

SK Telecom Strategy in a New Competitive Landscape



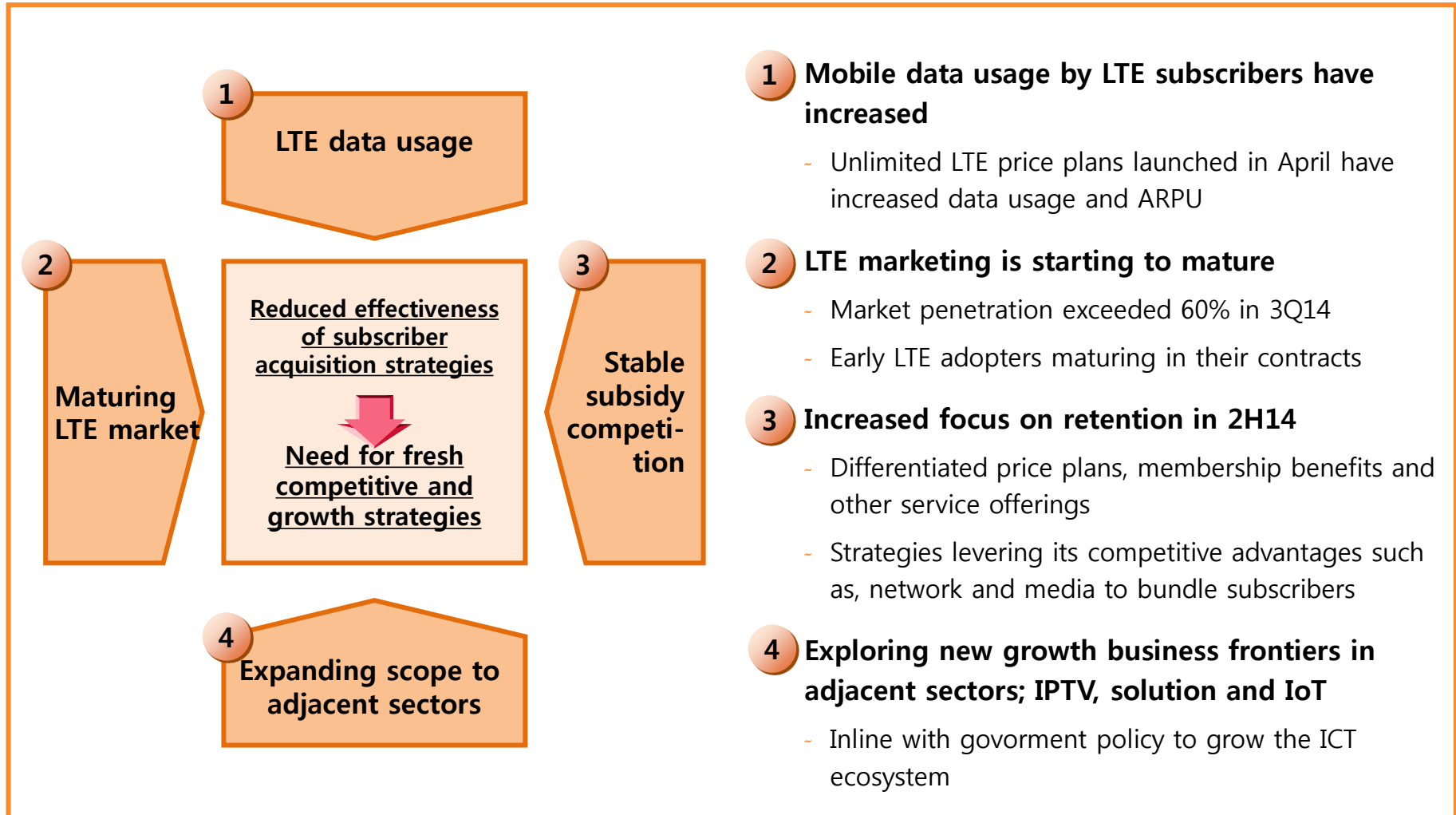
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LTE market continues to show strong growth. But the focus is shifting to developing the next growth driver



Market players to show heightened interest on data intensive new growth businesses and to shift attention to improving mobile operations

Change in mobile strategy

- Shift from subsidy to service and benefit oriented marketing
- Diversifying handsets lineup; mid/low-end and foreign handsets

Pursue growth businesses

- Expand into media sector – IPTV
- Select target businesses – Solution, IoT, healthcare

