

SK TELECOM CO LTD

Form 6-K

May 26, 2006

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

**Form 6-K
REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 OF
THE SECURITIES EXCHANGE ACT OF 1934
FOR THE MONTH OF MAY 2006**

SK Telecom Co., Ltd.

(Translation of registrant's name into English)

11, Euljiro2-ga Jung-gu
Seoul 100-999, Korea

(Address of principal executive offices)

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

Form 20-F

Form 40-F

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

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

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

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

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934. Yes No

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

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I. Company Overview

1. Business Objectives

Business Objectives

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

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2. Company History

A. Company History

(1) Changes Since Incorporation

a) Date of Incorporation

March 29, 1984 (date of shareholders meeting for the incorporation): Incorporated as Korea Mobile Communications Service Co., Ltd. (Authorized capital: Won 500 million / Paid-in capital: Won 100 million)

b) Location of the Headquarter

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

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

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

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

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

(2) Mergers

a) Subject: Shinsegi Communication Co., Ltd.

Date: January 13, 2002

Registration: January 16, 2002

b) Subject: SK IMT Co., Ltd.

Date: May 1, 2003

Registration: May 7, 2003

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(2) Changes to the Manufacturing Facilities

3. Total Number of Shares

A. Total number of shares

(As of Dec. 31, 2005)

(Unit: shares)

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

Table of Contents(As of Dec. 31,
2005)(Unit:
Won,
shares)

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

C. Acquisition and Disposition of Treasury Shares

(1) Status of Acquisition and Disposition of Treasury Shares

(Unit:
shares)

| Acquisition method | Type of share | Amount at the | | | Retirement | Amount at the | Remarks |
|--|-----------------|------------------------|--------------------|--------------------|------------|---------------|---------|
| | | beginning of period | Acquisition (+) | Disposition (-) | | | |
| Direct acquisition pursuant to Article 189-2 (1) of the relevant Act | Common share | 4,697,735 | | | | 4,697,735 | |
| Direct acquisition based on causes other than those stipulated in Article 189-2 (1) of the relevant Act | Preferred share | | | | | | |
| | Common share | 77,970 | | | | 77,970 | |
| Sub-total | Preferred share | | | | | | |
| | Common share | 4,775,705 | | | | 4,775,705 | |
| | Preferred share | | | | | | |

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| | | | | | | (Unit: shares) | |
|--|-----------------|---------------|-------------|-------------|------------|----------------|---------|
| Acquisition method | Type of share | Amount at the | | | | Amount at the | Remarks |
| | | beginning of | Acquisition | Disposition | Retirement | end | |
| | | period | (+) | (-) | (-) | of period | |
| Indirect acquisition through trust and other agreements | Common share | 3,886,710 | | | | 3,886,710 | |
| Total | Preferred share | | | | | | |
| | Common share | 8,662,415 | | | | 8,662,415 | |
| | Preferred share | | | | | | |

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

(2) Status of Profit Retirement

(Unit: in thousand Won, shares)

| Date of | Purpose of | Types of | Quantity of | Acquisition period of |
|---------|------------|----------|-------------|-----------------------|
|---------|------------|----------|-------------|-----------------------|

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| Retirement | Retirement | Retirement | Retirement | Retirement | Retirement | Legal basis |
|-------------------|-------------------|---------------------------------|------------|---------------|----------------------------------|---------------------------------|
| | share | share | amount | share | | |
| January 6, 2003 | Profit retirement | Common share | 4,457,635 | 998,510,240* | December 30, 2002 | Article 189 of the relevant Act |
| August 20, 2003 | Profit retirement | Common share | 2,544,600 | 524,387,490* | June 30, 2003 to August 11, 2003 | Article 189 of the relevant Act |
| Total | | Common share Preferred share | 7,002,235 | 1,522,897,730 | | |

* Excluding fees paid

(3) Status of Trust and Other Agreements for Treasury Shares

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(Unit: in million Won)

| Classification | Beginning | | Entry (+) | | Termination (-) | | Ending | | Remarks |
|---|----------------|----------|-----------|-------|-----------------|-------|----------------|----------|---------|
| | Amount | Cases | Amount | Cases | Amount | Cases | Amount | Cases | |
| Specific monetary trust | 982,000* | 4 | | | | | 982,000 | 4 | |
| Trust agreement with asset management companies | | | | | | | | | |
| Acquisition agreement with investment companies | | | | | | | | | |
| Total | 982,000 | 4 | | | | | 982,000 | 4 | |

* Won
631.2 billion
(October 26,
2004) / Won
350.8 billion
(October 29,
2004)

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

- a) On August 23, 1999, our company lent Won 118.6 billion of purchase funds for the employee stock ownership to the Employee Stock Ownership Program, and the Employee Stock Ownership Program re-lent the amount to the employees of the company in accordance with the internal allotment standards
 - Terms of the loan: 10-year installment repayment plan following a three-year grace period
 - The loan is deducted from wages for each individual to repay the Employee Stock Ownership Program, and is subsequently repaid to the company.
- b) Annual repayment amount of 2005: Won 7,948,266,029
 - Details of the loan repayment

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(As of December 31, 2005)

(Unit: in thousand Won)

| Classification | Amount | Remarks |
|-------------------------------------|---------------|--|
| Initial loan amount | 118,577,755 | Loaned on August 23, 1999 to 3,540 persons |
| Accumulated repayment amount | 103,991,548 | Including Won 7.94 billion repaid in 2005 |
| Balance | 14,586,207 | Full repayment by June 2012 |

(2) Voting Rights of the Employee Stock Ownership Program

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

(3) Shareholdings of the Employee Stock Ownership Program

(Unit: shares)

| Account classification | Types of share | Balance at the beginning of period | Balance at the end of period |
|-------------------------------|-----------------------|---|-------------------------------------|
| E.S.O.P. account | | | |
| Member account | Common share | 376,144 | 297,246 |

Pursuant to the pertinent law requiring the immediate allotment of the employee stock ownership directly purchased by a member, the company allots and holds the employee stock ownership allotted in 1999 in the member accounts once the allotment share amount for each individual member is determined.

5. Status of Voting Right

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[As of Dec. 31, 2005]

(Unit: shares)

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

6. Dividends and Others

| Classification | (Unit: in million Won except per share value) | | |
|-----------------------------|--|-------------|-------------|
| | 2005 | 2004 | 2003 |
| Par value per share | 500 | 500 | 500 |
| Current net income | 1,871,380 | 1,494,852 | 1,942,750 |
| Net income per share | 25,421 | 20,307 | 25,876 |

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| Classification | (Unit: in million Won except per share value) | | | |
|--|---|-----------|---------|-------|
| | 2005 | 2004 | 2003 | |
| Dividend income | 1,930,626 | 1,377,007 | 406,413 | |
| Total cash dividend | 662,529 | 758,227 | 404,879 | |
| Total share dividend | | | | |
| Propensity to cash dividend (%) | 35.4 | 50.7 | 20.8 | |
| Yield rate for cash dividend (%) | | | | |
| | Common share | 4.9 | 5.2 | 2.8 |
| | Preferred share | | | |
| Yield rate for share dividend (%) | | | | |
| | Common share | | | |
| | Preferred share | | | |
| Cash dividend per share | | | | |
| | Common share | 9,000 | 10,300 | 5,500 |
| | Preferred share | | | |
| Share dividend per share | | | | |
| | Common share | | | |
| | Preferred share | | | |

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

** The cash dividend per share for the

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

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II. Business Summary

1. Business Summary

A. Industry Status

(1) Characteristics of Industry

As of the end of December 2005, the number of domestic mobile phone subscribers reached 38.34 million and with a 79.4% penetration rate, the Korean mobile communication market can be considered to have reached its saturation point. However, considering the number of European countries with penetration

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rates exceeding 90%, additional future growth of the domestic market may be possible.

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

(2) Industry Growth

(Unit: 1,000 persons)

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

(Data: Ministry of Information and Communication website)

(3) Market Characteristics

The Korean mobile communication market includes the entire population of Korea with the mobile communication service needs, and almost every Korean is considered a potential user. With the market penetration rate reaching as high as 79.4% (as of the end of December 2005), the customer base is continuing to expand to include elementary school and pre-school children. Although demand to date has primarily been on the domestic market, as the

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business territory expands to overseas market, the size of overseas sales is expected to grow in the near future. Seasonal and economic fluctuations have much less influence on the Korean mobile communication market compared to other industries.

B. Company Status

(1) Market Shares

Our Market Share (Unit: %)

| Classification | 2005 | 2004 | 2003 |
|-----------------------|-------------|-------------|-------------|
| Mobile phone | 50.9 | 51.3 | 54.5 |

Market Share of Competitors (Unit: %)

| Classification | SK Telecom | KTF | LG Telecom |
|---|-----------------------|------------|-----------------------|
| Market share as of December 31, 2005 | 50.9 | 32.1 | 17.0 |

(Data: Ministry of Information and Communication website)

(2) New Business Contents and Prospects

a) Resolution for capital investment regarding Mobile Virtual Network Operator (MVNO) service in the U.S.

(January 26, 2005)

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

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

Service provided: MVNO

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

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

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

Recent business status

Launch of a new brand: HELIO

Full scale business scheduled for initiation in early 2006. Targeted at younger customer group relatively more familiar with the usage of wireless internet

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

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

We plan to improve customer recognition toward HSDPA through early market dominance and upgrade of market premium services by focusing on the early adopters and frequent users

2. Major Products

A. Status of Major Products

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| Business field | Sales type | Item | Major trademarks | (Unit: in million Won, %) |
|--------------------------------------|-------------------|--------------|-------------------------|-----------------------------|
| | | | | Sales amount (ratio) |
| Information and communication | Services | Mobile phone | June, NATE and others | 10,062,116 (99.03%) |
| | | Others | Others | 99,013 (0.97%) |

B. Price Trend of Major Products

| Business field | Sales type | Item | Major trademarks | (Unit: Won) | | |
|---|-------------------|-------------------------------------|-------------------------|--------------------|--------------------|--------------------|
| | | | | During 2005 | During 2004 | During 2003 |
| Mobile phone (Based on standard call charge) | | Basic fee (per month) | | 13,000 | 13,000 | 14,000 |
| | | Service fee (per 10 seconds) | | 20 | 20 | 20 |

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

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

3. Investment Status

A. Investment in Progress

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| | | | | | | | (Unit: in million Won) | |
|----------------|------------------|------------|--------------------------------------|---|-------------------|-------------------------|------------------------|---------|
| Business field | Classification | Investment | | Investment effect | Total investments | Amount already invested | Future investment | Remarks |
| | | period | Subject of investment | | | | | |
| Network | Upgrade | 2005 | CDMA 1x, EV-DO, 95A/B | Capacity increase and quality improvement | 500,000 | 375,759 | | |
| | Upgrade | 2005 | WCDMA | Capacity increase and quality improvement | 600,000 | 574,501 | | |
| | Upgrade | 2005 | Network, and others | Network expansion | 170,000 | 159,195 | | |
| Common | Upgrade | 2005 | System improvement | System Upgrade | 240,000 | 239,666 | | |
| | New installation | 2005 | Company building and general support | Improvement in working environment | 90,000 | 116,600 | | |
| Total | | | | | 1,600,000 | 1,465,721 | | |

* Amount already invested is the amount expended in 2005. See (B) Future Investment Plan for future investment amount.

B. Future Investment Plan

| | | | | | | | (Unit: in 100 million Won) | |
|-----------------------|---------------------------------|----------------------------|--------|-----------------------------------|------|------|---|---------|
| Business field | Asset type | Expected investment amount | | Expected investment for each year | | | Investment effect | Remarks |
| | | Amount | Amount | 2006 | 2007 | 2008 | | |
| Mobile phone business | Machinery, equipment and others | 16,000 | | 16,000 | | | Upgrades to the existing services and provision of new services | |
| Total | | 16,000 | | 16,000 | | | | |

* The above future investment plan

is based on estimates and may differ from the actual result due to changes in the business and managerial condition.

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4. Derivative Products and Others

A. Derivative Product Contracts Status

(1) Purpose of Contract: Currency exchange risk hedging

(2) Contract Terms

a) Cross Currency Swap (As of December 31, 2005)

| | | | | (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 before principal and interest payment date | (24,954) |
| US\$ 125 million | Credit Suisse | March 23, 2004 | Same as above | (25,310) |
| US\$ 50 million | BNP Paribas | March 23, 2004 | Same as above | (9,942) |
| Total: US\$300 million | | | | 60,206 |

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

b) FX Swap (As of December 31, 2005)

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| | | | | (Unit: in million Won) |
|------------------------|-----------------------|----------------------|--|----------------------------|
| Contract amount | Contract party | Contract date | Proceeds payment method | Income on valuation |
| US\$ 100 million | Credit Suisse | May 27, 2004 | Exchange before principal payment date | 13,245 |
| 5. R&D Activities | | | | |
| A. R&D Costs | | | | |

| | | | | (Unit: in thousand Won) |
|---------------------|-------------|-------------|-------------|-------------------------|
| Category | 2005 | 2004 | 2003 | Remarks |
| Raw material | 234,889 | 255,320 | 360,275 | |
| Labor | 35,191,759 | 36,026,539 | 37,798,978 | |

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| Category | 2005 | 2004 | (Unit: in thousand Won) | |
|--|--------------------|--------------------|-------------------------|---------|
| | | | 2003 | Remarks |
| Depreciation | 121,335,301 | 122,097,858 | 123,967,527 | |
| Commissioned service | 86,536,635 | 85,646,995 | 76,301,845 | |
| Others | 41,730,732 | 39,951,341 | 31,320,530 | |
| Total R&D costs | 285,029,316 | 283,978,053 | 269,749,155 | |
| Accounting | | | | |
| Sales and administrative expenses | 273,223,885 | 272,290,385 | 263,493,265 | |
| Development expenses (Intangible assets) | 11,805,431 | 11,687,668 | 6,255,890 | |
| R&D cost / Ratio of sales amount (Total R&D costs / Current sales amount×100) | 2.81% | 2.93% | 2.83% | |

6. Other Matters Related with Investment Decisions

A. External Fund Procurement Summary

(Domestic procurement)

| Source of procurement | Beginning balance | New procurement | Reduction from repayment | (Unit: in million Won) | |
|-----------------------|-------------------|-----------------|--------------------------|------------------------|---------|
| | | | | Ending balance | Remarks |
| Bank | | | | | |
| Insurance company | | | | | |
| Merchant banking | | | | | |

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| (Domestic procurement) | | | | (Unit: in million Won) | |
|--|-------------------|-----------------|--------------------------|------------------------|---------|
| Source of procurement | Beginning balance | New procurement | Reduction from repayment | Ending balance | Remarks |
| Loan specialty financial company | | | | | |
| Mutual savings bank | | | | | |
| Other financial institutions | 400,000 | 2,174,543 | (2,550,000) | 24,543 | |
| Total procurement from financial institutions | 400,000 | 2,174,543 | (2,550,000) | 24,543 | |
| Corporate bond (public offering) | 2,800,000 | 200,000 | (500,000) | 2,500,000 | |
| Corporate bond (private offering) | | | | | |
| Paid-in capital increase (public offering) | | | | | |
| Paid-in capital increase (private offering) | | | | | |
| Asset backed securitization (public offering) | | | | | |
| Asset backed securitization (private offering) | | | | | |
| Others | | | | | |
| Total procurement from capital market | 2,800,000 | 200,000 | (500,000) | 2,500,000 | |
| Borrowings from shareholder, officer and affiliated company | | | | | |
| Others | | | | | |
| Total | 3,200,000 | 2,374,543 | (3,050,000) | 2,524,543 | |

* Total amount of corporate bond issued during the current period: Won 200 billion

| (Overseas procurement) | | | | (Unit: in million Won) | |
|--|-------------------|-----------------|-----------------------------------|------------------------|-----------------------------|
| Procurement source | Beginning balance | New procurement | Reduction in repayment and others | Ending balance | Remarks |
| Financial institutions | | | | | |
| Overseas securities (Corporate bond) | 313,140 | | (9,240) | 303,900 | Adjustment of exchange rate |
| Overseas securities (shares and others) | 385,885 | | | 385,885 | |

Asset backed securitization

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(Overseas procurement)

(Unit: in million Won)

| Procurement source | Beginning balance | New procurement | Reduction in repayment and others | Ending balance | Remarks |
|---------------------------|--------------------------|------------------------|--|-----------------------|-----------------------------|
| Others | | | | | |
| Total | 699,025 | | (9,240) | 689,785 | Adjustment of exchange rate |

B. Credit Ratings

(1) Corporate Bond

| Credit rating date | Subject of valuation | Credit rating | Credit rating entity (Credit rating range) | Evaluation classification |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| Feb. 25, 2003 | Corporate bond | AAA | Korea Investors Service, Inc. | Current valuation |
| Feb. 25, 2003 | Corporate bond | AAA | Korea Ratings | Current valuation |
| Feb. 25, 2003 | Corporate bond | AAA | National Information on Credit Evaluation, Inc. | Current valuation |
| Jun. 23, 2003 | Corporate bond | AAA | Korea Ratings | Regular valuation |
| Jun. 26, 2003 | Corporate bond | AAA | Korea Investors Service, Inc. | Regular valuation |
| Jun. 30, 2003 | Corporate bond | AAA | National Information on Credit Evaluation, Inc. | Regular valuation |
| Jul. 24, 2003 | Corporate bond | AAA | National Information on Credit Evaluation, Inc. | Current valuation |
| Jul. 25, 2003 | Corporate bond | AAA | Korea Ratings | Current valuation |
| Jul. 25, 2003 | Corporate bond | AAA | Korea Investors Service, Inc. | Current valuation |
| Nov. 10, 2003 | Corporate bond | AAA | National Information on Credit Evaluation, Inc. | Current valuation |
| Nov. 10, 2003 | Corporate bond | AAA | Korea Ratings | Current valuation |
| Nov. 10, 2003 | Corporate bond | AAA | Korea Investors Service, Inc. | Current valuation |
| Mar. 12, 2004 | Corporate bond | AAA | Korea Ratings | Current valuation |

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| Credit rating date | Subject of valuation | Credit rating | Credit rating entity (Credit rating range) | Evaluation classification |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| Mar. 15, 2004 | Corporate bond | AAA | National Information on Credit Evaluation, Inc. | Current valuation |
| Apr. 23, 2004 | Corporate bond | AAA | Korea Investors Service, Inc. | Current valuation |
| Apr. 23, 2004 | Corporate bond | AAA | Korea Ratings | Current valuation |
| Dec. 6, 2004 | Corporate bond | AAA | Korea Investors Service, Inc. | Current valuation |
| Dec. 6, 2004 | Corporate bond | AAA | National Information on Credit Evaluation, Inc. | Current valuation |
| Mar. 11, 2005 | Corporate bond | AAA | Korea Investors Service, Inc. | Current valuation |
| Mar. 11, 2005 | Corporate bond | AAA | Korea Ratings | Current valuation |
| Mar. 14, 2005 | Corporate bond | AAA | Korea Ratings | Regular valuation |
| Jun. 14, 2005 | Corporate bond | AAA | National Information on Credit Evaluation, Inc. | Regular valuation |

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

(2) CP

| Credit rating date | Subject of valuation | Credit rating | Credit rating entity (Credit rating range) | Evaluation classification |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| Jun. 23, 2003 | CP | A1 | Korea Ratings | Current valuation |
| Jun. 30, 2003 | CP | A1 | National Information on Credit Evaluation, Inc. | Current valuation |
| Nov. 10, 2003 | CP | A1 | Korea Ratings | Regular valuation |
| Jan. 26, 2004 | CP | A1 | National Information on Credit Evaluation, Inc. | Regular valuation |

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| Credit rating date | Subject of valuation | Credit rating | Credit rating entity (Credit rating range) | Evaluation classification |
|---------------------------|-----------------------------|----------------------|---|----------------------------------|
| Jun. 8, 2004 | CP | A1 | National Information on Credit Evaluation, Inc. | Current valuation |
| Jun. 11, 2004 | CP | A1 | Korea Ratings | Current valuation |
| Jun. 11, 2004 | CP | A1 | Korea Investors Service, Inc. | Current valuation |
| Jun. 13, 2005 | CP | A1 | Korea Investors Service, Inc. | Current valuation |
| Jun. 14, 2005 | CP | A1 | National Information on Credit Evaluation, Inc. | Current valuation |
| Jun. 16, 2005 | CP | A1 | Korea Ratings | Current valuation |

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

(3) International Credit Ratings

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

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III. Financial Information

1. Summary Financial Statements

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(Unit: in million Won)

| Classification | Year ended December 31, | | | | |
|------------------------------------|-------------------------|-------------|-------------|-------------|-------------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Current assets | 4,172,485 | 3,854,345 | 3,460,706 | 2,746,991 | 2,589,665 |
| Quick assets | 4,166,500 | 3,843,384 | 3,452,682 | 2,736,273 | 2,586,676 |
| Inventory | 5,985 | 10,961 | 8,024 | 10,718 | 2,989 |
| Fixed assets | 10,349,191 | 10,166,360 | 9,915,253 | 9,974,227 | 8,038,270 |
| Investments | 2,366,760 | 2,112,488 | 1,763,359 | 3,132,330 | 4,645,890 |
| Tangible assets | 4,595,884 | 4,605,253 | 4,551,626 | 4,451,548 | 3,257,646 |
| Intangible assets | 3,386,547 | 3,448,619 | 3,600,268 | 2,390,350 | 134,735 |
| Total assets | 14,521,676 | 14,020,705 | 13,375,959 | 12,721,218 | 10,627,936 |
| Current liabilities | 2,747,268 | 2,859,711 | 4,231,974 | 4,015,859 | 2,484,431 |
| Fixed liabilities | 3,516,528 | 4,033,902 | 3,202,147 | 3,168,412 | 2,403,940 |
| Total liabilities | 6,263,796 | 6,893,613 | 7,434,121 | 7,184,271 | 4,888,371 |
| Capital | 44,639 | 44,639 | 44,639 | 44,576 | 44,576 |
| Capital surplus | 2,966,198 | 2,983,166 | 2,915,964 | 2,884,385 | 3,748,546 |
| Surplus from share issuance | 2,915,887 | 2,915,887 | 2,915,964 | 2,884,385 | 3,736,253 |
| Other capital surplus | 50,311 | 67,279 | | | 12,293 |
| Income surplus | 7,269,861 | 6,156,708 | 5,140,349 | 4,897,099 | 3,439,004 |
| Capital adjustment | (2,022,817) | (2,057,422) | (2,159,114) | (2,289,112) | (1,492,562) |
| Total capital | 8,257,881 | 7,127,091 | 5,941,838 | 5,536,948 | 5,739,565 |
| Sales | 10,161,129 | 9,703,681 | 9,520,244 | 8,634,049 | 6,227,127 |

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(Unit: in million Won)

| Classification | Year ended December 31, | | | | |
|---------------------------|-------------------------|-----------|-----------|-----------|-----------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| Operation income | 2,653,570 | 2,359,581 | 3,080,660 | 2,683,676 | 2,204,168 |
| Ordinary income | 2,554,613 | 2,115,778 | 2,714,194 | 2,179,993 | 1,761,412 |
| Current net income | 1,871,380 | 1,494,852 | 1,942,750 | 1,511,278 | 1,140,322 |

* See the attached
audit report
IV. Auditor's Opinion

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1. Auditor's Opinion and Others

A. Auditor

| | 2005 | 2004 | 2003 |
|------------------|--------------------|-------------------------|----------------------|
| | Deloitte Anjin LLC | Deloitte Hana Anjin LLC | Hana Accounting Firm |
| B. Audit Opinion | | | |

| Year ended December 31, | Auditor's opinion | Remark |
|--------------------------------|--------------------------|---------------|
| 2005 | Appropriate | |
| 2004 | Appropriate | |
| 2003 | Appropriate | |

2. Auditor's Opinion (internal audit) for the Applicable Fiscal Year

A. Audit Procedure Summary

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(1) Name and Full-time Members of the Audit Committee: Kim Yong Woon (Chairman), Kim Dae Sik, Nam Sang Koo

(2) Status of Full-time Audit Assistants: Park Young Keun and 5 others

(3) Audit Schedule: January 23, 2006 ~ February 13, 2006

B. Auditor's opinion

(1) Balance Sheet and Statement of Income

The Balance Sheet and the Income Statement appropriately indicate the status of the company's property and income in accordance with the corporate accounting standards and pertinent laws and regulations.

