

SK telecom

Investor Briefing

FY2021 Earnings Release

2022.02.09

Disclaimer

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The presentation also includes estimated financial and operational results prepared under K-IFRS without external audit, and some numbers are subject to change after a full audit.



2021 Financial Results

Business Highlights

Shareholders Return

Appendix

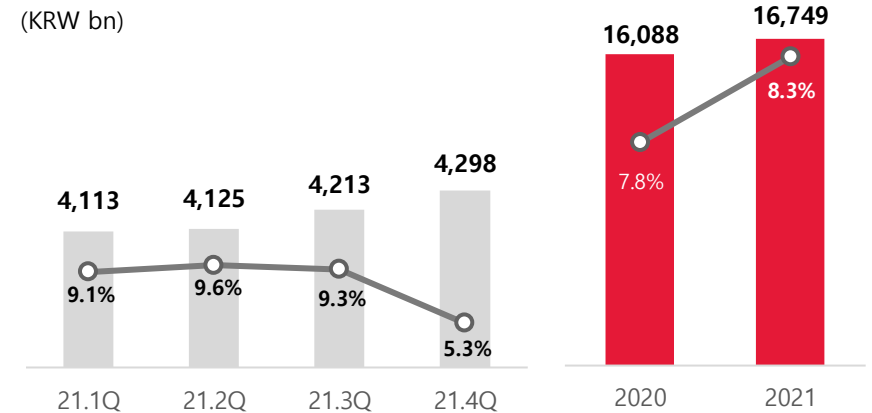
Consolidated revenue and operating income maintained solid growth trends in 2021 thanks to improved earnings of SKT and its consolidated subsidiaries

Consolidated Income Statement

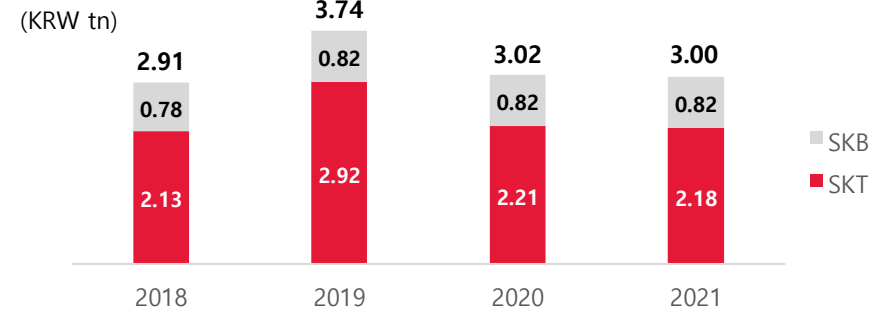
(KRW bn)	2021	2020	YoY	4Q21	3Q21	QoQ
Operating revenue	16,749	16,088	4.1%	4,298	4,213	2.0%
Operating expenses	15,361	14,839	3.5%	4,071	3,822	6.5%
Operating income	1,387	1,249	11.1%	227	391	△42.0%
Net income	2,419	1,501	61.2%	315	737	△57.3%
- Income from continuing operations	1,271	684	85.9%	211	263	△19.8%
- Income from spun-off operations	1,148	817	40.5%	103	473	△78.1%
EBITDA	5,207	5,083	2.4%	1,189	1,355	△12.2%

Key Metrics

Revenue & Operating margin



Consolidated CAPEX



- **Consolidated revenue posted KRW 16.7tn, up 4.1% YoY**
 - Revenue growth was driven by the increased share of 5G and growth of IPTV and broadband subscribers
- **Consolidated operating income recorded KRW 1.4tn, up 11.1% YoY**
 - SKT and SKB enjoyed earnings growth through revenue growth and cost efficiency
 - Annual CAPEX declined YoY
 - 4Q operating income fell QoQ due to seasonal and one-off costs ^{SKT labor cost}
- **Consolidated net income grew 61.2% YoY to KRW 2.4tn**
 - Impact of equity method income and sale of SK Wyverns

Achieved both top-line and bottom-line growth on the back of 5G subscriber growth and cost stability

Non-consolidated Income Statement

(KRW bn)	2021	2020	YoY	4Q21	3Q21	QoQ
Operating revenues	12,103	11,747	3.0%	3,073	3,027	1.5%
- MNO	10,257	9,989	2.7%	2,590	2,575	0.6%
- Other*	1,846	1,758	5.0%	483	452	6.8%
Operating expenses	10,989	10,724	2.5%	2,914	2,708	7.6%
- Marketing expense	3,216	3,071	4.7%	813	817	△0.5%
- Depreciation ¹⁾	2,914	3,012	△3.2%	728	734	△0.8%
Operating income	1,114	1,023	8.9%	159	320	△50.2%
Net income	1,074	759	41.5%	265	158	67.6%
EBITDA	4,029	4,035	△0.2%	887	1,054	△15.9%

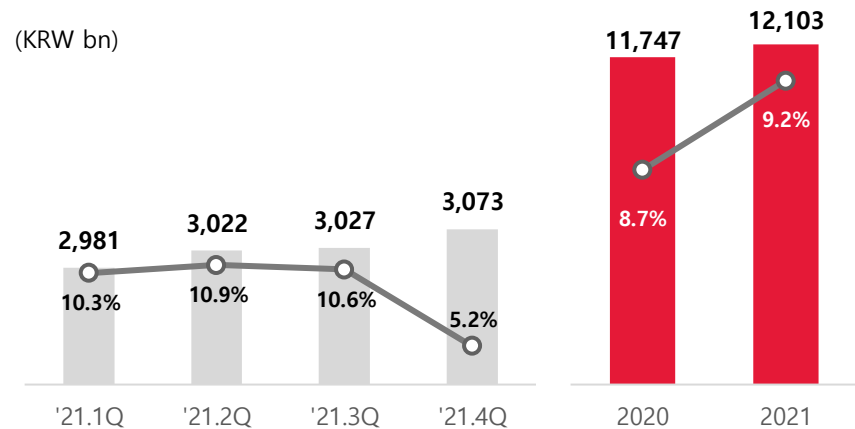
¹⁾ R&D related depreciation and amortization included

