

# Results for the Quarter Ended March 31, 2014

K-IFRS, Non-audited

April 29<sup>th</sup>, 2014



# Disclaimer

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This material contains forward-looking statements with respect to the financial condition, results of operations and business of SK Telecom and its subsidiaries (the "Company") and plans and objectives of the management of the Company. Statements that are not historical facts, including statements about the Company's beliefs and expectations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements.

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# Financial Results

## ◆ Summary of Income Statement (Consolidated)

(KRW bn)	1Q14	1Q13	YoY		1Q14	4Q13	QoQ	
<b>Operating revenue</b>	<b>4,202</b>	<b>4,066</b>	<b>136</b>	<b>3.4%</b>	<b>4,202</b>	<b>4,295</b>	<b>(93)</b>	<b>-2.2%</b>
<b>Operating expenses</b>	<b>3,950</b>	<b>3,661</b>	<b>288</b>	<b>7.9%</b>	<b>3,950</b>	<b>3,785</b>	<b>164</b>	<b>4.3%</b>
<b>Operating income</b>	<b>252</b>	<b>405</b>	<b>(152)</b>	<b>-37.6%</b>	<b>252</b>	<b>510</b>	<b>(257)</b>	<b>-50.5%</b>
<i>Operating margin</i>	<i>6.0%</i>	<i>9.9%</i>	<i>-3.9%p</i>		<i>6.0%</i>	<i>11.9%</i>	<i>-5.9%p</i>	
<b>Net profit or loss from non-operating items</b>	<b>80</b>	<b>15</b>	<b>65</b>	<b>419.3%</b>	<b>80</b>	<b>(125)</b>	<b>205</b>	<b>164.0%</b>
<b>Income from continuing operations before income tax</b>	<b>333</b>	<b>420</b>	<b>(87)</b>	<b>-20.8%</b>	<b>333</b>	<b>385</b>	<b>(52)</b>	<b>-13.5%</b>
<b>Consolidated net income</b>	<b>267</b>	<b>346</b>	<b>(79)</b>	<b>-22.7%</b>	<b>267</b>	<b>294</b>	<b>(26)</b>	<b>-9.0%</b>
<i>Net margin</i>	<i>6.4%</i>	<i>8.5%</i>	<i>-2.1%p</i>		<i>6.4%</i>	<i>6.8%</i>	<i>-0.5%p</i>	
<b>EBITDA<sup>1)</sup></b>	<b>956</b>	<b>1,084</b>	<b>(128)</b>	<b>-11.8%</b>	<b>956</b>	<b>1,238</b>	<b>(282)</b>	<b>-22.8%</b>
<i>EBITDA margin</i>	<i>22.7%</i>	<i>26.7%</i>	<i>-3.9%p</i>		<i>22.7%</i>	<i>28.8%</i>	<i>-6.1%p</i>	

1) EBITDA = Operating income + Depreciation (including R&D related depreciation)

- SK Telecom ("SKT" or the "Company") operating revenue increased 3.4% YoY led by the growth of the LTE service and new businesses including B2B solutions. The one-off service disruption compensation and seasonal effects resulted in a 2.2% QoQ decrease
- Operating income decreased 37.6% YoY and 50.5% QoQ mainly due to the rise in SKT's marketing expenses
- Consolidated net income decreased 22.7% YoY and 9.0% QoQ. The drop was dampened by the equity gains from SK Hynix (1Q14 KRW 159.8 bn)

# Financial Results

## ◆ Operating Expenses (Consolidated)

(KRW bn)	1Q14	1Q13	YoY		1Q14	4Q13	QoQ	
Labor cost	429	444	(15)	-3.3%	429	395	34	8.7%
Commissions paid	1,628	1,423	205	14.4%	1,628	1,366	262	19.1%
Advertising	85	63	22	34.7%	85	130	(45)	-34.5%
Depreciation <sup>1)</sup>	703	679	24	3.6%	703	728	(25)	-3.4%
Network interconnection	276	253	23	9.2%	276	274	2	0.7%
Leased line	56	63	(7)	-11.7%	56	55	1	1.1%
Frequency usage fees	50	50	(0)	-0.1%	50	50	1	1.2%
Cost of goods sold	336	319	17	5.3%	336	370	(34)	-9.2%
Others	387	367	20	5.4%	387	417	(30)	-7.3%
<b>Operating expenses</b>	<b>3,950</b>	<b>3,661</b>	<b>288</b>	<b>7.9%</b>	<b>3,950</b>	<b>3,785</b>	<b>164</b>	<b>4.3%</b>

