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SK TELECOM CO LTD  
Form 6-K  
August 27, 2004

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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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 AUGUST 2004  
COMMISSION FILE NUMBER: 1-14418

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

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

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

Form 20-F  Form 40-F -

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

Yes --  No

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

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and Exchange Commission and to be a part thereof from the date on which this report is filed, to the extent not superseded by documents or reports subsequently filed or furnished.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 6-K contains "forward-looking statements", as defined

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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", "consider", "depends", "estimate", "expect", "intend", "plan", "project" and similar expressions, or that certain events, actions or results "will", "may", "might", "should" or "could" occur, be taken or be achieved.

Forward-looking statements in this report on Form 6-K include, but are not limited to, statements related to the following:

- our ability to anticipate and respond to various competitive factors affecting the industry, including new services that may be introduced, changes in consumer preferences, economic conditions and discount pricing strategies by competitors;
- our implementation of CDMA 1xEV/DO technology and other technologies such as W-CDMA, which is commonly referred to as third generation, or 3G, wireless technology;
- our plans to spend approximately Won 1.7 trillion for capital expenditures in 2004 for a range of projects, including expansion and improvement of our wireless networks, investments in our Internet-related businesses and expansion of our W-CDMA network and our expected future capital expenditures on various initiatives;
- our ability to comply with governmental rules and regulations, including Korean Ministry of Information Communication (MIC) regulations related to telecommunications providers and rules related to our status as a "market-dominating business entity" under the Fair Trade Commission of Korea's Korean Monopoly Regulation and Fair Trade Act;
- our expectations and estimates related to: interconnection fees; tariffs charged by wireless operators; regulatory fees; operating costs and expenditures; working capital requirements; principal repayment obligations with respect to long-term borrowings, bonds and obligations under capital leases; research and development expenditures; and other financial estimates;

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- the effect of the number portability system that allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number and the use of the common prefix identification system;
- the telecommunications industry in Korea and other markets in which we do business and the effect economic, political or social conditions have on our number of subscribers, call volumes and results of operations; and
- our plans to pay dividends in 2004, and statements related to estimates of contractual obligations and commitments, financing activities and plans and other information more specifically detailed in "Management's Discussion and Analysis of Financial Condition and Results of Operations".

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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. Risks and uncertainties associated with our business include, but are not limited to, risks related to changes in the regulatory environment; technology changes; potential litigation and governmental actions; changes in the competitive environment; political changes; currency risks; foreign ownership limitations; credit risks and other risks and uncertainties that are more fully described under the heading "Key Information -- Risk Factors" beginning on page 11 of our annual report on Form 20-F filed with the United States Securities and Exchange Commission on June 1, 2004. 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.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

We must file semi-annual reports with the Financial Supervisory Commission of Korea and the Korean Stock Exchange. These semi-annual reports contain our unaudited, reviewed and non-consolidated financial statements as of and for the six months ended June 30, 2003 and 2004, that are prepared in accordance with Korean GAAP, which differs in some respects from U.S. GAAP. You should read the following discussion together with our unaudited non-consolidated financial statements included in this report.

The financial information described below and in our unaudited non-consolidated financial statements as of December 31, 2003 and June 30, 2004 and for the six months ended June 30, 2003 and 2004 is non-consolidated, and therefore does not reflect the results of operations of our subsidiaries other than those reflected under the equity method of accounting. While non-consolidated net income reflects the results of our consolidated subsidiaries, our other non-consolidated financial data, including operating revenue and operating income, do not. Accordingly, we believe that while there should not be any material differences between our net income on a non-consolidated basis and our net income on a consolidated basis, our other

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financial data, including those items noted above, may be materially different on a consolidated basis. As a result, the financial information below is not comparable with the consolidated financial information presented in our annual report on Form 20-F for the year ended December 31, 2003, filed with the United States Securities and Exchange Commission on June 1, 2004.

Under Korean GAAP, our non-consolidated revenues accounted for approximately 92.6% and 92.7% of our consolidated revenues in the years ended December 31, 2002 and 2003, respectively, and at December 31, 2002 and 2003, our non-consolidated assets were approximately 89.4% and 96.8% of our consolidated assets and our non-consolidated current assets were approximately 66.8% and 85.0% of our consolidated current assets. We can give no assurance as to what the ratios will be for the year ending December 31, 2004. In addition, results of operations for the first six months of 2004 may not be indicative of results of operations for the full year 2004.

Accounting principles and their application in practice vary among

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countries. The following discussion and our interim non-consolidated 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. Accordingly, this report and the accompanying interim non-consolidated financial statements are for use by those knowledgeable about Korean accounting principles and review standards and their application in practice.

### SELECTED FINANCIAL DATA

The following table sets forth selected financial data derived from our interim non-consolidated financial statements as of and for the six months ended June 30, 2004. You should read the selected non-consolidated financial data below in conjunction with our interim non-consolidated financial statements included in this report.

