

To Shareholders & Investors

KTF

FY2001 Earnings Release

February 2002

Contents

- **Financial Performance**
- Business Performance
- Wireless Data & CDMA2000 1x Performance
- New Revenue Source Opportunities

FY2001 Income Statement

KTF+KTM Simple Summation

(Unit : KRW mn)

Descriptions	FY2001 Amount	FY2000 Amount	Change(%)
I. Operating Income	789,104	142,602	453.4%
1. PCS Sector			
Sales	3,986,078	3,271,707	21.8%
<i>PCS</i>	2,901,193	2,349,386	23.5%
<i>Interconnection</i>	941,600	873,507	7.8%
<i>Resale</i>	111,665	29,191	282.5%
<i>Others</i>	31,620	19,623	61.1%
	3,209,156	3,124,628	2.7%
<i>Cost</i>	1,808,669	1,472,939	22.8%
<i>S&GA</i>	1,400,487	1,651,689	-15.2%
Net	776,922	147,080	428.2%
2. Handset sector			
Sales	1,032,060	1,072,289	-3.8%
Cost of handset sold	1,019,878	1,076,768	-5.3%
Net	12,182	4,478	
II. Non-operating gain/loss	228,801	169,469	35.01%
1. Interest gain/loss	252,920	187,340	35.01%
2. FX translation/transaction	4,215	25,910	
3. Other non-operating items	19,904	43,781	-54.54%
VI. Ordinary Income	560,303	26,868	
VII. Extra-ordinary items		4,077	
VIII. Income before income tax	560,303	22,791	
IX. Income tax	124,494	227,255	-45.22%
X. Net Income	435,809	250,046	

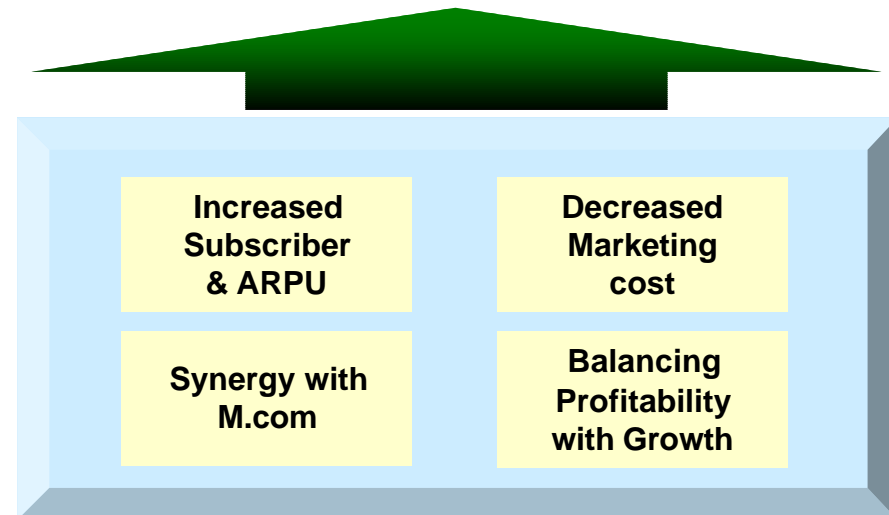
•This is a simple summation of KTF and KTM FS, and not audited nor reviewed by external auditors

Retained earnings turn positive in FY2001

Improved Profitability with Market Share increase

(Unit : KRW bn)

Year-on-Year	2001	2000
PCS sector revenue	3,986.1	3,271.7
Operating Income	789.1	142.6
EBITDA	1,407.5	613.8
Net Income	435.8	250.0
Market Share	33%	31%



Balance Sheet

KTF as of Dec 31, 2001

(Unit : KRW mn)

Assets		Liabilities	
	6,496,392		4,464,396
current	1,547,239	Short-term	2,242,130
		Long-term	2,222,266
Quick Asset	1,489,080		
Inventories	58,159		
		Shareholders' equity	2,031,996
Non-current	4,949,153		
		Capital Stock	920,290
Investment	632,002	Capital Surplus	1,132,834
Tangible Asset	4,307,778	Retained Earnings	10,481
Intangible Asset	9,373	Capital Adjustment	31,609

Continuous net cash inflow decreased debt

(Unit : KRW bn)

