



Investor Briefing

2018. 1Q Results

(K-IFRS, Non-audited)

SK Telecom

2018. 5. 4

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As of January 1, 2018, the Company has adopted IFRS 15, 「Revenue from Contracts with Customers」, by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings as of January 1, 2018.

As a supplemental discussion of our operating results, this presentation contains unaudited results under the comparative historical accounting method prior to our adoption of IFRS 15.

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Consolidated Financial Results

(KRW bn)	1Q17	4Q17	1Q18 (IFRS 15)	YoY	QoQ	1Q18 (Historical)	YoY	QoQ
Operating Revenues	4,234.4	4,497.3	4,181.5	△1.2%	△7.0%	4,220.7	△0.3%	△6.2%
Operating Expenses	3,823.9	4,186.9	3,856.1	0.8%	△7.9%	3,861.2	1.0%	△7.8%
Operating Income	410.5	310.4	325.5	△20.7%	4.9%	359.5	△12.4%	15.8%
Net Income	583.5	660.6	693.4	18.8%	5.0%	716.6	22.8%	8.5%
EBITDA	1,203.2	1,142.4	1,149.3	△4.5%	0.6%	1,183.3	△1.7%	3.6%
EPS (KRW)	8,344	8,236	9,842	18.0%	19.5%	10,185	22.1%	23.7%

Highlights

□ By providing real customer benefits with the Customer Value Innovation Program, achieved market stabilization and lower marketing expenses

- Efforts to eliminate customer inconveniences in areas such as cancellation fees, roaming price plans, and membership programs led to a churn rate of 1.3%
- Customer-data-based scientific target marketing led to net handset subscriber adds of 108,000 and marketing expense decrease of KRW 43.7bn
- We believe that such efforts as a game changer will help create a market environment in which competition centers on fundamental capabilities

□ Media business smooth sailing toward target of becoming the No.1 fixed-mobile media platform

- IPTV revenue grew by 22% YoY thanks to more subscribers on higher price plans, greater paid content consumption and higher percentage of UHD subscribers
- oksusu also solidified its position as one of the nation's top mobile platforms with a growing number of subscribers and unique visitors, by strengthening its original content offering and providing users with content that meets their individual needs

□ **NUGU solidified its reputation as the No.1 player and pioneer of the domestic AI market, with the number of monthly active users exceeding 3 million**

- Secured a virtuous cycle of wider areas of AI application such as navigation, kids' phones, and set-top boxes bringing in more active users, and the collected data contributing to sophistication of services and greater usage volume
- Expected to reach 5 million in MAU* by the end of this year, and will further strengthen the AI business environment of Car-Home-Mobile

* MAU: Monthly Active User

□ **Accelerating efforts to differentiate 5G technology with acquisition of quantum cryptography company IDQ**

- SK telecom has accumulated related technology since establishing a quantum technology lab in 2011 for the development of quantum cryptography technology, which is known as the ultimate security technology
- Acquired IDQ early this year; IDQ is a company that has written history in the field of quantum cryptography through excellent results such as launching the world's first quantum random number generator
- Through such efforts, we expect the 'safety' of our network – which is the core network management competitiveness – to become even stronger in the 5G era of hyper-connectivity

□ **By focusing on 11st, SK Planet continues to lead the e-commerce industry**

- This quarter SK Planet was successful in both increasing the GMV of 11st and efficient cost management, and as a result the operating loss was reduced to less than half compared to the previous quarter
- Aims to break even in 2019 by adjusting marginal businesses and improving profitability

* GMV: Gross Merchandise Volume

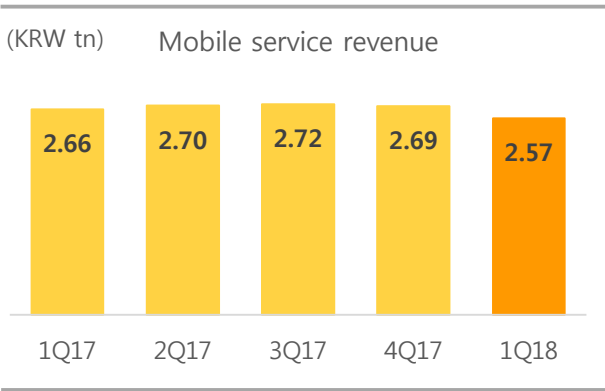


Steadily increased handset subs by offering customers real benefits with the ‘Customer Value Innovation Program’, a more economic approach to marketing, in the midst of headwinds to mobile service revenues from selective tariff discounts

Revenues

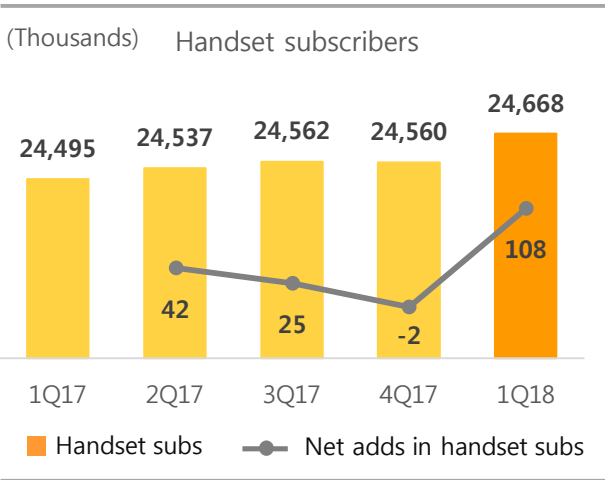
Mobile service revenue recorded KRW 2.57tn, down by 3.5% YoY and 4.6% QoQ

