

SK TELECOM CO LTD

Form 6-K

April 24, 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 APRIL 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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ANNUAL REPORT

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

THIS IS A SUMMARY OF THE ANNUAL 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. Electronic financial business
12. Motion picture business(Production, Importation, Distribution, Screening)
13. Any business or undertaking incidental or conducive to the attainment of the objects 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**

(1) Agreement to acquire equity interests of Hanaro telecom Incorporated

On December 3, 2007, the Company entered into the agreement to acquire 91,406,249 shares of Hanaro telecom Incorporated's common stock from AIG- Newbridge Capital Limited and others, at the price of W11,900 per share (total acquisition cost of 1,087,734 million won) in accordance with the resolution of the Company's board of directors on November 30, 2007. However, if the government approval is



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not made or the preceding conditions are not fulfilled in connection with the agreement, this agreement might not be executed. If the agreement is completed, the Company's ownership interest in Hanaro telecom Incorporated will increase to 43.6% from 4.8%

**3. Information Regarding Shares****A. Total number of shares**

(As of December 31, 2007)

(Unit: shares)

| Classification                                     | Share type    |  | Total       | Remarks |
|--|---------------|--|-------------|---------|
|  | Common shares |  |             |         |
| <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>                | 8,609,034     |  | 8,609,034   |         |
| <b>VI. Number of shares outstanding (IV-V)</b>     | 72,584,677    |  | 72,584,677  |         |

\* The Company disposed Treasury Stock to E.S.O.P. on January 23, 2008 (208,326 shares)

**B. Capital Stock and Price per Share**

(As of December 31, 2007)

(Unit: Won, shares)

| Classification    | Type                     | Capital (total face value)                          |   |   | Price per share                     |  |  |
|-------------------|--------------------------|---|---|---|-------------------------------------|--|--|
|                   |                          | Capital amount<br>in financial<br>statements<br>(a) | Total number of<br>issued shares<br>(IV of A×b) | Total amount<br>of distributed<br>shares<br>(VI of A×b) | Par<br>value<br>per<br>share<br>(b) | Capital/<br>Total<br>number<br>of<br>issued<br>shares<br>(a / IV of<br>A.) | Capital/<br>Number<br>of<br>distributed<br>shares<br>(a / VI of<br>A.) |
| <b>Registered</b> | <b>Common<br/>shares</b> | 44,639,473,000                                      | 40,596,855,500                                  | 36,292,338,500  | 500                                 | 549.8  | 615.0  |
| <b>Total</b>      |                          | 44,639,473,000                                      | 40,596,855,500                                  | 36,292,338,500  | 500                                 | 549.8  | 615.0  |

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## C. Acquisition and Disposition of Treasury Shares

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

| <b>Acquisition method</b>  | <b>Type of share</b> | <b>Amount at the beginning of period</b> | <b>Acquisition (+)</b> | <b>Disposition (-)</b> | <b>Retirement (-)</b> | <b>Amount at the end of period</b> |
|--|----------------------|--|------------------------|------------------------|-----------------------|------------------------------------|
| <b>Direct acquisition pursuant to Article 189-2 (1) of the relevant Act</b>                                    | Common share         | 4,561,572                                | 471,000                | 388,218                |                       | 4,644,354                          |
|  | Preferred share      |  |                        |                        |                       |                                    |
| <b>Direct acquisition based on causes other than those stipulated in Article 189-2 (1) of the relevant Act</b> | Common share         | 77,970                                   |                        |                        |                       | 77,970                             |
|  | Preferred share      |  |                        |                        |                       |                                    |
| <b>Sub-total</b>   | Common share         | 4,639,542                                | 471,000                | 388,218                |                       | 4,722,324                          |
|  | Preferred share      |  |                        |                        |                       |                                    |
| <b>Indirect acquisition through trust and other agreements</b>   | Common share         | 3,886,710                                |                        |                        |                       | 3,886,710                          |
|  | Preferred share      |  |                        |                        |                       |                                    |
| <b>Total</b>   | Common share         | 8,526,252                                | 471,000                | 388,218                |                       | 8,609,034                          |
|  | Preferred share      |  |                        |                        |                       |                                    |

*Notes:*

\* Of the 4,722,324 shares of treasury stocks directly acquired based on causes other than those provided in Article 189-2 (1) of the relevant Act,



1,277,164  
shares were  
deposited with  
the Korea  
Securities  
Depository as of  
December 31,  
2007 for any  
exchange of the  
Company's  
overseas  
exchangeable  
bonds.

\* The Company  
disposed  
Treasury Stock  
to E.S.O.P. on  
January 23,  
2008 (208,326  
shares)

\* Of the  
4,513,998  
shares of  
treasury stocks  
directly  
acquired based  
on causes other  
than those  
provided in  
Article 189-2  
(1) of the  
relevant Act,  
1,277,164  
shares were  
deposited with  
the Korea  
Securities  
Depository as of  
January 25,  
2008 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) The Company lent 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.

(Unit: in thousand Won)

| Classification | Loan Date  | Amount      | Repayment Condition   | Remarks |
|----------------|------------|-------------|---|---------|
| 5th            | 1999.08.23 | 118,577,755 | 8-year installment repayment plan following a three-year grace period |         |
| 8th(1)         | 2007.12.23 | 31,017,043  | 5-year installment repayment plan following a two-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.

(As of December 31, 2007)

(Unit: in thousand Won)

| Classification | Initial Loan       | Amount                |   | Balance           |
|----------------|--------------------|-----------------------|---|-------------------|
|                |                    | 2007 Repayment Amount | Accumulated Repayment Amount (Including 2007 Repayment) |                   |
| 5th            | 118,577,754        | 3,727,309             | 114,775,510   | 3,802,244         |
| 8th(1)         | 31,017,043         |                       |   | 31,017,043        |
| <b>Total</b>   | <b>148,594,797</b> | <b>3,727,309</b>      | <b>114,775,510</b>                                      | <b>34,819,287</b> |

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

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

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

(Unit: shares)

| Classification | Account classification | Types of share | Balance at the      |                |
|----------------|------------------------|----------------|---------------------|----------------|
|                |                        |                | beginning of period | end of period  |
| 5th            | Member Account         | Common share   | 197,240             | 139,338        |
| 8th(1)         |                        |                |                     | 171,871        |
|                | <b>Total</b>           |                | <b>197,240</b>      | <b>311,209</b> |

\* As the relevant law requires an

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

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

(As of December 31, 2007)

(Unit: shares)

|  | <b>Classification</b>           | <b>Number of shares</b> | <b>Remarks</b>  |
|--|---------------------------------|-------------------------|-----------------|
| <b>Total outstanding shares (A)</b>  | Common share<br>Preferred share | 81,193,711              |                 |
| <b>Number of shares without voting right (B)</b>   | Common share<br>Preferred share | 8,609,034               | Treasury shares |
| <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<br>Preferred share | 72,584,677              |                 |

\* The Company disposed Treasury Stock to E.S.O.P. on January 23, 2008 (208,326 shares)

**5. Dividends and Others**

(Unit: in million Won except per share value)

|  | <b>Classification</b>  | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|--|------------------------|-------------|-------------|-------------|
| <b>Par value per share</b>                                 |                        | 500         | 500         | 500         |
| <b>Current net income</b>                                  |                        | 1,642,451   | 1,446,598   | 1,871,380   |
| <b>Net income per share</b>                                |                        | 22,607      | 19,734      | 25,421      |
| <b>Income available for distribution as dividend</b>       |                        | 1,603,828   | 1,574,716   | 1,930,626   |
| <b>Total cash dividend</b>                                 |                        | 682,379     | 582,386     | 662,529     |
| <b>Total stock dividend</b>                                |                        |             |             |             |
| <b>Percentage of cash dividend to available income (%)</b> |                        | 41.6        | 40.3        | 35.4        |
| <b>Cash dividend yield ratio(%)</b>                        | <b>Common share</b>    | 3.6         | 3.5         | 4.8         |
|  | <b>Preferred share</b> |             |             |             |
| <b>Stock dividend yield ratio (%)</b>                      | <b>Common share</b>    |             |             |             |
|  | <b>Preferred share</b> |             |             |             |
| <b>Cash dividend per share</b>                             | <b>Common share</b>    | 9,400       | 8,000       | 9,000       |
|  | <b>Preferred share</b> |             |             |             |
| <b>Stock dividend per share</b>                            | <b>Common share</b>    |             |             |             |

**Preferred share**

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

As of December 31, 2007, the number of domestic mobile phone subscribers reached 43.5 million and with a 89.8% 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<br/>2007</b> | <b>End of<br/>2006</b> | <b>End of<br/>2005</b> | <b>End of<br/>2004</b> | <b>End of<br/>2003</b> |
|------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| <b>Penetration rate (%)</b>  | 89.8                   | 83.2                   | 79.4                   | 75.9                   | 70.1                   |
| <b>Number of subscribers</b> |                        |                        |                        |                        |                        |
| <b>SK Telecom</b>            | 21,968                 | 20,271                 | 19,530                 | 18,783                 | 18,313                 |
| <b>Others (KTF, LGT)</b>     | 21,530                 | 19,926                 | 18,812                 | 17,803                 | 15,279                 |
| <b>Total</b>                 | 43,498                 | 40,197                 | 38,342                 | 36,586                 | 33,592                 |

(Data: Ministry of Information and Communication website)

**(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. Although demand 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>Classification</b> | <b>2007</b> | <b>2006</b> | <b>2005</b> |
|-----------------------|-------------|-------------|-------------|
| <b>Mobile phone</b>   | 50.5        | 50.4        | 50.9        |

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\* Comparative market share

(As of December 31, 2007)

(Unit: %)

|                     | <b>Classification</b> | <b>SK Telecom</b> | <b>KTF</b> | <b>LG Telecom</b> |
|---------------------|-----------------------|-------------------|------------|-------------------|
| <b>Market share</b> |                       | 50.5              | 31.5       | 18.0              |

(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 December 31, 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   | 11,083,820(98.2%)           |
|                                      |                   | Others       | Others                  | 202,080(1.8%)               |

B. Price Trend of Major Products

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

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

**3. Investment Status**

A. Investments in Progress

(Unit: Won 100 million)

| <b>Business field</b> | <b>Classification</b>     | <b>Investment period</b> | <b>Subject of investment</b> | <b>Investment effect</b>                                       | <b>Total investments</b> | <b>Amount already invested</b> | <b>Future investment</b> |
|-----------------------|---------------------------|--------------------------|------------------------------|--|--------------------------|--------------------------------|--------------------------|
| <b>Network/Common</b> | Upgrade/ New installation | 2007                     | Network, systems and others  | Capacity increase and quality improvement; systems improvement | 17.500                   | 18,554                         |                          |

\* Amount already invested is the cumulative

amount  
expended  
through the first  
to the fourth  
quarter of 2007

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## B. Future Investment Plan

(Unit: Won 100 million)

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

\* The expected investment amount of Won 1,750.0 billion is the planned investment amount for 2008.

**4. Derivative Products and Others**

## A. Derivatives Contracts

## (1) FX Swap

a) Purpose of Contracts: Currency Exchange or Interest Rate Risk Hedging

b) Contract Terms

- Cross Currency Swap

(As of December 31, 2007)

(Unit: in million Won)

| Contract amount | Contract party    | Contract date  | Proceeds payment method  | Income/loss on valuation |
|-----------------|-------------------|----------------|--|--------------------------|
| US\$125 million | Citibank          | March 23, 2004 | Exchange on the date immediately preceding the principal and interest payment date | (35,024)                 |
| US\$125 million | Credit Suisse BNP | March 23, 2004 | Same as above  | (35,818)                 |
| US\$50 million  | Paribas           | March 23, 2004 | Same as above  | (14,397)                 |
| US\$100 million | Calyon            |                |  | (2,547)                  |

|                   |      | October 10,<br>2006  | Exchange on the<br>date of the<br>principal and<br>interest payment<br>date |       |
|-------------------|------|----------------------|---|-------|
| JPY 9,100 million | SMBC | November<br>13, 2007 | Same as above   | 5,311 |
| JPY 3,400 million | HSBC | November<br>13, 2007 | Same as above   | 430   |

\* Income/loss on valuation was appropriated for capital adjustment.

- Cross Currency Swap

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(As of December 31, 2007)

(Unit: in million Won)

| <b>Contract amount</b> | <b>Contract party</b> | <b>Contract date</b> | <b>Proceeds payment method</b>   | <b>Income/loss on valuation</b> |
|------------------------|-----------------------|----------------------|--|---------------------------------|
| US\$150 million        | Morgan Stanley        | July 20, 2007        | Exchange on the date immediately preceding the principal and interest payment date | 1,995                           |
| US\$150 million        | Merrill Lynch         | July 20, 2007        | Same as above  | 3,197                           |
| US\$150 million        | Barclays Capitals     | July 20, 2007        | Same as above  | 2,124                           |

\* Income/loss on valuation was appropriated for Income Statement.

- FX Swap

(As of December 31, 2007)

(Unit: in million Won)

| <b>Contract amount</b> | <b>Contract party</b>       | <b>Contract date</b> | <b>Proceeds payment method</b>  | <b>Income on valuation</b> |
|------------------------|-----------------------------|----------------------|---|----------------------------|
| US\$100 million        | Credit Suisse               | May 27, 2004         | Exchange before principal payment date                                | (23,125)                   |
| HKD 10,941 million     | 8 Banks including Hana Bank | September 16, 2007   | Payment of HK Dollars and receipt of Korean Won on September 16, 2008 | (12,646)                   |

\* Income/loss on valuation was appropriated for Income Statement.

(2) Interest Rate Swap

- a) Purpose of Contracts: Interest Rate Risk Hedging  
 b) Contract Terms

(As of December 31, 2007)

(Unit: in million Won)

| <b>Contract amount</b> | <b>Contract party</b> | <b>Contract date</b> | <b>Proceeds payment method</b>                                       | <b>Income/loss on valuation</b> |
|------------------------|-----------------------|----------------------|--|---------------------------------|
| 200 Billion Won        | Shinhan Bank          | June 28, 2006        | Fixing of interest payment date / exchange of floating interest rate | 3,170                           |

\* Income/loss on valuation was appropriated for capital adjustment.

#### 5. R&D Investments

(Unit: in thousand Won)

| <b>Category</b>             | <b>2007</b>        | <b>2006</b>        | <b>2005</b>        | <b>Remarks</b> |
|-----------------------------|--------------------|--------------------|--------------------|----------------|
| <b>Raw material</b>         | 96,217             | 184,969            | 234,889            |                |
| <b>Labor</b>                | 39,388,760         | 33,986,701         | 35,191,759         |                |
| <b>Depreciation</b>         | 129,208,262        | 134,461,257        | 121,335,301        |                |
| <b>Commissioned service</b> | 90,363,645         | 83,751,223         | 86,536,635         |                |
| <b>Others</b>               | 37,609,969         | 35,680,197         | 41,730,732         |                |
| <b>Total R&amp;D costs</b>  | <b>296,666,853</b> | <b>288,064,347</b> | <b>285,029,316</b> |                |

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(Unit: in thousand Won)

|   | Category                                 | 2007        | 2006        | 2005        | Remarks |
|---|--|-------------|-------------|-------------|---------|
| Accounting  | Sales and administrative expenses        | 288,519,863 | 277,807,352 | 273,223,885 |         |
|   | Development expenses (Intangible assets) | 8,146,990   | 10,256,995  | 11,805,431  |         |
| <b>R&amp;D cost / sales amount ratio</b>                |  |             |             |             |         |
| <b>(Total R&amp;D costs / Current sales amount×100)</b> |  | 2.63%       | 2.70%       | 2.81%       |         |

**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             |                 | 8,197                    | 1,642          |         |
| Total procurement from financial institutions  | 209,839           |                 | 8,197                    | 201,642        |         |
| Corporate bond (public offering)               | 2,100,000         | 304,166         | 700,000                  | 1,704,166      |         |
| 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) |                   |                 |                          |                |         |

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| Source of procurement  | Beginning balance | New procurement | Reduction from repayment | Ending balance | Remarks |
|--|-------------------|-----------------|--------------------------|----------------|---------|
| Others   |                   |                 |                          |                |         |
| <b>Total procurement from capital market</b>                       | 2,100,000         | 304,166         | 700,000                  | 1,704,166      |         |
| <b>Borrowings from shareholder, officer and affiliated company</b> |                   |                 |                          |                |         |
| Others   |                   |                 |                          |                |         |
| <b>Total</b>   | 2,309,839         | 304,166         | 708,197                  | 1,905,808      |         |

\* Overseas procurement

(Unit: in million Won)

| Procurement source                             | Beginning balance | New procurement | Reduction in repayment and others | Ending balance | Remarks                  |
|--|-------------------|-----------------|-----------------------------------|----------------|--------------------------|
| <b>Financial institutions</b>                  | 92,960            | 860             |                                   | 93,820         | Exchange rate adjustment |
| <b>Overseas securities (Corporate bonds)</b>   | 278,880           | 377,860         |                                   | 656,740        | Exchange rate adjustment |
| <b>Overseas securities (shares and others)</b> | 356,356           |                 | 87,941                            | 268,415        | Exchange requirement     |
| <b>Asset backed securitization</b>             |                   |                 |                                   |                |                          |
| Others   |                   |                 |                                   |                |                          |
| <b>Total</b>                                   | 728,196           | 378,720         | 87,941                            | 1,018,975      |                          |

B. Credit Ratings

(1) Corporate Bonds

| Credit rating date | Subject of valuation | Credit rating | Credit rating entity (Credit rating range)      | Evaluation classification |
|--------------------|----------------------|---------------|---|---------------------------|
| 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 13, 2006      | Corporate bond       | AAA           | National Information on Credit Evaluation, Inc. | Regular valuation         |
| June 21, 2006      | Corporate bond       | AAA           | Korea Ratings                                   | Regular valuation         |

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| <b>Credit rating date</b> | <b>Subject of valuation</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(Credit rating range)</b> | <b>Evaluation classification</b> |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| 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                |
| November 5, 2007          | Corporate bond              | AAA                  | Korea Ratings   | Current valuation                |
| November 5, 2007          | Corporate bond              | AAA                  | National Information on Credit Evaluation, Inc.       | Current valuation                |
| November 5, 2007          | Corporate bond              | AAA                  | Korea Investors Service, Inc.                         | Current valuation                |

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

(2) Commercial Paper ( CP )

| <b>Credit rating date</b> | <b>Subject of valuation</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(Credit rating range)</b> | <b>Evaluation classification</b> |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| January 12, 2005          | CP                          | A1                   | Korea Ratings   | Regular 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                |
| December 23, 2005         | CP                          | A1                   | Korea Investors Service, Inc.                         | Regular valuation                |
| January 3, 2006           | CP                          | A1                   | National Information on Credit Evaluation, Inc.       | Regular valuation                |
| January 4, 2006           | CP                          | A1                   | Korea Ratings   | Regular valuation                |
| June 13, 2006             | CP                          | A1                   | National Information on Credit Evaluation, Inc.       | Current valuation                |
| June 21, 2006             | CP                          | A1                   | Korea Ratings   | 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                |

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|                   |    |    |                               |                   |
|-------------------|----|----|-------------------------------|-------------------|
| December 27, 2006 | CP | A1 | Korea Investors Service, Inc. | Regular valuation |
| May 29, 2007      | CP | A1 | Korea Ratings                 | Current valuation |

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| <b>Credit rating date</b> | <b>Subject of valuation</b> | <b>Credit rating</b> | <b>Credit rating entity<br/>(Credit rating range)</b> | <b>Evaluation classification</b> |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| June 14, 2007             | CP                          | A1                   | National Information on Credit Evaluation, Inc.       | Current valuation                |
| June 27, 2007             | CP                          | A1                   | Korea Investors Service, Inc.                         | Current valuation                |
| November 5, 2007          | CP                          | A1                   | Korea Ratings   | Regular valuation                |
| November 5, 2007          | CP                          | A1                   | National Information on Credit Evaluation, Inc.       | Regular valuation                |
| November 5, 2007          | CP                          | A1                   | Korea Investors Service, Inc.                         | Regular 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.

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## (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, 2007                 | Global Bonds                | A2                                 | Moody's (U.S.A.)                                   | Current valuation      |
| July 9, 2007                 | Global Bonds                | A                                  | S&P (U.S.A.)                                       | Current valuation      |

**III. FINANCIAL INFORMATION**

## 1. Summary Financial Statements (Consolidated)

(Unit: in million Won)

| <b>Classification</b>                   | <b>Year ended December 31,</b> |              |              |              |              |
|---|--------------------------------|--------------|--------------|--------------|--------------|
|   | <b>2007</b>                    | <b>2006</b>  | <b>2005</b>  | <b>2004</b>  | <b>2003</b>  |
| <b>Current assets</b>                   | 4,813,072                      | 4,663,962    | 4,598,580    | 4,390,692    | 4,069,525    |
| <b>Quick assets</b>                     | 4,766,020                      | 4,644,184    | 4,590,796    | 4,338,371    | 4,038,009    |
| <b>Inventory</b>                        | 47,052                         | 19,778       | 7,784        | 52,321       | 31,516       |
| <b>Fixed assets</b>                     | 14,235,863                     | 11,576,006   | 10,106,193   | 9,892,665    | 9,748,692    |
| <b>Investments</b>                      | 5,446,711                      | 3,236,783    | 1,989,934    | 1,665,841    | 1,432,200    |
| <b>Tangible assets</b>                  | 4,969,354                      | 4,507,335    | 4,663,369    | 4,703,922    | 4,641,547    |
| <b>Intangible assets</b>                | 3,433,962                      | 3,518,411    | 3,452,889    | 3,522,903    | 3,674,944    |
| <b>Other non-current assets</b>         | 385,836                        | 313,477      |              |              |              |
| <b>Total assets</b>                     | 19,048,935                     | 16,239,968   | 14,704,772   | 14,283,358   | 13,818,217   |
| <b>Current liabilities</b>              | 3,016,874                      | 3,208,416    | 2,863,373    | 3,066,893    | 4,530,910    |
| <b>Fixed liabilities</b>                | 4,344,428                      | 3,548,464    | 3,513,860    | 4,010,721    | 3,193,460    |
| <b>Total liabilities</b>                | 7,361,302                      | 6,756,880    | 6,377,233    | 7,077,614    | 7,724,370    |
| <b>Capital</b>                          | 44,639                         | 44,639       | 44,639       | 44,639       | 44,639       |
| <b>Capital surplus</b>                  | 2,924,960                      | 2,950,327    | 2,954,840    | 2,968,301    | 2,911,556    |
| <b>Capital adjustment</b>               | (-)2,041,577                   | (-)2,019,567 | (-)2,048,515 | (-)2,058,292 | (-)2,158,244 |
| <b>Accumulated comprehensive income</b> | 1,591,258                      | 490,010      |              |              |              |
| <b>Retained earnings</b>                | 8,914,970                      | 7,847,434    | 7,267,649    | 6,152,898    | 5,139,911    |

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(Unit: in million Won)

| Classification                    | Year ended December 31, |            |            |            |            |
|-----------------------------------|-------------------------|------------|------------|------------|------------|
|                                   | 2007                    | 2006       | 2005       | 2004       | 2003       |
| Minority Interest                 | 253,383                 | 170,245    |            |            |            |
| Total capital                     | 11,687,633              | 9,483,088  | 8,327,540  | 7,205,743  | 6,093,847  |
| Sales                             | 12,018,163              | 11,027,977 | 10,721,820 | 10,570,615 | 10,272,081 |
| Operation income                  | 1,810,412               | 2,621,132  | 2,670,616  | 2,439,749  | 3,105,107  |
| Ordinary income                   | 1,985,292               | 2,021,578  | 2,561,567  | 2,123,176  | 2,754,335  |
| Current net income                | 1,562,265               | 1,449,552  | 1,868,307  | 1,493,414  | 1,965,277  |
| Consolidated Current net income   | 1,648,876               | 1,451,491  | 1,872,978  | 1,491,479  | 1,966,100  |
| Numbers of Consolidated Companies | 26                      | 18         | 17         | 11         | 11         |

## 2. Summary Financial Statements (Non Consolidated)

(Unit: in million Won)

| Classification                   | Year ended December 31, |              |              |              |              |
|----------------------------------|-------------------------|--------------|--------------|--------------|--------------|
|                                  | 2007                    | 2006         | 2005         | 2004         | 2003         |
| Current assets                   | 4,094,059               | 4,189,325    | 4,172,485    | 3,854,345    | 3,460,706    |
| Quick assets                     | 4,075,378               | 4,172,887    | 4,166,500    | 3,843,384    | 3,452,682    |
| Inventory                        | 18,681                  | 16,438       | 5,985        | 10,961       | 8,024        |
| Fixed assets                     | 14,048,990              | 11,624,728   | 10,349,191   | 10,166,360   | 9,915,253    |
| Investments                      | 5,950,585               | 3,547,942    | 2,366,760    | 2,112,488    | 1,763,359    |
| Tangible assets                  | 4,594,413               | 4,418,112    | 4,595,884    | 4,605,253    | 4,551,626    |
| Intangible assets                | 3,174,942               | 3,405,158    | 3,386,547    | 3,448,619    | 3,600,268    |
| Other non-current assets         | 329,051                 | 253,516      |              |              |              |
| Total assets                     | 18,143,049              | 15,814,053   | 14,521,676   | 14,020,705   | 13,375,959   |
| Current liabilities              | 2,484,548               | 2,985,620    | 2,747,268    | 2,859,711    | 4,231,974    |
| Fixed liabilities                | 4,221,016               | 3,522,006    | 3,516,528    | 4,033,902    | 3,202,147    |
| Total liabilities                | 6,705,564               | 6,507,626    | 6,263,796    | 6,893,613    | 7,434,121    |
| Capital                          | 44,639                  | 44,639       | 44,639       | 44,639       | 44,639       |
| Capital surplus                  | 2,939,353               | 2,962,699    | 2,966,198    | 2,983,166    | 2,915,964    |
| Capital adjustment               | (-)2,041,578            | (-)2,019,568 | (-)2,022,817 | (-)2,057,422 | (-)2,159,114 |
| Accumulated comprehensive income | 1,589,206               | 473,904      |              |              |              |
| Retained earnings                | 8,905,865               | 7,844,753    | 7,269,861    | 6,156,708    | 5,140,349    |
| Total capital                    | 11,437,485              | 9,306,427    | 8,257,881    | 7,127,091    | 5,941,838    |

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(Unit: in million Won)

| Classification     | Year ended December 31, |            |            |           |           |
|--------------------|-------------------------|------------|------------|-----------|-----------|
|                    | 2007                    | 2006       | 2005       | 2004      | 2003      |
| Sales              | 11,285,900              | 10,650,952 | 10,161,129 | 9,703,681 | 9,520,244 |
| Operation income   | 2,171,543               | 2,584,370  | 2,653,570  | 2,359,581 | 3,080,660 |
| Ordinary income    | 2,307,785               | 2,021,643  | 2,554,613  | 2,115,778 | 2,714,194 |
| Current net income | 1,642,451               | 1,446,598  | 1,871,380  | 1,494,852 | 1,942,750 |

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

**IV. AUDITOR'S OPINION****1. Auditor****2007**

Deloitte Anjin LLC

**2006**

Deloitte Anjin LLC

**2005**

Deloitte Anjin LLC

**2. Audit Opinion****Term****Year ended December 31, 2007****Year ended December 31, 2006****Year ended December 31, 2005****Auditor's opinion**

