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SK TELECOM CO LTD
Form 6-K
January 30, 2003

1934 Act Registration No. 1-14418

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

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

FOR THE MONTH OF JANUARY 2003

SK TELECOM CO., LTD.
(Translation of registrant's name into English)

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

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

Form 20-F Form 40-F

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

Yes No

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

This report on Form 6-K shall be deemed to be incorporated by reference in the prospectuses included in Registration Statements on Form F-3 (File Nos.

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333-91034 and 333-99073) filed with the Securities and Exchange Commission and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2002

In this report on Form 6-K, unless the context indicates or otherwise requires, references to "we", "us", "our" or the "Company" shall mean SK Telecom Co., Ltd. and its consolidated subsidiaries, and references to "SK Telecom" shall mean SK Telecom Co., Ltd., but shall not include its consolidated subsidiaries. Unless otherwise indicated, references to our number of subscribers shall include Shinsegi Telecomm, Inc.'s subscribers from April 1, 2000. All references to "Korea" contained in this report shall mean The Republic of Korea and all references to the "Government" shall mean the government of The Republic of Korea.

The financial information appearing in this report and in our accompanying consolidated financial statements is stated in Korean won. All references to "Won" or "W" in this report are to the currency of Korea. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

This report contains "forward-looking statements", as defined in Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, that are based on our current expectations, assumptions, estimates and projections about our company and our industry. The forward-looking statements are subject to various risks and uncertainties. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "anticipate", "believe", "estimate", "expect", "intend", "project", "should", and similar expressions. Those statements include, among other things, the discussions of our liquidity and capital resources. We caution you that reliance on any forward-looking statement involves risks and uncertainties, and that although we believe that the assumptions on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate, and, as a result, the forward-looking statements based on those assumptions could be incorrect. In light of these and other uncertainties, you should not conclude that we will necessarily achieve any plans and objectives or projected financial results referred to in any of the forward-looking statements. We do not undertake to release the results of any revisions of these forward-looking statements to reflect future events or circumstances.

NON-CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2001 AND 2002

We must file quarterly reports with the Financial Supervisory Commission of Korea and the Korea Stock Exchange. The unaudited, non-reviewed and non-consolidated financial information as of and for the year ended December 31, 2001 and 2002 shown below were prepared pursuant to generally accepted accounting principles in Korea ("Korean GAAP").

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The financial information below is non-consolidated and includes the results of operations of our subsidiaries using the equity method of accounting. Therefore, our operating revenue, total assets and total liabilities, if prepared on a consolidated basis, could be significantly different from those in our non-consolidated financial statements, even though net income in our consolidated financial statements may be similar to that in our non-consolidated financial statements. Under Korean GAAP, our non-consolidated revenues accounted for approximately 74% to 97% of our consolidated revenues in the last three years. We can give no assurance as to what the actual ratios will be for 2002.

We merged Shinsegi into SK Telecom with effect from January 12, 2002. As a result, our results of operations from that date include the results of operations of the business that was previously operated by Shinsegi and accounted for using the equity method of accounting in our non-consolidated financial information. Consequently, it may be difficult to compare our non-consolidated financial information as of and for the year ended December 31, 2001 to that as of and for the year ended December 31, 2002.

| | FOR THE YEAR ENDED DECEMBER 31, | |
|--|--|-------|
| | ----- 2001 ----- (IN BILLIONS OF WON) | |
| NON-CONSOLIDATED INCOME STATEMENT DATA | | |
| Operating Revenue | W6,227.1 | W |
| Operating Expenses | 4,023.0 | |
| Operating Income | 2,204.2 | |
| Other Income | 112.6 | |
| Other Expenses | 555.3 | |
| Income Taxes | 621.1 | |
| | ----- | ----- |
| Net Income | W1,140.3 | W |
| | ===== | ===== |

