

## SK Telecom Announces Q2 2018 Earnings Results

- Posts revenue of KRW 4.154 trillion, operating income of KRW 346.9 billion, and net income of KRW 914.3 billion
- Revenue fell by 0.7% with operating income and net income increased by 6.6%, 31.9% respectively, QoQ
- Based on Historical accounting standards, revenue and operating income fell by 4.0%, 16.7% respectively, with net income increased by 47.6% YoY
- Records all-time low churn rate of 1.2%, backed by 'Customer Value Innovation Program,' the company's marketing activities that offer actual benefits to customers
- Acquired 100 MHz of the 3.5 GHz spectrum, optimal frequency spectrum for a stable 5G service with greater expandability & no frequency interference
- Transforming into a comprehensive ICT firm encompassing non-communications sectors such as media, e-commerce, security services, and AI

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**Seoul, South Korea, July 27, 2018** - SK Telecom (NYSE:SKM) today announced its earnings for the second quarter of 2018 on a K-IFRS 1115 consolidated basis: revenue of KRW 4.154 trillion, operating income of KRW 346.9 billion, and net income of KRW 914.3 billion.

Despite strong sales performances of its media business and 11st, its online commerce platform, SK Telecom's revenue and operating income fell by 4.4%, 18.0% respectively YoY. This was due to earnings decrease in the mobile communications industry and with the adoption of K-IFRS 15, new revenue accounting standard. In the meantime, the company's net income jumped by 47.3% year-on-year due to increased equity method gains backed by SK Hynix's strong sales performance.

Based on Historical Accounting Standards, the company's revenue and operating income fell by 4.0%, 16.7% respectively, with its net income increased by 47.6% YoY. Based on K-IFRS 1115, its revenue, operating income, and net income all went down by KRW 17.6 billion, 5.8 billion, 1.6 billion, respectively.

Compared to 1Q 2018, the company's revenue fell by 0.7%, but its operating income and net income went up by 6.6% and 31.9%, respectively.



Earnings in the mobile communications industry slipped with a rise in the number of selective discount plan subscribers, the plan's increased discount rate, additional discount for the underprivileged and compensation money paid out for service disconnection.

Since the beginning of 2018, SK Telecom has led a series of changes and innovations. The company introduced optimal mobile plan recommendation system that reflects user's actual mobile usage and revamped its mobile plan, roaming and membership programs. It also launched "T Rental" a handset rental service and "T Plan," mobile phone plan offering more mobile data at the discounted price.

Responding to the company's efforts to realize customer value, churn rate fell to the lowest point ever to 1.2 %, representing high customer satisfaction. In the second half of 2018, the company will continue to introduce products and services that enhance customer value.

In the frequency auction for fifth-generation (5G) networks held in June, the company won 100 megahertz of bandwidth on the 3.5-gigahertz spectrum, the optimal frequency band for a stable 5G service with greater expandability and no frequency interference.

In the previous two quarters, SK Telecom has sped up its transformation into a comprehensive ICT company that encompasses business areas of media, security, e-commerce, and AI, going beyond the telecommunications industry.

The company's media business has seen remarkable progress with its IPTV sales reaching KRW 306 billion, an increased by 25.1% compared to the same period last year. The upward trend was propelled by the increase in the number of subscribers and paid contents usage. "Oksusu," SK Telecom's mobile media platform, sustained its strong growth momentum, solidifying its position as the nation's top mobile media platform. As of the end of June, Oksusu subscribers went up by 22.1% YoY to 9.14 million and its monthly unique visitor (MUV) increased by 23.2% YoY to 6.26 million.

This May, in partnership with Macquarie Infrastructure and Real Assets, SK Telecom decided to wholly buy domestic security systems company ADT Caps for KRW 1.276 trillion to advance into the fast-growing security services industry. As soon as the acquisition process finalizes, the company will apply its AI, IoT and Big Data technologies to the security sector to help ADT Caps grow into the next-generation security services provider.

Moreover, 11st successfully attracted KRW 500 billion worth of investments to takeoff as the No.1 operator in the e-commerce market. With that, its earnings improved during 2Q 2018, almost reaching the break-even point.

In terms of the AI sector, SK Telecom's competitiveness further enhanced by expanding the number of devices & service/member stores utilizing AI technology, recruiting talents and securing original technologies. Recently, the company launched "NUGE Candle," LED lighting speaker with AI features and recruited global AI scholars to organize its AI research center. It also applied AI acceleration solution which makes efficient AI deep learning possible, to NUGU, SK Telecom's AI service.

"To ensure sustainable long-term growth, we will revamp the telecommunications industry's business structure and takeoff as a comprehensive ICT company, bringing about fundamental changes in the overall business structure," said Ryu Young-Sang, Executive Vice President, Corporate Center of SK Telecom.

▶ **<Attachment 1> Summary of Consolidated Income Statement**

**<Attachment 2> Summary of Non-consolidated Income Statement**

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

Type	Q2 2018 (IFRS 1115)	Q1 2018 (IFRS 1115)	Change (QoQ)	Q2 2017 (Historical)	Change (YoY)	Q2 2018 (Historical)	Change (YoY)
<b>Operating Revenues</b>	<b>4,154.3</b>	<b>4,181.5</b>	<b>△0.7%</b>	<b>4,345.6</b>	<b>△4.4 %</b>	<b>4,171.9</b>	<b>△4.0%</b>
<b>Operating Income</b>	<b>346.9</b>	<b>325.5</b>	<b>△6.6%</b>	<b>423.3</b>	<b>△18.0%</b>	<b>352.7</b>	<b>△16.7%</b>
<b>Net Income</b>	<b>914.3</b>	<b>693.4</b>	<b>△31.9%</b>	<b>620.5</b>	<b>△47.3%</b>	<b>915.9</b>	<b>△47.6%</b>

**< Attachment 2> Summary of Non-consolidated Income Statement** (Unit: KRW billion)

Type	Q2 2018 (IFRS 1115)	Q1 2018 (IFRS 1115)	Change (QoQ)	Q2 2017 (Historical)	Change (YoY)	Q2 2018 (Historical)	Change (YoY)
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<b>Operating Revenues</b>	2,941.8	2,988.5	△1.6%	3,109.6	△5.4 %	2,940.0	△5.5%
<b>Operating Income</b>	368.3	369.3	△0.3%	462.3	△20.3%	367.4	△20.5%
<b>Net In- come</b>	219.8	364.4	△39.7%	314.1	△30.0%	219.2	△30.2%

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#### About SK Telecom

Established in 1984, SK Telecom is the largest mobile operator in Korea by both revenue and number of subscribers. As of December 2017, the company holds around 50 percent of the market, with 30.2 million mobile subscribers including 22.87 million LTE subscribers. It has reached KRW 17.520 trillion in revenue in 2017. SK Telecom has led the advancement of mobile technologies ranging from 2G to 4G, and is currently setting important milestones in its journey to 5G. The company is not only leading innovation in the field of mobile network, but also providing IoT, media, home and platform services. SK Telecom is determined to play a significant role in the Fourth Industrial Revolution by achieving innovations and promoting shared growth with other players in the industry.