Appropriate

Appropriate

Appropriate

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

(Unit: in thousand Won)

| Term                                    | Auditors              | Contents                                       | Fee       | Total hours |
|---|-----------------------|--|-----------|-------------|
| <b>Year ended<br/>December 31, 2007</b> | Deloitte Anjin<br>LLC | Semi-annual review                             | 1,066,318 | 11,468      |
|   |                       | Quarterly review                               |           |             |
| <b>Year ended<br/>December 31, 2006</b> | Deloitte Anjin<br>LLC | Non-consolidated financial<br>statements audit | 656,000   | 7,637       |
|   |                       | Consolidated financial statements<br>audit     |           |             |
|   |                       | Semi-annual review                             |           |             |
|   |                       | Quarterly review                               |           |             |
| <b>Year ended<br/>December 31, 2005</b> | Deloitte Anjin<br>LLC | Quarterly review                               | 447,000   | 5,177       |
|   |                       | Non-consolidated financial<br>statements audit |           |             |
|   |                       | Consolidated financial statements<br>audit     |           |             |

|                          |                |  |           |        |
|--------------------------|----------------|--|-----------|--------|
|                          |                | Consolidated financial statements<br>audit |           |        |
|                          |                | Semi-annual review                         |           |        |
|                          |                | Quarterly review                           |           |        |
| <b>Year ended</b>        | Deloitte Anjin | Non-consolidated financial                 |           |        |
| <b>December 31, 2007</b> | LLC            | statements audit                           | 1,066,318 | 11,468 |
|                          |                | Consolidated financial statements<br>audit |           |        |

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**V. MANAGEMENT STRUCTURE**

**1. Summary of Management Structure**

A. Board of Directors

(1) Authority of the Board of Directors

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

Convocation of shareholders meeting and submission of agenda

Prior approval of financial statements

Decisions on issuance of new shares

Long-term borrowings, issuance of corporate bonds and redemptions

Capital transfer of reserves

Election of CEO and representatives

Appointment of executive directors

Establishment, transfer or closure of branches

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

Annual business plan and budgeting

Approval of investments of Won 15 billion or above

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

Diversification into new businesses

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

Establishment of subsidiaries

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

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

Enactment of and amendment to the Internal Trading Procedures

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

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

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

Results for the six months ended June 30 of each year

Execution of investments between Won 5 billion and Won 15 billion

New investments and joint ventures under Won 15 billion

Acquisition of non-operational fixed assets

Disposition of fixed assets of Won 15 billion or above

Matters related to guarantees of under Won 15 billion

Internal trading not subject to approval by the Board of Directors

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

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

a) On February 22, 2008, in the notice of the annual general meeting of shareholders, information on Shin Bae Kim, Young Ho Park, Rak Yong Uhm, Jay Young Chung, Jae Ho Cho, 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><br>(the first meeting of 2007)  | January 25, 2007  | - Financial statements for the year ended December 31, 2006<br>- Annual business report for the year ended December 31, 2006             | Approved as proposed<br>Approved as proposed |
| 277 <sup>th</sup><br>(the second meeting of 2007) | February 13, 2007 | - Organization of Independent Non-executive Director Nomination Committee  | Approved as proposed                         |
| 278 <sup>th</sup><br>(the third meeting of 2007)  | February 13, 2007 | - Convocation of the 23 <sup>rd</sup> General Meeting of Shareholders<br>- Change in the Fair Trade Voluntary Compliance Program manager | Approved as proposed<br>Approved as proposed |





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| <b>Meeting</b>  | <b>Date</b>        | <b>Agenda</b>  | <b>Approval</b>   |
|---|--------------------|--|---|
| <b>279<sup>th</sup><br/>(the fourth meeting of 2007)</b>  | March 9, 2007      | - Election of the representative director and appointments of executive directors<br>- Election of committee members   | Approved as proposed<br>Approved as proposed  |
| <b>280<sup>th</sup><br/>(the fifth meeting of 2007)</b>   | April 27, 2007     | - Entry into UN Global Compact   | Approved as proposed  |
| <b>281<sup>th</sup><br/>(the sixth meeting of 2007)</b>   | May 29, 2007       | - WCDMA Investment Plan  | Approved as proposed  |
| <b>282<sup>th</sup><br/>(the seventh meeting of 2007)</b> | June 29, 2007      | - Capital Investment in AD Chips & Acquisition of Convertible Bond<br>- Capital Investment in iHQ<br>- Capital Investment in NTREEV<br>- Issuance of Global Bond<br>- Capital Injection into USA Holdings Inc. | Disapproval<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed |
| <b>283<sup>th</sup><br/>(the eighth meeting of 2007)</b>  | July 27, 2007      | - Interim Dividend   | Approved as proposed  |
| <b>284<sup>th</sup><br/>(the ninth meeting of 2007)</b>   | September 20, 2007 | - Capital Increase Review on SK Telecom USA Holdings<br>- New Corporate Establishment and Equity Participation in the USA<br>- Transactions with SK C&C during 4Q 2007   | Approved<br>Approved as proposed<br>Approved as proposed  |
| <b>285<sup>th</sup><br/>(the tenth meeting of 2007)</b>   | October 16, 2007   | - Extension of Stock Buyback Trust Contract  | Approved as proposed  |
| <b>286<sup>th</sup><br/>(the 11th meeting of 2007)</b>    | November 2, 2007   | - Organization of Independent Non-executive Director Nomination Committee<br>- Issuance of Corporate Bond<br>- Treasury Stock Buyback<br>- Change in WCDMA Investment Plan                                     | Approved as proposed<br>Approved as proposed<br>Approved as proposed<br>Approved as proposed                |
| <b>287<sup>th</sup><br/>(the 12th meeting of 2007)</b>    | November 30, 2007  | - Stock Acquisition of Hanaro Telecom<br>- Plan for Cooperation among Affiliates<br>- Enter into Global LBS Business by Acquiring Foreign LBS Solution Business  | Approved as proposed<br>Approved as proposed<br>Approved as proposed  |

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| <b>Meeting</b>   | <b>Date</b>          | <b>Agenda</b>   | <b>Approval</b>  |
|--|----------------------|---|--|
| <b>288<sup>th</sup><br/>(the 13th<br/>meeting of<br/>2007)</b>   | December 21,<br>2007 | - Management Plan of 2008<br>- Treasury Stock Sales to E.S.O.P.   | Approved as proposed<br>Approved as proposed                         |
| <b>289<sup>th</sup><br/>(the first<br/>meeting of<br/>2008)</b>  | January 31,<br>2008  | - Financial statements for the year ended December 31,<br>2007<br>- Annual business report for the year ended<br>December 31, 2007<br>- Establishment of Corporate for Convergence Business<br>in USA | Approved as proposed<br>Approved as proposed<br>Approved as proposed |
| <b>290<sup>th</sup><br/>(the second<br/>meeting of<br/>2008)</b> | February 19,<br>2008 | - Convocation of the 24 <sup>rd</sup> General Meeting of<br>Shareholders<br>- Issuance of Corporate Bond  | Approved as proposed<br>Approved as proposed                         |
| <b>291<sup>th</sup><br/>(the third<br/>meeting of<br/>2008)</b>  | March 14,<br>2008    | - Election of the representative director<br>- Election of committee members  | Approved as proposed<br>Approved as proposed                         |

## (4) Committee Structure and Activities of the Board of Directors

- a) Independent non-executive Director Nomination Committee  
Organization

(As of March 14, 2008)

**Members**

| <b>Number of Persons</b> | <b>Company Directors</b>  | <b>Independent non-executive Directors</b> |
|--------------------------|---------------------------|--|
| 4                        | Shin Bae Kim, Sung Min Ha | Yong Woon Kim , Hyun Chin Lim              |

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

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| <b>Date</b>   | <b>Details</b>  | <b>Approval</b> | <b>D.S. Shim<br/>(100%)*</b> | <b>S.T. Yang<br/>(92%)*</b> | <b>S.C. Lee<br/>(100%)*</b> | <b>H.J. Lim<br/>(100%)*</b> |
|---------------|---|-----------------|------------------------------|-----------------------------|-----------------------------|-----------------------------|
|               | - Election of the Chairman: Seung Taik Yang   |                 |                              |                             |                             |                             |
| Feb. 13, 2007 | - 23 <sup>rd</sup> General Meeting of Shareholders: Nomination of Independent non-executive director candidates : Dal Sup Shim                              | <b>Approved</b> | Before Election              | For                         | For                         |                             |
| Nov. 30 2007  | - Appointment of Representative Director of the Committee   | <b>Approved</b> | For                          |                             |                             | For                         |
| Feb. 19 2008  | - 24 <sup>th</sup> General Meeting of Shareholders: Nomination of Independent non-executive director candidates : Rak Yong Uhm, Jay Young Chung, Jae Ho Cho | <b>Approved</b> | For                          |                             |                             | For                         |

\* Participation Rate to the Board of Directors Meetings

b) Compensation Review Committee Organization

(As of March 14, 2008)

**Members**

**Independent non-executive Directors**

Yong Woon Kim, Dal Sup Shim, Rak Yong Uhm, Hyun Chin Lim , Jay Young Chung, Jae Ho Cho

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

| <b>Date</b> | <b>Details</b> | <b>Approval</b> | <b>D.S. Kim<br/>(100%)</b> | <b>Y.W. Kim<br/>(100%)</b> | <b>D.K. Byen<br/>(100%)</b> | <b>D.S. Shim<br/>(100%)</b> | <b>S.T. Yang<br/>(92%)</b> | <b>J.S. Yoon<br/>(50%)</b> | <b>S.C. Lee<br/>(100%)</b> | <b>H.J. Lim<br/>(100%)</b> |
|-------------|----------------|-----------------|----------------------------|----------------------------|-----------------------------|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|             |                |                 |                            |                            |                             |                             |                            |                            |                            |                            |

**Vote**

|                  |   |                 |     |     |     |     |     |        |     |     |
|------------------|---|-----------------|-----|-----|-----|-----|-----|--------|-----|-----|
| Apr. 26,<br>2007 | - Appointment<br>of<br>Representative<br>Director of the<br>Committee | <b>Approved</b> | For | For | For | For | For | Absent | For | For |
| Jul. 27,<br>2007 | - CEO<br>Evaluation and<br>Remuneration<br>Scheme                     |                 |     |     |     |     |     |        |     |     |

\* Participation  
Rate to the  
Board of  
Directors  
Meetings  
c) Capex Review Committee  
Organization  
(As of March 14 , 2008))

|                          |                            |   |
|--------------------------|----------------------------|---|
| <b>Number of Persons</b> | <b>Company Directors</b>   | <b>Members</b>  |
| 5 persons                | Young Ho Park, Sung Min Ha | <b>Independent non-executive Directors</b><br>Rak Yong Uhm, Dal Sup Shim, Jay Young Chung |

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

Activities

| <b>Date</b>      | <b>Details</b>   | <b>Approval</b> | <b>D.K. Byun<br/>(83%)*</b> | <b>S.T. Yang<br/>(100%)*</b> | <b>J.S. Yoon<br/>(67%)*</b> | <b>S.C. Lee<br/>(83%)*</b> |
|------------------|--|-----------------|-----------------------------|------------------------------|-----------------------------|----------------------------|
| Apr. 26,<br>2007 | - Appointment of Representative Director of the Committee  | <b>Approved</b> | For                         | For                          | Absent                      | For                        |
| June 28,<br>2007 | - Acquisition of AD Chips<br>- IHQ Capital Increase<br>- Stock Acquisition and Capital Increase in Ntreev Soft |                 |                             |                              |                             |                            |
| Sep. 19,<br>2007 | - New Corporate Establishment and Equity Participation in the USA  |                 |                             |                              |                             |                            |
| Nov. 1,<br>2007  | - Change in WCDMA Investment Plan  |                 |                             |                              |                             |                            |
| Nov. 29,<br>2007 | - Entering into Global LBS Business by Acquiring Foreign LBS Solution Business                                 |                 | Absent                      |                              | Absent                      |                            |
| Dec. 20,<br>2007 | - 2008 Investment Plan   |                 |                             |                              |                             | Absent                     |

\* Participation Rate to the Board of Directors Meetings

d) 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)

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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
-

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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 Yong Woon Kim, Dal Sup Shim, Hyun Chin Lim and Jae Ho Cho.

\* Yong Woon Kim resigned on March 27, 2008 (Disclosed on March 28, 2008)

## (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  | <ul style="list-style-type: none"> <li>- Financial statements for 23<sup>rd</sup> Fiscal Year</li> <li>- Business report for 23<sup>rd</sup> Fiscal Year</li> <li>- Report on operation of internal accounting controls</li> <li>- Report on K GAAP audit of the financial statements for the year ended December 31, 2006</li> <li>- Report on the review of internal accounting controls for the year ended December 31, 2006</li> </ul> |  |   |
| <b>The second meeting of 2007</b> | February 12, 2007 | <ul style="list-style-type: none"> <li>- Report on the 2006 second-half management audit and the 2007 plan</li> <li>- Auditor's opinion on internal controls</li> <li>- Audit report for the year ended December 31, 2005</li> <li>- Evaluation of internal accounting controls</li> <li>- Election of committee chairman</li> <li>- Reaffirmation of services to be provided by external auditors for fiscal year 2007</li> </ul>         | <ul style="list-style-type: none"> <li>Approved as proposed</li> <li>Approved as proposed</li> <li>Approved as proposed</li> </ul> |   |
| <b>The third meeting of 2007</b>  | April 26, 2007    | <ul style="list-style-type: none"> <li>- Report on internal audit regarding the appropriateness of imposition of certain fines</li> <li>- Accounting audit schedule for 2007</li> <li>- Remuneration for outside auditor for 2007</li> </ul>   |  | <ul style="list-style-type: none"> <li>Approved as proposed</li> <li>To be re-proposed at subsequent meeting</li> </ul> |
| <b>The fourth meeting</b>         | May 28, 2007      | <ul style="list-style-type: none"> <li>- Collective re-approval of outside auditor's service schedule for 2007</li> </ul>  | <ul style="list-style-type: none"> <li>Approved as proposed</li> </ul>   |   |

**of 2007**

**The fifth  
meeting of 2007**

June 28, 2007

- Issuance of Global Bond plan
  - Report on US-GAAP audit of the  
financial statements for the year ended  
December 31, 2007
-



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| <b>Meeting</b>                     | <b>Date</b>        | <b>Agenda</b>  | <b>Approval</b>                              | <b>Remarks</b> |
|------------------------------------|--------------------|--|--|----------------|
| <b>The sixth meeting of 2007</b>   | July 26, 2007      | <ul style="list-style-type: none"> <li>- Interim dividend plan</li> <li>- Financial results for the first half of 2007</li> <li>- Report on K-GAAP audit of the financial statements for the first half of 2007</li> <li>- Management audit results for the first half of 2007</li> </ul>  |  |                |
| <b>The seventh meeting of 2007</b> | September 19, 2007 | <ul style="list-style-type: none"> <li>- Evaluation of internal accounting controls</li> </ul>   |  |                |
| <b>The eighth meeting of 2007</b>  | November 1, 2007   | <ul style="list-style-type: none"> <li>- Issuance of Corporate Bond</li> <li>- Treasury Stock Buyback</li> </ul>   |  |                |
| <b>The ninth meeting of 2007</b>   | November 29, 2007  | <ul style="list-style-type: none"> <li>- 2008 Shareholder Return Policy</li> </ul>   |  |                |
| <b>The tenth meeting of 2007</b>   | December 20, 2007  | <ul style="list-style-type: none"> <li>- Transactions with SK C&amp;C during 4Q 2007</li> <li>- Raise of 200 Service Fee for Outside Auditors</li> <li>- 2008 Shareholder Return Policy</li> </ul>   | Approved as proposed<br>Approved as proposed |                |
| <b>The first meeting of 2008</b>   | January 31, 2008   | <ul style="list-style-type: none"> <li>- Audit Report on Internal Monitoring System</li> <li>- 2007 Management Audit Results and Management Audit Plan</li> <li>- Financial statements for 24<sup>rd</sup> Fiscal Year</li> <li>- Business Report for 24<sup>rd</sup> Fiscal Year</li> <li>- 2008 Transactions Plan with SK C&amp;C</li> <li>- Evaluation of internal accounting controls</li> </ul> | Approved as proposed                         |                |
| <b>The second meeting of 2008</b>  | February 19, 2008  | <ul style="list-style-type: none"> <li>- Results Reports on Review of Internal Accounting Management System</li> <li>- Reports on 2007 K-GAAP Audit</li> <li>- Auditor s Report for Fiscal Year 2007</li> <li>- Evaluation of Internal Accounting Management System Operation</li> <li>- Issuance of Corporate Bond</li> </ul>   | Approved as proposed<br>Approved as proposed |                |

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.
-

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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.

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## 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                          | 4,892                |   | 1,223                             |  |
| Independent non-executive directors        | 617                  | 12,000  | 77                                | Including members of the Audit Committee |
| (2) Granting and Exercise of Stock Options | N/A\                 |   |                                   |  |

**2. Affiliated Companies**

(1) Summary of Corporate Group

Name: SK Group

(2) Capital Investments between Affiliated Companies

(As of January 22, 2008)

\* Based on common shares

| <b>Investing company</b> | <b>Invested companies</b> |                  |                    |                   |                     |            | <b>SK E&amp;C</b> | <b>SK Shipping</b> |
|--------------------------|---------------------------|------------------|--------------------|-------------------|---------------------|------------|-------------------|--------------------|
|                          | <b>SK Corporation</b>     | <b>SK Energy</b> | <b>SK Networks</b> | <b>SK Telecom</b> | <b>SK Chemicals</b> | <b>SKC</b> |                   |                    |
| <b>SK Corporation</b>    |                           | 31.18%           | 40.475             | 21.75%            | 42.50%              |            | 72.13%            |                    |
| <b>SK Energy</b>         |                           |                  |                    |                   |                     |            |                   |                    |
| <b>SK Networks</b>       |                           |                  |                    | 1.34%             |                     | 0.02%      | 17.71%            |                    |
| <b>SK Telecom</b>        |                           |                  |                    |                   |                     |            |                   |                    |
| <b>SK Chemicals</b>      |                           |                  |                    |                   |                     | 58.03%     |                   |                    |
| <b>SKC</b>               |                           |                  |                    |                   |                     |            | 10.16%            |                    |
| <b>SK E&amp;C</b>        |                           |                  |                    |                   |                     |            |                   |                    |
| <b>SK Shipping</b>       |                           |                  |                    |                   |                     |            |                   |                    |
| <b>SK Securities</b>     |                           |                  |                    |                   |                     |            |                   |                    |
| <b>Walkerhill</b>        |                           |                  |                    |                   |                     |            |                   |                    |
| <b>SK C&amp;C</b>        | 25.42%                    |                  |                    |                   |                     |            |                   |                    |
| <b>SK incheon oil</b>    |                           |                  |                    |                   |                     |            |                   |                    |
| <b>Daehan City Gas</b>   |                           |                  |                    |                   |                     |            |                   |                    |
| <b>SK Telink</b>         |                           |                  |                    |                   |                     |            |                   |                    |

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| Investing company                 | Invested companies |            |                 |                 |                    |                |         |             |
|-----------------------------------|--------------------|------------|-----------------|-----------------|--------------------|----------------|---------|-------------|
|                                   | SK Corporation     | SK Energy  | SK Networks     | SK Telecom      | SK Chemicals       | SKC            | SK E&C  | SK Shipping |
| SK E&S                            |                    |            |                 |                 |                    |                |         |             |
| iHQ                               |                    |            |                 |                 |                    |                |         |             |
| SK D&D                            |                    |            |                 |                 |                    |                |         |             |
| SK Communications                 |                    |            |                 |                 |                    |                |         |             |
| <b>Total affiliated companies</b> | 25.42%             | 31.18%     | 40.47%          | 23.09%          |                    | 42.50%         | 58.05%  | 100.00%     |
|                                   |                    |            |                 |                 |                    |                |         |             |
| Investing companies               | Invested companies |            |                 |                 |                    |                |         |             |
|                                   | SK Securities      | Walkerhill | SK E&S          | SK Gas          | SK C&C             | SK Incheon oil | K-Pover | DOPCO       |
| SK Corporation                    |                    |            | 51.00%          |                 |                    |                |         |             |
| SK Energy                         |                    |            |                 |                 |                    | 90.63%         |         | 32.38%      |
| SK Networks                       | 22.71%             | 50.37%     |                 |                 | 15.00%             |                |         | 4.61%       |
| SK Telecom                        |                    |            |                 |                 | 30.00%             |                |         |             |
| SK Chemicals                      |                    | 0.25%      |                 |                 |                    |                |         |             |
| SKC                               | 12.41%             | 7.50%      |                 |                 |                    |                |         |             |
| SK E&C                            |                    |            |                 |                 |                    |                |         |             |
| SK Shipping                       |                    |            |                 |                 |                    |                |         |             |
| SK Securities                     |                    |            |                 |                 |                    |                |         |             |
| Walkerhill                        |                    |            |                 |                 |                    |                |         |             |
| SK C&C                            |                    |            |                 |                 |                    |                |         |             |
| SK Incheon oil                    |                    |            |                 |                 |                    |                |         | 5.23%       |
| Daehan City Gas                   |                    |            |                 |                 |                    |                |         |             |
| SK Telink                         |                    |            |                 |                 |                    |                |         |             |
| SK E&S                            |                    |            |                 | 45.53%          |                    |                |         |             |
| iHQ                               |                    |            |                 |                 |                    |                |         |             |
| SK D&D                            |                    |            |                 |                 |                    |                |         |             |
| SK Communications                 |                    |            |                 |                 |                    |                |         |             |
| <b>Total affiliated companies</b> | 35.21%             | 58.12%     | 51.00%          | 45.53%          | 45.00%             | 90.63%         | 65.00%  | 42.22%      |
|                                   |                    |            |                 |                 |                    |                |         |             |
| Investing companies               | Invested companies |            |                 |                 |                    |                |         |             |
|                                   | CCES               | YN Energy  | Pohang City Gas | Daehan City Gas | Daehan Engineering | SK Scitech     | SK NJC  | SK Telink   |
| SK Corporation                    |                    |            |                 |                 |                    |                |         |             |
| SK Energy                         |                    |            |                 |                 |                    |                |         |             |
| SK Networks                       |                    |            |                 |                 |                    |                |         |             |
| SK Telecom                        |                    |            |                 |                 |                    |                |         | 90.77%      |
| SK Chemicals                      |                    |            |                 |                 |                    | 50.00%         | 60.00%  |             |

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|                            | CCES    | YN<br>Energy | Pohang<br>City Gas | Invested companies |                       | SK<br>Scitech | SK<br>NJC | SK<br>Telink |
|----------------------------|---------|--------------|--------------------|--------------------|-----------------------|---------------|-----------|--------------|
|                            |         |              |                    | Daehan<br>City Gas | Daehan<br>Engineering |               |           |              |
| Investing companies        |         |              |                    |                    |                       |               |           |              |
| 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                     | 100.00% | 100.00%      | 100.00%            | 40.00%             |                       |               |           |              |
| iHQ                        |         |              |                    |                    |                       |               |           |              |
| SK D&D                     |         |              |                    |                    |                       |               |           |              |
| SK Communications          |         |              |                    |                    |                       |               |           |              |
| Total affiliated companies | 100.00% | 100.00%      | 100.00%            | 40.00%             | 100.00%               | 50.00%        | 60.00%    | 90.77%       |

  

|                            | Busan<br>City Gas | Jeonnam<br>City Gas | Gangwon<br>City Gas | Invested companies |                          | Chungnam<br>City Gas | SK<br>Wyverns | Infosec |
|----------------------------|-------------------|---------------------|---------------------|--------------------|--------------------------|----------------------|---------------|---------|
|                            |                   |                     |                     | GBES               | OK<br>Cashbag<br>Service |                      |               |         |
| Investing companies        |                   |                     |                     |                    |                          |                      |               |         |
| SK Corporation             |                   |                     |                     |                    |                          |                      |               |         |
| SK Energy                  |                   |                     |                     |                    | 96.67%                   |                      |               |         |
| SK Networks                |                   |                     |                     |                    |                          |                      |               |         |
| SK Telecom                 |                   |                     |                     |                    | 1.19%                    |                      | 99.99%        |         |
| SK Chemicals               |                   |                     |                     |                    |                          |                      |               |         |
| SKC                        |                   |                     |                     |                    |                          |                      |               | 20.63%  |
| SK E&C                     |                   |                     |                     |                    |                          |                      |               |         |
| SK Shipping                |                   |                     |                     |                    |                          |                      |               |         |
| SK Securities              |                   |                     |                     |                    |                          |                      |               |         |
| Walkerhill                 |                   |                     |                     |                    |                          |                      |               |         |
| SK C&C                     |                   |                     |                     |                    |                          |                      |               | 48.14%  |
| SK Incheon oil             |                   |                     |                     |                    |                          |                      |               |         |
| Daehan City Gas            |                   |                     |                     |                    |                          |                      |               |         |
| SK Telink                  |                   |                     |                     |                    |                          |                      |               |         |
| SK E&S                     | 40.00%            | 100.00%             | 100.00%             | 100.00%            |                          | 100.00%              |               |         |
| iHQ                        |                   |                     |                     |                    |                          |                      |               |         |
| SK D&D                     |                   |                     |                     |                    |                          |                      |               |         |
| SK Communications          |                   |                     |                     |                    |                          |                      |               |         |
| Total affiliated companies | 40.00%            | 100.00%             | 100.00%             | 100.00%            | 97.86%                   | 100.00%              | 99.99%        | 68.77%  |

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|                                   | <b>MRO</b>     | <b>SK</b>      | <b>Invested companies</b> |                           |                    |                       |                  | <b>TU</b>        |  |
|-----------------------------------|----------------|----------------|---------------------------|---------------------------|--------------------|-----------------------|------------------|------------------|--|
|                                   |                |                |                           | <b>Encar</b>              |                    |                       | <b>Media</b>     |                  |  |
| <b>Investing companies</b>        | <b>Korea</b>   | <b>Telesys</b> | <b>Innoace</b>            | <b>AirCROSS</b>           | <b>network</b>     | <b>Global C&amp;I</b> | <b>Paxnet</b>    |                  |  |
| <b>SK Corporation</b>             |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK Energy</b>                  |                |                |                           |                           | 50.00%             |                       |                  |                  |  |
| <b>SK Networks</b>                | 51.00%         |                | 43.08%                    |                           |                    |                       |                  |                  |  |
| <b>SK Telecom</b>                 |                |                | 14.25%                    | 100.00%                   |                    | 50.00%                | 59.74%           | 32.70%           |  |
| <b>SK Chemicals</b>               |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SKC</b>                        |                | 77.13%         |                           |                           |                    |                       |                  |                  |  |
| <b>SK E&amp;C</b>                 |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK Shipping</b>                |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK Securities</b>              |                |                |                           |                           |                    | 40.00%                |                  |                  |  |
| <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>                 |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>iHQ</b>                        |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK D&amp;D</b>                 |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK Communications</b>          |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>Total affiliated companies</b> | 51.00%         | 77.13%         | 57.33%                    | 100.00%                   | 50.00%             | 90.00%                | 59.74%           | 32.70%           |  |
|                                   |                |                |                           | <b>Invested companies</b> |                    |                       |                  |                  |  |
|                                   | <b>SK</b>      | <b>SK</b>      | <b>SK</b>                 | <b>Seoul</b>              |                    | <b>SK</b>             | <b>SK Mobile</b> |                  |  |
| <b>Investing companies</b>        | <b>D&amp;D</b> | <b>Utis</b>    | <b>CTA</b>                | <b>Records</b>            | <b>Independent</b> | <b>Petrochemical</b>  | <b>Energy</b>    | <b>SKC Media</b> |  |
| <b>SK Corporation</b>             |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK Energy</b>                  |                |                | 33.67%                    |                           |                    |                       | 88.34%           |                  |  |
| <b>SK Networks</b>                |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK Telecom</b>                 |                |                |                           | 60.00%                    |                    |                       |                  |                  |  |
| <b>SK Chemicals</b>               |                | 60.00%         |                           |                           |                    | 100.00%               |                  |                  |  |
| <b>SKC</b>                        |                |                |                           |                           |                    |                       | 11.66%           | 100.00%          |  |
| <b>SK E&amp;C</b>                 | 44.98%         |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK Shipping</b>                |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK Securities</b>              |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>Walkerhill</b>                 |                |                |                           |                           |                    |                       |                  |                  |  |
| <b>SK C&amp;C</b>                 |                |                |                           |                           | 67.78%             |                       |                  |                  |  |