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| | AS OF DECEMBER 31, | |
|-------------------------------------|--|-------|
| | ----- 2001 ----- (IN BILLIONS OF WON) | |
| NON-CONSOLIDATED BALANCE SHEET DATA | | |
| Total Current Assets | W 2,589.7 | W |
| Total Non-Current Assets | 8,038.3 | 1 |
| Total Assets | 10,627.9 | 1 |
| Total Current Liabilities | 2,541.7 | |
| Total Long-Term Liabilities | 2,403.9 | |
| | ----- | ----- |
| Total Shareholders' Equity | W 5,682.3 | W |
| | ===== | ===== |

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Non-Consolidated Operating Revenue. SK Telecom's operating revenue increased by 38.7% to Won 8,634.6 billion for the year ended December 31, 2002 from Won 6,227.1 billion for the year ended December 31, 2001, principally reflecting a 49.2% increase in cellular revenue to Won 7,542.3 billion for the year ended December 31, 2002 from Won 5,056.1 billion for the year ended December 31, 2001, which was partially offset by a 6.7% decrease in interconnection revenue.

The increase in SK Telecom's cellular revenue was principally due to an increase in the number of SK Telecom's wireless subscribers, which more than offset a decrease in the average monthly revenue per subscriber. The number of SK Telecom's subscribers increased to approximately 17.2 million as of December 31, 2002 from approximately 11.9 million as of December 31, 2001, reflecting the Shinsegi merger. Wireless Internet sales increased by 183.3% to Won 732.8 billion for the year ended December 31, 2002 from Won 258.7 billion for the year ended December 31, 2001, representing 9.7% of SK Telecom's cellular revenue, primarily due to the increased number of wireless Internet-enabled handset holders.

SK Telecom's non-consolidated average monthly revenue per subscriber (including interconnection revenue) decreased by 6.4% to Won 43,922 for the year ended December 31, 2002 from Won 46,937 for the year ended December 31, 2001. The decrease was principally due to the reduction in tariffs by 8.3% (based on the reduction in a standard tariff plan) from January 2002, the decrease in interconnection rates and the inclusion from January 12, 2002 of Shinsegi's subscribers, who produced lower average monthly revenue per subscriber. However, the decrease was partially offset by increases in wireless Internet average monthly revenue per subscriber and average monthly revenue per subscriber from value-added service.

On an aggregate basis, interconnection revenue decreased by 6.7% to Won 1,092.3 billion for the year ended December 31, 2002 from Won 1,171.1 billion for the year ended December 31, 2001. The decrease was the result of lower interconnection rates in 2002.

Non-Consolidated Operating Income. SK Telecom's operating income increased by 21.3% to Won 2,672.8 billion for the year ended December 31, 2002 from Won

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2,204.2 billion for the year ended December 31, 2001. SK Telecom's operating income increased at a lower rate than operating revenue because SK Telecom's operating expenses for the year ended December 31, 2002 increased by 48.2% to Won 5,961.8 billion compared to Won 4,023.0 billion for the year ended December 31, 2001. The increase in SK Telecom's operating expenses was primarily due to the Shinsegi merger and the increases in commissions, depreciation expenses, interconnection expenses, advertising expenses, labor costs, leased line expenses and miscellaneous operating expenses.

Commissions paid to SK Telecom's authorized dealers increased by 95.4% to Won 804.8 billion for the year ended December 31, 2002 compared to Won 411.9 billion for the year ended December 31, 2001. The increase was primarily due to the increase in new subscribers by 49.2% and in average subscribers by 17.6% during the period. In addition, commissions paid to SK Telecom's authorized dealers increased by 42.5% to Won 253.4 billion for the fourth quarter of 2002 compared to Won 177.8 billion for the third quarter of 2002 as a result of [our aggressive marketing activities to retain our existing customers during the 30-day business suspension period (from November 21, 2002 to December 20, 2002) imposed on the Company by the Ministry of Information and Communication of Korea for violating its handset subsidy regulation and to maintain our market leadership in 2G & 2.5G service as well as 3G service going forward.

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Depreciation and amortization expenses increased by 28.8% to Won 1,414.6 billion for the year ended December 31, 2002 compared to 1,098.0 billion for the year ended December 31, 2001. The increase in depreciation expenses was primarily due to the expansion of SK Telecom's CDMA 1xRTT network.