1) Includes R&D related depreciation

- Labor cost decreased 3.3% YoY as a result of smaller incentive bonuses. The seasonal New Year bonuses and subsidiary's labor cost increase resulted in a 8.7% QoQ increase
- Commissions paid increased 14.4% YoY and 19.1% QoQ mainly due to the increase in SKT's marketing expenses resulting from the risen mobile competition
- Depreciation increased 3.6% YoY due to the increase in LTE network assets and spectrum. Seasonally low Capex spending resulted in a 3.4% QoQ decrease
- Cost of goods sold increased 5.3% YoY in line with the growth of SKT and SK Planet's goods sold. The seasonal effects in goods sold resulted in a 9.2% QoQ decrease

# Financial Results

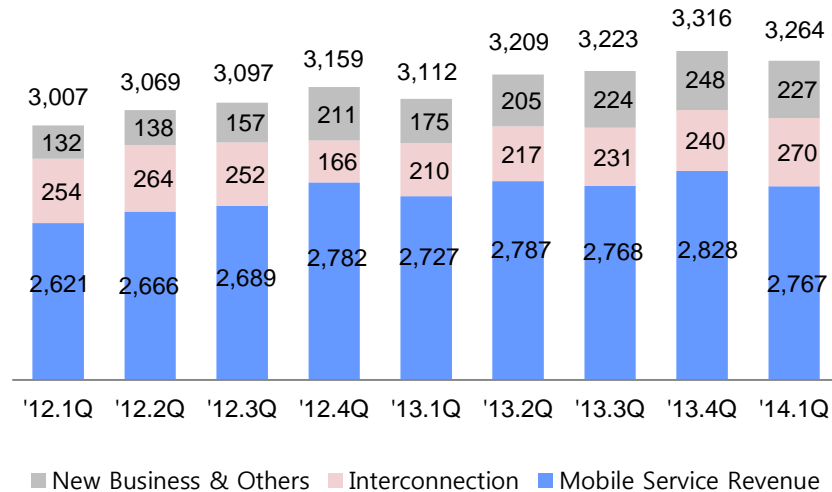
## ◆ Operating Revenues (Non-consolidated)

(KRW bn)	1Q14	1Q13	YoY		1Q14	4Q13	QoQ	
<b>Total operating revenue</b>	<b>3,264</b>	<b>3,112</b>	<b>152</b>	<b>4.9%</b>	<b>3,264</b>	<b>3,316</b>	<b>(53)</b>	<b>-1.6%</b>
Mobile service revenue	2,767	2,727	39	1.4%	2,767	2,828	(61)	-2.2%
Interconnection revenue	270	210	60	28.6%	270	240	30	12.4%
New business & others <sup>1)</sup>	227	175	52	29.8%	227	248	(21)	-8.6%

<sup>1)</sup> Includes sales from leased line, fixed-line resale, solution and other businesses

### [ SK Telecom Operating Revenues ]

(KRW bn)



- Total operating revenue increased 4.9% YoY led by the growth of the LTE service and increased new business-related sales. The one-off service disruption compensation and seasonal effects resulted in a 1.6% QoQ decrease
  - Interconnection revenue increased YoY and QoQ due to the rise in mobile traffic resulting from the introduction of unlimited voice price plans
  - Strong sales of B2B businesses continue to drive contribution ratio of new business & others, while seasonal effects resulted in a QoQ decrease

