,487(note g)	12,487	
Baba Club	200,000	100.0	1,975		(note h)	1,731
Philio Co., Ltd.	26,396	100.0	6,276	1,674(note i)	5,844	
Seoul Records, Inc.	9,582,321	60.0	27,874	20,499	22,741	25,995
Harex Info Tech, Inc.	225,000	21.2	3,375	753	1,542	1,835
SK Mobile		42.5	10,322	3,793	3,793	4,643
SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE. Ltd).	180,476,700	73.3	191,273	105,947	106,316	118,463
Skytel Co., Ltd.	1,756,400	26.4	2,159	5,169	5,169	6,009
SK China Company Ltd. SK Telecom China Co., Ltd.		20.7	3,195	1,086		93
SK Telecom China Holding Co., Ltd.		100.0	7,340	6,512	6,512	6,536
SK USA, Inc.	49	49.0	3,184	3,016	3,016	2,969
ULand Company Ltd. SK Telecom USA Holdings, Inc.	14,100,100	70.1	17,511	4,227	4,485	6,761
SK Telecom International, Inc.	1,000	100.0	272,538	46,079(note k)	46,079	77,786
Helio, Inc.	1,099	100.0	17,467	25,682	25,683	25,146
Korea IT Fund	794,375	0.8	1,341			1,100
Centurion IT Investment Association	190	63.3	190,000	198,153	198,153	193,060
	30	37.5	2,100	1,821	1,821	3,262

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1st Music Investment Fund of SK-PVC	1,385	69.3	6,925	7,186	7,186	7,186
2nd Music Investment Fund of SK-PVC	1,385	79.3	7,925	8,238	8,238	8,238
SK-KTB Music Investment Fund	297	74.3	14,850	13,728	13,729	15,311
IMM Cinema Fund	120	45.6	12,000	10,379	10,379	11,569
Michigan Global Cinema Fund	40	36.4	4,000	3,773	3,773	3,773
3rd Fund of Isu Entertainment	25	31.3	2,500	2,419	2,419	2,419
Other investments in affiliates			17,576	(note 1)	17,563	11,917
<b>Total</b>			<b>₩ 1,226,641</b>		<b>₩ 1,411,784</b>	<b>₩ 1,161,651</b>

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- (Note a) Pantech Co., Ltd. ( Pantech ) requested its creditor banks for a debt restructuring due to deterioration of its liquidity on December 11, 2006. On December 15, 2006, Pantech entered into creditor banks agreement (the Agreement ) with its eight creditor banks including Korea Development Bank ( KDB ), its main creditor bank. Currently, the creditor banks association, which was organized according to the Agreement and represented by KDB, has been supervising Pantech s debt repayment schedule and operations. In the first half of 2007, the Company s shares of Pantech were reduced to 1,278,515 shares from 25,570,306 shares in accordance with the Pantech s 20 to 1 stock consolidation. In accordance with debt-equity swap, the Company s ownership decreased from 22.7% to 0.5% for the three months ended September 30, 2007. As a result, the investment in common stock of Pantech was reclassified to available-for-sale equity securities during the 3<sup>rd</sup> quarter of 2007 as the Company no longer exercise significant influence over the investee.
- (Note b) During the nine months ended September 30, 2007, the Company s shares of SK C&C Co., Ltd. were increased to 6,000,000 shares from 300,000 shares as a result of SK C&C Co., Ltd. s 20 to 1 stock split.
- (Note c) During the nine months ended September 30, 2007, the Company disposed all of its 1,600,000 shares of Stick Ventures Co., Ltd.
- (Note d) During the nine months ended September 30, 2007, the Company additionally invested ₩32,368 million in TU Media Corp. which increased the Company s ownership from 29.6% to 32.7%.
- (Note e) During the nine months ended September 30, 2007, the Company acquired 975,000 shares of Air cross Co., Ltd. s common stock from WiderThan Co., Ltd. and others, which increased the Company s ownership from 38.1% to 100.0%.
- (Note f) During the nine months ended September 30, 2007, the Company additionally invested ₩10,000 million in IHQ, Inc. which increased the Company s ownership from 34.8% to 37.1%.
- (Note g) During the nine months ended September 30, 2007, the Company acquired 1,440,720 shares of Ntreev Soft Co., Ltd. s common stock from IHQ, Inc. and others at ₩23,120 million with additional investment of ₩10,000 million in Ntreev Soft Co., Ltd. Therefore, the Company holds 66.7% ownership % in Ntreev Soft Co., Ltd.
- (Note h) During the nine months ended September 30, 2007, the Company acquired 200,000 shares of Baba Club s common stock. Therefore, the Company holds 100% ownership in Baba Club.
- (Note i) During the nine months ended September 30, 2007, the Company acquired 26,396 shares of Philio Co., Ltd. s common stock. Therefore, the Company holds 100% ownership in Philio Co., Ltd.
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- (Note j) During the nine months ended September 30, 2007, the Company incorporated SK Telecom China Holdings Co, Ltd. with an initial investment of ₩4,168 million.
- (Note k) 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 additional US\$79.5 million and US\$ 19.5 million in SK USA Holdings, Inc. for the nine months ended September 30, 2007 and 2006, respectively (See Note 30).
- (Note l) As allowed under Korean GAAP, investments in equity securities of SK Telecom Europe Limited and others were not accounted for using the equity method of accounting, as changes in the Company's portion of stockholders' equity of such investees were not expected to be material.
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Details of the changes in investments in affiliates accounted for using the equity method for the three months and nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

		For the nine months ended September 30, 2007						
		Beginning	Acquisition	Equity in	Equity in	Dividend	Other	Ending
		balance		earnings	surplus	received	increase	balance
				(losses)	and capital		(decrease)	
					adjustments			
SK Communications Co., Ltd	(note a)	₩ 177,913	₩	(₩ 21,630)	₩ 21,011	₩	₩	₩ 177,294
	(notes a and c)							
SK Telink Co., Ltd.		86,284		9,454	(198)	(4,493)		91,047
	(notes a and c)							
SK C&C Co., Ltd.		272,554		253,111	4,391	(1,260)		528,796
	(note b)							
STIC Ventures Co., Ltd.		8,651		(40)	(239)		(8,372)	
	(notes a and c)							
Paxnet Co., Ltd.		30,807		107	6	(727)		30,193
	(note b)							
Global Credit & Information Co., Ltd.		3,704		(31)				3,673
	(notes a and d)							
TU Media Corp.		7,016	32,368	(17,434)	(36)		334	22,248
	(note b)							
Aircross Co., Ltd.		1,713	2,140	(235)				3,617
	(notes a and e)							
IHQ, Inc.		38,938	10,000	(7,894)	1,047		(2)	42,089
	(notes a and g)							
Ntreev Soft Co., Ltd.			33,120	1,593	(6,826)		(15,400)	12,487
	(notes b and h)							
Baba Club Philio Co., Ltd.			3,970	(245)			(1,994)	1,731
			10,373	(431)			(4,098)	5,844

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	(notes b and h)					
Seoul Records, Inc.	(note a)	25,995		(2,984)	(270)	22,741
Harex Info Tech, Inc.	(note b)	1,835		(293)		1,542
SK Mobile	(note a)	4,643		(956)	106	3,793
SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE Ltd).	(note a)	118,463		(11,136)	(1,012)	106,315
	(notes b and c)					
Skytel Co., Ltd.	(note c)	6,009		170	(356)	(654)
SK China Company Ltd.	(note b)	93		(112)	19	
SK Telecom China Co., Ltd.	(note a)	6,536		(24)		6,512
SK Telecom China Holding Co., Ltd.	(note b)		4,168			4,168
SK USA, Inc.	(note b)	2,969		48	(1)	3,016
ULand Company Limited.	(note a)	6,761		(2,565)	289	4,485
SK Telecom USA Holdings, inc.	(note a)	77,786	73,536	(105,142)	(101)	46,079
SK Telecom International, Inc.	(note a)	25,146		831	(294)	25,683
	(notes a and e)					
Helio, Inc.	(note e)	1,100	242	(1,412)	2	68
Korea IT Fund	(note a)	193,060		5,854	(761)	198,153
	(notes b and f)					
Centurion IT Investment Association	(note f)	3,262		(64)	(477)	(900)
1st Music Investment Fund of SK-PVC	(note b)	7,186				7,186
2nd Music Investment Fund of SK-PVC	(note b)	8,238				8,238
SK-KTB Music Investment Fund	(note a)	15,311		(226)	(1,356)	13,729

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IMM Cinema Fund	(note a)	11,569		(1,217)	27		10,379
Michigan Global Cinema Fund	(note b)	3,773					3,773
3rd Fund of Isu Entertainment	(note b)	2,419					2,419
Total		<del>₩</del> 1,149,734	169,917	97,097	14,971	(7,134)	(30,364) <del>₩</del> 1,394,220
Less: six months ended June 30, 2007			52,793	(93,790))	188,606	(7,134)	(376)
Three months ended September 30, 2007			<del>₩</del> 117,124	<del>₩</del> 190,887	( <del>₩</del> 173,635)	<del>₩</del>	( <del>₩</del> 29,988)