(2) Business Report

The Business Report appropriately indicates the company status in accordance with the laws and Articles of Incorporation.

(3) Statement of Retained Earnings or Statement of Deficit Disposition

The Statement of Retained Earnings is prepared appropriately pursuant to the laws and the Articles of Incorporation, and it is appropriately prepared to reflect the assets held by the company and other relevant conditions.

3. Auditor's Opinion on the Consolidated Financial Statements

The consolidated financial statements will be submitted by April 30, 2006 after the completion of audit process.

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A. Auditor

| | | |
|-------------------------------|-------------------------|----------------------|
| 2005 | 2004 | 2003 |
| Deloitte Anjin LLC | Deloitte Hana Anjin LLC | Hana Accounting Firm |
| B. Consolidated Audit Opinion | | |

| | | |
|--------------------------------|--------------------------|---------------|
| Year ended December 31, | Auditor s opinion | Remark |
|--------------------------------|--------------------------|---------------|

| | |
|-------------|-------------|
| 2005 | |
| 2004 | Appropriate |
| 2003 | Appropriate |

4. Remuneration for Outside Auditors for the Past Three Fiscal Years

A. Audit Contracts

| | | | | |
|--------------------------------|-------------------------|---|-------------------------|---|
| | | | (Unit: in thousand Won) | |
| Year ended December 31, | Auditors | Contents | Fee | Total hours |
| | | Bi-annual review | 447,000 | |
| | | Quarterly review | | |
| 2005 | Deloitte Anjin LLC | Non-consolidated financial statements audit | | 5,177 (excluding consolidated audit) |
| | | Consolidated financial statements audit | | |
| 2004 | Deloitte Hana Anjin LLC | Bi-annual review | 360,000 | 4,808 |

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| (Unit: in thousand Won) | | | | |
|-------------------------|----------------------|--|---------|-------------|
| Year ended December 31, | Auditors | Contents | Fee | Total hours |
| 2003 | Hana Accounting Firm | Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit | 270,000 | 3,927 |
| | | Bi-annual review | | |
| | | Quarterly review Non-consolidated financial statements audit Consolidated financial statements audit | | |

B. Non-Audit Services Contract with External Auditors

| (Unit: in thousand Won) | | | | | |
|-------------------------|-------------------|---|-------------------------|--------|---------|
| Year ended December 31, | Contract date | Service provided | Service period | Fee | Remarks |
| 2005 | February 4, 2005 | Advisory service regarding the set up of the internal control | 9 days | 46,080 | |
| | March 30, 2005 | - Form 20-F for the year ended December 31, 2003 -Response to the U.S. S.E.C. comments regarding the Form 6-K including the U.S. GAAP consolidated financial statements for the year ended June 30, 2004 | 10 days | 20,200 | |
| | March 31, 2005 | Tax adjustment for the year ended December 31, 2004 | 7 days | 24,920 | |
| | April 15, 2005 | Tax consulting | 3 days | 5,000 | |
| | April 29, 2005 | Tax consulting | 7 days | 19,000 | |
| | June 1, 2005 | 2004 English audit | 20 days | 86,000 | |
| | July 18, 2005 | Tax consulting | 5 days | 13,500 | |
| | December 31, 2005 | Tax consulting | All year (100 hours) | 10,000 | |

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| Year ended December 31, | Contract date | Service provided | (Unit: in thousand Won) | | |
|-------------------------|--------------------|--|-------------------------|---------|---------|
| | | | Service period | Fee | Remarks |
| 2004 | March 2, 2004 | Consulting on the issuance of overseas unsecured debenture | 17 days | 49,500 | |
| | March 30, 2004 | Tax adjustment for the year ended December 31, 2003 | 5 days | 22,650 | |
| | April 1, 2004 | Financial due diligence | 6 days | 6,100 | |
| | April 10, 2004 | Thailand tax consulting | 4 days | 12,000 | |
| | April 14, 2004 | Consulting on issuance of overseas exchangeable bond | 15 days | 48,800 | |
| | May 10, 2004 | Indonesia tax consulting | 4 days | 9,600 | |
| | September 30, 2004 | U.S. GAAP Consolidated Audit (yearly basis) | 20 days | 86,000 | |
| | September 30, 2004 | U.S. GAAP Consolidated Audit (Semi-term basis) | 30 days | 114,000 | |
| | October 15, 2004 | Consulting on internal control recommendations | 50 days | 171,000 | |
| | March 10, 2003 | 2002 fiscal year tax adjustment | 21 days | 20,000 | |
| 2003 | April 7, 2003 | U.S. GAAP Consolidated Audit (annual) | 20 days | 71,000 | |
| | April 7, 2003 | U.S. GAAP Consolidated Audit (bi-annual) | 30 days | 94,000 | |
| | June 11, 2003 | Tax consulting | 19 days | 13,000 | |
| | August 1, 2003 | SK IMT audit | 3 days | 9,673 | |
| | September 8, 2003 | Tax consulting on a Singapore project | 12 days | 13,000 | |
| | November 14, 2003 | SOX Readiness Training | 1 days | 4,853 | |
| | December 24, 2003 | Merger related consulting and others | 6 days | 7,000 | |

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V. Management Structure

1. Summary

A. Board of Directors

(1) Authorities of the Board of Directors

a) Resolution of the board of directors regarding Article 7

- Convocation of shareholders meeting and submission of agenda thereto
 - Prior approval of the financial statements
 - Decisions on the 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 and closure of branches
 - Enactment and revision of provisions for the Board of Directors
 - Annual business plan and budgeting
 - Approval of investments exceeding Won 15 billion
 - Budget increases and changes in plans for investments exceeding Won 15 billion
 - Diversification into new businesses
 - Investments and joint ventures exceeding Won 15 billion (excluding the matters subject to prior approval by independent Non-Executive directors)
-

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- Establishment of subsidiaries
 - Guaranties exceeding Won 15 billion (excluding the matters subject to prior approval by independent Non-Executive directors)
 - Transactions exceeding the lesser of amount equivalent to 10% of capital or Won 10 billion undertaken with interested parties
 - Material changes in accordance with the Anti-trust Law and Fair Trade Act among disclosed information
 - Enactment of and amendment to the Internal Trading Procedure
 - Other matters considered necessary by the Board of Directors and those requiring Board of Directors approval under relevant laws
- b) Reporting items: Article 7.2 of the regulations of the Board of Directors
- The representative director must report the following within two months after the date of occurrence to the Board of Directors
 - Results for the period ended June 31 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 under Won 15 billion
 - Matters related to guarantees of over Won 15 billion
 - Internal trading not subject to approval by the Board of Directors
 - Matters delegated to the representative director that are requested by the Board of Directors for reporting
- (2) Publication of Candidate Information Prior to the Shareholders Meeting for the Election of Directors and Shareholders Nomination
- a) On February 16, 2006, through the convocation of the shareholders meeting, information on candidates Kim Yong Woon and Lim Hyun Chin was publicized.
 - b) There was no nomination by the shareholders
-

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(3) Major Activities of the Board of Directors

| Meeting | Date | Agenda | Approval | Remarks |
|--|-------------------|---|----------------------|----------------|
| 253rd (the first meeting of 2005) | January 26, 2005 | <ul style="list-style-type: none"> - Execution of global business through cooperation with the U.S. MVNO service provider - Financial statements for the year ended December 31, 2004 - Annual business report for the year ended December 31, 2004 - Organization of Nomination Committee for Independent Non-Executive Director | Approved as proposed | |
| 254th (the second meeting of 2005) | February 22, 2005 | <ul style="list-style-type: none"> - Convocation of the 21st General Meeting of Shareholders | Approved as proposed | |
| 255th (the third meeting of 2005) | March 11, 2005 | <ul style="list-style-type: none"> - Election of the chairman and the executive director - Amendment of Operations Guideline for Sub-committees - Election of Sub-committee members - Issuance of corporate bond | Approved as proposed | |
| 256th (the fourth meeting of 2005) | May 3, 2005 | <ul style="list-style-type: none"> - Disposition of SK Teletech equity - Capital investment on movie contents investment fund - Modification to the NGM Investment - Amendment of Operations Guideline for Sub-committees | Approved as proposed | |
| 257th (the fifth meeting of 2005) | May 27, 2005 | <ul style="list-style-type: none"> - Capital investment and equity acquisition for music contents business - Amendment of Operations Guideline for Sub-committees | Approved as proposed | |

- Designation of financial expert for the Audit Committee

258th

June 24, 2005

- Revision of provisions on internal trading
- Approved as proposed

(the sixth meeting of 2005)

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| | Date | Agenda | Approval | R |
|--|-------------------|---|---|----------|
| 259th 25th meeting of 2005) | July 29, 2005 | - Interim dividend - Establishment of the Global Business Committee and election of its members | Approved as proposed | |
| 260th 26th meeting of 2005) | August 26, 2005 | - Participation in the capital increase of TU Media | Approved as proposed | |
| 261st 27th meeting of 2005) | November 8, 2005 | - Participation in the capital increase of Vietnam SLD - Change of the compliance officer for fair competition management | Approved as proposed | |
| 262nd 28th meeting of 2005) | December 7, 2005 | - IT SM contract - IT assets acquisition - IT Investment | Approved as proposed | |
| 263rd 29th meeting of 2005) | December 23, 2005 | - 2006 management plan | Approved as proposed | |
| 264th 1st meeting of 2006) | January 23, 2006 | - Financial statements for the year ended December 31, 2005 - Annual business report for the year ended December 31, 2005 - Organization of the Nomination Committee for Independent Non-Executive Directors - Revision of Operation Guideline for the Compensation Review Committee | Approved as proposed Approved as proposed Approved as proposed Revised proposal to be presented to the Board of Directors in April | |
| 265th 2nd meeting of 2006) | February 14, 2006 | - Convocation of the 22nd General Meeting of Shareholders | Approved as proposed | |

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- (4) Committee Structure and Activities of the Board of Directors
 a) Independent Non-Executive Director Nomination Committee
 - Organization (as of March 10, 2006)

| Persons | Chairman | Company Directors | Members Independent Non-Executive Directors |
|------------------------------|-----------------|--------------------------|--|
| 4 - Details of activities | Cho Jung Nam | Ha Sung Min | Yoon Jae Seung and Lee Sang Jin |

| Meeting | Date | Number of Attendees | Details |
|---|----------------------|----------------------------|--|
| 6th (the first meeting of 2005) | February 21, 2005 | 4 persons/4 persons | - Election of the Chairman: Cho Jung Nam - 21 st General Meeting of Shareholders: Nomination of independent Non-Executive director candidates - Kim Dae Sik, Byon Dae Kyu, Yang Seung Taek, Yoon Jae Seung, Lee Sang Jin |
| 7th (the first meeting of 2006) | February 14, 2006 | 3 persons/4 persons | - Election of the Chairman: Cho Jung-nam - 22 nd General Meeting of Shareholders: Nomination of independent Non-Executive director candidates - Kim Yong-woon, LIm Hyun Chin |

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

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- b) Remuneration Review Committee
 - Organization (as of March 10, 2006)

| Number of Persons | Company Directors | Members | |
|-----------------------------------|-------------------|--|--|
| | | Independent Non-Executive Directors | |
| 3 persons | | Kim Yong Woon, Yang Seung Taek, Lee Sang Jin | |
| - Activities | | | |
| Meeting | Date | Number of Attendees | Details |
| The first meeting of 2005 | February 22, 2005 | 2 persons/3 persons | Review of remuneration system for officers |
| The second meeting of 2005 | May 3, 2005 | 3 persons/3 persons | Election of chairman for Remuneration Review Committee |
| The third meeting of 2005 | May 27, 2005 | 3 persons/3 persons | Review of remuneration system for officers |
| The fourth meeting of 2005 | June 24, 2005 | 3 persons/3 persons | Review of remuneration system for officers |
| The fifth meeting of 2005 | August 26, 2005 | 3 persons/3 persons | Explanation on KPI operation system |

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

- c) Investment Review Committee
-

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- Organization (as of March 10, 2006)

| Persons | Company Directors | Members Independent Non-Executive Directors |
|---------------------------|--------------------------------|--|
| 5 persons - Activities | Lee Bang Hyung, Ha Sung Min | Byon Dae Kyu, Yang Seung Taek, Yoon Jae Seung |

| Meeting | Date | Number of Attendees | Details |
|-----------------------------------|-------------------|----------------------------|---|
| The first meeting of 2005 | May 3, 2005 | 5 persons/5 persons | Election of the chairman of the Investment Review Committee |
| The second meeting of 2005 | May 26, 2005 | 5 persons/5 persons | Capital investment and equity acquisition for music contents business |
| The third meeting of 2005 | December 22, 2005 | 5 persons/5 persons | 2006 Investment Plan |
| The first meeting of 2006 | February 13, 2006 | 4 persons/5 persons | Additional report on 2006 Investment Plan |

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

- d) Global Business Committee
 - Organization (as of March 10, 2006)

| Persons | Company Directors | Members Independent Non-Executive Directors |
|----------------|--------------------------|--|
| 4 persons | Ha Sung Min | Kim Dae Sik, Byon Dae Kyu, Lee Sang Jin |

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- Activities

| Meeting | Date | Number of Attendees | Details |
|-----------------------------------|--------------------|---------------------|--|
| The first meeting of 2005 | August 25, 2005 | 4 persons/4 persons | Election of the chairman |
| The second meeting of 2005 | September 24, 2005 | 3 persons/4 persons | Business analysis and negotiation strategy in India Global business report |

The Global Business Committee is a committee established by the resolution of the Board of Directors.

e) Audit Committee: See B. Audit System

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

B. Audit System

(1) Establishment and Organization of the Audit Committee

a) The Audit Committee is organized with more than three directors. However, independent Non-Executive directors must account for 2/3 or more, and the members are elected by the resolution of the Board of Directors each year.

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 from the attending members.

(2) Authority of the Audit Committee

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

(3) Members of the Audit Committee

Audit Committee Members are directors Kim Dae Sik, Kim Yong Woon, Nam Sang Koo and Lim Hyun Chin.

(4) Major Activities of the Audit Committee

| Meeting | Date | Agenda | Approval | Remarks |
|------------------------------------|-------------------|--|----------------------|----------------|
| The first meeting of 2005 | January 25, 2005 | Report on the status of company management | | |
| The second meeting of 2005 | February 21, 2005 | Audit report for the year ended December 31, 2004 Report on the operational status of the Internal Accounting Management System | Approved as proposed | |
| The third meeting of 2005 | March 10, 2005 | Operation evaluation of the Internal Accounting Management System | Approved as proposed | |
| The fourth meeting of 2005 | March 22, 2005 | Provision of outside auditor service Opinion on the audit of internal monitoring system | Approved as proposed | |
| The fifth meeting of 2005 | May 2, 2005 | 2005 Collective re-approval of the outside auditor service Election of chairman for the Audit Committee | Approved as proposed | |
| The sixth meeting of 2005 | May 26, 2005 | 2005 Remuneration for outside auditors Report on the company management status | Approved as proposed | |
| The seventh meeting of 2005 | June 24, 2005 | Provision of outside auditor service Report on the company management status | Approved as proposed | |
| The eighth meeting of 2005 | July 28, 2005 | Report on operational status of the Internal Accounting Management System Report on the company management status | | |
| The ninth meeting of 2005 | August 25, 2005 | Report on the company management status | | |

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| Meeting | Date | Agenda | Approval | Remarks |
|-----------------------------------|-------------------|--|----------------------|----------------|
| The first meeting of 2006 | January 20, 2006 | Report on operational status of the Internal Accounting Management System | | |
| The second meeting of 2006 | February 13, 2006 | Audit report for the year ended December 31, 2005 Operation evaluation of the Internal Accounting Management System | Approved as proposed | |

C. Exercise of Voting Right by the Shareholders

(1) Use of the Cumulative Voting System

- a) According to the Articles of Incorporation, the cumulative voting system was first introduced in the General Meeting of Shareholders in 2003.
- b) Articles of Incorporation
 - Article 32 (3) (Election of Directors): Cumulative voting under Article 382-2 of the Commercial Law will not be applied for the election of directors.
 - Article 4 of the 12th Supplement to the Articles of Incorporation (Interim Regulation): Article 32 (3) of the Articles of Incorporation shall remain effective until the day immediately preceding the date of the general shareholders meeting of 2003.

D. Remuneration for Officers and Others

(1) Remuneration for Directors (including Independent Non-Executive Directors) and Members of the Audit Committee

(Unit: in million Won)

| Classification | Total payment | Total approval by the Meeting of Shareholders | Average payment per person | Remarks |
|---|----------------------|--|-----------------------------------|--|
| Company directors (4 persons) | 3,303 | 12,000 | 825 | |
| Independent Non-Executive directors (7 persons) | 614 | | 88 | Including members of the Audit Committee (3 persons) |

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(2) Granting and Exercise of Stock Options

As of December 31, 2005

(Unit: in thousand Won, shares)

| Registered persons | Relationship | Grant date | Grant method | Type of stocks | Fluctuation volume | | Amount not exercised | Exercise period | Exercise price |
|--------------------|--------------------|----------------|---|----------------|--------------------|----------|----------------------|--|----------------|
| | | | | | Granted | Canceled | | | |
| Jung Nam | Registered officer | March 28, 2001 | Distribution of equity stocks or new stocks | Common stock | 7,750 | | 7,750 | Within two years following the third year after the date of grant (March 28, 2001) | 211 |
| Kwan Ho | | March 28, 2001 | | Common stock | 1,250 | | 1,250 | | |
| Dae Sik | Registered officer | March 28, 2001 | | Common stock | 1,000 | | 1,000 | | |
| Sang Koo | Registered officer | March 28, 2001 | | Common stock | 1,000 | | 1,000 | | |
| Sang Jin | Registered officer | March 28, 2001 | | Common stock | 1,000 | | 1,000 | | |
| Ki Jung | | March 28, 2001 | | Common stock | 1,000 | | 1,000 | | |
| e Jun Kap | | March 28, 2001 | | Common stock | 1,000 | -1,000 | | | |
| n Dae Kyu | Registered officer | March 28, 2001 | | Common stock | 1,000 | | 1,000 | | |
| Bang Hyung | Registered officer | March 28, 2001 | | Common stock | 1,270 | | 1,270 | | |

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| Persons | Relationship | Grant date | Grant method | Type of stocks | Fluctuation volume | | | Amount not exercised | Exercise period | Exercise price |
|------------|--------------------|-------------------|---|----------------|--------------------|-----------|--------|----------------------|---|----------------|
| | | | | | Granted | Exercised | Cancel | | | |
| Song rs | Employees | March 28, 2001 | | Common stock | 27,550 | | -530 | 27,020 | | |
| | | | | | 43,820 | | -1,530 | 42,290 | | |
| Nam | Registered officer | March 8, 2002 | Distribution of equity stocks or new stocks | Common stock | 6,150 | | | 6,150 | Within two years following the third year after the date of grant (March 8, 2001) | 2 |
| Jin | | March 8, 2002 | | Common stock | 790 | | | 790 | | |
| Je | Registered officer | March 8, 2002 | | Common stock | 1,650 | | | 1,650 | | |
| in | Registered officer | March 8, 2002 | | Common stock | 690 | | | 690 | | |
| n | Registered officer | March 8, 2002 | | Common stock | 1,000 | | | 1,000 | | |
| k | Registered officer | March 8, 2002 | | Common stock | 1,000 | | | 1,000 | | |
| Ku | Registered officer | March 8, 2002 | | Common stock | 1,000 | | | 1,000 | | |
| ng | | March 8, 2002 | | Common stock | 1,000 | | | 1,000 | | |
| Kyu | Registered officer | March 8, 2002 | | Common stock | 1,000 | | | 1,000 | | |
| eung | Registered officer | March 8, 2002 | | Common stock | 1,000 | | | 1,000 | | |
| Myung | Registered officer | March 8, 2002 | | Common stock | 1,620 | | | 1,620 | | |
| i and | | March 8, 2002 | | Common stock | 48,830 | | | 48,830 | | |
| | | | | | 65,730 | | | 65,730 | | |
| | | | | | 109,550 | | -1,530 | 108,020 | | |

* Director Bae Jun Kap resigned after the date of remuneration

(March 28, 2001), on April 10. This may result in the cancellation of stock options.

