

SK Telecom Announces Q3 2018 Earnings Results

- Posts revenue of KRW 4.186 trillion, operating income of KRW 304.1 billion, and net income of KRW 1.050 trillion
- Compared to the previous quarter, revenue and net income increased by 0.8% and 14.8%, respectively, while operating income decreased by 12.3%
- Continues to implement drastic measures – i.e. introduction of new price plans, roaming service, etc. - to alleviate customers' cost burden
- Secures competitive edge in 5G commercialization by selecting 5G equipment suppliers for the first time in Korea, completing 5G first call and achieving interworking between multi-vendor 5G equipment
- Sustains a strong growth momentum in media business, reporting a 26.3% YoY rise in IPTV revenue
- Transforms itself into a comprehensive ICT company by completing its acquisition of ADT Caps and inclusion of SK Infosec as its subsidiary

Seoul, South Korea, October 30, 2018 - SK Telecom (NYSE:SKM) today announced its earnings for the third quarter of 2018 on a K-IFRS 1115 consolidated basis: revenue of KRW 4.186 trillion, operating income of KRW 304.1 billion, and net income of KRW 1.050 trillion.

SK Telecom's revenue and operating income fell by 5.8% and 22.5%, respectively, compared to the same period last year. Earnings in the mobile communications business decreased with the rise in the number of selective contract discount plan subscribers, the plan's increased discount rate (20% → 25%) and additional discount for the underprivileged.

Net income exceeded KRW 1 trillion for the first time in the company's history. It jumped by 32.4% year-on-year (YoY) due to increased equity method gains backed by record-high performance of SK Hynix.

Compared to the previous quarter, the company's revenue and net income grew by 0.8% and 14.8%, respectively, but its operating income fell by 12.3%.

Despite concerns on short-term earnings decline, SK Telecom has been continuously



implementing innovative measures aimed at enhancing customer value in all areas of its mobile communications business, including price plans, selective contract discount plans, roaming service and membership programs. In particular, the company has revamped its price plans and roaming service in the third quarter to alleviate customers' cost burden.

Launched in July 2018, 'T Plan' has surpassed 3 million subscribers as of the end of October 2018 by offering an increased amount of mobile data and family data sharing benefits. 'O Plan,' launched in August 2018 for those aged 24 or below, has attracted over 300,000 subscribers within just two months of its launch.

'T Gaum · Saipan Pass,' a special roaming plan that allows subscribers to use roaming services in Guam and Saipan at domestic rates, has attracted customers' attention by offering differentiated benefits compared to the existing roaming services.

Due to these efforts, SK Telecom has topped all three satisfaction surveys in Korea this year, winning the titles for the longest consecutive period. The company maintained its No. 1 spot in the National Customer Satisfaction Index (NCSI) and Korean Customer Satisfaction Index (KCSI) for 21 consecutive years, and the Korean Standard Service Quality Index (KS-SQI) for 19 years in a row.

Moreover, SK Telecom has been moving fast to realize the world's best 5G quality. Since selecting its 5G equipment suppliers in September 2018 for the first time in Korea, SK Telecom has completed the first 5G call using commercial 5G equipment and successfully tested interoperability between multi-vendor 5G equipment. The company has also signed a cross-investment agreement with Deutsche Telekom to provide innovative 5G services. It is also leading efforts to expand the 5G ecosystem by launching realistic media services such as 'oksusu Social VR.'

SK Telecom's media business has taken root as the company's solid growth engine as it sustained its growth in the third quarter in terms of both revenue and subscriber count. IPTV revenue amounted to KRW 322.8 billion based on the historical accounting standards, rising by 26.3% YoY. As of the end of September 2018, the number of the mobile IPTV service 'oksusu' subscribers increased by 16.6% YoY to 946 million, and its monthly unique visitors (MUVs) exceeded 7 million, representing a 29.4% YoY growth.

SK Telecom has completed its transformation into a comprehensive ICT company by

completing its acquisition of ADT Caps and inclusion of SK Infosec as its subsidiary, and successfully attracting investment in and spinning off 11st, its online commerce platform.

The company plans to lead changes in the Korean security services market by building an integrated security system ranging from physical security to information security. It will also actively develop new 5G-based security business models to shape the security business into its key growth engine.

11st has secured basis to become No.1 player in the online commerce market by attracting KRW 500 billion in investment as it spun off from SK Planet, SK Telecom's subsidiary. It plans to develop and offer groundbreaking services by applying SK Telecom's New ICT.

Furthermore, SK Telecom has stepped up its efforts to strengthen its competitiveness in AI by unveiling 'NUGU Developers', its open AI platform, to boost the expansion of the AI ecosystem. In September 2018, the company has also created 'AI Center' by integrating its AI R&D and business units and hiring more experts in the field.

"Despite difficulties in the mobile communications market environment, SK Telecom has continued to implement innovative measures to provide customers with real and practical benefits," said Ryu Young-sang, Executive Vice President and Head of Corporate Center at SK Telecom. "Based on customer trust built through such efforts, we will promote sound and long-term growth of the company."

► **<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	Q3 2018 (K-IFRS 1115)	Q2 2018 (K-IFRS 1115)	Change (QoQ)	Q3 2017 (Historical)	Change (YoY)	Q3 2018 (Historical)	Change (YoY)
Operating Revenues	4,186	4,154	0.8%	4,443	△5.8 %	4,199	△5.5%

Operating Income	304	347	△12.3%	392	△22.5%	305	△22.2%
Net Income	1,050	914	14.8%	793	32.4%	1,050	32.4%

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

Type	Q3 2018 (K-IFRS 1115)	Q2 2018 (K-IFRS 1115)	Change (QoQ)	Q3 2017 (Historical)	Change (YoY)	Q3 2018 (Historical)	Change (YoY)
Operating Revenues	2,926	2,942	△0.6%	3,157	△7.3%	2,929	△7.2%
Operating Income	311	368	△15.7%	421	△26.2%	327	△22.3%
Net Income	183	220	△16.6%	479	△61.7%	198	△58.6%

*The YoY decline in non-consolidated net income is affected by SK Telecom's investment in kind in SK China