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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 nine months ended September 30, 2007. In order to verify the reliability of such unaudited and unreviewed financial statements, the Company has performed the following procedures and found no significant errors:
- i) obtained the signature from the chief executive officer of the equity method investee asserting that the unaudited and unreviewed financial statements are accurate
  - ii) checked whether the major transactions identified by the Company, including public disclosures, were appropriately reflected in the unaudited and unreviewed financial statements
  - iii) performed an analytical review on the unaudited and unreviewed financial statements
- (Note b) Investments in equity securities are carried using the equity method of accounting based on the financial statements as of December 31, 2006 as information as of September 30, 2007 was not available and the change in the Company's portion of stockholders' equity of the investee for the nine months ended September 30, 2007 was immaterial.
- (Note c) The Company received dividends from SK Telink Co., Ltd., SK C&C Co., Ltd. and Skytel Co., Ltd., and the corresponding amount was deducted from the carrying amount of equity method securities.
- (Note d) Other increase in investments in TU Media Corp. represents realization of equity in other comprehensive income of affiliates as TU Media Corp. became the Company's subsidiary as a result of the Company's additional investment in TU Media Corp. for the nine months ended September 30, 2007.
- (Note e) Other increase (decrease) in investments in equity securities of IHQ, Inc. and Helio, Inc. represent gains on disposal of investments in equity securities, which have resulted from the dilution of the Company's ownership as a result of capital transactions of the investees.
- (Note f) Other decrease in investments in Centurion IT Investment Association resulted from the collection of a portion of the Company's investment.
- (Note g) Other decrease in investments in Ntreev Soft Co., Ltd. represents the difference between the purchase cost and net asset value of the investee, which is offset against the Company's capital surplus as Ntreev Soft Co., Ltd. is the Company's subsidiary (See Note 13).
- (Note h) Other decrease in investments in Baba Club and Philio Co., Ltd. represents the goodwill recognized, which resulted from the Company's acquisition of a portion of BaBa Club and Philio Co., Ltd.'s assets and operational business units after the investment in equity securities of Baba Club and Philio Co., Ltd., respectively.
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For the nine months ended September 30, 2006

	Beginning balance	Acquisition	Equity in earnings (losses)	Equity in surplus and capital adjustments	Dividend received	Other increase (decrease)	Ending balance
Pantech Co., Ltd.	₩ 55,634	₩	(₩ 12,654)	₩ 1,949	₩	₩	₩ 44,929
(Note							
SK Capital Co., Ltd. a)	37,501		5				37,506
SK Communications Co., Ltd	158,170		13,079	1,959			173,208
SK Telink Co., Ltd.	70,863		11,729	37			82,629
SK C&C Co., Ltd.	198,251		17,234	3,870	(990)		218,365
SK Wyverns Baseball Club Co., Ltd.							
STIC Ventures Co., (Note							
Ltd. a)	8,308		71				8,379
Paxnet Co., Ltd.	27,372		1,178	255			28,805
Global Credit & Information Co., (Note							
Ltd. a)	3,276		(31)				3,245
TU Media Corp.	32,393		(19,305)				13,088
(Note							
Aircross Co., Ltd. a)	970		(4)				966
WiderThan Co., Ltd.	12,827		(500)	(54)		(770)	11,503
IHQ, Inc.	13,935	27,352	(2,332)	793		1,098	40,846
Seoul Records, Inc.	27,242		(839)				26,403
Harex Info Tech, Inc.	2,568		(301)				2,267
SK Mobile		10,322	(1,117)	(115)			9,090
SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE Ltd).	55,358	97,285	(11,816)	(14,659)			126,168
(Note							
Skytel Co., Ltd. a)	4,872		111	197	(328)		4,852
SK China Company (Note							
Ltd. a)	483		2				485
SK Telecom China (Note							
Co., Ltd. a)	6,927		(301)	(62)			6,564
ULand Company Limited.	12,564		(4,967)	1,026			8,623
SK Telecom USA Holdings, inc.	103,751	75,499	(57,197)	(8,056)			113,997
	25,957		695	(1,674)			24,978

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SK Telecom International, Inc.	(Note a)							
SK USA, Inc.	(Note a)	3,353	(75)	74			3,352	
Korea IT Fund			3,395	2,174		190,000	195,569	
Centurion IT Investment Association	(Note a)	3,635	(615)	56			3,076	
1st Music Investment Fund of SK-PVC	(Note a)	6,990	5				6,995	
2nd Music Investment Fund of SK-PVC	(Note a)	7,966					7,966	
SK-KTB Music Investment Fund		14,999	249				15,248	
IMM Cinema Fund		11,884	60				11,944	
SKT-HP Ventures, LLC	(Note a)	5,272	18			(5,290)		
<b>Total</b>		<b>₩913,321</b>	<b>210,458</b>	<b>(64,223)</b>	<b>(12,230)</b>	<b>(1,318)</b>	<b>185,038</b>	<b>₩1,231,046</b>
Less: six months ended June 30, 2006			145,888	(22,876)	(13,852)	(1,318)	(597)	
Three months ended September 30, 2006			₩ 64,570	(₩ 41,347)	₩ 1,622	(₩	₩185,635	

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(Note a) Investments in equity securities are carried using the equity method of accounting based on the financial statements as of December 31, 2005 as information as of September 30, 2006 was not available and the change of the Company's portion of shareholders' equity of the investee for the nine months ended September 30, 2006 was not expected to be material.

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 and nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

	For the nine months ended September 30, 2007			
	Beginning balance	Increase	Amortization	Ending balance
SK Communications Co., Ltd.	₩ 22,417	₩	₩ (1,048)	₩ 21,369
SK C&C Co., Ltd.	4,464		(304)	4,160
Paxnet Co., Ltd.	17,164		(804)	16,360
Global Credit & Information Co., Ltd.	587		(31)	556
TU Media Corp.	784	9,572	(1,083)	9,273
IHQ, Inc.	24,780		(4,130)	20,650
Baba Club (note)		2,888	(245)	2,643
Philio Co., Ltd.		4,601	(431)	4,170
Seoul Records, Inc.	2,855		(612)	2,243
Harex Info Tech, Inc.	1,051		(263)	788
SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE. Ltd).	384		(16)	368
ULand Company Ltd.	4,502		(193)	4,309
Helio, Inc.		38	(38)	
Total	₩ 78,988	17,099	(9,198)	₩ 86,889
Less: six months ended June 30, 2007		9,610	(5,540)	
Three months ended September 30, 2007		₩ 7,489	(₩ 3,658)	

(note) Baba Club's negative capital of ₩912 million was included in the difference between the acquisition cost and net asset value of equity method investees at the acquisition date.



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For the nine months ended September 30, 2006

	Beginning balance	Increase	Amortization	Ending balance
Pantech Co., Ltd.	₩ 793	₩	(₩ 32)	₩ 761
SK Communications Co., Ltd.	23,814		(1,048)	22,766
SK C&C Co., Ltd.	4,870		(304)	4,566
Paxnet Co., Ltd.	18,237		(805)	17,432
Global Credit & Information Co., Ltd.	628		(31)	597
TU Media Corp.	993		(157)	836
IHQ, Inc.	6,267	21,948	(2,108)	26,107
Seoul Records, Inc.	3,670		(612)	3,058
Harex Info Tech, Inc.	1,402		(263)	1,139
SK Mobile		3,192	(319)	2,873
SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE Ltd).	406		(16)	390
ULand Company Ltd.	3,628	1,131	(193)	4,566
Total	₩ 64,708	26,271	(5,888)	₩ 85,091
Less: six months ended June 30, 2006		4,252	(3,201)	
Three months ended September 30, 2006		₩ 22,019	(₩ 2,687)	

Details of changes in unrealized inter-company gains incurred from sales of assets for the three months and nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

	For the nine months ended September 30, 2007			
Subsidiary	Beginning balance	Increase	Decrease	Ending balance
SK Communications Co., Ltd.	₩ 2,913	₩ 263	(₩ 764)	₩ 2,412
ULand Company Ltd.		4,051		4,051
SK China Company Ltd.	1,086			1,086
Total	₩ 3,999	4,314	(764)	₩ 7,549
Less: six months ended June 30, 2007		4,314	(545)	
Three months ended September 30, 2007		₩	(₩ 219)	

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Subsidiary	For the nine months ended September 30, 2006			Ending balance
	Beginning balance	Increase	Decrease	
Pantech Co., Ltd.	₩	₩ 270	₩	₩ 270
SK Communications Co., Ltd.	4,016		(894)	3,122
SK China Company Ltd.	1,086			1,086
Total	₩ 5,102	270	(894)	₩ 4,478
Less: six months ended June 30, 2006		270	(686)	
Three months ended September 30, 2006		₩	(₩ 208)	

Details of market price of the equity securities accounted for using the equity method as of September 30, 2007 are as follows (In millions of Korean won, except for market price per share):

	Market price per share (In Korean won)	Number of shares owned by the Company	Market price
IHQ, Inc.	3,860	14,960,784	57,749
Seoul Records, Inc.	3,125	9,582,321	29,945

The condensed financial information of the investees as of and for the nine months ended September 30, 2007 is as follows (In millions of Korean won):

	Total assets	Total liabilities	Revenue	Net income (loss)
SK Communications Co., Ltd.	304,967	106,304	137,636	(24,130)
SK Telink Co., Ltd.	156,783	56,476	174,165	11,952
SK C&C Co., Ltd.	3,205,204	1,456,417	458,554	859,002
Paxnet Co., Ltd.	33,024	9,265	27,081	1,633
TU Media Corp.	374,912	336,257	89,085	(52,491)
IHQ, Inc.	87,097	26,683	30,737	(10,049)
Ntreev Soft Co., Ltd.	22,407	3,421	10,592	2,969
Seoul Records, Inc.	41,433	7,268	24,056	(3,953)
SK Mobile	11,067	2,083	2,244	(2,304)
SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE Ltd.)	169,312	24,811	1,398	(16,149)
ULand Company Ltd.	6,203	178	2,324	1,511
SK Telecom USA Holdings, Inc.	46,222	143		(106,633)
SK Telecom International, Inc.	27,204	1,521	4,806	941
Korea IT Fund	312,873		12,589	9,242
SKT-KTB Music Investment Fund	18,590	82	347	(305)