** Of the employees who were granted the stock option, one person resigned on March 26, 2001, after the approval by the Meeting of Shareholders but before the granting date (March 28, 2001), and 530 shares that were to be granted to the said employee have not been granted . Therefore, of the 43,820 stock options approved on March 16, 2001 at the Meeting of Shareholders, 42,290

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shares of the actual number of stock options have been granted.

*** The final price was calculated as of March 30, 2006.

2. Affiliated Companies

(1) Summary of Corporate Group

Name: SK Group

(2) Status of Capital Investments between Affiliated Companies

As of March 1, 2006

Based on common shares

| Investing company | Invested companies | | | | | | | |
|-----------------------|--------------------|-------------|------------|--------------|--------|--------|-------------|---------------|
| | SK Corporation | SK Networks | SK Telecom | SK Chemicals | SKC | SK E&C | SK Shipping | SK Securities |
| SK Corporation | | 40.97% | 21.47% | | 46.22% | | 72.13% | |
| SK Networks | | | 1.32% | | | 0.02% | 17.71% | 22.71% |
| SK Telecom | | | | | | | | |
| SK Chemicals | 0.83% | | | | | 39.40% | | |
| SKC | | | | 6.20% | | | 10.16% | 12.41% |
| SK E&C | | | | | | | | |
| SK Shipping | | | | | | 30.94% | | |

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| Investing company | Invested companies | | | | | | | |
|-----------------------------------|--------------------|-------------|------------|--------------|--------|--------|-------------|---------------|
| | SK Corporation | SK Networks | SK Telecom | SK Chemicals | SKC | SK E&C | SK Shipping | SK Securities |
| SK Securities | | | | | | | | |
| Walkerhill | | | | | | 2.38% | | |
| SK Gas | | | | | | | | |
| SK C&C | 11.16% | | | | | | | |
| Daehan City Gas | | | | | | | | |
| SK Telink | | | | | | | | |
| Busan City Gas | | | | | | | | |
| SK Capital | | | | | | | | |
| SK E&S | | | | | | | | |
| Jeonnam City Gas | | | | | | | | |
| Gangwon City Gas | | | | | | | | |
| WiderThan | | | | | | | | |
| Total affiliated companies | 11.99% | 40.97% | 22.79% | 6.20% | 46.22% | 72.75% | 100.00% | 35.12% |

| Investing companies | Invested companies | | | | | | | |
|---------------------|--------------------|--------|--------|--------|--------|--------------|----------|------------|
| | Walkerhill | SK E&S | SK Gas | SK C&C | DOPCO | Cheongju Gas | Gumi Gas | Pohang Gas |
| SK Corporation | | 51.00% | | | 32.38% | | | |
| SK Networks | 9.68% | | | 15.00% | 4.61% | | | |
| SK Telecom | | | | 30.00% | | | | |
| SK Chemicals | 0.25% | | | | | | | |
| SKC | 7.50% | | | | | | | |
| SK E&C | | | | | | | | |
| SK Shipping | | | | | | | | |

SK Securities

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| Investing companies | Invested companies | | | | | | | |
|-----------------------------------|--------------------|--------|--------|--------|--------|--------------|----------|------------|
| | Walkerhill | SK E&S | SK Gas | SK C&C | DOPCO | Cheongju Gas | Gumi Gas | Pohang Gas |
| Walkerhill | | | | | | | | |
| SK Gas | | | | | | | | |
| SK C&C | | | | | | | | |
| Daehan City Gas | | | | | | | | |
| SK Telink | | | | | | | | |
| Busan City Gas | | | | | | | | |
| SK Capital | | | | | | | | |
| SK E&S | | | 45.53% | | | 100.00% | 100.00% | 100.00% |
| Jeonnam City Gas | | | | | | | | |
| Gangwon City Gas | | | | | | | | |
| WiderThan | | | | | | | | |
| Total affiliated companies | 17.43% | 51.00% | 45.53% | 45.00% | 36.99% | 100.00% | 100.00% | 100.00% |

| Investing companies | Invested companies | | | | | | | |
|---------------------|--------------------|--------------------|-------------|------------|---------|--------|-----------|----------------|
| | Daehan City Gas | Daehan Engineering | SK Sci-tech | SK Capital | K-Power | SK NJC | SK Telink | Busan City Gas |
| SK Corporation | | | | | 65.00% | | | |
| SK Networks | | | | | | | | |
| SK Telecom | | | | 100.00% | | | 90.77% | |
| SK Chemicals | | | 50.00% | | | 60.00% | | |
| SKC | | | | | | | | |
| SK E&C | | | | | | | | |
| SK Shipping | | | | | | | | |

SK Securities

Walkerhill

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

| Investing companies | Invested companies | | | | | | | |
|---------------------|---------------------|------------------------|---------------------|----------------------|-----------------|-----------------------|-------------------------|---------------|
| | Stellar Shipping | Jeonnam City Gas | Gangwon City Gas | Iksan City Gas | Iksan Energy | OK Cashbag Service | Chungnam City Gas | SK Wyverns |
| SK Corporation | | | | | | 89.18% | | |
| SK Networks | | | | | | | | |
| SK Telecom | | | | | | 3.86% | | 99.99% |
| SK Chemicals | | | | | | | | |
| SKC | | | | | | | | |
| SK E&C | | | | | | | | |
| SK Shipping | 80.82% | | | | | | | |
| SK Securities | | | | | | | | |

Walkerhill

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| Investing companies | Invested companies | | | | | | | |
|-----------------------------------|--------------------|------------------|------------------|-------------------|--------------|--------------------|-------------------|------------|
| | Stellar Shipping | Jeonnam City Gas | Gangwon City Gas | Iksan City Gas | Iksan Energy | OK Cashbag Service | Chungnam City Gas | SK Wyverns |
| SK Gas | | | | | | | | |
| SK C&C | | | | | | | | |
| Daehan City Gas | | | | | | | | |
| SK Telink | | | | | | | | |
| Busan City Gas | | | | | | | | |
| SK Capital | | | | | | | | |
| SK E&S | | 100.00% | 86.50% | 51.00% | 86.84% | | 100.00% | |
| Jeonnam City Gas | | | 13.50% | | 13.16% | | | |
| Gangwon City Gas | | | | 49.00% | | | | |
| WiderThan | | | | | | | | |
| Total affiliated companies | 80.82% | 100.00% | 100.00% | 100.00% | 100.00% | 93.04% | 100.00% | 99.99% |
| Investing companies | Invested companies | | | | | | | |
| | Infosec | MRO Korea | WiderThan | SK Communications | SK Telesys | Innoace | Jungjiwon | AirCROSS |
| SK Corporation | | | | | | | | |
| SK Networks | | 51.00% | | | | | | |
| SK Telecom | | | 10.10% | 91.12% | | 14.25% | | 38.10% |
| SK Chemicals | | | | | | | | |
| SKC | 20.63% | | | | 77.13% | | | |
| SK E&C | | | | | | | 18.00% | |
| SK Shipping | | | | | | | | |
| SK Securities | | | | | | | | |

Walkerhill

SK Gas

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| Investing companies | Infosec | MRO Korea | WiderThan | Invested companies | | Innoace | Jungjiwon | AirCROSS |
|-----------------------------------|------------------|---------------|-----------|----------------------------|---------------|-------------|-----------|----------|
| | | | | SK Communications | SK Telesys | | | |
| SK C&C | 48.14% | | | | | | | |
| Daehan City Gas | | | | | | | | |
| SK Telink | | | | 1.25% | | | | |
| Busan City Gas | | | | | | | | |
| SK Capital | | | | | | | | |
| SK E&S | | | | | | | | |
| Jeonnam City Gas | | | | | | | | |
| Gangwon City Gas | | | | | | | | |
| WiderThan | | | | | | 7.50% | | 42.86% |
| Total affiliated companies | 68.77% | 51.00% | 10.10% | 92.37% | 77.13% | 21.75% | 18.00% | 80.95% |
| Investing companies | Encar network | Global C&I | Oil chain | Invested companies | | TU Media | SK Utis | SK CTA |
| | | | | Dongshin Pharmaceutical | Paxnet | | | |
| SK Corporation | 50.00% | | 50.00% | | | | | 50.00% |
| SK Networks | | | | | | | | |
| SK Telecom | | 50.00% | | | 67.10% | 29.58% | | |
| SK Chemicals | | | | 40.14% | | | 60.00% | |
| SKC | | | | | | | | |
| SK E&C | | | | | | | | |
| SK Shipping | | | | | | | | |
| SK Securities | | 40.00% | | | | | | |
| Walkerhill | | | | | | | | |
| SK Gas | | | | | | | | |

SK C&C

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

| Investing companies | Invested companies | | | | | | |
|---------------------|--------------------|--------|--------------|------------------|------------------|-----------|----------------|
| | Seoul Records | In2Gen | Independence | SK Mobile Energy | SK Petrochemical | SKC Media | SK Incheon Oil |
| SK Corporation | | | | 88.34% | | | 90.63% |
| SK Networks | | | | | | | |
| SK Telecom | 60.00% | | | | | | |
| SK Chemicals | | 45.03% | | | 100.00% | | |
| SKC | | | | 11.66% | | 100.00% | |
| SK E&C | | | | | | | |
| SK Shipping | | | | | | | |
| SK Securities | | | | | | | |
| Walkerhill | | | | | | | |
| SK Gas | | | | | | | |

SK C&C

66.67%

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| | Invested companies | | | | | | |
|---|---------------------------|---------------|---------------------|-----------------------------|-----------------------------|----------------------|-------------------------------|
| Investing companies | Seoul Records | In2Gen | Independence | SK Mobile Energy | SK Petrochemical | SKC Media | SK Incheon Oil |
| Daehan City Gas | | | | | | | |
| SK Telink | | | | | | | |
| Busan City Gas | | | | | | | |
| SK Capital | | | | | | | |
| SK E&S | | | | | | | |
| Jeonnam City Gas | | | | | | | |
| Gangwon City Gas | | | | | | | |
| WiderThan | | | | | | | |
| Total affiliated companies | 60.00% | 45.03% | 66.67% | 100.00% | 100.00% | 100.00% | 90.63% |
| VI. Shares | | | | | | | |
| 1. Distribution of Shares | | | | | | | |
| A. Shareholdings of Major Shareholders and other Interested Parties | | | | | | | |

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of December 31, 2005

| Name | Relationship | Types of stock | Number of stocks owned (equity rate) | | | | Ending Number of stocks | Equity ratio |
|-------------------------------------|-------------------------------|---|--------------------------------------|-----------------|------------------------------------|---------------------------------|-------------------------------|-----------------|
| | | | Beginning Number of stocks | Equity ratio | Increase Number of stocks | Decrease Number of stocks | | |
| SK Corporation | The company | Common stock | 17,663,127 | 21.47 | | | 17,663,127 | 21.47 |
| SK Networks | Affiliated company | Common stock | 2,097,740 | 2.55 | | 1,012,415 | 1,085,325 | 1.32 |
| Kim Tae Won | Officer of affiliated company | Common stock | 100 | 0.00 | | | 100 | 0.00 |
| Kim Shin Won | Officer of affiliated company | Common stock | 300 | 0.00 | 400 | | 700 | 0.00 |
| Kim Dae Sik | Director | Common stock | 0 | 0.00 | 30 | 30 | 0 | 0.00 |
| Kim Shin Bae | Director | Common stock | 1,270 | 0.00 | | | 1,270 | 0.00 |
| Kim Dae Kyu | Director | Common stock | 0 | 0.00 | 50 | | 50 | 0.00 |
| Kim Jae Seung | Director | Common stock | 200 | 0.00 | | | 200 | 0.00 |
| Kim Bang Hyung | Director | Common stock | 0 | 0.00 | 1,630 | | 1,630 | 0.00 |
| Kim Sung Min | Director | Common stock | 738 | 0.00 | | | 738 | 0.00 |
| | Total | Common stock | 19,763,475 | 24.02 | 2,110 | 1,012,445 | 18,753,140 | 22.79 |
| | | Preferred stock | | | | | 0 | 0 |
| | | Total | 19,763,475 | 24.02 | 2,110 | 1,012,445 | 18,753,140 | 22.79 |
| Largest shareholder: SK Corporation | | Number of interested parties: 8 persons | | | | | | |

* As of December 31, 2005, director Kim Dae Sik is no longer an interested party.

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B. Shareholders with More than 5% Shareholding

(Unit: share,
%)

As of December 31, 2005

| Rank | Name (title) | Common share | | Preferred share | | Sub-total | |
|------|----------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | | Number of shares | Equity ratio | Number of stocks | Equity ratio | Number of shares | Equity ratio |
| 1 | Citibank ADR | 22,491,046 | 27.33 | | | 22,491,046 | 27.33 |
| 2 | SK Corporation | 17,663,127 | 21.47 | | | 17,663,127 | 21.47 |
| 3 | SK TELECOM | 8,662,415 | 10.53 | | | 8,662,415 | 10.53 |
| | Total | 48,816,588 | 59.33 | | | 48,816,588 | 59.33 |

C. Shareholder Distribution

As of December 31, 2005

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

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

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A. Domestic Securities Market

(Unit: Won, shares)

| Types | | December 2005 | November 2005 | October 2005 | September 2005 | August 2005 | July 2005 |
|----------------------------|---------|------------------|------------------|-----------------|-------------------|-------------|-----------|
| Common share | Highest | 200,500 | 194,500 | 209,500 | 218,000 | 200,000 | 200,500 |
| | Lowest | 179,000 | 181,500 | 180,500 | 189,000 | 184,500 | 177,000 |
| Monthly transaction volume | | 8,094,247 | 4,029,378 | 3,598,020 | 3,557,774 | 3,043,624 | 3,384,097 |

B. Overseas Securities Market

NYSE and London
Stock Exchange

(Unit: US\$, ADR)

| Types | | December 2005 | November 2005 | October 2005 | September 2005 | August 2005 | July 2005 |
|----------------------------|---------|------------------|------------------|--------------|-------------------|-------------|------------|
| Depository receipt | Highest | 21.61 | 21.13 | 21.95 | 23.14 | 21.94 | 21.88 |
| | Lowest | 20.11 | 19.83 | 19.74 | 21.30 | 20.92 | 20.06 |
| Monthly transaction volume | | 15,620,598 | 22,128,744 | 28,738,600 | 23,342,946 | 32,011,791 | 14,264,800 |

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VII. Employees

1. Employees Status

(Unit: persons, in
million Won)

| Classification | Number of employees | | | | Average service year | Total annual wage | Average wage per person | Remarks |
|----------------|-----------------------------------|-------------------------|--------|-------|-------------------------|----------------------|----------------------------------|---------|
| | Office managerial positions | Production positions | Others | Total | | | | |
| Male | 3,722 | | | 3,722 | 8.96 | 234,094 | 63 | |
| Female | 586 | | | 586 | 8.16 | 27,818 | 47 | |
| Total | 4,308 | | | 4,308 | 8.85 | 261,912 | 61 | |

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VIII. Transactions with Interested Parties

1. Transactions with the Largest Shareholder

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

(Unit: in million
Won)

| Name (Corporate name) | Relationship | Account category | Change details | | | Accrued Ending interest | Remarks |
|-----------------------|--------------------|--------------------------------|----------------|----------|----------|----------------------------|---------|
| | | | Beginning | Increase | Decrease | | |
| SK Wyverns | Affiliated company | Long-term and short-term loans | 7,957 | | 2,100 | 5,857 | 527 |

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B. Selling/Buying of Marketable Securities

(Unit: in thousand Won)

| Name (Corporate Name) | Relationship | Types of marketable securities | Details | | | Sales amount | Remarks |
|-----------------------|---------------------|--------------------------------|---------|---------|--------------|--------------|--|
| | | | Buy | Sell | Accumulation | | |
| SK Corporation | Largest shareholder | Share | | 501,000 | 501,000 | 25,777 | Share disposition for Korea Smart Card |
| C. Transfer of Assets | | | | | | | |

Transfer details

| Name) | Relationship | Objective | Transfer purpose | Transfer date | Amount | | |
|--|----------------------|---------------------------------|-------------------|---------------|-----------------------|----------------------|--------|
| | | | | | Transfer (out) amount | Transfer (in) amount | |
| Affiliated company | 13 vehicles | Disposition of surplus vehicles | May 25, 2005 | | | 118,736 | |
| Affiliated company | Server and equipment | Purchase of needed equipment | December 31, 2005 | 48,759,084 | | | Includ |
| 2. Transactions with Shareholders (excluding the largest shareholder and others), Officers, Employees and other Interested Parties | | | | | | | |

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

| | | | | | | | (Unit: in million Won) | |
|----------------------------|--------------|--------------------------------|-----------|----------|----------|--------|---------------------------------|---------|
| Classification: Agency | | | | | | | Change details | |
| Name (Corporate name) | Relationship | Account category | Beginning | Increase | Decrease | Ending | Accrued interest | Remarks |
| Possible and others | Agent | Long-term and short-term loans | 53,569 | 72,973 | 63,766 | 62,776 | 14 | |

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

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IX. Incidental Items

1. Issuance of CP

(Unit: in million
Won)**Financial institutions for**

| discount (brokerage) | Beginning balance | Increase | Decrease | Ending balance | Remarks |
|-------------------------------------|------------------------------|-----------------|-----------------|---------------------------|----------------|
| Banks | 230,000 | 630,000 | 860,000 | | |
| Securities | 170,000 | 620,000 | 790,000 | | |
| Insurances | | | | | |
| Merchant banking | | | | | |
| Asset management company | | | | | |
| Other financial institutions | | | | | |
| Total | 400,000 | 1,250,000 | 1,650,000 | | |

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X. Other Relevant Matters

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

A. Status and Progress of Major Management Events

| Report date | Title | Report | Reports status |
|---------------------|---|--|---|
| October 26, 2001 | Resolution on trust agreement for the acquisition of treasury shares and others | 1. Signatories: Cho Hung Bank, Korea Exchange Bank 2. Contract amount: 1,300 billion Won 3. Purpose: to increase shareholder value | 1. On December 24, 2003, cash surplus amount from the existing trust agreement was partially reduced (Won 318 billion). 2. On September 24, 2004, the Board of Directors extended the term of the specified monetary trust agreement for 3 years. 3. As of September 30, 2005, the balance of specified monetary trust for treasury shares was Won 982 billion. |

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2. Summary Minutes of the Shareholders Meeting

| Date | Agenda | Resolution | Remarks |
|--|---|--|----------------|
| Meeting of Shareholders for the year ended December 31, 2005 (March 10, 2006) | 1. Approval of the financial statements for the year ended December 31, 2005 2. Amendment of the Articles of Incorporation 3. Remuneration limit for Directors 4. Election of Directors (Election of independent Non-Executive directors as Audit Committee members) | Approved (Cash dividend, Won 8,000 per share) Approved (Addition of business objective: travel business) Approved (Won 12 billion) Approved (Kim Yong Woon and Lim Hyun Chin) | |
| 3. Contingent Liabilities | | | |
| A. Material Legal Proceedings | | | |
| (1) Action Seeking to Revoke against the Intellectual Property Tribunal's Decision Nullifying Patent Registration Related with the Caller Ring Service | | | |
| a) Parties to the litigation: Park Won Sup vs. SK Telecom | | | |

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- b) Overview: Mr. Park Won Sup (plaintiff: Representative Director of Ad Ring Systems Co., Ltd.) claimed that the caller ring service of SK Telecom infringed upon his patent, and SK Telecom sought to nullify Mr. Park's patent registration. The Intellectual Property Tribunal rendered the decision nullifying the patent right of the plaintiff, and the plaintiff commenced an action to revoke such decision.
 - c) Progress: The Patent Court dismissed plaintiff's claim (September 2005), after which the plaintiff appealed.
 - d) Impact on business: In the event that the case is decided against SK Telecom, there is a risk of future royalty obligations. (However, this is our expectation only, and the actual effect may change depending on the actual finding)
- (2) Action Seeking to Revoke Decision Nullifying Trademark Registration for SPEED 011
- a) Parties to the litigation: SK Telecom vs. KT Freetel Co., Ltd. (KTF) and LG Telecom Co., Ltd. (LGT)
 - b) Overview: The Intellectual Property Tribunal rendered decision nullifying our trademark registration for 011 and SPEED 011, and SK Telecom sought to revoke such decision at the Patent Court.
 - c) Progress
 - Plaintiff (SK Telecom)'s claim regarding the 011 trademark was dismissed, while a partial recognition (within the context of telephone communication and wireless communication business) has been granted with respect to the Speed 011 and SPEED 011 trademark. (December 24, 2004)
 - The case is pending at the Supreme Court as all parties appealed the decision (January 2005).
 - d) Impact on business: SK Telecom may continue to use the above trademarks (although exclusive right for the use of 011 would be lost) regardless of the outcome of the appeal, and its effect on our business is expected to be minimal. (However, this is our expectation only, and the actual effect may change depending on the actual finding)
-

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(3) Actions for the Cancellation of the International Registration for Satellite Network

a) Parties to the litigation: Korea Multinet Co., Ltd. (Korea Multinet) vs. the Ministry of Information and Communication (MIC , SK Telecom joined with the MIC)

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

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

d) Impact on business: No significant impact on our business is expected. (However, this is our expectation only, and the actual effect may change depending on the actual finding)

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

a) Parties to the litigation: Korea Multinet vs. MIC (SK Telecom joined with the MIC)

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

c) Progress: Trial currently in progress

d) Impact on business: Our company plans to provide full support although no significant business impact is expected.