- **Non-consolidated revenue posted KRW 12.1tn, up 3% YoY**
 - Continuous MNO growth with 5G subscriber growth
 - Revenue of other was up 5% YoY thanks to the growth of solution and H/W
- **Non-consolidated operating income grew 8.9% YoY to KRW 1.1tn**
 - Operating margin improved thanks to revenue growth and cost stabilization such as depreciation
 - 4Q operating income posted a QoQ decline due to seasonal and one-off costs
- **Non-consolidated net income grew 41.5% YoY thanks to asset sales* and base effect**

Key Metrics

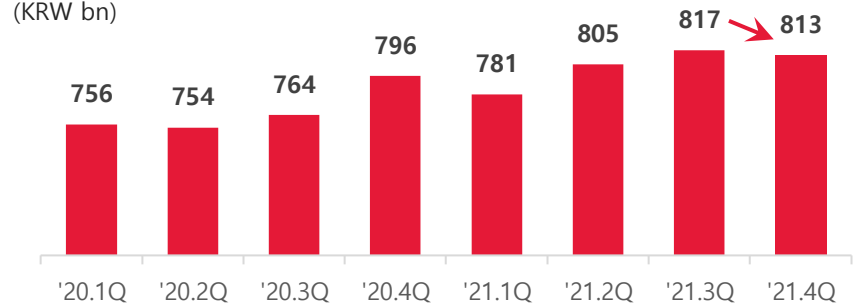
Revenue & Operating margin

(KRW bn)



Marketing expense

(KRW bn)



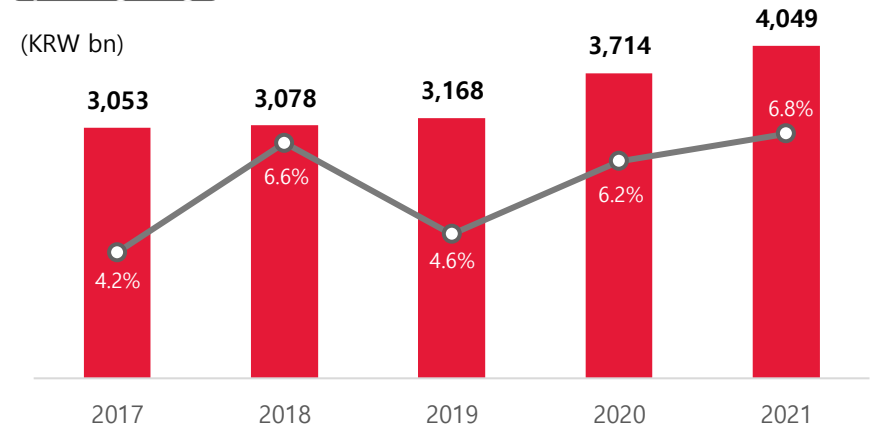
Record-high operating performance in 2021 thanks to the sustained growth of pay tv and broadband subscribers and expansion of B2B business

Consolidated Income Statement

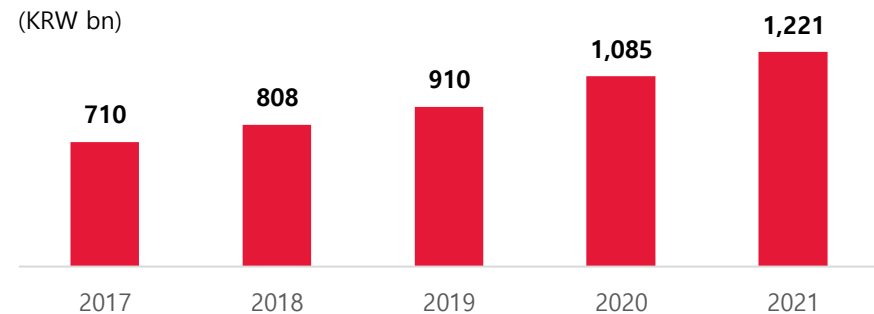
(KRW bn)	2021	2020	YoY	4Q21	4Q20	YoY
Operating revenues	4,049	3,714	9.0%	1,061	1,008	5.2%
- Pay TV	1,836	1,650	11.3%	463	466	△0.6%
- Fixed line	1,058	1,010	4.8%	296	277	6.8%
- B2B Biz	1,155	1,054	9.7%	301	265	13.6%
Operating expenses	3,774	3,483	8.4%	1,003	941	6.6%
Operating income	276	231	19.4%	57	67	△14.3%
Net income	198	164	21.3%	35	41	△13.9%
EBITDA	1,221	1,085	12.6%	302	292	3.6%

Key Metrics

Revenue & Operating margin



EBITDA



- **SKB consolidated revenue grew 9% YoY to KRW 4.05tn**

- Record-high revenue driven by sustained growth of IPTV and broadband subscribers, data traffic increase, and acquisition of enterprise customers

- **Operating income grew 19.4% YoY to KRW 275.6bn**

- Profitability improved with the share of high-tier customers for IPTV and broadband continuing to increase
- 4Q operating income declined YoY due to the payout of treasury shares* and distributed recognition of home shopping transmission fees