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IMM Cinema Fund	22,748		1,237	(1,631)
Helio, Inc.	69,025	85,679	107,410	(222,832)

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

Short-term and long-term loans to employees as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	September 30, 2007			December 31, 2006
	Short-term	Long-term	Total	
Loans to employees stock ownership association	₩ 1,787	₩ 3,067	₩ 4,854	₩ 7,526
Loans to employees for housing and other	77	143	220	277
Total	₩ 1,864	₩ 3,210	₩ 5,074	₩ 7,803

**6. PROPERTY AND EQUIPMENT**

Property and equipment as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	Useful lives (years)	September 30, 2007	December 31, 2006
		₩	₩
Land		₩ 449,496	₩ 462,393
Buildings and structures	30,15	1,492,334	1,488,824
Machinery	6	11,841,626	11,235,472
Vehicles	4	21,408	21,136
Other	4	1,020,298	956,670
Construction in progress		266,776	130,667
		15,091,938	14,295,162
Less accumulated depreciation		(10,623,333)	(9,877,050)
Property and equipment, net		₩ 4,468,605	₩ 4,418,112

The standard value of land declared by the government as of September 30, 2007 and December 31, 2006 is ₩550,087 million and ₩506,831 million, respectively.

Details of change in property and equipment for the three months and nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

Beginning balance	For the nine months ended September 30, 2007					Ending balance
	Acquisition	Disposal	Transfer	Depreciation		

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Land	₩ 462,393	₩ 451	₩ (14,695)	₩ 1,347	₩	₩ 449,496
Buildings and structures	1,101,232	2,357	(1,178)	2,900	(41,928)	1,063,383
Machinery	2,346,517	45,785	(5,908)	769,845	(863,558)	2,292,681
Vehicles	2,341	1,550	(66)	91	(1,341)	2,575
Other	374,962	731,533	(12,640)	(624,261)	(75,900)	393,694
Construction in progress	130,667	347,921	(369)	(211,443)		266,776
Total	₩4,418,112	1,129,597	(34,856)	(61,521)	(982,727)	₩4,468,605
Less: six months ended June 30, 2007		698,023	(31,930)	(50,671)	(616,878)	
Three months ended September 30, 2007		₩ 431,574	(₩ 2,926)	(₩ 10,850)	(₩ 365,849)	

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	For the nine months ended September 30, 2006					Ending balance
	Beginning balance	Acquisition	Disposal	Transfer	Depreciation	
Land	₩ 461,513	₩ 7	(₩ 344)	₩ 1,411	₩	₩ 462,587
Buildings and structures	1,145,497	1,969	(607)	1,755	(41,596)	1,107,018
Machinery	2,429,564	8,755	(1,704)	487,220	(791,570)	2,132,265
Vehicles	2,786	994	(113)		(1,286)	2,381
Other	292,214	423,457	(13,548)	(369,599)	(60,915)	271,609
Construction in progress	264,309	279,259		(147,530)		396,038
<b>Total</b>	<b>₩ 4,595,883</b>	<b>714,441</b>	<b>(16,316)</b>	<b>(26,743)</b>	<b>(895,367)</b>	<b>₩ 4,371,898</b>
Less six months ended June 30, 2006		431,132	(14,730)	(15,896)	(567,954)	
Three months ended September 30, 2006		₩ 283,309	(₩ 1,586)	(₩ 10,847)	(₩ 327,413)	

**7. INTANGIBLE ASSETS**

Intangible assets as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	September 30, 2007			December 31, 2006		
	Acquisition cost	Accumulated amortization	Carrying amounts	Acquisition cost	Accumulated amortization	Carrying amounts
Goodwill	₩ 2,341,625	(₩ 739,908)	₩ 1,601,717	₩ 2,335,532	(₩ 643,310)	₩ 1,692,222
Frequency use rights	1,385,120	(395,685)	989,435	1,385,120	(308,287)	1,076,833
Software development costs	213,947	(194,470)	19,477	231,318	(190,611)	40,707
Computer software	929,496	(405,492)	524,004	858,375	(303,272)	555,103
Other	117,976	(72,474)	45,502	109,753	(69,459)	40,294
	<b>₩ 4,988,164</b>	<b>(₩ 1,808,029)</b>	<b>₩ 3,180,135</b>	<b>₩ 4,920,098</b>	<b>(₩ 1,514,939)</b>	<b>₩ 3,405,159</b>

Details of changes in intangible assets for the three months and nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

	For the nine months ended September 30, 2007					Ending balance
	Beginning balance	Increase	Decrease	Transfer	Amortization	
Goodwill	₩ 1,692,222	₩	₩	₩ 6,093(note)	(₩ 96,598)	₩ 1,601,717

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Frequency use rights	1,076,833				(87,398)	989,435
Software						
development costs	40,707		(2,755)	957	(19,432)	19,477
Computer software	555,103	18,988	(4,734)	71,503	(116,856)	524,004
Other	40,294	10,709	(423)	113	(5,191)	45,502
Total	<del>₩</del> 3,405,159	29,697	(7,912)	78,666	(325,475)	<del>₩</del> 3,180,135
Less: six months ended June 30, 2007		12,999	(262)	50,793	(216,443)	
Three months ended September 30, 2007		<del>₩</del> 16,698	( <del>₩</del> 7,650)	<del>₩</del> 27,873	( <del>₩</del> 109,032)	

(note) The amount represents the goodwill that resulted from the purchase of Baba Club s and Philio Co., Ltd s business for the nine months ended September 30, 2007.

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	For the nine months ended September 30, 2006					Ending balance
	Beginning balance	Increase	Decrease	Transfer	Amortization	
Goodwill	₩ 1,820,884	₩	₩	₩	(₩ 96,496)	₩ 1,724,388
Frequency use rights	1,184,292				(78,974)	1,105,318
Software development costs	61,256			7,208	(22,902)	45,562
Computer software	279,757	12,019	(1)	20,189	(57,668)	254,296
Other	40,358	3,796	(53)	275	(4,587)	39,789
<b>Total</b>	<b>₩ 3,386,547</b>	<b>15,815</b>	<b>(54)</b>	<b>27,672</b>	<b>(260,627)</b>	<b>₩ 3,169,353</b>
Less: six months ended June 30, 2006		5,650	(20)	17,053	(171,260)	
Three months ended September 30, 2006		₩ 10,165	(₩ 34)	₩ 10,619	(₩ 89,367)	

The book value as of September 30, 2007 and residual useful lives of major intangible assets are as follows (In millions of Korean won):

	Amount	Description	Residual useful lives
Goodwill	₩ 1,595,624	Goodwill related to acquisition of Shinsegi Telecomm, Inc.	12 years and 6 months
IMT license	892,391	Frequency use rights relating to W-CDMA Service	(Note a)
WiBro license	90,854	WiBro Service	(Note b)
DMB license	6,190	DMB Service	8 years and 9 months

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

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



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

Bonds payable as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won and thousands of U.S. dollars):

	Maturity	Annual	September	December
	year	interest	30,	31,
		rate (%)	2007	2006
Domestic general bonds	2007	5.0 - 6.0	₩ 300,000	₩ 700,000
"	2008	5.0	300,000	300,000
"	2009	5.0	300,000	300,000
"	2010	4.0	200,000	200,000
"	2011	3.0	200,000	200,000
"	2013	4.0	200,000	200,000
"	2016	5.0	200,000	200,000
Dollar denominated bonds (US\$300,000)	2011	4.25	276,210	278,880
Dollar denominated bonds (US\$400,000)	2027	6.63	368,280	
Convertible bonds (US\$304,240)	2009		333,832	356,356
Total			2,678,322	2,735,236
Less: discounts on bonds			(36,899)	(39,097)
Less: conversion right adjustments			(28,684)	(43,629)
Add: long-term accrued interest			21,462	22,910
Net			2,634,201	2,675,420
Less: current portion			(599,074)	(696,546)
Long-term portion			₩ 2,035,127	₩ 1,978,874

On May 27, 2004, the Company issued zero coupon convertible bonds with a maturity of five years and principal amount of US\$329,450,000 for US\$324,923,469, with an initial conversion price of ₩235,625 per share of the Company's common stock, which was greater than market value at the date of issuance. Subsequently, the initial conversion price was changed to ₩211,099 per share in accordance with anti-dilution protection. The Company may redeem the principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 103.81% of the principal amount on May 27, 2007 (3 years from the issuance date). The conversion right may be exercised during the period from July 7, 2004 to May 13, 2009 and the number of common shares to be converted as of December 31, 2006 is 1,649,014 shares. During the nine months ended September 30, 2007, the conversion price was changed from ₩211,943 to

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₩211,099 and the number of shares to be converted was changed from 1,688,842 shares to 1,695,593 shares due to the payment of interim dividends in accordance with the resolution of the Company's board of directors dated July 1, 2007.

Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock. If this 49% ownership limitation is violated due to the exercise of conversion rights, the Company will pay a bond holder as cash settlement determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five business days at the discretion of bond holders. [should they say how the choice is made between these two options? Refer to revised notes]. 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.