Negative effect on ARPU related to selective tariff discount subscriber growth and discount rate increase was mitigated by new subscriber acquisition

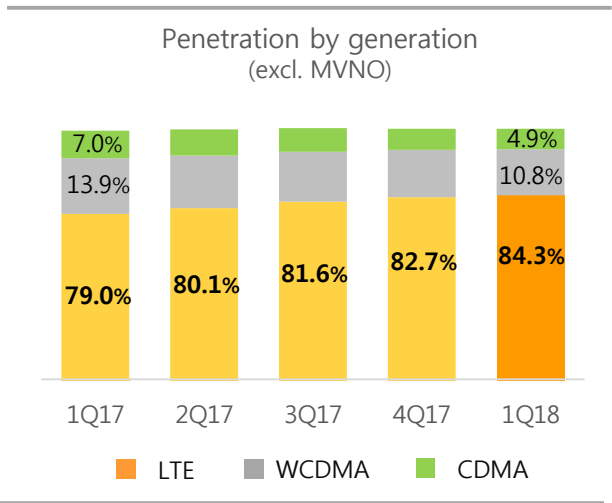


Subscribers

Customer-data-based marketing resulted in new handset net adds of 108,000

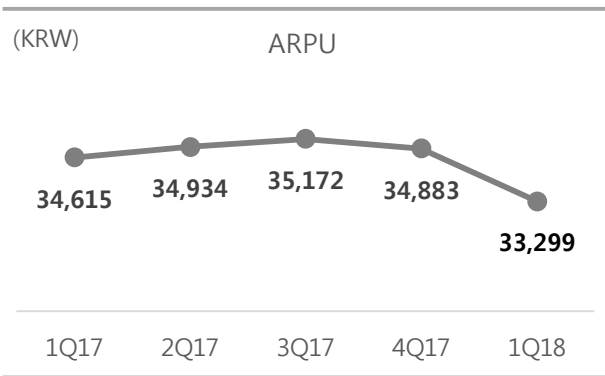


LTE penetration reached 84.3% as LTE subscriber base continued to grow



ARPU

ARPU decreased by 3.8% YoY and recorded KRW 33,299 as a result of selective discount rate increase Sep '17 (20%→25%) and additional discount for the underprivileged Dec '17





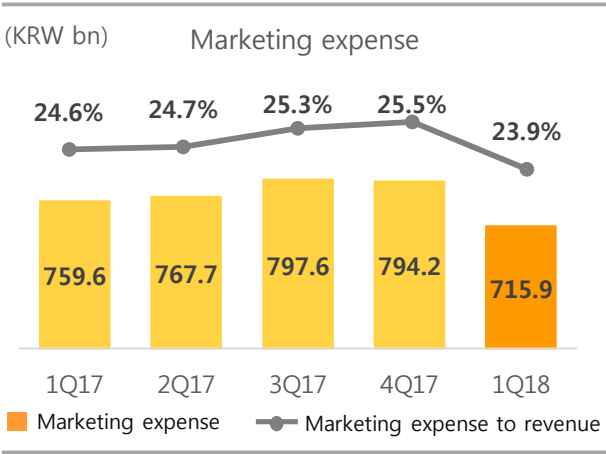
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Marketing Expense

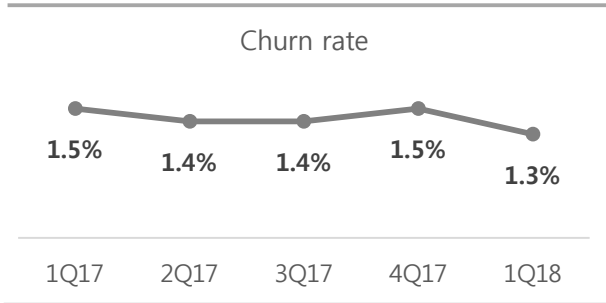
Marketing expense decreased as more subscribers opted for the selective tariff discount, and also as the result of Customer Value Innovation Program

Marketing expense according to historical accounting methods decreased by KRW 43.7bn YoY, KRW 78.3bn QoQ and recorded KRW 715.9bn

Marketing expense according to IFRS 15 recorded KRW 738.3bn



Churn Rate



Churn rate at its lowest since introduction of LTE as a result of greater customer loyalty and increase in handset upgrades

Customer Value Innovation Program

Launched to strengthen the tie with customers by offering real benefits, and to shift the competitive landscape towards growth and profitability

1. Optimized Price Plan Suggestions (Feb 1)

Consulting tool to design the optimal plan for each individual customer, with 85% of users willing to revisit the service (14%p higher compared to general services)