* A total of 1,000 shares to be given to employees for the next three years (booked as labor cost of KRW 10.3 bn in 4Q 2021)

- **Net income grew 21.3% YoY with interest expenses decrease**

2021 Financial Results

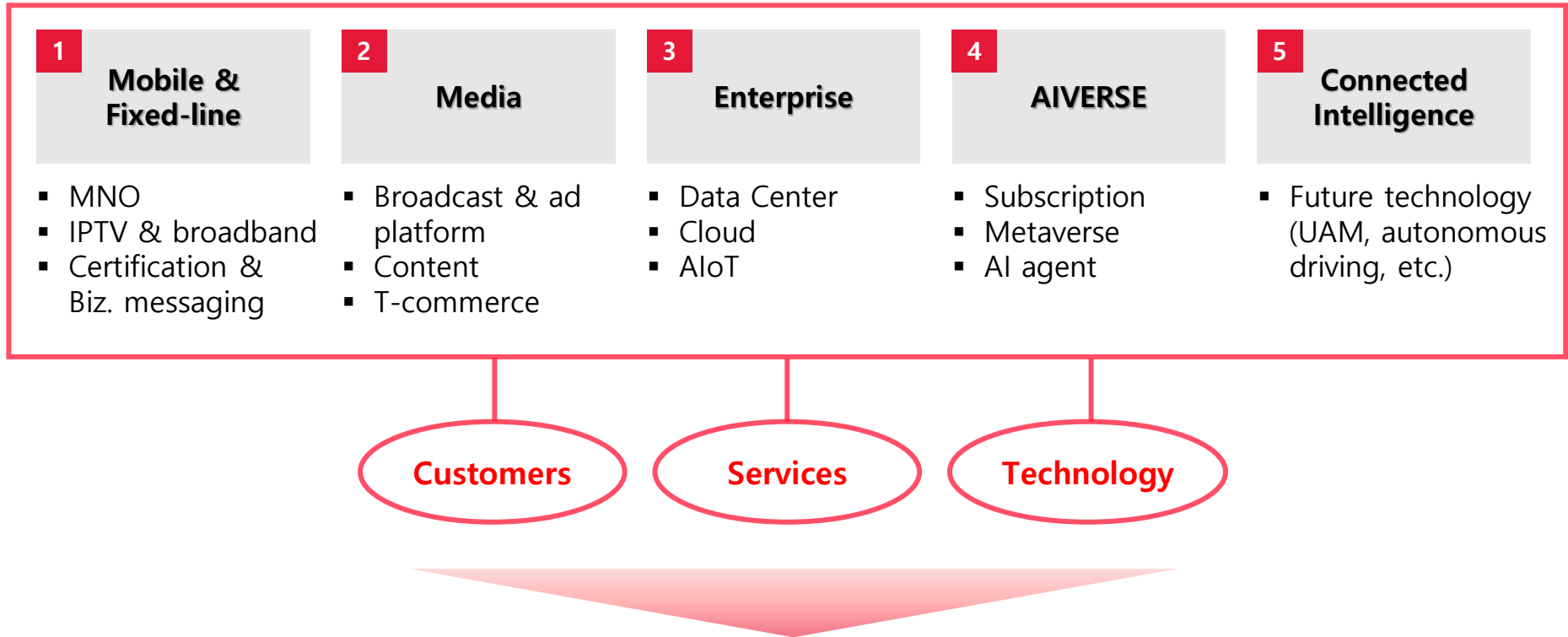


Business Highlights

Shareholders Return

Appendix

Pursuit of SKT 2.0 to maximize company-wide growth and corporate value by re-defining its business focused on five business groups and optimizing customers, services and technology for each business group