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Forward-Looking Statement Disclaimer

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

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SIGNATURES

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

SK Telecom Co., Ltd.

(Registrant)

By: /s/ Hyun Jong Song

(Signature)

Name: Hyun Jong Song

Title: Vice President

Date: May 25, 2006

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NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS

SIGNATURES

SK TELECOM CO., LTD.

NON-CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

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, 2005 and 2004, and the related non-consolidated statements of income, appropriations of retained earnings, and cash flows for the years then ended (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, such financial statements referred to above presents fairly, in all material respects, the financial position of the Company as of December 31, 2005 and 2004, and the results of its operations, the appropriations of its retained earnings and its cash flows for the years then ended, 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.

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 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.

February 3, 2006

Notice to Readers

This report is effective as of February 3, 2006, 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, 2005 AND 2004

| ASSETS | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|---------------------------------------|---------------------------------------|---|---|
| | December 31, 2005 (In millions) | December 31, 2004 (In millions) | December 31, 2005 (In thousands) | December 31, 2004 (In thousands) |
| CURRENT ASSETS : | | | | |
| Cash and cash equivalents (Note 11) | ₩ 151,766 | ₩ 112,966 | \$ 150,263 | \$ 111,848 |
| Short-term financial instruments (Note 18) | 73,062 | 7,700 | 72,339 | 7,624 |
| Trading securities (Notes 2 and 3) | 745,360 | 640,389 | 737,980 | 634,049 |
| Current portion of long-term investment securities (Notes 2 and 3) | | 3,600 | | 3,564 |
| Accounts receivable – trade (net of allowance for doubtful accounts of ₩121,319 million at December 31, 2005 and ₩58,248 million at December 31, 2004) (Notes 2, 11 and 21) | 1,607,596 | 1,562,774 | 1,591,679 | 1,547,301 |
| Short-term loans (net of allowance for doubtful accounts of ₩648 million at December 31, 2005 and ₩562 million at December 31, 2004) (Notes 2, 5 and 21) | 64,150 | 55,613 | 63,515 | 55,062 |
| Accounts receivable – other (net of allowance for doubtful accounts of ₩14,246 million at December 31, 2005 and ₩13,665 million at December 31, 2004) (Notes 2, 11 and 21) | 1,333,238 | 1,365,226 | 1,320,038 | 1,351,709 |
| Inventories (Note 2) | 5,986 | 10,961 | 5,927 | 10,852 |
| Prepaid expenses | 101,274 | 80,768 | 100,271 | 79,968 |
| Deferred income tax assets, net (Notes 2 and 16) | 61,152 | | 60,547 | |
| Accrued income and other | 28,901 | 14,348 | 28,614 | 14,206 |
| Total Current Assets | 4,172,485 | 3,854,345 | 4,131,173 | 3,816,183 |
| NON-CURRENT ASSETS : | | | | |
| Property and equipment, net (Notes 2, 6, 20 and 21) | 4,595,883 | 4,605,253 | 4,550,379 | 4,559,656 |
| Intangible assets, net (Notes 2, 7 and 24) | 3,386,547 | 3,448,619 | 3,353,017 | 3,414,474 |
| Long-term investment securities (Notes 2 and 3) | 1,203,333 | 923,537 | 1,191,419 | 914,393 |
| Equity securities accounted for using the equity method (Notes 2 and 4) | 925,904 | 826,246 | 916,737 | 818,065 |

| | | | | | |
|---|---|--------------|--------------|---------------|---------------|
| Long-term loans (net of allowance for doubtful accounts of ₩23,737 million at December 31, 2005 and ₩19,173 million at December 31, 2004) (Notes 2, 5 and 21) | | 14,204 | 28,284 | 14,063 | 28,004 |
| Guarantee deposits (net of allowance for doubtful accounts of ₩311 million at December 31, 2005 and nil at December 31, 2004) (Notes 2, 11 and 21) | | 122,846 | 242,387 | 121,630 | 239,987 |
| Long-term deposits and other (Note 18) | | 100,474 | 92,034 | 99,479 | 91,124 |
| | | | | | |
| Total Non-Current Assets | | 10,349,191 | 10,166,360 | 10,246,724 | 10,065,703 |
| | | | | | |
| TOTAL ASSETS | # | ₩ 14,521,676 | ₩ 14,020,705 | \$ 14,377,897 | \$ 13,881,886 |

(Continued)

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SK TELECOM CO., LTD.
NON-CONSOLIDATED BALANCE SHEETS (CONTINUED)
December 31, 2005 AND 2004

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|---------------------------------------|----------------------|---|-------------------------|
| | December 31, 2005 (In millions) | December 31, 2004 | December 31, 2005 (In thousands) | December 31, 2004 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | | | |
| CURRENT LIABILITIES : | | | | |
| Accounts payable (Notes 11 and 21) | ₩ 971,558 | ₩ 1,070,588 | \$ 961,939 | \$ 1,059,988 |
| Short-term borrowings | | 400,000 | | 396,040 |
| Income taxes payable (Note 16) | 366,579 | 267,797 | 362,950 | 265,146 |
| Accrued expenses (Notes 2 and 22) | 362,178 | 378,303 | 358,592 | 374,557 |
| Dividend payable | 298 | 263 | 295 | 260 |
| Withholdings | 205,060 | 188,197 | 203,030 | 186,334 |
| Current portion of long-term debt, net (Notes 8 and 10) | 809,490 | 498,278 | 801,475 | 493,345 |
| Current portion of subscription deposits (Note 9) | 14,875 | 13,405 | 14,728 | 13,272 |
| Other | 17,230 | 42,880 | 17,058 | 42,454 |
| Total Current Liabilities | 2,747,268 | 2,859,711 | 2,720,067 | 2,831,396 |
| LONG-TERM LIABILITIES : | | | | |
| Bonds payable, net (Notes 2 and 8) | 2,314,208 | 2,891,843 | 2,291,295 | 2,863,211 |
| Subscription deposits (Note 9) | 23,770 | 31,440 | 23,535 | 31,129 |
| Long-term payables other (net of present value discount of ₩58,413million at December 31,2005 and ₩72,663 million at December 31, 2004) (Note 2) | 591,587 | 577,337 | 585,730 | 571,621 |
| Obligations under capital lease (Notes 2 and 10) | 10,204 | | 10,103 | |
| Accrued severance indemnities, net (Note 2) | 64,029 | 75,409 | 63,395 | 74,662 |
| Deferred income tax liabilities, net (Notes 2 and 16) | 409,715 | 323,096 | 405,658 | 319,897 |
| Long-term currency swap (Notes 2 and 23) | 73,450 | 96,743 | 72,723 | 95,785 |
| Guarantee deposits received and other (Note 21) | 29,565 | 38,034 | 29,272 | 37,656 |
| Total Long-Term Liabilities | 3,516,528 | 4,033,902 | 3,481,711 | 3,993,961 |
| Total Liabilities | 6,263,796 | 6,893,613 | 6,201,778 | 6,825,357 |
| STOCKHOLDERS EQUITY : | | | | |
| Capital stock (Notes 1 and 12) | 44,639 | 44,639 | 44,197 | 44,197 |
| Capital surplus (Notes 2 and 12) | 2,966,198 | 2,983,166 | 2,936,830 | 2,953,630 |

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| | | | | |
|---|-------------|-------------|-------------|-------------|
| Retained earnings (Note 13) : | | | | |
| Appropriated | 5,470,701 | 4,733,936 | 5,416,536 | 4,687,066 |
| Unappropriated | 1,799,160 | 1,422,772 | 1,781,347 | 1,408,685 |
| Capital adjustments : | | | | |
| Treasury stock (Note 14) | (2,047,105) | (2,047,105) | (2,026,837) | (2,026,837) |
| Unrealized profit (loss) on valuation of long-term investment securities, net (Notes 2, 3 and 16) | (42,134) | (89,842) | (41,717) | (88,952) |
| Equity in capital adjustments of affiliates, net (Notes 2, 4 and 16) | 77,119 | 124,145 | 76,355 | 122,916 |
| Loss on valuation of currency swap, net (Notes 2, 16 and 23) | (14,178) | (49,452) | (14,038) | (48,962) |
| Stock options (Notes 2 and 15) | 3,480 | 4,833 | 3,446 | 4,786 |
| | | | | |
| Total Stockholders Equity | 8,257,880 | 7,127,092 | 8,176,119 | 7,056,529 |

TOTAL LIABILITIES AND STOCKHOLDERS

EQUITY # ₩ 14,521,676 ₩ 14,020,705 \$ 14,377,897 \$ 13,881,886

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, 2005 AND 2004

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|--|-------------|---|--------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (In millions except for per share data) | | (In thousands except for per share data) | |
| OPERATING REVENUE (Notes 2 and 21) | ₩ 10,161,129 | ₩ 9,703,681 | \$ 10,060,524 | \$ 9,607,605 |
| OPERATING EXPENSES (Notes 2 and 21) | | | | |
| Labor cost | (380,383) | (402,734) | (376,617) | (398,747) |
| Commissions paid | (2,895,214) | (2,827,159) | (2,866,549) | (2,799,167) |
| Depreciation and amortization (Notes 2, 6, 7 and 10) | (1,512,919) | (1,577,434) | (1,497,940) | (1,561,816) |
| Network interconnection | (935,217) | (858,754) | (925,957) | (850,251) |
| Leased line | (392,834) | (365,444) | (388,945) | (361,826) |
| Advertising | (260,699) | (328,552) | (258,118) | (325,299) |
| Research and development (Note 2) | (204,698) | (203,741) | (202,671) | (201,724) |
| Rent | (179,726) | (167,671) | (177,947) | (166,011) |
| Frequency usage | (156,098) | (143,047) | (154,552) | (141,631) |
| Repair | (128,311) | (108,533) | (127,041) | (107,458) |
| Cost of goods sold | (12,372) | (5,915) | (12,250) | (5,856) |
| Other | (449,088) | (355,116) | (444,640) | (351,601) |
| Sub-total | (7,507,559) | (7,344,100) | (7,433,227) | (7,271,387) |
| OPERATING INCOME | 2,653,570 | 2,359,581 | 2,627,297 | 2,336,218 |
| OTHER INCOME : | | | | |
| Interest income (Note 3) | 54,988 | 68,319 | 54,444 | 67,643 |
| Dividends | 26,515 | 23,843 | 26,252 | 23,607 |
| Commissions (Note 21) | 33,331 | 32,843 | 33,001 | 32,518 |
| Equity in earnings of affiliates (Notes 2 and 4) | 55,943 | 53,825 | 55,389 | 53,292 |
| Foreign exchange and translation gains (Note 2) | 1,862 | 10,897 | 1,844 | 10,789 |
| Reversal of allowance for doubtful accounts | 437 | 283 | 433 | 280 |
| Gain on disposal of investment assets (Notes 3 and 4) | 196,522 | 1,312 | 194,576 | 1,299 |
| Gain on disposal of property and equipment | 4,645 | 2,054 | 4,599 | 2,034 |
| | 2,545 | 2,850 | 2,520 | 2,822 |

Gain on foreign exchange transactions
and valuation of currency swap (Notes 2
and 23)

| | | | | |
|-----------|---------|---------|---------|---------|
| Other | 33,005 | 40,903 | 32,678 | 40,497 |
| Sub-total | 409,793 | 237,129 | 405,736 | 234,781 |

(Continued)

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SK TELECOM CO., LTD.
NON-CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)
YEARS ENDED DECEMBER 31, 2005 AND 2004

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|--|-----------------|---|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (In millions except for per share data) | | (In thousands except for per share data) | |
| OTHER EXPENSES : | | | | |
| Interest and discounts | (₩ 252,464) | (₩ 302,491) | (\$ 249,964) | (\$ 299,496) |
| Donations | (75,983) | (19,796) | (75,231) | (19,600) |
| Foreign exchange and translation losses (Note 2) | (2,223) | (6,248) | (2,201) | (6,186) |
| Loss on foreign exchange transactions and valuation of currency swap (Notes 2 and 23) | | (15,819) | | (15,662) |
| Equity in losses of affiliates (Notes 2 and 4) | (90,801) | | (89,902) | |
| Loss on impairment of long-term investment securities (Notes 2 and 3) | (1,793) | (32,074) | (1,775) | (31,756) |
| Loss on disposal of investment assets (Note 4) | (2,265) | (810) | (2,243) | (802) |
| Loss on disposal of property, equipment and intangible assets | (6,079) | (18,344) | (6,019) | (18,162) |
| Other | (77,142) | (85,350) | (76,379) | (84,506) |
| Sub-total | (508,750) | (480,932) | (503,714) | (476,170) |
| ORDINARY INCOME | 2,554,613 | 2,115,778 | 2,529,319 | 2,094,829 |
| INCOME BEFORE INCOME TAXES | 2,554,613 | 2,115,778 | 2,529,319 | 2,094,829 |
| PROVISION FOR INCOME TAXES (Notes 2 and 16) | (683,233) | (620,926) | (676,468) | (614,778) |
| NET INCOME | ₩ 1,871,380 | ₩ 1,494,852 | \$ 1,852,851 | \$ 1,480,051 |
| NET INCOME PER SHARE (In Korean won and U.S. dollars) (Note 17) | ₩ 25,421 | ₩ 20,307 | \$ 25.169 | \$ 20.106 |
| DILUTED NET INCOME PER SHARE | | | | |

(In Korean won and U.S. dollars) (Note
17)

| | | | | | | | |
|---|--------|---|--------|----|--------|----|--------|
| ₩ | 25,015 | ₩ | 20,137 | \$ | 24.767 | \$ | 19.938 |
|---|--------|---|--------|----|--------|----|--------|

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, 2005 AND 2004

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|---|---------------|-------------|---|-------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (In millions) | | (In thousands) | |
| RETAINED EARNINGS BEFORE APPROPRIATIONS | | | | |
| Beginning of year | ₩ 1,394 | ₩ 1,534 | \$ 1,381 | \$ 1,519 |
| Interim dividends (Note 19) | (73,614) | (73,614) | (72,885) | (72,885) |
| Net income for the year | 1,871,380 | 1,494,852 | 1,852,851 | 1,480,051 |
| | | | | |
| End of year | 1,799,160 | 1,422,772 | 1,781,347 | 1,408,685 |
| | | | | |
| TRANSFER FROM VOLUNTARY RESERVES | | | | |
| Reserve for research and manpower development (Note 13) | 131,466 | 84,235 | 130,164 | 83,401 |
| | | | | |
| APPROPRIATIONS | | | | |
| Reserve for research and manpower development (Note 13) | (190,000) | (130,000) | (188,119) | (128,713) |
| Reserve for business expansion (Note 13) | (1,150,000) | (691,000) | (1,138,614) | (684,158) |
| Cash dividends (Note 19) | (588,914) | (684,613) | (583,083) | (677,835) |
| | (1,928,914) | (1,505,613) | (1,909,816) | (1,490,706) |
| | | | | |
| UNAPPROPRIATED RETAINED EARNINGS TO BE CARRIED FORWARD TO THE FOLLOWING YEAR | | | | |
| | ₩ 1,712 | ₩ 1,394 | \$ 1,695 | \$ 1,380 |

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, 2005 AND 2004

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|------------------|------------------|---|------------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES : | | | | |
| Net income | ₩ 1,871,380 | ₩ 1,494,852 | \$ 1,852,851 | \$ 1,480,051 |
| Expenses not involving cash payments : | | | | |
| Provision for severance indemnities | 40,465 | 52,487 | 40,064 | 51,967 |
| Depreciation and amortization | 1,634,254 | 1,699,531 | 1,618,073 | 1,682,704 |
| Allowance for doubtful accounts | 106,130 | 34,797 | 105,079 | 34,452 |
| Foreign translation loss | 876 | 736 | 867 | 729 |
| Loss on foreign exchange transactions and valuation of currency swap | | 15,819 | | 15,662 |
| Equity in losses of affiliates | 90,801 | | 89,902 | |
| Loss on impairment of long-term investment securities | 1,793 | 32,074 | 1,775 | 31,756 |
| Loss on disposal of investment assets | 2,265 | 810 | 2,243 | 802 |
| Loss on disposal of property, equipment and intangible assets | 6,079 | 18,344 | 6,019 | 18,162 |
| Amortization of discounts on bonds and other | 49,283 | 45,254 | 48,796 | 44,807 |
| Sub-total | 1,931,946 | 1,899,852 | 1,912,818 | 1,881,041 |
| Income not involving cash receipts : | | | | |
| Foreign translation gain | (143) | (365) | (142) | (361) |
| Reversal of allowance for doubtful accounts | (437) | (283) | (433) | (280) |
| Equity in earnings of affiliates | (55,943) | (53,825) | (55,389) | (53,292) |
| Gain on disposal of investment assets | (196,523) | (1,312) | (194,576) | (1,299) |
| Gain on disposal of property and equipment | (4,645) | (2,054) | (4,599) | (2,034) |
| Gain on foreign exchange transactions and valuation of currency swap | (2,545) | (2,850) | (2,520) | (2,822) |
| Other | (73) | (2,535) | (72) | (2,509) |
| Sub-total | (260,309) | (63,224) | (257,732) | (62,597) |

Changes in assets and liabilities related to operating activities :

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Accounts receivable trade | (149,119) | (146,726) | (147,643) | (145,273) |
| Accounts receivable other | 30,011 | (566,411) | 29,714 | (560,803) |
| Inventories | 4,975 | (3,114) | 4,926 | (3,083) |
| Prepaid expenses | 10,504 | 2,545 | 10,400 | 2,520 |
| Accrued income and other | (14,420) | 633 | (14,277) | 627 |
| Accounts payable | (98,890) | (46,886) | (97,911) | (46,422) |
| Income taxes payable | 90,245 | (131,813) | 89,351 | (130,508) |
| Accrued expenses | (16,125) | (22,941) | (15,965) | (22,714) |
| Withholdings | 16,863 | 10,737 | 16,696 | 10,631 |
| Current portion of facility deposits | 1,471 | 2,580 | 1,456 | 2,554 |
| Advance receipts and other | (25,649) | 11,142 | (25,395) | 11,032 |
| Deferred income taxes | 4,511 | 80,797 | 4,466 | 79,997 |
| Severance indemnity payments | (21,985) | (26,728) | (21,767) | (26,463) |
| Deposits for group severance indemnities and other deposits | (31,875) | (16,389) | (31,558) | (16,226) |
| Sub-total | (199,483) | (852,574) | (197,507) | (844,131) |
| Net Cash Provided by Operating Activities | 3,343,534 | 2,478,906 | 3,310,430 | 2,454,364 |

(Continued)

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SK TELECOM CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2005 AND 2004

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|----------------|----------------|---|----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (In millions) | | (In thousands) | |
| CASH FLOWS FROM INVESTING ACTIVITIES : | | | | |
| Cash inflows from investing activities : | | | | |
| Decrease in trading securities | ₩ | ₩ | \$ | \$ |
| Decrease in current portion of long-term investment securities | | 220,849 | | 218,662 |
| Decrease in short-term loans | 53,600 | 85,861 | 53,069 | 85,011 |
| Decrease in short-term financial instruments | 60,258 | 86,359 | 59,661 | 85,504 |
| Decrease in long-term financial instruments | | 92,813 | | 91,894 |
| Proceeds from sales of long-term investment securities | | 50,000 | | 49,505 |
| Proceeds from sales of equity securities accounted for using the equity method | 16,986 | 17,390 | 16,818 | 17,218 |
| Decrease in guarantee deposits | 296,911 | 2,710 | 293,971 | 2,683 |
| Decrease in other non-current assets | 132,298 | 19,513 | 130,988 | 19,320 |
| Proceeds from disposal of property and equipment | 34,827 | 36,287 | 34,482 | 35,928 |
| Proceeds from disposal of intangible assets | 33,928 | 9,853 | 33,592 | 9,755 |
| | 57 | 2,292 | 56 | 2,269 |
| Sub-total | 628,865 | 623,927 | 622,637 | 617,749 |
| Cash outflows for investing activities : | | | | |
| Increase in short-term financial instruments | (55,361) | | (54,813) | |
| Increase of trading securities | (104,973) | | (103,934) | |
| Increase in short-term loans | (55,808) | (49,892) | (55,255) | (49,398) |
| Increase in long-term financial instruments | (1,137) | (60,003) | (1,126) | (59,409) |
| Acquisition of long-term investment securities | (309,215) | (52,266) | (306,153) | (51,749) |
| Acquisition of equity securities accounted for using the equity method | (254,699) | (130,240) | (252,177) | (128,950) |
| Increase in long-term loans | (3,571) | (27,416) | (3,536) | (27,145) |
| Increase in guarantee deposits and other non-current assets | (96,365) | (97,704) | (95,411) | (96,737) |
| Acquisition of property and equipment | (1,383,145) | (1,570,002) | (1,369,450) | (1,554,457) |

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| | | | | |
|---------------------------------------|-------------|-------------|-------------|-------------|
| Increase in intangible assets | (188,676) | (57,627) | (186,808) | (57,056) |
| Sub-total | (2,452,950) | (2,045,150) | (2,428,663) | (2,024,901) |
| Net Cash Used in Investing Activities | (1,824,085) | (1,421,223) | (1,806,026) | (1,407,152) |

(Continued)

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SK TELECOM CO., LTD.
NON-CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2005 AND 2004

| | Korean won | | Translation into U.S. dollars (Note 2) | |
|--|-----------------|-----------------|---|-----------------|
| | 2005 | 2004 | 2005 | 2004 |
| | (In millions) | | (In thousands) | |
| Cash inflows from financing activities : | | | | |
| Issuance of bonds | ₩ 193,683 | ₩ 1,205,727 | ₩ 191,765 | ₩ 1,193,789 |
| Increase in short-term borrowings | | 2,850 | | 2,822 |
| Other | 24,392 | 13,496 | 24,151 | 13,362 |
| Sub-total | 218,075 | 1,222,073 | 215,916 | 1,209,973 |
| Cash outflows for financing activities : | | | | |
| Repayment of short-term borrowings | (400,000) | (328,669) | (396,040) | (325,415) |
| Repayment of current portion of long-term debt | (500,000) | (1,370,036) | (495,050) | (1,356,471) |
| Payment of dividends | (758,192) | (478,318) | (750,685) | (473,582) |
| Decrease in facility deposits | (7,670) | (12,757) | (7,594) | (12,631) |
| Acquisition of treasury stock | | (2) | | (2) |
| Transaction of currency forward | | (29) | | (29) |
| Other | (32,862) | (5,372) | (32,536) | (5,319) |
| Sub-total | (1,698,724) | (2,195,183) | (1,681,905) | (2,173,449) |
| Net Cash Used in Financing Activities | (1,480,649) | (973,110) | (1,465,989) | (963,476) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 38,800 | 84,573 | 38,415 | 83,736 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 112,966 | 28,393 | 111,848 | 28,112 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | ₩ 151,766 | ₩ 112,966 | \$ 150,263 | \$ 111,848 |

See accompanying notes to non-consolidated financial statements.