### [ New Business & Others, % of Total Revenue ]

Year/Quarter	% of Rev
'11	5.1%
'12	5.2%
'13	6.6%
'14.1Q	6.9%

# Operating Results (Non-consolidated)

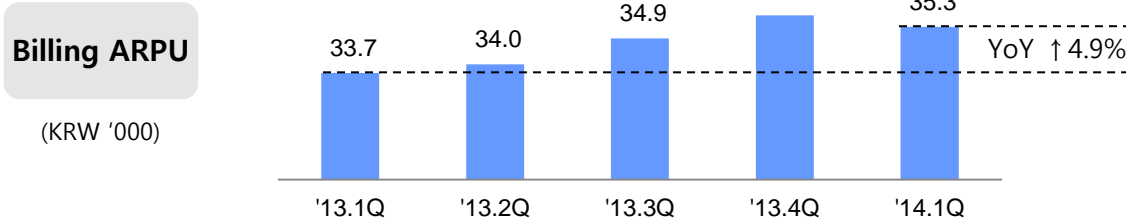
## ◆ ARPU

ARPU <sup>1)</sup> (KRW)	1Q14	1Q13	YoY		1Q14	4Q13	QoQ	
<b>Total ARPU</b>	43,737	40,450	3,288	8.1%	43,737	44,448	(711)	-1.6%
<b>Billing ARPU<sup>2)</sup></b>	35,309	33,668	1,641	4.9%	35,309	35,650	(341)	-1.0%

1) Includes SK Planet's earnings / based on SKT subscribers only

2) The billing ARPU excludes sign-up fee from mobile service revenues

- Billing ARPU showed steady growth, increasing 4.9% YoY led by the growth of the LTE service
  - The one-off service disruption compensation resulted in a QoQ decrease



# Operating Results (Non-consolidated)

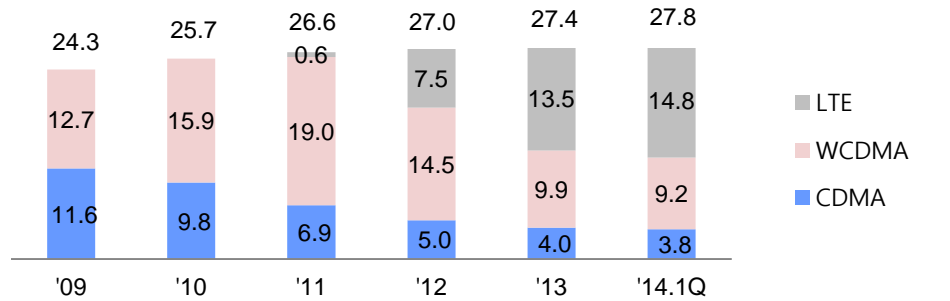
## ◆ Subscriber Numbers

	1Q14	1Q13	YoY		1Q14	4Q13	QoQ	
<b>Subscribers ('000)</b>	27,814	27,030	784	2.9%	27,814	27,352	461	1.7%
Net adds	461	68	393	573.4%	461	142	319	225.0%
Activations	2,351	2,013	338	16.8%	2,351	1,885	467	24.8%
Deactivations	1,890	1,945	(55)	-2.8%	1,890	1,743	147	8.5%
Monthly churn rate (%)	2.3%	2.4%	-0.1%p		2.3%	2.1%	0.2%p	
Average subscribers ('000)	27,526	26,974	552	2.0%	27,526	27,266	259	1.0%
<b>Smartphone Subscribers ('000)</b>	18,816	16,647	2,170	13.0%	18,816	18,286	530	2.9%
<b>LTE Subscribers ('000)</b>	14,773	9,334	5,439	58.3%	14,773	13,487	1,287	9.5%

- The number of LTE subscribers reached 14.8m in 1Q14. Over 53% of SKT's subscribers are currently on the LTE service
- The churn rate recorded 2.3% despite the risen mobile competition, showing a steady decreasing trend

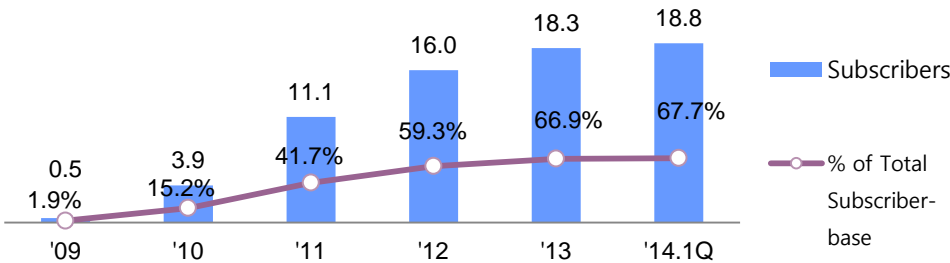
### Subscriber by Network

(m)



