

Edgar Filing: SK TELECOM CO LTD - Form 6-K

SK TELECOM CO LTD
Form 6-K
November 08, 2002

1934 Act Registration No. 1-14418

=====

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

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

FOR THE MONTH OF NOVEMBER 2002

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

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

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

Form 20-F [X]

Form 40-F

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

Yes

No [X]

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

=====

This report on Form 6-K shall be deemed to be incorporated by reference in the prospectuses included in Registration Statements on Form F-3 (File Nos. 333-91034 and 333-99073) filed with the Securities and Exchange Commission and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

Edgar Filing: SK TELECOM CO LTD - Form 6-K

FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002

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

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

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

NON-CONSOLIDATED FINANCIAL INFORMATION AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2002

We must file quarterly reports with the Financial Supervisory Commission of Korea and the Korea Stock Exchange. The unaudited, non-reviewed and non-consolidated financial information as of and for the nine months ended September 30, 2001 and 2002 shown below were prepared pursuant to generally accepted accounting principles in Korea ("Korean GAAP").

The financial information below is non-consolidated and includes the results of operations of our subsidiaries using the equity method of accounting. Therefore, our operating revenue, total assets and total liabilities, if prepared on a consolidated basis, could be significantly different from those in our non-consolidated financial statements, even though net income in our consolidated financial statements may be similar to that in our non-consolidated financial statements. Under Korean GAAP, our non-consolidated revenues accounted for approximately 74% to 97% of our consolidated revenues in the last three years. We can give no assurance as to what the actual ratios will be for 2002. In addition, results of operations for the first nine months of 2002 may not be indicative of results of operations for the full year 2002.

We merged Shinsegi into SK Telecom with effect from January 13, 2002. As a result, our results of operations from that date include the results of operations of the business that was previously operated by Shinsegi and

Edgar Filing: SK TELECOM CO LTD - Form 6-K

accounted for using the equity method of accounting in our non-consolidated financial information. Consequently, it may be difficult to compare our non-consolidated financial information as of and for the nine months ended September 30, 2001 to that as of and for the nine months ended September 30, 2002.

| | FOR THE NINE MONTHS ENDED SEPTEMBER 30, | |
|--|--|-------|
| | 2001 | |
| | (IN BILLIONS OF WON) | |
| NON-CONSOLIDATED INCOME STATEMENT DATA | | |
| Operating Revenue | Won 4,517.1 | Won |
| Operating Expenses | 2,784.9 | |
| Operating Income | 1,732.2 | |
| Other Income | 68.8 | |
| Other Expenses | 369.8 | |
| Income Taxes | 508.3 | |
| | ----- | |
| Net Income | Won 923.0 | Won |
| | ===== | ===== |

4

| | AS OF SEPTEMBER 30, | |
|-------------------------------------|----------------------|-------|
| | 2001 | |
| | (IN BILLIONS OF WON) | |
| NON-CONSOLIDATED BALANCE SHEET DATA | | |
| Total Current Assets | Won 1,988.9 | Won |
| Total Non-Current Assets | 7,970.9 | 1 |
| Total Assets | 9,959.9 | 1 |
| Total Current Liabilities | 2,153.9 | |
| Total Long-Term Liabilities | 1,713.9 | |
| | ----- | |
| Total Shareholders' Equity | Won 6,092.1 | Won |
| | ===== | ===== |

Non-Consolidated Operating Revenue. SK Telecom's operating revenue increased by 38.7% to Won 6,266.6 billion for the nine months ended September 30, 2002 from Won 4,517.1 billion for the nine months ended September 30, 2001, principally reflecting a 51.0% increase in cellular revenue to Won 5,443.3 billion for the nine months ended September 30, 2002 from Won 3,604.7 billion for the nine months ended September 30, 2001, which was partially offset by a 6.3% decrease in interconnection revenue.

The increase in SK Telecom's cellular revenue was principally due to an increase in the number of SK Telecom's wireless subscribers, which more than offset a decrease in the average monthly revenue per subscriber. The number of SK Telecom's subscribers increased to approximately 11.2 million as of September 30, 2002 from approximately 17 million as of September 30, 2001, reflecting the Shinsegi merger and increased marketing activity after June 30, 2001, when we

Edgar Filing: SK TELECOM CO LTD - Form 6-K

satisfied the FTC's condition to our acquisition of Shinsegi. Wireless Internet sales increased by 182.4% to Won 483.3 billion for the nine months ended September 30, 2002 from Won 171.2 billion for the nine months ended September 30, 2001, representing 8.9% of SK Telecom's cellular revenue, primarily due to the increased number of wireless internet-enabled handset holders.

SK Telecom's non-consolidated average monthly revenue per subscriber (including interconnection revenue) decreased by 5.5% to Won 43,058 for the nine months ended September 30, 2002 from Won 45,573 for the nine months ended September 30, 2001. The decrease was principally due to the reduction in tariffs by 8.3% from January 2002, the decrease in interconnection rates and the inclusion from January 13, 2002 of Shinsegi's subscribers, who produced lower average monthly revenue. But the decrease was partially offset by increases in wireless internet average monthly revenue per subscriber and average monthly revenue per subscriber from value-added service.

