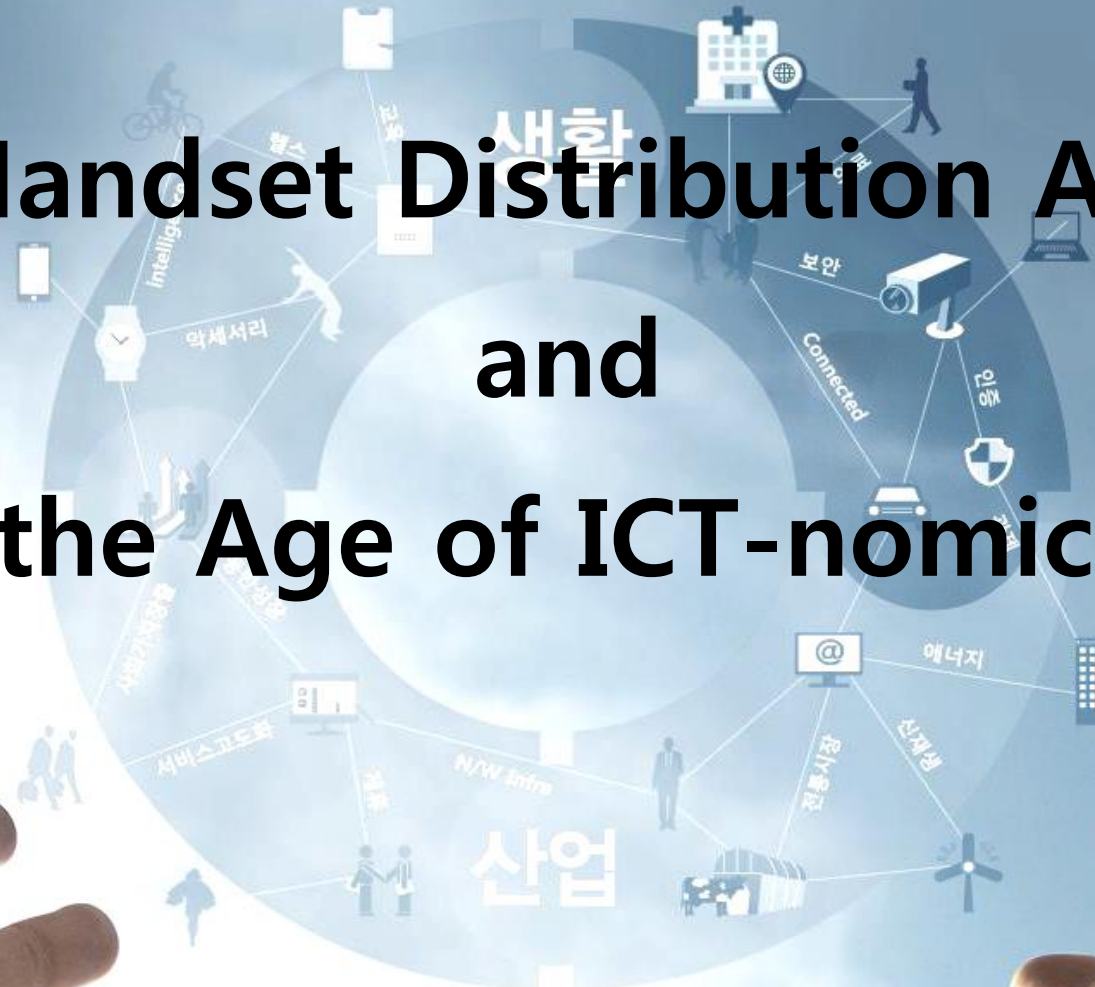


Handset Distribution Act and the Age of ICT-nomics



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The Handset Distribution Act (“HDA”), which took effect on October 1st, calls for non-discrimination of handset subsidies and a more transparent market

【 Pre-HDA 】

Subsidies over
KRW 270,000



Penalty on telcos

[Handset Distribution Act]

“Fair distribution of subsidies”

- Equal subsidies for MNP, new and handset replacement subscribers
- Differentiated subsidies for among tariffs and handsets

“Regulated subsidy cap and disclosure obligation”

- Equal subsidy regardless of time or place
- Operators and distributors to display subsidy levels

“Widened enforcement”

- Manufacturers and distributors are also punishable
- Management subject to fines and criminal prosecution

[Major Contents of HDA]

[Subsidy Cap]