Pressing towards ICT industry

- Expanding mobile-based business applications
- Secure competencies in ICT

● Value shift: Operator

- Increasing array of mid/low-end handsets
- Reduced “WOW” impact of smartphones

● Today: connected devices, Tomorrow: IoT

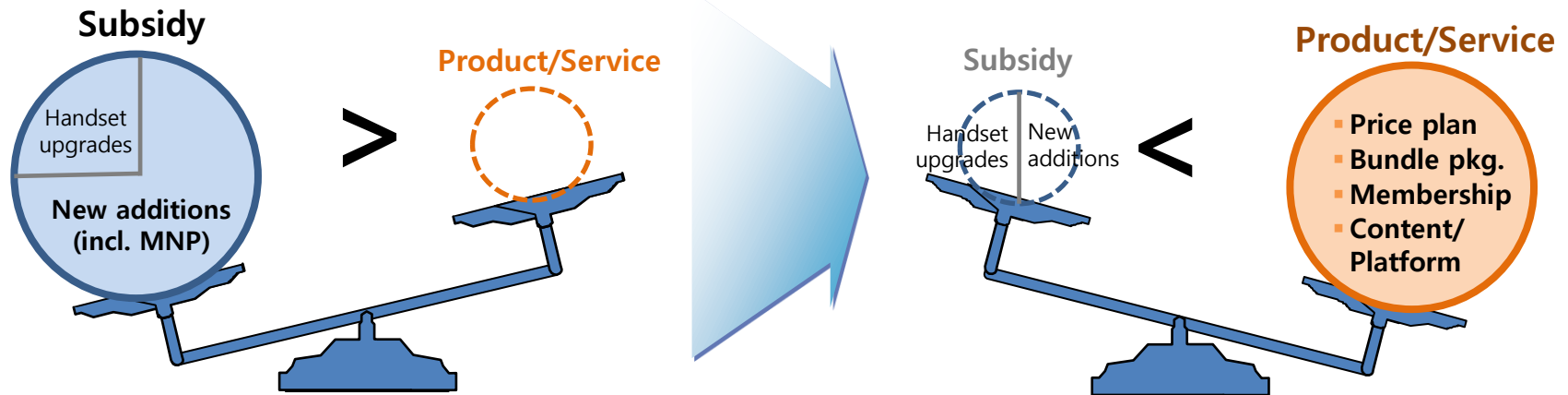
- Connected device - watches, speakers, projectors and cameras
- Securing that competitive edge in a still embryotic and fragmented IoT market populated by platform, SI, tech and telco companies

● Continued mobile data growth

- Provisioning of ample network capacity through timely and efficient investments

● Create operational capacity and efficiency to take on new growth businesses

Back to basic mobile strategy focused on products and services, lends to more stable and cost-efficient competitive landscape



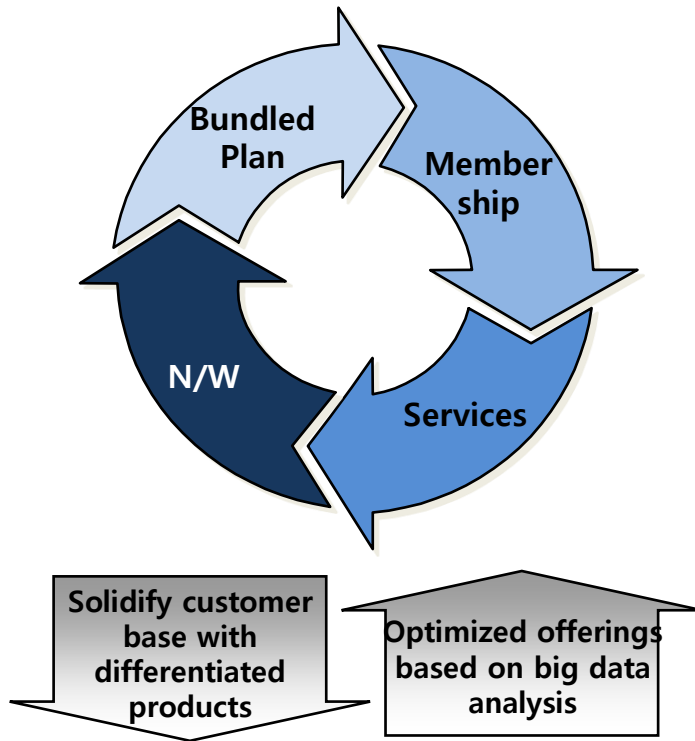
- **Subsidy, primary tool focused on acquiring new and MNP subscribers**
 - Lower subsidy for upgrading subscribers
- **Subscribers selection criteria skewed to subsidy level; extended period of highly tense market conditions**