On an aggregate basis, interconnection revenue decreased by 6.3% to Won 809.8 billion for the nine months ended September 30, 2002 from Won 864.3 billion for the nine months ended September 30, 2001. The decrease was the result of lower interconnection rates in 2002.

5

Non-Consolidated Operating Income. SK Telecom's operating income increased by 20.4% to Won 2,085.8 billion for the nine months ended September 30, 2002 from Won 1,732.2 billion for the nine months ended September 30, 2001. SK Telecom's operating income increased at a lower rate than operating revenue because SK Telecom's operating expenses for the nine months ended September 30, 2002 increased by 50.1% to Won 4,180.8 billion compared to Won 2,784.9 billion for the nine months ended September 30, 2001. The increase in SK Telecom's operating expenses was primarily due to the Shinsegi merger and the increases in commissions, depreciation expenses, interconnection expenses, advertising expenses, labor costs, leased line expenses and miscellaneous operating expenses.

Commissions paid to SK Telecom's authorized dealers increased by 114% to Won 553.2 billion for the nine months ended September 30, 2002 compared to Won 258.5 billion for the nine months ended September 30, 2001. The increase was primarily due to the increase in new subscribers by 175% and in average subscribers by 48% during the period.

Depreciation & amortization expenses increased by 27.8% to Won 989.2 billion for the nine months ended September 30, 2002 compared to 774.2 billion for the nine months ended September 30, 2001. The increase in depreciation expenses was primarily due to the Shinsegi merger and the expansion of SK Telecom's CDMA 1xRTT network.

Interconnection expenses increased by 23.5% to Won 543.6 billion for the nine months ended September 30, 2002 compared to Won 440.0 billion for the nine months ended September 30, 2001. The increase was primarily due to the higher subscriber numbers (including as a result of the Shinsegi merger) and an increase in the amount of mandated payment in Universal Service Obligation fund, which were only partially offset by a decrease in the level of interconnection fees that SK Telecom must pay to other operators for calls using their networks

Advertising expenses increased by 69.2% to Won 284.9 billion for the nine months ended September 30, 2002 compared to Won 168.4 billion for the nine months ended September 30, 2001, primarily due to the promotion of new services and the marketing activities related to the World Cup events in Korea. In addition, advertising expenses for the first half of 2001 were unusually low as a result of our efforts to satisfy the FTC's condition to our acquisition of Shinsegi that our wireless market share be less than 50.0% as of June 30, 2001.

Edgar Filing: SK TELECOM CO LTD - Form 6-K

Labor cost increased by 63.6% to Won 244.8 billion for the nine months ended September 30, 2002 compared to Won 149.7 billion for the nine months ended September 30, 2001. The increase was primarily due to the inclusion of Shinsegi's labor expense from January 13, 2002 and higher wage levels.

Leased line expenses increased by 21.0% to Won 196.6 billion for the nine months ended September 30, 2002 compared to Won 162.5 billion for the nine months

6

ended September 30, 2001, primarily due to the Shinsegi merger and an increase in wireless traffic.

Miscellaneous operating expenses increased by 62.3% to Won 274.9 billion for the nine months ended September 30, 2002 compared to Won 169.4 billion for the nine months ended September 30, 2001, primarily due to the Shinsegi merger and increases in research and development expenses and frequency usage fees.

Non-Consolidated Other Income. Other income, consisting primarily of commission income, interest income, foreign exchange and translation gains and miscellaneous income, increased by 197.3% to Won 204.6 billion for the nine months ended September 30, 2002 compared to Won 68.8 billion for the nine months ended September 30, 2001. Other income increased primarily due to significant increases in commission income, foreign exchange translation gains, interest income and miscellaneous other income, which were partially offset by a decrease in foreign exchange gains.

Non-Consolidated Other Expenses. Other expenses, consisting primarily of interest expense, donations, foreign exchange and translation losses and miscellaneous expenses, decreased by 4.7% to Won 352.5 billion for the nine months ended September 30, 2002 compared to Won 369.8 billion for the nine months ended September 30, 2001. Other expenses decreased primarily as a result of the absence of equity in losses of affiliates, lower levels of donations, a decrease in foreign exchange translation losses and a decrease in miscellaneous other expenses, which were partially offset by a significant increase in interest expenses. As a percentage of operating revenue, other expenses decreased to 5.6% for the nine months ended September 30, 2002 from 8.2% for the nine months ended September 30, 2001.

Non-Consolidated Income Tax. Provision for income taxes increased by 16.5% to Won 592.2 billion for the nine months ended September 30, 2002 from Won 508.3 billion for the nine months ended September 30, 2001.

Non-Consolidated Net Income. Principally as a result of the factors discussed above, SK Telecom's net income increased by 45.8% to 1,345.5 billion for the nine months ended September 30, 2002 from Won 923.0 billion for the nine months ended September 30, 2001.

