

# Results for the Quarter Ended March 31, 2015

K-IFRS, Non-audited

May 6<sup>th</sup>, 2015



# 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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# Consolidated Results

## ◆ Summary of Income Statement (Consolidated)

(KRW bn)	1Q15	1Q14	YoY		1Q15	4Q14	QoQ	
<b>Operating revenues</b>	<b>4,240</b>	<b>4,202</b>	<b>38</b>	<b>0.9%</b>	<b>4,240</b>	<b>4,289</b>	<b>(49)</b>	<b>-1.1%</b>
<b>Operating expenses</b>	<b>3,838</b>	<b>3,950</b>	<b>(112)</b>	<b>-2.8%</b>	<b>3,838</b>	<b>3,799</b>	<b>39</b>	<b>1.0%</b>
<b>Operating income</b>	<b>403</b>	<b>252</b>	<b>150</b>	<b>59.5%</b>	<b>403</b>	<b>490</b>	<b>(87)</b>	<b>-17.8%</b>
<i>Operating margin</i>	<i>9.5%</i>	<i>6.0%</i>	<i>3.5%p</i>		<i>9.5%</i>	<i>11.4%</i>	<i>-1.9%p</i>	
<b>Net profit or loss from non-operating items<sup>1)</sup></b>	<b>157</b>	<b>80</b>	<b>77</b>	<b>96.3%</b>	<b>157</b>	<b>157</b>	<b>(0)</b>	<b>0.0%</b>
<b>Income from continuing operations before income tax</b>	<b>560</b>	<b>333</b>	<b>227</b>	<b>68.4%</b>	<b>560</b>	<b>647</b>	<b>(87)</b>	<b>-13.5%</b>
<b>Consolidated net income</b>	<b>443</b>	<b>267</b>	<b>175</b>	<b>65.6%</b>	<b>443</b>	<b>503</b>	<b>(61)</b>	<b>-12.0%</b>
<i>Net margin</i>	<i>10.4%</i>	<i>6.4%</i>	<i>4.1%p</i>		<i>10.4%</i>	<i>11.7%</i>	<i>-1.3%p</i>	
<b>EBITDA<sup>2)</sup></b>	<b>1,132</b>	<b>956</b>	<b>176</b>	<b>18.5%</b>	<b>1,132</b>	<b>1,240</b>	<b>(108)</b>	<b>-8.7%</b>
<i>EBITDA margin</i>	<i>26.7%</i>	<i>22.7%</i>	<i>4.0%p</i>		<i>26.7%</i>	<i>28.9%</i>	<i>-2.2%p</i>	

1) The equity gains from SK Hynix amounted to KRW 255.3 bn in 1Q15

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

- SK Telecom (“SKT” or the “Company”) operating revenue increased 0.9% YoY led by the acquisition of SK Networks’ retail business by PS&Marketing, the revenue growth of SK Planet and application of consolidated accounting to NSOK and i-river and decreased 1.1% QoQ mainly due to seasonality
- Operating income increased 59.5% YoY as reduction of marketing expenses compared to 1Q14 and decreased 17.8% QoQ led by the increase in labor cost
- Consolidated net income increased 65.6% YoY due to the growth of equity gain from SK Hynix (KRW 95.5 bn) and reduction in marketing expenses, and decreased 12.0% QoQ due to lower operating income

# Consolidated Results

## ◆ Operating Expenses (Consolidated)

(KRW bn)	1Q15	1Q14	YoY		1Q15	4Q14	QoQ	
Labor cost	475	429	46	10.7%	475	418	57	13.6%
Commissions paid	1,347	1,628	(281)	-17.2%	1,347	1,374	(27)	-2.0%
Advertising	77	85	(8)	-9.8%	77	126	(49)	-38.8%
Depreciation <sup>1)</sup>	729	703	26	3.7%	729	750	(21)	-2.7%
Network interconnection	234	276	(42)	-15.1%	234	155	80	51.6%
Leased line	49	56	(7)	-11.7%	49	47	2	4.1%
Frequency usage fees	54	50	3	6.8%	54	42	11	26.3%
Cost of goods sold	491	336	155	46.2%	491	476	15	3.1%
Others	381	387	(6)	-1.4%	381	410	(29)	-7.1%
<b>Operating expenses</b>	<b>3,838</b>	<b>3,950</b>	<b>(112)</b>	<b>-2.8%</b>	<b>3,838</b>	<b>3,799</b>	<b>39</b>	<b>1.0%</b>