- **Initial subsidy cap set at KRW 300,000 per handset**
 - Distributors allowed to provide 15% additional subsidies
 - Handsets released for at least 15 months are not applicable to the subsidy cap
- **Subject to change every six months, within a KRW 250,000~350,000 range**

[Tariff/Handset Differentiation]

- Linear relationship between subsidies and tariffs
- Different subsidies by handset model

(SAMPLE) Subsidy table LTE tariffs (Unit: KRW)

Nominal rate	Net rate	Handset A	Handset B	Handset C	Handset D
KRW +90K	76,000	300,000	250,000	200,000	150,000
80K	65,000	256,579	213,816	171,053	128,289
70K	54,000	213,158	177,632	142,105	106,579
60K	46,000	181,579	151,316	121,053	90,789
50K	38,500	151,974	126,645	101,316	75,987
40K	31,500	124,342	103,618	82,895	62,171
30K	27,000	106,579	88,816	71,053	53,289

Distributors' subsidy not included

[Independently Sourced Handsets]

- **Customers with independently sourced handsets**
 - Handsets purchased from non-telco distributors
 - Exclude handsets that were either subsidized over the previous 24 months or handsets with outstanding penalties
- **12% discount on the net rate of respective price plan**
 eg.) LTE Unlimited 80K plan (24 month contract):
 $KRW\ 61,250 \times 12\% = KRW\ 7,350/\text{mo discount}$
 (KRW 176,400 over two years)

[Disclosure]

- **Disclose subsidy for each handset models**
 - Maintain subsidies for at least seven days

[Early Termination Penalty]

- **Cancellation charge for handset subsidy received (including distributor subsidy)**
- **Customers with independently sourced handsets to refund the tariff discount received**
- **Penalty for breach of contract charged separately**

II. SK Telecom's Competitive Edge

SK Telecom ("SKT") to re-establish the benchmark for innovative offerings and technological leadership that enrich customer value

[Focus of Competition]

What are the benefits?

- Quality of benefits such as memberships and special discounts

Are the services practical?

- Innovativeness and practicality

How is the service quality?

- Infrastructure supporting the service

[SKT's Competitiveness]

Large customer benefits enhanced by economies of scale

- Economies of scale realized by leveraging large subscriber allows for increased benefits

Significant experience and capacity in delivering innovative offerings

- Exclusive SKT offerings: T Map, MelOn, T Phone

30 years of mobile service distribution and network expertise

- World-class network quality and strong retailer presence

Large subscriber base benefits SKT and its customers

Customer benefits maximized by economies of scale

- Leverage 28 million subscriber base; 50% market share
- Exclusive and differentiated service

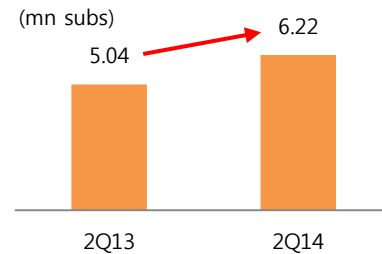
Subscriber network

- Significant bundling and service leverage

Maximize bargaining power

- Cost-effective service provisioning

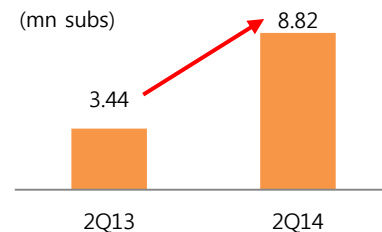
Bundled / Shared Plans



"Wireless centric bundling"

- Expanding programs: Family Free ('10.10) → Family Free 2('12.9) → Good Family Discount ('14.5)
- Focus shifting from traditional TPS, QPS to wireless only bundling
- Churn rate lower by an average 100bp

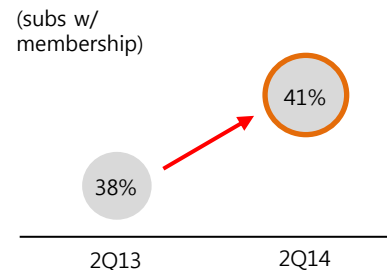
On-net mobile traffic



"Best on-net call quality"

- Unlimited calling plans show strong subscriber retention
- On-net call traffic account for up to 52% of call volume

Membership



"Extensive membership program"

- Practical benefits ranging from restaurants, entertainment, shopping and leisure
- Customers with membership show 30% lower churn

SKT will continue to provide compelling service offerings;
 significant expertise in service development enhanced by big data opportunities