Interconnection expenses increased by 22.4% to Won 738.0 billion for the year ended December 31, 2002 compared to Won 603.1 billion for the year ended December 30, 2001. The increase was primarily due to the higher subscriber numbers (including as a result of the Shinsegi merger) and an increase of the mandated payment in Universal Service Obligation fund in the amount of Won 87.4 billion, which were only partially offset by a decrease in the level of interconnection fees that SK Telecom must pay to other operators for calls using their networks.

Advertising expenses increased by 59.4% to Won 440.2 billion for the year ended December 31, 2002 compared to Won 276.2 billion for the year ended December 31, 2001, primarily due to [the promotion of new services and the marketing activities related to the World Cup events in Korea. Advertising expenses for the first half of 2001 also were unusually low as a result of our efforts to satisfy the FTC's condition to our acquisition of Shinsegi that our wireless market share be less than 50.0% as of June 30, 2001. In addition, advertising expenses for the fourth quarter of 2002 were higher as a result of our aggressive marketing activities to retain our existing customers during the 30-day business suspension period and to maintain our market leadership in 2G & 2.5G service as well as 3G service going forward.

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Labor cost increased by 38.6% to Won 304.6 billion for the year ended December 31, 2002 compared to Won 219.8 billion for the year ended December 31, 2001. The increase was primarily due to the inclusion of Shinsegi's labor expense from January 13, 2002 and higher wage levels.

Leased line expenses increased by 23.7% to Won 266.8 billion for the year ended December 31, 2002 compared to Won 215.6 billion for the year ended December 31, 2001, primarily due to the Shinsegi merger and an increase in wireless traffic.

Miscellaneous operating expenses increased by 63.9% to Won 1,606.8 billion for the year ended December 31, 2002 compared to Won 980.4 billion for the year ended December 31, 2001, primarily due to the Shinsegi merger and increases in research and development expenses and frequency usage fees.

Non-Consolidated Other Income. Other income, consisting primarily of commission income, interest income, foreign exchange and translation gains and miscellaneous income, increased by 154.0% to Won 286.0 billion for the year ended December 31, 2002 compared to Won 112.6 billion for the year ended December 31, 2001. Other income increased primarily due to significant increases in commission income, foreign exchange translation gains, interest income, foreign exchange gains and miscellaneous other income.

Non-Consolidated Other Expenses. Other expenses, consisting primarily of interest expense, donations, foreign exchange and translation losses and miscellaneous expenses, increased by 39.9% to Won 777.0 billion for the year ended December 31, 2002 compared to Won 555.3 billion for the year ended December 31, 2001. Other expenses increased primarily as a result of a significant increase in miscellaneous other expenses due to the loss on disposal of fixed assets consisting of Shinsegi's unused equipment as well as the loss on disposal of marketable securities and the loss on investment securities impairment due to the share exchange transaction with KT Corporation. Other expenses also increased as a result of a significant increase in interest

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expenses, the absence of equity in losses of affiliates (we recorded a gain in the year ended December 31, 2002) and an increase in foreign exchange losses, which were partially offset by decreases in donations and foreign exchange translation losses. As a percentage of operating revenue, other expenses increased slightly to 9.0% for the year ended December 31, 2002 from 8.9% for the year ended December 31, 2001.

Non-Consolidated Income Tax. Provision for income taxes increased by 7.9% to Won 670.0 billion for the year ended December 31, 2002 from Won 621.1 billion for the year ended December 31, 2001.

Non-Consolidated Net Income. Principally as a result of the factors discussed above, SK Telecom's net income increased by 32.6% to 1,512.3 billion for the year ended December 31, 2002 from Won 1,140.3 billion for the year ended December 31, 2001.