1) Includes R&D related depreciation

- Labor cost increased 10.7% YoY and 13.6% QoQ due to the rise in the number of employees
- Commissions paid decreased 17.2% YoY due to the decrease in marketing expenses and decreased 2.0% QoQ as commission paid relevant to solution Biz. decreased
- Depreciation increased 3.7% YoY due to the increase in LTE network capex and amortization of spectrum assets and decreased 2.7% QoQ by capital expenditure reduction in 1Q15
- Interconnection expenses decreased 15.1% YoY as the lowered network interconnection rate and increased 51.6% QoQ by the retroactively applied interconnection expenses in 4Q14
- Cost of goods sold increased 46.2% YoY in line with PS&Marketing's acquisition of SK Networks' retail business

# Non-consolidated Results

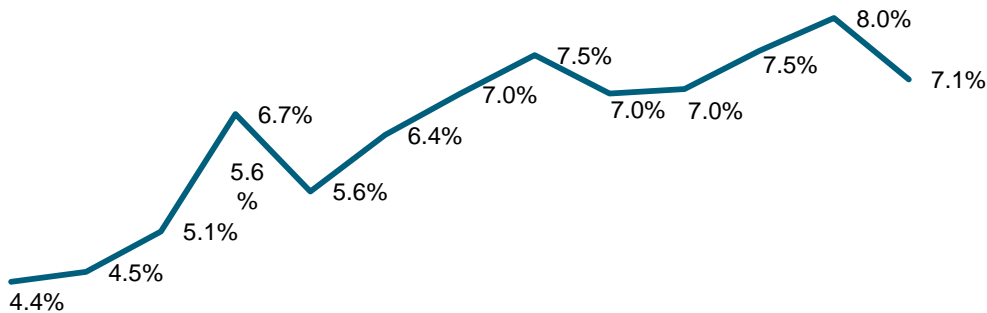
## ◆ Operating Revenues (Non-consolidated)

(KRW bn)	1Q15	1Q14	YoY		1Q15	4Q14	QoQ	
<b>Total operating revenues</b>	<b>3,133</b>	<b>3,264</b>	<b>(130)</b>	<b>-4.0%</b>	<b>3,133</b>	<b>3,181</b>	<b>(47)</b>	<b>-1.5%</b>
Mobile service revenue	2,733	2,767	(34)	-1.2%	2,733	2,805	(73)	-2.6%
Interconnection revenue	177	270	(93)	-34.5%	177	121	56	46.1%
New business & others <sup>1)</sup>	224	227	(3)	-1.3%	224	254	(31)	-12.0%

1) Includes sales from leased line, fixed-line resale, solution and other businesses

- Total operating revenue decreased 4.0% YoY led by the decrease of interconnection revenue
  - Interconnection revenue fell 34.5% YoY due to the reduced interconnection rate
  - B2B businesses continued to show growth, while the revenue of others decreased due to the adjustment of contents related commission fee
- Total operating revenue decreased 1.5% QoQ led by the decrease of mobile service and new business revenue due to the seasonal effect, while interconnection revenue increased by the retroactively applied interconnection revenue in 4Q14
  - Revenue of new business and others decreased as some B2B solution contracts terminated in 4Q14

[ New Business & Others, % of Total Revenue ]