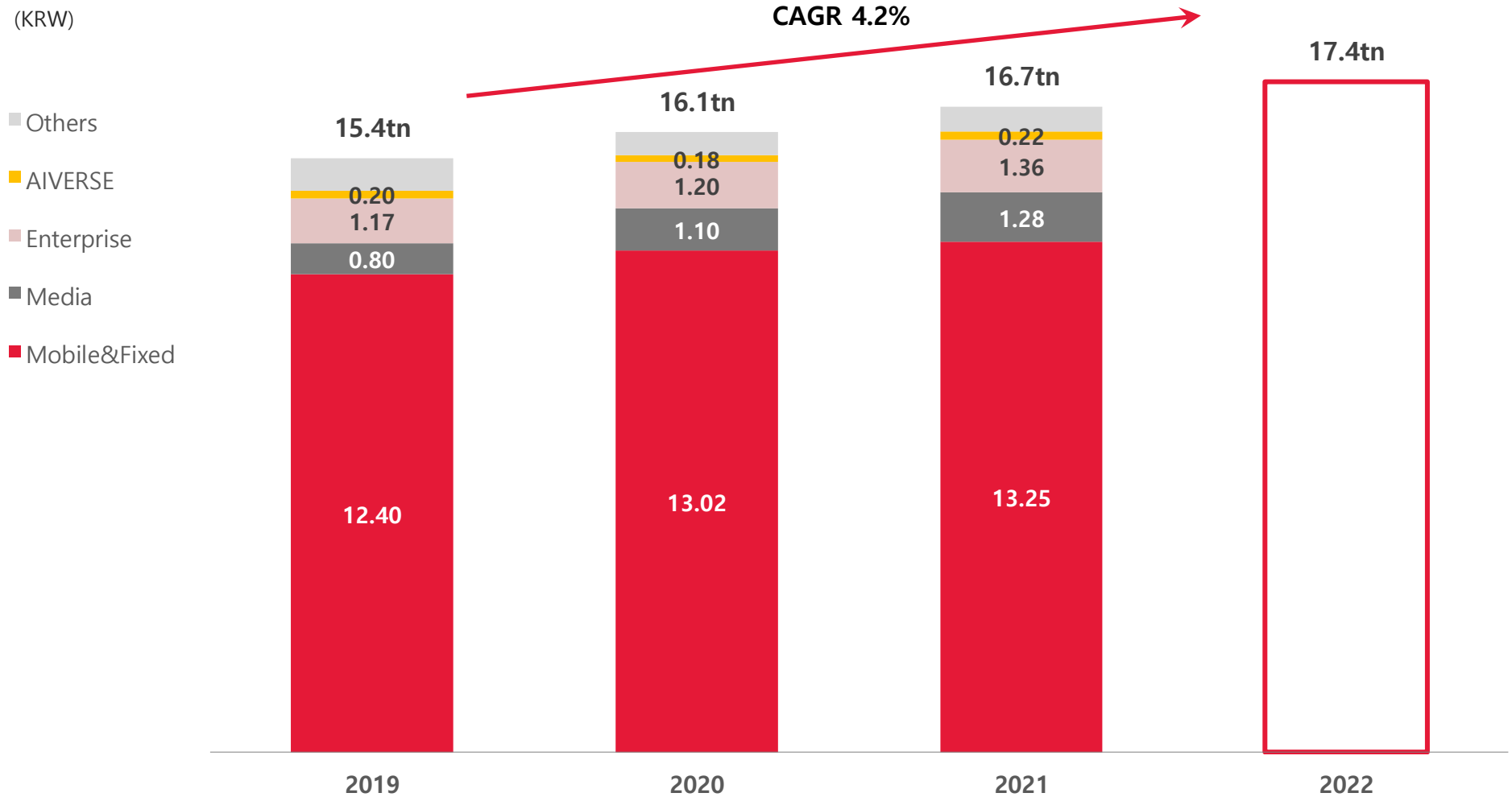


“Implementing a new corporate value framework through initiatives to maximize multiples for each business”

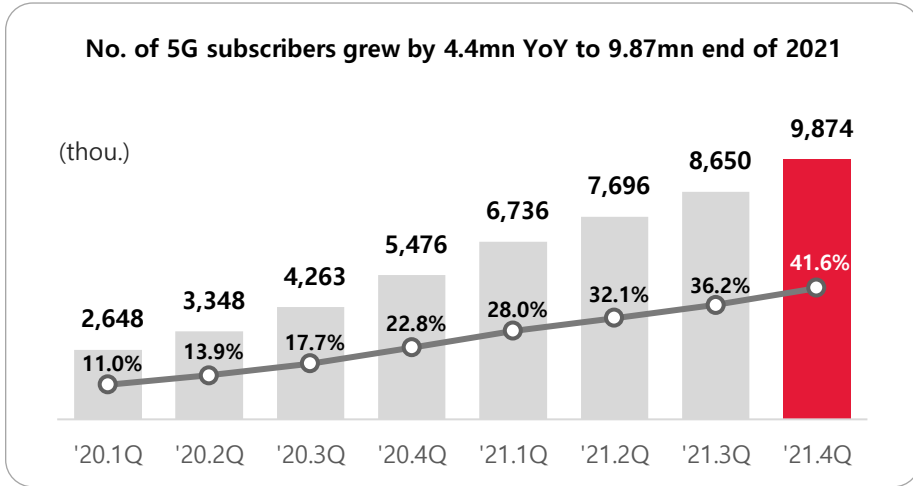
“Building customized management system and optimized resource plan for each business group”

Business Highlights

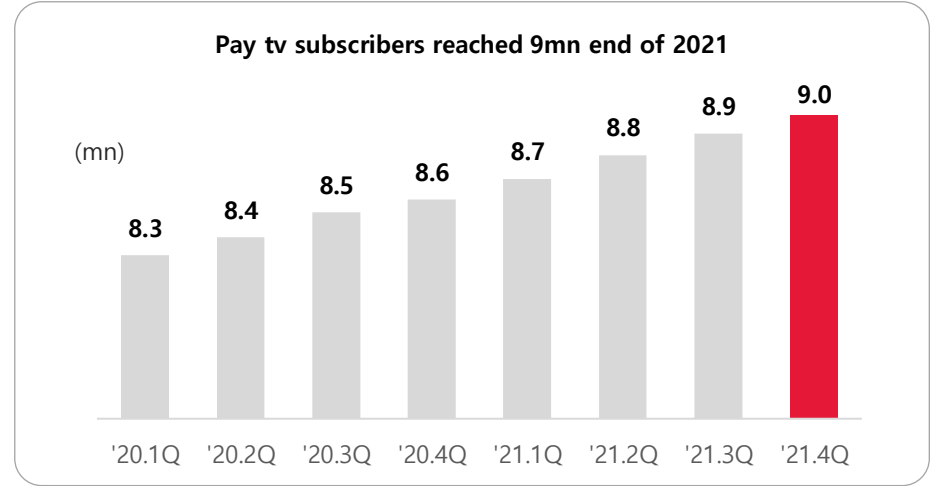
Revenue target for FY2022 is KRW 17.4tn based on stable growth of mobile and fixed-line communications and high growth of Media, Enterprise and AIVERSE businesses



