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SK Telecom Announces 2Q 2021 Earnings Results

- *The company posts revenue of KRW 4.818 trillion, operating income of KRW 396.6 billion, and net income of KRW 795.7 billion.*
- *The combined total revenue of New ICT businesses increased by 10.1% YoY, sustaining strong growth for five consecutive quarters since 2Q 2020*
- *The company paid out quarterly dividends for the first time and set forth guidelines that link dividend payment to its business performance*
- *Through investment in semiconductor, platform and innovative future technology, the New Company (post spin-off) aims to become a company with net asset value of KRW 75 trillion*

Seoul, Korea, August 11, 2021 – SK Telecom (NYSE:SKM, hereinafter referred to as “SKT”) today announced its earnings for the second quarter of 2021 on a K-IFRS consolidated basis: revenue of KRW 4.818 trillion, operating income of KRW 396.6 billion, and net income of KRW 795.7 billion.

Compared to the same period last year, SKT’s consolidated revenue and operating income increased by 4.7% and 10.8%, respectively, backed by the growth of MNO and New ICT businesses.

The combined total revenue of SKT’s New ICT Businesses has increased by 10.1% year-on-year (YoY) to KRW 1.578 trillion, sustaining a two-digit YoY growth rate for five consecutive quarters since the second quarter of last year.

The MNO business posted revenue of KRW 3.022 trillion, up 2.7% YoY, thanks to factors including the growth of 5G subscribers.

Net income grew by 84.0% YoY affected by factors including increased equity method gains from SK Hynix.

■ **Continued growth of New ICT businesses**



Five straight quarters of growth marked by New ICT businesses - i.e. media, converged security and commerce - shows that they have entered into a stable growth path. During this period, the combined total revenue of New ICT businesses took up 31-32% of SKT's total revenue.

**New ICT revenue growth rates were 13.4% for 2Q 2020, 18.9% for 3Q 2020, 21.2% for 4Q 2020, 16.7% for 1Q 2021, and 10.1% for 2Q 2021.*

The Media business continued to grow as its revenue increased by 8.7% to KRW 997.1 billion and operating income grew by 4.9% to KRW 64.2 billion.

SK Broadband achieved the highest net additions of IPTV subscribers in the market in the first half of this year and expanded its pay TV subscriber base to 8.81 million as of the end of the second quarter. Media S, SK broadband's subsidiary that operates entertainment channels, is rapidly increasing its presence in the market since it began broadcasting in April 2021 by providing differentiated contents through partnerships with Korea's leading production companies and content providers.

Having established a content planning studio named 'Studio Wavve' in May 2021, Wavve is focusing on investment and production of original content. Wavve continues to strengthen its content competitiveness by signing an exclusive content distribution agreement with HBO.

The Converged Security (Safety & Care) business posted revenue of KRW 369.8 billion, increasing by 14.5% YoY thanks to solid growth of unmanned security and information security, as well as strong performance of new businesses. Its operating income decreased by 3.1% YoY to KRW 28.6 billion due to increased spending on new businesses.

ADT Caps signed an agreement on strategic business cooperation for cloud security with Amazon Web Services to accelerate its pace to become a specialized cloud security company and is expanding its new businesses by launching AI-based home security products, mobile security solutions and total care solution for unmanned stores.

ADT Caps ranked No.1 for managed security service in the Korean Standard Service Quality Index (KS-SQI) in 2021 and is making full-fledged preparations for an IPO after selecting IPO underwriters in the second quarter.

The Commerce business reported revenue of KRW 211 billion, up 9.6% YoY, backed by the growth of the e-commerce market and its efforts to differentiate delivery service.



11st began offering express delivery service in collaboration with Korea Post and SLX Logistics. It is also getting ready to open the 11st Amazon Global Store. SK Stoa maintained a high growth trend in the second quarter by expanding partner mobile channels.

T Map Mobility expanded its smart mobility business into the goods delivery sector with the acquisition of YLP Inc., a middle-mile delivery solution provider, and plans to achieve growth by providing differentiated services and cooperating with diverse partners.

Achieving gross merchandise value (GMV) growth for 12 consecutive quarters, One Store attracted investments from Microsoft and Deutsche Telekom Capital Partners, thereby raising expectations for corporate value enhancement. It is also increasing investment in content through measures including the acquisition of ROK Media, Korea's largest genre content publisher.