'12.1Q '12.2Q '12.3Q '12.4Q '13.1Q '13.2Q '13.3Q '13.4Q '14.1Q '14.2Q '14.3Q '14.4Q '15.1Q

# Non-consolidated Results

## ◆ Marketing Expenses & Capex

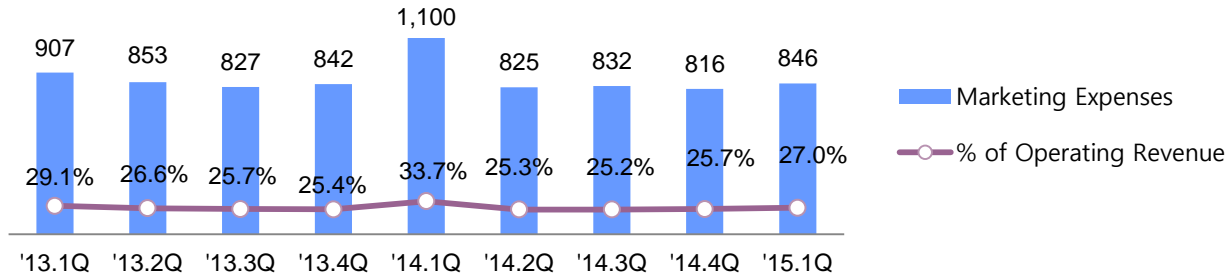
(KRW bn)	1Q15	1Q14	YoY		1Q15	4Q14	QoQ	
<b>Marketing expenses<sup>1)</sup></b>	<b>846</b>	<b>1,100</b>	<b>(255)</b>	<b>-23.2%</b>	<b>846</b>	<b>816</b>	<b>30</b>	<b>3.6%</b>
% of operating revenue	27.0%	33.7%	-6.7%p		27.0%	25.7%	1.3%p	
<b>Capital expenditure</b>	<b>319</b>	<b>265</b>	<b>54</b>	<b>20.5%</b>	<b>319</b>	<b>774</b>	<b>(455)</b>	<b>-58.8%</b>
% of operating revenue	10.2%	8.1%	2.1%p		10.2%	24.3%	-14.2%p	

1) Marketing expenses = marketing related commission + advertising expense

- Marketing expenses decreased 23.2% YoY due to the overheated LTE competition during 1Q14 and increased slightly QoQ due to the market size expansion
- Capex decreased QoQ along with the network rollout plan

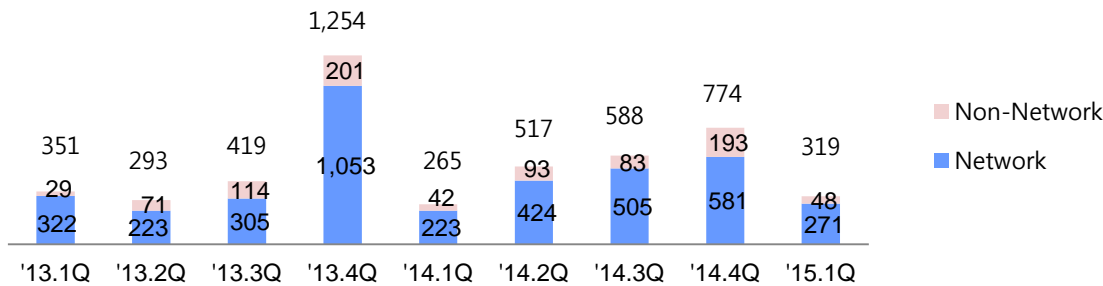
### Marketing Expenses

(KRW bn)



### Capex

(KRW bn)



# Appendix

## ◆ Subscriber Numbers

	1Q14	2Q14	3Q14	4Q14	1Q15	YoY		QoQ	
Subscribers ('000)	27,814	27,889	28,403	28,613	28,379	565	2.0%	(235)	-0.8%
Net adds	461	76	514	210	(235)	(696)	-150.8%	(445)	-211.5%
Activations	2,351	1,641	2,218	1,624	1,872	(479)	-20.4%	248	15.3%
Deactivations	1,890	1,566	1,705	1,414	2,106	216	11.5%	693	49.0%
Monthly churn rate (%) <sup>1)</sup>	2.3%	1.9%	2.0%	1.7%	2.0%	-0.3%p		0.3%p	
Average subscribers ('000)	27,526	27,769	28,146	28,482	28,525	999	3.6%	43	0.2%
Smartphone Subscribers ('000)	18,816	18,926	19,325	19,495	19,756	940	5.0%	262	1.3%
LTE Subscribers ('000) <sup>2)</sup>	14,773	15,381	16,212	16,737	17,447	2,673	18.1%	709	4.2%
LTE Penetration	53.1%	55.2%	57.1%	58.5%	61.5%	8.4%p		3.0%p	

1) '15.1Q churn rate excludes one-off closing of pre-paid accounts that had not been used for a long period