### Smartphone Subscribers

(m)



### [ Monthly Churn Rate Trend ]

Year	Churn Rate
'06	2.0%
'07	2.6%
'08	2.7%
'09	2.7%
'10	2.7%
'11	2.7%
'12	2.6%
'13	2.3%

Quarter	Churn Rate
'10.1Q	2.5%
'11.1Q	2.5%
'12.1Q	2.5%
'13.1Q	2.4%
'14.1Q	2.3%



# Operating Results (Non-consolidated)

## ◆ Marketing Expenses & Capex

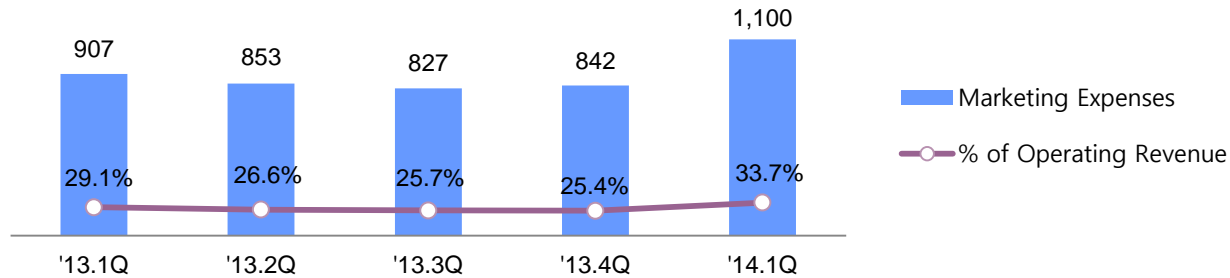
(KRW bn)	1Q14	1Q13	YoY		1Q14	4Q13	QoQ	
<b>Marketing expenses<sup>1)</sup></b>	<b>1,100</b>	<b>907</b>	<b>194</b>	<b>21.4%</b>	<b>1,100</b>	<b>842</b>	<b>258</b>	<b>30.7%</b>
% of operating revenue	33.7%	29.1%	4.6%p		33.7%	25.4%	8.3%p	
<b>Capital expenditure</b>	<b>265</b>	<b>351</b>	<b>(86)</b>	<b>-24.4%</b>	<b>265</b>	<b>1,254</b>	<b>(989)</b>	<b>-78.9%</b>
% of operating revenue	8.1%	11.3%	-3.1%p		8.1%	37.8%	-29.7%p	

1) Marketing expenses = marketing related commission + advertising expense

- Marketing expenses increased 21.4% YoY and 30.7% QoQ due to the rise in acquisition cost resulting from the MNP-based marketing competition
- Capex decreased YoY and QoQ, showing a steady decreasing trend

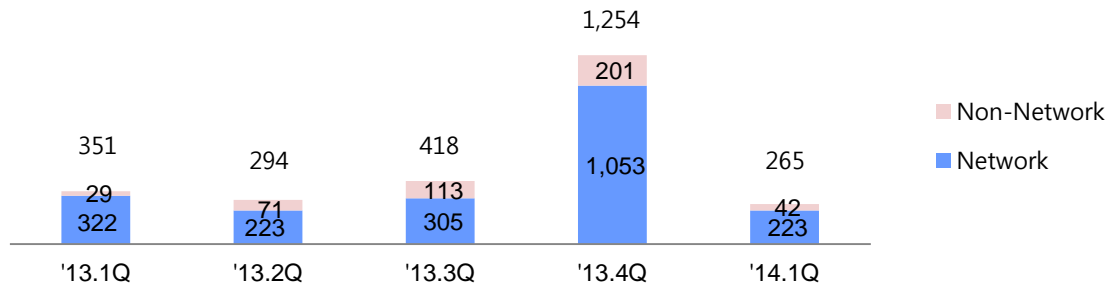
### Marketing Expenses

(KRW bn)



### Capex

(KRW bn)



