

SK Telecom Announces Q1 2018 Earnings Results

- Posts revenue of KRW 4.182 trillion, operating income of KRW 325.5 billion, net income of KRW 693.4 billion
 - Revenue and operating income fell by 0.3%, 12.4% respectively, YOY, based on K-IFRS, former revenue recognition standard
 - Records all-time low mobile service cancellation rate & ranks No.1 in mobile carrier category in 2018 National Customer Satisfaction Index
 - Business in New ICT sector such as Media & AI keeps picking up with its competitiveness in 5G technology increasing
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Seoul, South Korea, May 4, 2018 - SK Telecom (NYSE:SKM) today announced its earnings for the first quarter of 2018 on a K-IFRS 1115 consolidated basis: revenue of KRW 4.182 trillion, operating income of KRW 325.5 billion, and net income of KRW 693.4 billion. Starting this year, the company will adopt K-IFRS 1115, a new revenue recognition standard, when filing its financial statements.

Despite strong performances of its subsidiary companies and growth in media business, SK Telecom's revenue and operating income fell by 1.2%, 20.7% respectively, compared to the same period last year. This has to do with earnings decrease in mobile communications industry and adoption of new revenue recognition standard –K-IFRS 1115. In the meantime, the company's net income jumped by 18.8% year-on-year due to increased equity method gains backed by SK Hynix's strong sales performance.

Based on the previous revenue recognition standard, K-IFRS, the company's revenue and operating income decreased by 0.3%, 12.4%, respectively, year-on-year. Based on K-IFRS 1115, its revenue, operating income and net income fell by KRW 39.1 billion, 34 billion, 23.2 billion, respectively.

Earnings in the mobile communications industry slipped with increasing number of optional mobile plan* subscribers, the plan's high discount rate and increasing mobile subsidy to the



underprivileged.

**Optional mobile plan offers subscribers discount benefits in exchange for mobile handset subsidy given at the time of new smartphone purchase*

Even though the company saw its earnings fall in the first quarter of 2018, it has been leading innovations that reflect customer and society's demands. The company laid out a series of customer value innovation imperatives, starting with "Optimal fee recommendation system," which was launched in February. The company also introduced comprehensive revision of mobile plan and roaming service and revoked limits on T membership discount benefits*.

**T Membership is SK Telecom's customer membership program that offers special discounts at partner/member stores including restaurants, bakeries, convenient stores, etc.*

Responding to the company's whole-hearted efforts to win customer trust, mobile service cancellation rate fell to the lowest point ever since the adoption of its LTE service at 1.3%, representing high customer satisfaction. The company maintained its No. 1 spot in mobile carrier category in the 2018 NCSI (National Customer Satisfaction Index) for 21 years straight.

As of March 2018, SK Telecom's IPTV subscribers went up by 9.6% year-on-year (YOY) to 4.46 million and its mobile IPTV 'Oksusu' subscriber number increased by 25.5 % YOY to 8.88 million. Oksusu's MUV (Monthly Unique Visitor) soared by 41.9% YOY to exceed 6.1 million. Overall, SK Broadband's sales increased by 3.8% YOY to KRW 750.7 billion* thanks to the increase in the number of subscribers and paid contents sales.

**By adopting K-IFRS 1115, SK Broadband's revenue decreased by KRW 15.3 billion*

SK Telecom was the first to launch artificial intelligence (AI) service-based voice recognition technology called "NUGU." It is now spearheading local AI ecosystem, expanding its business in various fields ranging from voice-recognition speaker and next-generation navigation service to kids' mobile phone and set-top box. As of Q1 2018, NUGU's MAU (Monthly Active User) surpassed 3 million. The company aims to increase the number of its active monthly users to 5 million by the end of this year.

During Q1 2018, SK Telecom has led numerous 5G innovations. In February, it solidified its status in 5G technology by acquiring IDQ of Switzerland, world leader in quantum-safe crypto solutions, and successfully test ran "cooperative driving" using two of its autonomous cars in K-City in Hwaseong, the nation's pilot city for self-driving. This year, the company will head-start

the development of various business models in 5G technology.

“There might be some concerns about SK Telecom’s short-term earnings loss, but our customer value innovation imperatives will eventually help us secure customer trust and lay a solid foundation for the company’s sound profit structure,” said Ryu Young-Sang, Executive Vice President, Corporate Center of SK Telecom. “For the long-term growth, we will continuously pursue innovation that the world has never seen before.”

- ▶ **<Attachment 1> Summary of Consolidated Income Statement**
- <Attachment 2> Summary of Separate Income Statement**

< Attachment 1 > Summary of Consolidated Income Statement (Unit: KRW 1 billion)

Type	Q1 2018 (K-IFRS 1115)	Q1 2017	Change (YoY)	Q4 2017	Change (QoQ)	Q1 2018 (K-IFRS)	Change (YoY)	Change (QoQ)
Revenue	41,815	42,344	△1.2%	44,973	△7.0%	42,207	△0.3%	△6.2%
Operating Income	3,255	4,105	△20.7%	3,104	4.8%	3,595	△12.4%	15.8%
Consolidated Net Income	6,934	5,835	18.8%	6,606	5.0%	7,166	22.8%	△8.5%

< Attachment 2 > Summary of Separate Income Statement (Unit: KRW 1 billion)

Type	Q1 2018 (K-IFRS 1115)	Q1 2017	Change (YoY)	Q4 2017	Change (QoQ)	Q1 2018 (K-IFRS)	Change (YoY)	Change (QoQ)
Revenue	29,885	30,880	△3.2%	31,139	△4.0%	29,929	△3.1%	△3.9%
Operating Income	3,693	4,394	△16.0%	3,753	△1.6%	3,960	△9.9%	5.5%
Consolidated Net Income	3,644	3,882	△6.0%	1,501	142.8%	3,912	0.8%	160.5%