2) LTE subscribers include MVNO

## ◆ ARPU<sup>1)</sup>

(KRW)	1Q14	2Q14	3Q14	4Q14	1Q15	YoY		QoQ	
Total ARPU	43,737	44,217	44,892	43,645	43,479	(259)	-0.6%	(166)	-0.4%
Billing ARPU <sup>2)</sup>	35,309	36,013	36,417	36,673	36,313	1,004	2.8%	(361)	-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



# Appendix

## ◆ Consolidated Income Statement

(KRW bn)	1Q14	2Q14	3Q14	4Q14	FY14	1Q15
<b>Operating revenues</b>	<b>4,201.9</b>	<b>4,305.4</b>	<b>4,367.5</b>	<b>4,289.0</b>	<b>17,163.8</b>	<b>4,240.3</b>
<b>Operating expenses</b>	<b>3,949.5</b>	<b>3,759.3</b>	<b>3,830.9</b>	<b>3,799.0</b>	<b>15,338.7</b>	<b>3,837.6</b>
Labor cost	429.1	401.1	411.2	418.3	1,659.8	475.0
Commissions paid	1,627.6	1,364.3	1,326.7	1,374.0	5,692.7	1,347.1
Advertising	85.3	99.9	104.8	125.8	415.9	77.0
Depreciation <sup>1)</sup>	703.2	717.4	721.0	749.9	2,891.6	729.3
Network interconnection	275.8	280.7	286.3	154.5	997.3	234.3
Leased line	56.0	54.2	53.2	47.5	210.9	49.4
Frequency usage fees	50.2	47.0	48.6	42.4	188.1	53.6
Cost of goods sold	335.7	394.0	474.1	476.4	1,680.1	490.9
Others	386.5	400.6	405.0	410.1	1,602.3	381.0
<b>Operating income</b>	<b>252.4</b>	<b>546.1</b>	<b>536.6</b>	<b>490.1</b>	<b>1,825.1</b>	<b>402.6</b>
<i>EBITDA</i>	955.6	1,263.5	1,257.6	1,240.0	4,716.7	1,132.0
<i>EBITDA margin</i>	22.7%	29.3%	28.8%	28.9%	27.5%	26.7%
<b>Net profit or loss from non-operating items</b>	<b>80.2</b>	<b>61.9</b>	<b>129.2</b>	<b>157.4</b>	<b>428.7</b>	<b>157.4</b>
Interest income	15.5	14.3	15.5	14.7	60.0	12.8
Interest expenses	78.6	82.6	82.2	79.7	323.1	75.5
Profit or loss in other non-operating items	143.3	130.2	195.8	222.5	691.9	220.1
<b>Income from continuing operations before tax</b>	<b>332.6</b>	<b>608.0</b>	<b>665.8</b>	<b>647.5</b>	<b>2,253.8</b>	<b>560.0</b>
<b>Consolidated net income</b>	<b>267.3</b>	<b>497.6</b>	<b>531.0</b>	<b>503.4</b>	<b>1,799.3</b>	<b>442.7</b>
Majority interests	269.8	498.5	531.5	501.3	1,801.2	444.5
Minority interests	(2.5)	(0.9)	(0.5)	2.1	(1.9)	(1.7)
<b>Basic earnings per share(KRW)</b>	<b>3,804</b>	<b>6,909</b>	<b>7,493</b>	<b>6,948</b>	<b>25,154</b>	<b>6,266</b>

