

Results for the Quarter Ended March 31, 2017

K-IFRS, Non-audited

April 26th, 2017



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Consolidated Results

◆ Summary of Income Statement (Consolidated)

(KRW bn)	2017 1Q	2016 1Q	YoY	2016 4Q	QoQ
Operating revenues	4,234.4	4,228.5	0.1%	4,352.3	-2.7%
Operating expenses	3,823.9	3,826.3	-0.1%	4,050.3	-5.6%
<i>Labor cost</i>	<i>462.8</i>	<i>476.9</i>	<i>-2.9%</i>	<i>478.4</i>	<i>-3.2%</i>
<i>Commissions paid</i>	<i>1,363.3</i>	<i>1,323.4</i>	<i>3.0%</i>	<i>1,411.7</i>	<i>-3.4%</i>
<i>Depreciation¹⁾</i>	<i>792.7</i>	<i>748.9</i>	<i>5.9%</i>	<i>802.3</i>	<i>-1.2%</i>
<i>Network Interconnection</i>	<i>221.1</i>	<i>263.9</i>	<i>-16.2%</i>	<i>170.5</i>	<i>29.7%</i>
<i>Cost of goods sold</i>	<i>402.2</i>	<i>426.6</i>	<i>-5.7%</i>	<i>542.8</i>	<i>-25.9%</i>
<i>Others</i>	<i>581.7</i>	<i>586.6</i>	<i>-0.8%</i>	<i>644.8</i>	<i>-9.8%</i>
Operating income	410.5	402.1	2.1%	301.9	36.0%
<i>Operating margin</i>	<i>9.7%</i>	<i>9.5%</i>	<i>0.2%p</i>	<i>6.9%</i>	<i>2.8%p</i>
Net profit or loss from non-operating items¹⁾	313.7	334.0	-6.1%	262.1	19.7%
Income before taxes	724.2	736.1	-1.6%	564.1	28.4%
Consolidated net income	583.5	572.3	2.0%	474.7	22.9%
EBITDA²⁾	1,203.2	1,151.0	4.5%	1,104.2	9.0%
<i>EBITDA margin</i>	<i>28.4%</i>	<i>27.2%</i>	<i>1.2%p</i>	<i>25.4%</i>	<i>3.0%p</i>
Basic earnings per share(KRW)	8,344	8,099	3.0%	6,905	20.8%

1) Includes R&D related depreciation

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

● Operating revenues

- Increased by 0.1% YoY as SK Broadband and other subsidiaries continued to grow, whereas SK Telecom revenues fell due to selective tariff discount and abolishment of sign-up fees.

- Decreased by 2.7% QoQ. SK Telecom revenues increased on account of one-off gains, but greater decrease at SK Broadband and SK Planet resulted in a drop in consolidated revenues.

● Operating income

- Increased by 2.1% YoY and 36.0% QoQ as profitability improved at both parent and subsidiaries.

● Net income

- Both income before taxes and income taxes decreased due to removal of previous year's Loen Entertainment sales effects, which led to a 2.0% YoY growth in net income.

- Increased by 22.9% QoQ as equity gains from SK Hynix continued to grow.

Consolidated Results

◆ Summary of Balance Sheet (Consolidated)