2. No-contract Plan (Mar 5)

In lieu of contract discounts, points that can be applied towards future device purchases or monthly payments are awarded to lock in customers

3. Roaming Plan Upgrade (Mar 22)

Offer 3 free minutes and lower data roaming prices to increase demand for paid roaming services

4. Membership Program Upgrade (Apr 2)

Strengthen customer loyalty with unlimited membership points and innovative benefits



Expand premium service user base and strengthen the value of contents-rich platform to maintain growth trend

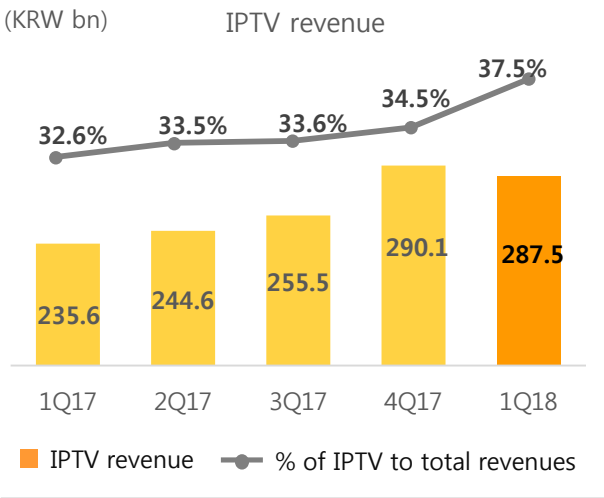
Revenues

IPTV revenues under historical accounting methods increased by 22% YoY and recorded KRW 287.5bn, from subscriber growth and strong paid contents demand

Decreased by 0.9% QoQ due to revenues from shopping channels posted in the previous quarter

IPTV revenues as a percentage of total revenues continues to increase and reached 37.5% of KRW 766.0bn

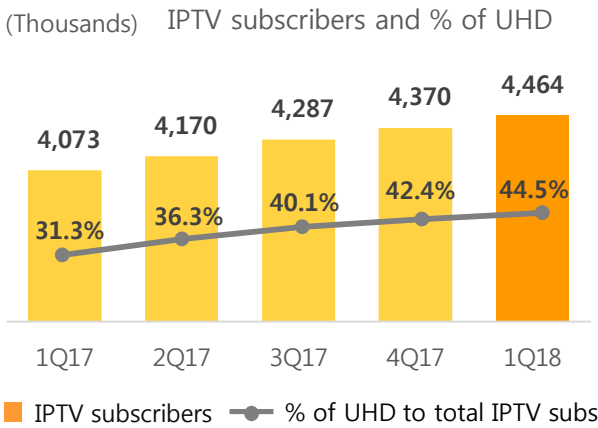
Operating revenues and IPTV revenues at SK Broadband recorded KRW 750.7bn and KRW 282.8bn respectively, according to IFRS 15



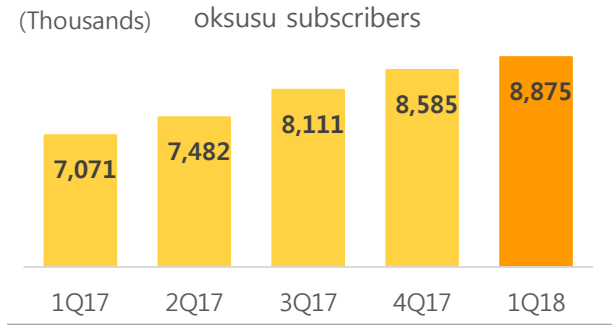
Subscribers

With net adds of 94,000 in 1Q18, IPTV subscriber count recorded 4.5mn

2.0mn, or 44.5% of IPTV subscribers are UHD subscribers classified as premium service users



oksusu subscribers increased by 25.5% YoY to 8.9mn and UV reached 6.1mn, up 41.9% YoY



Contents

Strong demand in VoD during 1Q18 led to related revenue increase of 14.6% YoY

Revenues from oksusu also on an upward trajectory as a result of personalization and expansion of VoD offerings

VoD related sales at oksusu during 1Q increased by 66.7% YoY



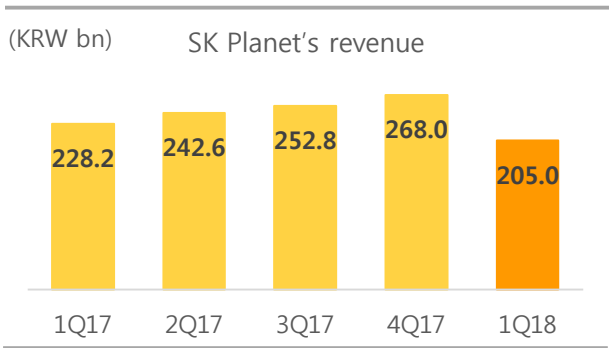
Both growth and profitability continue to improve at 11st as SK Planet reshapes its portfolio