1) Includes R&D related depreciation

# Appendix

## ◆ SK Telecom Non-consolidated Income Statement

(KRW bn)	1Q14	2Q14	3Q14	4Q14	FY14	1Q15
<b>Operating revenues</b>	<b>3,263.7</b>	<b>3,264.6</b>	<b>3,303.6</b>	<b>3,180.7</b>	<b>13,012.6</b>	<b>3,133.5</b>
<b>Operating expenses</b>	<b>3,012.4</b>	<b>2,736.9</b>	<b>2,797.9</b>	<b>2,728.2</b>	<b>11,275.5</b>	<b>2,725.6</b>
Labor cost	171.2	153.0	138.8	147.5	610.5	176.6
Commissions paid	1,584.0	1,299.4	1,336.5	1,349.6	5,569.4	1,339.8
Marketing commissions	1,061.0	767.6	772.5	758.3	3,359.5	812.9
Other commissions	522.9	531.8	564.0	591.2	2,209.9	526.9
Advertising	39.4	57.1	59.4	57.6	213.6	32.6
Depreciation <sup>1)</sup>	536.5	547.1	549.3	575.9	2,208.7	552.8
Network interconnection	214.9	219.9	226.6	110.5	771.8	169.9
Leased line	46.7	45.5	45.6	44.6	182.4	42.6
Frequency usage fees	50.2	47.0	48.6	42.4	188.1	53.6
Others	369.6	368.0	393.3	400.1	1,530.9	357.6
<b>Operating income</b>	<b>251.3</b>	<b>527.7</b>	<b>505.7</b>	<b>452.5</b>	<b>1,737.2</b>	<b>407.8</b>
<i>EBITDA</i>	787.8	1,074.7	1,055.0	1,028.3	3,945.9	960.7
<i>EBITDA margin</i>	24.1%	32.9%	31.9%	32.3%	30.3%	30.7%
<b>Net profit or loss from non-operating items</b>	<b>(55.3)</b>	<b>(83.2)</b>	<b>(131.3)</b>	<b>(145.5)</b>	<b>(415.4)</b>	<b>(29.1)</b>
Interest income	6.8	6.0	6.3	5.9	25.0	5.7
Interest expenses	63.9	68.5	67.2	64.9	264.4	61.2
Net profit or loss from other non-operating items	1.7	(20.8)	(70.4)	(86.5)	(176.0)	26.5
<b>Income from continuing operations before tax</b>	<b>195.9</b>	<b>444.4</b>	<b>374.4</b>	<b>306.9</b>	<b>1,321.8</b>	<b>378.8</b>
<b>Net income</b>	<b>153.5</b>	<b>363.4</b>	<b>293.3</b>	<b>218.4</b>	<b>1,028.5</b>	<b>295.8</b>

1) Includes R&D related depreciation

# Appendix

## ◆ Consolidated Balance Sheet

(KRW bn)	1Q14	2Q14	3Q14	4Q14	1Q15
<b>Total assets</b>	<b>26,067.2</b>	<b>27,027.6</b>	<b>27,685.0</b>	<b>27,941.2</b>	<b>27,824.4</b>
<b>Current assets</b>	<b>4,781.8</b>	<b>5,592.6</b>	<b>5,740.2</b>	<b>5,083.1</b>	<b>5,228.5</b>
Cash and marketable securities <sup>1)</sup>	1,384.1	1,652.0	1,665.3	1,297.5	1,264.4
Accounts receivable	2,886.8	3,230.6	3,515.3	3,082.7	3,045.5
Short-term loans	86.8	83.0	79.1	74.5	78.2
Inventories	189.4	399.9	236.8	267.7	295.0
Other current assets	234.7	227.2	243.7	360.8	545.3
<b>Non-current assets</b>	<b>21,285.4</b>	<b>21,435.0</b>	<b>21,944.8</b>	<b>22,858.1</b>	<b>22,595.9</b>
Property & equipment	9,982.9	10,073.2	10,232.7	10,582.7	10,420.0
Intangible assets	4,387.1	4,317.7	4,238.3	4,401.6	4,304.8
Investment assets	6,439.5	6,534.9	6,941.7	7,255.0	7,226.1
Other non-current assets	475.9	509.3	532.2	618.8	645.0
<b>Total liabilities</b>	<b>12,242.3</b>	<b>12,824.5</b>	<b>12,940.9</b>	<b>12,693.0</b>	<b>12,747.3</b>
<b>Current liabilities</b>	<b>6,283.3</b>	<b>6,162.7</b>	<b>6,063.2</b>	<b>5,420.3</b>	<b>5,323.7</b>
Short-term borrowings	766.0	869.5	787.4	366.6	392.4
Accounts payable	1,288.9	1,595.0	1,619.6	1,757.0	1,579.8
Current portion of long-term debt	1,152.4	1,143.7	1,162.5	784.4	675.7
Other current liabilities	3,076.0	2,554.4	2,493.7	2,512.2	2,675.9
<b>Non-current liabilities</b>	<b>5,958.9</b>	<b>6,661.8</b>	<b>6,877.7</b>	<b>7,272.7</b>	<b>7,423.5</b>
Bonds payable & long-term borrowings	4,748.1	5,251.9	5,355.8	5,798.9	6,042.3
Long-term payables - other	657.2	660.8	681.1	684.6	566.4
Post-employment benefit obligation	99.0	125.8	154.9	91.6	127.8
Other non-current liabilities	454.6	623.3	686.0	697.6	687.1
<b>Total shareholders' equity</b>	<b>13,825.0</b>	<b>14,203.2</b>	<b>14,744.1</b>	<b>15,248.3</b>	<b>15,077.2</b>
Capital stock	44.6	44.6	44.6	44.6	44.6
Capital surplus	3,323.4	3,323.4	3,323.4	3,323.4	3,323.2
Retained earnings	12,772.6	13,254.6	13,716.4	14,188.6	14,029.7
Capital adjustments	(3,006.0)	(3,034.6)	(3,034.6)	(3,045.4)	(3,045.5)
Other comprehensive income/loss <sup>2)</sup>	(21.1)	(94.1)	(25.0)	(4.5)	(6.5)
Minority interests	711.5	709.3	719.3	741.5	731.6