	FOR THE SIX MONTHS ENDED JUNE 30,	
	2003	2004
NON-CONSOLIDATED INCOME STATEMENT DATA	(IN BILLIONS OF WON)	
Operating Revenue	W4,629.6	W4,784.6
Wireless Service	4,098.6	4,354.7
Interconnection	520.7	429.9
Total Cellular Revenue	4,619.3	4,773.8
Operating Expenses	3,061.8	3,630.7
Operating Income	1567.8	1153.9
Other Income	142.5	150.5
Other Expenses	280.8	223.5
Income Taxes	430.3	329.7
Net Income	W 999.2	W 751.2
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	AS OF DECEMBER 31, 2003	AS OF JUNE 30, 2004
NON-CONSOLIDATED BALANCE SHEET DATA	(IN BILLIONS OF WON)	
Total Current Assets	W 3,460.7	W 3,684.4
Total Non-Current Assets	9,915.3	9,841.2
Total Assets	13,376.0	13,489.7
Total Current Liabilities	4,232.0	3,384.4
Total Long-Term Liabilities	3,202.1	3,762.7
Total Stockholders' Equity	5,941.8	6,342.6

### RESULTS OF OPERATIONS

**Non-Consolidated Revenue.** We earn revenue principally from initial connection fees and monthly access fees, usage charges and value-added service fees paid by subscribers to our wireless services and interconnection fees paid

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to us by other telecommunications operators. The amount of our revenue depends principally upon the number of wireless subscribers, the rates we charge for our services, subscriber usage of our services and the terms of our interconnection with other telecommunications operators. Government regulation also affects our revenues.

Non-Consolidated Operating Revenue. Our operating revenue increased by 3.3% to Won 4,784.6 billion in the six months ended June 30, 2004 from Won 4,629.6 billion in the corresponding period in 2003. This increase was principally a result of a 3.3% increase in our cellular revenue to Won 4,773.8 billion in the six months ended June 30, 2004 up from Won 4,619.3 billion in the corresponding period in 2003, as a result of an increase in the number of our wireless subscribers and the average monthly revenue per subscriber, which was offset by a 17.4 % decrease in interconnection revenue. Our wireless services revenue increased by 6.3% to Won 4,354.7 billion in the six months ended June 30, 2004 up from Won 4,098.6 billion in the corresponding period in 2003.

In January 2003, the MIC announced its plan to implement number portability with respect to wireless telecommunications service in Korea. The number portability system allows wireless subscribers to switch wireless service operators while retaining the same mobile phone number. Subscribers who switch operators to or from SK Telecom must purchase a new handset, as we use a different frequency than our competitors, KT Freetel and LG Telecom. In accordance with the plan published by the MIC, we were required to permit number portability first, beginning on January 1, 2004. The following number of subscribers have transferred to the service of our competitors during each month following our implementation of the number portability system:

MONTH	NUMBER OF SUBSCRIBERS TRANSFERRED
January	305,267
February	183,876
March	214,232
April	261,654
May	259,642
June	211,270
July	374,301

Subscribers who choose to transfer to a different wireless operator have the right to return to us without paying any penalties within 14 days of the initial transfer. KT Freetel introduced number portability beginning on July 1, 2004 and LG Telecom will be required to introduce number portability beginning on January 1, 2005. Notwithstanding our implementation of number portability on January 1, 2004, our total number of wireless subscribers increased to approximately 18.6 million as of June 30, 2004 up from approximately 18.3 million as of December 31, 2003 and 17.8 million as of June 30, 2003. The

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increase in the number of wireless subscribers resulted in part from our service quality and marketing efforts.

On June 15, 2004, the Minister of Information and Communication (MIC) issued a suspension that prohibits us from acquiring new subscribers for a period of 40 days beginning on August 20, 2004. The MIC also issued suspensions to our three largest competitors that prohibited them from acquiring new subscribers for periods ranging from 20 days to 30 days. KT Freetel Co. Ltd. was issued a 30 day suspension beginning on July 21, 2004; LG Telecom Ltd. was issued a 30 day suspension beginning on June 21, 2004; and Korea Telecom was issued a 20 day suspension beginning on July 21, 2004. These suspensions resulted from MIC's determination that we violated the ban on providing subsidies to handset purchasers. During the suspensions, each company was or will be able to continue regular business activities, including replacement of handsets, changes in user names, changes in mobile phone numbers and changes in tariff plans applicable to the existing subscribers. Because of the length and timing of our suspension relative to our competitors, we believe the suspension may have negative impact on our operating revenues and results of operations.

On an aggregate basis, interconnection revenue decreased by 17.4% to Won 429.9 billion in the six months ended June 30, 2004 down from Won 520.7 billion in the corresponding period in 2003. This decrease was due in part to the new adjusted interconnect rates announced by the MIC on July 9, 2004, which were applied retroactively. The new interconnect rates are as follows:

YEAR	SK TELECOM	KT FREETEL	LG TELECOM
2003	41.02	47.99	52.89
2004	31.81	47.66	58.55
2005	31.19	46.70	54.98

The interconnection rates were adjusted based on the original cost of individual operators under Long Run Incremental Cost (LRIC) method and the competitive market situation in the telecommunication service industry of Korea. The LRIC method is designed to calculate costs of interconnection of individual telecommunication service providers within a network using certain models called "bottom-up" and "top-down." The LRIC method was adopted by other countries such as the United States, the United Kingdom and Japan. Assuming that the factors affecting the interconnection revenues and expenses such as call volumes and call patterns are the same as those of 2003, we estimate that the new rates will have negative impact on our operations in this year in the amount of approximately Won 244 billion, resulting from an

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estimated Won 206 billion reduction in revenue and Won 38 billion increase in interconnection expenses. The Won 38 billion increase in the interconnection expenses includes the expected increase in the land to mobile (LM) interconnection expenses that we will have to pay to fixed-line service providers.

Our non-consolidated average monthly revenue per subscriber (excluding

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interconnection revenue) increased by 0.74% to Won 39,281 in the six months ended June 30, 2004 up from Won 38,992 in the corresponding period in 2003. The increase is principally due to increases in average monthly revenue per subscriber from wireless Internet services.