During the year ended December 31, 2006, the convertible bonds with a principal amount of US\$25,210,000 were converted into 136,163 shares of treasury stock (See Note 15), and the principal amount of the convertible bonds decreased from US\$329,450,000 to US\$304,240,000. In addition, the consideration for conversion right (capital surplus) decreased by ₩3,733 million (net of tax effect of ₩1,416 million).

During the nine months ended September 30, 2007, the conversion rights for the convertible bond with principal amount of US\$19,230,000 were exercised and ₩22,286 million of cash was paid to bond holders without delivering the Company's common stocks due to the 49% ownership limitation as explained above. Therefore, the principal amount of the convertible bonds decreased from US\$304,240,000 to US\$285,010,000. In addition, the consideration for conversion right (capital surplus) decreased by ₩2,847 million (net of tax effect of ₩1,080 million).

**9. LONG-TERM BORROWINGS**

Long-term borrowings as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won and thousands of U.S. dollars):

	Lender	Final maturity year	Annual interest rate (%) (note)	September 30, 2007	December 31, 2006
Long-term floating rate discount bill	Shinhan Bank	June 29, 2010	91 days CD yield + 0.25%	₩ 200,000	₩ 200,000
Long-term floating rate borrowings	Calyon Bank	October 10, 2013	6M LIBOR + 0.29%	US\$ 50,000	US\$ 50,000
"	DBS Bank	"	"	US\$ 25,000	US\$ 25,000
"	SMBC	"	"	US\$ 25,000	US\$ 25,000
Total				US\$ 100,000 ₩ 200,000	US\$ 100,000 ₩ 200,000
Equivalent in Korean won				₩ 292,070	₩ 292,960

Less: current portion

Long-term borrowings	₩	292,070	₩	292,960
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The above long-term floating rate discount bill is classified as long-term borrowing as the borrowing is to be rolled-over exceeding 1 year from September 30, 2007 in accordance with the loan agreement.

(note) At September 30, 2007, the 91 days CD yield and the 6M LIBOR rate are 5.35% and 5.14%, respectively.

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

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

Long-term subscription deposits held as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won except deposit per subscriber amounts):

	Service type	Deposit per subscriber	September 30, 2007	December 31, 2006
Cellular		₩ 200,000	₩ 10,770	₩ 21,140

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

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**Table of Contents****11. LEASES**

The Company acquired certain computer equipment and software from SK C&C Co., Ltd. and succeeded certain capital lease agreements between SK C&C Co., Ltd. and HP Financial Service. Details of capital lease assets acquired and liabilities assumed from SK C&C Co., Ltd. as of and for the nine months ended September 30, 2007 and as of and for the year ended December 31, 2006 are as follows (In millions of Korean won):

		September 30, 2007	December 31, 2006
Acquisition cost	Office equipment	₩ 8,271	₩ 15,784
	Computer software	5,728	7,180
		₩ 13,999	₩ 22,964
Accumulated depreciation	Office equipment	₩ 6,017	₩ 8,662
	Computer software	2,100	1,555
		₩ 8,117	₩ 10,217
Carrying amounts	Office equipment	₩ 2,254	₩ 7,122
	Computer software	3,628	5,625
		₩ 5,882	₩ 12,747
Depreciation expenses	Office equipment	₩ 1,478	₩ 8,071
	Computer software	859	1,437
		₩ 2,337	₩ 9,508

The Company's minimum future lease payments as of September 30, 2007 are as follows (In millions of Korean won):

	Annual lease payments	Interest	Principal
2008	₩ 3,328	(₩ 67)	₩ 3,261
Less: current portion			(3,261)
Capital lease liabilities			₩



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

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable and long-term borrowings denominated in foreign currencies described in Notes 8 and 9, respectively) as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won, thousands of U.S. dollars, thousands of HK dollars, thousands of Japanese yen, thousands of Great Britain pounds, thousands of Singapore dollars, thousands of Swiss Franc, thousands of Euros and thousands of Chinese yuan):

	September 30, 2007		December 31, 2006	
	Foreign currencies	Korean won equivalent	Foreign currencies	Korean won equivalent
Cash and cash equivalents	US\$ 282,423	₩ 260,027	US\$ 959	₩ 892
"	EUR 472	614	EUR 2	2
"	GBP 51	95		
"	SG\$ 16	10		
Accounts receivable trade	US\$ 4,628	4,261	US\$ 16,534	15,370
"	EUR 248	323	EUR 248	303
"	CNY 5,620	689		
Accounts receivable other	US\$ 1,144	1,053	US\$ 1,657	1,541
Guarantee deposits	US\$ 12	11	US\$ 17	16
"	JPY 21,712	173	JPY 21,536	168
		₩ 267,256		₩ 18,292
Accounts payable	US\$ 8,445	7,775	US\$ 16,046	14,916
"	EUR 588	765	EUR 813	993
"	JPY 11,474	91	JPY 18,704	146
"	GBP 636	1,187	GBP 48	88
"	HK\$ 131	16	HK\$ 190	23
"	SG\$ 16	10	SG\$ 6	3
"	CNY 2	1	CNY 2	1
"			CHF 250	190
		₩ 9,845		₩ 16,360

**13. CAPITAL STOCK AND CAPITAL SURPLUS**

The Company's capital stock consists entirely of common stock with a par value of ₩500. The number of authorized and issued shares as of September 30, 2007 and December 31, 2006 are as follows:

	September 30, 2007	December 31, 2006
Authorized shares	220,000,000	220,000,000
Issued shares	81,193,711	81,193,711

Outstanding shares, net of treasury stock	72,667,459	72,667,459
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Significant changes in capital stock and capital surplus for the nine months ended September 30, 2007 and for the year ended December 31, 2006 are as follows (In millions of Korean won except for share data):

	Number of shares issued	Capital stock	Capital surplus
At January 1, 2006	82,276,711	₩ 44,639	₩ 2,966,198
Consideration for conversion right (note a)			(3,733)
Transferred from stock options in capital adjustment (note b)			234
Retirement of treasury stock (note c)	(1,083,000)		
At December 31, 2006	81,193,711	44,639	2,962,699
Transferred from stock options in capital adjustment (note d)			3,246
Consideration for conversion right (note e)			(2,847)
Offset against capital surplus by equity security accounted for using the equity method (note f)			(15,400)
At September 30, 2007	81,193,711	₩ 44,639	₩ 2,947,698

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

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

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

(note d) During the nine months ended September 30, 2007, the exercisable period for the stock options representing 65,730 shares, for which the Company recognized compensation costs of ₩3,246 million, expired and the related stock options of ₩3,246 million in capital adjustments were transferred to capital surplus in accordance with Korean GAAP [See Note 2 (r)].

(note e) During the nine months ended September 30, 2007, the conversion rights for the convertible bonds with face value of US\$19,230,000 were exercised and the capital surplus amount (in connection with the related conversion rights) decreased by ₩2,847 million (net of tax effect of \$1,080 million).

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(note f) During the nine months ended September 30, 2007, the Company acquired Ntreev Soft Co., Ltd's common stocks from IHQ, Inc. its subsidiary. The difference between the acquisition cost and the net book value of Ntreev Soft Co., Ltd was offset against the Company's capital surplus.

**14. APPROPRIATED RETAINED EARNINGS**

Details of appropriated retained earnings as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	September 30, 2007	December 31, 2006
Legal reserve	₩ 22,320	₩ 22,320
Reserve for improvement of financial structure	33,000	33,000
Reserve for loss on disposal of treasury stock	255,984	477,182
Reserve for research and manpower development	872,595	880,594
Reserve for business expansion	6,151,138	5,266,138
<b>Total</b>	<b>₩ 7,335,037</b>	<b>₩ 6,679,234</b>

## a. Legal Reserve

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

## b. Reserve for Improvement of Financial Structure

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

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

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

## d. Reserve for Business Expansion

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

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

Upon issuances of stock dividends and new common stock, and the merger with Shinsegi Telecomm, Inc. and SK IMT Co., Ltd., the Company acquired fractional shares totaling 77,970 shares for ₩6,110 million through 2005. In addition, the Company acquired 8,584,445 shares of treasury stock in the market or through the trust funds for ₩2,040,995 million through 2005 in order to stabilize the market price of its stock. In addition, during the year ended December 31, 2006, the convertible bonds with principal amount of US\$25,210,000 were converted into 136,163 shares of common stock. Such conversion was settled by the Company by using its treasury stock with carrying value totaling ₩32,178 million, which resulted in loss on disposal of treasury stock of ₩7,887 million. In addition, the losses on disposal of treasury stock decreased by ₩337 million for the nine months ended September 30, 2007 to reflect the change in accumulated temporary differences related to treasury stock based on the prior year tax return.

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

There was no change in the shares of treasury stock for the nine months ended September 30, 2007.

**16. STOCK OPTIONS**

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

The value of stock options granted was 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 and nine months ended September 30, 2007 and 2006 and the outstanding balance of stock options in capital adjustments as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

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Grant date	Total Compensation cost	Recognized compensation cost for the three months ended September 30,		Recognized compensation cost for the nine months ended September 30,		Stock options in capital adjustments	
		2007	2006	2007	2006	September 30, 2007	December 31, 2006
March 17, 2000(Note a)	₩ 1,533	₩	₩	₩	₩	₩	₩
March 16, 2001(Note b)	234						
March 8, 2002(Note c)	3,246						3,246
	₩ 5,013	₩	₩	₩	₩	₩	₩ 3,246

(note a) During the year ended December 31, 2005, the exercisable period expired for stock options representing 17,800 shares, for which the Company had recognized compensation cost of ₩1,533 million. The related capital adjustment of ₩1,533 million was transferred to capital surplus.