Revenues

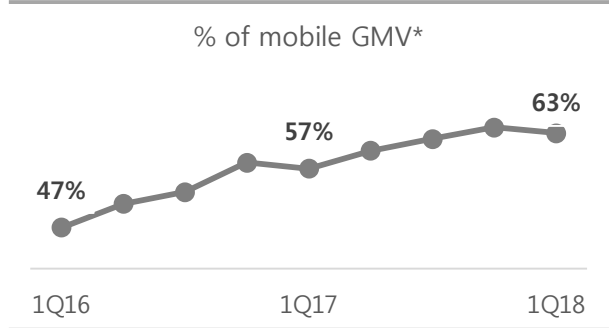
SK Planet revenues recorded KRW 205bn, down by KRW 23.1bn YoY

Without the impact of change in accounting for OK Cashbag, increase in mobile transactions at 11st led to revenue increase of 3% YoY

Decreased by KRW 63bn QoQ due to accounting changes and seasonality



Transaction volume, mostly mobile, continues to increase as 11st launches limited-time deals and expands its seller base

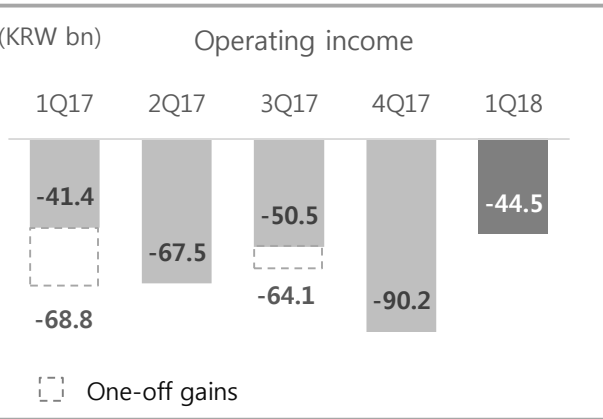


*GMV: Gross Merchandise Volume

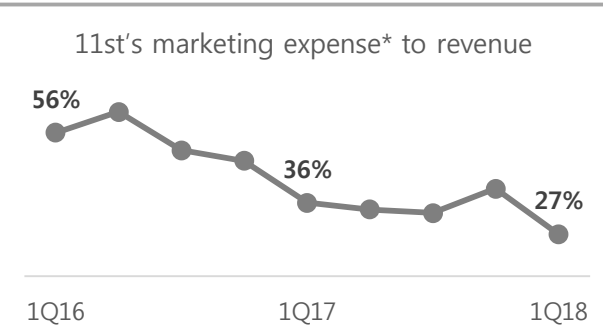
Operating Income

As a result of efficient marketing at 11st and restructuring of marginal businesses, QoQ operating losses improved by KRW 45.7bn

Without the impact of one-off gains in the previous year, 1Q18 operating losses also improved by KRW 24.3bn YoY and recorded KRW 44.5bn



Optimizing marketing spend by reducing dependency on price comparison search engines and implementing data-based marketing strategies



*Discount coupons and promotion expenses, etc

NUGU Solidified its reputation as the No.1 player and pioneer of the domestic AI market, and targeting 5mn MAU by end of 2018

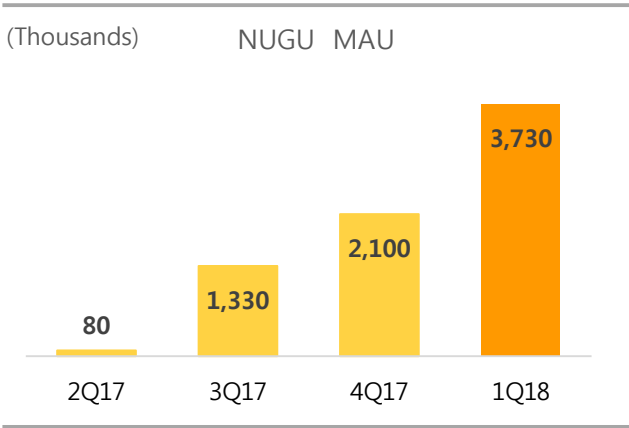
Building NUGU Eco-System with the expansion of AI application

Launched as an AI speaker in 2016, first of its kind in Korea, NUGU has been since integrated into diverse goods and services including navigation service, kids’ phones, set-top boxes