# Appendix

## ◆ Consolidated Income Statement

(KRW bn)	1Q13	2Q13	3Q13	4Q13	FY13	1Q14
<b>Operating revenue</b>	<b>4,065.7</b>	<b>4,117.0</b>	<b>4,124.6</b>	<b>4,294.8</b>	<b>16,602.1</b>	<b>4,201.9</b>
<b>Operating expenses</b>	<b>3,661.1</b>	<b>3,571.5</b>	<b>3,573.2</b>	<b>3,785.1</b>	<b>14,590.9</b>	<b>3,949.5</b>
Labor cost	444.0	359.2	363.2	395.0	1,561.4	429.1
Commissions paid	1,422.9	1,360.2	1,349.6	1,366.1	5,498.7	1,627.6
Advertising	63.4	108.8	91.6	130.3	394.1	85.3
Depreciation <sup>1)</sup>	679.0	706.3	706.4	728.1	2,819.8	703.2
Network interconnection	252.5	252.3	264.9	274.0	1,043.7	275.8
Leased line	63.4	61.6	62.0	55.4	242.3	56.0
Frequency usage fees	50.2	55.0	51.7	49.6	206.5	50.2
Cost of goods sold	318.8	305.3	306.3	369.9	1,300.4	335.7
Others	366.9	362.9	377.4	416.9	1,524.1	386.5
<b>Operating income</b>	<b>404.5</b>	<b>545.4</b>	<b>551.4</b>	<b>509.7</b>	<b>2,011.1</b>	<b>252.4</b>
<i>EBITDA</i>	1,083.5	1,251.7	1,257.9	1,237.8	4,830.9	955.6
<i>EBITDA margin</i>	26.7%	30.4%	30.5%	28.8%	29.1%	22.7%
<b>Net profit or loss from non-operating items</b>	<b>15.4</b>	<b>47.5</b>	<b>(121.7)</b>	<b>(125.2)</b>	<b>(184.0)</b>	<b>80.2</b>
Interest income	17.0	15.9	14.9	17.9	65.6	15.5
Interest expenses	89.2	83.0	78.7	81.0	331.8	78.6
Profit or loss in other non-operating items	87.6	114.6	(57.9)	(62.1)	82.3	143.3
<b>Income from continuing operations before tax</b>	<b>420.0</b>	<b>592.9</b>	<b>429.7</b>	<b>384.5</b>	<b>1,827.1</b>	<b>332.6</b>
<b>Income(Loss) from discontinued operations<sup>2)</sup></b>	<b>6.0</b>	<b>5.9</b>	<b>171.9</b>	<b>(0.5)</b>	<b>183.2</b>	<b>-</b>
<b>Consolidated net income</b>	<b>345.9</b>	<b>467.7</b>	<b>502.2</b>	<b>293.7</b>	<b>1,609.5</b>	<b>267.3</b>
Majority interests	354.2	466.6	504.0	314.1	1,639.0	269.8
Minority interests	(8.2)	1.1	(1.8)	(20.5)	(29.4)	(2.5)

1) Includes R&D related depreciation

2) Income(loss) from discontinued operations: Income or loss on discontinuation of Loen Entertainment

# Appendix

## ◆ SK Telecom Non-consolidated Income Statement

(KRW bn)	1Q13	2Q13	3Q13	4Q13	FY13	1Q14
<b>Operating revenue</b>	<b>3,112.1</b>	<b>3,209.1</b>	<b>3,222.9</b>	<b>3,316.3</b>	<b>12,860.4</b>	<b>3,263.7</b>
<b>Operating expenses</b>	<b>2,692.0</b>	<b>2,676.8</b>	<b>2,685.7</b>	<b>2,836.2</b>	<b>10,890.7</b>	<b>3,012.4</b>
Labor cost	205.3	135.7	134.3	149.1	624.3	171.2
Commissions paid	1,364.1	1,296.9	1,295.5	1,351.9	5,308.4	1,584.0
Marketing commissions	871.8	777.4	768.7	773.0	3,190.9	1,061.0
Other commissions	492.3	519.5	526.8	578.9	2,117.5	522.9
Advertising	34.7	75.4	58.2	69.0	237.3	39.4
Depreciation <sup>1)</sup>	503.6	531.9	528.1	551.9	2,115.5	536.5
Network interconnection	176.4	184.6	197.7	211.4	770.1	214.9
Leased line	53.8	51.6	51.0	49.3	205.7	46.7
Frequency usage fees	50.2	55.0	51.7	49.6	206.5	50.2
Others	303.9	345.7	369.1	404.0	1,422.8	369.6
<b>Operating income</b>	<b>420.1</b>	<b>532.2</b>	<b>537.2</b>	<b>480.1</b>	<b>1,969.7</b>	<b>251.3</b>
<i>EBITDA</i>	923.7	1,064.1	1,065.3	1,032.1	4,085.2	787.8
<i>EBITDA margin</i>	29.7%	33.2%	33.1%	31.1%	31.8%	24.1%
<b>Net profit or loss from non-operating items</b>	<b>(39.9)</b>	<b>(135.3)</b>	<b>(321.0)</b>	<b>(252.7)</b>	<b>(748.9)</b>	<b>(55.3)</b>
Interest income	8.4	8.0	7.6	8.2	32.3	6.8
Interest expenses	72.8	69.5	65.6	65.5	273.5	63.9
Net profit or loss from other non-operating items	24.5	(73.8)	(262.9)	(195.4)	(507.7)	1.7
<b>Income from continuing operations before tax</b>	<b>380.2</b>	<b>396.9</b>	<b>216.2</b>	<b>227.5</b>	<b>1,220.8</b>	<b>195.9</b>
<b>Net income</b>	<b>302.2</b>	<b>313.4</b>	<b>126.1</b>	<b>168.4</b>	<b>910.2</b>	<b>153.5</b>