[Innovative Products / Services]

Substantial experience and development assets for innovative service offerings

- Volumes of stored data
- 30 years of experience in mobile services

Big data

- Subscriber data provides new opportunities
- Advanced data integration/analysis techniques

A to Z of innovative services

- Color-ring, T Map, MelOn, T Phone development and operating experience

All-around ICT technologies

- Advanced billing system and diverse platforms & solutions

Mobile phone platform



- Location, usage based platform that maximizes user convenience
- Monetization through B2B advertising solutions
- Three million users as of '14.8

Micro segmentation



- 'Joon Kids' service launched ('14.7): location, safety, emergency call and entertainment features
- Big data analysis to provide further segmentation opportunities

TPO / Option tariff



- Made possible with sophisticated billing solution and big data intelligence
- World's first location specific tariffs;
 - Place: Subway Free
 - Time: Commute Free

Solution/ Multimedia-based services



- No. 1 Real-time navigation solution
- Commerce solution
 - Next Commerce: Syrup, 11st
- Mobile multimedia service
 - MelOn, hoppin, Btv mobile

SKT's market leadership to widen as network quality, retailer network and handset lineup received renewed importance

Extensive mobile infrastructure

- World-class network deployment and operational expertise
- Distribution network optimized to maximize customer reach
- Large subscriber base provides pivotal advantage in handsets

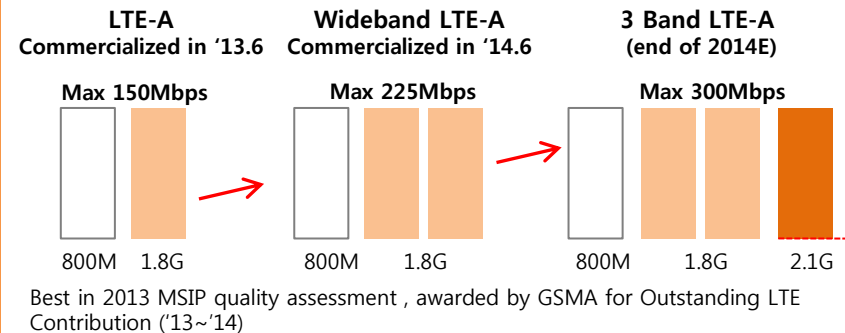
4G technology leadership

- Cutting edge network deployment and operational expertise

Differentiate distribution and handset lineup

- Innovative retail outlets
- Exclusive, as well as a variety of handset models

4G tech leadership



Distribution

- **Increased customer reach**
 - Expanding retail outlets
 - Direct channels increased by 25% since 1Q12
- **Innovative Stores**
 - Convergence stores: 'T World Cafe', 'T World Olive Young'
 - Premium outlets for hands-on experience, personalized service, and one-stop service

Handsets

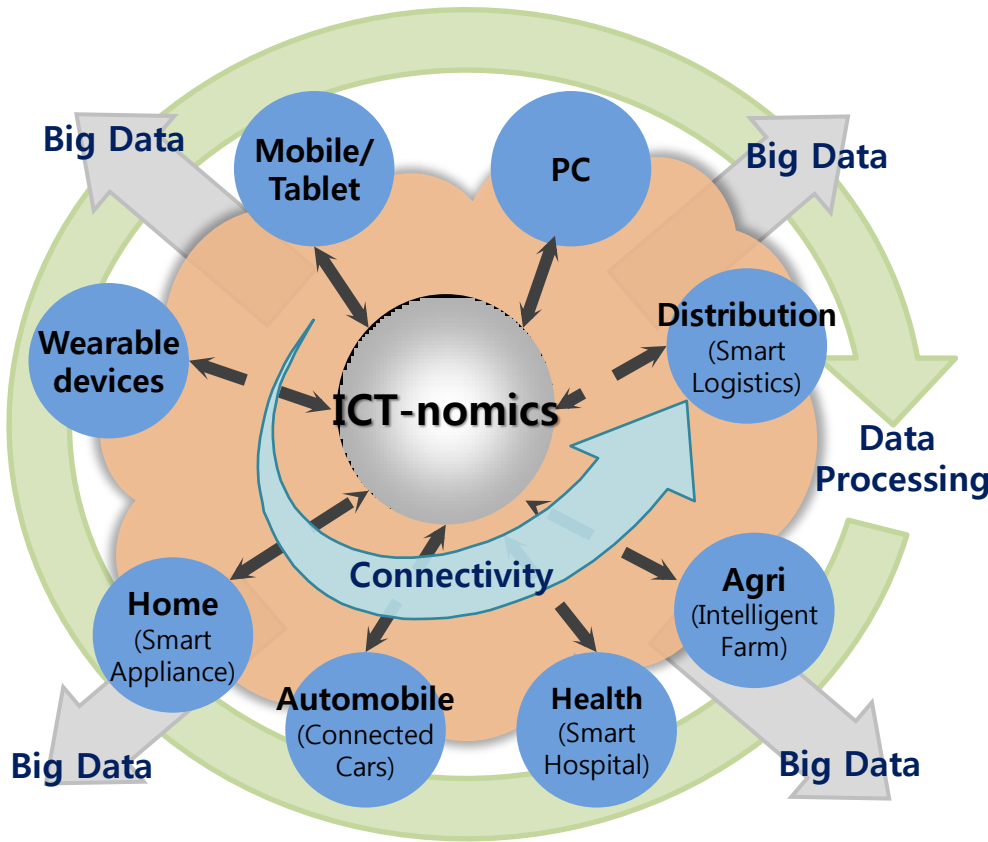
- **SKT exclusive colors for flagship devices:**
 - G Pro 2 Red, G2 Gold ('14.3), Galaxy S5 Wideband LTE-A Red, Galaxy Note 3 Neo Red ('14.7)
- **SKT exclusive applications and solutions**
 - T-Map, MelOn, T Phone, T Contacts