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

(note c) During the year ended December 31, 2006, the exercisable period expired for stock options representing 65,730 shares, for which the Company had recognized compensation cost of ₩3,246 million. The related capital adjustment of ₩3,246 million was transferred to capital surplus.

If the Company had not excluded the volatility factor (expected volatility of 66.8% for options granted in 2000, 67.5% for options granted in 2001, and 63.0% for options granted in 2002), the pro forma total compensation cost would be ₩15,967 million (₩3,738 million, ₩3,617 million and ₩8,613 million for options granted in 2000, 2001 and 2002, respectively) and the recognized compensation cost for the three months and nine months ended September 30, 2007 would be nil, and the pro forma net income and net income per common share for the three months and nine months ended September 30, 2007, 2006 and 2005 are as follows:

	For the three months ended September 30, (In millions of Korean won, except for net income per share)		
	2007	2006	2005
Pro forma income before income tax	₩1,051,188	₩645,935	₩789,591
Pro forma net income	776,819	456,802	587,878
Pro forma net income per share (In Korean Won)	10,690	6,231	7,986

For the nine months ended September 30,  
(In millions of Korean won,

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	except for net income per share)		
	2007	2006	2005
Pro forma income before income tax	₩2,174,304	₩1,650,637	₩1,987,193
Pro forma net income	1,576,403	1,167,300	1,423,107
Pro forma net income per share (In Korean Won)	21,693	15,875	19,332

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**Table of Contents****17. INCOME TAX**

## a. Details of income tax expense

Income tax expense for the nine months ended September 30, 2007 and 2006 consists of the following (In millions of Korean won):

	2007	2006
Current	₩ 497,931	₩ 544,033
Deferred (note a)	99,970	(60,696)
Income tax expenses	597,901	483,337
Less: six months ended June 30,	(323,532)	(294,204)
Three months ended September 30,	₩ 274,369	₩ 189,133

(note a) Changes in net deferred tax liabilities for the nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

	2007	2006
Ending balance of net deferred tax liabilities	₩ 868,284	₩ 324,490
Beginning balance of net deferred tax liabilities	(490,341)	(348,563)
Adjustment to the beginning net deferred income tax liabilities based on tax return filed	3,444	10,453
Tax effect of temporary differences charged or credited directly to related components of stockholders' equity	(281,417)	(47,076)
	₩ 99,970	(₩ 60,696)

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

Reconciling items between accounting income and taxable income for the nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

	2007	2006
<b>(Temporary Differences)</b>		
<b>Additions:</b>		
Allowance for doubtful accounts	₩ 37,644	₩ 149,075
Accrued interest income prior period	4,576	3,931
Reserves for research and manpower development	157,500	141,000
Reserves for loss on disposal of treasury stock		177,675
Equity in losses of affiliates		64,373
Equity in other comprehensive income of affiliates		9,562
Unrealized losses on valuation of long-term investment securities	320,093	47,442
Accrued expenses	1,668	15,300
Depreciation	40,554	40,973
Loss on impairment of other assets	5,051	1,488
Loss on valuation of currency swap	12,577	4,195
Loss on valuation of currency swap (other comprehensive income)		9,807
Accrued severance indemnities	16,031	23,960
Deposits for severance indemnities	1,175	148,610
Consideration of conversion right	14,945	16,246
Interest expense of convertible bond	14,975	
Other	26,787	35,757
Sub-total	653,576	889,394
<b>Deductions:</b>		
Reserves for research and manpower development		(135,000)
Allowance for doubtful accounts prior period	(43,975)	(124,184)
Depreciation prior period	(18,971)	(14,867)
Accrued interest income	(6,162)	(7,287)
Accrued expenses	(27,519)	(21,906)
Equity in earnings of affiliates	(98,087)	
Equity in other comprehensive income of affiliates	(14,971)	(9,562)
Unrealized gains on valuation of long-term investment securities	(1,315,319)	(229,335)
Accrued severance indemnities	(1,175)	(155,633)
Deposits for severance indemnities	(3,837)	(3,424)
Loss on impairment of other assets prior period	(971)	(5,109)
Gain on conversion of convertible bond	(373,140)	
Other	(19,398)	(37,700)
Sub-total	(1,923,525)	(744,007)
Total Temporary Differences	(1,269,949)	145,387

<b>(Permanent Differences)</b>	1,113,076	328,066
Total	(₩ 156,873)	₩ 473,453

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

Changes in cumulative temporary differences for the nine months ended September 30, 2007 and 2006, and deferred tax assets and liabilities as of September 30, 2007 and 2006 are as follows (In millions of Korean won):

For the nine months ended September 30, 2007

Description	January 1, 2007	Increase (note a)	Decrease (note a)	September 30, 2007
<b>Current:</b>				
Allowance for doubtful accounts	₩ 50,824	₩ 29,186	₩ 43,974	₩ 36,036
Accrued interest income	(4,574)	(4,191)	(4,575)	(4,190)
Accrued expenses	56,001	3,619	27,519	32,101
Other	172,168	(1,315)	5,164	165,689
<b>Total</b>	<b>274,419</b>	<b>₩ 27,299</b>	<b>₩ 72,082</b>	<b>229,636</b>
Temporary differences unlikely to be realized	128,554			128,554
<b>Total current cumulative temporary differences-net</b>	<b>₩ 145,865</b>			<b>₩ 101,082</b>
Current deferred tax assets-net (Note b)	₩ 40,113			₩ 27,798
<b>Non-current:</b>				
Property and equipment	(₩ 188,535)	(₩ 2,920)	(₩ 30,146)	(₩ 161,309)
Loss on impairment of long-term investment securities	108,145	30,218		138,363
Loss on impairment of other assets	971	5,051	971	5,051
Reserves for research and manpower development	(760,000)		(157,500)	(602,500)
Reserves for loss on disposal of treasury stock	(255,984)			(255,984)
Equity in (earnings) losses of affiliates	116,407	(4,783)	98,087	13,537
Equity in other comprehensive income of affiliates	(123,206)	(445)	14,971	(138,622)
Unrealized gain on valuation of long-term investment securities, net (other comprehensive income)	(563,477)	(1,315,319)	(320,093)	(1,558,703)
Accrued severance indemnities	20,058	16,031	1,174	34,915
Deposits for severance indemnities	(20,058)	(3,837)	(1,174)	(22,721)
Loss on valuation of currency swap	22,503	12,577		35,080

Loss on valuation of currency swap (other comprehensive income)	24,249			24,249
Loss on valuation of interest rate swap (other comprehensive income)	454		2,426	(1,972)
Gain on conversion of convertible bond		(373,140)		(373,140)
Considerations for conversion right	(62,131)		(3,927)	(58,204)
Other	22,370	41,320	12,607	51,083
Total	(1,658,234)	(₩ 1,595,247)	(₩ 382,604)	(2,870,877)
Temporary differences unlikely to be realized	(270,688)			(387,601)
Total non-current cumulative temporary differences-net	(₩ 1,928,922)			(₩ 3,258,478)
Total non-current deferred tax liabilities-net (Note b)	(₩ 530,454)			(₩ 896,081)

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

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

**Table of Contents**For the nine months ended September 30, 2006

Description	January 1, 2006	Increase (note a)	Decrease (note a)	September 30, 2006
Current:				
Allowance for doubtful accounts	₩ 122,561	₩ 129,119	₩ 124,184	₩ 127,496
Accrued interest income	(3,931)	(3,987)	(3,931)	(3,987)
Accrued expenses	61,967	15,514	21,906	55,575
Other	189,548	10,710	4,834	195,424
Total	370,145	151,356	146,993	374,508
Temporary differences unlikely to be realized	(147,774)		(19,219)	(128,555)
Total current cumulative temporary differences-net	₩ 222,371	₩ 151,356	₩ 127,774	₩ 245,953
Current deferred tax assets-net (Note b)	₩ 61,152			₩ 67,637
Non-current:				
Property and equipment	(₩ 196,446)	₩ 12,228	₩ 10,964	(₩ 195,182)
Loss on impairment of long-term investment securities	108,145			108,145
Loss on impairment of other long-term assets	7,461		5,973	1,488
Reserves for research and manpower development	(768,000)	(135,000)	(141,000)	(762,000)
Reserves for loss on disposal of treasury stock	(474,081)		(177,675)	(296,406)
Equity in (earnings) losses of affiliates	(5,025)	56,156	328	50,803
Equity in other comprehensive income of affiliates	(109,468)		(10,862)	(98,606)
Unrealized loss on valuation of long-term investment securities	58,116	219	182,113	(123,778)
Accrued severance indemnities	148,465	24,106	155,633	16,938
Deposits for severance indemnities	(148,465)	(3,568)	(148,610)	(3,423)
Loss on valuation of currency swap	13,244	4,195		17,439
Loss on valuation of currency swap (capital adjustment)	19,554	9,807		29,361
Loss on valuation of interest rate swap (capital adjustment)		2,747		2,747
Considerations for conversion right	(67,279)		(3,762)	(63,517)
Other	(10,647)	60,117	(1,911)	51,381

Total	(1,424,426)	31,007	(128,809)	(1,264,610)
Temporary differences unlikely to be realized	(65,447)	(97,197)	(1,336)	(161,308)
Total non-current cumulative temporary differences-net	(₩ 1,489,873)	(₩ 66,190)	(₩ 130,145)	(₩ 1,425,918)
Total non-current deferred tax liabilities-net (Note b)	(₩ 409,715)			(₩ 392,128)