1) Includes R&D related depreciation

# Appendix

## ◆ Consolidated Balance Sheet

(KRW bn)	1Q13	2Q13	3Q13	4Q13	1Q14
<b>Total assets</b>	<b>25,408.8</b>	<b>25,436.4</b>	<b>25,933.5</b>	<b>26,576.5</b>	<b>26,067.2</b>
<b>Current assets</b>	<b>5,081.7</b>	<b>5,230.7</b>	<b>5,381.6</b>	<b>5,123.4</b>	<b>4,781.8</b>
Cash and marketable securities <sup>1)</sup>	1,493.0	1,693.5	1,937.0	1,765.1	1,384.1
Accounts receivable	2,920.7	2,936.1	2,911.3	2,900.9	2,886.8
Short-term loans	93.3	77.9	76.1	79.4	86.8
Inventories	205.1	179.6	176.2	177.1	189.4
Other current assets	369.6	343.6	281.1	200.9	234.7
<b>Non-current assets</b>	<b>20,327.2</b>	<b>20,205.7</b>	<b>20,551.8</b>	<b>21,453.1</b>	<b>21,285.4</b>
Property & equipment	9,604.1	9,402.7	9,404.3	10,212.4	9,982.9
Intangible assets	4,389.9	4,303.5	4,440.8	4,484.0	4,387.1
Investment assets	5,808.6	6,025.4	6,244.5	6,302.0	6,439.5
Other non-current assets	524.5	474.2	462.3	454.7	475.9
<b>Total liabilities</b>	<b>13,041.1</b>	<b>12,060.0</b>	<b>12,150.5</b>	<b>12,410.0</b>	<b>12,242.3</b>
<b>Current liabilities</b>	<b>6,287.1</b>	<b>5,688.5</b>	<b>5,653.3</b>	<b>6,069.2</b>	<b>6,283.3</b>
Short-term borrowings	160.0	60.5	80.5	260.0	766.0
Accounts payable	1,966.5	1,703.5	1,416.1	2,190.8	1,288.9
Current portion of long-term debt	910.3	1,553.1	1,691.1	1,269.0	1,152.4
Other current liabilities	3,250.4	2,371.4	2,465.6	2,349.4	3,076.0
<b>Non-current liabilities</b>	<b>6,754.0</b>	<b>6,371.5</b>	<b>6,497.2</b>	<b>6,340.7</b>	<b>5,958.9</b>
Bonds payable & long-term borrowings	5,750.3	5,431.6	5,180.1	5,010.4	4,748.1
Long-term payables - other	565.6	558.1	835.4	838.6	657.2
Post-employment benefit obligation	102.3	119.8	137.5	74.2	99.0
Other non-current liabilities	335.8	262.0	344.1	417.6	454.5
<b>Total shareholders' equity</b>	<b>12,367.7</b>	<b>13,376.5</b>	<b>13,783.0</b>	<b>14,166.6</b>	<b>13,825.0</b>
Capital stock	44.6	44.6	44.6	44.6	44.6
Capital surplus	2,924.8	3,323.4	3,323.4	3,323.4	3,323.4
Retained earnings	11,890.3	12,353.4	12,785.1	13,102.5	12,772.6
Capital adjustments	(3,276.8)	(3,101.5)	(3,087.0)	(3,005.8)	(3,006.0)
Other comprehensive income/loss <sup>2)</sup>	2.2	(27.5)	(18.2)	(12.3)	(21.1)
Minority interests	782.6	784.1	735.1	714.2	711.5