(KRW bn)	2017 1Q	2016 1Q	YoY	2016 4Q	QoQ
Total assets	30,517.8	28,490.4	7.1%	31,297.7	-2.5%
Current assets	5,965.1	5,805.8	2.7%	5,996.6	-0.5%
<i>Cash and marketable securities</i>	<i>2,096.7</i>	<i>1,621.6</i>	<i>29.3%</i>	<i>2,034.0</i>	<i>3.1%</i>
Non-current assets	24,552.7	22,684.6	8.2%	25,301.0	-3.0%
<i>Property & Equipment</i>	<i>9,928.9</i>	<i>9,931.6</i>	<i>0.0%</i>	<i>10,374.2</i>	<i>-4.3%</i>
<i>Intangible assets</i>	<i>5,597.2</i>	<i>4,094.8</i>	<i>36.7%</i>	<i>5,708.8</i>	<i>-2.0%</i>
Total liabilities	14,605.3	13,375.2	9.2%	15,181.2	-3.8%
Current liabilities	6,255.6	5,355.1	16.8%	6,444.1	-2.9%
Non-current liabilities	8,349.7	8,020.1	4.1%	8,737.1	-4.4%
Total shareholders' equity	15,912.5	15,115.2	5.3%	16,116.4	-1.3%
Interest-bearing financial debt	7,332.6	7,397.4	-0.9%	7,369.7	-0.5%
Net debt	5,235.9	5,775.8	-9.3%	5,335.7	-1.9%

- **Assets**

- Decreased by 2.5% from previous year end due to lower fixed asset acquisition and higher depreciation.

- **Shareholders' equity**

- Decreased by 1.3% from previous year end as a result of paying out dividends.

Non-consolidated Results

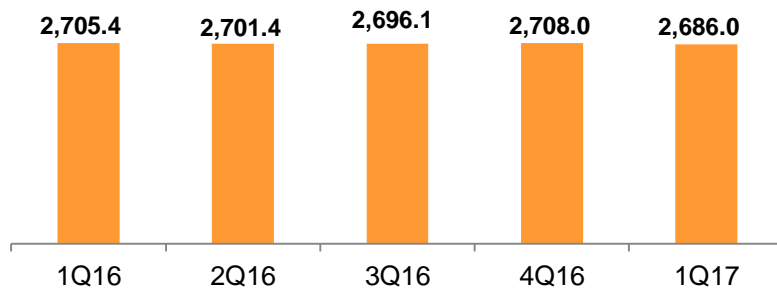
◆ Operating Revenues (Non-consolidated)

(KRW bn)	2017 1Q	2016 1Q	YoY	2016 4Q	QoQ
Total operating revenues	3,088.0	3,098.3	-0.3%	3,058.4	1.0%
Mobile service revenue	2,686.0	2,705.4	-0.7%	2,708.0	-0.8%
Interconnection revenue	172.7	189.8	-9.0%	103.1	67.5%
Others ¹⁾	229.3	203.0	13.0%	247.3	-7.3%

1) Includes revenues from leased line, fixed-line resale, solutions and other businesses

■ Mobile service revenues

(KRW bn)



● Mobile service revenues

- Declined by 0.7% YoY and 0.8% QoQ as more subscribers opted for selective tariff discount.
- Sign-up fee elimination and seasonality also caused YoY and QoQ declines, respectively.