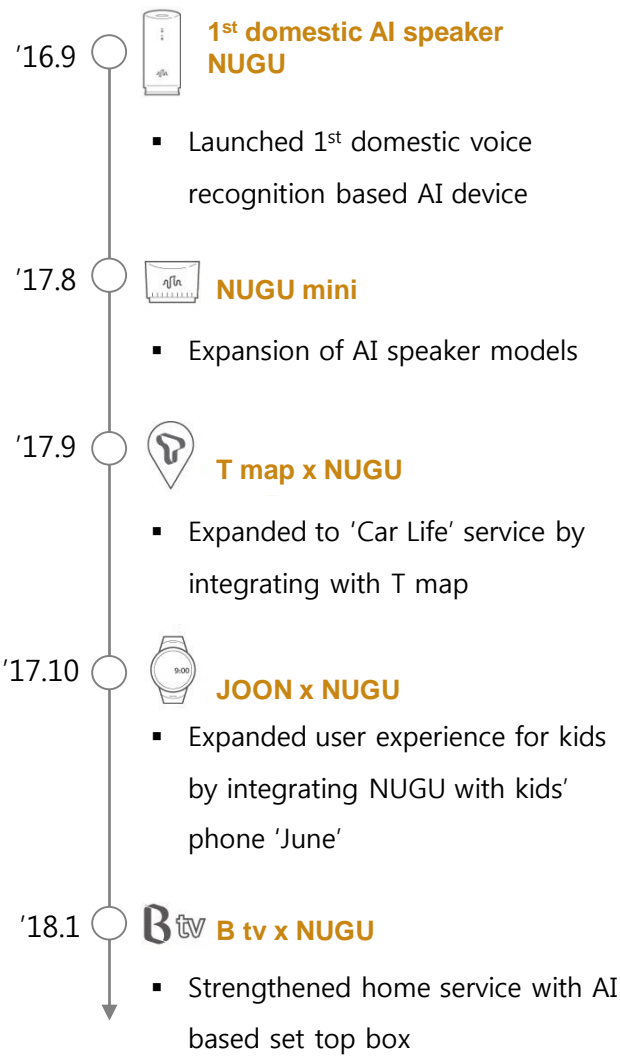
Services are continuously upgraded with data accumulated from cars, homes, and mobile, and will act as foundations for an AI eco-system

1Q18 MAU reached 3.7mn, proving industry leadership

Aim to reach 5mn MAU by end of 2018 by expanding applications and services



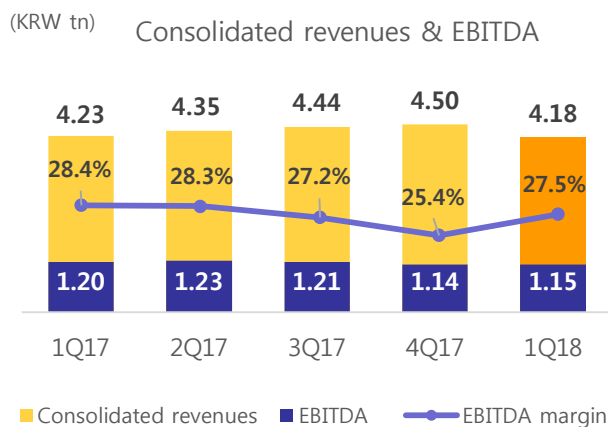
* MAU: Monthly Active User



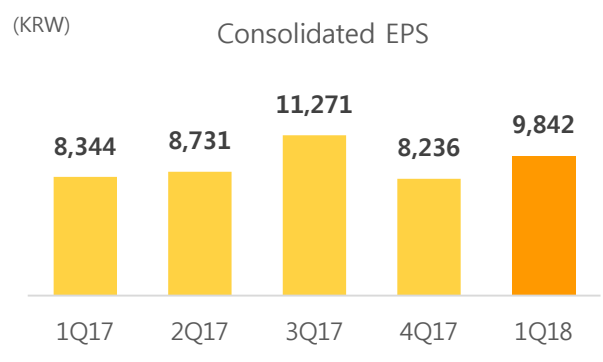
Consolidated Results

Consolidated revenues were affected by decrease in mobile service revenues and SK Planet's restructuring efforts, as well as the adoption of IFRS 15

Consolidated EBITDA fell despite lower level of marketing spend at SK Telecom, due to decrease in operating revenues and the adoption of IFRS 15



Consolidated EPS rose both YoY and QoQ as a result of increase in equity gains from SK Hynix
1Q18 SK Hynix equity gains: KRW 642.4bn

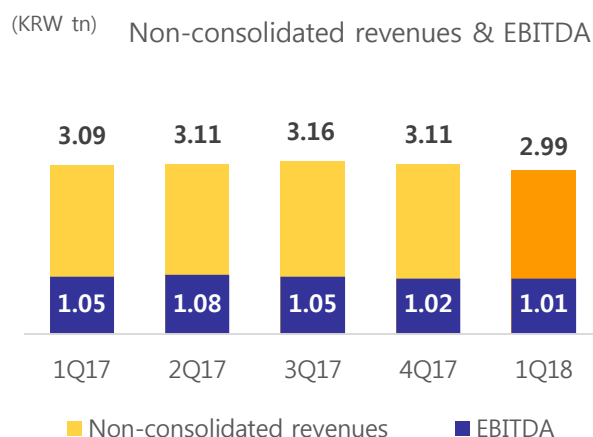


Non-consolidated Results

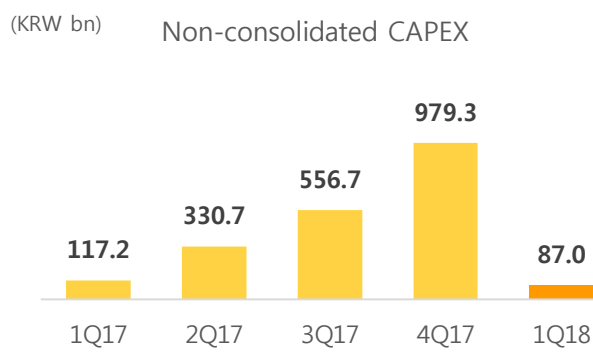
Non-consolidated revenues fell due to increase in subscribers opting for selective tariff discount and the hike in the discount rate