1) Cash & marketable securities includes cash & cash equivalent, marketable securities & short-term financial

2) Other comprehensive income/loss include gains or losses on valuation of investment securities and derivatives

# Appendix

## ◆ SK Telecom Non-consolidated Balance Sheet

(KRW bn)	1Q13	2Q13	3Q13	4Q13	1Q14
<b>Total assets</b>	<b>22,391.5</b>	<b>22,147.4</b>	<b>22,416.2</b>	<b>22,827.4</b>	<b>22,256.0</b>
<b>Current assets</b>	<b>2,765.8</b>	<b>2,809.9</b>	<b>2,956.8</b>	<b>2,817.8</b>	<b>2,563.8</b>
Cash and marketable securities <sup>1)</sup>	631.3	659.3	754.5	669.5	489.7
Accounts receivable	1,871.3	1,909.1	1,964.2	1,901.6	1,802.5
Short-term loans	84.7	68.4	68.5	72.2	80.1
Inventories	10.5	10.4	12.2	24.6	30.3
Other current assets	168.0	162.7	157.5	149.9	161.2
<b>Non-current assets</b>	<b>19,625.7</b>	<b>19,337.5</b>	<b>19,459.4</b>	<b>20,009.6</b>	<b>19,692.2</b>
Property & equipment	7,043.8	6,866.0	6,818.4	7,460.0	7,282.2
Intangible assets	3,419.4	3,351.2	3,506.7	3,545.4	3,459.3
Investment assets	8,810.6	8,786.2	8,831.7	8,747.4	8,688.4
Other non-current assets	351.9	334.1	302.6	256.9	262.3
<b>Total liabilities</b>	<b>10,326.9</b>	<b>9,284.3</b>	<b>9,386.5</b>	<b>9,512.0</b>	<b>9,424.0</b>
<b>Current liabilities</b>	<b>4,591.6</b>	<b>3,656.0</b>	<b>3,600.7</b>	<b>4,288.1</b>	<b>4,511.9</b>
Short-term borrowings	40.0	-	-	260.0	400.0
Accounts payable	1,430.3	1,106.9	923.2	1,656.6	977.5
Current portion of long-term debt	710.4	1,062.9	1,101.6	829.5	917.3
Other current liabilities	2,410.9	1,486.2	1,575.9	1,541.9	2,217.1
<b>Non-current liabilities</b>	<b>5,735.3</b>	<b>5,628.4</b>	<b>5,785.7</b>	<b>5,223.9</b>	<b>4,912.0</b>
Bonds payable & long-term borrowings	4,764.4	4,729.5	4,579.8	4,099.9	3,945.3
Long-term payables	555.4	547.4	824.5	828.7	646.6
Post-employment benefit obligation	42.0	49.5	56.0	22.9	29.3
Other non-current liabilities	373.5	302.0	325.4	272.4	290.8
<b>Total shareholders' equity</b>	<b>12,064.7</b>	<b>12,863.1</b>	<b>13,029.7</b>	<b>13,315.4</b>	<b>12,832.0</b>
Capital stock	44.6	44.6	44.6	44.6	44.6
Capital surplus	2,920.9	3,319.4	3,319.4	3,319.4	3,319.4
Retained earnings	12,128.4	12,437.8	12,491.3	12,665.7	12,220.2
Capital adjustments	(3,157.1)	(2,981.0)	(2,966.5)	(2,885.5)	(2,885.5)
Other comprehensive income/loss <sup>2)</sup>	127.8	42.3	140.9	171.2	133.3

1) Cash & marketable securities includes cash & cash equivalent, marketable securities and short-term financial instruments

2) Other comprehensive income/loss includes gains or losses on valuation of investment securities and derivatives

# IR Contacts

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