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

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

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Deferred tax assets and liabilities before offsetting each other are as follows (In millions of Korean won):

	September 30, 2007	December 31, 2006
Deferred tax assets	₩ 39,713	₩ 93,697
Deferred tax liabilities	(907,996)	(584,038)
Deferred tax assets (liabilities), net	(₩ 868,283)	(₩ 490,341)
Current, net	₩ 27,798	₩ 40,113
Non-current, net	(₩ 896,081)	(₩ 530,454)

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

Deferred tax assets (liabilities) added to (deducted from) capital surplus, capital adjustments or accumulated other comprehensive income (loss) as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

	September 30, 2007	December 31, 2006
Gains on disposal of treasury stock	(₩ 38,004)	(₩ 38,341)
Considerations for conversion right	(16,006)	(17,086)
Unrealized loss on valuation of long-term investment Securities, net	(428,643)	(154,956)
Equity in capital adjustment of affiliates, net	(49,920)	(41,441)
Loss on valuation of currency swap, net	6,668	6,668
Gain (loss) on valuation of interest rate swap	(542)	125
Total	(₩ 526,447)	(₩ 245,031)

- e. Effective tax rate

Effective tax rates for the three months and nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

	For the three months ended		For the nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Income before income tax	₩ 1,051,188	₩ 645,935	₩ 2,174,304	₩ 1,650,637
Income tax expense	274,369	189,133	597,901	483,337

Effective tax rate	26.10%	29.28%	27.50%	29.28%
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**Table of Contents****18. COMPREHENSIVE INCOME**

Details of comprehensive income for the three months and nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

For the three and nine months ended September 30, 2007

	For the three months		For the nine months	
	Profit and loss effect	Tax effect	Profit and loss effect	Tax effect
Net income	₩ 776,819		₩ 1,576,403	
Other comprehensive income:				
Unrealized gain on valuation of long-term investment securities, net	318,496	(₩ 120,809)	721,539	(₩ 273,687)
Equity in capital adjustments of affiliates, net	(129,630)	44,005	6,492	(8,479)
Gain on valuation of currency swap, net	1,910	293	5,114	
Gain on valuation of interest rate swap, net	303	(114)	1,759	(667)
Sub-total	191,079	(₩ 76,625)	734,904	(₩ 282,833)
Comprehensive income	₩ 967,898		₩ 2,311,307	

For the three and nine months ended September 30, 2006

	For the three months		For the nine months	
	Profit and loss effect	Tax effect	Profit and loss effect	Tax effect
Net income	₩ 456,802		₩ 1,167,300	
Other comprehensive income:				
Unrealized gain on valuation of long-term investment securities, net	35,516	(₩ 13,472)	131,873	(₩ 50,021)
Equity in capital adjustments of affiliates, net	248	(1,372)	(12,765)	(1,893)
Gain (Loss) on valuation of currency swap, net	5,218	(1,979)	(7,110)	2,697
(Loss) on valuation of interest rate swap, net	(1,410)	535	(1,991)	756
Sub-total	39,572	(₩ 16,288)	110,007	(₩ 48,461)
Comprehensive income	₩ 496,374		₩ 1,277,307	

**19. NET INCOME AND ORDINARY INCOME PER SHARE**

The Company's net income and ordinary income per share amounts for the three months and nine months ended September 30, 2007 and 2006 are computed as follows (In millions of Korean won, except for per share income

per share):

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**Table of Contents**Net income and ordinary income per share

	For the three months ended		For the nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net income and ordinary income	₩ 776,819	₩ 456,802	₩ 1,576,403	₩ 1,167,300
Weighted average number of common shares outstanding	72,667,459	73,314,653	72,667,459	73,531,415
 Net income and ordinary income per share	 ₩ 10,690	 ₩ 6,231	 ₩ 21,693	 ₩ 15,875

Net income and ordinary income per share for the year ended December 31, 2006 are ₩19,734 and net income and ordinary income per share for the three months ended March 31, 2007 and 2006 are ₩5,454 and ₩4,580, respectively, and for the three months ended June 30, 2007 and 2006 are ₩5,550 and ₩5,068, respectively.

The weighted average number of common shares outstanding for the three months and nine months ended September 30, 2007 and 2006 is calculated as follows:

	Number of shares	Weighted number of days	Weighted number of shares
For the three months ended September 30, 2007			
At July 1, 2007	81,193,711	92 / 92	81,193,711
Treasury stock, at the beginning	(8,526,252)	92 / 92	(8,526,252)
 Total	 72,667,459		 72,667,459
 For the nine months ended September 30, 2007			
At January 1, 2007	81,193,711	273 / 273	81,193,711
Treasury stock, at the beginning	(8,526,252)	273 / 273	(8,526,252)
 Total	 72,667,459		 72,667,459
	Number of shares	Weighted number of days	Weighted number of shares
For the three months ended September 30, 2006			
At July 1, 2006	82,276,711	92 / 92	82,276,711
Treasury stocks at July 1, 2006	(8,563,054)	92 / 92	(8,563,054)

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Retirement of treasury stock (note a)	(1,083,000)	34 / 92 (Note a)	(399,004)
Total	72,630,657		73,314,653
For the nine months ended September 30, 2006			
At January 1, 2006	82,276,711	273 / 273	82,276,711
Treasury stocks at January 1, 2006	(8,662,415)	273 / 273	(8,662,415)
Conversion of convertible bonds into treasury stock (note b)	99,361	142 / 273 (Note b)	51,582
Retirement of treasury stock (note a)	(1,083,000)	34 / 273 (Note a)	(134,463)
Total	72,630,657		73,531,415

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(note a) The Company retired treasury stocks which were acquired on two different dates during the nine months ended September 30, 2006, and weighted number of shares was calculated considering each transaction date.

(note b) Treasury stocks were used to settle the conversion of the convertible bonds on several different dates during the nine months ended September 30, 2006 and weighted number of shares was calculated considering each transaction date.

Diluted net income and ordinary income per share amounts for the three months and nine months ended September 30, 2007 and 2006 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 nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Adjusted net income and ordinary income	₩ 780,119	₩ 460,152	₩ 1,586,219	₩ 1,177,231
Adjusted weighted average number of common shares outstanding	74,284,990	75,000,469	74,336,745	75,265,373
Diluted net income and ordinary income per share	₩ 10,502	₩ 6,135	₩ 21,338	₩ 15,641

Diluted net income and ordinary income per share for the year ended December 31, 2006 are ₩19,458 and diluted net income and ordinary income per share for the three months ended March 31, 2007 and 2006 are ₩5,373 and ₩4,516, respectively, and for the three months ended June 30, 2007 and 2006 are ₩5,468 and ₩4,996, respectively.

Adjusted net income and ordinary income per share and the adjusted weighted average number of common shares outstanding for the three months and nine months ended September 30, 2007 and 2006 are calculated as follows (In millions of Korean won, except for share data):

	For the three months ended		For the nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Net income and ordinary income	₩ 776,819	₩ 456,802	₩ 1,576,403	₩ 1,167,300
Effect of stock options (note a)				
Effect of convertible bonds (note b)	3,300	3,350	9,816	9,931
Adjusted net income and ordinary income	₩ 780,119	₩ 460,152	₩ 1,586,219	₩ 1,177,231

Weighted average number of common shares outstanding	72,667,459	73,314,653	72,667,459	73,531,415
Effect of stock options (note a)				
Effect of convertible bonds (note b)	1,617,531	1,685,816	1,669,286	1,733,958
Adjusted weighted average number of common shares outstanding	₩ 74,284,990	₩ 75,000,469	₩ 74,336,745	₩ 75,265,373

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(note a) For the three months and nine months ended September 30, 2007 and 2006, the outstanding stock options did not have a dilutive effect because the exercise price exceeded the average market price of common stock for the three months and nine months ended September 30, 2007 and 2006 and for the year ended December 31, 2006, respectively.

(note b) The effect of convertible bonds increased net income related to interest expenses that would not have been 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.

**20. RESTRICTED DEPOSITS**

- a. At September 30, 2007, the Company has guarantee deposits restricted for its checking accounts totaling ₩19 million and deposits restricted for a charitable trust for the public totaling ₩10,000 million of which due date is February 8, 2009.
- b. The Company entered into a contract with First Data Corporation to sell the investment in common stock of KMPS Corporation, which was held by the Company and accounted for as available-for-sale securities. At September 30, 2007, certain portion of proceeds from sales of such investment totaling ₩1,137 million is kept in escrow accounts in accordance with the Escrow Agreement, which is restricted for use until November 16, 2007, the final settlement date, and recorded as short-term deposits.