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|                            | Invested companies |        |        |         |              |               |           |           |
|----------------------------|--------------------|--------|--------|---------|--------------|---------------|-----------|-----------|
|                            | SK                 | SK     | SK     | Seoul   |              | SK            | SK Mobile | SKC Media |
| Investing companies        | D&D                | Utis   | CTA    | Records | Independence | Retrochemical | Energy    |           |
| SK Incheon oil             |                    |        |        |         |              |               |           |           |
| Daehan City Gas            |                    |        |        |         |              |               |           |           |
| SK Telink                  |                    |        |        |         |              |               |           |           |
| SK E&S                     |                    |        |        |         |              |               |           |           |
| iHQ                        |                    |        |        |         |              |               |           |           |
| SK D&D                     |                    |        |        |         |              |               |           |           |
| SK Communications          |                    |        |        |         |              |               |           |           |
| Total affiliated companies | 44.98%             | 60.00% | 33.67% | 60.00%  | 67.78%       | 100.00%       | 100.00%   | 100.00%   |

|                            | Invested companies |        |            |        |         |               |          |           |
|----------------------------|--------------------|--------|------------|--------|---------|---------------|----------|-----------|
|                            |                    | YTN    |            | NTREEV | SK      | SK            |          |           |
| Investing companies        | iHQ                | Media  | I Film Co. | Soft   | I-Media | Communication | Ecogreen | Pullbbang |
| SK Corporation             |                    |        |            |        |         |               |          |           |
| SK Energy                  |                    |        |            |        |         |               |          |           |
| SK Networks                |                    |        |            |        |         |               | 55.00%   | 66.67%    |
| SK Telecom                 | 37.09%             |        |            | 66.69% |         | 64.82%        |          |           |
| 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                     |                    |        |            |        |         |               |          |           |
| iHQ                        |                    | 51.42% | 45.00%     |        |         |               |          |           |
| SK D&D                     |                    |        |            |        |         |               |          |           |
| SK Communications          |                    |        |            |        | 60.00%  |               |          |           |
| Total affiliated companies | 37.09%             | 51.42% | 45.00%     | 66.69% | 100.00% | 64.82%        | 55.00%   | 66.67%    |

|                     | Invested companies |             |             |               |                 |               |  |
|---------------------|--------------------|-------------|-------------|---------------|-----------------|---------------|--|
|                     |                    | SKC Air Gas | SKN Service | Nuri Solution | Commerce Planet | Reviden Asset |  |
| Investing companies | Island             |             |             |               |                 |               |  |
| SK Corporation      |                    |             |             |               |                 |               |  |
| SK Energy           |                    |             |             |               |                 |               |  |



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| Investing companies               | Island        | Invested companies |                |               |                 |                |
|-----------------------------------|---------------|--------------------|----------------|---------------|-----------------|----------------|
|                                   |               | SKC Air Gas        | SKN Service    | Nuri Solution | Commerce Planet | Reviden Asset  |
| SK Networks                       |               |                    | 100.00%        |               |                 |                |
| SK Telecom                        |               |                    |                |               | 100.00%         |                |
| SK Chemicals                      |               |                    |                |               |                 |                |
| SKC                               |               | 80.00%             |                |               |                 |                |
| SK E&C                            |               |                    |                |               |                 | 99.00%         |
| SK Shipping                       |               |                    |                |               |                 |                |
| SK Securities                     |               |                    |                |               |                 |                |
| Walkerhill                        |               |                    |                |               |                 |                |
| SK C&C                            |               |                    |                | 45.55%        |                 |                |
| SK Incheon oil                    | 50.00%        |                    |                |               |                 |                |
| Daehan City Gas                   |               |                    |                |               |                 |                |
| SK Telink                         |               |                    |                |               |                 |                |
| SK E&S                            |               |                    |                |               |                 |                |
| iHQ                               |               |                    |                |               |                 |                |
| SK D&D                            |               |                    |                |               |                 | 1.00%          |
| SK Communications                 |               |                    |                |               |                 |                |
| <b>Total affiliated companies</b> | <b>50.00%</b> | <b>80.00%</b>      | <b>100.00%</b> | <b>45.55%</b> | <b>100.00%</b>  | <b>100.00%</b> |

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

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

(As of December 31, 2007)

(Unit: share, %)

| Name           | Relationship                  | Types of shares  | Number of shares owned (equity rate) |                  |                  | Ending           | Cause of change |
|----------------|-------------------------------|------------------|--------------------------------------|------------------|------------------|------------------|-----------------|
|                |                               |                  | Beginning                            | Increase         | Decrease         |                  |                 |
|                |                               | Number of shares | Ownership ratio                      | Number of shares | Number of shares | Number of shares | Ownership ratio |
| SK Corporation | Parent company                | Common stock     | 17,663,127                           | 21.75            |                  | 17,663,127       | 21.75           |
| SK Networks    | Affiliated company            | Common stock     | 1,085,325                            | 1.34             |                  | 1,085,325        | 1.34            |
| Tae Won Choi   | Officer of affiliated company | Common stock     | 100                                  | 0.00             |                  | 100              | 0.00            |
| Shin Won Choi  | Officer of affiliated company | Common stock     | 770                                  | 0.00             | 770              |                  | 0.00            |

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(As of December 31, 2007)

(Unit: share, %)

| Name                  | Relationship | Types of shares | Number of shares owned (equity rate) |                 |                    |                    | Cause of change |                         |                 |
|-----------------------|--------------|-----------------|--------------------------------------|-----------------|--------------------|--------------------|-----------------|-------------------------|-----------------|
|                       |              |                 | Beginning Number of shares           | Ownership ratio | Increase of shares | Decrease of shares |                 | Ending Number of shares | Ownership ratio |
| <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                    |                 |
| <b>Total</b>          |              | Common stock    | 18,751,980                           | 23.10           |                    | 770                | 18,751,210      | 23.09                   |                 |
|                       |              | Preferred stock | 0                                    | 0               |                    |                    | 0               | 0                       |                 |
|                       |              | <b>Total</b>    | 18,751,980                           | 23.10           |                    | 770                | 18,751,210      | 23.09                   |                 |

Largest shareholder: SK Corporation

Number of related parties: 8 persons

\* SK Corporation purchased SK Telecom s shares (1,085,325 shares) from SK Networks on February 25, 2008

B. Shareholders with More than 5% Shareholding

(As of December 31, 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    | <b>Citibank ADR SK Corporation</b> | 24,321,893       | 29.96           |                  |                 | 24,321,893       | 29.96           |
| 2    | <b>SK Telecom</b>                  | 17,663,127       | 21.75           |                  |                 | 17,663,127       | 21.75           |
| 3    | <b>SK Telecom</b>                  | 8,609,034        | 10.60           |                  |                 | 8,609,034        | 10.60           |
|      | <b>Total</b>                       | 50,594,054       | 62.31           |                  |                 | 50,594,054       | 62.31           |

C. Shareholder Distribution

(As of December 31, 2007)

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| <b>Classification</b>                         | <b>Number of<br/>shareholders</b> | <b>Ratio (%)</b> | <b>Number of<br/>shares</b> | <b>Ratio (%)</b> | <b>Remarks</b> |
|---|-----------------------------------|------------------|-----------------------------|------------------|----------------|
| <b>Total minority shareholders</b>            | 23,320                            | 99.93            | 25,811,059                  | 31.79            |                |
| <b>Minority shareholders<br/>(corporate)</b>  | 1,186                             | 5.08             | 11,674,791                  | 14.37            |                |
| <b>Minority shareholders<br/>(individual)</b> | 22,134                            | 94.85            | 14,136,268                  | 17.41            |                |
| <b>Largest shareholder</b>                    | 8                                 | 0.03             | 18,751,210                  | 23.09            |                |
| <b>Major shareholders</b>                     |                                   |                  |                             |                  |                |
| <b>Other shareholders</b>                     | 8                                 | 0.03             | 36,631,442                  | 45.12            |                |
| <b>Other shareholders (corporate)</b>         | 6                                 | 0.03             | 11,493,465                  | 14.16            |                |
| <b>Other shareholders (individual)</b>        | 2                                 | 0.00             | 25,137,977                  | 30.96            |                |
| <b>Total</b>                                  | 23,336                            | 100.00           | 81,193,711                  | 100.00           |                |

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

## A. Domestic Securities Market

(Unit: Won, shares)

| Types                      |                | December<br>2007 | November<br>2007 | October<br>2007 | September<br>2007 | August<br>2007 | July<br>2007 |
|----------------------------|----------------|------------------|------------------|-----------------|-------------------|----------------|--------------|
| <b>Common</b>              |                |                  |                  |                 |                   |                |              |
| <b>share</b>               | <b>Highest</b> | 274,000          | 256,000          | 240,000         | 212,000           | 206,500        | 221,000      |
|                            | <b>Lowest</b>  | 249,000          | 204,500          | 209,000         | 206,000           | 192,000        | 200,000      |
| <b>Monthly transaction</b> |                |                  |                  |                 |                   |                |              |
| <b>volume</b>              |                | 5,847,036        | 10,755,565       | 5,675,597       | 2,494,024         | 4,408,098      | 5,311,253    |

## B. Overseas Securities Market

## New York Stock Exchange

(Unit: US\$, ADR)

| Types                      |                | December<br>2007 | November<br>2007 | October<br>2007 | September<br>2007 | August<br>2007 | July<br>2007 |
|----------------------------|----------------|------------------|------------------|-----------------|-------------------|----------------|--------------|
| <b>Depository</b>          |                |                  |                  |                 |                   |                |              |
| <b>receipt</b>             | <b>Highest</b> | 32.83            | 33.03            | 33.33           | 29.70             | 29.33          | 30.30        |
|                            | <b>Lowest</b>  | 29.84            | 29.00            | 30.02           | 28.05             | 26.15          | 27.41        |
| <b>Monthly transaction</b> |                |                  |                  |                 |                   |                |              |
| <b>volume</b>              |                | 26,024,900       | 38,418,408       | 29,156,341      | 20,339,291        | 42,018,148     | 32,018,574   |

**VII. EMPLOYEES**

(As of December 31, 2007)

(Unit: persons, in million Won)

| Classification | Number of employees               |                         |        | Total | Average<br>service<br>year | Total half<br>year wage | Average<br>wage per<br>person | Remarks |
|----------------|-----------------------------------|-------------------------|--------|-------|----------------------------|-------------------------|-------------------------------|---------|
|                | Office<br>managerial<br>positions | Production<br>positions | Others |       |                            |                         |                               |         |
| <b>Male</b>    | 3,956                             |                         |        | 3,956 | 9.9                        | 237,698                 | 60.1                          |         |
| <b>Female</b>  | 586                               |                         |        | 586   | 8.1                        | 28,450                  | 48.6                          |         |
| <b>Total</b>   | 4,542                             |                         |        | 4,542 | 9.6                        | 266,148                 | 58.6                          |         |

**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 December 31, 2007)

(Unit: in million Won)

| Name (Corporate name) | Relationship       | Account category               | Change details |          |          | Ending | Accrued interest | Remarks |
|-----------------------|--------------------|--------------------------------|----------------|----------|----------|--------|------------------|---------|
|                       |                    |                                | Beginning      | Increase | Decrease |        |                  |         |
| SK Wyverns            | Affiliated company | Long-term and short-term loans | 5,282          | 575      | 1,725    | 4,132  |                  |         |

## B. Equity Investments

(As of December 31, 2007)

(Unit: in million Won)

| Name (Corporate name)              | Relationship       | Types of Investment | Details   |          |          |         | Note |
|------------------------------------|--------------------|---------------------|-----------|----------|----------|---------|------|
|                                    |                    |                     | Beginning | Increase | Decrease | Ending  |      |
| SKT U.S.A. Holdings                | Affiliated company | Common share        | 199,047   | 137,578  |          | 336,625 |      |
| 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        |           | 19,070   |          | 19,070  |      |
| iHQ                                | Affiliated company | Common share        | 41,846    | 10,000   |          | 51,846  |      |
| Commerce Planet                    | 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  |      |

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| Name (Corporate name)            | Relationship       | Types of Investment | Details   |          |          |         | Note |
|----------------------------------|--------------------|---------------------|-----------|----------|----------|---------|------|
|                                  |                    |                     | Beginning | Increase | Decrease | Ending  |      |
| <b>Helio Inc.</b>                | Affiliated company | Common share        | 1,100     | 242      |          | 1,342   |      |
| <b>SKT Holdings America Inc.</b> | Affiliated company | Common share        |           | 4,050    |          | 4,050   |      |
|                                  | Total              |                     | 308,247   | 237,065  |          | 545,312 |      |

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

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

\* Agents

(Unit: in million Won)

| Name (Corporate name)      | Relationship | Account category               | Change details |          |          |         | Accrued interest | Remarks |
|----------------------------|--------------|--------------------------------|----------------|----------|----------|---------|------------------|---------|
|                            |              |                                | Beginning      | Increase | Decrease | Ending  |                  |         |
| <b>Hong Eun and others</b> | Agency       | Long-term and short-term loans | 64,984         | 207,772  | 157,797  | 114,959 |                  |         |

\* Overseas investment companies

(Unit: in million Won)

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

B. Equity Investments

(Unit: in million Won)

| Name (Corporate name)                | Relationship | Types of Investment | 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>                 |              |                     |           | 1,172    |          | 1,172  |         |
| <b>Centurion IT Investment Group</b> |              |                     | 3,000     |          | 1,070    | 1,930  |         |

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| Name (Corporate name)           | Relationship | Types of Investment | Details   |           |          | Ending    | Remarks |
|---------------------------------|--------------|---------------------|-----------|-----------|----------|-----------|---------|
|                                 |              |                     | Beginning | Increase  | Decrease |           |         |
| <b>KTB Investment Group</b>     |              |                     | 1,060     |           | 371      | 689       |         |
| <b>Bridge Mobile Alliance</b>   |              |                     |           | 2,475     |          | 2,475     |         |
| <b>KINX</b>                     |              | Common share        | 54        |           | 54       |           |         |
| <b>NTS Company</b>              |              | Common share        | 95        |           | 95       |           |         |
| <b>JS Tech</b>                  |              | Common share        | 95        |           | 95       |           |         |
| <b>P&amp;T Telecom</b>          |              | Common share        | 95        |           | 95       |           |         |
| <b>GN Solitech</b>              |              | Common share        | 95        |           | 95       |           |         |
| <b>RF Solution</b>              |              | Common share        | 95        |           | 95       |           |         |
| <b>Kyoungseo Telecom</b>        |              | Common share        | 95        |           | 95       |           |         |
| <b>PWNT</b>                     |              | Common share        | 95        |           | 95       |           |         |
| <b>WithNet</b>                  |              | Common share        | 95        |           | 95       |           |         |
| <b>NS Tech</b>                  |              | Common share        | 95        |           | 95       |           |         |
| <b>Hangil Telecom</b>           |              | Common share        | 95        |           | 95       |           |         |
| <b>M-Cube works</b>             |              | Common share        | 188       |           | 188      |           |         |
| <b>Stic Investment</b>          |              | Common share        | 8,651     |           | 8,611    | 40        |         |
| <b>China Unicom</b>             |              | Common share        |           | 1,333,009 |          | 1,333,009 |         |
| <b>Translink Capital L.L.C.</b> |              | Common share        |           | 798       |          | 798       |         |
| <b>Total</b>                    |              |                     | 14,246    | 1,342,146 | 11,587   | 1,344,805 |         |

**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 | Title   | Report  | Reports status  |
|--------------------|---|---|---|
| October 26, 2001   | Resolution on trust agreement for the acquisition of treasury | 1. Signatories: Shinhan Bank, Hana Bank, Cho Hung | 1. On December 24, 2003, cash surplus amount from the existing trust agreement was partially reduced (Won |



|                   |   |   |
|-------------------|---|---|
| shares and others | Bank, Korea Exchange Bank                 | 318 billion).   |
|                   | 2. Contract amount: Won 1,300 billion     | 2. On September 24, 2004, the Board of Directors extended the term of the specified monetary trust agreement for 3 years. |
|                   | 3. Purpose: to increase shareholder value | 3. On October 16, 2007, the Board of Directors extended the term of the specified monetary trust agreement for 3 years.   |
|                   |   | 4. As of December 31, 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>                             |
|---|--|---|
| 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 | Approved (Cash dividend, Won 7,000 per share) |
|   | 2. Remuneration limit for Directors  | Approved (Won 12 billion)                     |
|   | 3. Election of Directors   | Approved (Jung Nam Cho, Sung Min Ha)          |
|   | - Election of executive directors  | Approved (Dal Sup Shim)                       |
|   | - Election of independent non-executive directors as Audit Committee members |   |
| 24 <sup>rd</sup> Fiscal Year Meeting of Shareholders (March 14, 2008) | 1. Approval of the financial statements for the year ended December 31, 2007 | Approved (Cash dividend, Won 8,400 per share) |
|   | 2. Amendment to Articles of incorporation                                    |   |
|   | 3. Remuneration limit for Directors  |   |
|   | 4. Election of Directors   | Approved (Won 12 billion)                     |
|   | - Election of executive directors  | Approved (Shin Bae Kim, Young Ho Park)        |
|   | - Election of independent non-executive directors                            | Approved (Rak Yong Uhm, Jay Young)            |

- Election of independent non-executive directors as Audit Committee members  
Chung)  
Approved(Jae  
Ho Cho)

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***SK TELECOM CO., LTD.***

***NON-CONSOLIDATED FINANCIAL STATEMENTS***

***FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006***

***AND INDEPENDENT AUDITORS REPORT***

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**Independent Auditors' Report**

English Translation of a Report Originally Issued in Korean

To the Stockholders and Board of Directors of

SK Telecom Co., Ltd.

We have audited the accompanying non-consolidated balance sheets of SK Telecom Co., Ltd. (the Company) as of December 31, 2007 and 2006, the related non-consolidated statements of income, appropriations of retained earnings and cash flows for the years then ended, and the related non-consolidated statement of changes in stockholders' equity for the year ended December 31, 2007, all expressed in Korean won. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the Republic of Korea. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position of the Company as of December 31, 2007 and 2006, the results of its operations, changes in its retained earnings and its cash flows for the years then ended, and the changes in its stockholders' equity for the year ended December 31, 2007, in conformity with accounting principles generally accepted in the Republic of Korea.

Our audits also comprehended the translation of the Korean won amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 2(a). Such U.S. dollar amounts are presented solely for the convenience of readers outside of the Republic of Korea.

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Accounting principles and auditing standards and their application in practice vary among countries. The accompanying financial statements are not intended to present the financial position, results of operations, changes in stockholders' equity 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 audit 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 procedures and auditing standards and their application in practice.

January 31, 2008

**Notice to Readers**

This report is effective as of January 31, 2008, the auditors' report date. Certain subsequent events or circumstances may have occurred between the auditors' report date and the time the auditors' report is read. Such events or circumstances could significantly affect the accompanying financial statements and may result in modification to the auditors' report.

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

|   | Korean won           |                      | Translation into U.S. dollars<br>(Note 2) |                         |
|---|----------------------|----------------------|---|-------------------------|
|   | December 31,<br>2007 | December 31,<br>2006 | December<br>31,<br>2007                   | December<br>31,<br>2006 |
| ASSETS  | (In millions)        |                      | (In thousands)                            |                         |
| <b>CURRENT ASSETS:</b>  |                      |                      |   |                         |
| Cash and cash equivalents (Notes 2 and 12)  | ₩ 575,646            | ₩ 241,100            | \$ 615,138                                | \$ 257,641              |
| Short-term financial instruments (Note 20)  | 79,360               | 61,953               | 84,804                                    | 66,203                  |
| Trading securities (Notes 2 and 3)  | 633,911              | 665,299              | 677,400                                   | 710,941                 |
| Current portion of long-term investment securities (Notes 2 and 3)  | 99,858               | 156                  | 106,709                                   | 167                     |
| Accounts receivable – trade, net of allowance for doubtful accounts of ₩59,581 million as of December 31, 2007 and ₩88,285 million as of December 31, 2006 (Notes 2, 12 and 23) | 1,620,334            | 1,700,650            | 1,731,496                                 | 1,817,322               |
| Short-term loans, net of allowance for doubtful accounts of ₩753 million as of December 31, 2007 and ₩9,212 million as of December 31, 2006 (Notes 2, 5 and 23)                 | 74,532               | 61,967               | 79,645                                    | 66,218                  |
| Accounts receivable – other, net of allowance for doubtful accounts of ₩23,253 million as of December 31 2007 and ₩26,708 million as of December 31, 2006 (Notes 2, 12 and 23)  | 855,062              | 1,257,244            | 913,723                                   | 1,343,496               |
| Inventories (Note 2)  | 18,681               | 16,439               | 19,963                                    | 17,567                  |
| Prepaid expenses  | 94,080               | 113,256              | 100,534                                   | 121,026                 |
| Current deferred income tax assets, net (Notes 2 and 17)  | 29,688               | 40,113               | 31,725                                    | 42,865                  |
| Currency swap (Notes 2 and 25)  |                      | 16,660               |   | 17,803                  |
| Advanced income and other   | 12,907               | 14,488               | 13,792                                    | 15,482                  |
| <b>Total Current Assets</b>   | <b>4,094,059</b>     | <b>4,189,325</b>     | <b>4,374,929</b>                          | <b>4,476,731</b>        |
| <b>NON-CURRENT ASSETS:</b>  |                      |                      |   |                         |
| Property and equipment, net (Notes 2, 6, 11, 22 and 23)   | 4,594,413            | 4,418,112            | 4,909,610                                 | 4,721,214               |
| Intangible assets, net (Notes 2, 7 and 11)  | 3,174,942            | 3,405,159            | 3,392,757                                 | 3,638,768               |
| Long-term financial instruments (Notes 20)  | 10,019               | 10,024               | 10,706                                    | 10,712                  |
| Long-term investment securities (Notes 2 and 3)   | 5,041,393            | 2,376,268            | 5,387,255                                 | 2,539,290               |
|   | 899,172              | 1,161,651            | 960,859                                   | 1,241,345               |

|  |              |              |               |               |
|--|--------------|--------------|---------------|---------------|
| Equity securities accounted for using the equity method (Notes 2 and 4)  |              |              |               |               |
| Long-term loans, net of allowance for doubtful accounts of ₩23,783 million as of December 31, 2007 and ₩23,148 million as of December 31, 2006 (Notes 2, 5 and 23) | 76,642       | 12,828       | 81,900        | 13,708        |
| Guarantee deposits, net of allowance for doubtful accounts of nil as of December 31, 2007 and ₩163 million as of December 31, 2006 (Notes 2,12 and 23)             | 122,209      | 120,006      | 130,593       | 128,239       |
| Long-term currency swap (Notes 2 and 25)   | 13,057       |              | 13,953        |               |
| Long-term interest rate swap (Notes 2 and 25)  | 3,170        |              | 3,387         |               |
| Long-term deposits and other   | 113,973      | 120,680      | 121,793       | 128,960       |
| <br>   |              |              |               |               |
| Total Non-Current Assets   | 14,048,990   | 11,624,728   | 15,012,813    | 12,422,236    |
| <br>   |              |              |               |               |
| TOTAL ASSETS   | ₩ 18,143,049 | ₩ 15,814,053 | \$ 19,387,742 | \$ 16,898,967 |

(Continued)



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

|   | Korean won                            |                                       | Translation into U.S. dollars<br>(Note 2) |   |
|---|---------------------------------------|---------------------------------------|---|---|
|   | December 31,<br>2007<br>(In millions) | December 31,<br>2006<br>(In millions) | December<br>31,<br>2007<br>(In thousands) | December<br>31,<br>2006<br>(In thousands) |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |                                       |                                       |   |   |
| <b>CURRENT LIABILITIES:</b>   |                                       |                                       |   |   |
| Accounts payable (Notes 12 and 23)  | ₩ 1,112,351                           | ₩ 1,107,786                           | \$ 1,188,663                              | \$ 1,183,785                              |
| Income taxes payable (Note 17)  | 314,830                               | 331,496                               | 336,429                                   | 354,238                                   |
| Accrued expenses (Notes 2 and 24)   | 374,058                               | 373,865                               | 399,720                                   | 399,514                                   |
| Dividend payable  | 308                                   | 268                                   | 329                                       | 286                                       |
| Withholdings  | 222,653                               | 327,895                               | 237,928                                   | 350,390                                   |
| Current portion of long-term debt, net (Notes 2, 8 and 11)  | 410,575                               | 794,186                               | 438,742                                   | 848,671                                   |
| Current portion of subscription deposits (Note 10)  | 7,540                                 | 15,760                                | 8,057                                     | 16,841                                    |
| Currency swap (Notes 2 and 25)  | 12,646                                |                                       | 13,514                                    |   |
| Advanced receipts and other   | 29,587                                | 34,364                                | 31,617                                    | 36,722                                    |
| <b>Total Current Liabilities</b>  | <b>2,484,548</b>                      | <b>2,985,620</b>                      | <b>2,654,999</b>                          | <b>3,190,447</b>                          |
| <b>NON-CURRENT LIABILITIES:</b>   |                                       |                                       |   |   |
| Bonds payable, net (Notes 2 and 8)  | 2,281,160                             | 1,978,874                             | 2,437,658                                 | 2,114,633                                 |
| Long-term borrowings (Note 9)   | 293,820                               | 292,960                               | 313,977                                   | 313,058                                   |
| Subscription deposits (Note 10)   | 6,426                                 | 21,140                                | 6,867                                     | 22,590                                    |
| Long-term payables other, net of present value discount of ₩27,886 million as of December 31, 2007 and ₩42,461 million as of December 31, 2006 (Note 2) | 422,114                               | 517,539                               | 451,073                                   | 553,044                                   |
| Obligations under capital lease (Notes 2 and 11)  |                                       | 1,642                                 |   | 1,755                                     |
| Accrued severance indemnities, net (Note 2)   | 22,150                                | 9,568                                 | 23,670                                    | 10,224                                    |
| Non-current deferred income tax liabilities, net (Notes 2 and 17)   | 1,044,690                             | 530,454                               | 1,116,360                                 | 566,845                                   |
| Long-term currency swap (Notes 2 and 25)  | 110,911                               | 112,970                               | 118,520                                   | 120,720                                   |
| Long-term interest rate swap (Notes 2 and 25)   |                                       | 454                                   |   | 485                                       |
| Guarantee deposits received and other (Notes 2, 23 and 24)  | 39,745                                | 56,404                                | 42,472                                    | 60,276                                    |
| <b>Total Non-Current Liabilities</b>  | <b>4,221,016</b>                      | <b>3,522,005</b>                      | <b>4,510,597</b>                          | <b>3,763,630</b>                          |
| <b>Total Liabilities</b>  | <b>6,705,564</b>                      | <b>6,507,625</b>                      | <b>7,165,596</b>                          | <b>6,954,077</b>                          |

|  |                     |                     |                      |                      |
|--|---------------------|---------------------|----------------------|----------------------|
| <b>STOCKHOLDERS EQUITY:</b>  |                     |                     |                      |                      |
| Capital stock (Notes 1 and 13)   | 44,639              | 44,639              | 47,701               | 47,701               |
| Capital surplus (Notes 2, 8, 13 and 16)  | 2,939,353           | 2,962,699           | 3,141,006            | 3,165,953            |
| Capital adjustments:   |                     |                     |                      |                      |
| Treasury stock (Notes 1 and 15)  | (2,041,483)         | (2,014,927)         | (2,181,538)          | (2,153,160)          |
| Loss on disposal of treasury stock (Note 15)   | (95)                | (7,887)             | (102)                | (8,428)              |
| Stock options (Notes 2 and 16)   |                     | 3,246               |                      | 3,469                |
| Accumulated other comprehensive income (loss)<br>(Note 18):                                  |                     |                     |                      |                      |
| Unrealized gains on valuation of long-term<br>investment securities, net (Notes 2, 3 and 17) | 1,626,689           | 408,521             | 1,738,287            | 436,547              |
| Equity in other comprehensive income (loss) of<br>affiliates, net (Notes 2, 4 and 17)        | (27,965)            | 82,200              | (29,884)             | 87,839               |
| Loss on valuation of currency swap, net (Notes 2, 17<br>and 25)                              | (11,816)            | (16,487)            | (12,627)             | (17,618)             |
| Gain (loss) on valuation of interest swap, net (Notes<br>2, 17 and 25)                       | 2,298               | (329)               | 2,456                | (352)                |
| Retained earnings (Note 14):   |                     |                     |                      |                      |
| Appropriated   | 7,335,037           | 6,679,234           | 7,838,253            | 7,137,459            |
| Unappropriated   | 1,570,828           | 1,165,519           | 1,678,594            | 1,245,480            |
| <br>   |                     |                     |                      |                      |
| Total Stockholders Equity  | 11,437,485          | 9,306,428           | 12,222,146           | 9,944,890            |
| <br>   |                     |                     |                      |                      |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS<br/>EQUITY</b>   | <b>₩ 18,143,049</b> | <b>₩ 15,814,053</b> | <b>\$ 19,387,742</b> | <b>\$ 16,898,967</b> |