- **Subsidy, no longer a key differentiating factor**
 - Same subsidy for new and upgrading subscribers
- **Mode of competition reverting back to product/services**

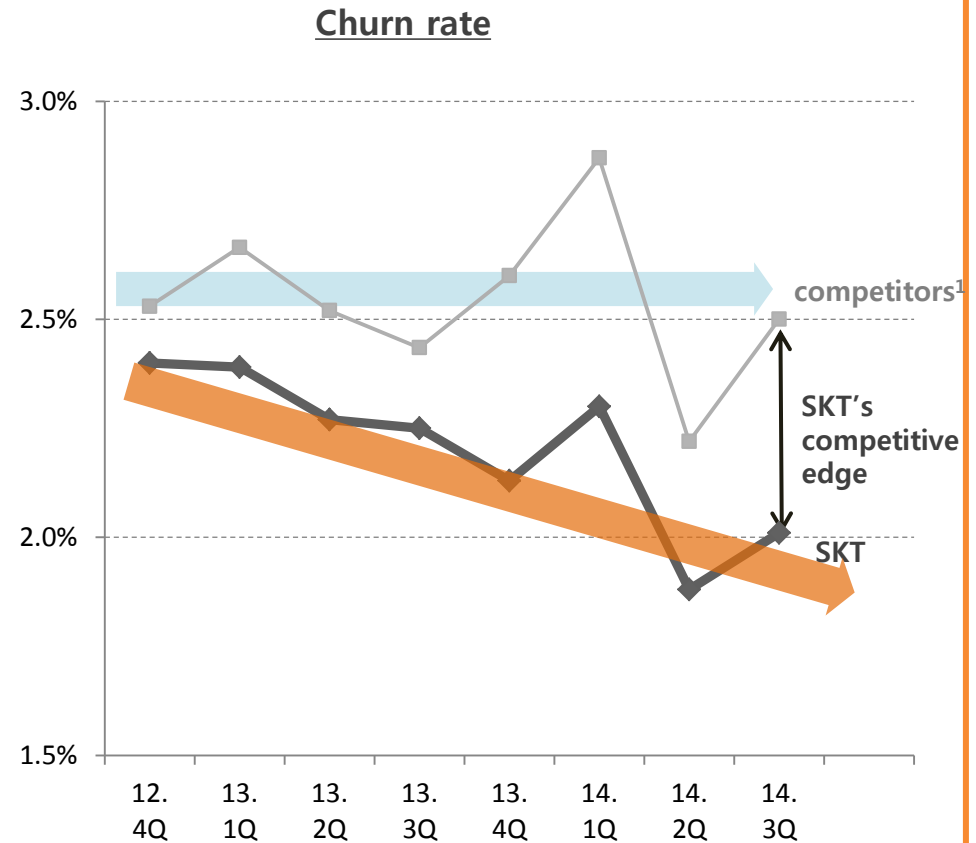
II. SK Telecom in 2015

Retention Strategy

SK Telecom's ("SKT") market advantage to widen as the new mobile landscape magnifies its core competencies



 **28mn subscribers**



1. Average churn rate of competitors

SK Telecom will reset the benchmark for leadership in retention with its compelling bundled services and membership benefits that are cut above the competition

Bundled Plan

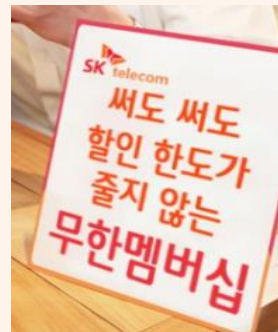
"Expand bundled subscribers"

- ◆ **T Family Point** (Nov. '14)
 - ✓ Offered exclusively to bundled subscriber
 - ✓ Accumulate point for handset purchases
- ◆ **Family Free ('10), Good Family Discount ('14), etc.**
- ◆ **Bundled subs' churn rate c. 1% pt. lower vs. non-bundled subs**



Membership

"Strengthen loyalty"



- ◆ **Expand membership benefits** (Oct. '14)
 - ✓ 50-70% off on theme parks and dining
 - ✓ 11st, Chocolate, Daily Shocking deal (up to 70% disc.)
- ◆ **Practical benefits, including restaurants, entertainment, shopping and leisure**
- ◆ **Customers with memberships show 30% lower churn - 10 mn subscribers** (Nov. '14)

Retention strategy reinforced by killer platforms and expertise in quality network provisioning

Service

"Killer Platform"

◆ **T Map: Real-time navigation solution**

- ✓ Korea's # 1 navigation app.
- ✓ Recognized by ITU in minimizing carbon foot print
 - * Reduce carbon emission by 12.6% and fuel consumption by 11.9%