**21. INTERIM DIVIDENDS**

In accordance with the resolution of the Company's board of directors dated July 27, 2007, the Company declared and paid cash dividends during the three months ended September 30, 2007 based on outstanding number of common shares at June 30, 2007 as follows (in millions of Korean won except for per share data):

Number of shares outstanding as of June 30, 2007	Par value per share	Dividend ratio	Dividends
72,667,459	₩500	200%	₩72,667

**22. INSURANCE**

As of September 30, 2007, certain Company's assets are insured with local insurance companies as follows (In millions of Korean won and thousands of U.S. dollars):

Insured	Risk	Carrying value	Coverage
Property and equipment	Fire and comprehensive liability	₩ 3,498,212	US\$ 59,115 ₩ 7,617,737

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

**Table of Contents****23. RELATED PARTY TRANSACTIONS**

As of September 30, 2007 and December 31, 2006, the parent company and subsidiaries of the Company are as follows:

**a. Holding company and subsidiaries**

Type	Company	Ownership percentage (%)	Types of business
Parent company	SK Corporation	21.8 (note a)	Manufacturing and selling petrochemicals
Subsidiary	SK Telink Co., Ltd.	90.8	Telecommunication service
"	SK Communications Co., Ltd.	85.9	Internet website services
"	SK Wyverns Baseball Club Co., Ltd.	100.0	Business related sports
"	Global Credit & Information Co., Ltd.	50.0	Credit and collection services
"	PAXNet Co., Ltd.	59.7	Internet website services
"	Seoul Records, Inc.	60.0	Release of music disc
"	Aircross Co., Ltd.	100.0	Wireless marketing related business
"	TU Media Corp.	32.7	Digital multi media broadcasting service
"	SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE Ltd.)	73.3	Telecommunication service
"	SK Telecom China Co., Ltd.	100.0	Telecommunication service
"	SK Telecom China Holding Co., Ltd.	100.0	Holding company in China
"	ULand Company Ltd.	70.1	Network and mobile value added service
"	IHQ, Inc.	37.1	Entertainment management
"	Philio Co., Ltd.	100.0	Cosmetics wholesale
"	Baba Club	100.0	Electronic commerce
"	SK Telecom USA Holdings, Inc.	100.0	Telecommunication service
"	SK Telecom International Inc.	100.0	Telecommunication service
"	Centurion IT Investment Association	37.5	Investment association
"	The First Music Investment Fund of SK-PVC	69.3	Investment association
"	The Second Music Investment Fund of SK-PVC	79.3	Investment association
"	SK-KTB Music Investment Fund	74.3	Investment association
"	IMM Cinema Fund	45.6	Investment association
"	Cyworld, Inc.	100.0 (note b)	Internet website services
"	Cyworld Japan Co., Ltd.	100.0 (note b)	Internet website services
"	SK Cyberpass Inc.	70.5 (note c)	Telecommunication service
"	YTN Media Inc.	51.4 (note c)	Broadcasting program production
"	Ntreev Soft Co., Ltd.	66.7	Game program production
"	IHQ USA, Inc.	100.0 (note c)	Surveying marketing information
"	SK Telecom Europe Ltd.	100.0	Wireless telecommunication related business
"	SK Telecom Advanced Tech & Service Center	100.0	Research & development
"	Cyworld Europe GmbH	50.2 (note c)	Internet website services
"	Cyworld China Ltd.	100.0 (note c)	Internet website services

" SK I-Media Co., Ltd. 60.0 (note c) Game software production

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

(note b) The ownership percentage represents the total sum of the percentage ownership held by the Company and its subsidiaries.

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

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

Significant related party transactions for the three months and nine months ended September 30, 2007 and 2006, and account balances as of September 30, 2007 and December 31, 2006 are as follows (In millions of Korean won):

**b-(1) Transactions**

	For three months ended September 30, 2007			For nine months ended September 30, 2007		
	Purchases of property and equipment	Commissions paid and other expenses	Commissions earned and other income	Purchases of property and equipment	Commissions paid and Other expenses	Commissions earned and other income
Parent Company:						
SK Corporation	₩	₩ 2,527	₩ 111	₩	₩ 17,722	₩ 10,731
Subsidiaries:						
SK Communications Co., Ltd.		9,234	1,543	156	27,590	4,873
TU Media Corp. Global Credit & Information Co., Ltd.		1,186	17,007	11	1,850	42,584
PAXNet Co., Ltd.		13,486	313		41,046	1,178
SK Telink Co., Ltd.		3,193	2,532		9,388	3,177
SK Wyverns Baseball Club Co., Ltd.		3,508	6,014		9,995	15,935
Aircross Co., Ltd.	3	4,200			14,877	17
SK Telecom China Co., Ltd.		6,181	529	227	14,501	1,052
SK Telecom International Inc.		4,302			12,481	684
Others		1,427			4,533	
Equity Method Investees:		1,766	2,776	1,000	5,536	3,602
Helio, LLC			283			1,761
SK C&C Co., Ltd.	77,907	67,908	1,810	104,164	166,687	6,235
Others	107	1,899	17,758	586	2,763	18,174
Others :						
SK Engineering & Construction Co., Ltd.	46,449	1,788	660	181,873	4,420	2,474
SK Networks Co., Ltd.	8,846	184,259	3,937	22,305	509,359	9,159
Innoace Co., Ltd.	5,087	1,074	46	9,267	4,339	155
SK Telesys Co., Ltd.	37,448	1,756	440	174,740	5,250	2,264
Others	234	10,200	800	1,821	18,129	3,004
Total	₩ 176,081	₩ 319,894	₩ 56,559	₩ 496,150	₩ 870,466	₩ 127,059





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	For three months ended September 30, 2006			For nine months ended September 30, 2006		
	Purchases of property and equipment	Commissions paid and other expenses	Commission and other income	Purchases of property and equipment	Commissions paid and Other expenses	Commission and other income
Parent Company: SK Corporation	₩ 5	₩ 9,274	₩ 1,663	₩ 859	₩ 25,233	₩ 6,759
Subsidiaries:						
SK Communications Co., Ltd.	40	10,884	541	51	30,984	1,949
TU Media Corp. Global Credit & Information Co., Ltd.		414	14,500	528	1,055	36,394
PAXNet Co., Ltd.		10,043	292		26,413	927
SK Telink Co., Ltd.		1,726	322		6,539	1,176
SK Wyverns Baseball Club Co., Ltd.		2,684	4,268		10,998	12,724
Aircross Co., Ltd.	780	3,300			12,900	
Others	8	5,178	217	830	11,848	420
		2,357	2	11	4,928	2
Equity Method Investees:						
WiderThan Co., Ltd.:	374	29,795	9	1,341	77,791	981
Helio, LLC			15,123			28,044
SK C&C Co., Ltd.	41,493	68,729	1,770	87,269	210,607	5,637
Others	170	667	7,220	3,111	1,305	7,220
Others :						
SK Engineering & Construction Co., Ltd.	76,868	2,224	520	123,072	3,299	1,911
SK Networks Co., Ltd.	821	118,703	3,049	2,705	336,834	8,514
Innoace Co., Ltd.	3,010	579	49	4,394	3,445	156
SK Telesys Co., Ltd.	49,920	1,020	758	133,659	2,187	1,807
Others	147	3,099	920	177	6,351	2,270
Total	₩ 173,636	₩ 270,676	₩ 51,223	₩ 358,007	₩ 772,717	₩ 116,891

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

As of September 30, 2007

	Accounts receivable	Short-term loans	Long-term loans	Guarantee deposits	Accounts payable	Guarantee deposits received
Parent Company:						
SK Corporation	₩ 13	₩	₩	₩	₩ 139	₩
Subsidiaries:						
SK Communications Co., Ltd.	2,272				3,631	5,606
TU Media Corp.	5,718				339	3,016
Global Credit & Information Co., Ltd.	65				4,393	
PAXNet Co., Ltd.	11				1,168	150
SK Telink Co., Ltd.	1,792				468	1,198
SK Wyverns Baseball Club Co., Ltd.	317	575	4,132			
Aircross Co., Ltd.	1,045				3,852	255
SK Telecom China Co., Ltd.	684					
SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE Ltd.)	4,176					
Others					674	
Equity Method Investees:						
SK C&C Co., Ltd.	118				83,912	346
Helio, LLC.	682					
Others	297				36	
Others:						
SK Engineering & Construction Co., Ltd.	208				48	1,135
SK Networks Co., Ltd.	1,555			113	45,838	3,508
Innoace Co., Ltd.					1,644	2,291
SK Telesys Co., Ltd.	1,788				33,484	
Others	597			1,204	1,402	248
Total	₩ 21,338	₩ 575	₩ 4,132	₩ 1,317	₩ 181,028	₩ 17,753

As of December 31, 2006

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

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Subsidiaries:

SK Communications Co., Ltd.	535				7,255	5,459
SK Wyverns Baseball Club Co., Ltd.	475	1,150	4,132			
Global Credit & Information Co., Ltd.	82				7,645	
PAXNet Co., Ltd.	121				913	
SK Telink Co., Ltd.	4,352				2,209	955
SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE Ltd.)	10,948					
SK Telecom International Inc.					1,673	
Others	16				564	

Equity Method Investees:

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

Others:

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

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

The Company considers registered directors who have substantial roles and responsibility for planning, operating, and controlling of the business as key management, and the considerations given to the key management for the three months and nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

Payee	For the three months ended September 30, 2007			For the nine months ended September 30, 2007		
	Payroll	Severance indemnities	Total	Payroll	Severance indemnities	Total
12 Registered directors (including outside directors)	₩ 532	₩ 141	₩ 673	₩ 4,243	₩ 581	₩ 4,824

Payee	For the three months ended September 30, 2006			For the nine months ended September 30, 2006		
	Payroll	Severance indemnities	Total	Payroll	Severance indemnities	Total
12 Registered directors (including outside directors)	₩ 507	₩ 136	₩ 643	₩ 3,687	₩ 799	₩ 4,486

In addition, on March 8, 2002, the Company granted stock options to its nine key members of the management, representing 15,110 shares at an exercise price of ₩267,000 per share. The stock options fully vested after three years from the date of grant and are exercisable for two years upon vesting. During the nine months ended September 30, 2007, the exercisable period elapsed and those stock options representing 15,110 shares have expired.