Our non-consolidated average monthly revenue per subscriber from wireless Internet services sales increased by 34.7% to Won 7,296 in the six months ended June 30, 2004 up from Won 5,415 in the corresponding period in 2003. Wireless Internet services sales increased by 41.7% to Won 808.8 billion in the six months ended June 30, 2004 (representing 16.9% of our cellular revenue) up from Won 570.6 billion in the corresponding period in 2003, primarily due to the increased number of subscribers who use wireless Internet-enabled handsets.

Our non-consolidated average monthly revenue per subscriber from value-added services and other sales decreased by 25.4% to Won 1,562 in the six months ended June 30, 2004 down from Won 2,094 in the corresponding period in 2003. Value-added services and other sales decreased by 21.5% to Won 173.2 billion in the six months ended June 30, 2004 down from Won 220.6 billion in the corresponding period in 2003 primarily due to a decrease in caller ID rates from Won 2,000 to Won 1,000 that took effect in October 2003.

Non-Consolidated Operating Expenses. Our operating expenses in the six months ended June 30, 2004 increased by 18.6% to Won 3,630.7 billion compared to Won 3,061.8 billion in the corresponding period in 2003, primarily due to increases in commissions paid, labor costs, depreciation and amortization expenses, leased line expenses and miscellaneous operating expenses, which more than offset decreases in network interconnection expenses, cost of goods sold and advertising expenses.

Commissions paid to our authorized dealers increased by 35.9% to Won 1,471.7 billion in the six months ended June 30, 2004 compared to Won 1,082.7 billion in the corresponding period in 2003, primarily due to the 5.3% increase in the average number of subscribers during the period, increases in commissions paid to wireless Internet content providers and retail agents and an increase in the number of handsets sold. We also increased our marketing activities to maintain our market leadership in 2G and 2.5G services, to promote our 3G services and to counter the effects of number portability.

Labor costs increased by 38.4% to Won 236.6 billion in the six months ended June 30, 2004 compared to Won 170.9 billion in the corresponding period in 2003. The increase was primarily due to an increase in performance bonuses and an increase in salaries.

Depreciation and amortization expense increased by 8.5% to Won 661.9 billion in the six months ended June 30, 2004 compared to Won 718.0 billion in the corresponding period in 2003.

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The increase in depreciation and amortization expenses was primarily due to the continued expansion of our CDMA 1xRTT network.

Leased line expenses increased by 15.3% to Won 172.2 billion in the six months ended June 30, 2004 up from Won 149.3 billion in the corresponding period in 2003 primarily due to higher call volumes.

Miscellaneous operating expenses increased by 17.2% to Won 452.9 billion in the six months ended June 30, 2004 compared to Won 386.5 billion in the corresponding period in 2003 primarily due to increases in taxes and other dues and rent expenses.

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Network interconnection expenses decreased by 4.2% to Won 399.5 billion in the six months ended June 30, 2004 compared to Won 417.1 billion in the corresponding period in 2003, primarily due to a decrease in interconnection rates and a decrease in the level of interconnection fees that we must pay to other operators for calls using their networks, which was partially offset by the higher subscriber numbers. Mobile-to-mobile interconnection expenses increased by 18.1% to Won 302.5 billion in the six months ended June 30, 2004 compared to Won 256.2 billion in the corresponding period in 2003. Mobile-to-land interconnection expenses decreased by 30.0% to Won 81.1 billion in the six months ended June 30, 2004 compared to Won 115.8 billion in the corresponding period in 2003.

Cost of goods sold decreased by 89.0% to Won 1.0 billion in the six months ended June 30, 2004 compared to Won 5.1 billion in the corresponding period in 2003. The decrease was primarily due to a decrease in sales of wireless Internet solutions (including software, hardware and service) following the completion of our obligation to provide wireless Internet solutions to Asia Pacific Broadband Wireless Communications (APBW) at the end of 2003.

Advertising expenses decreased by 2.8% to Won 178.9 billion in the six months ended June 30, 2004 compared to Won 184.0 billion in the corresponding period in 2003. We reduced advertising and focused our efforts on managing our distribution network to mitigate the effect of number portability.

Non-Consolidated Operating Income. Our operating income decreased by 26.4% to Won 1567.8 billion in the six months ended June 30, 2004 down from Won 1153.9 billion in the corresponding period in 2003. Our operating income decreased principally because our operating expenses increased at a faster rate than our operating revenue, as explained above.

Non-Consolidated Other Income. Other income, consisting primarily of equity in earnings of affiliates, interest income, dividend income, foreign exchange and translation gains and commission income, increased by 5.6% to Won 150.5 billion in the six months ended June 30, 2004 compared to Won 142.5 billion in the corresponding period in 2003, primarily due to increases in equity in earnings of affiliates, interest income and foreign exchange translation gains, which were partially offset by a decrease in commissions and dividend income.

Non-Consolidated Other Expenses. Other expenses include interest and discount expenses, loss on disposal of property, equipment and intangible assets, loss on valuation of

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derivative instruments, foreign exchange and translation losses and donations. Other expenses decreased by 20.4% to Won 223.5 billion in the six months ended June 30, 2004 compared to Won 280.8 billion in the corresponding period in 2003. The decrease was primarily due to decreases in loss on impairment of long-term investment securities, equity in losses of affiliates, interest and discounts and foreign exchange translation losses, which more than offset increases in loss on valuation of derivative instruments and loss on disposal of property, equipment and intangible assets. As a percentage of operating revenue, other expenses decreased to 4.7% in the six months ended June 30, 2004 from 6.7% in the corresponding period in 2003.