Table of Contents**SK TELECOM CO., LTD.****NOTES TO NON-CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2005 AND 2004****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 September 30, 2005, the Company's total issued shares are held by the following:

| | Number of shares | Percentage of total shares issued (%) |
|---|---------------------|---|
| SK Group | 18,748,452 | 22.79 |
| POSCO Corp. | 2,991,496 | 3.64 |
| Institutional investors and other minority shareholders | 51,874,348 | 63.04 |
| Treasury stock | 8,662,415 | 10.53 |
| | 82,276,711 | 100.00 |

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying non-consolidated financial statements of the Company have been prepared in accordance with Korean Financial Accounting Standards and Statements of Korean Accounting Standards (SKAS) No. 1 through No. 17 (except for No. 11 and No. 14). The accompanying non-consolidated financial statements will be approved by the Company's board of directors on February 14, 2006. Significant accounting policies followed in preparing the accompanying non-consolidated financial statements are summarized as follows.

a. Basis of Presentation

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

The official accounting records of the Company are maintained and expressed in Korean won, the currency of the country in which the Company is incorporated and operates. The translation of Korean won amounts into U.S. dollar amounts are included solely for the convenience of readers outside of the Republic of Korea and have been made at the rate of ₩1,010.0 to US\$1, the Noon Buying Rate in the City of New York for cable transfers in Korean won as certified for customs purposes by the Federal Reserve Bank of New York

on the last business day of the year ended December 31, 2005. Such translations into U.S. dollars should not be construed as representations that the Korean won amounts could be converted into U.S. dollars at the above or any other rate.

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

On January 1, 2005, the Company adopted SKAS No.15 through No.17, which are effective from the fiscal year beginning after December 31, 2004. The adoption of such accounting standards did not materially affect the

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Company's financial statements except as follows :

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

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

Through 2004, provisions were recorded at nominal value. Effective January 1, 2005, provisions are recorded at the present value when the effect of the time value of money is material, pursuant to adoption of SKAS No. 17 Provisions, Contingent Liabilities and Contingent Assets . SKAS No. 16 is prospectively applied and as a result of adopting such accounting standard, total liabilities as of December 31, 2005 decreased by ₩ 7,415 million and ordinary income and net income for the year ended December 31, 2005 increased by ₩ 5,376 million (See Note 22).

Such newly adopted accounting standards are prospectively applied as allowed by SKAS No. 15 through No. 17. As a result, the non-consolidated balance sheet as of December 31, 2004 and the non-consolidated statement of income and cash flows for the year ended December 31, 2004, which are comparatively presented herein, were not adjusted to reflect the effect of adoption of SKAS No. 15 through No. 17.

c. Allowance for Doubtful Accounts

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

d. Inventories

Inventories, which consist mainly of replacement units for wireless telecommunication facilities and supplies for sales promotion, are stated at the lower of cost or market value, with cost determined using the moving average method. During the year, perpetual inventory systems are used to value inventories, which are adjusted to physical inventory counts performed at fiscal year end. When the market value of inventories is less than the acquisition cost, the carrying amount is reduced to the market value and any difference is charged to current operations as operating expenses There was no such loss for the years ended December 31, 2005 and 2004.

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e. Securities (excluding securities accounted for using the equity method of accounting)

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

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

Securities classified as available-for-sale are reported at fair value. Unrealized gains or losses on valuation of available-for-sale securities are included in capital adjustments and the unrealized gains or losses are reflected in net income when the securities are sold or if an impairment is other than temporary. Equity securities are stated at acquisition cost if fair value cannot be reliably measured. If the declines in the fair value of individual available-for-sale securities below their acquisition or amortized cost are other than temporary and there is objective evidence of impairment, write-downs of the individual securities are recorded to reduce the carrying value to their fair value. The related write-downs are recorded in current operations as a loss on impairment of investment securities.

Held-to-maturity securities are presented at acquisition cost after premiums or discounts are amortized or accreted, respectively. The Company recognizes write-downs resulting from other-than-temporary declines in the fair value below its book value on the balance sheet date if there is objective evidence of impairment. The related write-downs are recorded in current operations as a loss on impairment of investment securities.

Trading securities are presented in the current asset section of the balance sheet, and available-for-sales and held-to-maturity securities are presented in the current asset section of the balance sheet if their maturities are within one year; otherwise such securities are recorded in the non-current section of the balance sheet.

f. Investment Securities Accounted for Using the Equity Method of Accounting

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

g. Property and Equipment

Property and equipment are stated at cost. Major renewals and betterments, which prolong the useful life or enhance the value of assets, are capitalized; expenditures for maintenance and repairs are charged to expense as incurred.

Depreciation is computed using the declining balance method (except for buildings and structures acquired on or after January 1, 1995 which are depreciated using the straight-line method) over the estimated useful lives (4~30 years) of the related assets (See Note 6).

Interest expense and other financing charges for borrowings related to the manufacture or construction of property and equipment are charged to current operations as incurred.

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h. 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, 2005 and 2004 were ₩329,360 million and ₩317,394 million, respectively.

With its application for a license to provide IMT 2000 service, the Company has a commitment to pay ₩1,300,000 million to the Ministry of Information Communication (MIC →) ₩650,000 million was paid in March 2001 by SK IMT Co., Ltd. (a former subsidiary of the Company), which was merged into the Company on May 1, 2003, and the remainder is required to be paid over 10 years with an annual interest rate equal to the 3-year-maturity government bond rate minus 0.75% (3.58% as of December 31, 2005). The future payment obligations are ₩90,000 million in 2007, ₩110,000 million in 2008, ₩130,000 million in 2009, ₩150,000 million in 2010, and ₩170,000 million in 2011. On December 4, 2001, SK IMT Co., Ltd. received the IMT 2000 license from MIC, and recorded the total license cost as an intangible asset. As a result of the merger with SK IMT Co., Ltd., the Company acquired such IMT license of ₩1,259,253 million and assumed the related long-term payable with a principal amount of ₩650,000 million on May 1, 2003 (the date of merger). Amortization of the IMT license commenced when the Company started its commercial IMT 2000 service in December 2003, using the straight-line method over the estimated useful life of the IMT license which expires in December 2016.

i. Convertible Bonds

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

j. Discounts on Bonds

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

k. 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.

l. 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 22).

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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.

m. 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, based on length of service and rate of pay, upon termination of their employment. 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 ~~₩~~187,103 million and ~~₩~~155,228 million as of December 31, 2005 and 2004, 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 ~~₩~~5,172 million and ~~₩~~5,612 million as of December 31, 2005 and 2004, respectively, are deducted from accrued severance indemnities.

Actual payment of severance indemnities amounted to ~~₩~~21,985 million and ~~₩~~26,728 million for the years ended December 31, 2005 and 2004, respectively.

n. Accounting for Employee Stock Option Compensation Plan

The Company adopted the fair value based method of accounting for its employee stock option compensation plan (See Note 15). Under the fair value based method, compensation cost is measured at the grant date based on the value of the award and is recognized over the service period. For stock options, fair value is determined using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock, expected dividends and the current risk-free interest rate for the expected life of the option. However, as permitted under Korean GAAP, the Company excludes the volatility factor in estimating the value of its stock options granted before December 31, 2003, which results in measurement at minimum value. The total compensation cost of an option estimated at the grant date is not subsequently adjusted for changes in the price of the underlying stock or its volatility, the actual life of the option, dividends on the stock, or the risk-free interest rate. In addition, recognized compensation costs related to stock options that were expired, due to such stock options not being exercised within the exercisable period, are transferred to other capital surplus from capital adjustments.

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o. Accounting for Leases

Lease agreements that include a bargain purchase option, result in the transfer of ownership at the end of the lease term, have a lease term equal to 75% or more of the estimated economic life of the leased property or where the present value of minimum lease payments equals or exceeds 90% of the fair value of the leased property, are accounted for as capital leases. All other leases are accounted for as operating leases.

Assets and liabilities related to capital leases are recorded as property and equipment and obligations under capital leases, respectively, and the related interest is calculated using the effective interest rate method and charged to other expenses. For operating leases, the future minimum lease payments are expensed ratably over the lease term while contingent rentals are expensed as incurred (See Note 10).

p. 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 ₩204,698 million and ₩203,741 million for the years ended December 31, 2005 and 2004, respectively, and external research and development costs of ₩68,526 million and ₩68,549 million for the years ended December 31, 2005 and 2004, respectively.

q. Accounting for Foreign Currency Transactions and Translation

Transactions denominated in foreign currencies are recorded in Korean won based on the prevailing rate of exchange at the dates of transactions. Monetary assets and liabilities denominated in foreign currency are translated into Korean won at the Base Rates announced by Seoul Money Brokerage Services, Ltd. on the balance sheet date, which were, for US dollars, ₩1,013.00=US\$1 and ₩1,043.80=US\$1 at December 31, 2005 and 2004, respectively. The resulting gains or losses arising from the translation or settlement of such assets and liabilities are included in current operations.

r. Derivative Instruments

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

s. Revenue Recognitions

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

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t. Income Taxes

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

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are generally recognized for all taxable temporary differences with some exceptions and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Effective January 1, 2005 deferred income tax assets and liabilities, which were presented on the balance sheet as a single non-current net amount through 2004, are classified into current and non-current based on the classification of related assets or liabilities for financial reporting purposes

3. INVESTMENT SECURITIES**a. Trading Securities**

Trading securities as of December 31, 2005 and December 31, 2004 are as follows (in millions of Korean won) :

| | December 31, 2005 | | | December 31, 2004 |
|--------------------------|---------------------|------------|--------------------|-----------------------------------|
| | Acquisition cost | Fair value | Carrying amount | Fair value and carrying amount |
| Beneficiary certificates | ₩ 745,360 | ₩ 745,360 | ₩ 745,360 | ₩ 640,389 |

b. Long-term Investment Securities

Long-term investment securities as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | December 31, 2005 | December 31, 2004 |
|--------------------------------------|----------------------|----------------------|
| Available-for-sale equity securities | ₩ 907,069 | ₩ 872,209 |
| Available-for-sale debt securities | 296,264 | 4,928 |
| Held-to-maturity securities | | 50,000 |
| Total | 1,203,333 | 927,137 |
| Less current portion | | (3,600) |
| Long-term portion | ₩ 1,203,333 | ₩ 923,537 |

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

Available-for-sale equity securities as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | Number of | | Acquisition | Fair value | | Carrying amount | |
|--|-------------|---------------|-----------------|-----------------|----------|-----------------|-------|
| | Shares | percentage | | at | at | 2005 | 2004 |
| | at Dec. 31, | (%) at | cost at | Dec 31, | | | |
| | 2005 | Dec. 31, 2005 | Dec. 31, 2005 | 2005 | | 2005 | 2004 |
| (Investments in listed companies) | | | | | | | |
| Digital Chosunilbo Co., Ltd. | 2,890,630 | 7.8 | ₩ 5,781 | ₩ 5,796 | ₩ 5,796 | ₩ 2,023 | |
| Hanaro Telecom Inc. | 22,090,000 | 4.8 | 121,677 | 56,440 | 56,440 | 71,019 | |
| Korea Radio Wave Basestation Management | 234,150 | 4.4 | 1,171 | 2,646 | 2,646 | 2,178 | |
| POSCO Corporation | 2,481,310 | 2.8 | 332,662 | 501,225 | 501,225 | 464,005 | |
| INNOTG Co., Ltd. | 59,473 | 0.4 | 1,695 | 83 | 83 | 152 | |
| SINJISOFT Corporation | | | | | (note a) | | 590 |
| Cowon Systems, Inc. | | | | | (note a) | | 1,600 |
| Sub-total | | | 462,986 | 566,190 | 566,190 | 541,567 | |
| (Investments in non-listed companies) | | | | | | | |
| Powercomm Co., Ltd. | 7,500,000 | 5.0 | 240,243 | 77,130 (note b) | 77,130 | 71,565 | |
| Japan MBCO | 54,000 | 7.3 | 27,332 (note e) | | 27,332 | 27,332 | |
| Real Telecom Co., Ltd. | 398,722 | 8.3 | 5,981 | (note c) | | | |
| Enterprise Networks Co., Ltd. | 2,821 | 0.03 | 14,438 | (note d) | | | |
| Eonex Technologies Inc. | 144,000 | 12.6 | 3,600 (note e) | | 4,593 | 4,593 | |
| WiderThan Co., Ltd. | | | | (note f) | | | 3,188 |
| Korea Economic Daily | 2,585,069 | 13.8 | 13,964 (note e) | | 13,964 | 2,077 | |
| Others | | | 99,646 (note e) | (note g) | 22,825 | 25,481 | |
| Sub-total | | | 405,204 | | 145,844 | 134,236 | |

(Investments in funds)

| | | | |
|---------------|------------------|-----------|-----------|
| Korea IT Fund | 190,000 (note e) | 190,000 | 190,000 |
| Others | 5,035 (note e) | 5,035 | 6,406 |
| Sub-total | 195,035 | 195,035 | 196,406 |
| Total | ₩ 1,063,225 | ₩ 907,069 | ₩ 872,209 |

(note a) The investments in common stock of SINJISOFT Corporation and Cowon System, Inc. were all sold and the Company recorded a gain on disposal of investment assets of ₩931 million and ₩1,097 million, respectively, for the year ended December 31, 2005.

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(note b) The Company recorded its investments in common stock of Powercomm Co., Ltd. at its fair value, which was estimated by an outside professional valuation company using the present value of expected future cash flows and the unrealized loss on valuation of investments amounting to ₩163,113 and ₩168,678 as of December 31, 2005 and 2004, respectively, were recorded as a capital adjustment.

(note c) Due to the impairment of the Company's investments in common stock of Real Telecom Co., Ltd., the Company recorded impairment loss of ₩5,981 million for the year ended December 31, 2004.

(note d) The Company recorded impairment loss of ₩14,438 million

for the year ended December 31, 2004 for its investments in common stock of Enterprise Networks Co., Ltd. as the investee filed for reorganization proceedings.

(note e) As a reasonable estimate of fair value could not be made, the investment is stated at acquisition cost. The investment in common stock of Eonex Technologies Inc. was reclassified to available-for-sale securities from equity securities accounted for using the equity method during 2003, as the Company's ownership in such investees decreased to less than 20% and the Company lost significant influence. Such securities were transferred to available-for-sale securities at the carrying amount valued using the equity method of accounting prior to the reclassification.

(note f) The investment in common stock of WiderThan Co., Ltd. was reclassified to equity securities accounted for using the equity method during 2005. Although the Company's ownership in WiderThan Co., Ltd. is less than 20%, the Company exercises significant influence on the selection of directors and the investee has significant transactions with the Company.

(note g) Due to the impairment of the Company's investments in common stock of TeleMerc.com and Mobilewelcom Co., Ltd., the Company recorded impairment losses on such investments of ₩1,793 million and ₩1,000 million for the years ended December 31, 2005 and 2004, respectively.

b-(2). Available-for-sale Debt Securities

Available-for-sale debt securities as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | Maturity | Acquisition cost | Carrying amount | |
|--|------------------|---------------------|----------------------|----------------------|
| | | | December 31, 2005 | December 31, 2004 |
| Public bonds | (note a) | ₩ 1,590 | ₩ 1,590 | ₩ 1,328 |
| Currency stabilization bonds | (note b) | 294,891 | 294,674 | |
| Convertible bonds of Real Telecom Co., Ltd. (note c) | March, 2007 | 10,656 | | |
| Convertible bonds of Eonex Technologies, Inc. (3 rd) (note d) | January, 2005 | | | 3,600 |
| Total | | 307,137 | 296,264 | 4,928 |
| Less current portion of available-for-sale debt securities | | | | (3,600) |
| Long-term available-for-sale debt securities | | ₩ 307,137 | ₩ 296,264 | ₩ 1,328 |

The interest income incurred from available-for-sale debt securities for the years ended December 31, 2005 and 2004 were ₩914 million and ₩391 million, respectively.

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(note a) The maturities of public bonds as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| Maturity | December 31, 2005 | December 31, 2004 |
|-------------------|----------------------|----------------------|
| Within five years | ₩ 1,229 | ₩ 904 |
| Within ten years | 361 | 424 |
| | ₩ 1,590 | ₩ 1,328 |

(note b) The maturities of monetary stabilization bonds as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| Maturity | December 31, 2005 | December 31, 2004 |
|-------------------|----------------------|----------------------|
| Within five years | ₩ 294,674 | ₩ |

(note c) The convertible bonds of Real Telecom Corp. with a principal amount of ₩10,656 million can be converted into 371,018 shares of common stock of Real Telecom Corp. at ₩28,721 per share during the period from September 29, 2004 to

March 28, 2007.
 Due to the
 impairment of
 such bonds, the
 Company
 recorded an
 impairment loss
 of
 ₩10,656 million
 for the year
 ended
 December 31,
 2004.

(note d) The convertible
 bonds of Eonex
 Technologies,
 Inc. (3rd) were
 all settled in
 cash during the
 year ended
 December 31,
 2005.

b-(3). Changes in Unrealized Gains (Losses) on Investments in Common Stock

The changes in unrealized gains (losses) on investments in common stock during the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | | For the year ended December 31, 2005 | | | |
|---|----------------------|--------------------------------------|--|----------------------|-------------------|
| | Beginning balance | Increase/ (decrease) | Transferred to realized gain (loss) | Tax effect (note) | Ending balance |
| Available-for-sales equity securities : | | | | | |
| Digital Chosunilbo Co., Ltd. | (₩ 3,758) | ₩ 3,772 | ₩ | (₩ 4) | ₩ 10 |
| Hanaro Telecom Inc. | (50,657) | (14,580) | | 17,940 | (47,297) |
| Korea Radio Wave Basestation Management | 1,007 | 468 | | (405) | 1,070 |
| POSCO Corporation | 131,343 | 37,220 | | (46,355) | 122,208 |
| INNOTG Co., Ltd. | (1,543) | (68) | | 443 | (1,168) |
| SINJISOFT Corporation | 460 | | (460) | | |
| Cowon Systems, Inc. | | 585 | (585) | | |
| Powercomm Co., Ltd. | (168,678) | 5,565 | | 44,856 | (118,257) |
| Eonex Technologies Inc. | 2,011 | | | (553) | 1,458 |
| WiderThan Co., Ltd. | (27) | 27 | | | |
| Sub-total | (89,842) | 32,989 | (1,045) | 15,922 | (41,976) |
| Currency stabilization bonds | | (218) | | 60 | (158) |

| | | | | | |
|-------|------------|----------|-----------|----------|------------|
| Total | (₩ 89,842) | ₩ 32,771 | (₩ 1,045) | ₩ 15,982 | (₩ 42,134) |
|-------|------------|----------|-----------|----------|------------|

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

For the year ended December 31, 2004

| | Beginning balance | Increase/ (decrease) | Transferred to realized gain (loss) | Ending balance |
|---|----------------------|-------------------------|--|-------------------|
| Digital Chosunilbo Co., Ltd. | (₩ 2,934) | (₩ 824) | ₩ | (₩ 3,758) |
| Hanaro Telecom Inc. | (55,469) | 4,812 | | (50,657) |
| Korea Radio Wave Basestation Management | 1,498 | (491) | | 1,007 |
| POSCO Corporation | 71,792 | 59,551 | | 131,343 |
| INNOTG Co., Ltd. | | (1,543) | | (1,543) |
| Powercomm Co., Ltd. | (171,835) | 3,157 | | (168,678) |
| SINJISOFT Corporation | | 460 | | 460 |
| Eonex Technologies Inc. | | 2,011 | | 2,011 |
| WiderThan Co., Ltd. | | (27) | | (27) |
| Total | (₩ 156,948) | ₩ 67,106 | ₩ | (₩ 89,842) |

b-(4). Held-to-maturity Securities

Held-to-maturity securities as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| Maturity (note a) | Acquisition cost ₩ | Carrying amount | |
|----------------------|--------------------------|--------------------------|---------------------------|
| | | December 31,2005 ₩ | December 31, 2004 ₩ |
| | | | ₩ 50,000 |

Subordinated bonds of Mirae Asset Life Insurance Co., Ltd. (formerly SK Life Insurance Co., Ltd.)

| | |
|---|--------|
| Total | 50,000 |
| Less current portion of held-to-maturity securities | |

| | | |
|---------------------------------------|--------------|---------------------|
| Long-term held-to-maturity securities | ₩ | ₩ 50,000 |
|---------------------------------------|--------------|---------------------|

Interest income from held-to-maturity securities for the years ended December 31, 2005 and 2004 are ~~₩~~3,748 million and ~~₩~~15,686 million, respectively.

