

[IRO]

Good afternoon. I am Hee June Chung, IRO of SK Telecom. Thank you for joining SK Telecom's earnings conference call.

We are providing consecutive interpretation for the call, which will consist of a presentation on Q1 2023 earnings highlights, future business plans, and strategic directions as well as a Q&A session.

The call is attended by our executives from relevant business divisions including Jin Won Kim, CFO and Head of Corporate Planning, of SK Telecom.

Before we begin, I would like to remind you that all forward-looking statements are subject to change depending on market situations.

Let me now present our CFO.

[CFO]

Good afternoon. This is Jin Won Kim, CFO of SK Telecom.

SK Telecom participated in MWC 2023 held in Barcelona, Spain in late February and presented its concrete plans for the AI Company vision and recent achievements. It was an opportunity to introduce AI startups that we are closely cooperating with and engage in active discussion with overseas telcos and big tech companies to build a global cooperative framework. SK Telecom will strive to lead AI Transformation to ensure that all generations, businesses, and industries can enjoy the benefits of AI to the fullest.

Now, let me report on the consolidated financial results of Q1 2023.

Consolidated revenue reported KRW 4 trillion 372.2 billion won, up 2.2% YoY, thanks to the growth of both the fixed and mobile business and the new businesses. It reported a decline of 0.5% QoQ due to the drop in handset sales of the subsidiary company.

The operating income posted KRW 494.8 billion won, up 14.4% YoY and 94.4% QoQ, mainly due to the base effect of one-off labor costs recognized in Q1 last year and seasonal expenses recognized in the previous quarter.

Net income grew 37.3% YoY and 35.2% QoQ to come in at KRW 302.5 billion on the back of increase in dividend income from the invested companies.

On a non-consolidated basis, revenue grew 1.3% YoY and 0.7% QoQ to KRW 3 trillion 117.3 billion won. Operating income and net income reported KRW 415.7 billion won and KRW 422.2 billion won, respectively.

Let me now turn to Q1 business highlights and strategic directions of the company that is pursuing transformation and leap forward into an AI Company.

SK Telecom is providing differentiated AI services based on its own hyperscale language technology accumulated over the years. In addition to the A dot service, we are actively applying our AI technology to the five business groups wherever appropriate to identify concrete ways to maximize growth and profitability of each business.

As you are aware, AI is advancing rapidly, and the scope of AI-powered services is getting wider. Against this backdrop, SK Telecom will continue to scale up its AI capabilities and services through partnerships with diverse Korean and foreign AI companies in areas where such partnerships are necessary including the use of ChatGPT while further advancing its own AI technology.

As part of this strategy, SK Telecom signed a strategic partnership with Scatter Lab in April with an equity investment of KRW 15 billion won. Known for its Lee Lu-da chatbot that can hold empathetic conversations, Scatter Lab is an AI start-up that uses deep learning to develop a relationship-oriented AI agent that can have human-like conversations with users.

The partnership with Scatter Lab aims to jointly develop an AI agent service capable of holding empathetic conversations for A dot service which is optimized for personalization through long-term memory and multi-modal technology. The joint development will support the evolution of A dot to be more human-like than humans. The two companies have also agreed to pursue close cooperation to develop a hyperscale language model equipped with emotions and knowledge domains.

Like this, SK Telecom is stepping up efforts on all fronts to transform itself into an AI company by strengthening cooperation with leading AI companies in Korea and actively pursuing partnerships with global top-tier AI companies.

With global presence secured through its launch in 49 countries last year, ifland has attracted more than 10% of MAU from overseas in Q1. It is expanding the scope of global cooperation through MOUs signed with several global companies, including Deutsche Telecom, T Mobile, and Axiata.

Furthermore, ifland is evolving into a metaverse-type social media platform centered on 3D virtual spaces by launching 'if home' in May, a personalized 3D space. It also plans to strengthen its economic system in order to secure a new monetization structure by introducing a content marketplace based on in-app transactions in the second half of this year.

T universe has solidified its position as a leading subscription product in Korea with the average MAU of more than 1.8 million in Q1. Following the introduction of an annual subscription service last year, T universe continues to launch new service features to enhance customer experience and convenience, including a topping function where users can add extra services to their subscription and a gifting function. It is also reinforcing competitiveness in product differentiation by leveraging partnerships with big players, which resulted in the recent launch of YouTube Premium in addition to Amazon free shipping.

In the UAM business that aims to launch Korea's first commercial UAM service in 2025, SK Telecom aims to be a total service provider that covers aircrafts, telecommunications, and services. We have secured differentiated capabilities based on MaaS platform, 5G aerial network, and an exclusive partnership with Joby Aviation, global No.1 UAM aircraft manufacturer. We are doing our best to gain leadership in the industry by securing a license early through successful demonstration projects.

In addition, we continue to showcase interactive items such as immersive VR content to experience UAM at various exhibitions and events including MWC, Seoul Mobility Show, and World IT show, to boost

public interest and familiarity, which is essential to secure social acceptance in the early stages of UAM commercialization.

The Enterprise business is enjoying continued revenue growth centered on Data Centers and Cloud business. In particular, stable increase in the utilization rate of Gasan and Shiksa Data Centers is supporting steady revenue growth.

In Q1, we have secured the largest order in AICC business which started last year. Using this as a reference, we plan to expand AI transformation of the call center industry which has been in the spotlight recently. In addition, we intend to utilize various AI technologies and solutions to support customers' AI transformation and continue to explore further growth opportunities through new customer acquisition.

Let me now report on the performance of the fixed and mobile business which is the basis of our company. As of the end of Q1, the number of 5G subscribers reached 14.15 million, accounting for more than 60% of the total subscribers. We plan to attract high quality subscribers through continuous digital transformation based on AI to sustain earnings improvement.

As of the end of Q1, the pay tv subscribers and broadband subscribers reached 9.4 million and 6.76 million, respectively. We continued to grow the subscriber base by achieving No.1 net adds for IPTV and broadband. Based on our strong subscriber base, we plan to pursue growth centered on efforts to acquire high value-added subscribers such as increasing the share of giga Internet users.

Finally, for shareholder returns, the Board determined the first quarter DPS to be the same of the previous quarter at KRW 830.

We will do our best to ensure that transformation into an AI Company will lead to maximization of corporate value and shareholder value.

We ask for your continued support and encouragement. Thank you.

[Announcement]

We will now begin the Q&A session.

[Q&A]

[Announcement]

This concludes the earnings conference call for Q1 2023. Thank you.