● Interconnection revenues

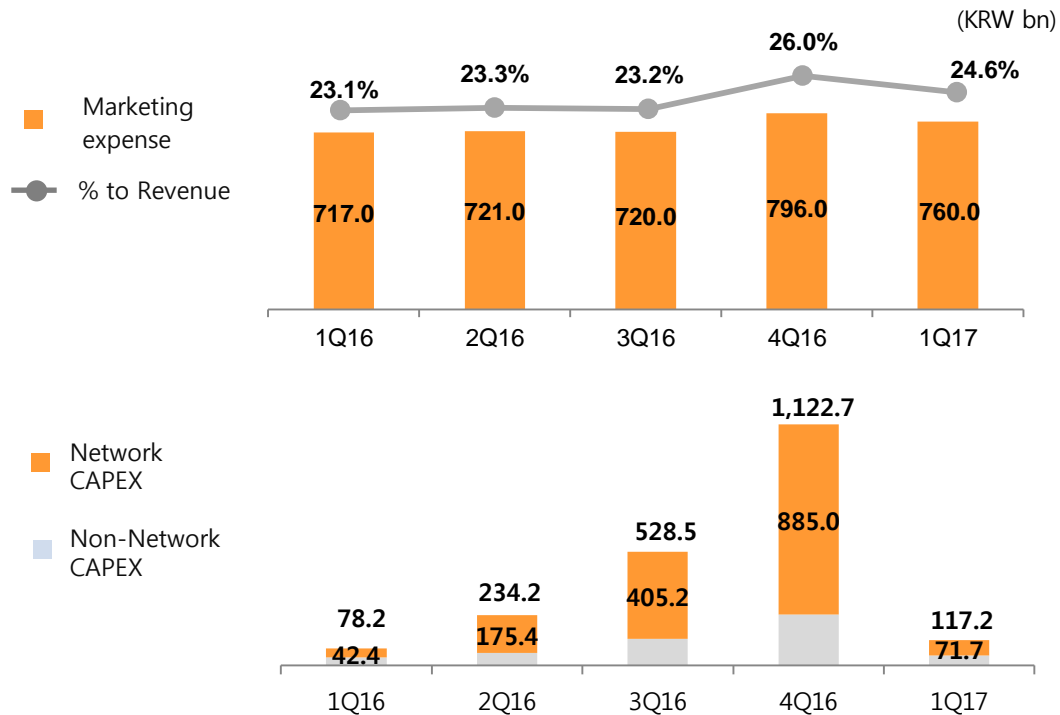
- Dropped by 9.0% YoY due to lower interconnection rates; however, the decrease was mitigated by one-off interconnection reimbursement from KT.
- Increased by 67.5% QoQ on account of one-off interconnection reimbursement from KT. Also, the difference in revenue from lowered rates was booked in 4Q16, which resulted in a dip interconnection revenues for that quarter.

Non-consolidated Results

◆ Marketing expense & CAPEX

(KRW bn)	2017 1Q	2016 1Q	YoY	2016 4Q	QoQ
Marketing expense¹⁾	759.6	716.6	6.0%	795.6	-4.5%
<i>% of operating revenue</i>	<i>24.6%</i>	<i>23.1%</i>	<i>1.5%p</i>	<i>26.0%</i>	<i>-1.4%p</i>
Capital expenditure	117.2	78.2	49.8%	1,122.7	-89.6%
<i>% of operating revenue</i>	<i>3.79%</i>	<i>2.53%</i>	<i>1.3%p</i>	<i>36.7%</i>	<i>-32.9%p</i>

1) Marketing expense = marketing related commission + advertising expenses



● Marketing expense

- Increased by 6.0% YoY due to new subscriber growth.
- Decreased by 4.5% QoQ in line with lower advertising expenses.

● CAPEX

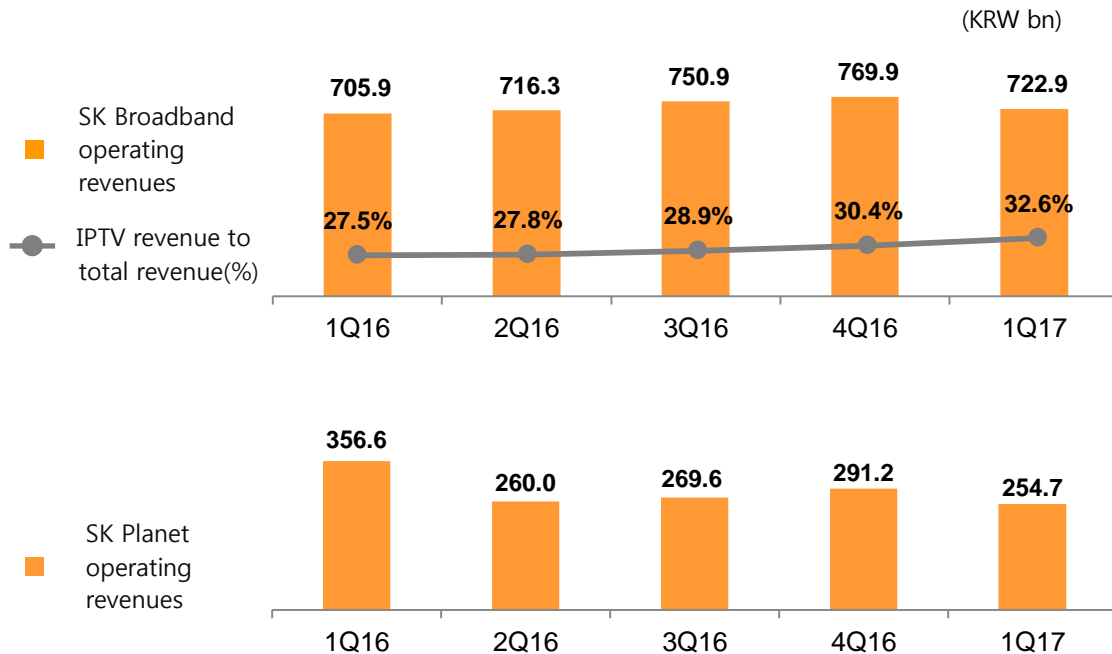
- Increased YoY from fulfilling network deployment obligations.