Interconnection revenue also decreased, but these drops were partially offset by growth in new business revenues

Non-consolidated EBITDA fell due to decrease in revenues and the adoption of IFRS 15, despite lower marketing spend



Of the KRW 2.1tn annual non-consolidated CAPEX budget for 2018, spent KRW 87bn in 1Q



Introduction

From January 1, 2018, SK Telecom has adopted the new accounting standard for revenue from contracts with customers, or IFRS 15

Prior period financials will not be restated according to IFRS 15, but for contracts not completed at the adoption of IFRS 15, the transactions will be retroactively reflected in the retained earnings of January 1, 2018

Key Concepts

Consideration paid to customers

Certain considerations paid to customers which were previously expensed as occurred, will be accounted for as sales discounts under IFRS 15

Costs to acquire customers

Costs to acquire customers, such as marketing expense, were previously expensed as occurred. Under IFRS 15, the costs will be capitalized and amortized over the expected subscription period

Combined contracts

For contracts where the handset is sold by PS&M, a subsidiary, and the mobile service is provided by SK Telecom, the parent, the combined revenue is reallocated according to the standalone sales price of each performance obligation

Financial Impacts

Operating Revenues

Consolidated operating revenues decrease by KRW 39.1bn from adopting IFRS 15, as a result of certain previously expensed items being accounted for as sales discounts. Revenue reallocation from combined contracts also had a negative impact

Operating Expenses

Labor cost decrease by KRW 0.7bn from capitalizing customer acquisition costs. Commissions increase by KRW 9.5bn from capitalizing customer acquisition costs and accounting changes for consideration paid to customers. Advertising decrease by KRW 13.9bn as certain previously expensed items are recognized as sales discounts

Income Tax Expense

Income tax expense decrease by KRW 10.8bn due to lower taxable income

Effects on Consolidated Financials

(KRW bn)	1Q18 (Historical)	Adj.	1Q18 (IFRS 15)
Operating Revenues	4,220.7	(39.1)	4,181.5
Operating Expenses	3,861.2	(5.1)	3,856.1
Labor cost	550.7	(0.7)	550.0
Commissions	1,252.6	9.5	1,262.1
Advertising	114.0	(13.9)	100.1
Operating Income	359.5	(34.0)	325.5
Income Before Tax	941.0	(34.0)	907.0
Income Tax	224.4	(10.8)	213.6
Net Income	716.6	(23.2)	693.4

◆ Consolidated Income Statement

*Impact of IFRS 15

(in KRW bn)	1Q17	2Q17	3Q17	4Q17	2017	1Q18 (Historical)	Adj.*	1Q18 (IFRS 15)
Operating revenues	4,234.4	4,345.6	4,442.7	4,497.3	17,520.0	4,220.7	(39.1)	4,181.5
Operating expenses	3,823.9	3,922.3	4,050.3	4,186.9	15,983.4	3,861.2	(5.1)	3,856.1
Labor cost	462.8	465.1	509.5	528.7	1,966.2	550.7	(0.7)	550.0
Commissions	1,363.3	1,367.3	1,372.8	1,382.9	5,486.3	1,252.6	9.5	1,262.1
Advertising	85.4	123.4	128.4	185.5	522.8	114.0	(13.9)	100.1
Depreciation ¹⁾	792.7	805.8	816.6	831.9	3,247.0	823.8	-	823.8
Interconnection	221.1	213.0	224.1	216.8	875.0	215.0	-	215.0
Leased line	48.8	49.9	47.6	45.6	192.0	41.8	-	41.8
Frequency usage	39.0	33.5	39.0	38.8	150.3	38.8	-	38.8
Cost of goods sold	402.2	445.4	477.9	561.0	1,886.5	410.9	-	410.9
Others	408.5	418.9	434.4	395.6	1,657.4	413.6	-	413.6
Operating income	410.5	423.3	392.4	310.4	1,536.6	359.5	(34.0)	325.5
EBITDA	1,203.2	1,229.0	1,209.0	1,142.4	4,783.6	1,183.3	(34.0)	1,149.3
EBITDA margin	28.4%	28.3%	27.2%	25.4%	27.3%	28.0%	-	27.5%
Net profit or loss from non-operating items	313.7	325.2	611.6	616.1	1,866.6	581.5	-	581.5
Equity gains	380.0	498.3	689.5	678.0	2,245.7	626.6	-	626.6
Income before taxes	724.2	748.4	1,004.1	926.6	3,403.2	941.0	(34.0)	907.0
Net income	583.5	620.5	793.0	660.6	2,657.6	716.6	(23.2)	693.4
Majority interest	589.1	624.9	795.8	590.0	2,599.8	719.2	(24.2)	695.0
Noncontrolling interest	(5.7)	(4.4)	(2.9)	70.7	57.8	(2.6)	1.0	(1.6)
Basic EPS(KRW)	8,344	8,731	11,271	8,236	36,582	10,185	(343)	9,842