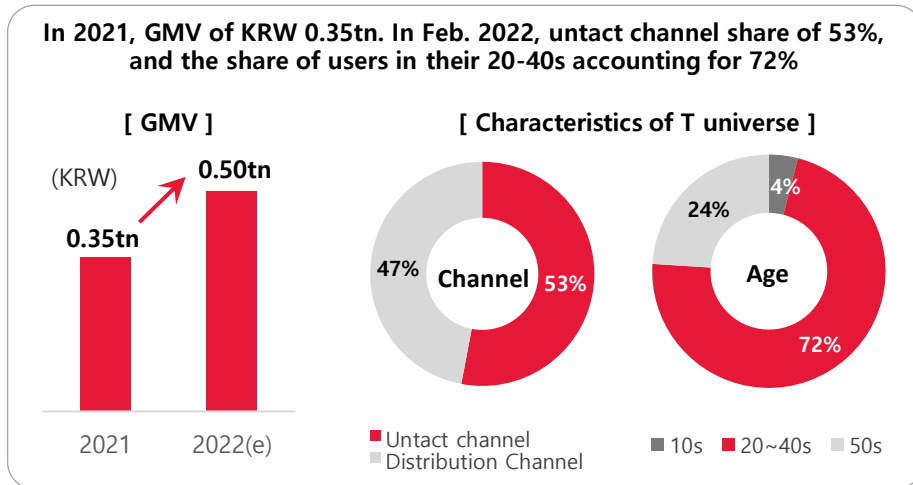
5G subscribers and share



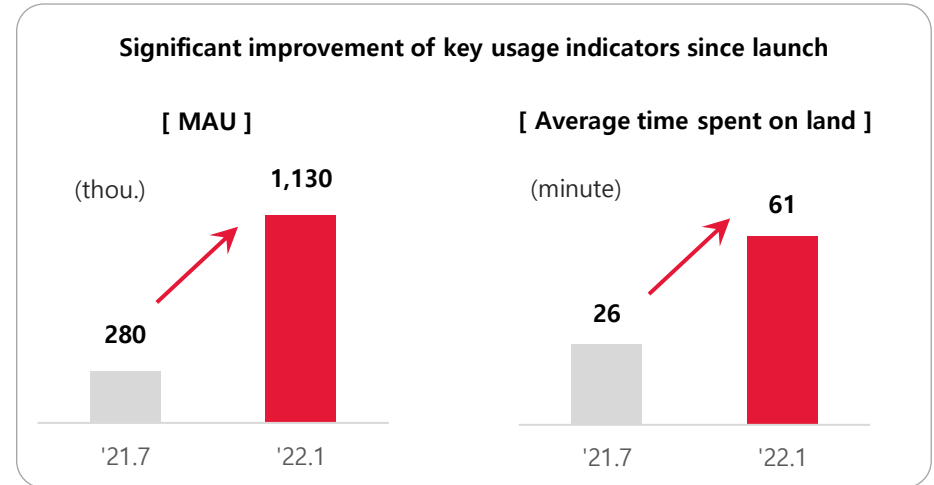
Pay tv subscribers (IPTV+CATV)



Subscription business



ifland



Pursuing sustainable growth together with all stakeholders by improving the social and eco-friendly impact of ICT technology, infrastructure and solutions

Environment

“Promote eco-friendly ICT”

GHG reductions of 48% by 2030
⇒ 100% GHG neutral by 2050

- First Korean company to join RE100
- Joined SBTi (Science Based Target initiative) and submitted a target
- Resource recycling projects such as Happy Habit Project
- Transition to Eco-friendly ICT Infrastructure

Social

“Create social value of ICT”

Create social value worth 10% of revenue by 2030

- Contributing to social safety net using AI (e.g., Covid-19 Care Call)
- Supporting the socially vulnerable using ICT technology (Sonnuri Ring, Coding School, Quiet Mobility, Good Shuttle Mobility, etc.)
- Incubating social innovation startups
- Promoting diversity and welfare of employees as well as HR development

Governance

“Enhance management accountability and transparency”

100% transparent management by 2030

- Separation of the Board Chair and Representative Director
- 62.5% of the Board consists of external directors
- ESG Committee
- Enhancing customer information protection and transparency

Recognized as a leader in ESG by domestic and overseas agencies



“Included in the Dow Jones Sustainability World Index”

- ✓ Only 7 global telcos included in the Index
- ✓ Longest indexed Korean company



“ESG Rating A”

- ✓ Rated A for five consecutive years



“Highest rating of A in leadership”

- ✓ In Climate Change
- ✓ Only 200 companies were rated A among 13,000 companies



“Total rating A”

- ✓ Environment A
- ✓ Social A+
- ✓ Governance A

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The 2021 final quarter DPS was decided by the BOD at KRW 1,660, resulting in a 65% growth YoY of DPS