Non-Consolidated Income Tax. Provision for income taxes decreased by 23.4% to Won 329.7 billion in the six months ended June 30, 2004 from Won 430.4 billion in the corresponding period in 2003. Our effective tax rate increased to 32.5% in the six months ended June 30, 2004 from an effective tax rate of 30.1%



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in the corresponding period in 2003.

Non-Consolidated Net Income. Principally as a result of the factors discussed above, our net income decreased by 24.8% to Won 751.2 billion in six months ended June 30, 2004 down from Won 999.4 billion in the corresponding period in 2003, with net income as a percentage of operating revenues at 15.7% in the six months ended June 30, 2004 as compared to 21.6% in the corresponding period in 2003.

### LIQUIDITY AND CAPITAL RESOURCES

#### LIQUIDITY

We had a working capital (current assets minus current liabilities) deficit of Won 264.0 billion as of June 30, 2004 and Won 771.3 billion as of December 31, 2003. We had cash, cash equivalents, short-term financial instruments and trading securities of Won 736.0 billion as of June 30, 2004 and Won 987.6 billion as of December 31, 2003. We had outstanding short-term borrowings of Won 180.0 billion as of June 30, 2004 and Won 728.7 billion as of December 31, 2003.

Operating cash flow is our principal source of liquidity. Cash and cash equivalents increased by Won 25.9 billion to Won 54.3 billion at June 30, 2004 up from Won 23.4 billion at December 31, 2003.

Net Cash Flow from Operating Activities. Our principal source of liquidity is cash flow from operations. Cash flow provided by operations was Won 783.6 billion in the six month period ended June 30, 2004, compared to Won 782.8 billion during the same period in 2003.

Net Cash from Investing Activities. Net cash flow from investing activities was Won 357.1 billion in the six month period ended June 30, 2004, compared to Won 64.2 billion during the same period in 2003. Cash inflows from investing activities were Won 400.3 billion in the six month period ended June 30, 2004, compared to Won 904.6 billion during the same period in 2003, and the primary contributor to such inflows related to a decrease in trading securities of Won 285.6 billion in the six month period ended June 30, 2004, compared to Won nil during the

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same period in 2003. Cash outflows for investing activities were Won 757.4 billion in the six month period ended June 30, 2004, compared to Won 969.0 billion during the same period in 2003. The primary contributors to the overall cash outflows for investing activities were expenditures related to the acquisition of property and equipment, which were Won 471.6 billion in the six month period ended June 30, 2004, compared to Won 463.0 billion during the same period in 2003; increase in short-term financial instruments, which were Won 6.9 billion in the six month period ended June 30, 2004, compared to Won 186.5 billion during the same period in 2003; and increase of trading securities, which were nil in the six month period ended June 30, 2004, compared to Won 97.7 billion during the same period in 2003.

Net Cash from Financing Activities. Financing activities used cash of Won 400.6 billion in the six month period ended June 30, 2004, compared to using cash of Won 619.7 billion during the same period in 2003. Cash inflows from financing activities included net increase in issuance of bonds, which provided cash of Won 1018.0 billion in the six month period ended June 30, 2004, compared to Won 315.8 billion during the same period in 2003. Cash outflows for financing activities included, among other items, net repayment of short-term borrowing of

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Won 548.7 billion in the six month period ended June 30, 2004, compared to nil during the same period in 2003; repayment of the current portion of long-term debt, which used cash of Won 466.8 billion in the six month period ended June 30, 2004, compared to Won 87.1 billion during the same period in 2003; acquisition of treasury stock, which used cash of Won 2 million in the six month period ended June 30, 2004, compared to Won 885.0 billion during the same period in 2003; and payment of dividends which used cash of Won 404.7 billion in the six month period ended June 30, 2004, compared to Won 151.7 billion during the same period in 2003.

The net increase in cash and cash equivalents was Won 25.9 billion in the six month period ended June 30, 2004, compared to Won 98.8 billion during the same period in 2003.

### LONG TERM DEBT

We had total non-consolidated long-term debt (excluding current portion and facility deposits) of Won 3,762.7 billion as of June 30, 2004 and Won 3,202.1 billion as of December 31, 2003. Our non-consolidated long-term debt as of June 30, 2004 included, among other items, bonds payable in the net amount of Won 2,721.5 billion, facility deposits of Won 37.4 billion, long-term payables of Won 570.6 billion and deferred income tax liabilities of Won 275.0 billion. Our non-consolidated long-term debt as of December 31, 2003 included, among other items, bonds payable in the net amount of Won 2,256.6 billion, facility deposits of Won 44.2 billion, long-term payables of Won 564.1 billion, deferred income tax liabilities of Won 242.1 billion and bank and institutional loans of Won 1.6 billion. As of June 30, 2004, substantially all of our foreign currency-denominated long-term debt was denominated in Dollars. Depreciation of the Won against the Dollar will result in net foreign exchange and translation losses. Changes in foreign currency exchange rates will also affect our liquidity because of the effect of such changes on the amount of funds required for us to make interest and principal payments on our foreign currency-denominated debt.

In June 2002 and December 2002, we sold Won 631.4 billion and Won 650.6 billion, respectively, of accounts receivable resulting from our mobile phone dealer financing plan to

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Nate First Special Purpose Company and Nate Second Special Purpose Company, respectively, in asset-backed securitization transactions and recorded a loss on disposal of accounts receivable-other of Won 10.9 billion and Won 12.9 billion, respectively. Nate First Special Purpose Company and Nate Second Special Purpose Company were liquidated in August 2003 and April 2004, respectively.