7

INCOME STATEMENT

| | JAN-SEP 02 ----- |
|-------------------------|---------------------|
| CELLULAR REVENUE | 5,443,325 |
| INTERCONNECTION REVENUE | 809,822 |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

| | |
|-----------------------------------|-----------|
| OTHERS | 13,458 |
| | ----- |
| TOTAL REVENUE | 6,266,605 |
| WAGE & EMPLOYEE BENEFITS | 244,801 |
| MARKETING EXPENSES | 1,099,738 |
| Cellular Initial Commission | 247,147 |
| Cellular Monthly Commission | 306,087 |
| Advertisement | 284,909 |
| Retention Commission | 261,594 |
| Others | |
| REPAIR EXPENSES | 60,669 |
| RENT | 103,782 |
| FEEES | 466,954 |
| DEPRECIATION (INCL. AMORTIZATION) | 989,241 |
| LEASED-LINE EXPENSES | 196,611 |
| R&D | 111,998 |
| FREQUENCY USAGE FEES | 88,583 |
| BAD DEBT | |
| INTERCONNECTION EXPENSES | 543,559 |
| OTHERS | 274,904 |
| | ----- |
| OPERATING EXPENSES | 4,180,841 |
| OPERATING INCOME | 2,085,765 |
| OTHER INCOME | 204,554 |
| OTHER EXPENSES | 352,488 |
| ORDINARY INCOME | 1,937,831 |
| INCOME BEFORE TAXES | 1,937,831 |
| INCOME TAXES | 592,186 |
| | ----- |
| NET INCOME | 1,345,546 |

8

BALANCE SHEET

| | |
|------------------------------|-----------|
| | SEP-02 |
| | ----- |
| CASH & MARKETABLE SECURITIES | 445,661 |
| TRADE RECEIVABLES | 1,178,793 |
| SHORT-TERM LOAN | 32,960 |
| ACCOUNTS RECEIVABLE | 1,189,388 |
| ACCRUED INCOME RECEIVABLES | 9,827 |
| INVENTORIES | 4,910 |
| PREPAID EXPENSES AND OTHERS | 53,323 |
| | ----- |
| TOTAL CURRENT ASSETS | 2,914,863 |
| INVESTMENT 1) | 3,491,331 |
| LONG-TERM DEPOSITS 2) | 12,830 |
| LEASEHOLD GUARANTEE DEPOSITS | 237,697 |

Edgar Filing: SK TELECOM CO LTD - Form 6-K

| | |
|------------------------------------|------------|
| OTHERS | 96,565 |
| | ----- |
| TOTAL INVESTMENT ASSETS | 3,838,424 |
| LAND | 442,346 |
| BUILDING & FIXTURE | 760,527 |
| MACHINERY AND EQUIPMENT | 2,233,838 |
| CONSTRUCTION IN PROGRESS | 276,593 |
| OTHERS | 519,877 |
| NET PP&E | 4,233,181 |
| INTANGIBLE & DEFERRED ASSETS | 2,400,366 |
| | ----- |
| TOTAL FIXED ASSETS | 6,633,546 |
| TOTAL ASSETS | 13,386,833 |
| LIABILITIES & SHAREHOLDERS' EQUITY | |
| ACCOUNTS PAYABLE | 1,052,960 |
| ACCRUED EXPENSES | 476,440 |
| SHORT-TERM BORROWING | 1,065,000 |
| INCOME TAX PAYABLE | 337,330 |
| CURRENT PORTION OF LONG-TERM DEBT | 541,139 |
| OTHERS | 200,374 |
| | ----- |
| TOTAL CURRENT LIABILITIES | 3,673,253 |
| DEPOSIT FOR FACILITIES | 52,954 |
| LONG-TERM DEBT | 3,056,702 |
| ACCRUED SEVERANCE INDEMNITIES | 94,730 |
| OTHERS | 39,995 |
| DEFERRED INCOME TAX CREDITS | 74,101 |
| | ----- |
| TOTAL LONG-TERM LIABILITIES | 3,318,482 |
| TOTAL LIABILITIES | 6,991,735 |
| CAPITAL STOCK | 44,576 |

9

| | |
|----------------------------|-------------|
| | SEP-02 |
| | ----- |
| CAPITAL SURPLUS | 2,884,430 |
| RETAINED EARNINGS | 4,731,367 |
| CAPITAL ADJUSTMENTS | (1,265,275) |
| | ----- |
| TOTAL SHAREHOLDERS' EQUITY | 6,395,098 |
| TOTAL LIAB. & S/E | 13,386,833 |

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

10

SIGNATURES

Edgar Filing: SK TELECOM CO LTD - Form 6-K

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

SK TELECOM CO., LTD.

By: /s/ Tae-Jin Park

Name: Tae-Jin Park
Title: Senior Manager
Investor Relations Office

Date: November 8, 2002