III. Vision for Growth

Transition to ICT-nomics

The age of ICT-nomics to unfold as convergence of hardware and services generate volumes of data

[ICT-nomics = ICT + Economics] "New economic value created as wireless connectivity increases"



Growing connectivity

- Connected devices to increase from 1.1bn devices in 2013 to 50bn by 2020 (Cisco, Jan '14)

Growing flow of data as IoT applications expand

- Broadening IoT horizon to lead to surge in data generation and consumption
- Data traffic projected to increase 30x over five years through 2018 (Cisco, Feb '14)

Heightening demand for data analysis, processing and handling

- Production of and demand for myriad of data to give spawn demand for intelligent computing

SKT to leverage its expanding ICT skillset to explore the growing C-P-N-D ecosystem

[ICT Value Chain]

	<u>C</u> ontents	<u>P</u> latform	<u>N</u> etwork	<u>D</u> evice
Today	Movie Music etc.	Hoppin Melon etc.	3G/4G	Smartphone
Expanding value chain	Location	Smartcar solution	3G/4G	Auto- mobiles
	Health stats	Healthcare solution	↓	Wearables
	⋮	⋮	5G Beacon	⋮
	Temp, gas, security...	Smarthome solution	⋮	Home appliances
Future opportu- nities	Big Data ⋮ Big data analytics	Advanced solutions/ platforms ⋮ B2B, M2M, O2O solutions	Large capacity data ntwk ⋮ 5G, beacon	Diverse smart devices ⋮ Service- hardware convergence

[SKT Opportunities]

Emerging ICT-nomics value chain

New value chains emerging as innovative ideas take form, including self-driven cars, portable health diagnostic devices and wearables