◆ **T Phone: Platform adapts to usage patterns and user location to enhance convenience**

- ✓ B2B monetization planned, 4 mn users (Nov. '14)



N/W

"Exemplary network quality & tech"

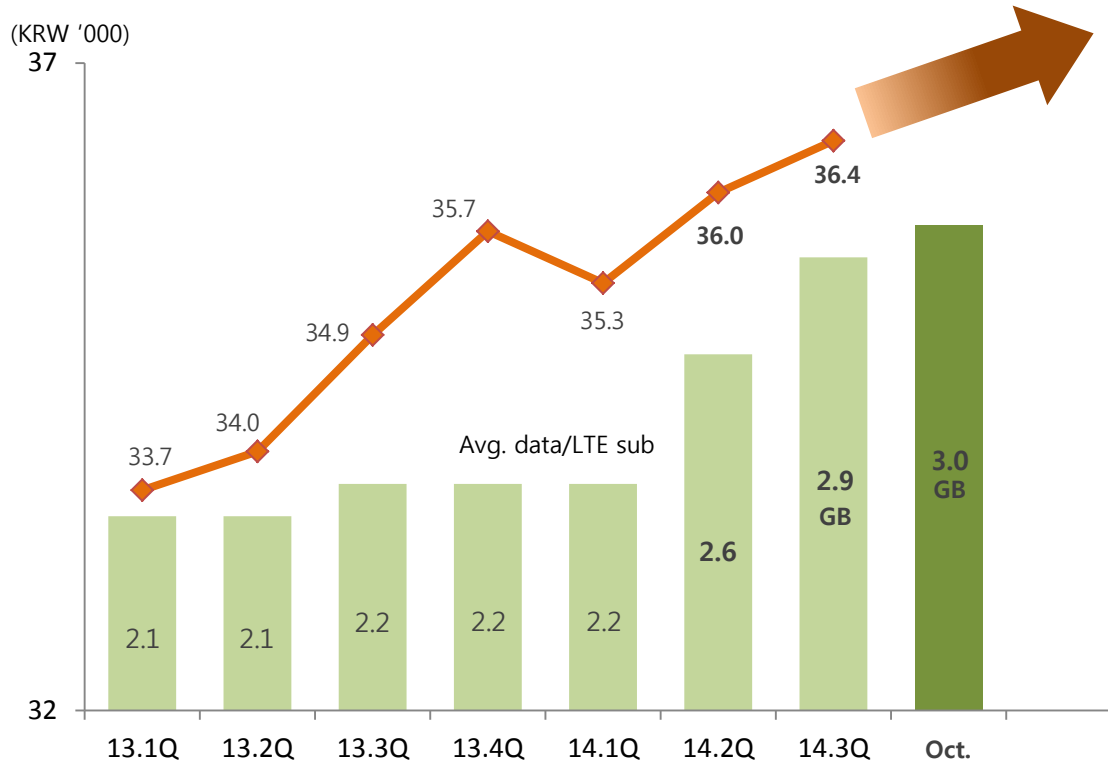


◆ **At the leading edge of network leadership**

- ✓ # 1 in MSIP* quality tests for 12 consec. yrs
 - ✓ GSMA award for Outstanding LTE Contribution ('13~'14)
 - ✓ Expect to deploy 3-band (300mbps) LTE-A in yr-end '14
 - World first commercial LTE-A (150mbps) and wideband LTE-A (225mbps)
- * MSIP: Ministry of Science, ICT and Future Planning

ARPU to maintain an upward slope as advances in network speeds and attractive services drive data consumption

LTE data consumption and billing ARPU



Growth in ARPU

Data demand increasing

New services increasing ARPU

- ❖ **Club T Premium/Standard**
 - LTE 80K and/or above
- ❖ **T Outdoor**
 - Multi-devices
 - More than 20,000 subscribers (launched in Nov.)
- ❖ **T Kids**
 - Target Pre-schoolers
 - Long-term ARPU cultivation

II. SK Telecom in 2015

SKT in 2015, in a nutshell

Firm leadership in mobile business, and

1. Reinforce retention strategy
⇒ *Leverage loyal base of 28 mn subscribers*

2. Differentiated service centric offerings
⇒ *Cost-effective services to improve profit outlook*

3. Expanding based on high data consuming subscribers
⇒ *ARPU growth*

4. MVNO market expansion
⇒ *Win-win partnership*

+

growth through new businesses

Appcessory

Healthcare

Safety

Home

⋮

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