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

|   | Korean won    |              | Translation into U.S. dollars<br>(Note 2) |               |
|---|---------------|--------------|---|---------------|
|   | 2007          | 2006         | 2007                                      | 2006          |
|   | (In millions) |              | (In thousands)                            |               |
| OPERATING REVENUE (Notes 2 and 23)                            | ₩ 11,285,900  | ₩ 10,650,952 | \$ 12,060,162                             | \$ 11,381,654 |
| OPERATING EXPENSES (Notes 2 and 23)                           |               |              |   |               |
| Labor cost  | (409,884)     | (396,147)    | (438,004)                                 | (423,324)     |
| Commissions paid(Note 2)                                      | (4,035,757)   | (3,316,551)  | (4,312,628)                               | (3,544,081)   |
| Depreciation and amortization (Notes 6 and 7)                 | (1,723,017)   | (1,513,092)  | (1,841,224)                               | (1,616,897)   |
| Network interconnection                                       | (998,154)     | (955,954)    | (1,066,632)                               | (1,021,537)   |
| Leased line   | (388,796)     | (395,113)    | (415,469)                                 | (422,219)     |
| Advertising   | (304,194)     | (300,829)    | (325,063)                                 | (321,467)     |
| Research and development (Note 2)                             | (214,795)     | (211,752)    | (229,531)                                 | (226,279)     |
| Rent  | (207,199)     | (193,877)    | (221,414)                                 | (207,178)     |
| Frequency usage   | (164,072)     | (158,958)    | (175,328)                                 | (169,863)     |
| Repair  | (161,050)     | (146,312)    | (172,099)                                 | (156,350)     |
| Cost of goods sold  | (83,584)      | (39,686)     | (89,318)                                  | (42,409)      |
| Other   | (423,855)     | (438,311)    | (452,932)                                 | (468,381)     |
| Sub-total   | (9,114,357)   | (8,066,582)  | (9,739,642)                               | (8,619,985)   |
| OPERATING INCOME  | 2,171,543     | 2,584,370    | 2,320,520                                 | 2,761,669     |
| OTHER INCOME:   |               |              |   |               |
| Interest income (Note 3)                                      | 77,344        | 68,624       | 82,650                                    | 73,332        |
| Dividends   | 21,113        | 20,351       | 22,561                                    | 21,747        |
| Commissions (Note 23)   | 35,601        | 41,080       | 38,043                                    | 43,898        |
| Reversal of allowance for doubtful accounts                   | 513           | 162          | 548                                       | 173           |
| Foreign exchange and translation gains (Note 2)               | 11,112        | 2,744        | 11,874                                    | 2,932         |
| Equity in earnings of affiliates (Notes 2 and 4)              | 266,811       | 83,144       | 285,115                                   | 88,848        |
| Gain on disposal of investment assets                         | 3,005         | 26,975       | 3,211                                     | 28,826        |
| Gain on disposal of property, equipment and intangible assets | 7,306         | 4,453        | 7,807                                     | 4,758         |
| Gain on transactions and valuation of currency swap           |               |              |   |               |

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|  |         |         |         |         |
|--|---------|---------|---------|---------|
| (Notes 2 and 25)                       | 10,799  | 16,660  | 11,540  | 17,803  |
| Gain on conversion of convertible bond |         |         |         |         |
| (Note 3)                               | 373,140 |         | 398,739 |         |
| Gain on repayment of bond              | 5,600   |         | 5,984   |         |
| Other                                  | 39,070  | 46,907  | 41,753  | 50,126  |
| Sub-total                              | 851,414 | 311,100 | 909,825 | 332,443 |

(Continued)

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

|   | Korean won      |                 | Translation into U.S. dollars<br>(Note 2) |                  |
|---|-----------------|-----------------|---|------------------|
|   | 2007            | 2006            | 2007                                      | 2006             |
|   | (In millions)   |                 | (In thousands)                            |                  |
| <b>OTHER EXPENSES:</b>  |                 |                 |   |                  |
| Interest and discounts (Note 2)   | (₩215,856)      | (₩237,535)      | (\$230,665)                               | (\$253,831)      |
| Donations   | (72,471)        | (103,002)       | (77,443)                                  | (110,068)        |
| Foreign exchange and translation losses<br>(Note 2)                       | (12,079)        | (2,871)         | (12,908)                                  | (3,068)          |
| Loss on valuation of trading securities<br>(Notes 2 and 3)                | (1,203)         |                 | (1,286)                                   |                  |
| Equity in losses of affiliates (Notes 2 and 4)                            | (249,425)       | (212,109)       | (266,537)                                 | (226,661)        |
| Impairment loss on investment securities<br>(Notes 2 and 3)               | (4,386)         | (27,344)        | (4,687)                                   | (29,220)         |
| Loss on disposal of investment assets                                     | (81)            | (3,486)         | (87)                                      | (3,725)          |
| Loss on disposal of property, equipment and<br>intangible assets          | (30,213)        | (16,407)        | (32,286)                                  | (17,533)         |
| Impairment loss on assets (Note 2)  | (369)           | (6,866)         | (394)                                     | (7,337)          |
| Loss on transaction and valuation of<br>currency swap<br>(Notes 2 and 25) | (33,876)        | (9,258)         | (36,200)                                  | (9,893)          |
| Special severance indemnities (Note 2)                                    |                 | (144,021)       |   | (153,901)        |
| External research and development costs<br>(Note 2)                       | (73,725)        | (66,055)        | (78,783)                                  | (70,587)         |
| Other   | (21,488)        | (44,873)        | (22,960)                                  | (47,951)         |
| <br>Sub-total   | <br>(715,172)   | <br>(873,827)   | <br>(764,236)                             | <br>(933,775)    |
| <br>INCOME BEFORE INCOME TAXES  | <br>2,307,785   | <br>2,021,643   | <br>2,466,109                             | <br>2,160,337    |
| <br>PROVISION FOR INCOME TAXES<br>(Notes 2 and 17)                        | <br>(665,334)   | <br>(575,045)   | <br>(710,979)                             | <br>(614,496)    |
| <br>NET INCOME (Note 18)  | <br>₩ 1,642,451 | <br>₩ 1,446,598 | <br>\$ 1,755,130                          | <br>\$ 1,545,841 |
| <br>NET INCOME PER SHARE (In Korean<br>won and U.S. dollars) (Note 19)    | <br>₩ 22,607    | <br>₩ 19,734    | <br>\$ 24.16                              | <br>\$ 21.09     |

|  |   |        |   |        |    |       |    |       |
|--|---|--------|---|--------|----|-------|----|-------|
| DILUTED NET INCOME PER SHARE (In<br>Korean won and U.S. dollars) (Note 19) | ₩ | 22,289 | ₩ | 19,458 | \$ | 23.82 | \$ | 20.80 |
|--|---|--------|---|--------|----|-------|----|-------|

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF**  
**APPROPRIATIONS OF RETAINED EARNINGS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

|   | Korean won     |                | Translation into U.S. dollars |                 |
|---|----------------|----------------|-------------------------------|-----------------|
|   | 2007           | 2006           | 2007                          | 2006            |
|   | (In millions)  |                | (In thousands)                |                 |
| <b>RETAINED EARNINGS BEFORE APPROPRIATIONS:</b>                                     |                |                |                               |                 |
| Beginning of year   | ₩ 1,044        | ₩ 1,712        | \$ 1,117                      | \$ 1,828        |
| Interim dividends (Note 21)   | (72,667)       | (73,714)       | (77,653)                      | (78,770)        |
| Retirement of treasury stock  |                | (209,077)      |                               | (223,419)       |
| Net income for the year   | 1,642,451      | 1,446,598      | 1,755,130                     | 1,545,841       |
| End of year   | 1,570,828      | 1,165,519      | 1,678,594                     | 1,245,480       |
| <b>TRANSFER FROM VOLUNTARY RESERVES:</b>  |                |                |                               |                 |
| Reserve for research and manpower development (Note 14)                             |                | 188,000        |                               | 200,898         |
| Reserve for loss on disposal of treasury stock (Note 14)                            |                | 221,197        |                               | 236,372         |
| Reserve for improvement of financial structure (Note 14)                            | 33,000         |                | 35,264                        |                 |
|   | 33,000         | 409,197        | 35,264                        | 437,270         |
| <b>APPROPRIATIONS:</b>  |                |                |                               |                 |
| Reserve for research and manpower development (Note 14)                             |                | (180,000)      |                               | (192,349)       |
| Reserve for business expansion (Note 14)  | (193,000)      | (885,000)      | (206,241)                     | (945,715)       |
| Reserve for technology development (Note 14)  | (800,000)      |                | (854,884)                     |                 |
| Cash dividends (Note 21)  | (609,712)      | (508,672)      | (651,540)                     | (543,569)       |
|   | (1,602,712)    | (1,573,672)    | (1,712,665)                   | (1,681,633)     |
| <b>UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO THE FOLLOWING YEAR</b> | <b>₩ 1,116</b> | <b>₩ 1,044</b> | <b>\$ 1,193</b>               | <b>\$ 1,117</b> |

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY**  
**YEAR ENDED DECEMBER 31, 2007**

|  | Common<br>stock | Capital<br>surplus | Capital<br>adjustments | Accumulated<br>other<br>comprehensive<br>income | Retained<br>earnings | Total<br>Stockholders<br>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 (Note 21)   |                 |                    |                        |   | (508,672)            | (508,672)                       |
| Interim dividends (Note 21)  |                 |                    |                        |   | (72,667)             | (72,667)                        |
| Net income   |                 |                    |                        |   | 1,642,451            | 1,642,451                       |
| Conversion of convertible bonds (Note 8)   |                 | (11,116)           |                        |   |                      | (11,116)                        |
| Stock options (Notes 2 and 16)   |                 | 3,246              | (3,246)                |   |                      |                                 |
| Difference between the acquisition cost and the net book value incurred from the transactions between under common control companies (Note 13) |                 | (15,476)           |                        |   |                      | (15,476)                        |
| Treasury stock (Notes 2 and 15)  |                 |                    | (26,556)               |   |                      | (26,556)                        |
| Loss on disposal of treasury stock (Notes 2 and 15)  |                 |                    | 7,792                  |   |                      | 7,792                           |
| Unrealized gain on valuation of long-term investment securities, net (Notes 2, 3 and 18)   |                 |                    |                        | 1,218,168                                       |                      | 1,218,168                       |
| Equity in other comprehensive income changes of affiliates, net (Notes 2, 4 and 17)  |                 |                    |                        | (110,165)                                       |                      | (110,165)                       |
|  |                 |                    |                        | 4,671   |                      | 4,671                           |

|  |           |              |                |             |              |              |
|--|-----------|--------------|----------------|-------------|--------------|--------------|
| Loss on valuation of<br>currency swap, net<br>(Notes 2, 17 and 25)   |           |              |                |             |              |              |
| Gain (loss) on<br>valuation of interest<br>swap, net (Notes 2,<br>17 and 25)   |           |              |                | 2,627       |              | 2,627        |
| Balance,<br>December 31, 2007  | ₩ 44,639  | ₩ 2,939,353  | (₩ 2,041,578)  | ₩ 1,589,206 | ₩ 8,905,865  | ₩ 11,437,485 |
| <b>(In thousands of<br/>U.S. dollars) (Note<br/>2)</b>   |           |              |                |             |              |              |
| Balance, January 1,<br>2007  | \$ 47,701 | \$ 3,165,953 | (\$ 2,158,119) | \$ 506,416  | \$ 8,382,939 | \$ 9,944,890 |
| Cash dividends<br>(Note 21)  |           |              |                |             | (543,569)    | (543,569)    |
| Interim dividends<br>(Note 21)   |           |              |                |             | (77,653)     | (77,653)     |
| Net income   |           |              |                |             | 1,755,130    | 1,755,130    |
| Conversion of<br>convertible bonds<br>(Note 8)   |           | (11,878)     |                |             |              | (11,878)     |
| Stock options<br>(Notes 2 and 16)  |           | 3,469        | (3,469)        |             |              |              |
| Difference between<br>the acquisition cost<br>and the net book<br>value incurred from<br>the transactions<br>between under<br>common control<br>companies (Note<br>13) |           | (16,538)     |                |             |              | (16,538)     |
| Treasury stock<br>(Notes 2 and 15)   |           |              | (28,378)       |             |              | (28,378)     |
| Loss on disposal of<br>treasury stock<br>(Notes 2 and 15)  |           |              | 8,326          |             |              | 8,326        |
| Unrealized gain on<br>valuation of<br>long-term<br>investment<br>securities, net<br>(Notes 2, 3 and 17)  |           |              |                | 1,301,740   |              | 1,301,740    |
| Equity in other<br>comprehensive<br>income changes of  |           |              |                | (117,723)   |              | (117,723)    |

|   |  |  |  |       |  |       |
|---|--|--|--|-------|--|-------|
| affiliates, net (Notes 2, 4 and 17)                                 |  |  |  |       |  |       |
| Loss on valuation of currency swap, net (Notes 2, 17 and 25)        |  |  |  | 4,991 |  | 4,991 |
| Gain (loss) on valuation of interest swap, net (Notes 2, 17 and 25) |  |  |  | 2,808 |  | 2,808 |

|                            |           |              |               |              |              |               |
|----------------------------|-----------|--------------|---------------|--------------|--------------|---------------|
| Balance, December 31, 2007 | \$ 47,701 | \$ 3,141,006 | (\$2,181,640) | \$ 1,698,232 | \$ 9,516,847 | \$ 12,222,146 |
|----------------------------|-----------|--------------|---------------|--------------|--------------|---------------|

See accompanying notes to non-consolidated financial statements.

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

|   | Korean won    |            | Translation into U.S. dollars<br>(Note 2) |              |
|---|---------------|------------|---|--------------|
|   | 2007          | 2006       | 2007                                      | 2006         |
|   | (In millions) |            | (In thousands)                            |              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                  |               |            |   |              |
| Net income  | ₩1,642,451    | ₩1,446,598 | \$ 1,755,130                              | \$ 1,545,841 |
| Expenses not involving cash payments:                         |               |            |   |              |
| Provision for severance indemnities                           | 32,496        | 40,636     | 34,725                                    | 43,424       |
| Depreciation and amortization                                 | 1,852,226     | 1,647,554  | 1,979,297                                 | 1,760,583    |
| Allowance for doubtful accounts                               | 46,197        | 77,188     | 49,366                                    | 82,483       |
| Foreign translation loss                                      | 8,915         | 623        | 9,527                                     | 666          |
| Loss on valuation of trading securities                       | 1,203         |            | 1,286                                     |              |
| Impairment loss on investment securities                      | 4,386         | 27,344     | 4,687                                     | 29,220       |
| Equity in losses of affiliates                                | 249,425       | 212,109    | 266,537                                   | 226,661      |
| Loss on disposal of investment assets                         | 81            | 3,486      | 87  | 3,725        |
| Loss on disposal of property, equipment and intangible assets | 30,213        | 16,407     | 32,286                                    | 17,533       |
| Impairment loss on assets                                     | 369           | 6,866      | 394                                       | 7,337        |
| Loss on transaction and valuation of currency swap            | 33,876        | 9,258      | 36,200                                    | 9,893        |
| Donations   | 286           | 10         | 306                                       | 11           |
| Amortization of discounts on bonds and other                  | 42,545        | 48,194     | 45,462                                    | 51,500       |
| Sub-total   | 2,302,218     | 2,089,675  | 2,460,160                                 | 2,233,036    |
| Income not involving cash receipts:                           |               |            |   |              |
| Foreign translation gain                                      | (4,910)       | (245)      | (5,247)                                   | (262)        |
| Reversal of allowance for doubtful accounts                   | (513)         | (162)      | (548)                                     | (173)        |
| Equity in earnings of affiliates                              | (266,811)     | (83,144)   | (285,115)                                 | (88,848)     |
| Gain on disposal of investment assets                         | (3,005)       | (26,975)   | (3,211)                                   | (28,826)     |
| Gain on disposal of property, equipment and intangible assets | (7,306)       | (4,453)    | (7,807)                                   | (4,758)      |
| Gain on transaction and valuation of currency swap            | (10,799)      | (16,660)   | (11,540)                                  | (17,803)     |
| Gain on conversion of convertible bond                        | (373,140)     |            | (398,739)                                 |              |
| Gain on repayment of bond                                     | (5,600)       |            | (5,984)                                   |              |
| Other   | (371)         | (1,618)    | (397)                                     | (1,728)      |
| Sub-total   | (672,455)     | (133,257)  | (718,588)                                 | (142,398)    |

Changes in assets and liabilities related  
to operating activities:

|  |           |           |           |           |
|--|-----------|-----------|-----------|-----------|
| Accounts receivable trade                                      | 41,657    | (146,225) | 44,515    | (156,257) |
| Accounts receivable other                                      | 398,064   | 59,964    | 425,373   | 64,078    |
| Inventories  | (815)     | (9,971)   | (871)     | (10,655)  |
| Prepaid expenses   | 67,378    | 60,271    | 72,000    | 64,406    |
| Advanced payments and other                                    | (11,132)  | 12,712    | (11,896)  | 13,584    |
| Accounts payable   | 4,489     | 136,443   | 4,797     | 145,804   |
| Income tax payable   | (20,348)  | (45,536)  | (21,744)  | (48,660)  |
| Accrued expenses   | (11,240)  | 38,824    | (12,011)  | 41,487    |
| Withholdings   | 105,242)  | 122,834   | (112,462) | 131,261   |
| Current portion of subscription deposits                       | (8,220)   | 885       | (8,784)   | 946       |
| Advanced receipts and other                                    | (4,235)   | 17,290    | (4,524)   | 18,476    |
| Deferred income taxes  | 111,977   | (65,081)  | 119,659   | (69,546)  |
| Severance indemnities payments                                 | (6,005)   | (259,870) | (6,417)   | (277,698) |
| Deposits for group severance indemnities<br>and other deposits | (14,833)  | 163,184   | (15,851)  | 174,379   |
| Dividends received from affiliate                              | 7,134     | 1,318     | 7,623     | 1,408     |
| Sub-total  | 448,629   | 87,042    | 479,407   | 93,013    |
| Net Cash Provided by Operating<br>Activities                   | 3,720,843 | 3,490,058 | 3,976,109 | 3,729,492 |
| (Continued)  |           |           |           |           |

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**SK TELECOM CO., LTD.**  
**NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**  
**YEARS ENDED DECEMBER 31, 2007 AND 2006**

|  | Korean won    |             | Translation into U.S. dollars<br>(Note 2) |             |
|--|---------------|-------------|---|-------------|
|  | 2007          | 2006        | 2007                                      | 2006        |
|  | (In millions) |             | (In thousands)                            |             |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                   |               |             |   |             |
| Cash inflows from investing activities:  |               |             |   |             |
| Decrease in short-term financial instruments                                   | ₩             | ₩ 12,246    | \$  | \$ 13,086   |
| Decrease in long-term financial instruments                                    |               | 5           |   | 3           |
| Decrease in trading securities, net  |               | 30,186      |   | 80,061      |
| Decrease in current portion of long-term investment securities                 |               | 156         |   | 167         |
| Collection of short-term loans   |               | 113,396     |   | 93,410      |
| Proceeds from sales of long-term investment securities                         |               | 4,623       |   | 304,629     |
| Proceeds from sales of equity securities accounted for using the equity method |               | 9,801       |   | 108,470     |
| Decrease in guarantee deposits   |               | 19,854      |   | 30,054      |
| Decrease in other non-current assets   |               | 11,333      |   | 11,030      |
| Proceeds from disposal of property and equipment                               |               | 27,892      |   | 13,731      |
| Proceeds from disposal of intangible assets                                    |               | 5,832       |   | 1,362       |
| Cash inflows from transaction of currency swap                                 |               | 17,242      |   | 18,425      |
| Sub-total  |               | 240,320     |   | 654,996     |
| Cash outflows for investing activities :                                       |               |             |   |             |
| Acquisition of short-term financial instruments                                |               | (17,407)    |   | (18,601)    |
| Increase in long-term financial instruments                                    |               |             |   | (10,000)    |
| Extension of short-term loans  |               | (91,272)    |   | (86,743)    |
| Extension of long-term loans   |               | (98,112)    |   | (11,083)    |
| Acquisition of long-term investment securities                                 |               | 6,609)      |   | (1,069,172) |
| Acquisition of equity securities accounted for using the equity method         |               | (258,558)   |   | (276,296)   |
| Increase in guarantee deposits and other                                       |               | (74,696)    |   | (131,662)   |
| Acquisition of property and equipment  |               | (1,754,455) |   | (1,874,818) |
| Increase in intangible assets  |               | (82,978)    |   | (52,603)    |
|  |               | (8,769)     |   | (9,371)     |

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|  |             |             |             |             |
|--|-------------|-------------|-------------|-------------|
| Cash outflows from transaction of currency swap      |             |             |             |             |
| Sub-total  | (2,752,856) | (3,045,988) | (2,941,714) | (3,254,957) |
| Net Cash Used in Investing Activities                | (2,512,536) | (2,390,992) | (2,684,907) | (2,555,025) |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>         |             |             |             |             |
| Cash inflows from financing activities:              |             |             |             |             |
| Issuance of bonds                                    | 651,562     | 384,990     | 696,262     | 411,402     |
| Proceeds from long-term borrowings                   |             | 294,800     |             | 315,025     |
| Increase in guarantee deposits received and other    | 1,858       | 3,370       | 1,985       | 3,601       |
| Proceeds from disposal of treasury stock             | 45,133      |             | 48,229      |             |
| Cash inflows from transaction of currency swap       | 2,901       |             | 3,100       |             |
| Sub-total  | 701,454     | 683,160     | 749,576     | 730,028     |
| Cash outflows for financing activities:              |             |             |             |             |
| Repayment of current portion of long-term debt       | (798,197)   | (814,704)   | (852,957)   | (870,596)   |
| Repayment of bonds                                   | (43,027)    |             | (45,979)    |             |
| Payment of dividends                                 | (581,309)   | (662,815)   | (621,189)   | (708,287)   |
| Decrease in subscription deposits                    | (14,714)    | (2,630)     | (15,723)    | (2,810)     |
| Acquisition of treasury stock                        | (118,512)   | (209,077)   | (126,642)   | (223,421)   |
| Cash outflows from transaction of currency swap      | (11,838)    |             | (12,650)    |             |
| Decrease in other non-current liabilities            | (7,618)     | (3,666)     | (8,141)     | (3,918)     |
| Sub-total  | (1,575,215) | (1,692,892) | (1,683,281) | (1,809,032) |
| Net Cash Used in Financing Activities                | (873,761)   | (1,009,732) | (933,705)   | (1,079,004) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS            | 334,546     | 89,334      | 357,497     | 95,463      |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 241,100     | 151,766     | 257,641     | 162,178     |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD       | ₩ 575,646   | ₩ 241,100   | \$ 615,138  | \$ 257,641  |

See accompanying notes to non-consolidated financial statements.

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

**1. GENERAL**

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

|   | Number of<br>shares | Percentage of<br>total shares issued<br>(%) |
|---|---------------------|---|
| SK Group  | 18,748,452          | 23.09                                       |
| POSCO Corp.   | 2,341,569           | 2.88  |
| Institutional investors and other minority shareholders | 51,494,656          | 63.43                                       |
| Treasury stock  | 8,609,034           | 10.60                                       |
|   | 81,193,711          | 100.00                                      |

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The non-consolidated financial statements of the Company have been prepared in conformity with accounting principles generally accepted in the Republic of Korea. The accompanying financial statements were approved by the Company's board of directors on January 31, 2008. Significant accounting policies followed in preparing the accompanying 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 ₩935.80 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 December 31, 2007. Such translations into U.S. dollars should not be construed as representations that



the Korean won amounts could be converted into U.S. dollars at that or any other rate.

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

On January 1, 2007, the Company adopted SKAS No. 11 and SKAS No. 21 through No. 23. The adoption of such accounting standards did not have an effect on the financial position of the Company as of December 31, 2007 and net income of the Company for the year then ended. Details of primary change due to such adoption of SKAS are as follows:

Pursuant to adoption of SKAS No. 21, Preparation and Presentation of Financial Statements , statement of changes in stockholders equity was prepared only for the year ended December 31, 2007 in accordance with the transitional provision of the above SKAS. 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. Earnings per share amounts, which were reported on a periodic basis, are reflected in the accompanying statements of income. The accompanying balance sheet as of December 31, 2006, which is comparatively presented, was reclassified in accordance with SKAS No. 21.

c. Cash Equivalents

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

d. Allowance for Doubtful Accounts

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

e. Inventories

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

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

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

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

Securities classified as available-for-sale are reported at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in accumulated other comprehensive income (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.

g. Equity Securities Accounted for Using the Equity Method

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

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

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

h. Troubled Debt Restructuring

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

i. 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.

j. Intangible Assets

Intangible assets are recorded at cost, less amortization computed using the straight-line method over 5 to 20 years. The amortization for the years ended December 31, 2007 and 2006 were ₩439,509 million and ₩366,516 million, respectively.