◆ Non-consolidated Income Statement

*Impact of IFRS 15

(in KRW bn)	1Q17	2Q17	3Q17	4Q17	2017	1Q18 (Historical)	Adj.*	1Q18 (IFRS 15)
Operating revenues	3,088.0	3,109.6	3,156.5	3,113.9	12,468.0	2,992.9	(4.4)	2,988.5
Mobile service ²⁾	2,662.3	2,697.7	2,717.1	2,691.7	10,768.8	2,568.9	-	2,568.9
Interconnection	172.7	144.7	150.2	156.7	624.3	150.9	-	150.9
Others ²⁾	253.0	267.2	289.2	265.6	1,075.0	273.1	(4.4)	268.8
Operating expenses	2,648.6	2,647.3	2,735.9	2,738.6	10,770.3	2,596.9	22.4	2,619.3
Labor cost	156.9	151.9	152.6	163.5	624.9	175.0	-	175.0
Commissions	1,197.5	1,196.6	1,242.5	1,227.8	4,864.5	1,110.6	22.4	1,132.9
Marketing	737.1	727.0	760.1	744.5	2,968.6	689.9	22.4	712.3
Others	460.4	469.6	482.4	483.4	1,895.8	420.7	-	420.7
Advertising	22.4	40.7	37.5	49.7	150.4	26.0	-	26.0
Depreciation ²⁾	613.9	620.5	628.6	640.6	2,503.5	636.2	-	636.2
Interconnection	156.7	152.2	161.7	158.0	628.6	162.6	-	162.6
Leased line	36.9	37.4	34.7	31.0	140.1	31.7	-	31.7
Frequency usage	39.0	33.5	39.0	38.8	150.3	38.8	-	38.8
Others	425.2	414.4	439.2	429.2	1,708.1	416.0	-	416.0
Operating income	439.4	462.3	420.7	375.3	1,697.7	396.0	(26.7)	369.3
EBITDA	1,053.2	1,082.9	1,049.3	1,015.9	4,201.2	1,032.2	(26.7)	1,005.4
EBITDA margin	34.1%	34.8%	33.2%	32.6%	33.7%	34.5%	-	33.6%
Net profit or loss from non-operating items	50.2	(89.0)	143.5	(198.6)	(93.9)	108.2	-	108.2
Income before tax	489.6	373.3	564.2	176.6	1,603.8	504.2	(26.7)	477.5
Net income	388.2	314.1	478.7	150.1	1,331.1	384.0	(19.5)	364.4

1) Depreciation and amortization includes R&D related depreciation

2) Revenues from direct carrier billing and verification reclassified from mobile service revenues to other revenues (historical data within this presentation restated)

◆ Consolidated Balance Sheet

*Impact of IFRS 15

(in KRW bn)	3-31-17	6-30-17	9-30-17	12-31-17	Adj.*	1-1-18	3-31-18
Total assets	30,517.8	30,777.8	31,923.8	33,428.7	2,523.0	35,951.7	36,134.4
Current assets	5,965.1	5,792.6	6,008.3	6,201.8	1,804.1	8,005.9	8,471.3
Cash and marketable securities ¹⁾	2,096.7	1,925.7	2,111.5	2,171.5	-	2,171.5	2,482.2
Accounts receivable	3,149.1	3,212.7	3,132.9	3,386.8	(4.3)	3,382.5	3,601.2
Other current assets	719.3	654.2	763.9	643.4	1,808.4	2,451.8	2,387.9
Non-current assets	24,552.7	24,985.2	25,915.5	27,226.9	718.9	27,945.8	27,663.1
PP&E, Intangible assets	15,526.1	15,256.5	15,209.5	15,646.9	-	15,646.9	15,018.8
Investments	8,356.0	8,963.0	9,802.0	10,426.7	-	10,426.7	11,161.9
Other non-current assets	670.6	765.6	904.1	1,153.3	718.9	1,872.2	1,482.4
Total liabilities	14,605.3	14,102.6	14,447.7	15,399.5	622.9	16,022.4	16,146.6
Current liabilities	6,255.6	6,088.4	6,387.7	7,109.1	12.5	7,121.6	6,883.7
Short-term borrowings	36.1	30.0	80.0	130.0	-	130.0	30.0
Accounts payable	1,685.3	1,555.6	1,709.5	2,438.3	-	2,438.3	2,068.9
Other current liabilities	4,534.2	4,502.8	4,598.2	4,540.8	12.5	4,553.3	4,784.8
Non-current liabilities	8,349.7	8,014.1	8,060.0	8,290.4	610.4	8,900.8	9,262.9
Bonds payable and long-term borrowings	6,282.8	5,884.3	5,800.5	5,808.1	-	5,808.1	6,332.9
Deferred tax liabilities	560.4	612.1	719.5	978.7	599.3	1,578.0	1,685.0
Other non-current liabilities	1,506.5	1,517.7	1,540.0	1,503.6	11.1	1,514.7	1,244.9
Total shareholders' equity	15,912.5	16,675.2	17,476.1	18,029.2	1,900.0	19,929.2	19,987.8
Common stock and additional paid in capital	236.4	236.7	241.1	240.9	-	240.9	241.5
Retained earnings	15,895.5	16,513.4	17,242.4	17,835.9	1,900.0	19,736.0	19,842.4
Other comprehensive income/loss ²⁾	(324.4)	(176.6)	(144.0)	(234.7)	-	(234.7)	(292.8)
Noncontrolling interests	104.9	101.8	136.6	187.1	-	187.1	196.8