Descriptio	4 Q - 2001	3 Q - 2001	2 Q - 2001
Interest-bearing debt	3,490	3,944	3,869
Current	1,293	1,736	1,851
Net debt	3,436	3,878	3,785
Foreign currency debt	33(\$25.1mn) + 237(JPY23.6bn)	184(\$127mn) + 258(JPY23.6bn)	184(\$141mn) + 246(JPY23.6bn)

Financial Ratios

Descriptions	4Q-01	3Q-01
Debt-Equity	220%	286%
Net Debt-Equity	169%	222%
Interest Coverage	3.27	4.17
EBITDA Interest coverage	5.90	6.38
ROA	11%	8%
ROE	39%	33%
EBITDA margin	36%	43%
EPS	995	762

* ROA ROE is adjusted for a full year (X4)

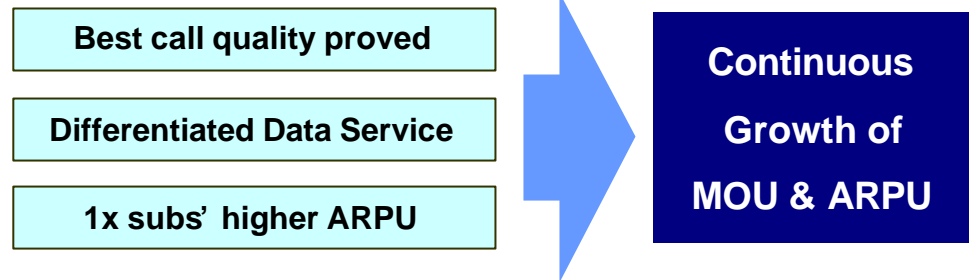
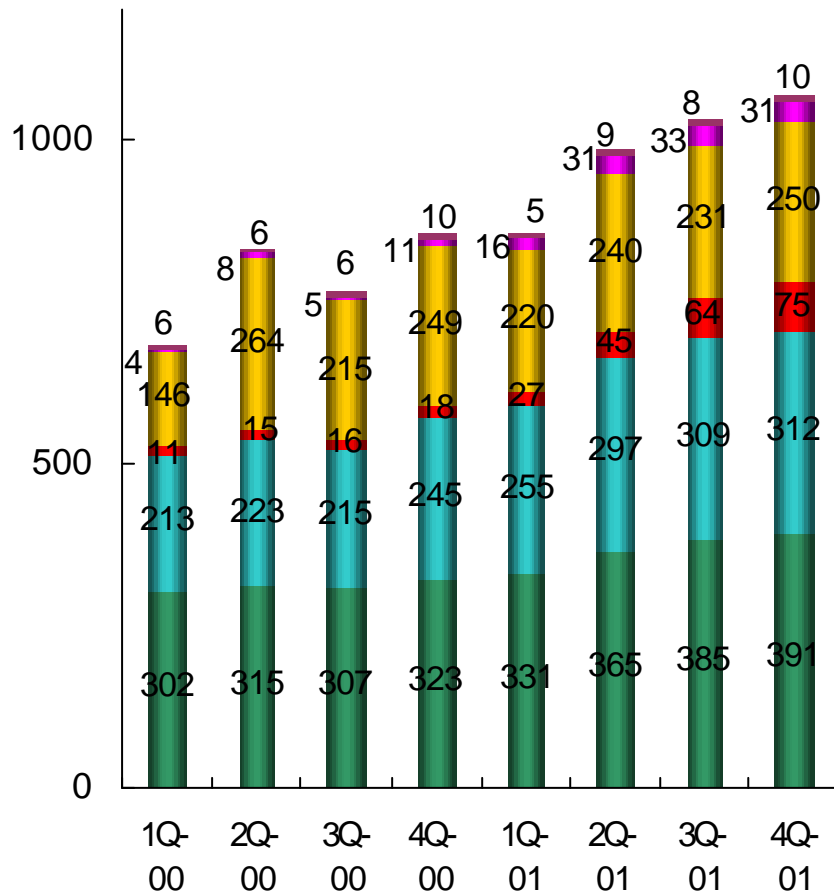
4Q Capital Stock increase

- Qualcomm BW exercise warrant
- Stock : common 1,851,350 shares,
Issue price : 54,000 (par 5,000)

PCS sales revenue

* Activation fees, discounts, and other sales are excluded because they are quite different from MOU or ARPU trend.