On September 4, 2003 and December 15, 2003, we sold Won 549.3 billion and Won 498.4 billion of accounts receivable resulting from our mobile phone dealer financing plan Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company, respectively, in asset-backed securitization transactions and recorded a loss on disposal of accounts receivable-other of Won 12.9 billion and Won 9.9 billion, respectively. In connection with these asset-backed securitization transactions, we have obligations to repurchase up to 13.3% and 13.2% of the receivables for Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company, respectively, if receivables become past due for three months or the debtors become insolvent. At June 30, 2004, the uncollected balances of accounts receivable sold to Nate Fourth Special Purpose Company and Nate Fifth Special Purpose Company were Won 14.4 billion and Won 101.3 billion, respectively.

In May, July, August and November 2002, we issued Won 500.0 billion, Won

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200.0 billion, Won 200.0 billion and Won 300.0 billion principal amount of unsecured and unguaranteed Won-denominated bonds, respectively. These bonds mature in May 2005, July 2007, August 2007 and November 2007, and have an annual interest rate of 6.0%, 6.0%, 6.0% and 5.0%, respectively. We issued Won-denominated bonds with a principal amount of Won 300.0 billion, Won 150.0 billion and Won 250.0 billion in March, August and November 2003, respectively. These bonds mature in March 2008, August 2006 and November 2006, respectively, and have an annual interest rate of 5.0%.

In March 2004, we issued Won-denominated bonds with a principal amount of Won 150.0 billion. These bonds will mature in 2009 and have an annual interest rate of 5.0%. We used the net proceeds from the sale of these bonds to repay commercial paper which matured at the end of March 2004.

During the quarter ended June 30, 2004, we completed the following debt offerings:

In April 2004, we issued notes in the principal amount of US\$300,000,000 with a maturity of seven years and an interest rate of 4.25%. The proceeds from the offering in April 2004 were used to pay maturing debt.

In May 2004, we issued Won-denominated notes in the principal amount of Won 150.0 billion with a maturity of five years and an interest rate of 5.0%. The proceeds of the Won-denominated note offering in May 2004 were used for our operations.

On May 27, 2004, we issued our US\$329,450,000 Zero Coupon Convertible Notes due 2009, pursuant to an indenture dated as of May 27, 2004 between us and Citibank, N.A. Holders of Zero Coupon Convertible Notes will have the right to convert their notes (or any portion thereof being US\$100,000 in principal amount or an integral multiple of

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US\$10,000 in excess thereof) into shares of our common stock at the initial conversion price of Won 235,625 per share, subject to adjustments for stock splits, dividends, sub-divisions and similar distributions, at any time on or after July 7, 2004 up to the close of business on May 13, 2009, subject to our right of redemption. In connection with the issuance of the zero coupon convertible notes, we deposited 1,645,000 shares of our common stock with Korea Securities Depository to be reserved and used to satisfy the note holders' conversion rights. This will be deemed as the repurchase of treasury stock and cancellation thereof for the purposes of Korean law. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock upon conversion of these notes would result in a violation of applicable Korean law or (2) we do not have a sufficient number of shares of our common stock to ratify the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we intend to sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Law or other legal restrictions. We entered into a swap agreement to reduce our exposure with respect to cash settlement payments exceeding the proceeds from sales of treasury shares held in trust.

### CAPITAL REQUIREMENTS AND RESOURCES

We estimate that we will spend a total of approximately Won 1.7 trillion for capital expenditures in 2004 primarily for the expansion and upgrading of our CDMA 1xRTT network, for our initial investment in the satellite-based

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digital multimedia broadcasting (DMB) business, the roll-out of our W-CDMA network and for the development and introduction of wireless data services. We have spent approximately Won 463.9 billion on capital expenditures in the six month period ended June 30, 2004. Of the Won 1.7 trillion for capital expenditures in 2004, we plan to spend up to Won 800 billion of which we have spent approximately Won 279 billion as of June 30, 2004 on capital expenditures related to expansion and improvement of our 95A/B and CDMA 1xRTT Network; Won 250 billion of which we have spent approximately Won 5 billion as of June 30, 2004 on capital expenditures related to construction of our W-CDMA network and provision of W-CDMA services, which began service on a limited basis in Seoul at the end of 2003; and Won 600 billion of which we have spent approximately Won 180 billion as of June 30, 2004 on other capital expenditures and projects. We may also make additional capital expenditure investments as opportunities arise. In addition, we may increase, reduce or suspend our planned capital expenditures for 2004 or change the timing and area of our capital expenditure spending from the estimates reflected in the table above in response to market conditions or for other reasons.

In addition, we expect that construction of our new headquarters will be completed by the end of 2004.

The actual scope and timing of our planned full nationwide roll-out of our W-CDMA network and expenditures related to the rollout will depend on several factors, including the availability of network equipment, progress on the development of dual band/dual mode handsets, ability to overcome technical problems currently affecting W-CDMA performance,

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adoption of CDMA 1xEV/DO service, regulatory decisions, our assessment of the market opportunities for W-CDMA technology-based services and the competitive landscape in the Korean wireless market. At the time we applied for the W-CDMA license, we estimated that the construction of a nationwide W-CDMA network would require capital expenditures amounting to approximately Won 3.1 trillion over a six-year period. We have not subsequently revised or updated this estimate. Accordingly, our actual construction costs are likely to differ significantly from this original estimate. Our actual capital expenditures for the construction of the W-CDMA network will depend upon many factors, including the scope and timing of the network roll-out, whether W-CDMA technology is widely implemented worldwide (which could lower the cost of network equipment) and other factors. Our future capital expenditures will be fixed after we have reviewed the progress of the introduction and marketability of our W-CDMA service.