(note a) The Subordinated bonds of Mirae Asset Life Insurance Co., Ltd. (formerly SK Life Insurance Co., Ltd.) were all liquidated during 2005.

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

Equity securities accounted for using the equity method of accounting as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | December 31, 2005 Ownership | | | Net Asset Value | Carrying Amount | |
|--|--------------------------------|-------------------|---------------------|-----------------------|----------------------|----------------------|
| | Number of shares | Percentage (%) | Acquisition Cost | | December 31, 2005 | December 31, 2004 |
| Pantech Co., Ltd. | 25,570,306 | 22.7 | ₩ 26,309 | 54,841 (note a) | ₩ 55,634 | ₩ 190,896 |
| SK Capital Co., Ltd. | 10,000,000 | 100.0 | 50,000 | 37,501 | 37,501 | 34,891 |
| SK Communications Co., Ltd. | 7,844,454 | 91.1 | 175,441 | 138,372 | 158,170 | 143,096 |
| SK Telink Co., Ltd. | 943,997 | 90.8 | 5,296 | 70,863 | 70,863 | 56,182 |
| SK C&C Co., Ltd. | 300,000 | 30.0 | 19,071 | 193,381 | 198,251 | 201,353 |
| SK Wyverns Baseball Club Co., Ltd. | 199,997 | 100.0 | 1,000 | | | |
| STIC Ventures Co., Ltd. | 1,600,000 | 21.9 | 8,000 | 8,308 | 8,308 | 7,321 |
| Paxnet Co., Ltd. | 5,590,452 | 67.1 | 26,563 | 9,135 | 27,372 | 25,244 |
| Global Credit & Information Corp. | 300,000 | 50.0 | 2,410 | 2,648 | 3,276 | 3,054 |
| TU Media Corp. | 12,922,266 | 29.6 | 64,611 | 31,400 | 32,393 | 34,607 |
| Aircross Co., Ltd. | 600,000 | 38.1 | 300 | 970 | 970 | 944 |
| Widerthan Co., Ltd. | 2,000,000 | 10.1 | 1,000 | 12,827 (note b) | 12,827 | |
| IHQ, Inc. | 8,000,000 | 21.6 | 14,440 | 7,668 (note d) | 13,935 | |
| Seoul Records, Inc. | 9,582,321 | 60.0 | 27,874 | 23,572 | 27,242 | |
| Harex Info Tech, Inc. | 225,000 | 21.2 | 3,375 | 1,166 | 2,568 | 3,375 |
| SLD Telecom PTE. Ltd. | 80,476,700 | 55.1 | 93,987 | 54,952 | 55,358 | 59,804 |
| Skytel Co., Ltd. | 1,756,000 | 28.6 | 2,159 | 4,872 | 4,872 | 3,633 |
| SK China Company Ltd. | 28,160 | 20.7 | 3,195 | 1,569 | 483 | 803 |
| SK Telecom China Co., Ltd. | 6,150,000 | 100.0 | 7,340 | 6,927 | 6,927 | 9,212 |
| ULand Co., Ltd. | 14,100,100 | 70.1 | 17,511 | 8,936 | 12,564 | 8,257 |
| SK Telecom USA Holdings, Inc. | 1,000 | 100.0 | 123,214 | 103,751 (note c) | 103,751 | |
| SK Telecom International, Inc. | 1,099 | 100.0 | 17,467 | 25,957 | 25,957 | 21,995 |
| SK USA, Inc. | 49 | 49.0 | 3,184 | 3,353 | 3,353 | 3,184 |
| Centurion IT Investment Association | | 37.5 | 3,000 | 3,635 | 3,635 | 3,205 |
| 1 st Music Investment Fund of SK-PVC | | 69.3 | 6,925 | 6,990 | 6,990 | |
| 2 nd Music Investment Fund of SK-PVC | | 79.3 | 7,925 | 7,966 | 7,966 | |

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| | | | | | |
|------------------------------------|------|--------|----------|----------------------|----------------------|
| SK-KTB Music Investment Fund | 74.3 | 14,850 | 14,999 | 14,999 | |
| IMM Cinema Fund | 48.4 | 12,000 | 11,884 | 11,884 | |
| SK-QC Wireless Development Fund | | | | | 5,145 |
| SKT-HP Ventures, LLC. | 50.0 | 6,415 | 5,272 | 5,272 | 5,284 |
| Other investments in affiliates | | 13,083 | (note e) | 12,583 | 4,761 |
| Total | | | | ₩ 925,904 | ₩ 826,246 |

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(note a) 4,542,000 shares of SKY Teletech Co., Ltd. (formerly SK Teletech Co., Ltd.) were sold to Curitel Communications, Inc. and the Company recorded a gain of ~~₩~~175,488 million during the 3rd quarter of 2005. SKY Teletech Co., Ltd was merged into Pantech Co., Ltd. during the 4th quarter of 2005 and the Company's ownership interest decreased from 29.1% to 22.7%. In addition, the difference between the Company's portion of the merged company's equity and the carrying amount at the date of merger of ~~₩~~269 million was recorded as a loss on disposal of investment assets.

(note b) The investment in common stock of WiderThan Co., Ltd. was reclassified to equity securities accounted for using the equity method during 2005. Although the Company's ownership in WiderThan Co., Ltd. is less than

20%, the Company exercises significant influences on the selection of directors and the investee has significant transactions with the Company.

(note c) In the first quarter of 2005, the Company incorporated SK Telecom USA Holdings, Inc. with an initial investment of US\$83 million in order to invest in and manage Helio, Inc., a joint venture company in the United States of America, which was established in order to provide wireless telecommunication services in the United States of America. In addition, the Company invested an additional US\$40 million in SK USA Holdings, Inc. during the 3rd quarter of 2005 (See Note 23 (b)).

(note d) In February 2005, the Company acquired 8,000,000 shares of IHQ, Inc., an entertainment management company, for ₩1,805 per share with an option to

purchase an additional 5,000,000 shares at the previously agreed upon price during the period from March 15, 2006 to April 30, 2006, in order to secure high-quality content for the Company's wireless internet services.

(note e) As allowed under Korean GAAP, investments in equity securities of SK Telecom Europe Limited and certain others were not accounted for using the equity method of accounting, as changes in the Company's portion of shareholders equity of such investees were not expected to be material.

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Details of the changes in investments in affiliates accounted for using the equity method for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | Beginning balance or acquisition cost | For the year ended December 31, 2005 | | | Ending balance |
|---|---|--------------------------------------|-------------------------------------|---------------------------------|-------------------|
| | | Equity in earnings (losses) | Equity in capital adjustments | Other increase (decrease) | |
| Pantech Co., Ltd. (note a) | ₩ 75,148 | (₩ 19,404) | (₩ 110) | ₩ | ₩ 55,634 |
| SK Capital Co., Ltd. | 34,891 | (523) | 3,133 | | 37,501 |
| SK Communications Co., Ltd (note a) | 143,096 | 12,643 | 2,431 | | 158,170 |
| SK Telink Co., Ltd. (note a) | 56,182 | 14,649 | 32 | | 70,863 |
| SK C&C Co., Ltd. (notes a and b) | 201,353 | 17,501 | (20,003) | (600) | 198,251 |
| SK Wyverns Baseball Club Co., Ltd. (notes a and c) | | (4,706) | | | |
| STIC Ventures Co., Ltd. (note a) | 8,684 | (1,135) | 759 | | 8,308 |
| Paxnet Co., Ltd. (note a) | 25,244 | 2,128 | | | 27,372 |
| Global Credit & Information Corp. | 3,054 | 222 | | | 3,276 |
| TU Media Corp. (note a) | 60,219 | (27,821) | (5) | | 32,393 |
| Aircross Co., Ltd. (note a) | 944 | 26 | | | 970 |
| WiderThan Co., Ltd. (note a) | 11,398 | 1,368 | 61 | | 12,827 |
| IHQ, Inc. (note a) | 14,440 | (560) | 55 | | 13,935 |
| Seoul Records, Inc. (note a) | 27,874 | (632) | | | 27,242 |
| Harex Info Tech, Inc. (notes a and d) | 3,375 | (807) | | | 2,568 |
| SLD Telecom PTE. Ltd. (note a) | 64,588 | (7,351) | (1,879) | | 55,358 |
| Skytel Co., Ltd. (notes a and b) | 3,633 | 1,355 | 69 | (185) | 4,872 |
| SK China Company, Ltd. (note a) | 803 | (261) | (59) | | 483 |
| SK Telecom China Co., Ltd. (note a) | 9,212 | (2,055) | (230) | | 6,927 |
| ULand Co., Ltd. (note a) | 17,511 | (4,545) | (402) | | 12,564 |
| SK Telecom USA Holdings, Inc. (note a) | 123,214 | (20,885) | 1,422 | | 103,751 |
| SK Telecom International, Inc.(note a) | 21,995 | 4,657 | (695) | | 25,957 |
| SK USA, Inc. (notes a and d) | 3,184 | 560 | (391) | | 3,353 |
| Centurion IT investment Association | 3,205 | 430 | | | 3,635 |
| 1 st Music Investment Fund of SK-PVC | 6,925 | 65 | | | 6,990 |
| 2 nd Music Investment Fund of SK-PVC | 7,925 | 41 | | | 7,966 |

| | | | | | |
|---|----------|------------|------------|-----------|----------|
| SK-KTB Music Investment Fund | 14,850 | 149 | | | 14,999 |
| IMM Cinema Fund | 12,000 | (116) | | | 11,884 |
| SKT-QC Wireless Development Fund (note e) | 5,145 | 1 | | (5,146) | |
| SKT-HP Ventures, LLC | 5,284 | 148 | (160) | | 5,272 |
| Total | ₩965,376 | (₩ 34,858) | (₩ 15,972) | (₩ 5,931) | ₩913,321 |

(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, 2005. 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

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- (note b) The Company received dividends from SK C&C Co., Ltd. and Skytel Co., Ltd. The corresponding amount was deducted from the carrying amount of equity method securities.
- (note c) In accordance with SKAS No.15, which requires the Company to provide for additional losses beyond the value of the equity method investment to the extent that the Company has other investment assets related to the equity method investee, the Company recorded additional losses of ₩4,706 million for the year ended December 31, 2005 in connection with long-term loans to SK Wyverns Baseball Club Co., Ltd. However, as of December 31,

2005, equity in losses of affiliates, net of additional losses discussed above, related to the investee totaling ~~₩~~429 million was not recognized due to the discontinuance of applying the equity method of accounting for the Company's investment in SK Wyberns Baseball Club Co., Ltd.

(note d) Effective January 1, 2005, the Company recorded its investments in SK USA Inc. and Harex Info Tech, Inc. using the equity method of accounting as changes in the Company's portion of such investees' equity amounts resulting from applying the equity method of accounting is material.

(note e) Investment was fully liquidated due to dissolution of SKT-QC Wireless

Development
Fund during the
year ended
December 31,
2005.

| | For the year ended December 31, 2004 | | | | Ending balance |
|--|---|-----------------------------------|-------------------------------------|---------------------------------|-------------------|
| | Beginning balance or acquisition cost | Equity in earnings (losses) | Equity in capital adjustments | Other increase (decrease) | |
| SK Teletech Co., Ltd. (note a) | ₩ 159,275 | ₩ 32,788 | ₩ | (₩ 1,167) | ₩ 190,896 |
| SK Capital Co., Ltd. | 45,865 | (11,515) | 541 | | 34,891 |
| SK Communications Co., Ltd | 127,486 | 11,961 | 3,649 | | 143,096 |
| SK Telink Co., Ltd. | 43,452 | 12,724 | 6 | | 56,182 |
| SK C&C Co., Ltd. (note a) | 93,433 | 14,563 | 93,957 | (600) | 201,353 |
| STIC Ventures Co., Ltd. | 7,098 | 151 | 72 | | 7,321 |
| Paxnet Co., Ltd. | 25,712 | (515) | 47 | | 25,244 |
| VCASH Co., Ltd. (note b) | 943 | (600) | | (343) | |
| Global Credit & Information Corp. | 2,773 | 281 | | | 3,054 |
| WiderThan Co., Ltd. | 3,166 | 49 | (27) | (3,188) | |
| TU Media Corp. | 39,000 | (4,732) | 339 | | 34,607 |
| Aircross Co., Ltd. | 300 | 663 | (19) | | 944 |
| Harex Info Tech, Inc. | 3,375 | | | | 3,375 |
| SLD Telecom PTE. Ltd. | 78,131 | (11,064) | (7,263) | | 59,804 |
| Skytel Co., Ltd. (note a) | 3,053 | 1,177 | (421) | (176) | 3,633 |
| SK China Company, Ltd. | 2,187 | (1,198) | (186) | | 803 |
| SK Telecom China Co., Ltd. | 7,340 | 2,886 | (1,014) | | 9,212 |
| ULand Co., Ltd | 8,257 | | | | 8,257 |
| SK Telecom International, Inc. | 18,963 | 6,037 | (3,005) | | 21,995 |
| SK USA, Inc. | 3,184 | | | | 3,184 |
| Centurion IT investment Association | 3,125 | 80 | | | 3,205 |
| SKT-QC Wireless Development Fund | 5,906 | (2) | (759) | | 5,145 |
| SKT-HP Ventures, LLC | 5,964 | 91 | (771) | | 5,284 |
| | ₩ 687,988 | ₩ 53,825 | ₩ 85,146 | (₩ 5,474) | ₩ 821,485 |

(note a) The Company
received
dividends from
SK Teletech
Co., Ltd., SK
C&C Co., Ltd.
and Skytel Co.,
Ltd. and the

corresponding
amount was
deducted from
its equity
method
securities.

(note b) The investments
in common
stock of
VCASH Co.,
Ltd. were sold
to Korea
Railway
Transportation
Promotion
Foundation in
2004.

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Details of changes in the differences between the acquisition cost and net asset value of equity method investees at the acquisition date for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | For the year ended December 31, 2005 | | | |
|-----------------------------------|--------------------------------------|----------------------|------------------|-----------------|
| | Beginning balance | Increase/ (Decrease) | Amortization | Ending balance |
| Pantech Co., Ltd. | ₩ 3,286 | (₩ 2,381) | (₩ 112) | ₩ 793 |
| SK Communications Co., Ltd. | 24,623 | | (809) | 23,814 |
| SK C&C Co., Ltd. | 5,276 | | (406) | 4,870 |
| Paxnet Co., Ltd. | 19,310 | | (1,073) | 18,237 |
| Global Credit & Information Corp. | 670 | | (42) | 628 |
| TU Media Corp. | | 1,045 | (52) | 993 |
| IHQ, Inc. | | 7,377 | (1,110) | 6,267 |
| Seoul Records, Inc. | | 4,078 | (408) | 3,670 |
| Harex Info Tech, Inc. | | 1,752 | (350) | 1,402 |
| SLD Telecom PTE. Ltd. | 428 | | (22) | 406 |
| ULand Co., Ltd. | | 3,922 | (294) | 3,628 |
| Total | ₩ 53,593 | ₩ 15,793 | (₩ 4,678) | ₩ 64,708 |

| | For the year ended December 31, 2004 | | | |
|-----------------------------------|--------------------------------------|----------------|------------------|-----------------|
| | Beginning balance | Increase | Amortization | Ending balance |
| SK Teletech Co., Ltd. | ₩ | ₩ 3,414 | (₩ 128) | ₩ 3,286 |
| SK Communications Co., Ltd. | 21,799 | 3,176 | (352) | 24,623 |
| SK C&C Co., Ltd. | 5,682 | | (406) | 5,276 |
| Paxnet Co., Ltd. | 20,383 | | (1,073) | 19,310 |
| Global Credit & Information Corp. | 712 | | (42) | 670 |
| SLD Telecom PTE. Ltd. | | 433 | (5) | 428 |
| Total | ₩ 48,576 | ₩ 7,023 | (₩ 2,006) | ₩ 53,593 |

Details of changes in unrealized intercompany gains incurred from sales of assets for the year ended December 31, 2005 are as follows (in millions of Korean won) :

| | For the year ended December 31, 2005 | | | |
|-----------------------------|--------------------------------------|----------------|----------------|----------------|
| | Beginning balance | Increase | Decrease | Ending balance |
| SK Communications Co., Ltd. | ₩ | ₩ 4,459 | (₩ 443) | ₩ (4,016) |
| SK China Company Ltd. | 1,206 | | (120) | 1,086 |
| Total | ₩ 1,206 | ₩ 4,459 | (₩ 563) | ₩ 5,102 |

Details of market price of the equity securities accounted for using the equity method as of December 31, 2005 are as follows (in millions of Korean won, except for market price per share) :

| | Market price per share (in Korean won) | Shares owned by the Company | Market price |
|---------------------|---|-----------------------------------|--------------|
| Pantech Co., Ltd | 5,900 | 25,570,306 | 150,865 |
| WiderThan Co., Ltd. | 15,408 | 2,000,000 | 30,816 |
| IHQ, Inc. | 9,220 | 8,000,000 | 73,760 |
| Seoul Records, Inc. | 5,480 | 9,582,321 | 52,511 |

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The condensed financial information of the investees as of and for the year ended December 31, 2005 are as follows (in millions of Korean won) :

| | Total | Total | | Net |
|---|-----------|-------------|-----------|-----------|
| | Assets | Liabilities | Revenue | Income |
| | | | | (loss) |
| Pantech Co., Ltd | ₩ 896,943 | ₩652,831 | ₩ 655,089 | ₩(20,275) |
| SK Capital Co., Ltd. | 37,508 | 7 | | (523) |
| SK Communications Co., Ltd. | 206,583 | 49,646 | 151,326 | 12,826 |
| SK Telink Co., Ltd. | 131,012 | 52,739 | 155,051 | 16,369 |
| SK C&C Co., Ltd. | 1,250,918 | 884,167 | 1,002,668 | 61,811 |
| SK Wyverns Baseball Club Co., Ltd. | 4,312 | 9,447 | 21,077 | (1,231) |
| STIC Ventures Co., Ltd. | 56,970 | 19,008 | 11,503 | (3,672) |
| Paxnet Co., Ltd. | 20,162 | 5,965 | 40,331 | 4,771 |
| Global Credit & Information Corp. | 9,851 | 4,555 | 37,597 | 529 |
| TU Media Corp. | 393,959 | 287,810 | 21,550 | (96,316) |
| Aircross Co., Ltd. | 12,682 | 10,137 | 16,281 | 78 |
| WiderThan Co., Ltd. | 176,448 | 49,464 | 103,875 | 7,776 |
| IHQ, Inc. | 67,638 | 30,388 | 50,198 | 4,553 |
| Seoul Records, Inc. | 46,239 | 6,952 | 24,136 | (3,441) |
| Harex Info Tech, Inc. | 5,971 | 461 | 1,071 | (2,156) |
| SLD Telecom PTE. Ltd. | 100,882 | 1,087 | | (13,617) |
| Skytel Co., Ltd. | 23,418 | 6,545 | 12,228 | 4,434 |
| SK China Company Ltd. | 8,090 | 514 | 1,849 | (1,429) |
| SK Telecom China Co., Ltd. | 10,701 | 3,774 | 9,315 | (2,232) |
| ULand Co., Ltd. | 14,740 | 2,001 | 4,668 | (5,455) |
| SK Telecom USA Holdings, Inc. | 113,335 | 9,584 | | (20,885) |
| SK Telecom International, Inc. | 27,384 | 1,427 | 13,404 | 4,707 |
| SK USA, Inc. | 8,320 | 1,477 | 8,312 | 799 |
| Centurion IT Investment Association | 9,693 | | 1,962 | 1,886 |
| 1 st Music Investment Fund of SK-PVC | 10,113 | 20 | 124 | 93 |
| 2 nd Music Investment Fund of SK-PVC | 10,061 | 8 | 69 | 52 |
| SK-KTB Music Investment Fund | 20,270 | 51 | 280 | 201 |
| IMM Cinema Fund | 24,567 | 6 | 174 | (239) |
| SKT-HP Ventures, LLC. | 10,548 | 5 | 305 | 297 |

5. LOANS TO EMPLOYEES

Short-term and long-term loans to employees as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | 2005 | | | 2004 |
|--|------------|-----------|----------|----------|
| | Short-term | Long-term | Total | |
| Loans to employees stock ownership association | ₩ 3,249 | ₩ 11,337 | ₩ 14,586 | ₩ 22,546 |
| Loans to employees for housing and other | 93 | 340 | 433 | 612 |
| Total | ₩ 3,342 | ₩ 11,677 | ₩ 15,019 | ₩ 23,158 |

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

Property and equipment as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | Useful lives (years) | December 31, 2005 | December 31,2004 |
|-------------------------------|--------------------------------|----------------------|---------------------|
| Land | | ₩ 461,513 | ₩ 463,656 |
| Buildings and structures | 30,15 | 1,477,838 | 1,441,937 |
| Machinery | 6 | 10,376,529 | 9,452,751 |
| Vehicles | 4 | 20,442 | 20,268 |
| Other | 4 | 807,534 | 721,032 |
| Construction in progress | | 264,309 | 138,002 |
| | | 13,408,165 | 12,237,646 |
| Less accumulated depreciation | | (8,812,282) | (7,632,393) |
| Property and equipment, net | | ₩ 4,595,883 | ₩ 4,605,253 |

The standard value of land declared by the government as of December 31, 2005 and 2004 are ₩412,829 million and ₩401,771 million, respectively.