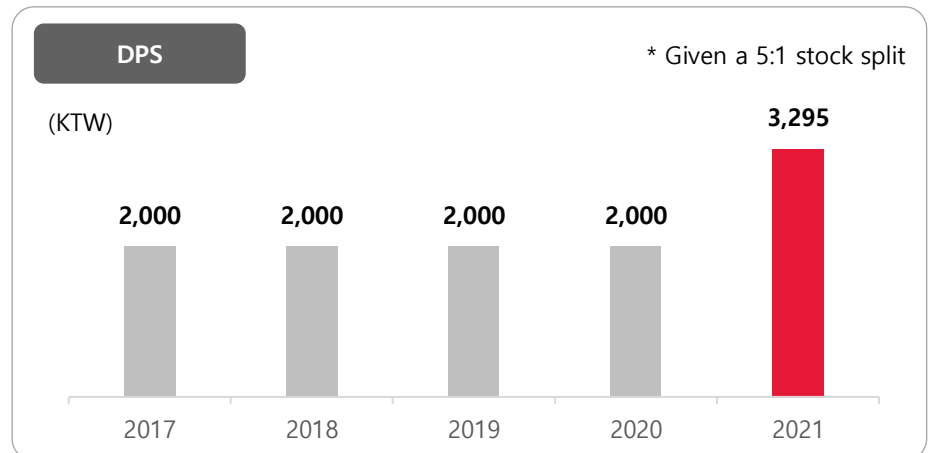
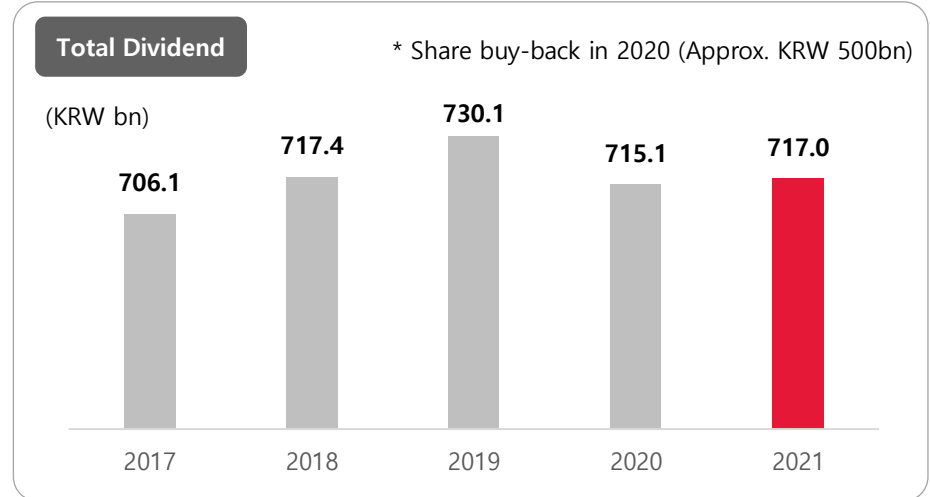
Dividend Policy

1. Total dividend amount to be 30-40% of EBITDA minus CAPEX

(FY21~FY23, based on non-consolidated SK Telecom earnings)

2. Quarterly dividend payout

Dividend Payout Trend



2021 Financial Results

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Appendix

■ Consolidated Income Statement

(KRW bn)	2020	1Q21	2Q21	3Q21	4Q21	2021
Operating revenue	16,087.7	4,113.1	4,125.0	4,212.6	4,297.8	16,748.6
Operating expenses	14,839.2	3,738.9	3,729.4	3,822.0	4,071.1	15,361.4
Labor cost	2,108.5	581.0	537.7	538.7	643.4	2,300.8
Commissions paid	5,103.0	1,304.2	1,350.3	1,345.3	1,426.4	5,426.1
Advertising	272.1	31.1	54.7	61.2	86.4	233.4
Depreciation ¹⁾	3,834.5	944.0	949.2	964.0	962.6	3,819.8
Network interconnection	770.7	193.9	183.2	184.2	188.3	749.6
Leased line and frequency usage fees	294.0	74.4	72.8	77.0	86.0	310.1
Cost of goods sold	1,106.0	279.4	247.0	310.0	331.1	1,167.4
Others	1,350.4	330.9	334.6	341.6	347.0	1,354.2
Operating income	1,248.6	374.2	395.6	390.6	226.7	1,387.2
EBITDA	5,083.1	1,318.2	1,344.8	1,354.6	1,189.3	5,207.0
EBITDA margin	31.6%	32.0%	32.6%	32.2%	27.7%	31.1%
Net profit or loss from non-operating items	(343.4)	112.3	181.9	(31.5)	68.3	331.0
Equity gains or losses	52.5	127.7	279.6	29.4	9.6	446.3
Income from continuing operations before tax	905.2	486.5	577.6	359.1	295.0	1,718.2
Income from spun-off operations	816.6	216.2	355.0	473.0	103.4	1,147.6
Consolidated net income	1,500.5	572.0	795.7	736.5	314.8	2,419.0
Majority interests	1,504.4	558.3	765.8	784.2	299.3	2,407.5
Minority interests	(3.8)	13.7	29.9	(47.7)	15.5	11.5
Basic earnings per share (KRW)	4,092	1,559	2,142	2,194	1,296	7,190

※ Reflecting horizontal spin-off in 2021

1) Depreciation and amortization includes R&D related depreciation

■ Consolidated Balance Sheet

(KRW bn)	12-31-20	3-31-21	6-30-21	9-30-21	12-31-21
Total assets	47,907.0	47,761.5	50,057.6	51,677.5	30,911.3
Current assets	8,775.1	8,865.2	9,140.9	9,319.6	6,352.7
Cash and short-term financial instruments ¹⁾	2,796.6	2,580.3	3,058.1	3,066.1	1,381.4
Accounts receivable	3,167.9	3,377.7	3,256.9	3,475.9	2,461.9
Other current assets	2,810.5	2,907.2	2,825.9	2,777.5	2,509.4
Non-current assets	39,131.9	38,896.3	40,916.7	42,357.9	24,558.6
PP&E and intangible assets	21,170.8	20,497.8	20,749.3	20,654.0	18,813.5
Investment assets	16,003.8	16,446.2	18,240.6	19,621.2	3,912.8
Other non-current assets	1,957.2	1,952.3	1,926.8	2,082.8	1,832.3
Total liabilities	23,510.7	23,192.4	23,650.8	24,493.7	18,576.1
Current liabilities	8,178.0	8,099.6	7,821.8	8,380.5	6,960.4
Short-term borrowings	110.0	110.0	62.3	61.5	13.0
Accounts payable	2,857.0	2,604.6	2,565.0	2,556.2	2,262.4
Other current liabilities	5,211.0	5,384.9	5,194.5	5,762.8	4,685.0
Non-current liabilities	15,332.7	15,092.8	15,829.0	16,113.1	11,615.7
Bonds payable & long-term borrowings	9,669.4	9,613.1	9,780.5	9,632.8	7,390.5
Deferred tax liabilities	2,709.1	2,740.8	3,061.4	3,200.6	941.3
Other non-current liabilities	2,954.2	2,738.8	2,987.2	3,279.8	3,283.9
Total shareholders' equity	24,396.2	24,569.1	26,406.8	27,183.8	12,335.1
Common stock and additional paid in capital	721.8	684.9	2,871.1	2,871.3	(11,593.2)
Retained earnings	22,981.9	22,875.8	21,679.4	22,307.1	22,437.3
Other comprehensive income/loss	40.1	336.5	952.9	1,090.2	735.2
Minority interests	652.3	671.9	903.4	915.3	755.8