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INCOME STATEMENT

| | (KRW MN) | |
|-----------------------------------|-------------|-----------|
| | 2002 | 2001 |
| SIGN-UP FEE | 229,941 | 113,227 |
| MONTHLY FEE | 3,035,145 | 2,143,776 |
| CALL CHARGE | 4,140,391 | 2,949,878 |
| WIRELESS INTERNET | 732,756 | 258,706 |
| VAS AND OTHERS | 479,559 | 249,655 |
| SALES DISCOUNT | (1,075,484) | (659,177) |
| CELLULAR REVENUE | 7,542,308 | 5,056,065 |
| Mobile to Mobile | 404,607 | 446,170 |
| Land to Mobile | 687,695 | 724,892 |
| INTERCONNECTION REVENUE | 1,092,301 | 1,171,062 |
| TOTAL REVENUE | 8,634,610 | 6,227,127 |
| WAGE & EMPLOYEE BENEFITS | 304,608 | 219,803 |
| MARKETING EXPENSES | 1,630,892 | 906,058 |
| Cellular Initial Commission | 371,825 | 123,052 |
| Cellular Monthly Commission | 433,002 | 286,513 |
| Advertisement | 440,164 | 276,164 |
| Retention Commission | 385,900 | 217,964 |
| Others | | 2,365 |
| REPAIR EXPENSES | 95,787 | 46,233 |
| RENT | 136,924 | 127,429 |
| FEES | 634,305 | 418,937 |
| DEPRECIATION (INCL. AMORTIZATION) | 1,414,627 | 1,097,992 |
| LEASED-LINE EXPENSES | 266,804 | 215,569 |
| R&D | 170,536 | 105,725 |
| FREQUENCY USAGE FEES | 119,216 | 55,898 |
| BAD DEBT | 19,783 | 108 |
| INTERCONNECTION EXPENSES | 738,033 | 603,149 |
| Mobile to Mobile | 494,054 | 501,933 |
| Mobile to Land | 156,540 | 131,616 |
| USOB | 87,439 | (30,400) |

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| | | |
|---|-----------|-----------|
| OTHERS | 430,246 | 226,058 |
| ----- | | |
| OPERATING EXPENSES | 5,961,761 | 4,022,959 |
| OPERATING INCOME | 2,672,849 | 2,204,168 |
| EBITDA (OPERATING INCOME + DEPRECIATION) | 4,087,476 | 3,302,160 |
| INTEREST INCOME | 45,868 | 38,869 |
| INCOMING FEES | 103,066 | 53,058 |
| FX GAIN | 8,599 | 6,671 |
| FX TRANSLATION GAIN | 26,200 | 2,369 |
| OTHERS | 102,268 | 11,596 |
| ----- | | |
| NON-OPERATING INCOME | 286,001 | 112,563 |

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| | | |
|-----------------------------|-----------|-----------|
| | | (KRW MN) |
| ----- | | |
| | 2002 | 2001 |
| ----- | | |
| INTEREST EXPENSES | 304,482 | 150,575 |
| LOSS ON USING EQUITY METHOD | | 177,048 |
| R&D CONTRIBUTION | 58,555 | 23,000 |
| DONATIONS | 67,432 | 111,146 |
| FX LOSS | 1,789 | 783 |
| FX TRANSLATION LOSS | 4,231 | 12,366 |
| OTHERS | 340,498 | 80,401 |
| ----- | | |
| NON-OPERATING EXPENSES | 776,987 | 555,319 |
| ORDINARY INCOME | 2,181,864 | 1,761,412 |
| EXTRAORDINARY GAIN | 504 | 25 |
| EXTRAORDINARY LOSS | | |
| ----- | | |
| INCOME BEFORE TAXES | 2,182,368 | 1,761,437 |
| INCOME TAXES | 670,043 | 621,115 |
| ----- | | |
| NET INCOME | 1,512,325 | 1,140,322 |
| ----- | | |

BALANCE SHEET

| | | |
|------------------------------|---------|----------|
| | | (KRW MN) |
| ----- | | |
| | Dec-02 | Dec-01 |
| ----- | | |
| ASSETS | | |
| CASH & MARKETABLE SECURITIES | 476,059 | 826,678 |