Major Subsidiaries

◆ Operating Revenues – SK Broadband and SK Planet

(KRW bn)	2017 1Q	2016 1Q	YoY	2016 4Q	QoQ
SK Broadband	722.9	705.9	2.4%	769.9	-6.1%
<i>IPTV</i>	235.6	193.6	21.7%	233.8	0.8%
<i>Others¹⁾</i>	487.3	512.3	-4.9%	536.1	-9.1%
SK Planet	254.7	356.6	-28.6%	291.2	-12.5%

1) Others : High speed internet, residential, B2B, others, etc.



● SK Broadband

- Increased by 2.4% YoY as IPTV revenues continued to grow.
- Decreased by 6.1% QoQ due to seasonality in other revenues.

● SK Planet

- Decreased by 28.6% YoY due to spin-offs* in 1Q16
- * LBS(Location Based Services) business, SK Tech X, One Store
- Decreased by 12.5% QoQ as O2O* and other businesses weakened on account of cost control.
- * O2O: Online-to-Offline

Appendix

◆ Subscribers¹⁾

	1Q16	2Q16	3Q16	4Q16	1Q17	YoY	QoQ
Subscribers ('000)	28,921	29,150	29,451	29,595	29,833	3.2%	0.8%
Net adds	295	229	301	144	238	-19.1%	65.3%
Activations	1,552	1,536	1,503	1,504	1,583	2.0%	5.3%
Deactivations	1,257	1,307	1,203	1,360	1,345	7.0%	-1.1%
<i>Monthly churn rate (%)</i>	<i>1.5%</i>	<i>1.5%</i>	<i>1.4%</i>	<i>1.5%</i>	<i>1.5%</i>	<i>0.0%p</i>	<i>0.0%p</i>
Smartphone Subscribers ('000)	20,985	21,308	21,662	21,877	22,181	5.7%	1.4%
LTE Subscribers ('000)	19,526	20,028	20,545	21,078	21,650	10.9%	2.7%
<i>LTE Penetration</i>	<i>67.5%</i>	<i>68.7%</i>	<i>69.8%</i>	<i>71.2%</i>	<i>72.6%</i>	<i>5.1%p</i>	<i>1.4%p</i>
High speed internet ('000)	5,092	5,145	5,181	5,207	5,310	4.3%	2.0%
IPTV ('000)	3,624	3,760	3,872	3,962	4,067	12.2%	2.7%

1) Includes MVNO connections, excludes other connections such as facility-monitoring lines

◆ ARPU

(KRW)	1Q16	2Q16	3Q16	4Q16	1Q17	YoY	QoQ
Billing ARPU ¹⁾	35,959	35,764	35,471	35,355	34,927	-2.9%	-1.2%
ARPU including MVNO	32,611	32,324	32,010	31,788	31,316	-4.0%	-1.5%

1) Calculated from SK Telecom mobile service revenue (2G/3G/LTE and IoT) : Includes voice, data, and other revenue (Excludes activation fee and interconnection revenue).
Reflects sales discount from contract and bundling, etc. Excludes MVNO related revenue.