Details of change in property and equipment for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | For the year ended December 31, 2005 | | | | | Ending balance |
|-----------------------------|--------------------------------------|-------------|------------|------------|---------------|-------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | |
| Land | ₩ 463,656 | ₩ 723 | (₩ 4,698) | ₩ 1,832 | ₩ | ₩ 461,513 |
| Buildings and structures | 1,163,069 | 12,255 | (8,095) | 33,425 | (55,157) | 1,145,497 |
| Machinery | 2,585,118 | 34,334 | (18,924) | 992,283 | (1,163,247) | 2,429,564 |
| Vehicles | 4,030 | 982 | (116) | 130 | (2,240) | 2,786 |
| Other | 251,377 | 754,542 | (3,294) | (626,161) | (84,250) | 292,214 |
| Construction in progress | 138,003 | 580,309 | | (454,003) | | 264,309 |
| Total | ₩ 4,605,253 | ₩ 1,383,145 | (₩ 35,127) | (₩ 52,494) | (₩ 1,304,894) | ₩ 4,595,883 |

| | For the year ended December 31, 2004 | | | | | Ending balance |
|-----------------------------|--------------------------------------|-------------|-----------|-----------|--------------|-------------------|
| | Beginning balance | Acquisition | Disposal | Transfer | Depreciation | |
| Land | ₩ 446,574 | ₩ 3,394 | (₩ 2,684) | ₩ 16,372 | ₩ | ₩ 463,656 |
| Buildings and structures | 840,237 | 7,239 | (7,849) | 366,296 | (42,854) | 1,163,069 |
| Machinery | 2,625,306 | 67,408 | (7,659) | 1,143,443 | (1,243,380) | 2,585,118 |

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| | | | | | | |
|--------------------------|------------------------|------------------------|------------------------|-------------------------|---------------------------|------------------------|
| Vehicles | 3,836 | 2,957 | (333) | 695 | (3,125) | 4,030 |
| Other | 326,109 | 720,431 | (5,267) | (697,118) | (92,778) | 251,377 |
| Construction in progress | 309,564 | 768,573 | (756) | (939,378) | | 138,003 |
| Total | ₩ 4,551,626 | ₩ 1,570,002 | (₩ 24,548) | (₩ 109,690) | (₩ 1,382,137) | ₩ 4,605,253 |

Table of Contents**7. INTANGIBLE ASSETS**

Intangible assets as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | December 31, 2005 | | | December 31, 2004 |
|----------------------------|---------------------|-----------------------------|---------------------|----------------------|
| | Acquisition cost | Accumulated amortization | Carrying amounts | Carrying amounts |
| Goodwill | ₩ 2,335,532 | (₩ 514,648) | ₩ 1,820,884 | ₩ 1,949,546 |
| Frequency use rights | 1,384,433 | (200,141) | 1,184,292 | 1,163,319 |
| Software development costs | 221,913 | (160,657) | 61,256 | 100,579 |
| Computer software | 489,807 | (210,050) | 279,757 | 190,745 |
| Other | 103,974 | (63,616) | 40,358 | 44,430 |
| | ₩ 4,535,659 | (₩ 1,149,111) | ₩ 3,386,547 | ₩ 3,448,619 |

Details of changes in intangible assets for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | For the year ended December 31, 2005 | | | | | |
|----------------------------|--------------------------------------|-----------|----------|----------|--------------|-------------------|
| | Beginning balance | Increase | Decrease | Transfer | Amortization | Ending balance |
| Goodwill | ₩ 1,949,546 | ₩ | ₩ | ₩ | (₩ 128,662) | ₩ 1,820,884 |
| Frequency use rights | 1,163,319 | 117,380 | | | (96,407) | 1,184,292 |
| Software development costs | 100,579 | 635 | | | (39,958) | 61,256 |
| Computer software | 190,745 | 68,252 | (3) | 77,645 | (56,881) | 279,758 |
| Other | 44,430 | 2,409 | (289) | 1,259 | (7,452) | 40,357 |
| | ₩ 3,448,619 | ₩ 188,676 | (₩ 292) | ₩ 78,904 | (₩ 329,360) | ₩ 3,386,547 |

| | For the year ended December 31, 2004 | | | | | |
|----------------------------|--------------------------------------|----------|-----------|-----------|--------------|-------------------|
| | Beginning balance | Increase | Decrease | Transfer | Amortization | Ending balance |
| Goodwill | ₩ 2,078,208 | ₩ | ₩ | ₩ | (₩ 128,662) | ₩ 1,949,546 |
| Frequency use rights | 1,251,278 | | | 7,800 | (95,759) | 1,163,319 |
| Software development costs | 133,833 | 3,431 | (3,094) | 10,545 | (44,136) | 100,579 |
| Computer software | 88,857 | 50,827 | (650) | 92,801 | (41,091) | 190,744 |
| Other | 48,092 | 3,369 | (142) | 858 | (17,746) | 44,431 |
| | ₩ 3,600,268 | ₩ 57,627 | (₩ 3,886) | ₩ 112,004 | (₩ 317,394) | ₩ 3,448,619 |

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The book value as of December 31, 2005 and residual useful lives of major intangible assets are as follows (in millions of Korean won) :

| | Amount | Description | Residual useful lives |
|----------------------------|------------|--|-----------------------|
| Goodwill | ₩1,820,884 | Goodwill related to acquisition of Shinsegi Telecomm, Inc. | 14 years and 3 months |
| IMT license | 1,059,871 | Frequency use rights relating to W-CDMA Service | (note a) |
| WiBro license | 117,000 | WiBro Service | (note b) |
| DMB license | 7,421 | DMB Service | 10 years and 6 months |
| Software development costs | 61,255 | Software for business use | 1 ~ 5 years |

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

(note b) The Company purchased the WiBro license from MIC on March 20, 2005. The license period is seven years from that date. Amortization of the WiBro license will be on a straight line basis over the remaining useful life from the commencement date of the

Company's
commercial
WiBro services.

Table of Contents**8. BONDS PAYABLE**

Bonds payable as of December 31, 2005 and December 31, 2004 are as follows (in millions of Korean won and thousands of U.S. dollars) :

| | Maturity year | Annual interest rate (%) | December 31, 2005 | December 31, 2004 |
|--|------------------|--------------------------------|-------------------------|-------------------------|
| Domestic general bonds | 2005 | 6.0 | ₩ | ₩ 500,000 |
| | 2006 | 5.0 6.0 | 800,000 | 800,000 |
| | 2007 | 5.0 6.0 | 700,000 | 700,000 |
| | 2008 | 5.0 | 300,000 | 300,000 |
| | 2009 | 5.0 | 300,000 | 300,000 |
| | 2010 | 4.0 | 200,000 | |
| | 2011 | 3.0 | 200,000 | 200,000 |
| Dollar denominated bonds (US\$300,000) | 2011 | 4.25 | 303,900 | 313,140 |
| Convertible bonds (US\$329,450) | 2009 | | 385,885 | 385,885 |
| Total | | | 3,189,785 | 3,499,025 |
| Less discounts on bonds | | | (40,016) | (51,467) |
| Less conversion right adjustments | | | (65,219) | (82,245) |
| Add long-term accrued interest | | | 24,808 | 24,808 |
| Net | | | 3,109,358 | 3,390,121 |
| Less portion due within one year | | | (795,150) | (498,278) |
| Long-term portion | | | ₩ 2,314,208 | ₩ 2,891,843 |

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 ₩225,518 per share in accordance with antidilution protection. The Company may redeem their principal amount after 3 years from the issuance date if the market price exceeds 130% of the conversion price during a predetermined period. On the other hand, the bond holders may redeem their notes at 103.81% of the principal amount on May 27, 2007 (3 years from the issuance date). The conversion right may be exercised during the period from July 7, 2004 to May 13, 2009 and the number of common shares to be converted as of December 31, 2005 is 1,718,700 shares. Conversion of notes to common shares may be prohibited under the Telecommunications Law or other legal restrictions which restrains foreign governments, individuals and entities from owning more than 49% of the Company's voting stock, if this 49% ownership limitation is violated due to the exercise of conversion rights. In this case, the Company will pay a bond holder a cash settlement determined at the average price of one day after a holder exercises its conversion right or the weighted average price for the following five business days. The Company intends to sell treasury shares held in trust by the Company that corresponds to the number of shares of common stock that would have been delivered in the absence of the 49% foreign shareholding restrictions. The Company entered into an agreement with Credit Suisse First Boston International to reduce the effect of fluctuation with respect to cash settlement payments that may be more or less than the proceeds from sales of treasury shares held in trust. Unless

either previously redeemed or converted, the notes are redeemable at 106.43% of the principal amount at maturity.

Table of Contents**9. SUBSCRIPTION DEPOSITS**

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

Long-term subscription deposits held as of December 31, 2005 and 2004 are as follows (in millions of Korean won except deposit per subscriber amounts) :

| Cellular | Service type | Deposit | 2005 | 2004 |
|----------|--------------|----------------|----------|----------|
| | | per subscriber | | |
| | | ₩ 200,000 | ₩ 23,770 | ₩ 31,440 |

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.

10. LEASES

As the Company merged with Shinsegi Telecomm, Inc. (Shinsegi) in January 2002, certain capital leases made by Shinsegi were transferred to the Company. Depreciation expense related to such capital leases for the years ended December 31, 2005 and 2004 was nil and ₩37 million, respectively. For the year ended December 31, 2004, all capital leases transferred from Shinsegi were terminated and the Company acquired the related leased machinery free of charge.

In addition, the Company acquired certain computer equipment and software from SK C&C Co., Ltd. and succeeded certain capital lease agreements between SK C&C Co., Ltd. and HP Financial Service. Details of capital lease assets and liabilities acquired from SK C&C Co., Ltd. for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | | 2005 | 2004 |
|--------------------------|-------------------|----------|------|
| Acquisition cost | Office equipment | ₩ 16,919 | ₩ |
| | Computer software | 7,625 | |
| | | ₩ 24,544 | ₩ |
| Accumulated depreciation | Office equipment | ₩ 744 | ₩ |
| | Computer software | 127 | |
| | | ₩ 871 | ₩ |
| Carrying amounts | Office equipment | ₩ 16,175 | ₩ |
| | Computer software | 7,498 | |
| | | | |

| | | | |
|-----------------------|-------------------|----------|---|
| | | ₩ 23,673 | ₩ |
| Depreciation expenses | Office equipment | ₩ 744 | ₩ |
| | Computer software | 127 | |
| | | ₩ 871 | ₩ |

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The Company's minimum future lease payments as of December 31, 2005 are as follows (in millions of Korean won) :

| | Annual lease payments | Interest | Principal |
|----------------------------------|--------------------------|----------|-----------|
| 2006 | ₩ 15,328 | ₩ 989 | ₩ 14,339 |
| 2007 | 8,846 | 353 | 8,495 |
| 2008 | 1,734 | 24 | 1,710 |
| Total | ₩ 25,908 | ₩ 1,365 | 24,544 |
| Less portion due within one year | | | (14,340) |
| Capital lease liabilities | | | ₩ 10,204 |

As the Company merged with Shinsegi, certain operating lease made by Shinsegi was transferred to the Company and the related lease expense for the year ended December 31, 2005 and 2004 was nil and ₩261 million, respectively, as the operating lease was terminated in 2004.

11. MONETARY ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The details of monetary assets and liabilities denominated in foreign currencies (except for bonds payable denominated in foreign currencies described in Note 8) as of December 31, 2005 and 2004 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 Chinese yuan, thousands of Singapore dollars, thousands of Swiss Franc and thousands of Euros) :

| | 2005 | | 2004 | |
|---------------------------|---|--|---|---------------------------------------|
| | Foreign currencies | Korean won equivalent | Foreign currencies | Korean won equivalent |
| Cash and cash equivalents | US\$ 4,175 EUR 3 | ₩ 4,229 3 | US\$ 3,851 | ₩ 4,020 |
| Accounts receivable trade | US\$ 9,390 EUR 248 | 9,512 298 | US\$ 2,163 | 2,257 |
| Accounts receivable other | US\$ 3,364 | 3,408 | US\$ 2,930 | 3,058 |
| Guarantee deposits | JPY 16,156 | 139 | JPY 15,756 US\$ 142 | 160 149 |
| | | ₩ 17,589 | | ₩ 9,644 |
| Accounts payable | US\$ 15,633 JPY 8,498 HK\$ 254 GBP 453 SG\$ 22 EUR 504 CHF 19 | 15,836 73 33 792 13 604 15 | US\$ 5,158 JPY 38,618 HK\$ 217 GBP 67 SG\$ 5 EUR 119 | 5,384 391 29 135 3 169 |

CNY 1 1

₩ 17,366 ₩ 6,112

Table of Contents**12. CAPITAL STOCK AND CAPITAL SURPLUS**

The Company's capital stock consists entirely of common stock with a par value of ₩500. The number of authorized and issued shares as of December 31, 2005 and 2004 are as follows :

| | 2005 | 2004 |
|-------------------|-------------|-------------|
| Authorized shares | 220,000,000 | 220,000,000 |
| Issued shares | 82,276,711 | 82,276,711 |

Significant changes in capital stock and capital surplus during the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | Number of shares issued | Capital stock | Capital surplus |
|---|-------------------------------|------------------|--------------------|
| At January 1, 2004 | 82,276,711 | ₩ 44,639 | ₩ 2,915,964 |
| Excess unallocated purchase price (note a) | | | (77) |
| Consideration for conversion rights (note b) | | | 67,279 |
| At December 31, 2004 | 82,276,711 | 44,639 | 2,983,166 |
| Deferred tax liabilities deducted from capital surplus (note c) | | | (18,501) |
| Transferred from stock option in capital adjustment (note d) | | | 1,533 |
| December 31, 2005 | 82,276,711 | ₩ 44,639 | ₩ 2,966,198 |

(note a) During the year ended December 31, 2004, the Company paid ₩77 million to certain former shareholders of Shinsegi Telecomm, Inc. in accordance with the ruling of the court and deducted it from capital surplus in accordance with Korean GAAP.

(note b)

The Company issued zero coupon convertible bonds in the principal amount of US\$329,450,000 at US\$324,923,469 with an initial conversion price of ~~₩~~235,625 per share of the Company's common stock on May 27, 2004 and the consideration for conversion right of ~~₩~~67,279 million was added to capital surplus in accordance with Korean GAAP (See Note 2 (i)).

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

(note d) During the year ended December 31, 2005, the exercisable

period for the
stock options
representing
17,800 shares, of
which recognized
compensation
costs was
~~₩~~1,533 million,
expired and the
related stock
options of
~~₩~~1,533 million
in capital
adjustments were
transferred to
capital surplus in
accordance with
Korean GAAP
(See Note 2 (n)).

Table of Contents**13. RETAINED EARNINGS**

Retained earnings as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | 2005 | 2004 |
|----------------|-------------|-------------|
| Appropriated | ₩ 5,470,701 | ₩ 4,733,936 |
| Unappropriated | 1,799,160 | 1,422,772 |
| | ₩ 7,269,860 | ₩ 6,156,708 |

The details of appropriated retained earnings as of December 31, 2005 and December 31, 2004 are as follows (in millions of Korean won) :

| | 2005 | 2004 |
|--|-------------|-------------|
| Legal reserve | ₩ 22,320 | ₩ 22,320 |
| Reserve for improvement of financial structure | 33,000 | 33,000 |
| Reserve for loss on disposal of treasury stock | 477,182 | 477,182 |
| Reserve for research and manpower development | 822,061 | 776,296 |
| Reserve for business expansion | 4,116,138 | 3,425,138 |
| Total | ₩ 5,470,701 | ₩ 4,733,936 |

a. Legal Reserve

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

b. Reserve for Improvement of Financial Structure

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

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

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

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14. TREASURY STOCK

Upon the issuances of stock dividends and new common stock and the merger with Shinsegi Telecomm, Inc. and SK IMT Co., Ltd., the Company acquired fractional shares totaling 77,970 shares for ₩6,110 million through 2004. In addition, the Company acquired 7,452,810 shares of treasury stock in the market or through the trust funds for ₩1,771,507 million through 2004 in order to stabilize the market price of its stock.

Under the Mutual Agreement on Stock Exchange between the Company and KT Corporation, on December 30, 2002 and January 10, 2003, the Company acquired 8,266,923 shares of the Company's common stock from KT Corporation for ₩1,853,643 million.

On January 13, 2002, the Company merged with Shinsegi Telecomm, Inc. and distributed 2,677,653 shares of treasury stock to minority shareholders of Shinsegi Telecomm, Inc., of which the cost was ₩584,646 million.

On January 6, 2003, the Company retired 4,457,635 shares of treasury stock that were purchased from KT Corporation as mentioned above in accordance with a resolution of the board of directors dated December 26, 2002 and reduced unappropriated retained earnings by ₩1,008,882 million including the tax effect of ₩9,373 million, in accordance with the Korean Commercial Laws.

On June 30, 2003, in accordance with a resolution of the board of directors dated June 24, 2003, the Company announced a stock repurchase program to acquire 2,544,600 shares of common stock in the market in order to enhance stockholders' interest and to stabilize the stock price. Pursuant to the program, the Company acquired a total of 2,544,600 shares of Company's outstanding common stock for ₩525,174 million during the period from June 30, 2003 to August 11, 2003 and retired such treasury shares on August 20, 2003, which reduced the unappropriated retained earnings by ₩537,138 million including the tax effect of ₩11,964 million, in accordance with Korean Commercial Laws.

15. STOCK OPTIONS

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

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The value of stock options granted is determined using the Black-Scholes option-pricing model, without considering the volatility factor in estimating the value of its stock options, as permitted under Korean GAAP. The following assumptions are used to estimate the fair value of options granted in 2000, 2001 and 2002; risk-free interest rate of 9.1% for 2000, 5.9% for 2001 and 6.2% for 2002; expected life of three years for 2000, 2001 and 2002; expected dividend of ₩500 per share for 2000, 2001 and 2002. Under these assumptions, total compensation cost, the recognized compensation cost (included in labor cost) for the years ended December 31, 2005 and 2004 and the outstanding balance of stock option in capital adjustment as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| Grant date | Total compensation cost | Recognized compensation cost | | Stock option in capital adjustment | |
|-----------------------|-------------------------------|---------------------------------|---------|---------------------------------------|---------|
| | | 2005 | 2004 | 2005 | 2004 |
| March 17, 2000 (note) | ₩ 1,533 | ₩ | ₩ | ₩ | ₩ 1,533 |
| March 16, 2001 | 234 | | 10 | 234 | 234 |
| March 8, 2002 | 3,246 | 180 | 1,082 | 3,246 | 3,066 |
| | ₩ 5,013 | ₩ 180 | ₩ 1,092 | ₩ 3,480 | ₩ 4,833 |

(note) During the year ended December 31, 2005, the exercisable period expired for stock options representing 17,800 shares, for which the Company had recognized compensation cost of ₩1,533 million. The related capital adjustment of ₩1,533 million was transferred to capital surplus. Therefore, stock options in capital adjustments as of December 31, 2005 are nil, and there is no

compensation
cost to be
recognized for
periods after
December 31,
2005.