In September 2003, we entered into an agreement with Mobile Broadcasting Corporation for the purposes of co-owning and launching a satellite for the satellite DMB business. Under the terms of the agreement, SK Telecom is committed to fund 34.7% of the cost of launching and maintaining the operations of the satellite, which is expected to be approximately Won 92.0 billion. We launched the satellite in March 2004. Although actual implementation of the satellite DMB business will depend on many factors, including government approvals that have yet to be obtained, our current expectations are to begin commercial service by October 2004.

From time to time, we may make other investments in telecommunications or other businesses, in Korea or abroad, where we perceive attractive opportunities for investment. From time to time, we may also dispose of existing investments when we believe that doing so would be in our best interest.

As of December 31, 2003, our principal repayment obligations (on a consolidated basis) with respect to long-term borrowings, bonds and obligations under capital leases outstanding were as follows for the periods indicated:

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TWELVE MONTHS ENDING DECEMBER 31, TOTAL  
(In Billions of Won)

2004 .....	W1,368.4
2005.....	501.6
2006.....	805.3
Thereafter.....	1,000.0

We also intend to incur research and development expenses, which are influenced by the MIC, which makes annual recommendations concerning the level of our research and development spending. Our research and development expenses (including donations to research institutes and educational organizations) equaled 2.8% of operating revenue in 2003 and 2.7% of operating revenue for the six month period ended June 30, 2004.

We anticipate that capital expenditures, repayment of outstanding debt and research and development expenditures will represent our most significant use of funds during the remainder of 2004 and thereafter. To fund our scheduled debt repayment and planned capital expenditures over the next several years, we intend to rely primarily on funds provided by operations, as well

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as bank and institutional borrowings, and offerings of debt or equity in the domestic or international markets. In particular, we expect that we will require external sources of financing to fund our construction of the W-CDMA network. We believe that these sources will be sufficient to fund our planned capital expenditures for the remainder of 2004. Our ability to rely on these alternatives could be affected by the liquidity of the Korean financial markets or by government policies regarding Won and foreign currency borrowings and the issuance of equity and debt. Our failure to make needed expenditures would adversely affect our ability to sustain subscriber growth and provide quality services and, consequently, our results of operations.

No commercial bank in Korea may extend credit (including loans, guarantees and purchase of bonds) in excess of 20% of its shareholders' equity to any one borrower. In addition, no commercial bank in Korea may extend credit exceeding 25% of the bank's shareholders' equity to any one borrower and to any person with whom the borrower shares a credit risk. We believe that we have never operated near our limit with any Korean commercial bank.

We generally collect refundable, non-interest bearing deposits from our customers as a condition to activating their service. Subject to the approval of the MIC, we set the amounts to be collected for deposits for cellular services. Effective February 1, 1996, we generally require cellular subscribers to pay a facility deposit of Won 200,000. These deposits were an important source of interest-free capital for us and historically funded a substantial portion of our capital expenditures. Since 1997, we have been offering existing and new cellular subscribers the option of obtaining facility insurance from the Seoul Guarantee Insurance Company, instead of paying the facility deposit. In order to obtain this facility insurance, subscribers must meet Seoul Guarantee Insurance Company's credit requirements and pay a Won 10,000 premium for three years of coverage. Since August 1, 2002, SK Telecom has been paying initial premium for the first three years as well as renewal premium on behalf of the subscriber who elects to have facility insurance. For each defaulting insured subscriber, Seoul Guarantee Insurance Company reimburses us up to Won 350,000. We refund the facility deposit to any existing subscriber who elects to have facility

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insurance. As a result of the facility insurance program, we have refunded a substantial amount of facility deposits, and facility deposits decreased from Won 44.2 billion as of December 31, 2003 to Won 37.4 billion as of June 30, 2004. We do not expect to have a significant amount of facility deposits available for capital expenditures in the future.

### DIVIDEND POLICY

In 2004, we amended our articles of incorporation to permit payment of interim dividends in accordance with relevant laws. On July 23, 2004, SKT's board of directors approved the interim dividend rate of 1,000 Korean Won per common stock for the first half of fiscal year 2004. The shareholders who are registered in the SKT's shareholders registry as of June 30, 2004 were entitled to receive the interim dividends. The interim dividend was paid on August 1, 2004. The total amount of the interim dividend paid was 73,614,296,000 Korean Won. The overall dividend payout ratio with respect to dividends for 2004 is currently expected to be up to 25% of net income from 2004.

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### DERIVATIVE INSTRUMENTS

In connection with the issuance of our US\$300 million notes in April 2004, we entered into currency swap agreements and currency forward contracts with three banks to reduce our foreign currency exposure.

In May 2004, we sold US\$329.5 million in zero coupon convertible notes due 2009. These convertible notes are convertible by the holders into shares of our common stock at the rate of Won 235,625 per share. In connection with the issuance of the zero coupon convertible notes, we deposited 1,645,000 shares of our common stock with Korea Securities Depository to be reserved and used to satisfy the note holders' conversion rights. If (1) the exercise by the holder of the conversion right would be prohibited by Korean law or we reasonably conclude that the delivery of common stock upon conversion of these notes would result in a violation of applicable Korean law or (2) we do not have a sufficient number of shares of our common stock to ratify the conversion right, then we will pay a converting holder a cash settlement payment. In such situations, we intend to sell such number of treasury shares held in trust for us that corresponds to the number of shares of common stock that would have been deliverable in the absence of the 49% foreign shareholding restrictions imposed by the Telecommunications Law or other legal restrictions. We entered into a swap agreement to reduce our exposure with respect to cash settlement payments exceeding the proceeds from sales of treasury shares held in trust.