※ Post spin-off numbers are reflected from the date of the spin-off in 2021

1) Includes cash & cash equivalents and short-term financial instruments

■ Non-consolidated Income Statement

(KRW bn)	2020	1Q21	2Q21	3Q21	4Q21	2021
Operating revenue	11,746.6	2,980.7	3,021.6	3,027.4	3,073.1	12,102.8
Mobile service revenue	9,989.1	2,531.8	2,560.6	2,574.9	2,589.8	10,257.1
Interconnection	502.3	127.7	126.0	125.7	132.8	512.2
Others	1,255.3	321.2	335.0	326.8	350.5	1,333.5
Operating expenses	10,723.6	2,673.4	2,693.2	2,707.9	2,914.0	10,988.5
Labor cost	805.0	247.5	208.6	209.3	288.4	953.8
Commissions paid	4,647.8	1,173.4	1,201.9	1,210.9	1,231.8	4,817.9
Marketing commissions	2,956.0	767.9	784.3	792.8	753.3	3,098.3
Other commissions	1,691.8	405.5	417.6	418.1	478.5	1,719.6
Advertising	114.8	13.2	21.0	24.2	59.6	118.0
Depreciation ¹⁾	3,011.6	723.2	729.1	734.3	727.6	2,914.2
Network interconnection	555.8	141.3	137.3	137.3	145.5	561.3
Leased line	79.2	20.8	21.8	22.2	20.9	85.7
Frequency usage fees	136.6	34.2	32.9	28.6	25.1	120.8
Others	1,372.7	319.8	340.6	341.2	415.2	1,416.7
Operating income	1,023.1	307.3	328.4	319.6	159.1	1,114.3
EBITDA	4,034.7	1,030.5	1,057.5	1,053.9	886.7	4,028.6
EBITDA margin	34.3%	34.6%	35.0%	34.8%	28.9%	33.3%
Net profit or loss from non-operating items	(81.6)	273.6	(107.7)	(89.7)	178.8	255.0
Income from continuing operations before tax	941.5	580.9	220.6	229.9	338.0	1,369.3
Net income	758.8	466.0	184.0	158.4	265.4	1,073.8

1) Depreciation and amortization includes R&D related depreciation

■ Non-consolidated Balance Sheet

(KRW bn)	12-31-20	3-31-21	6-30-21	9-30-21	12-31-21
Total assets	31,986.5	31,787.5	32,710.6	32,167.4	26,389.1
Current assets	5,047.1	5,017.2	4,835.7	4,863.9	4,681.5
Cash and short-term financial instruments ¹⁾	845.2	589.6	599.4	575.8	537.8
Accounts receivable	1,926.3	2,082.1	1,975.6	2,110.2	2,027.3
Other current assets	2,275.6	2,345.5	2,260.7	2,177.8	2,116.4
Non-current assets	26,939.3	26,770.2	27,875.0	27,303.6	21,707.6
PP&E and intangible assets	13,128.9	12,621.7	12,771.6	12,594.2	13,828.0
Investment assets	12,341.5	12,654.7	13,656.3	13,150.1	6,317.9
Other non-current assets	1,468.9	1,493.8	1,447.1	1,559.2	1,561.7
Total liabilities	14,636.6	14,507.6	14,705.7	14,555.1	15,526.2
Current liabilities	5,076.4	4,963.6	4,740.3	4,724.2	5,426.5
Accounts payable	2,106.8	1,447.3	1,865.0	1,623.6	2,228.2
Other current liabilities	2,969.6	3,516.4	2,875.3	3,100.6	3,198.2
Non-current liabilities	9,560.2	9,543.9	9,965.4	9,831.0	10,099.7
Bonds payable & long-term borrowings	6,181.7	6,266.5	6,437.2	6,244.1	6,135.4
Long-term payables	1,141.7	926.5	929.8	1,062.8	1,611.0
Other non-current liabilities	2,236.7	2,350.9	2,598.4	2,524.0	2,353.3
Total shareholders' equity	17,349.9	17,279.9	18,005.0	17,612.3	10,862.9
Common stock and additional paid in capital	333.8	290.5	2,256.8	2,257.0	(4,545.8)
Retained earnings	16,684.6	16,488.3	14,707.7	14,688.3	14,770.6
Other comprehensive income/loss	331.4	501.1	1,040.5	667.0	638.0