■ **Strengthened 5G leadership with 7.7 million 5G subscribers and new metaverse service 'Ifland'**

As of the end of June, the number of SKT's 5G subscribers reached 7.7 million, adding 960,000 subscribers from the previous quarter.

The MNO business posted revenue of KRW 3.022 trillion, up 2.7% YoY, and operating income of KRW 328.4 billion, up 21.7% YoY, affected by factors including 5G subscriber growth, customer-oriented products and cost stabilization.

Moreover, SKT is planning a capital expenditure (CAPEX) that is similar to that of last year to further improve its fixed and wireless telecommunication infrastructure and secure nationwide 5G service coverage in an earlier manner. SKT and SK Broadband spent KRW 849.2 billion in CAPEX in the second quarter, representing 285.3% quarter-on-quarter (QoQ) growth.

SKT launched a new metaverse platform named "Ifland" in July 2021 to lead popularization of metaverse services.

The company plans to strengthen social community features to boost the adoption of Ifland and combine a wide variety of services like sports, commerce and entertainment to further enrich user experience.

SKT also plans to introduce attractive subscription products by bundling diverse, highly sought-after services.

■ **Moving closer to horizontal spin-off while making more efforts to increase shareholder value**

Since making the horizontal spin-off official through the Board's approval in June 2021, SKT is taking necessary steps to split the company into a surviving company based on telecommunications, AI and digital infrastructure and a new investment company specialized in semiconductor and ICT. The spin-off is expected to be finalized through the General Shareholders Meeting to be held on October 12, 2021.

The surviving company SK Telecom plans to develop new growth drivers in the areas of subscription, metaverse and enterprise based on its core businesses including 5G and home media.

The new company will be an investment company specialized in technology sectors. It aims to increase the current net asset value of KRW 26 trillion to KRW 75 trillion by 2025 through investments in semiconductor, platform and future technology.

SKT newly adopted quarterly dividend policy as part of its efforts to strengthen shareholder-friendly management and set forth a mid-to long-term guideline that links dividend payment to its business performance.

The company paid out quarterly dividends (KRW 2,500 per share) for the first time in the second quarter. To increase transparency and predictability on the size of dividends, the company (surviving company, post spin-off) will set aside 30-40% of the amount reached by deducting CAPEX from EBITDA for dividends for the next three years starting this year.

"We will maximize shareholder and corporate value by constantly developing new growth drivers, while achieving sustained growth in New ICT and MNO," said Yoon Poong-young, CFO of SKT. "The spin-off will mark a new beginning for the two companies to achieve greater growth based on clear identity. We will do our best to complete the remaining process successfully and continue to improve the quality of our business."

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

Type	2Q 2021	2Q 2020	YoY	1Q 2021	QoQ
Revenue	4,818.3	4,603.3	4.7%	4,780.5	0.8%
Operating Income	396.6	357.8	10.8%	388.8	2.0%



Net Income	795.7	432.3	84.0%	572.0	39.1%
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<Attachment 2> Summary of Non-Consolidated Income Statement (Unit: KRW billion)

Type	2Q 2021	2Q 2020	YoY	1Q 2021	QoQ
Revenue	3,021.6	2,941.5	2.7%	2,980.7	1.4%
Operating Income	328.4	269.9	21.7%	307.3	6.9%
Net Income	184.0	168.4	9.3%	466.0	- 60.5%

<Attachment 3> Revenue per Business (Unit: KRW billion)

Type	2Q 2021	2Q 2020	YoY	1Q 2021	QoQ
MNO	3,021.6	2,941.5	2.7%	2,980.7	1.4%
Media	997.1	917.2	8.7%	967.0	3.1%
Safety & Care	369.8	323.0	14.5%	350.5	5.5%
Commerce	211.0	192.6	9.6%	203.7	3.6%

About SK Telecom

SK Telecom (NYSE:SKM) is Korea's leading ICT company, driving innovations in the areas of mobile communications, media, security, commerce and mobility. Armed with cutting-edge ICT including AI and 5G, the company is ushering in a new level of convergence to deliver unprecedented value to customers. As the global 5G pioneer, SKT is committed to realizing the full potential of 5G through ground-breaking services that can improve people's lives, transform businesses, and lead to a better society.

SKT boasts unrivaled leadership in the Korean mobile market with over 30 million subscribers, which account for nearly 50 percent of the market. The company now has 49 ICT subsidiaries and annual revenues approaching KRW 18.6 trillion.

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