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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% (4.56% as of December 31, 2007). The future payment obligations are ₩110,000 million (related present value discount: ₩681 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 December 31, 2007, the present value discount related to the current portion and long-term portion of payments to be made to MIC totaled ₩681 million and ₩27,886 million, respectively.

## k. Impairment Losses

When the recoverable amount of assets (that are not recorded at fair value) including investment assets (except for trading and available for sale investments in listed companies), property and equipment, and intangible assets is significantly less than the carrying value due to obsolescence, physical damage, decline in market value or other causes, the carrying value is reduced to the recoverable amount and any difference is charged to current operation as an impairment loss. The Company recorded such impairment loss of ₩ 369 million and ₩ 6,866 million for the years ended December 31, 2007 and 2006, respectively.

## l. Convertible Bonds

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

## m. Discounts on Bonds

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

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n. Valuation of Long-term Payables

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

o. Provisions, Contingent Liabilities and Contingent Assets

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

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

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

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

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

p. Accrued Severance Indemnities

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

The Company has deposits with insurance companies to fund the portion of the employees' severance indemnities which is in excess of the tax deductible amount allowed under the Corporate Income Tax Law, in order to take advantage of the additional tax deductibility for such funding. Such deposits with outside insurance companies, where the beneficiaries are the Company's employees, totaling ~~₩~~38,706 million and ₩23,895 million as of December 31, 2007 and 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 December 31, 2007 and 2006, respectively, are deducted from accrued severance indemnities.

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Actual payment of severance indemnities amounted to ₩6,005 million and ₩259,870 million for the years ended December 31, 2007 and 2006, respectively.

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

q. Accounting for Employee Stock Option Compensation Plan

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

r. Accounting for Leases

A lease is classified as a finance lease or an operating lease depending on the extent of transfer to the Company of the risks and rewards incidental to ownership. If a lease meets any one of the following criteria, it is accounted for as a finance lease:

The lease transfers ownership of the asset to the lessee by the end of the lease term;

The lessee has the option to purchase the asset at a bargain price and it is certain that the option will be exercised;

The lease term is for the major part (75% or more) of the economic life of the asset even if title is not transferred;

At the date of lease commencement the present value of the minimum lease payments amounts to at least substantially all (90% or more) of the fair value of the leased asset; or

The leased assets are of such a specialized nature that only the Company can use them without major modifications.

All other leases are treated as operating leases.

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s. Research and Development Costs

The Company charges substantially all research and development costs to expense as incurred. The Company incurred internal research and development costs of ₩214,795 million and ₩211,752 million for the years ended December 31, 2007 and 2006, respectively. In addition, external research and development costs were ₩73,725 million and ₩66,055 million for the years ended December 31, 2007 and 2006, respectively.

t. Accounting for Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded in Korean won based on the prevailing rate of exchange at the dates of transactions. Monetary assets and liabilities denominated in foreign currency are translated into Korean won at the Base Rates announced by Seoul Money Brokerage Services, Ltd. on the balance sheet date, which were ₩938.20 and ₩929.60 to US\$1.00 at December 31, 2007 and 2006, respectively. The resulting gains or losses arising from the translation or settlement of such assets and liabilities are included in current operations.

u. Derivative Instruments

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

v. Revenue Recognition

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

w. Income Tax

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

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).

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x. Handset Subsidies to Long-term Mobile Subscribers

Effective March 27, 2006, the Telecommunication Law of Korea was revised to allow wireless carriers to provide handset subsidies to customers who have maintained their wireless account with the same carrier for 18 months or longer 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.

y. Use of Estimates

The Company's management makes reasonable estimates and assumptions in preparing the financial statements in conformity with accounting principles generally accepted in the Republic of Korea. These estimates and assumptions can change according to additional experiences, changes in circumstances, new information and other and could differ from actual results.

z. Reclassifications

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

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

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

|                          | December 31, 2007   |            |                              | December 31,<br>2006              |
|--------------------------|---------------------|------------|------------------------------|-----------------------------------|
|                          | Acquisition<br>cost | Fair value | Carrying<br>amount<br>(Note) | Fair value and<br>carrying amount |
| Beneficiary certificates | ₩635,114            | ₩633,911   | ₩ 633,911                    | ₩ 665,299                         |

(note) The difference between the fair value and the acquisition cost of trading securities amounting to ₩1,203 million as of December 31, 2007 was accounted for as loss on valuation of trading securities in other expenses.

**b. Long-term Investment Securities**

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

|                                      | December 31,<br>2007 |           | December 31,<br>2006 |           |
|--------------------------------------|----------------------|-----------|----------------------|-----------|
| Available-for-sale equity securities | ₩                    | 4,675,021 | ₩                    | 992,455   |
| Available-for-sale debt securities   |                      | 466,230   |                      | 1,383,969 |
| Total                                |                      | 5,141,251 |                      | 2,376,424 |
| Less current portion                 |                      | (99,858)  |                      | (156)     |
| Long-term portion                    | ₩                    | 5,041,393 | ₩                    | 2,376,268 |

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

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

|  | Number of<br>Shares | Percentage<br>(%) | December 31, 2007   |                   | Carrying amount      |                      |
|--|---------------------|-------------------|---------------------|-------------------|----------------------|----------------------|
|  |                     |                   | Acquisition<br>cost | Fair value        | December<br>31, 2007 | December<br>31, 2006 |
| <b>(Investments<br/>in listed<br/>companies)</b>                     |                     |                   |                     |                   |                      |                      |
| Digital<br>Chosunilbo<br>Co., Ltd.                                   | 2,890,630           | 7.8               | ₩ 5,781             | ₩ 8,629           | ₩ 8,629              | ₩ 5,897              |
| hanarotelecom<br>incorporated<br>KRTnet<br>Corporation               | 11,045,000          | 4.8               | 121,677             | 116,525           | 116,525              | 88,581               |
| POSCO  | 234,150             | 4.4               | 1,171               | 2,470             | 2,470                | 2,517                |
| DAEA TI Co.,<br>Ltd. (Formerly<br>Comas<br>Interactive Co.,<br>Ltd.) | 2,481,310           | 2.8               | 332,662             | 1,426,753         | 1,426,753            | 766,725              |
| Extended<br>Computing<br>Environment<br>Co., Ltd.                    | 99,120              | 0.2               | 1,695               | 228               | 228                  | 83                   |
| nTels Co., Ltd.  | 133,333             | 3.3               | 10                  | 905               | 905                  | 876                  |
| Qualcomm Inc.  | 205,200             | 8.2               | 34                  | 1,525(note a)     | 1,525                |                      |
| China Unicom<br>Ltd.   | 55,805              | 0.1               | 2,756               | 2,060             | 2,060                |                      |
|  | 899,745,075         | 6.6               | 1,333,009           | 1,936,840(note b) | 1,936,840            |                      |
| Sub-total  |                     |                   | 1,798,795           | 3,495,935         | 3,495,935            | 864,679              |
| <b>(Investments<br/>in non-listed<br/>companies)</b>                 |                     |                   |                     |                   |                      |                      |
| LG<br>Powercomm<br>Co., Ltd.<br>(Formerly<br>Powercomm<br>Co., Ltd.) | 7,500,000           | 5.0               | 240,243             | 89,422(note c)    | 89,422               | 80,370               |
| SK C&C Co.,<br>Ltd.  | 6,000,000           | 30.0              | 501,651             | 1,307,064(note d) | 1,037,604            |                      |
| Japan MBCO   | 54,000              | 7.3               | 27,332(note e)      |                   |                      |                      |
| Eonex<br>Technologies  | 144,000             | 12.3              | 3,600(note f)       |                   | 4,593                | 4,593                |

|                               |           |      |                 |             |           |
|-------------------------------|-----------|------|-----------------|-------------|-----------|
| Inc.                          |           |      |                 |             |           |
| The Korea Economic Daily      | 2,585,069 | 13.8 | 13,964(note f)  | 13,964      | 13,964    |
| Others                        |           |      | 117,325(note f) | 16,700      | 25,411    |
| Sub-total                     |           |      | 904,115         | 1,162,283   | 124,338   |
| <b>(Investments in funds)</b> |           |      |                 |             |           |
| Others                        |           |      | 16,803(note f)  | 16,803      | 3,438     |
| Sub-total                     |           |      | 16,803          | 16,803      | 3,438     |
| Total                         |           |      | ₩ 2,719,713     | ₩ 4,675,021 | ₩ 992,455 |

(note a) The common stocks of nTelsCo., Ltd. were newly listed on the Korea Securities Dealers Automated Quotation during the year ended December 31, 2007.

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

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(note c) The Company recorded its investments in common stock of LG Powercomm Co., Ltd. at its fair value, which was estimated by an outside professional valuation company using the present value of expected future cash flows. The unrealized loss on valuation of investments amounting to ₩109,345 million (net of tax effect of ₩41,476 million) and ₩115,908 million (net of tax effect of ₩43,965 million) as of December 31, 2007 and 2006, respectively, were recorded as accumulated other comprehensive loss.

(note d) The investment in common stock of SK C&C Co., Ltd. was reclassified to available-for-sale securities from equity securities accounted for using the equity method during the three months ended December 31, 2007, as the SK C&C Co., Ltd. became the ultimate parent

company of the Company. The Company recorded its investments in common stock of SK C&C Co., Ltd. at its fair value, which was estimated by an outside professional valuation company using the present value of expected future cash flows and the unrealized gain on valuation of investments totaling £501,155 million (net of tax effect of ₩190,093 million) as of December 31, 2007 including the equity in other comprehensive income of affiliates amounting to ₩112,589 million (net of tax effect of ₩42,706 million) incurred prior to the reclassification was recorded as accumulated other comprehensive income. In addition, its acquisition cost was adjusted to the carrying amount valued using the equity method of accounting less the equity in other comprehensive income of affiliates prior to the reclassification.

(note e)

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



Meanwhile, during the year ended December 31, 2007, the investment in common stock of Pantech Co., Ltd. was reclassified to available-for-sale equity securities from equity securities accounted for using the equity method as the Company no longer exercise significant influence over the investee as a result of Pantech's 20 to 1 stock consolidation which resulted in decrease in the Company's ownership to 0.5% from 22.7%. And, the carrying amount of the investment as of December 31, 2007 is nil.

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

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

|   | Maturity         | Acquisition<br>cost | Carrying amount      |                      |
|---|------------------|---------------------|----------------------|----------------------|
|   |                  |                     | December<br>31, 2007 | December<br>31, 2006 |
| Public bonds  | (note a)         | ₩ 51,545            | ₩ 51,341             | ₩ 51,300             |
| Currency stabilization bonds                              | (note b)         | 49,948              | 49,713               | 49,894               |
| Closed beneficiary certificates (note c)                  | October,<br>2009 | 4,750               | 4,787                |                      |
| Bond-type beneficiary certificates                        | (note d)         | 350,000             | 359,389              | 5,072                |
| Convertible bonds of Real Telecom Co., Ltd.<br>(note e)   | March,<br>2007   | 10,656              |                      |                      |
| Convertible bonds of China Unicom Ltd.<br>(note f)        | July, 2009       |                     |                      | 1,276,703            |
| Convertible bonds of Eonex Technologies,<br>Inc. (note g) | October,<br>2008 | 1,000               | 1,000                | 1,000                |
| Total   |                  | 467,899             | 466,230              | 1,383,969            |
| Less current portion                                      |                  | (100,304)           | (99,858)             | (156)                |
| Long-term available-for-sale debt securities              |                  | ₩ 367,595           | ₩ 366,372            | ₩ 1,383,813          |

The interest income incurred from available-for-sale debt securities for the years ended December 31, 2007 and 2006 was ₩4,800 million and ₩7,991 million, respectively.

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

| Maturity                                 | December 31,<br>2007 | December 31,<br>2006 |
|--|----------------------|----------------------|
| One year or less                         | ₩ 50,145             | ₩ 156                |
| More than one year and within five years | 1,196                | 51,144               |
|  | ₩ 51,341             | ₩ 51,300             |

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

| Maturity         | December 31,<br>2007 | December 31,<br>2006 |
|------------------|----------------------|----------------------|
| One year or less | ₩ 49,713             | ₩ 49,894             |

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

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

| Maturity                                 | December 31,<br>2007 | December 31,<br>2006 |
|--|----------------------|----------------------|
| More than one year and within five years | ₩ 359,389            | ₩                    |

(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 December 31, 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 stock 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 year ended December 31, 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 Common Stock**

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

|   | For the year ended December 31, 2007 |                        |   |                   |
|---|--------------------------------------|------------------------|---|-------------------|
|   | Beginning<br>balance                 | Increase<br>(decrease) | Transferred to<br>realized<br>gain (loss) | Ending<br>balance |
| Available-for-sales securities:                             |                                      |                        |   |                   |
| Digital Chosunilbo Co., Ltd.                                | ₩ 115                                | ₩ 2,732                | ₩   | ₩ 2,847           |
| hanarotelecom incorporated                                  | (33,096)                             | 27,944                 |   | (5,152)           |
| KRTnet Corporation  | 1,347                                | (47)                   |   | 1,300             |
| POSCO   | 434,063                              | 660,028                |   | 1,094,091         |
| DAEA TI Co., Ltd. (formerly Comas<br>Interactive Co., Ltd.) | (1,611)                              | 145                    |   | (1,466)           |
| eXtended Computing Environment Co., Ltd.                    | 866                                  | 29                     |   | 895               |
| nTels Co., Ltd.   |                                      | 1,490                  |   | 1,490             |
| Qualcomm Inc. Ltd.  |                                      | (696)                  |   | (696)             |
| China Unicom  |                                      | 599,012                |   | 599,012           |
| SK C&C Co., Ltd.  |                                      | 691,248                |   | 691,248           |
| LG Powercomm Co., Ltd. (formerly<br>Powercomm Co., Ltd.)    | (159,873)                            | 9,053                  |   | (150,820)         |
| Eonex Technologies Inc.                                     | 2,011                                |                        |   | 2,011             |
| Public bonds  | (5)                                  | (200)                  |   | (205)             |
| Currency stabilization bonds                                | 12                                   | (247)                  |   | (235)             |
| Convertible bonds of China Unicom Ltd.                      | 319,648                              | 208,095                | (527,743)                                 |                   |
| Beneficiary certificates                                    |                                      | 9,389                  |   | 9,389             |
| Sub-total   | 563,477                              | 2,207,975              | (527,743)                                 | 2,243,709         |
| Less tax effect   | (154,956)                            | (607,193)              | 145,129                                   | (617,020)         |
| Total   | ₩ 408,521                            | ₩ 1,600,782            | (₩382,614)                                | ₩ 1,626,689       |

|  | For the year ended December 31, 2006 |                        |  |                   |
|--|--------------------------------------|------------------------|--|-------------------|
|  | Beginning<br>balance                 | Increase<br>(decrease) | Transferred<br>to<br>realized<br>gain (loss) | Ending<br>balance |
| Available-for-sales securities:          |                                      |                        |  |                   |
| Digital Chosunilbo Co., Ltd.             | ₩ 14                                 | ₩ 101                  | ₩  | ₩ 115             |
| hanarotelecom incorporated               | (65,237)                             | 32,141                 |  | (33,096)          |
| KRTnet Corporation                       | 1,475                                | (128)                  |  | 1,347             |
| POSCO                                    | 168,563                              | 265,500                |  | 434,063           |
| Comas Interactive Co., Ltd.              | (1,611)                              |                        |  | (1,611)           |
| eXtended Computing Environment Co., Ltd. |                                      | 866                    |  | 866               |
| LG Powercomm Co., Ltd.                   | (163,113)                            | 3,240                  |  | (159,873)         |

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|  |                      |           |                   |           |
|--|----------------------|-----------|-------------------|-----------|
| Eonex Technologies Inc.                | 2,011                |           |                   | 2,011     |
| Public bonds                           |                      | (5)       |                   | (5)       |
| Currency stabilization bonds           | (218)                | 907       | (677)             | 12        |
| Convertible bonds of China Unicom Ltd. |                      | 319,648   |                   | 319,648   |
| Sub-total                              | (58,116)             | 622,270   | (677)             | 563,477   |
| Less tax effect                        | 15,982               | (171,124) | 186               | (154,956) |
| Total                                  | <del>(₩42,134)</del> | ₩ 451,146 | <del>(₩491)</del> | ₩ 408,521 |

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

|   | Number of shares | December 31, 2007        |                  | Net asset value |          | Carrying Amount   |                   |
|---|------------------|--------------------------|------------------|-----------------|----------|-------------------|-------------------|
|   |                  | Ownership percentage (%) | Acquisition cost |                 |          | December 31, 2007 | December 31, 2006 |
| Pantech Co., Ltd.                                     | 1,278,515        | 0.5                      | ₩                | ₩               | (note a) | ₩                 | ₩                 |
| SK Communications Co., Ltd.                           | 28,029,945       | 64.8                     | 175,441          | 141,199         | (note b) | 160,025           | 177,913           |
| SK Telink Co., Ltd.                                   | 943,997          | 90.8                     | 5,296            | 97,136          |          | 97,136            | 86,284            |
| SK C&C Co., Ltd.                                      | 6,000,000        | 30.0                     |                  |                 | (note c) |                   | 272,554           |
| SK Wyverns Baseball Club Co., Ltd.                    | 199,997          | 100.0                    | 1,000            |                 |          |                   |                   |
| STIC Ventures Co., Ltd.                               |                  |                          |                  |                 | (note d) |                   | 8,651             |
| Paxnet Co., Ltd.                                      | 5,590,452        | 59.7                     | 26,563           | 14,145          |          | 30,237            | 30,807            |
| Global Credit & Information Co., Ltd.                 | 300,000          | 50.0                     | 2,410            | 3,306           |          | 3,851             | 3,704             |
| TU Media Corp.  | 17,538,064       | 32.7                     | 96,979           | 5,527           | (note e) | 5,527             | 7,016             |
| Aircross Co., Ltd.                                    | 1,575,000        | 100.0                    | 2,440            | 5,967           | (note f) | 5,967             | 1,713             |
| IHQ, Inc.   | 14,960,784       | 37.1                     | 51,846           | 19,638          | (note g) | 38,911            | 38,938            |
| Ntreev Soft Co., Ltd.                                 | 2,064,970        | 66.7                     | 33,120           | 11,938          | (note h) | 13,220            |                   |
| Baba Club   | 200,000          | 100.0                    | 3,970            |                 | (note i) | 1,733             |                   |
| Commerce Planet Co., Ltd. (formerly Philio Co., Ltd.) | 26,396           | 100.0                    | 10,374           | 2,315           | (note j) | 6,266             |                   |
| Seoul Records, Inc.                                   | 9,582,321        | 60.0                     | 27,874           | 19,376          |          | 21,415            | 25,995            |
| Harex Info Tech, Inc.                                 | 225,000          | 21.2                     | 3,375            | 417             |          | 1,118             | 1,835             |
| SK Mobile   |                  | 42.5                     | 10,322           | 3,272           |          | 3,272             | 4,643             |
| SKT Vietnam PTE Ltd. (formerly SLD Telecom PTE Ltd.)  | 180,476,700      | 73.3                     | 191,273          | 101,412         |          | 101,776           | 118,463           |
| Skytel Co., Ltd.                                      | 1,756,400        | 26.4                     | 2,159            | 7,797           |          | 7,797             | 6,009             |
| SK China Company Ltd.                                 |                  | 20.7                     | 3,195            | 1,086           |          |                   | 93                |
| SK Telecom China Co., Ltd.                            |                  | 100.0                    | 7,340            | 7,154           |          | 7,154             | 6,536             |

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|                                     |            |       |             |         |          |           |             |
|-------------------------------------|------------|-------|-------------|---------|----------|-----------|-------------|
| ULand Company Ltd.                  | 14,100,100 | 70.1  | 17,511      | 4,026   |          | 5,290     | 6,761       |
| SK Telecom USA Holdings, Inc.       | 1,000      | 100.0 | 336,625     | 63,023  | (note k) | 63,023    | 77,786      |
| SK Telecom International, Inc.      | 109        | 100.0 | 17,467      | 26,454  |          | 26,454    | 25,146      |
| SK Telecom China Holding Co., Ltd.  |            | 100.0 | 19,070      | 19,070  | (note l) | 19,070    |             |
| SK USA, Inc.                        | 49         | 49.0  | 3,184       | 3,140   |          | 3,140     | 2,969       |
| Helio, Inc.                         | 794,375    | 0.6   | 1,342       | 333     |          | 333       | 1,100       |
| Korea IT Fund                       | 190        | 63.3  | 190,000     | 210,568 |          | 210,568   | 193,060     |
| Centurion IT Investment Association | 30         | 53.2  | 1,930       | 2,463   |          | 2,463     | 3,262       |
| 1st Music Investment Fund of SK-PVC | 1,385      | 69.3  | 6,925       | 5,607   |          | 5,607     | 7,186       |
| 2nd Music Investment Fund of SK-PVC | 1,585      | 79.3  | 7,925       | 8,517   |          | 8,517     | 8,238       |
| SK-KTB Music Investment Fund        | 297        | 74.3  | 14,850      | 13,367  |          | 13,367    | 15,311      |
| IMM Cinema Fund                     | 120        | 45.6  | 12,000      | 9,089   |          | 9,089     | 11,569      |
| Michigan Global Cinema Fund         | 40         | 36.4  | 4,000       | 3,542   |          | 3,542     | 3,773       |
| 3rd Fund of Isu Entertainment       | 25         | 31.3  | 2,500       | 1,690   |          | 1,690     | 2,419       |
| Other investments in affiliates     |            |       | 22,113      |         | (note m) | 21,614    | 11,917      |
| Total                               |            |       | ₩ 1,312,419 |         |          | ₩ 899,172 | ₩ 1,161,651 |



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(note a) Pantech Co., Ltd.  
( Pantech )  
requested its  
creditor banks for  
a debt  
restructuring due  
to deterioration of  
its liquidity on  
December 11,  
2006. On  
December 15,  
2006, Pantech  
entered into  
creditor banks  
agreement (the  
Agreement ) with  
its eight creditor  
banks including  
Korea  
Development  
Bank ( KDB ), its  
main creditor  
bank. Currently,  
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 year ended December 31, 2007. As a result, the investment in common stock of Pantech was reclassified to available-for-sale equity securities during the year ended December 31, 2007 as the Company no longer exercise significant influence over the investee.

(note b) SK Communications Co., Ltd. merged with Empas Corporation on November 1, 2007 and Empas Corporation issued new stocks to the stockholders of SK Communications Co., Ltd. at the exchange ratio of 1 to 3.5732182 between the common stock of SK Communications Co., Ltd. and Empas Corporation. In addition, Empas Corporation changed its name to SK

Communications Co., Ltd. Due to this merger, the Company's shares of SK Communications Co., Ltd. increased to 28,029,945 shares from 7,844,454 shares and the Company's ownership decreased from 85.9% to 64.8 % at December 31, 2007.

(note c) For the year ended December 31, 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. In addition, the investment in common stock of SK C&C Co., Ltd. was reclassified to available-for-sale equity securities, as SK C&C Co., Ltd. became the ultimate parent company of the Company by increasing its ownership interest in SK Holdings Co., Ltd. to 25.42% as of December 31,

2007.

(note d) For the year ended December 31, 2007, the Company disposed all of its 1,600,000 shares of Stick Ventures Co., Ltd.

(note e) For the year ended December 31, 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 f) For the year ended December 31, 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 g) For the year ended December 31, 2007, the Company additionally invested

₩10,000 million  
in IHQ, Inc.  
which increased  
the Company's  
ownership from  
34.8% to 37.1%.

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(note h) For the year ended December 31, 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 interest in Ntreev Soft Co., Ltd.

(note i) For the year ended December 31, 2007, the Company acquired 200,000 shares of Baba Club's common stock. As a result, the Company holds 100% ownership in Baba Club. Meanwhile, Baba Club was merged with Commerce Planet Co., Ltd. (formerly Philio Co., Ltd.), the Company's subsidiary, on January 10, 2008.

(note j) For the year ended December 31, 2007, the Company acquired 26,396 shares of Commerce Planet Co., Ltd. (formerly Philio Co., Ltd.)'s common stock. As

a result, the Company holds 100% ownership in Commerce Planet Co., Ltd.

(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\$149.5 million and US\$78.5 million in SK USA Holdings, Inc. for the year ended December 31, 2007 and 2006, respectively (See Note 26).

(note l) For the year ended December 31, 2007, the Company incorporated SK Telecom China Holdings Co, Ltd., a wholly owned subsidiary, with an initial investment of ₩19,070 million.