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

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)	1Q14	2Q14	3Q14	4Q14	1Q15
<b>Total assets</b>	<b>22,256.0</b>	<b>22,494.0</b>	<b>22,829.6</b>	<b>22,712.5</b>	<b>22,464.6</b>
<b>Current assets</b>	<b>2,563.8</b>	<b>2,755.0</b>	<b>2,941.3</b>	<b>2,689.9</b>	<b>2,854.1</b>
Cash and marketable securities <sup>1)</sup>	489.7	568.2	592.8	541.3	496.3
Accounts receivable	1,802.5	1,936.1	2,099.3	1,865.3	1,858.7
Short-term loans	80.1	75.7	72.3	68.0	70.6
Inventories	30.3	22.2	16.5	23.7	25.7
Other current assets	161.2	152.8	160.5	191.6	402.7
<b>Non-current assets</b>	<b>19,692.2</b>	<b>19,739.0</b>	<b>19,888.3</b>	<b>20,022.5</b>	<b>19,610.5</b>
Property & equipment	7,282.2	7,318.7	7,442.8	7,705.9	7,555.2
Intangible assets	3,459.3	3,374.1	3,288.2	3,234.4	3,149.5
Investment assets	8,688.4	8,794.1	8,896.3	8,790.6	8,606.6
Other non-current assets	262.3	252.1	260.9	291.6	299.2
<b>Total liabilities</b>	<b>9,424.0</b>	<b>9,343.7</b>	<b>9,428.9</b>	<b>9,170.2</b>	<b>9,240.2</b>
<b>Current liabilities</b>	<b>4,511.9</b>	<b>4,110.6</b>	<b>4,135.9</b>	<b>3,378.0</b>	<b>3,558.3</b>
Short-term borrowings	400.0	700.0	600.0	200.0	250.0
Accounts payable	977.5	847.1	1,017.0	1,174.4	1,073.7
Current portion of long-term debt	917.3	902.7	915.2	401.3	400.5
Other current liabilities	2,217.1	1,660.9	1,603.7	1,602.4	1,834.1
<b>Non-current liabilities</b>	<b>4,912.0</b>	<b>5,233.1</b>	<b>5,293.0</b>	<b>5,792.2</b>	<b>5,681.8</b>
Bonds payable & long-term borrowings	3,945.3	4,138.5	4,174.6	4,735.3	4,769.5
Long-term payables	646.6	650.0	653.5	657.0	542.1
Post-employment benefit obligation	29.3	42.2	48.8	15.6	28.3
Other non-current liabilities	290.8	402.4	416.1	384.4	341.9
<b>Total shareholders' equity</b>	<b>12,832.0</b>	<b>13,150.3</b>	<b>13,400.7</b>	<b>13,542.2</b>	<b>13,224.4</b>
Capital stock	44.6	44.6	44.6	44.6	44.6
Capital surplus	3,319.4	3,319.4	3,319.4	3,319.4	3,319.4
Retained earnings	12,220.2	12,568.7	12,793.1	12,996.8	12,694.7
Capital adjustments	(2,885.5)	(2,885.5)	(2,885.5)	(2,885.5)	(2,885.5)
Other comprehensive income/loss <sup>2)</sup>	133.3	103.1	129.0	66.9	51.2

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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