We may consider in the future entering into additional currency swap agreements, currency forward contracts transactions and other arrangements solely for hedging purposes.

### OTHER INFORMATION

As a condition to the approval of the merger of Shinsegi into SK Telecom in January 2002, the MIC imposed certain conditions on us. The MIC periodically reviews our compliance with the conditions to our merger with Shinsegi. On May 25, 2004, a policy advisory committee to the MIC announced the results of its review and stated that the committee believed that our market dominance may significantly restrict competition in the telecommunications market and that we have violated a merger condition related to our acquisition of Shinsegi by providing subsidies to handset buyers. The advisory committee subsequently recommended that the MIC extend the post-merger monitoring period by two years until January 2007 and take appropriate corrective measures against us for

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providing subsidies to handset buyers. On June 7, 2004, MIC imposed a Won 11.9 billion fine on us and extended the post-merger monitoring period until January 2007.

On May 25, 2004, we voluntarily undertook to limit our market share to 52.3% of the wireless telecommunications market through the end of 2005, the level of our market share at the time of the approval of our merger with Shinsegi in January 2002. As of June 30, 2004, we had approximately 18.6 million subscribers, representing a market share of approximately 51.3%. If we are subject to additional market share limitations in the future, our ability to compete effectively will be impeded.

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On June 15, 2004, the MIC issued a suspension that prohibits us from acquiring new subscribers for a period of 40 days beginning on August 20, 2004. The MIC also issued suspensions to our three largest competitors that prohibited them from acquiring new subscribers for periods ranging from 20 days to 30 days. KT Freetel Co. Ltd. was issued a 30 day suspension beginning on July 21, 2004; LG Telecom Ltd. was issued a 30 day suspension beginning on June 21, 2004; and Korea Telecom was issued a 20 day suspension beginning on July 21, 2004. These suspensions resulted from MIC's determination that we violated the ban on providing subsidies to handset purchasers. During the suspensions, each company will be able to continue regular business activities, including replacement of handsets, changes in user names, changes in mobile phone numbers and changes in tariff plans applicable to the existing subscribers.

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SK TELECOM CO., LTD.  
NON-CONSOLIDATED BALANCE SHEETS  
JUNE 30, 2004 AND DECEMBER 31, 2003

A S S E T S	In millions of K As of Dec. 31, 2003 -----
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	W 28,393
Short-term financial instruments	100,513
Trading securities	858,739
Current portion of long-term investment securities	85,861
Accounts receivable - trade (net of allowance for doubtful accounts of W44,064 million in 2004 1H and W56,805 million in 2003)	1,438,836
Short-term loans (net of allowance for doubtful accounts of W585 million in 2004 1H and W516 million in 2003)	51,102
Accounts receivable - others (net of allowance for doubtful accounts of W16,142 million in 2004 1H and W15,979 million in 2003)	811,496
Inventories	8,024
Accrued income and others	77,742
Total Current Assets	3,460,706
<b>NON-CURRENT ASSETS:</b>	
Property and equipment, net	4,551,626
Intangible assets, net	3,600,268
Long-term investment securities	855,195
Equity securities accounted for using the equity method	563,539
Long-term loans (net of allowance for doubtful accounts of W19,222)	

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million in 2003 and W19,502 million in 2003)	41,591
Guarantee deposits	246,004
Long-term deposits and others	57,030
 Total Non-Current Assets	 9,915,253
 TOTAL ASSETS	 W13,375,959

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### LIABILITIES AND STOCKHOLDERS' EQUITY

#### CURRENT LIABILITIES:

Accounts payable	W 1,117,835
Short-term borrowings	728,669
Income taxes payable	399,852
Accrued expenses	401,245
Current portion of long-term debt, net	1,364,264
Current portion of facility deposits	10,824
Others	209,285
 Total Current Liabilities	 4,231,974

#### LONG-TERM LIABILITIES:

Bonds payable, net	2,256,644
Long-term borrowings	1,633
Facility deposits	44,197
Long-term payables-others, net of present value discount of W79,422 million in 2004 1H W85,881 million in 2003)	564,119
Accrued severance indemnities, net	63,663
Deferred income tax liabilities	242,057
Others	29,834
 Total Long-Term Liabilities	 3,202,147

Total Liabilities	7,434,121
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#### STOCKHOLDERS' EQUITY:

Capital stock	44,639
Capital surplus	2,915,964
Retained earnings:	
Appropriated	4,743,822
Unappropriated	396,527
Capital adjustments:	
Treasury stock	(2,047,103)
Unrealized loss on valuation of long-term investment securities	(156,948)
Equity in capital adjustments of affiliates	41,196
Stock options	3,742
Unrealized loss on valuation of currency swap	
 Total Stockholders' Equity	 5,941,838

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	W13,375,959
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SK TELECOM CO., LTD.