The pro forma net income and net income per common share, if the Company had not excluded the volatility factor (expected volatility of 66.8% for options granted in 2000, 67.5% for options granted in 2001 and 63.0% for options granted in 2002) in estimating the value of its stock options, for years ended December 31, 2005, 2004 and 2003 are as follows :

| | 2005 | 2004 | 2003 |
|---|------------|------------|------------|
| Pro forma ordinary income before income taxes (in millions of Korean won) | ₩2,554,315 | ₩2,114,841 | ₩2,711,080 |
| Pro forma net income (in millions of Korean won) | 1,871,082 | 1,492,914 | 1,939,636 |
| Pro forma net income and ordinary income per common share (in Korean won) | 25,417 | 20,280 | 25,835 |

16. INCOME TAXES

a. Details of income tax expense

Income tax expense for the years ended December 31, 2005 and 2004 consist of the following (in millions of Korean won) :

| | 2005 | 2004 |
|--|-----------|-----------|
| Current | ₩ 678,722 | ₩ 540,129 |
| Changes in net deferred tax liabilities (note a) | 4,511 | 80,797 |
| Income tax expenses | ₩ 683,233 | ₩ 620,926 |

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(note a) Changes in net deferred tax liabilities for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | 2005 | 2004 |
|---|-----------|-----------|
| Ending balance of net deferred tax liabilities | ₩ 348,563 | ₩ 323,096 |
| Beginning balance of net deferred tax liabilities | (323,096) | (242,057) |
| Adjustment to the beginning net deferred income tax liabilities based on tax return filed | 8,536 | (242) |
| Tax effect of temporary differences charged or credited directly to related components of stockholders equity | (29,492) | |
| | ₩ 4,511 | ₩ 80,797 |

b. Reconciling items between accounting income and taxable income

Reconciling items between accounting income and taxable income for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| (Temporary Differences) | 2005 | 2004 |
|---|-----------|-----------|
| Additions : | | |
| Allowance for doubtful accounts | ₩ 142,420 | ₩ 59,622 |
| Accrued interest income | 8,823 | 5,978 |
| Reserves for research and manpower development | 131,467 | 84,235 |
| Equity in losses of affiliates | 94,821 | |
| Foreign currency translation gain | | 2,802 |
| Depreciation | 14,826 | 12,073 |
| Loss on impairment of long-term investment securities | 1,793 | 32,074 |
| Loss on impairment of other assets | 7,461 | 21,070 |
| Loss on valuation of derivative instruments | | 15,789 |
| Accrued severance indemnities | 24,879 | 19,636 |
| Deposits for severance indemnities | 12,552 | 10,540 |
| Consideration of conversion right | 17,027 | |
| Other | 76,180 | 57,719 |
| Sub-total | 532,249 | 321,538 |
| Deductions: | | |
| Reserves for research and manpower development | (190,000) | (130,000) |
| Allowance for doubtful accounts | (59,612) | (67,482) |

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| | | |
|---|-----------|------------|
| Depreciation | (80,359) | (183,861) |
| Accrued interest income | (8,331) | (7,797) |
| Foreign currency translation loss | | (5,617) |
| Equity in earnings of affiliates | (9,387) | (53,825) |
| Loss on impairment of other assets | (21,070) | (22,459) |
| Loss on impairment of long-term investment securities | | (20,342) |
| Gain on valuation of derivative instruments | (2,545) | |
| Accrued severance indemnities | (12,552) | (19,636) |
| Deposits for severance indemnities | (24,879) | (10,540) |
| Other | (110,143) | (88,358) |
| Sub-total | (518,878) | (609,917) |
| Total Temporary Differences | 13,371 | (288,379) |
| (Permanent Differences) | 211,489 | 200,043 |
| Total | ₩ 244,860 | ₩ (88,336) |

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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, 2005 and 2004 and deferred tax assets (liabilities) as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

For the year ended December 31, 2005

| Description | January 1, 2005 | Increase (note b) | Decrease (note b) | December 31, 2005 |
|--|--------------------|----------------------|----------------------|----------------------|
| Current : | | | | |
| Allowance for doubtful accounts | ₩ 59,622 | ₩ 122,551 | ₩ 59,612 | ₩ 122,561 |
| Accrued interest income | (7,796) | (558) | (4,423) | (3,931) |
| Other | 235,000 | 42,010 | 25,495 | 251,515 |
| Total | 286,826 | ₩ 164,003 | ₩ 80,684 | 370,145 |
| Temporary differences unlikely to be realized (note a) | (128,555) | (19,219) | | (147,774) |
| Total current cumulative temporary differences-net | ₩ 158,271 | 144,784 | 80,684 | ₩ 222,371 |
| Current deferred tax assets-net (note c) | ₩ 43,525 | | | ₩ 61,152 |
| Non-current : | | | | |
| Property and equipment | (127,822) | (61,386) | 7,238 | (196,446) |
| Loss on impairment of long-term investment securities | 106,752 | 1,393 | | 108,145 |
| Loss on impairment of other long-term assets | 21,070 | 7,461 | 21,070 | 7,461 |
| Reserves for research and manpower development | (709,467) | (190,000) | (131,467) | (768,000) |
| Reserves for loss on disposal of treasury stock | (474,081) | | | (474,081) |
| Equity in (earnings) losses of affiliates | (89,441) | 166,434 | | 76,993 |
| Equity in capital adjustment of affiliates | | (109,468) | | (109,468) |
| Unrealized loss on valuation of long-term investment securities | | 58,116 | | 58,116 |
| Accrued severance indemnities | 139,524 | 21,493 | 12,552 | 148,465 |
| Deposits for severance indemnities | (139,524) | (21,493) | (12,552) | (148,465) |
| Loss on valuation of derivative instruments | 15,789 | | 2,545 | 13,244 |
| Loss on valuation of derivative instruments-capital adjustment | | 19,554 | | 19,554 |
| Considerations for conversion right | | (67,279) | | (67,279) |
| Other | (75,966) | 186,801 | 131,886 | (21,051) |
| Total | (1,333,166) | ₩ 11,626 | ₩ 31,272 | (1,352,812) |
| Temporary differences unlikely to be realized (note a) | | (137,061) | | (137,061) |

| | | | |
|---|---------------|-----------|----------------------|
| Total non-current cumulative temporary differences-net | (₩ 1,333,166) | (125,435) | 31,272 (₩ 1,489,873) |
| Total non-current deferred tax liabilities-net (note c) | (₩ 323,096) | | (₩ 409,715) |

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

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

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

(note c) Effective January 1, 2005, pursuant to adoption of SAKS No. 16 deferred tax assets and liabilities are separated into current and non-current amounts based on the classification of related assets or liabilities for financial reporting purpose. The tax rate used in measuring deferred tax

assets and
liabilities is
27.5%.

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| Description | January 1, 2004 | Increase (note b) | Decrease (note b) | December 31, 2004 |
|---|--------------------|----------------------|----------------------|----------------------|
| Property and equipment | ₩ 41,373 | (₩ 159,764) | ₩ 9,431 | (₩ 127,822) |
| Allowance for doubtful accounts | 66,833 | 60,271 | 67,482 | 59,622 |
| Loss on impairment of investment securities | 95,269 | 32,074 | 20,591 | 106,752 |
| Foreign currency translation loss | 5,617 | | 5,617 | |
| Foreign currency translation gain | (2,802) | | (2,802) | |
| Reserves for research and manpower development | (663,702) | (130,000) | (84,235) | (709,467) |
| Reserves for loss on disposal of treasury stock | (474,081) | | | (474,081) |
| Accrued interest income | (5,978) | (7,797) | (5,978) | (7,797) |
| Equity in earnings of affiliates | (35,616) | (53,825) | | (89,441) |
| Loss on impairment of other assets | 22,459 | 21,070 | 22,459 | 21,070 |
| Accrued severance indemnities | 148,963 | 19,636 | 29,075 | 139,524 |
| Deposits for severance indemnities | (139,054) | (19,636) | (19,166) | (139,524) |
| Loss on valuation of currency swap | | 15,789 | | 15,789 |
| Other | 57,547 | 34,788 | 61,854 | 30,481 |
| | | | | |
| Total temporary differences | (₩ 883,172) | (₩ 187,394) | ₩ 104,328 | (₩ 1,174,894) |
| | | | | |
| Deferred tax liabilities-net (note a) | (₩ 242,057) | | | (₩ 323,096) |

(note a) The tax effects of temporary differences which are not realizable and the net unrealized loss on valuation of long-term investment securities are excluded in determining the above net deferred tax liabilities.

(note b) These changes include adjustment to reflect the change in accumulated

temporary
differences
based on the
prior year tax
return.

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

| | 2005 | 2004 |
|--|-------------|-------------|
| Deferred tax assets | ₩ 192,044 | ₩ 166,895 |
| Deferred tax liabilities | (540,607) | (489,991) |
| Deferred tax assets (liabilities), net | (₩ 348,563) | (₩ 323,096) |
| Current, net | ₩ 61,152 | ₩ |
| Non-current, net | (₩ 409,715) | (₩ 323,096) |

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

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

| | |
|---|----------------|
| Considerations for conversion right | (₩ 18,502) |
| Unrealized loss on valuation of long-term investment securities | 15,982 |
| Equity in capital adjustment of affiliates, net | (32,349) |
| Loss on valuation of currency swap | 5,377 |
| Total | (₩ 29,492) |

e. Effective tax rate

Effective tax rates for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | 2005 | 2004 |
|-----------------------------------|------------|------------|
| Income before income tax expenses | ₩2,554,613 | ₩2,115,778 |
| Income tax expenses | 683,233 | 620,926 |
| Effective tax rate | 26.75% | 29.35% |

f. Income taxes payable and prepaid income taxes before offset

Income taxes payable and prepaid income taxes as of December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | 2005 | 2004 |
|------------------------------|--------------|--------------|
| Prepaid income taxes | (₩312,143) | (₩272,332) |
| Income taxes payable | 678,722 | 540,129 |
| Income taxes payable-net | ₩366,579 | ₩267,797 |

17. NET INCOME AND ORDINARY INCOME PER SHARE

The Company's net income and ordinary income per share amounts for the years ended December 31, 2005 and 2004 are computed as follows (in millions of Korean won, except for per share data) :

Net income and ordinary income per share

| | 2005 | 2004 |
|--|-------------|-------------|
| Net income and ordinary income | ₩ 1,871,380 | ₩ 1,494,852 |
| Weighted average number of common shares outstanding | 73,614,296 | 73,614,297 |

| | | | | |
|--|---|--------|---|--------|
| Net income and ordinary income per share (in Korean won) | ₩ | 25,421 | ₩ | 20,307 |
|--|---|--------|---|--------|

The weighted average number of common shares outstanding for the years ended December 31, 2005 and 2004 is calculated as follows :

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| | Number of shares | Weighted number of days | Weighted number of shares |
|--|---------------------|-------------------------------|---------------------------------|
| For 2005 | | | |
| At January 1, 2005 | 82,276,711 | 365 / 365 | 82,276,711 |
| Treasury stock, at the beginning | (8,662,415) | 365 | (8,662,415) |
| Total | 73,614,296 | | 73,614,296 |
| For 2004 | | | |
| At January 1, 2004 | 82,276,711 | 366 / 366 | 82,276,711 |
| Treasury stock, at the beginning | (8,662,403) | 366 | (8,662,403) |
| Purchase of fractional shares related to merger with SK IMT Co., Ltd. | (12) | 316 / 366 | (11) |
| Total | 73,614,296 | | 73,614,297 |

Diluted net income and ordinary income per share amounts for the years ended December 31, 2005 and 2004 are computed as follows (in millions of Korean won, except for per share data) :

Diluted net income and ordinary income per share

| | 2005 | 2004 |
|---|-------------|-------------|
| Adjusted net income and ordinary income | ₩ 1,884,435 | ₩ 1,502,169 |
| Adjusted weighted average number of common shares outstanding | 75,332,996 | 74,596,777 |
| Diluted net income and ordinary income per share | ₩ 25,015 | ₩ 20,137 |

Adjusted net income and ordinary income per share and the adjusted weighted average number of common shares outstanding for the years ended December 31, 2005 and 2004 are calculated as follows (in millions of Korean won) :

| | 2005 | 2004 |
|---|-------------|-------------|
| Net income and ordinary income | ₩ 1,871,380 | ₩ 1,494,852 |
| Effect of stock option (note a) | | |
| Effect of convertible bonds (note b) | 13,055 | 7,317 |
| Adjusted net income and ordinary income | ₩ 1,884,435 | ₩ 1,502,169 |

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| | 2005 | 2004 |
|---|------------|------------|
| Weighted average number of common shares outstanding | 73,614,296 | 73,614,297 |
| Effect of stock options (note a) | | |
| Effect of convertible bonds (note b) | 1,718,700 | 982,480 |
| Adjusted weighted average number of common shares outstanding | 75,332,996 | 74,596,777 |

(note a) In the years ended December 31, 2005 and 2004, 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 31, 2005 and 2004.

(note b) Effect of convertible bonds represents the dilutive effect of such bonds on net income and ordinary income per share determined on an as if converted basis.

18. RESTRICTED CASH AND CASH EQUIVALENTS

- a. At December 31, 2005, the Company has guarantee deposits restricted for its checking accounts totaling ₩26 million and deposits restricted for the interest of the public totaling ₩10,000 million of which due date is August 10, 2006.
- b. The Company entered into a contract to sell the investment in common stock of KPMS Corporation, which was held by the Company and accounted for as available-for-sale securities, with First Data Corporation. Some portion of proceeds from sales of such investment totaling ₩1,137 million is kept in escrow accounts in

accordance with the Escrow Agreement, which is restricted for use until November 16, 2007 (final settlement date).

19. DIVIDEND DISCLOSURE

Details of dividends which were declared for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won except for per share data) :

| | | Number of shares | Face value | Dividend ratio | Dividends |
|------|---------------------------|---------------------|---------------|-------------------|-----------|
| | Dividend type | outstanding | per share | | |
| 2005 | Cash dividends (interim) | 73,614,296 | ₩ 500 | 200% | ₩ 73,614 |
| | Cash dividends (year-end) | 73,614,296 | ₩ 500 | 1,600% | 588,914 |
| | Total | | | | ₩ 662,528 |
| 2004 | Cash dividends (interim) | 73,614,308 | ₩ 500 | 200% | ₩ 73,614 |
| | Cash dividends (year-end) | 73,614,296 | ₩ 500 | 1,860% | 684,613 |
| | Total | | | | ₩ 758,227 |

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Dividends payout ratios (including interim dividend) for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | | |
|------------------------|-----------|-----------|
| | 2005 | 2004 |
| Dividends | ₩ 662,528 | ₩ 758,227 |
| Net income | 1,871,380 | 1,494,852 |
| | | |
| Dividends payout ratio | 35.40% | 50.72% |

Dividends yield ratios for the years ended December 31, 2005 and 2004 are as follows (in Korean won) :

| | | |
|-----------------------------|---------|----------|
| | 2005 | 2004 |
| Dividend per share | ₩ 9,000 | ₩ 10,300 |
| Stock price at the year-end | 181,000 | 197,000 |
| | | |
| | 4.97% | 5.23% |

20. INSURANCE

At December 31, 2005, certain of the Company's assets are insured with local insurance companies as follows (in millions of Korean won and thousands of U.S. dollars) :

| Insured | Risk | Carrying value | Coverage |
|------------------------|----------------------------------|----------------|-------------|
| | | | US\$ 65,000 |
| Property and equipment | Fire and comprehensive liability | ₩ 3,694,810 | ₩ 7,255,411 |

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

Table of Contents**21. TRANSACTIONS WITH RELATED COMPANIES**

Significant related party transactions and balances as of and for the years ended December 31, 2005 and 2004 were as follows (in millions of Korean won) :

| Description | For the year ended December 31, 2005 | For the year ended December 31, 2004 |
|---|---|---|
| Transactions | | |
| SK C&C Co., Ltd. : | | |
| Purchases of property and equipment | ₩ 246,600 | ₩ 126,648 |
| Commissions paid and other expenses | 321,046 | 289,933 |
| Commission and other income | 7,853 | 7,918 |
| SK Engineering & Construction Co., Ltd. : | | |
| Construction | 257,823 | 419,871 |
| Commissions paid and other expenses | 6,593 | 6,148 |
| Commissions and other income | 2,470 | 1,081 |
| SK Networks Co., Ltd. : | | |
| Purchases of property and equipment | 5,857 | 3,087 |
| Commissions paid and other expenses | 425,832 | 400,290 |
| Commissions and other income | 12,546 | 13,196 |
| SK Corporation : | | |
| Purchases of property and equipment | 1,106 | 4,071 |
| Commissions paid and other expenses | 44,746 | 47,438 |
| Commissions and other income | 8,926 | 7,994 |
| Innoace Co., Ltd. : | | |
| Purchases of property and equipment | 13,634 | 23,776 |
| Commissions paid and other expenses | 2,109 | 4,337 |
| Commissions and other income | 218 | 296 |
| SK Communications Co., Ltd. : | | |
| Purchases of property and equipment | 132 | 229 |
| Commissions paid and other expenses | 46,040 | 39,090 |
| Commissions and other income | 1,097 | 13,660 |
| SK Telesys Co., Ltd. : | | |
| Purchases of property and equipment | 294,829 | 188,822 |
| Commissions paid and other expenses | 7,410 | 3,102 |
| Commissions and other income | 575 | 322 |
| WiderThan Co., Ltd. : | | |
| Purchases of property and equipment | 13,248 | 4,418 |
| Commissions paid and other expenses | 97,869 | 82,364 |
| Commissions and other income | 1,727 | 1,084 |

| | | |
|--|--------|--------|
| Global credit & information Co.,Ltd. : | | |
| Commissions paid and other expenses | 37,549 | 35,617 |
| Commissions and other income | 1,106 | 865 |
| Helio Inc. : | | |
| Commissions and other income | 11,914 | |

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| Description | December 31, 2005 | December 31, 2004 |
|---|----------------------|----------------------|
| Balances | | |
| SK C&C Co., Ltd. : | | |
| Accounts receivable | ₩ 91 | ₩ 77 |
| Accounts payable | 174,884 | 75,802 |
| Guarantee deposits received | 346 | 346 |
| SK Engineering & Construction Co., Ltd. : | | |
| Accounts receivable | 97 | 76 |
| Accounts payable | 21,326 | 135,213 |
| Guarantee deposits received | 942 | 408 |
| SK Networks Co., Ltd. : | | |
| Accounts receivable | 1,760 | 1,102 |
| Guarantee deposits | 113 | 113 |
| Accounts payable | 20,465 | 18,696 |
| Guarantee deposits received | 2,700 | 955 |
| SK Corporation : | | |
| Accounts receivable | 1,643 | 2,392 |
| Guarantee deposits paid | 1,307 | 103,720 |
| Accounts payable | 6,767 | 19,917 |
| Guarantee deposits received | 6,173 | 10,194 |
| Innoace Co., Ltd. : | | |
| Accounts payable | 6,100 | 15,199 |
| Guarantee deposits received | 2,138 | 2,138 |
| SK Communications Co., Ltd. : | | |
| Accounts receivable | 195 | 235 |
| Accounts payable | 5,891 | 11,509 |
| Guarantee deposits received | 3,681 | 11,127 |
| SK Telesys Co., Ltd. : | | |
| Accounts receivable | 3 | 11 |
| Accounts payable | 65,496 | 51,954 |
| SK Wyverns Baseball Club Co., Ltd. : | | |
| Long-term and short-term loans | 5,857 | 7,957 |
| WiderThan Co., Ltd. : | | |
| Accounts receivable | 4 | 58 |
| Accounts payable | 17,398 | 9,829 |
| Global credit & information Co.,Ltd. : | | |
| Accounts receivable | 70 | 20 |
| Accounts payable | 6,533 | 6,140 |

| | |
|---------------------|--------|
| Helio Inc. : | |
| Accounts receivable | 11,914 |

Table of Contents**22. PROVISION FOR MILEAGE POINTS**

The Company, for its marketing purposes, grants certain mileage points (Rainbow Points) to its subscribers based on their usage of the Company's services. Rainbow Points provision was provided based on the historical usage experience and the Company's marketing policy. Such provision as of December 31, 2005 totaled ~~₩~~52,172 million and was recorded as accrued expenses.

Details of change in the provisions for such mileage points for the years ended December 31, 2005 and 2004 are as follows (in millions of Korean won) :

| | 2005 | 2004 |
|---------------------------------|----------|-----------|
| Beginning balance | ₩ 61,596 | ₩ 103,679 |
| Present value discount (note a) | (7,415) | |
| Increase | 7,265 | |
| Decrease | (9,274) | (42,083) |
| | | |
| Ending Balance | ₩ 52,172 | ₩ 61,596 |

(note a) Effective January 1, 2005, pursuant to adoption of SKAS No.17 (See Note 2 (1)), Rainbow Points provision is recorded at the present value, which was recorded at nominal value through 2004.

23. DERIVATIVE INSTRUMENTS

The Company has entered into a foreign currency forward contract and a fixed-to-fixed cross currency swap contract with Citi Bank, BNP Paribas and Credit Suisse First Boston International to hedge the foreign currency risk of unguaranteed US dollar denominated bonds with face amounts totaling US\$300,000,000 at annual fixed interest rate of 4.25% issued on April 1, 2004. As of December 31, 2005, 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 ₩14,177 million (excluding tax effect totaling ₩5,377 million and foreign exchange translation gain arising from unguaranteed US dollar denominated bonds totaling ₩40,652 million) was accounted for as a capital adjustment.

In addition, the Company has entered into a fixed-to-fixed cross currency swap contract with Credit Suisse First Boston International to hedge foreign currency risk of unguaranteed US dollar denominated convertible bonds with face amounts of US\$329,450,000 issued on May 27, 2004. In connection with unsettled fixed-to-fixed cross currency swap contract to which the cash flow hedge accounting is not applied, a gain on valuation of currency swap of ₩2,545 million for the year ended December 31, 2005 and loss on valuation of currency swap of ₩15,789 million for the year ended December 31, 2004 were charged to current operations. As of December 31, 2005, fair values of above derivatives totaling ₩73,450 million are recorded in long-term liabilities.

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Details of derivative instruments as of December 31, 2005 are as follows (in thousands of US dollars and millions of Korean won) :

| Type | Hedged item | Face amount | Duration of contract | Designated as cash flow hedge | Fair value | | Total |
|----------------------------------|---|-------------|--------------------------------|-------------------------------|----------------|--------|----------|
| | | | | | Not Designated | | |
| Fix-to-fixed cross currency swap | Unguaranteed US dollar denominated bonds | US\$300,000 | March 23, 2004 ~ April 1, 2011 | ₩ 60,206 | ₩ | | ₩ 60,206 |
| Fix-to-fixed cross currency swap | Unguaranteed US dollar denominated convertible bond | US\$100,000 | May 27, 2004 ~ May 27, 2009 | | | 13,244 | 13,244 |
| | | | | ₩ 60,206 | ₩ | 13,244 | ₩ 73,450 |

The above derivative instruments designated as cash flow hedge mature within 63 months from December 31, 2005 at the longest; and the expected portion of capital adjustments as of December 31, 2005, related to loss on valuation of currency swap, to be recorded in earnings within the next 12 months amounts to ₩6,146 million.

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

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

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

In accordance with the resolution of the Company's board of directors dated January 26, 2005, the Company and EarthLink, Inc., an internet service provider in the United States of America, agreed to establish Helio, Inc., a joint venture company, in the United States of America in February 2005 in order to provide wireless telecommunication service across the United States of America. The Company, via SK Telecom USA Holdings, Inc., its wholly-owned subsidiary in the United States of America, will invest US\$220 million for a 50% equity interest in the joint venture company from 2005 through 2007. Helio, Inc. will launch cellular voice and data services extensively across the United States of America during the second quarter of 2006 by renting networks from network operators throughout the United States of America also known as partial mobile virtual network operator (MVNO) system.

Table of Contents**25. OPERATING RESULTS FOR THE FOURTH QUARTER**

The Company's key operating results for the three months ended December 31, 2005 and 2004 are as follows (in millions of Korean won, except for income per share) :

| | 4 th Quarter of | |
|--------------------------------------|----------------------------|-------------|
| | 2005 | 2004 |
| | (unaudited) | (unaudited) |
| Operating revenue | ₩ 2,626,557 | ₩ 2,484,849 |
| Ordinary income | 567,123 | 481,355 |
| Net income | 447,975 | 348,072 |
| Net income per share (in Korean won) | 6,085 | 4,728 |

Forward-Looking Statement Disclaimer

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

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SIGNATURES

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

SK Telecom Co., Ltd.

(Registrant)

By: /s/ Hyun Jong

Song

(Signature)

Name: Hyun Jong

Song

Title: Vice President

Date: April 10, 2006