1) Includes cash & cash equivalents and short-term financial instruments

■ Consolidated Income Statement

(KRW bn)	2020	1Q21	2Q21	3Q21	4Q21	2021
Operating revenue	3,713.5	967.0	997.1	1,024.4	1,060.6	4,049.2
Operating expenses	3,482.6	891.6	932.9	945.8	1,003.3	3,773.6
Labor cost	526.6	137.4	138.4	140.4	153.7	569.9
Marketing expense	396.6	80.1	99.8	89.6	116.1	385.5
Commissions paid	1,028.0	270.5	282.5	288.1	294.1	1,135.2
Interconnection	134.0	29.0	31.8	30.6	31.6	123.0
NW lease expense	120.4	28.3	31.0	28.3	32.3	119.9
Others	518.2	142.2	141.4	158.4	161.1	603.1
Depreciation	758.9	204.1	208.0	210.4	214.4	836.9
Operating income	230.9	75.4	64.2	78.6	57.4	275.6
EBITDA	1,084.8	303.5	296.7	319.0	302.0	1,221.3
EBITDA margin	29.2%	31.4%	29.8%	31.1%	28.5%	30.2%
Non-operating income	(38.5)	(7.4)	9.4	(7.6)	(10.5)	(16.1)
Income before tax	192.4	68.0	73.6	71.0	46.9	259.5
Net income	163.5	49.9	58.7	54.5	35.1	198.3

■ Consolidated Balance Sheet

(KRW bn)	12-31-20	3-31-21	6-30-21	9-30-21	12-31-21
Assets	5,803.6	5,736.5	5,705.3	6,039.4	5,988.8
Current assets	1,225.3	1,278.4	1,284.9	1,490.3	1,252.9
Cash & cash equivalents	199.1	145.1	211.9	315.7	407.7
Short-term financial instruments	234.5	289.4	259.6	350.2	10.5
Inventories	7.9	8.3	8.6	16.3	24.2
Other current assets	783.9	835.7	804.9	808.1	810.5
Non-current assets	4,578.3	4,458.1	4,420.4	4,549.1	4,735.9
Tangible assets	3,170.1	3,042.5	3,016.3	3,007.6	3,127.6
Real estate investments	8.7	8.6	8.5	8.5	8.5
Other intangible assets	808.1	789.3	784.5	771.4	790.5
Other non-current assets	591.3	617.7	611.1	761.6	809.4
Liabilities	3,159.2	3,043.7	2,951.8	3,228.0	3,121.1
Current liabilities	1,306.8	1,322.1	1,240.0	1,358.6	1,433.8
Accounts payable	794.2	646.1	627.5	666.1	740.8
Short-term borrowings and notes payable	277.1	403.9	354.0	434.1	454.1
Other current liabilities	235.5	272.1	258.5	258.5	238.9
Non-current liabilities	1,852.3	1,721.7	1,711.8	1,869.4	1,687.3
Long-term trade payables	4.8	4.4	4.1	3.9	3.9
Long-term borrowings and notes payable	1,528.6	1,386.6	1,376.6	1,403.8	1,255.1
Other non-current liabilities	319.0	330.6	331.0	461.7	428.3
Equity	2,644.4	2,692.8	2,753.5	2,811.4	2,867.7
Common stock	2,007.3	2,007.3	2,007.3	2,007.3	2,007.3
Additional paid in capital	636.5	636.5	635.5	635.5	645.7
Retained earnings	(5.7)	44.1	103.6	162.4	205.6
Other comprehensive income/loss	6.4	4.9	7.1	6.2	9.1

■ Subscribers

(Thousands)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	YoY	QoQ
SKT										
MNO Subscribers ¹⁾	28,748	28,932	29,034	29,089	29,308	29,383	29,422	29,696	2.1%	0.9%
Net adds	100	184	101	55	219	74	39	274	394.2%	606.9%
Activations	881	953	856	794	956	777	788	1,057	33.0%	34.0%
Deactivations	781	769	755	739	737	702	750	782	5.9%	4.4%
Monthly Churn	0.9%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%	0.9%	4.1%	3.8%
Handset subs	24,139	24,145	24,123	24,052	24,042	23,982	23,906	23,750	△1.3%	△0.7%
LTE subs	24,109	23,785	23,230	22,182	21,251	20,475	19,644	18,782	△15.3%	△4.4%
5G subs	2,648	3,348	4,263	5,476	6,736	7,696	8,650	9,874	80.3%	14.2%
Total Mobile subs ²⁾	31,477	31,440	31,440	31,384	31,520	31,626	31,595	31,884	1.6%	0.9%
SKB										
Pay TV Subscribers	8,309	8,398	8,522	8,586	8,686	8,806	8,913	9,000	4.8%	1.0%
IPTV subs	5,298	5,403	5,532	5,657	5,782	5,920	6,035	6,137	8.5%	1.7%
CATV subs	3,011	2,995	2,990	2,929	2,904	2,886	2,878	2,863	△2.3%	△0.5%
High speed internet	5,512	6,405	6,445	6,476	6,508	6,539	6,530	6,581	1.6%	0.8%
CAPEX (KRW bn)										
SKT	307	918	245	736	165	683	306	1,025	39.3%	235.1%
SKB	59	182	152	426	55	166	204	397	△6.8%	94.7%

1) Excludes MVNO & other connections

2) Includes MVNO connections, excludes other connections

■ ARPU

(KRW)	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21	YoY	QoQ
ARPU ¹⁾	30,777	30,158	30,051	30,269	30,213	30,446	30,669	30,740	1.6%	0.2%
ARPU including MVNO	28,031	27,701	27,783	28,066	28,124	28,395	28,600	28,820	2.7%	0.8%

1) Calculation of SKT MNO revenue (2G/3G/LTE/5G and IoT): Includes revenue from voice/data service (excludes activation fees and interconnection revenue), and revenue from additional service, Reflected revenue discount (discounts from contract and product bundling), Excludes MVNO related revenue

Calculation of SKT mobile subscribers (2G/3G/LTE/5G and IoT): Based on MSIT subscriber statistics (average number of billed connections for the quarter)