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NON-CONSOLIDATED STATEMENTS OF INCOME  
SIX MONTHS ENDED JUNE 30, 2003 AND 2004

	In mill 2003 1H -----
OPERATING REVENUE	W4, 629, 598
OPERATING EXPENSES	
Labor cost	170, 908
Commissions paid	1, 082, 661
Depreciation and amortization	661, 903
Network interconnection	417, 058
Leased line	149, 278
Advertising	183, 976
Cost of goods sold	9, 529
Others	386, 507
Sub-total	3, 061, 821
OPERATING INCOME	1, 567, 776
OTHER INCOME:	
Interest income	31, 855
Dividends	25, 806
Commissions	50, 269
Foreign exchange and translation gains	2, 299
Reversal of allowance for doubtful accounts	-
Gain on disposal of property and equipment	720
Equity in earnings of affiliates	-
Others	31, 551
Sub-total	142, 500
OTHER EXPENSES:	
Interest and discounts	187, 382
Donations	8, 455
Foreign exchange and translation losses	2, 459
Loss on disposal and impairment of property, equipment and intangible assets	2, 933
Loss on impairment of long-term investment securities	18, 717
Loss on disposal of investment assets	179
Equity in losses of affiliates	16, 183
Others	44, 443
Sub-total	280, 751
INCOME BEFORE INCOME TAXES	1, 429, 526
PROVISION FOR INCOME TAXES	430, 278
NET INCOME	W 999, 247

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SIX MONTHS ENDED JUNE 30, 2004 AND JUNE 30, 2003

	2003 1H	2004 1H
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	W 999,247	W 751,244
<b>Expenses not involving cash payments:</b>		
Depreciation and amortization	720,162	777,053
Provision for severance indemnities	24,682	33,197
Allowance for doubtful accounts	6,263	79
Loss on impairment of long-term investment securities	1,449	-
Foreign translation loss	286	1,748
Equity in losses of affiliates	16,183	
Loss on impairment of long-term investment securities	18,717	11,782
Loss on disposal and impairment of property, equipment and intangible assets	2,933	8,068
others	26,103	22,236
Sub-total	816,778	854,162
<b>Income not involving cash receipts:</b>		
Foreign translation gain	1,575	241
Reversal of allowance for doubtful accounts	-	4,157
Gain on impairment of long-term investment securities	-	2,039
Equity in earnings of affiliates	-	43,854
Gain on disposal of property and equipment	720	384
others	1,079	3,432
Sub-total	3,374	54,107
<b>Changes in assets and liabilities related to operating activities:</b>		
Accounts receivable - trade	(67,095)	50,127
Accounts receivable - others	(208,411)	(494,872)
Accrued income and others	(32,922)	(12,652)
Inventories	4,050	(1,478)
Accounts payable	(927,256)	(293,903)
 (Continued)		
Accrued expenses	73,488	23,682
Income taxes payable	52,636	(106,002)
Current portion of facility deposits	2	1,994
Other current liabilities	81,800	47,623
Deferred income taxes	2,966	32,694
Severance indemnity payments	(9,157)	(14,932)
Sub-total	(1,029,898)	(767,719)
Net Cash Provided by Operating Activities	782,754	783,580

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### CASH FLOWS FROM INVESTING ACTIVITIES:

Cash inflows from investing activities:		
Decrease in short-term financial instruments	-	-
Decrease in trading securities	-	285,568
Decrease in current portion of long-term investment securities	41,006	37,478
Decrease in short-term loans	24,772	39,316
Decrease in long-term financial instruments	3	-
Proceeds from sales of long-term investment securities	730,615	734
Proceeds from sales of equity securities accounted for using the equity method	3,440	2,179
Decrease in long-term loans	13,577	-
Decrease in guarantee deposits	24,166	7,275
Decrease in other non-current assets	62,838	22,870
Proceeds from disposal of property and equipment	3,900	4,879
Proceeds from disposal of intangible assets	236	1
	-----	-----
Sub-total	904,554	400,300
	-----	-----
Cash outflows for investing activities:		
Increase in short-term financial instruments	186,535	6,896
Increase of trading securities	97,705	-
increase in current portion of long-term debt	27,464	-
Increase in short-term loans	19,453	32,954
increase in long-term financial instruments	3	60,000
Increase in long-term loans	7,659	4,461
Acquisition of long-term investment securities	19,708	52,336

(Continued)

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Acquisition of equity securities accounted for using the equity method	30,648	58,410
Increase in guarantee deposits and other non-current assets	107,446	61,963
Acquisition of property and equipment	463,000	471,639
Increase in intangible assets	9,173	8,715
	-----	-----
Sub-total	968,794	757,374
	-----	-----
Net Cash Provided by Investing Activities	(64,239)	(357,073)
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### CASH FLOWS FROM FINANCING ACTIVITIES:

Cash inflows from financing activities:		
Increase in short-term borrowings	218,669	-
Issuance of bonds	315,829	1,018,020
Others	1,594	11,970
	-----	-----
Sub-total	536,092	1,029,990
	-----	-----
Cash outflows for financing activities:		
Repayment of short-term borrowings	-	548,669
Repayment of current portion of long-term debt	87,094	466,770
Repayment of bonds	19,840	-
Decrease in facility deposits	3,174	6,805

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Payment of dividends	151,739	404,710
Acquisition of treasury stock	884,966	2
others	8,980	3,612
	-----	-----
Sub-total	1,155,794	1,430,569
	-----	-----
Net Cash Used in Financing Activities	(619,702)	(400,579)
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	98,812	25,928
	-----	-----
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,228	28,393
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS FROM THE MERGED ENTITY	43,224	-
	-----	-----
CASH AND CASH EQUIVALENTS	W 148,264	W 54,322
	=====	=====

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SIGNATURES

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

SK TELECOM CO., LTD.

By: /s/ Dong Hyun Jang

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Name: Dong Hyun Jang  
Title: Vice President

Date: August 27, 2004

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