Development of diverse ecosystems

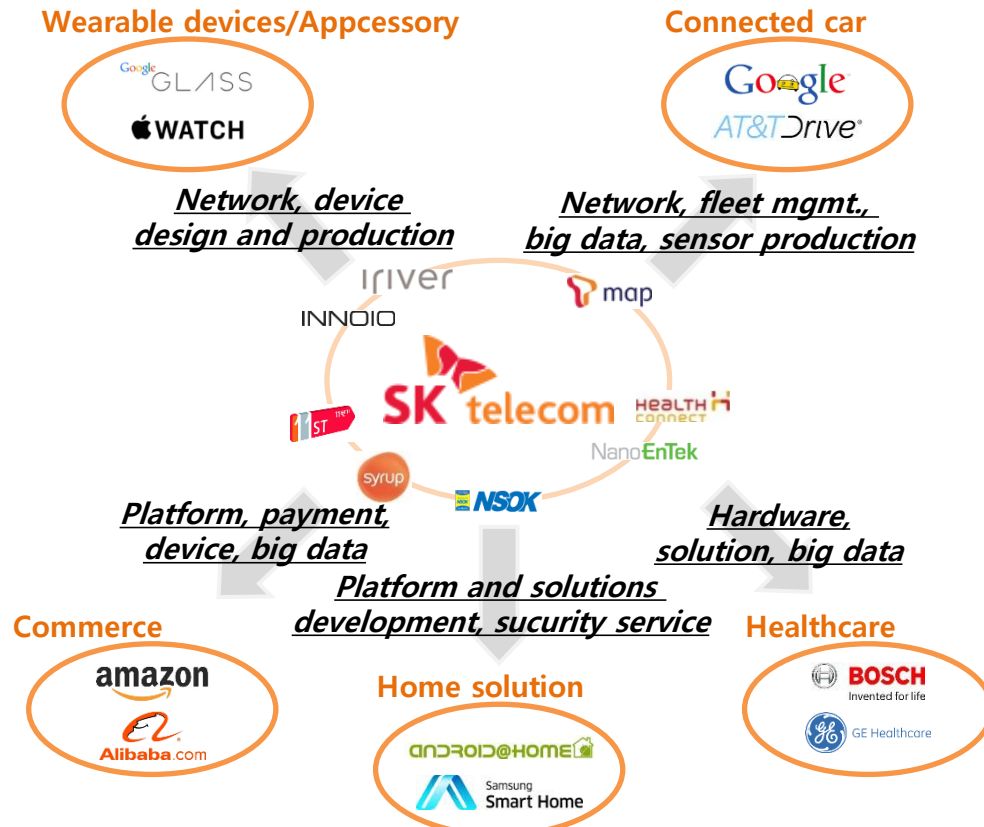
Big data, solutions development, network advancements, evolving hardware concepts are creating new business opportunities

Connectivity-based opportunities

- Appcessory business (service-hardware)
- Cultivating big data analytic technologies
- Expanding solutions presence to IoT (healthcare, home markets including security)

SKT to concentrate on development of platforms and solutions, production of devices and big data analytics to explore new ICT opportunities

[ICT Business Expansion (Sample)]



High-speed and –capacity network, a basic requirement for ICT businesses

- Competitive edge and large subscriber base will continue to be a key success factor

Expand existing platforms

- SK Platnet's commerce, fleet mgmt., and payment services
- Enhance competencies in big data and cloud

Enhance competitiveness through acquisition

- HealthConnect JV, and NanoEntek and NSOK acquisitions

Continue to enhance expertise in platforms and solutions

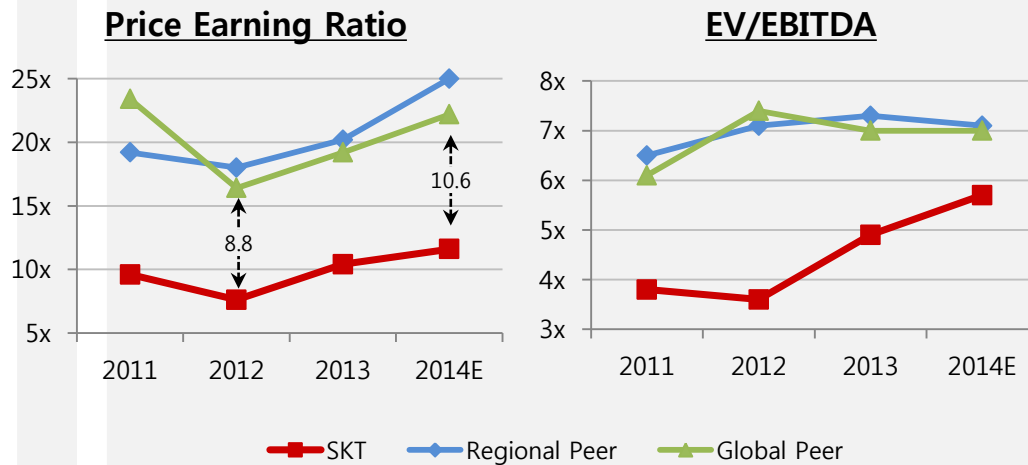
- iriver acquisition and Innoio investment

IV. SKT Value

SKT's compelling outlook has yet to be fully reflected in its share price

Share price recovery still leaves SKT undervalued compared to global and regional peers

- PER differential vis-à-vis its peers have widened
- EV/EBITDA differential still exists



Source: Thomson Reuters estimates. Average multiples of global(58 telecom operators) and regional(37 APAC telecom operators) peers

Reasons for reduced country discount

Rational regulatory structure

Gradual market stability

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