◆ Non-consolidated Balance Sheet

*Impact of IFRS 15

(in KRW bn)	3-31-17	6-30-17	9-30-17	12-31-17	Adj.*	1-1-18	3-31-18
Total assets	24,723.2	24,405.4	24,985.9	25,557.5	2,325.2	27,882.7	27,787.3
Current assets	3,642.8	3,458.0	3,630.4	3,768.1	1,711.4	5,479.5	6,087.1
Cash and marketable securities ¹⁾	1,094.2	829.6	995.9	974.6	-	974.6	1,380.6
Accounts receivable	2,280.2	2,343.3	2,339.6	2,523.7	-	2,523.7	2,769.3
Other current assets	268.5	285.1	294.9	269.8	1,711.4	1,981.2	1,937.2
Non-current assets	21,080.4	20,947.4	21,355.5	21,789.4	613.8	22,403.2	21,700.3
PP&E, Intangible assets	11,384.1	11,088.2	11,005.1	11,318.9	-	11,318.9	10,774.5
Investments	9,389.4	9,451.6	9,789.5	9,877.3	-	9,877.3	9,884.4
Other non-current assets	306.8	407.7	560.9	593.2	613.8	1,207.0	1,041.3
Total liabilities	10,684.6	9,991.2	10,161.2	10,550.1	601.2	11,151.3	11,371.9
Current liabilities	4,578.8	4,284.6	4,526.5	4,767.4	-	4,767.4	4,840.6
Accounts payable	1,312.4	1,132.5	1,324.0	1,867.0	-	1,867.0	1,085.4
Other current liabilities	3,266.4	3,152.2	3,202.5	2,900.4	-	2,900.4	3,755.2
Non-current liabilities	6,105.8	5,706.6	5,634.7	5,782.7	601.2	6,383.9	6,531.3
Bonds payable and long-term borrowings	4,722.2	4,323.4	4,239.4	4,377.3	-	4,377.3	4,802.8
Long-term payables	1,311.8	1,317.3	1,322.9	1,328.6	-	1,328.6	1,036.4
Other non-current liabilities	71.9	65.9	72.4	76.8	601.2	678.0	692.1
Total shareholders' equity	14,038.5	14,414.2	14,824.8	15,007.4	1,724.0	16,731.4	16,415.5
Common stock and additional paid in capital	416.1	416.3	416.4	416.5	-	416.5	416.7
Retained earnings	13,648.6	13,954.6	14,365.5	14,512.6	1,724.0	16,236.5	16,008.0
Other comprehensive income/loss ²⁾	(26.2)	43.4	42.9	78.3	-	78.3	(9.3)

- 1) Cash and marketable securities includes cash & cash equivalents, marketable securities & short-term financial instruments
2) Other comprehensive income/loss include gains or losses on valuation of investment securities and derivatives

◆ Subscribers

(Thousands)	1Q17	2Q17	3Q17	4Q17	1Q18	YoY	QoQ
Subscribers ¹⁾	29,833	29,993	30,156	30,195	30,349	1.7%	0.5%
Net adds	238	160	163	39	152	-36.1%	293.4%
Activations	1,583	1,385	1,462	1,391	1,299	-17.9%	-6.6%
Deactivations	1,345	1,225	1,299	1,352	1,147	-14.7%	-15.2%
<i>Monthly Churn</i>	<i>1.5%</i>	<i>1.4%</i>	<i>1.4%</i>	<i>1.5%</i>	<i>1.3%</i>	<i>-0.2%p</i>	<i>-0.2%p</i>
Smartphone Subs	22,181	22,424	22,735	22,985	23,386	5.4%	1.7%
LTE Subs ¹⁾	21,650	22,071	22,569	22,865	23,401	8.1%	2.3%
<i>LTE Penetration</i>	<i>72.6%</i>	<i>73.6%</i>	<i>74.8%</i>	<i>75.7%</i>	<i>77.1%</i>	<i>4.5%p</i>	<i>1.4%p</i>

High speed internet	5,310	5,344	5,403	5,439	5,484	3.3%	0.8%
IPTV ²⁾	4,073	4,170	4,287	4,370	4,464	9.6%	2.1%

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

2) Restated subscriber count including VoD users effective as of 2Q17 (historical data restated)

◆ ARPU

(KRW)	1Q17	2Q17	3Q17	4Q17	1Q18	YoY	QoQ
ARPU ¹⁾	34,615	34,934	35,172	34,883	33,299	-3.8%	-4.5%
ARPU including MVNO	31,039	31,260	31,371	31,014	29,586	-4.7%	-4.6%

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).
Net of sales discount from contract and bundling, etc. Excludes MVNO related revenue.

Calculated from SK Telecom mobile service revenue (2G/3G/LTE and IoT) : From MSIT subscriber statistics
(average number of billed connections for the quarter)

※ Revenues from direct carrier billing and verification are reclassified from mobile service revenues to other revenues.
Historical data within this presentation is restated accordingly.