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| | | |
|------------------------------|------------|------------|
| TRADE RECEIVABLES | 1,293,257 | 871,656 |
| SHORT-TERM LOAN | 29,623 | 14,352 |
| ACCOUNTS RECEIVABLE | 1,018,236 | 838,355 |
| ACCRUED INCOME RECEIVABLES | 4,764 | 1,713 |
| INVENTORIES | 11,317 | 2,989 |
| PREPAID EXPENSES AND OTHERS | 61,136 | 33,921 |
| ----- | | |
| TOTAL CURRENT ASSETS | 2,894,392 | 2,589,665 |
| INVESTMENT 1) | 2,686,086 | 4,315,561 |
| LONG-TERM DEPOSITS 2) | 201,682 | 12,961 |
| LEASEHOLD GUARANTEE DEPOSITS | 221,815 | 201,846 |
| OTHERS | 102,030 | 115,521 |
| ----- | | |
| TOTAL INVESTMENT ASSETS | 3,211,613 | 4,645,890 |
| LAND | 439,915 | 414,872 |
| BUILDING & FIXTURE | 778,833 | 711,270 |
| MACHINERY AND EQUIPMENT | 2,432,552 | 1,703,018 |
| CONSTRUCTION IN PROGRESS | 345,063 | 162,479 |
| OTHERS | 455,186 | 266,007 |
| NET PP&E | 4,451,548 | 3,257,646 |
| INTANGIBLE & DEFERRED ASSETS | 2,390,350 | 134,735 |
| ----- | | |
| TOTAL FIXED ASSETS | 6,841,898 | 3,392,381 |
| TOTAL ASSETS | 12,947,904 | 10,627,936 |

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| | (KRW MN) | |
|------------------------------------|-----------|-----------|
| | Dec-02 | Dec-01 |
| ----- | | |
| LIABILITIES & SHAREHOLDERS' EQUITY | | |
| ACCOUNTS PAYABLE | 1,680,268 | 809,551 |
| ACCRUED EXPENSES | 469,267 | 231,639 |
| SHORT-TERM BORROWING | 620,000 | 850,000 |
| INCOME TAX PAYABLE | 384,179 | 357,201 |
| CURRENT PORTION OF LONG-TERM DEBT | 920,745 | 173,851 |
| OTHERS | 187,171 | 119,454 |
| ----- | | |
| TOTAL CURRENT LIABILITIES | 4,261,630 | 2,541,696 |
| DEPOSIT FOR FACILITIES | 46,850 | 49,758 |
| LONG-TERM DEBT | 2,913,922 | 2,214,966 |
| ACCRUED SEVERANCE INDEMNITIES | 46,879 | 34,916 |
| OTHERS | 38,010 | 32,375 |
| DEFERRED INCOME TAX CREDITS | 102,778 | 71,926 |
| ----- | | |
| TOTAL LONG-TERM LIABILITIES | 3,148,439 | 2,403,940 |
| TOTAL LIABILITIES | 7,410,069 | 4,945,637 |
| CAPITAL STOCK | 44,576 | 44,576 |
| CAPITAL SURPLUS | 2,884,385 | 3,748,546 |
| RETAINED EARNINGS | 4,898,146 | 3,381,739 |

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| | | |
|---------------------------------|-------------|-------------|
| CAPITAL ADJUSTMENTS | (2,289,272) | (1,492,562) |
| Treasury Stock | (2,192,449) | (1,425,851) |
| Loss on valuation of investment | (99,275) | (67,670) |
| Stock Options | 2,452 | 960 |
| ----- | | |
| TOTAL SHAREHOLDERS' EQUITY | 5,537,835 | 5,682,299 |
| ----- | | |

- 1) INVESTMENT IN AFFILIATES + INVESTMENT SECURITIES
- 2) LONG-TERM DEPOSITS + LONG-TERM FINANCIAL INSTRUMENTS + INVESTMENT IN FUNDS

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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.

By: /s/ Sung Hae

Name: Sung Hae Cho
Title: Vice President
IR Office

Date: January 29, 2003

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