Calculated from SK Telecom mobile service subscribers (2G/3G/LTE and IoT) : From MSIP subscriber statistics (avg. number of billed connections for the quarter)

Appendix. Consolidated Income Statement

(in KRW bn)	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Operating revenues	17,136.7	4,228.5	4,267.3	4,243.8	4,352.3	17,091.8	4,234.4
Operating expenses	15,428.7	3,826.3	3,859.9	3,819.5	4,050.3	15,556.1	3,823.9
Labor cost	1,893.7	476.9	465.7	448.8	478.4	1,869.8	462.8
Commissions paid	5,207.0	1,323.4	1,327.0	1,314.6	1,411.7	5,376.7	1,363.3
Advertising	405.0	87.5	108.1	103.9	139.0	438.5	85.4
Depreciation ¹⁾	2,992.9	748.9	752.2	764.3	802.3	3,067.7	792.7
Network interconnection	957.6	263.9	255.5	264.5	170.5	954.3	221.1
Leased line	200.0	54.2	59.4	44.8	49.3	207.7	48.8
Frequency usage fees	189.8	47.9	49.5	46.7	42.7	186.8	39.0
Cost of goods sold	1,955.9	426.6	451.6	417.4	542.8	1,838.4	402.2
Others	1,626.9	397.1	390.9	414.6	413.8	1,616.4	408.5
Operating income	1,708.0	402.1	407.4	424.3	301.9	1,535.7	410.5
<i>EBITDA</i>	4,700.9	1,151.0	1,159.6	1,188.6	1,104.2	4,603.4	1,203.2
<i>EBITDA margin</i>	<i>27.4%</i>	<i>27.2%</i>	<i>27.2%</i>	<i>28.0%</i>	<i>25.4%</i>	<i>26.9%</i>	<i>28.4%</i>
Net profit or loss from non-operating items	327.4	334.0	(42.6)	6.9	262.1	560.4	313.7
Interest income	45.9	12.0	12.3	14.6	15.3	54.4	25.3
Interest expenses	297.7	72.4	70.0	74.7	73.4	290.5	74.4
Profit or loss in other non-operating items	579.1	394.3	15.1	66.9	320.2	796.5	362.9
Income before tax	2,035.4	736.1	364.8	431.2	564.1	2,096.1	724.2
Consolidated net income	1,515.9	572.3	291.0	322.1	474.7	1,660.1	583.5
Majority interests	1,518.6	571.8	290.1	325.1	488.9	1,676.0	589.1
Minority interests	(2.7)	0.5	0.9	(3.0)	(14.2)	(15.9)	(5.7)
Basic earnings per share(KRW)	20,988	8,099	3,990	4,604	6,905	23,497	8,344