**24. PROVISION FOR MILEAGE POINTS**

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

Details of change in the provisions for such mileage points for the nine months ended September 30, 2007 and 2006 are as follows (In millions of Korean won):

	September 30, 2007 (note a)	September 30, 2006 (note a)
Beginning balance	₩ 52,593	₩ 52,172
Increase	11,479	9,679
Decrease (used points)	(8,521)	(9,381)
Decrease (reversal of provision for mileage points)	(27,151)	
Ending balance	₩ 28,400	₩ 52,470

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

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Mileage points expire after 5 years. The expected year when unused mileage points as of September 30, 2007 are expected to be used and the respective estimated monetary amount to be paid in a given year are as follows (In millions of Korean won):

Expected year of the usage (note b)	Estimated amount to be paid		Current value	
	In nominal value (Note b)		(note b)	
Within September 2008	₩	12,387	₩	11,691
Within September 2009		8,203		7,308
Within September 2010		5,479		4,607
Within September 2011		3,686		2,925
Within September 2012		2,495		1,869
Ending balance	₩	32,250	₩	28,400

(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.

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**Table of Contents****25. DERIVATIVE INSTRUMENTS**

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

The Company has entered into a fixed-to-fixed cross currency swap contract with Citibank, BNP Paribas and Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling US\$300,000,000 at annual fixed interest rate of 4.25% issued on April 1, 2004. As of September 30, 2007, in connection with unsettled foreign currency swap contract to which the cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩12,843 million (excluding tax effect totaling ₩6,668 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling ₩68,124 million) was accounted for as accumulated other comprehensive loss.

In addition, the Company has entered into a floating-to-fixed cross currency swap contract with Calyon bank to hedge the foreign currency risk and the interest rate risk of U.S. dollar denominated long-term borrowings with face amounts totaling US\$100,000,000 borrowed on October 10, 2006. As of September 30, 2007, in connection with unsettled cross currency interest rate swap contract to which the cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩1,469 million (excluding foreign exchange translation gain arising from U.S. dollar denominated long-term borrowings totaling ₩2,730 million) was accounted for as accumulated other comprehensive income.

- b. Interest rate swap contract to which the cash flow hedge accounting is applied

The Company has entered into a floating-to-fixed interest rate swap contract with Shinhan Bank to hedge the interest rate risk of floating rate discounted bill with face amounts totaling ₩200,000 million borrowed on June 29, 2006. As of September 30, 2007, in connection with unsettled interest rate swap contract to which the cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩1,430 million (excluding tax effect totaling ₩542 million) was accounted for as accumulated other comprehensive income.

- c. Currency swap contract to which the fair value hedge accounting is applied

The Company has entered into a fixed-to-fixed cross currency swap contract with Hana Bank and other 8 banks to hedge the foreign currency risk of U.S. dollar denominated equity securities of China Unicom. In connection with unsettled foreign currency swap contract to which the fair value hedge accounting is applied, gain on valuation of currency swap of ₩10,482 million for the nine months ended September 30, 2007 were charged to current operations.

- d. Currency swap contract to which the hedge accounting is not applied

The Company has entered into a fixed-to-fixed cross currency swap contract with Credit Suisse First Boston International to hedge foreign currency risk of unguaranteed U.S. dollar denominated convertible bonds with face amounts of US\$329,450,000 issued on May 27, 2004. In connection with unsettled fixed-to-fixed cross currency swap contract to which the hedge accounting is not applied, loss on valuation of currency swap of ₩1,427 million and ₩8,553 million for the nine months ended September 30, 2007 and 2006 were charged to current operations.



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Also, the Company has entered into fixed-to-fixed cross currency swap contract with Morgan Stanley Bank and two other banks to hedge the foreign currency risk of unguaranteed U.S. dollar denominated bonds with face amounts totaling US\$400,000,000 issued on July 20, 2007. In connection with unsettled foreign currency swap contract to which the hedge accounting is not applied, gain on valuation of currency swap of ₩6,258 million for the nine months ended September 30, 2007 was charged to current operations.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Hana Bank and five other banks to hedge foreign currency risk of unguaranteed U.S. dollar denominated convertible bonds issued by China Unicom Ltd. which was acquired on July 5, 2006. However, as the Company converted the convertible bonds into the common stock of China Unicom in September 2007, the Company has entered into another fixed-to-fixed cross currency swap contract with Hana Bank and five other banks to liquidate the existing currency swap contract. In connection with unsettled foreign currency swap contract to which the hedge accounting is not applied, gain and loss on valuation of currency swap of ₩3,194 million and ₩12,364 million, respectively, for the nine months ended September 30, 2007 were charged to current operations.

Furthermore, the Company has entered into a fixed-to-fixed cross currency swap contract with Calyon Bank and other 2 banks to hedge foreign currency risk of U.S. dollar denominated MMDA totaling US\$220,000,000. In connection with unsettled foreign currency swap contract to which the hedge accounting is not applied, gain and loss on valuation of currency swap of ₩75 million and ₩837 million, respectively, for the nine months ended September 30, 2007 were charged to current operations.

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As of September 30, 2007, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments as of September 30, 2007 are as follows (In thousands of U.S. dollars, H.K. dollars and millions of Korean won):

Type	Hedged item	Amount	Duration of contract	Designated as cash flow hedge	Fair value		Total	
					Designated as fair value hedge	Not designated		
<b>Current assets:</b>								
Fix-to-fixed cross currency swap	U.S. dollar denominated convertible bond issued by China Unicom	US\$1,000,000	Jul. 5, 2007~ Oct. 5, 2007	₩	₩	₩ 3,194	₩ 3,194	
Fix-to-fixed cross currency swap	U.S. dollar denominated MMDA	US\$40,000	Sep. 28, 2007~ Oct. 31, 2007			75	75	
Fix-to-fixed cross currency swap	U.S. dollar denominated China Unicom Equity Securities	HK\$10,940,900	Sep. 11, 2007~ Sep. 16, 2008			10,482	10,482	
<b>Non-current assets:</b>								
Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US\$400,000	Jul. 20, 2007~ Jul. 20, 2017			6,258	6,258	
Floating-to-fixed Interest rate swap	Long-term floating rate discounted bill	₩200,000	Jun. 29, 2006~ Jun. 29, 2010		1,972		1,972	
<b>Total assets</b>				₩	1,972	₩ 10,482	₩ 9,527	₩ 21,981
<b>Current liabilities:</b>								
Fix-to-fixed cross currency swap	U.S. dollar denominated MMDA	US\$180,000	July 26, 2007~ Dec 31, 2007	₩	₩	₩ 837	₩ 837	
Fix-to-fixed cross currency swap	U.S. dollar denominated convertible bond	US\$1,000,000	Sep. 11, 2007~ Oct. 5, 2007			12,364	12,364	

issued by China  
Unicom

**Non-current  
liabilities:**

Fix-to-fixed cross currency swap	U.S. dollar denominated bonds	US\$300,000	Mar. 23, 2004~ Apr. 1, 2011	87,635		87,635
Fix-to-fixed cross currency swap	U.S. dollar denominated convertible bonds	US\$100,000	May 27, 2004~ May 27, 2009		23,929	23,929
Floating-to-fixed cross currency interest rate swap	U.S. dollar denominated long-term borrowings	US\$100,000	Oct. 10, 2006~ Oct. 10, 2013	1,261		1,261
<b>Total liabilities</b>				<b>₩88,896</b>	<b>₩</b>	<b>₩37,130</b> <b>₩126,026</b>

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In accordance with the resolution of the Company's board of directors dated January 26, 2005, the Company and EarthLink, Inc., an internet service provider in the United States of America, agreed to establish Helio, LLC, a joint venture company, in the United States of America in February 2005 in order to provide wireless telecommunication service across the United States of America. The Company, via SK Telecom USA Holdings, Inc., its wholly-owned subsidiary in the United States of America, has invested US\$220 million from 2005 through September 30, 2007 (to maintain 50% of equity interest in the Joint venture Company). In addition, the Company has invested US\$30,000,000 in SK Telecom USA Holdings, Inc. on July 25, 2007 in accordance with the resolution of the Company's board of directors dated June 29, 2007, of which additional investment of up to US\$100,000 million was approved. In addition, the Company has invested US\$30,000,000 in SK Telecom USA Holdings, Inc. on September 21, 2007, in accordance with the resolution of the Company's board of directors dated September 20, 2007, of which additional investment of up to US\$200,000 million in SK Telecom USA Holdings, Inc was approved. Helio, LLC extensively launched cellular voice and data services across the United States of America in May 2006 by renting networks from network operators throughout the United States of America also known as partial mobile virtual network operator (MVNO) system.

**27. STATEMENTS OF CASH FLOWS**

The statements of cash flows are prepared using the indirect method and there was no significant non-cash transaction for the three months and nine months ended September 30, 2007.

Significant non-cash transactions for the three months and nine months ended September 30, 2006 are as follows (In millions of Korean won):

	For the three months ended September 30, 2006	For the nine months ended September 30, 2006
Conversion of convertible bonds	₩	₩ 21,575
Retirement of treasury stock	209,077	209,077

**28. SUBSEQUENT EVENTS**

- a. Acquisition of treasury stock

In accordance with the resolution of board of directors dated November 2, 2007, the Board approves the plan to acquire 471,000 shares of treasury stock in the market for the period from November 9, 2007 to February 27, 2008, in order to enhance the value of stockholders and stabilize the stock price.

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**Forward-Looking Statement Disclaimer**

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

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**SIGNATURES**

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

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

By: /s/ Tae Jin Park

*(Signature)*

Name: Tae Jin Park

Title: Vice President

Date: January 4, 2008