(note m) 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 years ended December 31, 2007 and 2006 are as follows (In millions of Korean won):

|   |                 | For the year ended December 31, 2007 |             |                             |  |                   |                           | Ending balance |
|---|-----------------|--------------------------------------|-------------|-----------------------------|--|-------------------|---------------------------|----------------|
|   |                 | Beginning balance                    | Acquisition | Equity in earnings (losses) | Equity in other comprehensive income of affiliates | Dividend received | Other increase (decrease) |                |
| SK Communications Co., Ltd                            | (note a)        | ₩ 177,913                            | ₩           | (₩26,254)                   | ₩ 8,366  | ₩                 | ₩                         | ₩ 160,025      |
| SK Telink Co., Ltd.                                   | (notes a and b) | 86,284                               |             | 15,543                      | (198)  | (4,493)           |                           | 97,136         |
| SK C&C Co., Ltd.                                      | (notes a and b) | 272,554                              |             | 225,966                     | 4,391  | (1,260)           | (501,651)                 |                |
| SK Wyverns Baseball Club Co., Ltd.                    | (note a)        |                                      |             | 3,378                       |  |                   |                           |                |
| STIC Ventures Co., Ltd.                               | (note a)        | 8,651                                |             | (40)                        | (239)  |                   | (8,372)                   |                |
| Paxnet Co., Ltd.                                      | (notes a and b) | 30,807                               |             | 151                         | 6  | (727)             |                           | 30,237         |
| Global Credit & Information Co., Ltd.                 |                 | 3,704                                |             | 147                         |  |                   |                           | 3,851          |
| TU Media Corp.  | (notes a and c) | 7,016                                | 32,368      | (33,821)                    | (370)  |                   | 334                       | 5,527          |
| Aircross Co., Ltd.                                    | (note a)        | 1,713                                | 2,140       | 2,114                       |  |                   |                           | 5,967          |
| IHQ, Inc.   | (notes a and d) | 38,938                               | 10,000      | (10,723)                    | 698  |                   | (2)                       | 38,911         |
| Ntreev Soft Co., Ltd.                                 | (notes a and e) |                                      | 33,196      | 720                         | (5,219)  |                   | (15,477)                  | 13,220         |
| Baba Club   | (notes a and f) |                                      | 3,970       | (243)                       |  |                   | (1,994)                   | 1,733          |
| Commerce Planet Co., Ltd. (Formerly Philio Co., Ltd.) | (notes a and f) |                                      | 10,374      | (10)                        |  |                   | (4,098)                   | 6,266          |

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|   |                 |         |         |           |         |         |         |
|---|-----------------|---------|---------|-----------|---------|---------|---------|
| Seoul Records, Inc.                                     | (note a)        | 25,995  |         | (4,223)   | (357)   |         | 21,415  |
| Harex Info Tech, Inc.                                   |                 | 1,835   |         | (717)     |         |         | 1,118   |
| SK Mobile   | (note a)        | 4,643   |         | (1,655)   | 284     |         | 3,272   |
| SKT Vietnam PTE Ltd.<br>(Formerly SLD Telecom PTE Ltd.) | (note a)        | 118,463 |         | (17,586)  | 899     |         | 101,776 |
|   | (notes a and b) | 6,009   |         | 2,784     | (342)   | (654)   | 7,797   |
| Skytel Co., Ltd.  | (note a)        | 93      |         | (112)     | 19      |         |         |
| SK Telecom China Co., Ltd.                              | (note a)        | 6,536   |         | 93        | 525     |         | 7,154   |
| ULand Company Limited.                                  | (note a)        | 6,761   |         | (1,816)   | 345     |         | 5,290   |
| SK Telecom USA Holdings, inc.                           | (note a)        | 77,786  | 137,578 | (145,870) | (6,471) |         | 63,023  |
| SK Telecom International, Inc.                          | (note a)        | 25,146  |         | 1,108     | 200     |         | 26,454  |
| SK Telecom China Holding Co., Ltd.                      | (note a)        |         | 19,070  |           |         |         | 19,070  |
| SK USA, Inc.  | (note a)        | 2,969   |         | 144       | 27      |         | 3,140   |
| Helio, Inc.   | (notes a and d) | 1,100   | 242     | (1,121)   | 184     | (72)    | 333     |
| Korea IT Fund   | (note a)        | 193,060 |         | 14,384    | 3,124   |         | 210,568 |
| Centurion IT Investment Association                     | (notes a and g) | 3,262   |         | (29)      | 300     | (1,070) | 2,463   |
| 1st Music Investment Fund of SK-PVC                     | (note a)        | 7,186   |         | (1,586)   | 7       |         | 5,607   |
| 2nd Music Investment Fund of SK-PVC                     | (note a)        | 8,238   |         | 279       |         |         | 8,517   |
| SK-KTB Music Investment Fund                            | (note a)        | 15,311  |         | (152)     | (1,792) |         | 13,367  |
| IMM Cinema Fund   | (note a)        | 11,569  |         | (2,507)   | 27      |         | 9,089   |
| Michigan Global Cinema Fund                             | (note a)        | 3,773   |         | (231)     |         |         | 3,542   |
|   |                 | 2,419   |         | (729)     |         |         | 1,690   |

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3rd Fund of Isu (note  
Entertainment a)

Total ₩ 1,149,734 ₩ 248,938 ₩ 17,386 ₩ 4,414 (₩7,134) (₩532,402) ₩ 877,558

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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 year ended December 31, 2007. In order to verify the reliability of such unaudited and unreviewed financial statements, the Company has performed the following procedures and found no significant errors: i) obtained the signature from the chief executive officer of the equity method investee asserting that the unaudited and unreviewed financial statements are accurate ii) checked whether the major transactions identified by the Company, including public disclosures,

were  
appropriately  
reflected in the  
unaudited and  
unreviewed  
financial  
statements iii)  
performed an  
analytical  
review on the  
unaudited and  
unreviewed  
financial  
statements

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

(note c) 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 year

ended  
December 31,  
2007.

- (note d) Other increase (decrease) in investments in equity securities of IHQ, Inc. and Helio, Inc. represent gains on disposal of investments in equity securities, which have resulted from the dilution of the Company's ownership as a result of capital transactions of the investees.
- (note e) Other decrease in investments in 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 f) Other decrease in investments in Baba Club and Commerce Planet Co., Ltd. (formerly Philio Co., Ltd.)

represents the goodwill recognized, which resulted from the Company's acquisition of a portion of BaBa Club and Commerce Planet Co., Ltd.'s assets and operational business units after the investment in equity securities of Baba Club and Commerce Planet Co., Ltd., respectively.

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

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|  | For the year ended December 31, 2006 |             |                             |  |                   |                           |                |
|--|--------------------------------------|-------------|-----------------------------|--|-------------------|---------------------------|----------------|
|  | Beginning balance                    | Acquisition | Equity in earnings (losses) | Equity in other comprehensive income of affiliates | Dividend received | Other increase (decrease) | Ending balance |
| Pantech Co., Ltd.                                    | ₩ 55,634                             | ₩           | (₩55,731)                   | ₩ 97   | ₩                 | ₩                         | ₩              |
| SK Capital Co., Ltd. (note a)                        | 37,501                               |             | 5                           |  |                   | (37,506)                  |                |
| SK Communications Co., Ltd                           | 158,170                              |             | 14,939                      | 4,804  |                   |                           | 177,913        |
| SK Telink Co., Ltd.                                  | 70,863                               |             | 15,384                      | 37   |                   |                           | 86,284         |
| SK C&C Co., Ltd. (note b)                            | 198,251                              |             | 42,075                      | 33,218   | (990)             |                           | 272,554        |
| SK Wyverns Baseball Club Co., Ltd.                   |                                      |             | 575                         |  |                   |                           |                |
| STIC Ventures Co., Ltd.                              | 8,308                                |             | 956                         | (613)  |                   |                           | 8,651          |
| Paxnet Co., Ltd.                                     | 27,372                               |             | 1,707                       | 1,728  |                   |                           | 30,807         |
| Global Credit & Information Co., Ltd.                | 3,276                                |             | 428                         |  |                   |                           | 3,704          |
| TU Media Corp.                                       | 32,393                               |             | (25,377)                    |  |                   |                           | 7,016          |
| Aircross Co., Ltd.                                   | 970                                  |             | 743                         |  |                   |                           | 1,713          |
| WiderThan Co., Ltd. (note c)                         | 12,827                               |             | (500)                       | (55)   |                   | (12,272)                  |                |
| IHQ, Inc. (note d)                                   | 13,935                               | 27,406      | (4,346)                     | 845  |                   | 1,098                     | 38,938         |
| Seoul Records, Inc.                                  | 27,242                               |             | (1,247)                     |  |                   |                           | 25,995         |
| Harex Info Tech, Inc.                                | 2,568                                |             | (733)                       |  |                   |                           | 1,835          |
| SK Mobile  |                                      | 10,322      | (5,543)                     | (136)  |                   |                           | 4,643          |
| SKT Vietnam PTE Ltd. (Formerly SLD Telecom PTE Ltd.) | 55,358                               | 97,286      | (17,543)                    | (16,638)   |                   |                           | 118,463        |
| Skytel Co., Ltd. (note b)                            | 4,872                                |             | 1,912                       | (447)  | (328)             |                           | 6,009          |
| SK China Company Ltd.                                | 483                                  |             | (267)                       | (123)  |                   |                           | 93             |
| SK Telecom China Co., Ltd.                           | 6,927                                |             | (291)                       | (100)  |                   |                           | 6,536          |



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|   |                      |                      |                         |                     |                       |                      |                        |
|---|----------------------|----------------------|-------------------------|---------------------|-----------------------|----------------------|------------------------|
| ULand Company Limited.                            | 12,564               |                      | (6,812)                 | 1,009               |                       |                      | 6,761                  |
| SK Telecom USA Holdings, inc.                     | 103,751              | 75,833               | (92,524)                | (9,274)             |                       |                      | 77,786                 |
| SK Telecom International, Inc.                    | 25,957               |                      | 1,284                   | (2,095)             |                       |                      | 25,146                 |
| SK USA, Inc.                                      | 3,353                |                      | (116)                   | (268)               |                       |                      | 2,969                  |
| (note e)  |                      |                      | 2,338                   | 722                 | 190,000               |                      | 193,060                |
| Korea IT Fund Centurion IT Investment Association | 3,635                |                      | (430)                   | 57                  |                       |                      | 3,262                  |
| 1st Music Investment Fund of SK-PVC               | 6,990                |                      | 196                     |                     |                       |                      | 7,186                  |
| 2nd Music Investment Fund of SK-PVC               | 7,966                |                      | 272                     |                     |                       |                      | 8,238                  |
| SK-KTB Music Investment Fund                      | 14,999               |                      | 312                     |                     |                       |                      | 15,311                 |
| IMM Cinema Fund                                   | 11,884               |                      | (341)                   | 26                  |                       |                      | 11,569                 |
| Michigan Global Cinema Fund                       | 4,000                |                      | (227)                   |                     |                       |                      | 3,773                  |
| 3rd Fund of Isu Entertainment                     | 2,500                |                      | (81)                    |                     |                       |                      | 2,419                  |
| SKT-HP Ventures, LLC (note f)                     | 5,272                |                      | 18                      |                     | (5,290)               |                      |                        |
| Total   | <del>₩</del> 919,821 | <del>₩</del> 210,847 | ( <del>₩</del> 128,965) | <del>₩</del> 12,794 | ( <del>₩</del> 1,318) | <del>₩</del> 136,030 | <del>₩</del> 1,148,634 |

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- (note a) Investment was fully liquidated due to dissolution of SK Capital Co., Ltd. for the year ended December 31, 2006.
- (note b) The Company received dividends from SK C&C Co., Ltd. and Skytel Co., Ltd. and the corresponding amount was deducted from the carrying amount of equity method securities.
- (note c) The Company sold all of investments in equity securities of WiderThan Co., Ltd. for the year ended December 31, 2006 and recognized gains on disposal of investment in equity securities of ₩20,456 million.
- (note d) Other increase in investments in equity securities of IHQ, 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 investees sale of their unissued shares to third parties.

(note e) Other increase in investments in Korea IT Fund is the carrying amount transferred from available-for-sale equity securities.

(note f) Investment was fully liquidated due to dissolution of SKT-HP Ventures, LLC for the year ended December 31, 2006.

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

|   | For the year ended December 31, 2007 |                     |              | Ending balance |
|---|--------------------------------------|---------------------|--------------|----------------|
|   | Beginning balance                    | Increase (Decrease) | Amortization |                |
| SK Communications Co., Ltd.                           | ₩22,417                              | ₩                   | (₩1,398)     | ₩21,019        |
| SK C&C Co., Ltd.                                      | 4,464                                | (4,160)             | (304)        |                |
| Paxnet Co., Ltd.                                      | 17,164                               |                     | (1,073)      | 16,091         |
| Global Credit & Information Co., Ltd.                 | 587                                  |                     | (42)         | 545            |
| TU Media Corp.  | 784                                  | 9,572               | (10,356)     |                |
| IHQ, Inc.   | 24,780                               |                     | (5,506)      | 19,274         |
| Ntreev Soft Co., Ltd.                                 |                                      | 1,602               | (320)        | 1,282          |
| Baba Club (note a)                                    |                                      | 2,888               | (384)        | 2,504          |
| Commerce Planet Co., Ltd. (formerly Philio Co., Ltd.) |                                      | 4,601               | (651)        | 3,950          |
| Seoul Records, Inc.                                   | 2,855                                |                     | (816)        | 2,039          |
| Harex Info Tech, Inc.                                 | 1,051                                |                     | (350)        | 701            |
| SK Mobile   |                                      |                     |              |                |
| SKT Vietnam PTE Ltd. (formerly SLD Telecom PTE Ltd.)  | 384                                  |                     | (21)         | 363            |
| ULand Company Ltd.                                    | 4,502                                |                     | (257)        | 4,245          |
| Helio Inc.  |                                      | 38                  | (38)         |                |

|       |         |          |           |         |
|-------|---------|----------|-----------|---------|
| Total | ₩78,988 | ₩ 14,541 | (₩21,516) | ₩72,013 |
|-------|---------|----------|-----------|---------|

(note a) Baba Club's negative capital of ₩772 million was included in the differences between the acquisition cost and the net asset value of equity method investee at acquisition date.

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|   | For the year ended December 31, 2006 |                 |                  | Ending<br>balance |
|---|--------------------------------------|-----------------|------------------|-------------------|
|   | Beginning<br>balance                 | Increase        | Amortization     |                   |
| Pantech Co., Ltd.                                       | ₩ 793                                | ₩               | (₩793)           | ₩                 |
| SK Communications Co., Ltd.                             | 23,814                               |                 | (1,397)          | 22,417            |
| SK C&C Co., Ltd.  | 4,870                                |                 | (406)            | 4,464             |
| Paxnet Co., Ltd.  | 18,237                               |                 | (1,073)          | 17,164            |
| Global Credit & Information Co., Ltd.                   | 628                                  |                 | (41)             | 587               |
| TU Media Corp.  | 993                                  |                 | (209)            | 784               |
| IHQ, Inc.   | 6,267                                | 22,001          | (3,488)          | 24,780            |
| Seoul Records, Inc.                                     | 3,670                                |                 | (815)            | 2,855             |
| Harex Info Tech, Inc.                                   | 1,402                                |                 | (351)            | 1,051             |
| SK Mobile   |                                      | 3,192           | (3,192)          |                   |
| SKT Vietnam PTE Ltd. (formerly SLD Telecom<br>PTE Ltd.) | 406                                  |                 | (22)             | 384               |
| ULand Company Ltd.                                      | 3,628                                | 1,132           | (258)            | 4,502             |
| <b>Total</b>  | <b>₩ 64,708</b>                      | <b>₩ 26,325</b> | <b>(₩12,045)</b> | <b>₩ 78,988</b>   |

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

| Subsidiary                  | For the year ended December 31, 2007 |                |                 | Ending<br>balance |
|-----------------------------|--------------------------------------|----------------|-----------------|-------------------|
|                             | Beginning<br>balance                 | Increase       | Decrease        |                   |
| SK Communications Co., Ltd. | ₩ 2,913                              | ₩ 263          | (₩984)          | ₩ 2,192           |
| ULand Company Ltd.          |                                      | 4,051          | (1,070)         | 2,981             |
| SK China Company Ltd.       | 1,086                                |                |                 | 1,086             |
| <b>Total</b>                | <b>₩ 3,999</b>                       | <b>₩ 4,314</b> | <b>(₩2,054)</b> | <b>₩ 6,259</b>    |

| Subsidiary                  | For the year ended December 31, 2006 |              |                 | Ending<br>balance |
|-----------------------------|--------------------------------------|--------------|-----------------|-------------------|
|                             | Beginning<br>balance                 | Increase     | Decrease        |                   |
| Pantech Co., Ltd.           | ₩                                    | ₩ 270        | (₩270)          | ₩                 |
| SK Communications Co., Ltd. | 4,016                                |              | (1,103)         | 2,913             |
| SK China Company Ltd.       | 1,086                                |              |                 | 1,086             |
| <b>Total</b>                | <b>₩ 5,102</b>                       | <b>₩ 270</b> | <b>(₩1,373)</b> | <b>₩ 3,999</b>    |

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

|                             | Market price<br>per share<br>(In Korean<br>won) | Number of<br>shares owned by<br>the<br>Company | Market price |
|-----------------------------|---|--|--------------|
| SK Communications Co., Ltd. | ₩ 32,500  | 28,029,945                                     | ₩910,973     |
| IHQ, Inc.                   | 3,355   | 14,960,784                                     | 50,193       |
| Seoul Records, Inc.         | 4,190   | 9,582,321                                      | 40,150       |

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

|  | Total<br>assets | Total<br>liabilities | Revenue  | Net<br>income (loss) |
|--|-----------------|----------------------|----------|----------------------|
| SK Communications Co., Ltd.                              | ₩321,608        | ₩ 92,180             | ₩197,266 | (₩30,008)            |
| SK Telink Co., Ltd.                                      | 162,362         | 55,347               | 235,127  | 18,661               |
| SK Wyverns Baseball Club Co., Ltd.                       | 7,277           | 8,030                | 27,705   | 3,440                |
| Paxnet Co., Ltd.   | 34,165          | 9,883                | 36,640   | 2,155                |
| Global Credit & Information Co., Ltd.                    | 12,261          | 5,649                | 54,278   | 377                  |
| TU Media Corp.   | 350,012         | 333,110              | 119,766  | (74,243)             |
| Aircross Co., Ltd.                                       | 22,489          | 16,522               | 24,526   | 2,090                |
| IHQ, Inc.  | 70,649          | 14,875               | 41,395   | (14,046)             |
| Ntreev Soft Co., Ltd.                                    | 26,209          | 8,008                | 15,232   | 2,140                |
| Baba Club  | 1,322           | 2,093                | 6,176    | (1,068)              |
| Commerce Planet Co., Ltd. (formerly Philio<br>Co., Ltd.) | 8,355           | 6,040                | 26,719   | (497)                |
| Seoul Records, Inc.                                      | 41,728          | 9,437                | 34,237   | (5,679)              |
| Harex Info Tech, Inc.                                    | 3,544           | 1,573                | 5,626    | (1,589)              |
| SK Mobile  | 8,777           | 1,077                | 2,367    | (3,949)              |
| SKT Vietnam PTE Ltd. (formerly SLD<br>Telecom PTE Ltd.)  | 161,461         | 23,146               | 1,858    | (24,940)             |
| Skytel Co., Ltd.   | 32,924          | 3,398                | 24,631   | 9,900                |
| SK Telecom China Co., Ltd.                               | 7,491           | 337                  | 8,596    | 116                  |
| ULand Company Limited                                    | 6,597           | 858                  | 3,069    | 1,146                |
| SK Telecom USA Holdings, Inc.                            | 63,169          | 146                  |          | (147,361)            |
| SK Telecom International, Inc.                           | 27,823          | 1,369                | 14,180   | 1,219                |
| SK USA, Inc.   | 7,454           | 1,045                | 7,712    | 196                  |
| Helio Inc.   | 157,342         | 158,109              | 110,311  | (302,470)            |
| Korea IT Fund  | 332,476         |                      | 33,644   | 22,710               |
| Centurion IT Investment Association                      | 4,630           | 1                    | 107      | 93                   |
| 1 <sup>st</sup> Music Investment Fund of SK-PVC          | 8,156           | 59                   | 156      | (2,291)              |
| 2 <sup>nd</sup> Music Investment Fund of SK-PVC          | 10,801          | 54                   | 414      | 352                  |
| SKT-KTB Music Investment Fund                            | 18,109          | 107                  | 454      | (205)                |
| IMM Cinema Fund  | 19,928          | 7                    | 1,866    | (4,459)              |
| Michigan Global Cinema Fund                              | 9,742           |                      | 1,070    | (634)                |

|   |       |     |         |
|---|-------|-----|---------|
| 3 <sup>rd</sup> Fund of Isu Entertainment | 5,408 | 234 | (2,332) |
|---|-------|-----|---------|

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

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

|  | December 31, 2007 (note) |           |          | December    |
|--|--------------------------|-----------|----------|-------------|
|  | Short-term               | Long-term | Total    | 31,<br>2006 |
| Loans to employees stock ownership association | ₩ 1,522                  | ₩ 33,294  | ₩ 34,816 | ₩ 7,526     |
| Loans to employees for housing and other       | 72                       | 118       | 190      | 277         |
| Total  | ₩ 1,594                  | ₩ 33,412  | ₩ 35,006 | ₩ 7,803     |

(note) At December 26, 2007, the Company loaned ₩31,017 million to employees stock ownership association for the purpose of supporting employees acquisition of the Company's treasury stocks. The loan will be paid over five years after two years from the lending date.

**6. PROPERTY AND EQUIPMENT**

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

|                               | Useful<br>lives<br>(years) | 2007         | 2006        |
|-------------------------------|----------------------------|--------------|-------------|
|                               |                            | ₩            | ₩           |
| Land                          |                            | 444,252      | 462,393     |
| Buildings and structures      | 30,15                      | 1,496,535    | 1,488,824   |
| Machinery                     | 6                          | 12,395,823   | 11,235,472  |
| Vehicles                      | 4                          | 22,541       | 21,136      |
| Other                         | 4                          | 942,375      | 956,670     |
| Construction in progress      |                            | 292,134      | 130,667     |
|                               |                            | 15,593,660   | 14,295,162  |
| Less accumulated depreciation |                            | (10,999,247) | (9,877,050) |
| Property and equipment, net   |                            | ₩ 4,594,413  | ₩ 4,418,112 |

The standard value of land declared by the government as of December 31, 2007 and 2006 are ₩547,524 million and ₩506,831 million, respectively.



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

|                          | For the year ended December 31, 2007 |                   |                  |                   |                     | Ending balance    |
|--------------------------|--------------------------------------|-------------------|------------------|-------------------|---------------------|-------------------|
|                          | Beginning balance                    | Acquisition       | Disposal         | Transfer          | Depreciation        |                   |
| Land                     | ₩ 462,393                            | ₩ 471             | (₩20,310)        | ₩ 1,698           | ₩                   | ₩ 444,252         |
| Buildings and structures | 1,101,232                            | 4,997             | (3,487)          | 7,821             | (56,079)            | 1,054,484         |
| Machinery                | 2,346,517                            | 77,327            | (7,434)          | 1,322,956         | (1,244,114)         | 2,495,252         |
| Vehicles                 | 2,341                                | 2,039             | (119)            | 848               | (1,913)             | 3,196             |
| Other                    | 374,962                              | 1,019,025         | (13,141)         | (965,140)         | (110,611)           | 305,095           |
| Construction in progress | 130,667                              | 650,596           | (893)            | (488,236)         |                     | 292,134           |
| <b>Total</b>             | <b>₩4,418,112</b>                    | <b>₩1,754,455</b> | <b>(₩45,384)</b> | <b>(₩120,053)</b> | <b>(₩1,412,717)</b> | <b>₩4,594,413</b> |

|                          | For the year ended December 31, 2006 |                   |                  |                   |                     | Ending balance    |
|--------------------------|--------------------------------------|-------------------|------------------|-------------------|---------------------|-------------------|
|                          | Beginning balance                    | Acquisition       | Disposal         | Transfer          | Depreciation        |                   |
| Land                     | ₩ 461,513                            | ₩ 115             | (₩645)           | ₩ 1,410           | ₩                   | ₩ 462,393         |
| Buildings and structures | 1,145,497                            | 4,620             | (824)            | 7,539             | (55,600)            | 1,101,232         |
| Machinery                | 2,429,564                            | 43,869            | (8,169)          | 1,013,305         | (1,132,052)         | 2,346,517         |
| Vehicles                 | 2,786                                | 1,460             | (113)            |                   | (1,792)             | 2,341             |
| Other                    | 292,214                              | 830,772           | (16,319)         | (640,111)         | (91,594)            | 374,962           |
| Construction in progress | 264,309                              | 586,096           |                  | (719,738)         |                     | 130,667           |
| <b>Total</b>             | <b>₩4,595,883</b>                    | <b>₩1,466,932</b> | <b>(₩26,070)</b> | <b>(₩337,595)</b> | <b>(₩1,281,038)</b> | <b>₩4,418,112</b> |

**7. INTANGIBLE ASSETS**

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

|                            | 2007             |                          |                  | 2006             |                          |                  |
|----------------------------|------------------|--------------------------|------------------|------------------|--------------------------|------------------|
|                            | Acquisition cost | Accumulated amortization | Carrying amounts | Acquisition cost | Accumulated amortization | Carrying amounts |
| Goodwill                   | ₩2,341,625       | (₩772,378)               | ₩1,569,247       | ₩2,335,532       | (₩643,310)               | ₩1,692,222       |
| Frequency use rights       | 1,385,120        | (424,818)                | 960,302          | 1,385,120        | (308,287)                | 1,076,833        |
| Software development costs | 207,173          | (194,144)                | 13,029           | 231,318          | (190,611)                | 40,707           |

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|                   |                        |                          |                        |                        |                          |                        |
|-------------------|------------------------|--------------------------|------------------------|------------------------|--------------------------|------------------------|
| Computer software | 1,036,432              | (450,858)                | 585,574                | 858,375                | (303,272)                | 555,103                |
| Other             | 120,907                | (74,117)                 | 46,790                 | 109,753                | (69,459)                 | 40,294                 |
|                   | <del>₩</del> 5,091,257 | <del>(₩)</del> 1,916,315 | <del>₩</del> 3,174,942 | <del>₩</del> 4,920,098 | <del>(₩)</del> 1,514,939 | <del>₩</del> 3,405,159 |

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

|                            | Beginning balance | For the year ended December 31, 2007 |           |               |              | Ending balance |
|----------------------------|-------------------|--------------------------------------|-----------|---------------|--------------|----------------|
|                            |                   | Increase                             | Decrease  | Transfer      | Amortization |                |
| Goodwill                   | ₩ 1,692,222       | ₩                                    | ₩         | ₩6,093 (note) | (₩129,068)   | ₩ 1,569,247    |
| Frequency use rights       | 1,076,833         |                                      |           |               | (116,531)    | 960,302        |
| Software development costs | 40,707            | 473                                  | (5,673)   | 1,679         | (24,157)     | 13,029         |
| Computer software          | 555,103           | 68,848                               | (5,100)   | 129,330       | (162,607)    | 585,574        |
| Other                      | 40,294            | 13,657                               | (473)     | 458           | (7,146)      | 46,790         |
|                            | ₩ 3,405,159       | ₩ 82,978                             | (₩11,246) | ₩ 137,560     | (₩439,509)   | ₩ 3,174,942    |

(note) The amount represents the goodwill that resulted from the purchase of Baba Club s and Philio Co., Ltd. s business for the year ended December 31, 2007.

|                            | Beginning balance | For the year ended December 31, 2006 |          |           |              | Ending balance |
|----------------------------|-------------------|--------------------------------------|----------|-----------|--------------|----------------|
|                            |                   | Increase                             | Decrease | Transfer  | Amortization |                |
| Goodwill                   | ₩ 1,820,884       | ₩                                    | ₩        | ₩         | (₩128,662)   | ₩ 1,692,222    |
| Frequency use rights       | 1,184,292         | 687                                  |          |           | (108,146)    | 1,076,833      |
| Software development costs | 61,256            | 65                                   |          | 9,339     | (29,953)     | 40,707         |
| Computer software          | 279,758           | 46,157                               | (914)    | 323,644   | (93,542)     | 555,103        |
| Other                      | 40,357            | 5,694                                | (63)     | 519       | (6,213)      | 40,294         |
|                            | ₩ 3,386,547       | ₩ 52,603                             | (₩977)   | ₩ 333,502 | (₩366,516)   | ₩ 3,405,159    |

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

|   | Amount      | Description  | Residual useful lives |
|---|-------------|--|-----------------------|
| Goodwill  | ₩ 1,563,560 | Goodwill related to acquisition of Shinsegi Telecomm, Inc. | 12 years and 3 months |
| IMT license   | 868,465     | Frequency use rights relating to W-CDMA Service            | (note a)              |
| WiBro license   | 85,823      | WiBro Service  | (note b)              |
| DMB license   | 6,014       | DMB Service  | 8 years and 6 months  |
| (note a) Amortization of the IMT license commenced when the Company started its commercial IMT 2000 service in December 2003, using the straight-line method over the estimated useful life (13 years) of the IMT license which expires in December 2016. |             |  |                       |

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

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

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

|  | Maturity<br>year | Annual interest<br>rate (%)          | 2007       | 2006       |
|--|------------------|--------------------------------------|------------|------------|
| Domestic general bonds                 | 2007             | 5.0 6.0                              | ₩          | ₩ 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    |
|  | 2014             | 5.0                                  | 200,000    |            |
|  | 2016             | 5.0                                  | 200,000    | 200,000    |
| Dollar denominated bonds (US\$300,000) | 2011             | 4.25                                 | 281,460    | 278,880    |
| Dollar denominated bonds (US\$400,000) | 2027             | 6.63                                 | 375,280    |            |
|  |                  | 3-month Euro Yen<br>LIBOR rate +0.55 |            |            |
| Yen denominated bonds (JPY 12,500,000) | 2012             | (note)                               | 104,166    |            |
| Convertible bonds (US\$229,160)        | 2009             |                                      | 268,415    | 356,356    |
| Total                                  |                  |                                      | 2,629,321  | 2,735,236  |
| Less: discounts on bonds               |                  |                                      | (46,138)   | (39,097)   |
| Less: conversion right adjustments     |                  |                                      | (19,665)   | (43,629)   |
| Add: long-term accrued interest        |                  |                                      | 17,256     | 22,910     |
| Net                                    |                  |                                      | 2,580,774  | 2,675,420  |
| Less: portion due within one year      |                  |                                      | (299,614)  | (696,546)  |
| Long-term portion                      |                  |                                      | ₩2,281,160 | ₩1,978,874 |

(note) The 3-months Euro Yen LIBOR rate as of December 31, 2007 is 0.895%.