1) Includes R&D related depreciation

Appendix. SK Telecom Non-consolidated Income Statement

(in KRW bn)	2015	1Q16	2Q16	3Q16	4Q16	2016	1Q17
Operating revenues	12,557.0	3,098.3	3,092.0	3,101.8	3,058.4	12,350.5	3,088.0
Operating expenses	10,898.2	2,668.4	2,613.8	2,624.7	2,661.4	10,568.3	2,648.6
Labor cost	694.7	173.0	161.8	148.6	151.3	634.8	156.9
Commissions paid	5,102.7	1,218.3	1,140.0	1,144.7	1,213.5	4,716.6	1,197.5
Marketing commissions	2,878.9	689.5	672.3	680.4	736.5	2,778.7	737.1
Other commissions	2,223.9	528.7	467.7	464.3	477.0	1,937.8	460.4
Advertising	175.8	27.1	48.5	39.4	59.2	174.2	22.4
Depreciation ¹⁾	2,279.9	570.8	576.0	585.2	622.9	2,354.8	613.9
Network interconnection	720.9	193.3	189.2	193.0	111.6	687.0	156.7
Leased line	168.2	40.8	42.4	40.0	37.0	160.3	36.9
Frequency usage fees	189.8	47.9	49.5	46.7	42.7	186.8	39.0
Others	1,566.2	397.4	406.3	427.0	423.3	1,654.0	425.2
Operating income	1,658.8	429.9	478.2	477.1	397.0	1,782.2	439.4
<i>EBITDA</i>	3,938.7	1,000.6	1,054.2	1,062.3	1,019.9	4,136.9	1,053.2
<i>EBITDA margin</i>	31.4%	32.3%	34.1%	34.2%	33.3%	33.5%	34.1%
Net profit or loss from non-operating items	(189.3)	35.8	(97.8)	(71.1)	(86.4)	(219.4)	50.2
Interest income	20.6	6.4	5.8	9.6	9.5	31.4	20.3
Interest expenses	241.6	59.5	57.2	62.0	60.7	239.4	61.7
Net profit or loss from other non-operating items	31.7	88.9	(46.4)	(18.7)	(35.2)	(11.3)	91.6
Income before tax	1,469.4	465.7	380.5	406.0	310.6	1,562.8	489.6
Net income	1,106.8	382.2	284.1	324.6	226.3	1,217.3	388.2

1) Includes R&D related depreciation

Appendix. Consolidated Balance Sheet

(in KRW bn)	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
Total assets	28,581.4	28,490.4	28,529.4	29,555.7	31,297.7	30,517.8
Current assets	5,160.2	5,805.8	6,118.6	5,777.7	5,996.6	5,965.1
Cash and marketable securities ¹⁾	1,505.0	1,621.6	1,983.9	1,537.5	2,034.0	2,096.7
Accounts receivable	3,018.6	3,522.7	3,473.4	3,580.7	3,362.4	3,149.1
Short-term loans	53.9	66.2	66.2	65.7	59.0	70.0
Inventories	273.6	278.4	270.9	274.0	259.8	248.6
Other current assets	309.2	317.0	324.2	319.8	281.4	400.7
Non-current assets	23,421.1	22,684.6	22,410.8	23,778.0	25,301.0	24,552.7
Property & equipment	10,386.3	9,931.6	9,724.3	9,798.7	10,374.2	9,928.9
Intangible assets	4,213.4	4,094.8	3,982.3	5,101.3	5,708.8	5,597.2
Investment assets	8,114.1	8,007.4	7,986.4	8,046.8	8,233.8	8,356.0
Other non-current assets	707.3	650.9	717.9	831.2	984.2	670.6
Total liabilities	13,207.3	13,375.2	13,161.9	14,011.5	15,181.2	14,605.3
Current liabilities	5,256.5	5,355.1	5,220.0	5,393.2	6,444.1	6,255.6
Short-term borrowings	260.0	84.9	85.0	0.8	2.6	36.1
Accounts payable	1,985.8	1,775.4	1,734.0	1,843.4	2,646.1	1,685.3
Current portion of long-term debt	823.8	652.2	1,012.2	898.7	1,190.7	1,311.6
Other current liabilities	2,186.9	2,842.6	2,388.8	2,650.3	2,604.7	3,222.6
Non-current liabilities	7,950.8	8,020.1	7,941.9	8,618.3	8,737.1	8,349.7
Bonds payable & long-term borrowings	6,560.7	6,776.1	6,672.0	6,489.5	6,478.6	6,282.8
Long-term payables - other	581.7	468.7	470.5	1,302.3	1,624.6	1,332.6
Post-employment benefit obligation	98.9	134.7	149.4	150.8	70.7	87.8
Other non-current liabilities	709.5	640.6	650.0	675.8	563.2	646.5
Total shareholders' equity	15,374.1	15,115.2	15,367.5	15,544.2	16,116.4	15,912.5
Capital stock	44.6	44.6	44.6	44.6	44.6	44.6
Capital surplus	3,319.5	3,313.6	3,324.7	3,314.4	3,314.4	3,314.4
Retained earnings	15,007.6	14,941.4	15,214.2	15,469.4	15,953.2	15,895.5
Capital adjustments	(3,130.0)	(3,118.3)	(3,133.0)	(3,122.3)	(3,114.6)	(3,122.6)
Other comprehensive income/loss ²⁾	9.3	(180.5)	(232.4)	(328.7)	(226.2)	(324.4)
Minority interests	123.0	114.3	149.4	166.7	145.0	104.9