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

On May 27, 2004, the Company issued zero coupon convertible bonds with a maturity of five years in the principal amount of US\$329,450,000 for US\$324,923,469, with an initial conversion price of ₩235,625 per share of the Company's common stock, which was greater than market value at the date of issuance. Subsequently, the initial conversion price was changed to ₩211,099 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, 2007 is 1,277,164 shares. Effective July 1, 2007, the conversion price was changed from ₩211,943 to ₩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 on July 27, 2007.

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

During the year ended December 31, 2006, the convertible bonds with a principal amount of US\$25,210,000 were converted into 136,613 shares of treasury stock (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 year ended December 31, 2007, the conversion rights for the convertible bond with a principal amount of US\$75,080,000 were exercised. The Company paid ₩42,962 million in cash to bond holders with a principal amount of US\$36,260,000 without delivering the Company's common stocks due to the 49% ownership limitation as explained above and the convertible bonds with a principal amount of US\$38,820,000 were converted into 216,347 shares of treasury stock (See Note 15). Therefore, the principal amount of the convertible bonds decreased from US\$304,240,000 to US\$229,160,000. In addition, the consideration for conversion right (capital surplus) decreased by ₩11,116 million (net of tax effect of ₩4,216 million).

**9. LONG-TERM BORROWINGS**

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

|                                       | Lender       | Final maturity year | Annual interest rate (%) (note) | 2007                      | 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<br>₩ 200,000 | US\$ 100,000<br>₩ 200,000 |
| Equivalent in Korean won              |              |                     |                                 | ₩ 293,820                 | ₩ 292,960                 |
| Less: current portion                 |              |                     |                                 |                           |                           |

|                      |           |           |
|----------------------|-----------|-----------|
| Long-term borrowings | ₩ 293,820 | ₩ 292,960 |
|----------------------|-----------|-----------|

The above long-term floating rate discount bill is classified as long-term borrowing as the borrowing is to be rolled-over exceeding 1 year from December 31, 2007 in accordance with the loan agreement.  
(note) At December 31, 2007, the 91 days CD yield and the 6M LIBOR rate are 5.82% and 4.65%, 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 December 31, 2007 and 2006 are as follows (In millions of Korean won except deposit per subscriber amounts):

| Service type | Deposit                              | December 31, | December 31, |
|--------------|--------------------------------------|--------------|--------------|
|              | per subscriber<br>(in Korean<br>won) | 2007         | 2006         |
| Cellular     | ₩ 200,000                            | ₩ 6,426      | ₩ 21,140     |

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

**11. LEASES**

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

|                          |                   | 2007     | 2006     |
|--------------------------|-------------------|----------|----------|
| Acquisition cost         | Office equipment  | ₩ 8,271  | ₩ 15,784 |
|                          | Computer software | 5,728    | 7,180    |
|                          |                   | ₩ 13,999 | ₩ 22,964 |
| Accumulated depreciation | Office equipment  | ₩ 6,509  | ₩ 8,662  |
|                          | Computer software | 2,387    | 1,555    |
|                          |                   | ₩ 8,896  | ₩ 10,217 |
| Carrying amounts         | Office equipment  | ₩ 1,761  | ₩ 7,122  |
|                          | Computer software | 3,342    | 5,625    |
|                          |                   | ₩ 5,103  | ₩ 12,747 |

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|                       |                   |         |         |
|-----------------------|-------------------|---------|---------|
| Depreciation expenses | Office equipment  | ₩ 1,970 | ₩ 8,071 |
|                       | Computer software | 1,146   | 1,437   |
|                       |                   | ₩ 3,116 | ₩ 9,508 |

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

|                           | Annual lease<br>payments | Interest | Principal |
|---------------------------|--------------------------|----------|-----------|
| 2008                      | ₩ 1,664                  | (₩22)    | ₩ 1,642   |
| Less: current portion     |                          |          | (1,642)   |
| Capital lease liabilities |                          |          | ₩         |

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

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable and long-term borrowings denominated in foreign currencies described in Notes 8 and 9, respectively) as of December 31, 2007 and 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):

|                           | December 31, 2007  |                       | December 31, 2006  |                       |
|---------------------------|--------------------|-----------------------|--------------------|-----------------------|
|                           | Foreign currencies | Korean won equivalent | Foreign currencies | Korean won equivalent |
| Cash and cash equivalents | US\$ 357,039       | ₩ 334,974             | US\$ 959           | ₩ 892                 |
|                           | EUR 117            | 162                   | EUR 2              | 2                     |
| Accounts receivable trade | US\$ 4,164         | 3,906                 | US\$ 16,534        | 15,370                |
|                           | EUR 248            | 303                   | EUR 248            | 303                   |
|                           | CNY 5,620          | 722                   |                    |                       |
| Accounts receivable other | US\$ 965           | 905                   | US\$ 1,657         | 1,541                 |
| Guarantee deposits        | US\$ 12            | 11                    | US\$ 17            | 16                    |
|                           | JPY 16,912         | 141                   | JPY 21,536         | 168                   |
|                           |                    | ₩ 341,124             |                    | ₩ 18,292              |
| Accounts payable          | US\$ 22,552        | 21,159                | US\$ 16,046        | 14,916                |
|                           | JPY 16,954         | 138                   | JPY 18,704         | 146                   |
|                           | HK\$ 248           | 14                    | HK\$ 190           | 23                    |
|                           | GBP 931            | 1,461                 | GBP 48             | 88                    |
|                           | SG\$ 27            | 18                    | SG\$ 6             | 3                     |
|                           | EUR 588            | 1,750                 | EUR 813            | 993                   |
|                           | CHF 250            | 208                   | CHF 250            | 190                   |
|                           | CNY 2              | 1                     | CNY 2              | 1                     |
|                           |                    | ₩ 24,749              |                    | ₩ 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 December 31, 2007 and 2006 are as follows:

|   | December 31,<br>2007 | December 31,<br>2006 |
|---|----------------------|----------------------|
| Authorized shares                         | 220,000,000          | 220,000,000          |
| Issued shares                             | 81,193,711           | 81,193,711           |
| Outstanding shares, net of treasury stock | 72,584,677           | 72,667,459           |

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

|   | Number of<br>shares<br>issued | Capital<br>stock | Capital<br>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)   |                               |                  | (11,116)           |
| Offset against capital surplus by equity security accounted for<br>using the equity method (note f) |                               |                  | (15,476)           |
| At December 31, 2007  | 81,193,711                    | ₩44,639          | ₩2,939,353         |

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

(note b) During the year ended December 31, 2006, the exercisable period for the stock options

representing  
43,390 shares, of  
which recognized  
compensation  
costs were  
₩234 million,  
expired and the  
related stock  
options of  
₩234 million in  
capital  
adjustments were  
transferred to  
capital surplus in  
accordance with  
Korean GAAP  
[See Note 2 (q)].

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

(note d) During the year  
ended  
December 31,  
2007, the  
exercisable period  
for the stock  
options  
representing  
65,730 shares, for  
which the  
Company  
recognized  
compensation  
costs of  
₩3,246 million,  
expired and the

related stock options of ~~₩~~3,246 million in capital adjustments were transferred to capital surplus in accordance with Korean GAAP [See Note 2 (q)].

(note e) During the year ended December 31, 2007, the conversion rights for the convertible bonds with a face value of US\$75,080,000 were exercised and the capital surplus amount (in connection with the related conversion rights) decreased by ~~₩~~11,116 million (net of tax effect of ~~₩~~4,216 million).

(note f) During the year ended December 31, 2007, the Company acquired Ntreev Soft Co., Ltd.'s common stocks from IHQ, Inc. a subsidiary of the Company. The difference between the acquisition cost and the net book value of Ntreev Soft Co., Ltd. amounting to ~~₩~~15,476 million

was offset against  
the Company's  
capital surplus.

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

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

|  | December 31,<br>2007 | December 31,<br>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            |
| <br>   |                      |                      |
| Total  | ₩ 7,335,037          | ₩ 6,679,234          |

## a. Legal Reserve

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

## b. Reserve for Improvement of Financial Structure

Through 2006, the Financial Control Regulation for Listed Companies in Korea required that at least 10% of net income (net of accumulated deficit), and an amount equal to net gain (net of related income tax, if any) on the disposal of property and equipment should be appropriated as a reserve for improvement of financial structure until the ratio of stockholders' equity to total assets reached 30%. However, this regulation was abolished during the year ended December 31, 2007 and no such requirement exist as of December 31, 2007.

## c. Reserve 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 a principal amount of US\$25,210,000 were converted into 136,163 shares of common stock. Such conversion was settled by the Company by using its treasury stock with carrying value totaling ₩32,178 million, which resulted in loss on disposal of treasury stock of ₩7,887 million. In addition, the losses on disposal of treasury stock decreased by ₩336 million for the year ended December 31, 2007 to reflect the change in accumulated temporary differences related to treasury stocks based on the prior year tax return.

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

From November 9, 2007 through December 31, 2007, the Company acquired 471,000 shares of treasury stock for ₩118,511 million in order to stabilize the market price of its stock in accordance with a resolution of the board of directors on November 2, 2007. In addition, for the year ended December 31, 2007, its treasury stock of 216,347 shares and 171,871 shares with carrying value totaling ₩51,199 million were issued to the convertible bond holders at their execution of conversion rights and treasury stock of 171,871 shares with carrying value totaling ₩40,756 million were sold to its employees' stock ownership association. As a result of these transactions, loss on disposal of treasury stock decreased by ₩7,456 million.

**16. STOCK OPTIONS**

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

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

| Grant date             | Total<br>Compensation<br>cost | Recognized<br>compensation cost |      | Stock options in<br>capital adjustment |                         |
|------------------------|-------------------------------|---------------------------------|------|--|-------------------------|
|                        |                               | 2007                            | 2006 | December<br>31,<br>2007                | December<br>31,<br>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, 2007, the exercisable period expired for stock options representing 65,730 shares, for which the Company had recognized compensation cost of ₩3,246 million. The related capital adjustment of ₩3,246 million was transferred to capital surplus.

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

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|  | (In millions of Korean won,<br>except for net income per share) |            |            |
|--|---|------------|------------|
|  | 2007  | 2006       | 2005       |
| Pro forma income before income tax             | ₩2,307,785  | ₩2,021,643 | ₩2,554,315 |
| Pro forma net income                           | 1,642,451   | 1,446,598  | 1,871,082  |
| Pro forma net income per share (In Korean Won) | 22,607  | 19,734     | 25,417     |

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**Table of Contents****17. INCOME TAXES**

## a. Details of income tax expense

Income tax expense for the years ended December 31, 2007 and 2006 consist of the following (In millions of Korean won):

|                        | 2007          | 2006          |
|------------------------|---------------|---------------|
| Current                | ₩ 553,357     | ₩ 607,776     |
| Deferred (note a)      | 111,977       | (32,731)      |
| <br>Income tax expense | <br>₩ 665,334 | <br>₩ 575,045 |

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

|   | 2007        | 2006      |
|---|-------------|-----------|
| Ending balance of net deferred tax liabilities  | ₩ 1,015,002 | ₩ 490,341 |
| 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 | (416,128)   | (184,962) |
|   | ₩ 111,977   | (₩32,731) |

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

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

|   | 2007        | 2006      |
|---|-------------|-----------|
| <b>(Temporary Differences)</b>                                    |             |           |
| <b>Additions:</b>   |             |           |
| Allowance for doubtful accounts                                   | ₩ 36,425    | ₩ 52,228  |
| Accrued interest income   | 4,576       | 3,931     |
| Reserves for research and manpower development                    | 210,000     | 188,000   |
| Reserves for loss on disposal of treasury stock                   |             | 218,097   |
| Equity in losses of affiliates                                    |             | 115,562   |
| Equity in other comprehensive income of affiliates                | 150,880     |           |
| Unrealized losses on valuation of long-term investment securities | 320,838     | 137       |
| Loss on impairment of long-term investment securities             | 4,386       |           |
| Accrued expenses  | 24,519      | 50,886    |
| Depreciation  | 51,097      | 52,411    |
| Loss on impairment of other assets                                | 2,651       | 971       |
| Loss on valuation of currency swap                                |             | 9,258     |
| Loss on valuation of currency swap (other comprehensive income)   |             | 4,695     |
| Accrued severance indemnities                                     | 20,817      | 20,058    |
| Deposits for severance indemnities                                | 1,337       | 148,610   |
| Consideration of conversion right                                 | 23,965      | 21,589    |
| Interest expense from convertible bonds                           | 14,975      |           |
| Other   | 64,022      | 71,617    |
| Sub-total   | 930,488     | 958,050   |
| <b>Deductions:</b>  |             |           |
| Reserves for research and manpower development                    |             | (180,000) |
| Allowance for doubtful accounts                                   | (43,975)    | (124,184) |
| Depreciation  | (18,268)    | (19,594)  |
| Accrued interest income   | (5,025)     | (8,714)   |
| Equity in earnings of affiliates                                  | (17,386)    |           |
| Equity in other comprehensive income of affiliates                |             | (15,483)  |
| Unrealized gains on valuation of long-term investment securities  | (2,001,070) | (621,729) |
| Accrued expenses  | (28,251)    | (57,066)  |
| Loss on impairment of other assets                                | (971)       | (5,109)   |
| Gain on valuation of derivative instruments                       | (3,624)     |           |
| Accrued severance indemnities                                     | (1,337)     | (148,610) |
| Deposits for severance indemnities                                | (19,984)    | (20,058)  |
| Loss on disposal of property assets                               |             | (38,719)  |
| Loss on disposal of treasury stock                                |             | (30,092)  |
| Gain on conversion of convertible bond                            | (373,140)   |           |
| Other   | (40,317)    | (42,245)  |

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|                                |                 |                  |
|--------------------------------|-----------------|------------------|
| Sub-total                      | (2,553,348)     | (1,311,603)      |
| Total Temporary Differences    | (1,622,860)     | (353,553)        |
| <b>(Permanent Differences)</b> | 1,668,302       | 869,156          |
| Total                          | <b>₩ 45,442</b> | <b>₩ 515,603</b> |

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

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

| Description   | January 1,<br>2007 | Increase<br>(note a) | Decrease<br>(note a) | December 31,<br>2007 |
|---|--------------------|----------------------|----------------------|----------------------|
| <b>Current:</b>   |                    |                      |                      |                      |
| Allowance for doubtful accounts   | ₩ 50,824           | 25,058               | 43,975               | ₩ 31,907             |
| Accrued interest income   | (4,574)            | (5,027)              | (4,576)              | (5,025)              |
| Bad debt  | 112,106            | 3,896                | 76                   | 115,926              |
| Accrued expenses  | 107,151            | 13,636               | 28,251               | 92,536               |
| Other   | 8,913              | (3,470)              | 4,275                | 1,168                |
| <b>Total</b>  | <b>274,420</b>     | <b>34,093</b>        | <b>72,001</b>        | <b>236,512</b>       |
| Temporary differences unlikely to be realized   | (128,555)          |                      |                      | (128,555)            |
| <b>Total current cumulative temporary differences-net</b>   | <b>₩ 145,865</b>   | <b>₩ 34,093</b>      | <b>₩ 72,001</b>      | <b>₩ 107,957</b>     |
| <b>Current deferred tax assets-net (note b)</b>   | <b>₩ 40,113</b>    |                      |                      | <b>₩ 29,688</b>      |
| <b>Non-current:</b>   |                    |                      |                      |                      |
| Property and equipment  | (₩188,535)         | (4,766)              | (38,099)             | ( ₩155,202)          |
| Loss on impairment of long-term investment securities   | 108,145            | 30,218               |                      | 138,363              |
| Loss on impairment of other long-term assets  | 971                | 2,651                | 971                  | 2,651                |
| Reserves for research and manpower development  | (760,000)          |                      | (210,000)            | (550,000)            |
| Reserves for loss on disposal of treasury stock   | (255,984)          |                      |                      | (255,984)            |
| Equity in (earnings) losses of affiliates   | 114,214            | (4,783)              | 17,271               | 92,160               |
| Equity in other comprehensive income of affiliates  | (123,206)          | (445)                | (150,880)            | 27,229               |
| Unrealized loss on valuation of long-term investment securities, net (other comprehensive income) | (563,477)          | (2,001,070)          | (320,838)            | (2,243,709)          |
| Accrued severance indemnities   | 20,058             | 20,817               | 1,337                | 39,538               |
| Deposits for severance indemnities  | (20,058)           | (19,985)             | (1,337)              | (38,706)             |
| Loss on valuation of currency swap  | 22,502             |                      |                      | 22,502               |



|   |                  |                  |                |                  |
|---|------------------|------------------|----------------|------------------|
| Loss on valuation of currency swap<br>(other comprehensive income)      | 24,249           |                  |                | 24,249           |
| Loss on valuation of interest rate<br>swap (other comprehensive income) | 454              |                  | 3,624          | (3,170)          |
| Gain on conversion of convertible<br>bond                               |                  | (373,140)        |                | (373,140)        |
| Considerations for conversion right                                     | (43,629)         | 8,632            | (15,333)       | (19,664)         |
| Add long-term accrued interest  | 22,910           |                  | 5,654          | 17,256           |
| Other   | (16,848)         | 54,146           | (7,664)        | 44,962           |
| <br>  |                  |                  |                |                  |
| Total   | (1,658,234)      | (2,287,725)      | (715,294)      | (3,230,665)      |
| Temporary differences unlikely to be<br>realized                        | (270,688)        | (17,872)         | 279,648        | (568,208)        |
| <br>  |                  |                  |                |                  |
| Total non-current cumulative<br>temporary differences-net               | (<br>₩1,928,922) | (<br>₩2,305,597) | (<br>₩435,646) | (<br>₩3,798,873) |
| <br>  |                  |                  |                |                  |
| Total non-current deferred tax<br>liabilities-net (note b)              | (<br>₩530,454)   |                  |                | (<br>₩1,044,690) |

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

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

| Description  | January 1,<br>2006 | Increase<br>(note a) | Decrease<br>(note a) | December 31,<br>2006 |
|--|--------------------|----------------------|----------------------|----------------------|
| <b>Current:</b>  |                    |                      |                      |                      |
| Allowance for doubtful accounts  | ₩ 122,561          | ₩ 52,447             | ₩ 124,184            | ₩ 50,824             |
| Accrued interest income  | (3,931)            | (4,574)              | (3,931)              | (4,574)              |
| Bad debt   | 130,222            | (10,536)             | 7,580                | 112,106              |
| Accrued expenses   | 113,117            | 51,100               | 57,066               | 107,151              |
| Other  | 8,176              | 7,840                | 7,103                | 8,913                |
| <b>Total</b>   | <b>370,145</b>     | <b>96,277</b>        | <b>192,002</b>       | <b>274,420</b>       |
| Temporary differences unlikely to be realized  | (147,774)          |                      | (19,219)             | (128,555)            |
| <b>Total current cumulative temporary differences-net</b>                                    | <b>₩ 222,371</b>   | <b>₩ 96,277</b>      | <b>₩ 172,783</b>     | <b>₩ 145,865</b>     |
| Current deferred tax assets-net (note b)   | ₩ 61,152           |                      |                      | ₩ 40,113             |
| <b>Non-current:</b>  |                    |                      |                      |                      |
| Property and equipment   | ( ₩196,446)        | ₩ 10,128             | ₩ 2,217              | ( ₩188,535)          |
| Loss on impairment of long-term investment securities  | 108,145            |                      |                      | 108,145              |
| Loss on impairment of other long-term assets   | 7,461              | (1,381)              | 5,109                | 971                  |
| Reserves for research and manpower development   | (768,000)          | (180,000)            | (188,000)            | (760,000)            |
| Reserves for loss on disposal of treasury stock  | (474,081)          |                      | (218,097)            | (255,984)            |
| Equity in (earnings) losses of affiliates  | (5,025)            | 119,239              |                      | 114,214              |
| Equity in other comprehensive income of affiliates   | (109,468)          | (13,738)             |                      | (123,206)            |
| Unrealized loss on valuation of long-term investment securities (other comprehensive income) | 58,116             | (36,351)             | 585,242              | (563,477)            |
| Accrued severance indemnities  | 148,465            | 20,203               | 148,610              | 20,058               |
| Deposits for severance indemnities   | (148,465)          | (20,203)             | (148,610)            | (20,058)             |

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|   |                  |                |           |                  |
|---|------------------|----------------|-----------|------------------|
| Loss on valuation of currency swap                                      | 13,244           | 9,258          |           | 22,502           |
| Loss on valuation of currency swap<br>(other comprehensive income)      | 19,554           | 4,695          |           | 24,249           |
| Loss on valuation of interest rate swap<br>(other comprehensive income) |                  | 454            |           | 454              |
| Considerations for conversion right                                     | (65,219)         | 16,441         | (5,149)   | (43,629)         |
| Add long-term accrued interest  | 24,808           |                | 1,898     | 22,910           |
| Other   | (37,515)         | 67,963         | 47,296    | (16,848)         |
| <br>  |                  |                |           |                  |
| Total   | (1,424,426)      | (3,292)        | 230,516   | (1,658,234)      |
| Temporary differences unlikely to be<br>realized                        | (65,447)         | (211,398)      | (6,157)   | (270,688)        |
| <br>  |                  |                |           |                  |
| Total non-current cumulative temporary<br>differences-net               | (<br>₩1,489,873) | (<br>₩214,690) | ₩ 224,359 | (<br>₩1,928,922) |
| <br>  |                  |                |           |                  |
| Total non-current deferred tax<br>liabilities-net (note b)              | ( ₩409,715)      |                |           | ( ₩530,454)      |

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

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

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

|  | 2007     |             |             | 2006     |             |           |
|--|----------|-------------|-------------|----------|-------------|-----------|
|  | Current  | Non-current | Sub-total   | Current  | Non-current | Sub-total |
| Deferred tax assets                    | ₩ 32,346 | ₩ 3,521     | ₩ 35,867    | ₩ 43,066 | ₩ 50,631    | ₩ 93,697  |
| Deferred tax liabilities               | (2,658)  | (1,048,211) | (1,050,869) | (2,953)  | (581,085)   | (584,038) |
| Deferred tax assets (liabilities), net | ₩ 29,688 | ₩ 1,044,690 | ₩ 1,015,002 | ₩ 40,113 | ₩ 530,454   | ₩ 490,341 |

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

|  | 2007        | 2006        |
|--|-------------|-------------|
| Gains on disposal of treasury stock                                  | ( ₩36,339)  | ( ₩38,341)  |
| Considerations for conversion right                                  | (12,869)    | (17,086)    |
| Unrealized loss on valuation of long-term investment securities, net | (617,020)   | (154,956)   |
| Equity in other comprehensive income of affiliates, net              | (727)       | (41,441)    |
| Loss on valuation of currency swap, net                              | 6,668       | 6,668       |
| Gain (loss) on valuation of interest rate swap, net                  | (872)       | 125         |
| Total  | ( ₩661,159) | ( ₩245,031) |

e. Effective tax rate

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

|                                  | 2007        | 2006        |
|----------------------------------|-------------|-------------|
| Income before income tax expense | ₩ 2,307,785 | ₩ 2,021,643 |
| Income tax expenses              | 665,334     | 575,045     |
| Effective tax rate               | 28.83%      | 28.44%      |

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

Details of comprehensive income for the years ended December 31, 2007 and 2006 are as follows (In millions of Korean won):

|  | 2007                   |            | 2006                   |            |
|--|------------------------|------------|------------------------|------------|
|  | Profit and loss effect | Tax effect | Profit and loss effect | Tax effect |
| Net income   | ₩ 1,642,451            |            | ₩ 1,446,598            |            |
| Other comprehensive income (loss):                                   |                        |            |                        |            |
| Unrealized gain on valuation of long-term investment securities, net | 1,218,168              | (₩462,064) | 450,655                | (₩170,938) |
| Equity in other comprehensive income of affiliates, net              | (110,165)              | 40,714     | 5,081                  | (9,091)    |
| Loss on valuation of currency swap, net                              | 4,671                  |            | (2,309)                | 1,291      |
| Gain (loss) on valuation of interest rate swap, net                  | 2,627                  | (997)      | (329)                  | 125        |
| Sub-total  | 1,115,301              | (₩422,347) | 453,098                | (₩178,613) |
| Comprehensive income   | ₩ 2,757,752            |            | ₩ 1,899,696            |            |

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

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

Net income and ordinary income per share

|  | 2007        | 2006        |
|--|-------------|-------------|
| Net income and ordinary income                           | ₩ 1,642,451 | ₩ 1,446,598 |
| Weighted average number of common shares outstanding     | 72,650,909  | 73,305,026  |
| Net income and ordinary income per share (In Korean won) | ₩ 22,607    | ₩ 19,734    |

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

| <2007>                                       | Number of shares | Weighted number of days | Weighted number of shares |
|--|------------------|-------------------------|---------------------------|
| Outstanding common stocks at January 1, 2007 | 81,193,711       | 365 / 365               | 81,193,711                |
| Treasury stocks at January 1, 2007           | (8,526,252)      | 365 / 365               | (8,526,252)               |
| Acquisition of treasury stock                | (471,000)        | 28 / 365 (note a)       | (36,337)                  |

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|  |            |                   |            |
|--|------------|-------------------|------------|
| Conversion of convertible bonds into<br>common stock | 216,347    | 29 / 365 (note b) | 16,962     |
| Disposal of treasury stock                           | 171,871    | 6/365             | 2,825      |
| Total  | 72,584,677 |                   | 72,650,909 |

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| <2006>   | Number of<br>shares | Weighted<br>number of days | Weighted<br>number of shares |
|--|---------------------|----------------------------|------------------------------|
| Outstanding common stocks at<br>January 1, 2006      | 82,276,711          | 365 /<br>365               | 82,276,711                   |
| Treasury stocks at January 1, 2006                   | (8,662,415)         | 365 /                      | (8,662,415)                  |
| Retirement of treasury stock                         | (1,083,000)         | 126 / 365 (note c)         | (373,546)                    |
| Conversion of convertible bonds into<br>common stock | 136,163             | 172 / 365 (note d)         | 64,276                       |
| Total  | 72,667,459          |                            | 73,305,026                   |

(note a) The Company acquired treasury stocks on many different dates during the year ended December 31, 2007, 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 year ended December 31, 2007 and weighted number of shares was calculated considering

each transaction date.

(note c) The Company retired treasury stocks which were acquired on two different dates during the year ended December 31, 2006, and weighted number of shares was calculated considering each transaction date.

(note d) Treasury stocks were used to settle the conversion of the convertible bonds on several different dates during the year ended December 31, 2006 and weighted number of shares was calculated considering each transaction date.

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

Diluted net income and ordinary income per share

|  | 2007        | 2006        |
|--|-------------|-------------|
| Adjusted net income and ordinary income                          | ₩ 1,655,254 | ₩ 1,459,875 |
| Adjusted weighted average number of common shares outstanding    | 74,263,655  | 75,025,926  |
| Diluted net income and ordinary income per share (in Korean won) | ₩ 22,289    | ₩ 19,458    |





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

|   | 2007        | 2006        |
|---|-------------|-------------|
| Net income and ordinary income                                | ₩ 1,642,451 | ₩ 1,446,598 |
| Effect of stock options (note a)                              |             |             |
| Effect of convertible bonds (note b)                          | 12,803      | 13,277      |
| <br>  |             |             |
| Adjusted net income and ordinary income                       | ₩ 1,655,254 | ₩ 1,459,875 |
| <br>  |             |             |
|   | 2007        | 2006        |
| Weighted average number of common shares outstanding          | 72,650,909  | 73,305,026  |
| Effect of stock options (note a)                              |             |             |
| Effect of convertible bonds (note b)                          | 1,612,746   | 1,720,900   |
| <br>  |             |             |
| Adjusted weighted average number of common shares outstanding | 74,263,655  | 75,025,926  |

(note a) For the years ended December 31, 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 years ended December 2007 and 2006.

(note b) The effect of convertible bonds increased net income related to interest expenses that

would not have incurred, and increase in the weighted average number of common shares outstanding related to common shares that would have been issued, assuming that the conversion of convertible bonds was made on the beginning of the period.

**20. RESTRICTED CASH AND CASH EQUIVALENTS**

- a. At December 31, 2007, the Company has guarantee deposits restricted for its checking accounts totaling ₩19 million and deposits restricted for a charitable trust for the public totaling ₩10,000 million of which due date is February 8, 2009.
  - b. The Company entered into a contract with First Data Corporation to sell the investment in common stock of KMPS Corporation, which was held by the Company and accounted for as available-for-sale securities. Certain portion of proceeds from sales of such investment totaling ₩1,137 million had been kept in escrow accounts until November 16, 2007 in accordance with this Escrow Agreement. However, due to the advent of the settlement date, this restriction was dissolved during 2007.
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**Table of Contents****21. DIVIDEND DISCLOSURE**

Details of dividends which were declared for the years ended December 31, 2007 and 2006 are as follows (In millions of Korean won except for per share data):

|      | Dividend type             | Number of<br>shares<br>outstanding | Face<br>value<br>per share | Dividend<br>ratio | Dividends |
|------|---------------------------|------------------------------------|----------------------------|-------------------|-----------|
| 2007 | Cash dividends (interim)  | 72,667,459                         | ₩ 500                      | 200%              | ₩ 72,667  |
|      | Cash dividends (year-end) | 72,584,677                         | ₩ 500                      | 1,680%            | 609,712   |
|      | Total                     |                                    |                            |                   | ₩ 682,379 |
| 2006 | Cash dividends (interim)  | 73,713,657                         | ₩ 500                      | 200%              | ₩ 73,714  |
|      | Cash dividends (year-end) | 72,667,459                         | ₩ 500                      | 1,400%            | 508,672   |
|      | Total                     |                                    |                            |                   | ₩ 582,386 |

Dividends payout ratios (including interim dividend) for the years ended December 31, 2007 and 2006 are as follows (In millions of Korean won):

|                        | 2007      | 2006      |
|------------------------|-----------|-----------|
| Dividends              | ₩ 682,378 | ₩ 582,386 |
| Net income             | 1,642,451 | 1,446,598 |
| Dividends payout ratio | 41.55%    | 40.26%    |

Dividends yield ratios (including interim dividend) for the years ended December 31, 2007 and 2006 are as follows (In Korean won):

|                             | 2007    | 2006    |
|-----------------------------|---------|---------|
| Dividend per share          | ₩ 9,400 | ₩ 8,000 |
| Stock price at the year-end | 249,000 | 222,500 |
| Dividends yield ratio       | 3.78%   | 3.60%   |

**22. INSURANCE**

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

| Insured                | Risk                             | Carrying value | Coverage    |
|------------------------|----------------------------------|----------------|-------------|
|                        |                                  |                | US\$ 59,115 |
| Property and equipment | Fire and comprehensive liability | ₩ 3,711,836    | ₩ 7,946,522 |

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

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

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

**a. Holding company and subsidiaries**

| Type                         | Company  | Ownership percentage (%)        | Types of business                              |
|------------------------------|--|---------------------------------|--|
| Ultimate parent company      | SK C&C Co., Ltd.   | (note a)                        | Information technology and software production |
| Parent company               | SK Holdings Co., Ltd.<br>(formerly SK Corporation)       | 21.8 (note b)                   | Manufacturing and selling petrochemicals       |
| Subsidiary                   | SK Communications Co., Ltd.                              | 64.8                            | Internet website services                      |
|                              | SK Telink Co., Ltd.                                      | 90.8                            | Telecommunication service                      |
|                              | SK Wyverns Baseball Club Co., Ltd.                       | 100.0                           | Business related sports                        |
|                              | PAXNet Co., Ltd.   | 59.7                            | Internet website services                      |
|                              | Global Credit & Information Co., Ltd.                    | 50.0                            | Credit and collection services                 |
|                              | TU Media Corp.   | 32.7                            | Digital multi media broadcasting service       |
|                              | Aircross Co., Ltd.                                       | 100.0                           | Wireless marketing related business            |
|                              | IHQ, Inc.  | 37.1                            | Entertainment management                       |
|                              | Ntreev Soft Co., Ltd.                                    | 66.7                            | Game software production                       |
|                              | Commerce Planet Co., Ltd.<br>(Formerly Philio Co., Ltd.) | 100.0                           | Cosmetic wholesale                             |
|                              | Seoul Records, Inc.                                      | 60.0                            | Release of music disc                          |
|                              | SKT Vietnam PTE Ltd.<br>(Formerly SLD Telecom PTE Ltd.)  | 73.3                            | Telecommunication service                      |
|                              | SK Telecom China Co., Ltd.                               | 100.0                           | Telecommunication service                      |
|                              | ULand Company Ltd.                                       | 70.1                            | Network and mobile value added service         |
|                              | SK Telecom USA Holdings, Inc.                            | 100.0                           | Telecommunication service                      |
|                              | SK Telecom International Inc.                            | 100.0                           | Telecommunication service                      |
|                              | Helio, Inc.  | 0.6                             | Corporation management                         |
|                              | 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          |  |
| Michigan Global Cinema Fund  | 36.4   | Investment association          |  |
| SK Cyberpass Inc.            | 70.5 (note c)  | Telecommunication service       |  |
| YTN Media Inc.               | 51.4 (note c)  | Broadcasting program production |  |
| SK I-Media Co., Ltd.         | 60.0 (note c)  | Game software production        |  |
| Helio, LLC.                  | 64.2 (note c)  | Telecommunication service       |  |

(note a)

SK C&C Co.,  
Ltd. became the  
Company's  
ultimate parent  
company as of  
December, 31,  
2007 (See Notes  
3 & 4).

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

(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 years ended December 31, 2007 and 2006, and account balances as of December 31, 2007 and 2006 are as follows (In millions of Korean won):

**b-(1) Transactions**

|   | For year ended December 31, 2007    |                                     |                                     | For year ended December 31, 2006    |                                     |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Purchases of property and equipment | Commissions paid and other expenses | Commissions earned and other income | Purchases of property and equipment | Commissions paid and Other expenses | Commissions earned and other income |
| Ultimate parent company:                        |                                     |                                     |                                     |                                     |                                     |                                     |
| SK C&C Co., Ltd.                                | ₩ 200,582                           | ₩ 235,337                           | ₩ 8,419                             | ₩ 204,563                           | ₩ 284,349                           | ₩ 7,732                             |
| Parent Company:                                 |                                     |                                     |                                     |                                     |                                     |                                     |
| SK Holdings Co., Ltd. (formerly SK Corporation) |                                     |                                     | 736                                 | 2,158                               | 37,040                              | 12,475                              |
| Subsidiaries:                                   |                                     |                                     |                                     |                                     |                                     |                                     |
| SK Communications Co., Ltd.                     | 347                                 | 36,714                              | 6,189                               | 1,495                               | 44,321                              | 3,509                               |
| SK Telink Co., Ltd.                             |                                     | 13,442                              | 25,738                              |                                     | 13,490                              | 26,836                              |
| SK Wyverns Baseball Club Co., Ltd.              |                                     | 23,792                              | 343                                 |                                     | 18,300                              | 488                                 |
| PAXNet Co., Ltd.                                |                                     | 11,331                              | 3,222                               |                                     | 8,985                               | 1,495                               |
| Global Credit & Information Co., Ltd.           |                                     | 53,784                              | 1,504                               |                                     | 42,787                              | 1,389                               |
| TU Media Corp.                                  | 11                                  | 2,652                               | 55,131                              | 573                                 | 1,515                               | 57,301                              |
| Aircross Co., Ltd.                              | 2,018                               | 21,837                              | 1,574                               |                                     |                                     |                                     |
| SK Telecom China Co.,Ltd.                       |                                     | 12,449                              | 684                                 |                                     |                                     |                                     |
| SK Telecom International Inc.                   |                                     | 6,823                               |                                     |                                     |                                     |                                     |
| Helio, Inc.                                     |                                     |                                     | 2,201                               |                                     |                                     |                                     |
| Others  | 3,273                               | 20,679                              | 1,170                               | 14                                  | 27,158                              | 10,534                              |
| Equity Method Investees:                        |                                     |                                     |                                     |                                     |                                     |                                     |
| Helio, LLC                                      |                                     |                                     |                                     |                                     | 3                                   | 18,243                              |
| Others  | 673                                 | 12,132                              |                                     | 3,603                               | 21,184                              | 17,565                              |
| Others :  |                                     |                                     |                                     |                                     |                                     |                                     |
| SK Energy Co., Ltd.                             |                                     | 29,301                              | 16,746                              |                                     |                                     |                                     |
| SK Engineering & Construction Co., Ltd.         | 306,307                             | 16,147                              | 2,883                               | 235,872                             | 7,086                               | 2,381                               |



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|                       |           |             |           |           |             |           |
|-----------------------|-----------|-------------|-----------|-----------|-------------|-----------|
| SK Networks Co., Ltd. | 33,507    | 698,015     | 15,378    | 8,018     | 471,073     | 11,110    |
| Innoace Co., Ltd.     | 23,597    | 7,378       | 217       | 23,986    | 7,447       | 218       |
| SK Telesys Co., Ltd.  | 262,081   | 12,328      | 2,476     | 231,227   | 6,567       | 1,673     |
| Others                | 4,061     | 29,114      | 5,232     | 2,539     | 17,468      | 3,946     |
| <br>                  |           |             |           |           |             |           |
| Total                 | ₩ 836,457 | ₩ 1,243,255 | ₩ 149,843 | ₩ 714,048 | ₩ 1,008,773 | ₩ 176,895 |

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

|  | As of December 31, 2007 |                  |                 |                    |                  |                             |
|--|-------------------------|------------------|-----------------|--------------------|------------------|-----------------------------|
|  | Accounts receivable     | Short-term loans | Long-term loans | Guarantee deposits | Accounts payable | Guarantee deposits received |
| Parent Company:                                    |                         |                  |                 |                    |                  |                             |
| SK C&C Co., Ltd.                                   | ₩ 320                   | ₩                | ₩               | ₩                  | ₩ 131,029        | ₩ 346                       |
| SK Holdings Co., Ltd.<br>(formerly SK Corporation) | 726                     |                  |                 |                    |                  |                             |
| Subsidiaries:                                      |                         |                  |                 |                    |                  |                             |
| SK Communications Co., Ltd.                        | 1,214                   |                  |                 |                    | 12,317           | 5,606                       |
| SK Telink Co., Ltd.                                | 947                     |                  |                 |                    | 414              | 1,197                       |
| SK Wyverns Baseball Club Co., Ltd.                 | 334                     | 575              | 3,557           |                    |                  |                             |
| PAXNet Co., Ltd.                                   |                         |                  |                 |                    | 614              | 150                         |
| Global Credit & Information Co., Ltd.              |                         |                  |                 |                    | 7,051            |                             |
| TU Media Corp.                                     | 6,225                   |                  |                 |                    | 10,487           | 3,016                       |
| Aircross Co., Ltd.                                 | 2,659                   |                  |                 |                    | 3,699            | 255                         |
| IHQ, Inc.  | 38                      |                  |                 |                    | 2,008            |                             |
| Ntreev Soft Co., Ltd.                              | 18                      |                  |                 |                    | 3,640            |                             |
| Commerce Planet Co., Ltd.                          | 38                      |                  |                 |                    | 2,168            |                             |
| Seoul Records, Inc.                                | 59                      |                  |                 |                    | 1,077            |                             |
| SKT Vietnam PTE Ltd.                               | 1,507                   |                  |                 |                    |                  |                             |
| SK Telecom China Co., Ltd.                         | 684                     |                  |                 |                    |                  |                             |
| Helio, Inc.  | 719                     |                  |                 |                    |                  |                             |
| Others   |                         |                  |                 |                    | 2,117            |                             |
| Equity Method Investees:                           |                         |                  |                 |                    |                  |                             |
| Others   | 208                     |                  |                 |                    | 304              |                             |
| Others:  |                         |                  |                 |                    |                  |                             |
| SK Energy Co., Ltd.                                | 1,169                   |                  |                 | 134                | 4,380            | 248                         |
| SK Engineering & Construction Co., Ltd.            | 310                     |                  |                 |                    | 8,075            | 1,135                       |
| SK Networks Co., Ltd.                              | 1,158                   |                  |                 | 112                | 69,337           | 3,432                       |
| Innoace Co., Ltd.                                  |                         |                  |                 |                    | 5,672            | 2,291                       |
| SK Telesys Co., Ltd.                               | 28                      |                  |                 |                    | 29,286           |                             |
| Others   | 545                     |                  |                 |                    | 7,861            |                             |
| Total  | ₩ 18,906                | ₩ 575            | ₩ 3,557         | ₩ 246              | ₩ 301,536        | ₩ 17,676                    |

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|   | As of December 31, 2006 |                  |                 |                    |                  |                             |
|---|-------------------------|------------------|-----------------|--------------------|------------------|-----------------------------|
|   | Accounts receivable     | Short-term loans | Long-term loans | Guarantee deposits | Accounts payable | Guarantee deposits received |
| Parent Company:   |                         |                  |                 |                    |                  |                             |
| SK Holdings Co., Ltd.<br>(formerly SK Corporation)      | ₩ 3,560                 | ₩                | ₩               | ₩ 291              | ₩ 7,962          | ₩ 6,174                     |
| Subsidiaries:   |                         |                  |                 |                    |                  |                             |
| SK Communications Co., Ltd.                             | 535                     |                  |                 |                    | 7,255            | 5,459                       |
| SK Telink Co., Ltd.                                     | 4,352                   |                  |                 |                    | 2,209            | 955                         |
| SK Wyverns Baseball Club Co., Ltd.                      | 475                     | 1,150            | 4,132           |                    |                  |                             |
| PAXNet Co., Ltd.  | 121                     |                  |                 |                    | 913              |                             |
| Global Credit & Information Co., Ltd.                   | 82                      |                  |                 |                    | 7,645            |                             |
| SKT Vietnam PTE Ltd.<br>(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                         |
| TU Media Corp.  | 6,369                   |                  |                 |                    | 886              | 3,016                       |
| Aircross Co., Ltd.                                      | 4,275                   |                  |                 |                    | 3,513            | 226                         |
| Helio, LLC.   | 13,335                  |                  |                 |                    |                  |                             |
| Others  | 41                      |                  |                 |                    | 540              |                             |
| 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                    |

**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 year ended December 31, 2007 and 2006 are as follows (In millions of Korean won):

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| Payee   | For the year ended<br>December 31, 2007 |                          |         | For the year ended<br>December 31, 2006 |                          |         |
|---|---|--------------------------|---------|---|--------------------------|---------|
|   | Payroll                                 | Severance<br>indemnities | Total   | Payroll                                 | Severance<br>indemnities | Total   |
| 12 Registered directors<br>(including outside<br>directors) | ₩ 4,786                                 | ₩ 722                    | ₩ 5,508 | ₩ 4,472                                 | ₩ 935                    | ₩ 5,407 |

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 year ended December 31, 2007, the exercisable period elapsed and those stock options representing 15,110 shares have expired.

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**Table of Contents****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 years ended December 31, 2007 and 2006 are as follows (In millions of Korean won):

|   | 2007<br>(note a) | 2006<br>(note a) |
|---|------------------|------------------|
| Beginning balance                                   | ₩ 52,593         | ₩ 52,172         |
| Decrease (used points)                              | (12,530)         | (10,336)         |
| Decrease (reversal of provision for mileage points) | (27,532)         |                  |
| Increase  | 15,137           | 10,757           |
| Ending balance                                      | ₩ 27,668         | ₩ 52,593         |

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

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

| Expected year<br>of the usage (note b) | Estimated amount to<br>be paid<br>In nominal value (note<br>b) | Current value<br>(note b) |
|--|--|---------------------------|
| 2008                                   | ₩ 12,203   | ₩ 11,432                  |
| 2009                                   | 8,117  | 7,125                     |
| 2010                                   | 5,443  | 4,475                     |
| 2011                                   | 3,676  | 2,832                     |
| 2012                                   | 2,500  | 1,804                     |

|                |   |        |   |        |
|----------------|---|--------|---|--------|
| Ending balance | ₩ | 31,939 | ₩ | 27,668 |
|----------------|---|--------|---|--------|

(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 December 31, 2007, in connection with unsettled foreign currency swap contract to which the cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩15,662 million (excluding tax effect totaling ₩6,669 million and foreign exchange translation gain arising from unguaranteed U.S. dollar denominated bonds totaling ₩62,908 million) was accounted for as accumulated other comprehensive loss.

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 December 31, 2007, in connection with unsettled cross currency interest rate swap contract to which the cash flow hedge accounting is applied, an accumulated loss on valuation of derivatives amounting to ₩1,567 million (excluding foreign exchange translation gain arising from U.S. dollar denominated long-term borrowings totaling ₩980 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 HSBC and SMBC Bank to hedge the foreign currency risk and the interest rate risk of unguaranteed Japanese yen denominated bonds with face amounts totaling JPY12,500,000,000 issued on November 13, 2007. As of December 31, 2007, in connection with unsettled cross currency interest rate swap contract to which the cash flow hedge accounting is applied, an accumulated gain on valuation of derivatives amounting to ₩5,413 million (excluding foreign exchange translation loss arising from unguaranteed Japanese yen denominated bonds totaling ₩328 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 December 31, 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 ₩2,298 million (excluding tax effect totaling ₩872 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, loss on valuation of currency swap of ₩12,646 million for the year ended December 31, 2007 was charged to current operations.

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## 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 ₩623 million and ₩9,258 million for the years ended December 31, 2007 and 2006 was charged to current operations.

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 ₩7,316 million for the year ended December 31, 2007 was charged to current operations.

As of December 31, 2007, fair values of above derivatives recorded in assets or liabilities and details of derivative instruments as of December 31, 2007 are as follows (In thousands of U.S. dollars, H.K. dollars, Japanese yen and millions of Korean won):

| Type  | Hedged item   | Amount          | Duration<br>of contract          | Fair value                             |   |                   | Total    |
|---|---|-----------------|----------------------------------|--|---|-------------------|----------|
|   |   |                 |                                  | Designated<br>as cash<br>flow<br>hedge | Designated<br>as fair<br>value<br>hedge | Not<br>designated |          |
| <b>Non-current assets:</b>                                |   |                 |                                  |  |   |                   |          |
| Fix-to-fixed<br>cross currency<br>swap                    | U.S. dollar<br>denominated<br>bonds                     | US\$ 400,000    | Jul. 20, 2007<br>~ Jul. 20, 2017 | ₩                                      | ₩                                       | ₩ 7,316           | ₩ 7,316  |
| Floating-to-fixed<br>cross currency<br>interest rate swap | Japanese yen<br>denominated<br>bonds                    | JPY 12,500,000  | Nov. 13, 2007<br>~ Nov. 13, 2012 | 5,741                                  |   |                   | 5,741    |
| Floating-to-fixed<br>Interest rate<br>swap                | Long-term<br>floating rate<br>discounted<br>bill        | ₩ 200,000       | Jun. 29, 2006<br>~ Jun. 29, 2010 | 3,170                                  |   |                   | 3,170    |
| <b>Total assets</b>                                       |   |                 |                                  | ₩ 8,911                                | ₩                                       | ₩ 7,316           | ₩ 16,227 |
| <b>Current liabilities:</b>                               |   |                 |                                  |  |   |                   |          |
| Fix-to-fixed<br>cross currency<br>swap                    | U.S. dollar<br>denominated<br>China<br>Unicom<br>Equity | HK\$ 10,940,900 | Sep. 11, 2007<br>~ Sep. 16, 2008 | ₩                                      | ₩ 12,646                                | ₩                 | ₩ 12,646 |



## Securities

**Non-current liabilities:**

|   |  |      |         |                               |                 |                 |                 |                  |
|---|--|------|---------|-------------------------------|-----------------|-----------------|-----------------|------------------|
| Fix-to-fixed cross currency swap                    | U.S. dollar denominated bonds                | US\$ | 300,000 | Mar. 23, 2004 ~ Apr. 1, 2011  | 85,239          |                 | 85,239          |                  |
| Fix-to-fixed cross currency swap                    | U.S. dollar denominated convertible bond     | US\$ | 100,000 | May 27, 2004 ~ May 27, 2009   |                 | 23,125          | 23,125          |                  |
| Floating-to-fixed cross currency interest rate swap | U.S. dollar denominated long-term borrowings | US\$ | 100,000 | Oct. 10, 2006 ~ Oct. 10, 2013 | 2,547           |                 | 2,547           |                  |
|   |  |      |         |                               | 87,786          | 23,125          | 110,911         |                  |
| <b>Total liabilities</b>                            |  |      |         |                               | <b>₩ 87,786</b> | <b>₩ 12,646</b> | <b>₩ 23,125</b> | <b>₩ 123,557</b> |

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**Table of Contents****26. COMMITMENTS****a. Additional investment in SKT USA Holdings, Inc,**

In accordance with the resolution of the Company's board of directors on 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 on 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, US\$40,000,000 and US\$30,000,000 in SK Telecom USA Holdings, Inc. on September 21, 2007, November 6, 2007 and December 13, 2007, respectively, in accordance with the resolution of the Company's board of directors on 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.

**b. Agreement to acquire equity interests of hanarotelecom incorporated**

On December 3, 2007, the Company entered into the agreement to acquire 91,406,249 shares of hanarotelecom incorporated's common stock from AIG Newbridge Capital Limited and others, at the price of ₩11,900 per share (total acquisition cost of 1,087,734 million won) in accordance with the resolution of the Company's board of directors on November 30, 2007. However, if the government approval is not made or the preceding conditions are not fulfilled in connection with the agreement, this agreement might not be executed. If the agreement is completed, the Company's ownership interest in hanarotelecom incorporated will increase to 43.6% from 4.8%.

**27. STATEMENTS OF CASH FLOWS**

The statements of cash flows are prepared using the indirect method.

Significant non-cash transactions for the years ended December 31, 2007 and 2006 are as follows (In millions of Korean won):

|   | 2007    | 2006     |
|---|---------|----------|
| Conversion of convertible bonds   | ₩ 5,654 | ₩ 29,528 |
| Retirement of treasury stock  |         | 209,077  |
| Offset of accounts receivable   | 67,313  | 85,695   |
| Transfer from advanced payments to construction in progress                       | 12,714  |          |
| Transfer from long-term loans to short-term loans                                 | 35,971  | 13,047   |
| Transfer from long-term guarantee deposits received and other to accrued expenses | 11,432  | 13,643   |
| Transfer from long-term deposits and other to prepaid expenses                    | 48,202  | 72,253   |

**Table of Contents****28. OPERATING RESULTS FOR THE FOURTH QUARTER**

The Company's key operating results for the three months ended December 31, 2007 and 2006 (Unaudited) are as follows (In millions of Korean won, except for income per share):

|                                      | 4 <sup>th</sup> Quarter of |             |
|--------------------------------------|----------------------------|-------------|
|                                      | 2007                       | 2006        |
|                                      | (unaudited)                | (unaudited) |
| Operating revenue                    | ₩2,916,012                 | ₩2,759,776  |
| Income before income tax             | 133,482                    | 371,006     |
| Net income                           | 66,048                     | 279,298     |
| Net income per share (in Korean won) | 909                        | 3,926       |

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**Independent Accountant's Review Report  
on Internal Accounting Control System ( IACS )**

English Translation of a Report Originally Issued in Korean

To the Representative Director of  
SK Telecom Co., Ltd.

We have reviewed the accompanying Report on the Management's Assessment of IACS (the Management's Report) of SK Telecom Co., Ltd. (the Company) as of December 31, 2007. The Management's Report, and the design and operation of IACS are the responsibility of the Company's management. Our responsibility is to review the Management's Report and issue a review report based on our procedures. The Company's management stated in the accompanying Management's Report that based on the assessment of the IACS as of December 31, 2007, the Company's IACS has been appropriately designed and is operating effectively as of December 31, 2007, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

We conducted our review in accordance with the IACS Review Standards established by the Korean Institute of Certified Public Accountants. Those standards require that we plan and perform a review, objective of which is to obtain a lower level of assurance than an audit, of the Management's Report in all material respects. A review includes obtaining an understanding of a company's IACS and making inquiries regarding the Management's Report and, when deemed necessary, performing a limited inspection of underlying documents and other limited procedures.

A company's IACS represents internal accounting policies and a system to manage and operate such policies to provide reasonable assurance regarding the reliability of financial statements prepared, in accordance with accounting principles generally accepted in the Republic of Korea, for the purpose of preparing and disclosing reliable accounting information. Because of its inherent limitations, IACS may not prevent or detect a material misstatement of the financial statements. Also, projections of any evaluation of effectiveness of IACS to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Based on our review, nothing has come to our attention that causes us to believe that the Management's Report referred to above is not fairly stated, in all material respects, in accordance with the IACS Framework established by the Korea Listed Companies Association.

Our review is based on the Company's IACS as of December 31, 2007, and we did not review its IACS subsequent to December 31, 2007. This report has been prepared pursuant to the Acts on External Audit for Stock Companies in the Republic of Korea and may not be appropriate for other purposes or for other users.

January 31, 2008

/s/ Deloitte Anjin LLC

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**Report on the Assessment of Internal Accounting Control System ( IACS )**

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

I, as the Internal Accounting Control Officer ( IACO ) of SK Telecom Co., Ltd. ( the Company ), assessed the status of the design and operation of the Company s IACS for the year ended December 31, 2007.

The Company s management including IACO is responsible for designing and operating IACS. I, as the IACO, assessed whether the IACS has been appropriately designed and is effectively operating to prevent and detect any error or fraud which may cause any misstatement of the financial statements, for the purpose of preparing and disclosing reliable financial statements reporting. I, as the IACO, applied the IACS Framework established by the Korea Listed Companies Association for the assessment of design and operation of the IACS.

Based on the assessment of the IACS, the Company s IACS has been appropriately designed and is operating effectively as of December 31, 2007, in all material respects, in accordance with the IACS Framework.

January 31, 2008

*/s/ Internal Accounting Control Officer*

*/s/ Chief Executive Officer*

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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)*

Title: Tae Jin Park

Name: Senior Vice President

Date: April 24, 2008