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

(in KRW bn)	4Q15	1Q16	2Q16	3Q16	4Q16	1Q17
Total assets	23,146.9	23,120.0	23,181.8	24,247.6	25,448.6	24,723.2
Current assets	2,713.5	3,144.4	3,560.0	3,255.5	3,661.1	3,642.8
Cash and marketable securities ¹⁾	598.2	593.1	1,028.7	588.4	1,019.4	1,094.2
Accounts receivable	1,793.5	2,222.8	2,218.4	2,345.4	2,367.1	2,280.2
Short-term loans	47.7	59.1	59.0	59.1	54.1	61.1
Inventories	46.0	43.7	36.5	35.3	32.5	24.9
Other current assets	228.1	225.7	217.4	227.4	188.1	182.4
Non-current assets	20,433.4	19,975.5	19,621.8	20,992.2	21,787.5	21,080.4
Property & equipment	7,442.3	7,038.7	6,802.1	6,844.3	7,298.5	6,881.2
Intangible assets	3,072.3	2,974.6	2,891.6	4,037.2	4,581.9	4,502.9
Investment assets	9,547.1	9,634.2	9,525.7	9,605.2	9,287.6	9,389.4
Other non-current assets	371.7	328.0	402.5	505.4	619.4	306.8
Total liabilities	9,367.5	9,565.1	9,379.0	10,149.6	11,191.6	10,684.6
Current liabilities	3,491.3	3,466.9	3,370.8	3,460.4	4,464.2	4,578.8
Short-term borrowings	230.0	-	-	-	-	-
Accounts payable	1,299.1	1,168.1	1,277.0	1,252.3	2,005.0	1,312.4
Current portion of long-term debt	712.8	438.2	795.2	678.3	930.6	1,099.5
Other current liabilities	1,249.4	1,860.6	1,298.5	1,529.8	1,528.5	2,167.0
Non-current liabilities	5,876.2	6,098.2	6,008.2	6,689.2	6,727.5	6,105.8
Bonds payable & long-term borrowings	5,106.0	5,431.7	5,348.6	5,190.8	5,052.5	4,722.2
Long-term payables	551.0	438.5	440.8	1,268.6	1,602.9	1,311.8
Post-employment benefit obligation	4.0	22.5	23.8	25.7	-	-
Other non-current liabilities	215.2	205.5	195.0	204.1	72.0	71.9
Total shareholders' equity	13,779.5	13,554.8	13,802.8	14,098.0	14,257.0	14,038.5
Capital stock	44.6	44.6	44.6	44.6	44.6	44.6
Capital surplus	3,357.8	3,357.8	3,357.8	3,357.8	3,357.8	3,357.8
Retained earnings	13,418.6	13,158.4	13,432.0	13,686.0	13,902.6	13,648.6
Capital adjustments	(2,988.4)	(2,988.4)	(2,986.3)	(2,986.3)	(2,986.3)	(2,986.3)
Other comprehensive income/loss ²⁾	(53.2)	(17.7)	(45.3)	(4.0)	(61.8)	(26.2)

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

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