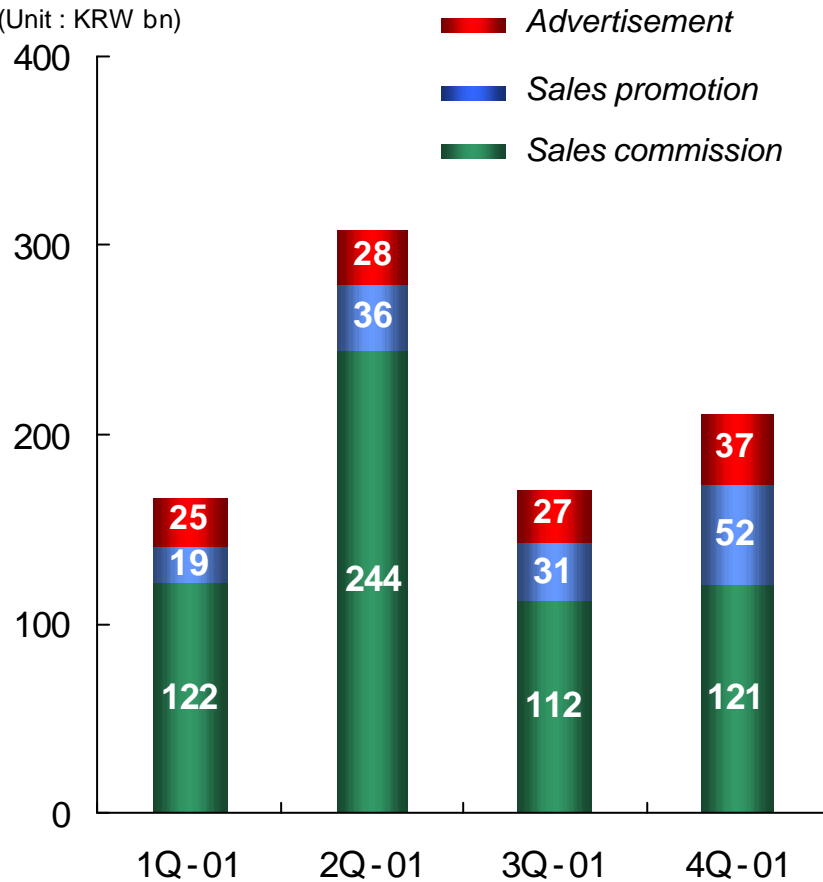
(Unit : KRW bn)



- **Monthly fee**
 - Increased by 18% due to increased subscribers base and voice&data bundled tariff
- **Airtime charge**
 - Increased by 31% due to continuous MOU growth with subscriber growth
- **Value added service (MagicN + SMS + Voice-type VAS)**
 - about 4 times bigger due to data service growth
- **Interconnection**
- **Resale**
- **info&directory service**

Marketing cost

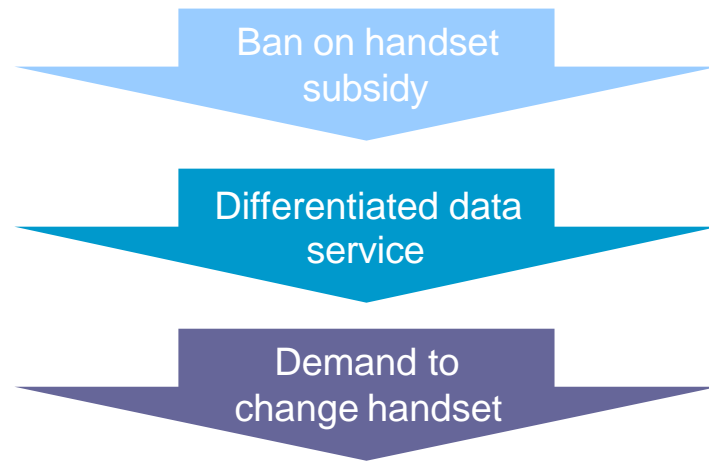
(Unit : KRW bn)



Descriptions	1Q-2001	2Q-2001	3Q-2001	4Q-2001
Acquisition				
commission	81	201	53	51
promotion	8	19	13	20
sub.total	89	220	66	71
Retention				
commission	41	43	59	70
promotion	11	17	18	32
sub.total	52	60	77	102
Ad	25	28	27	37
Total	166	308	170	210

2Q : Aggressive Marketing
(Acquisition cost / sub. = 110thousand)

4Q : Retention and ARPU increase
(Acquisition cost / sub. = 69thousand)

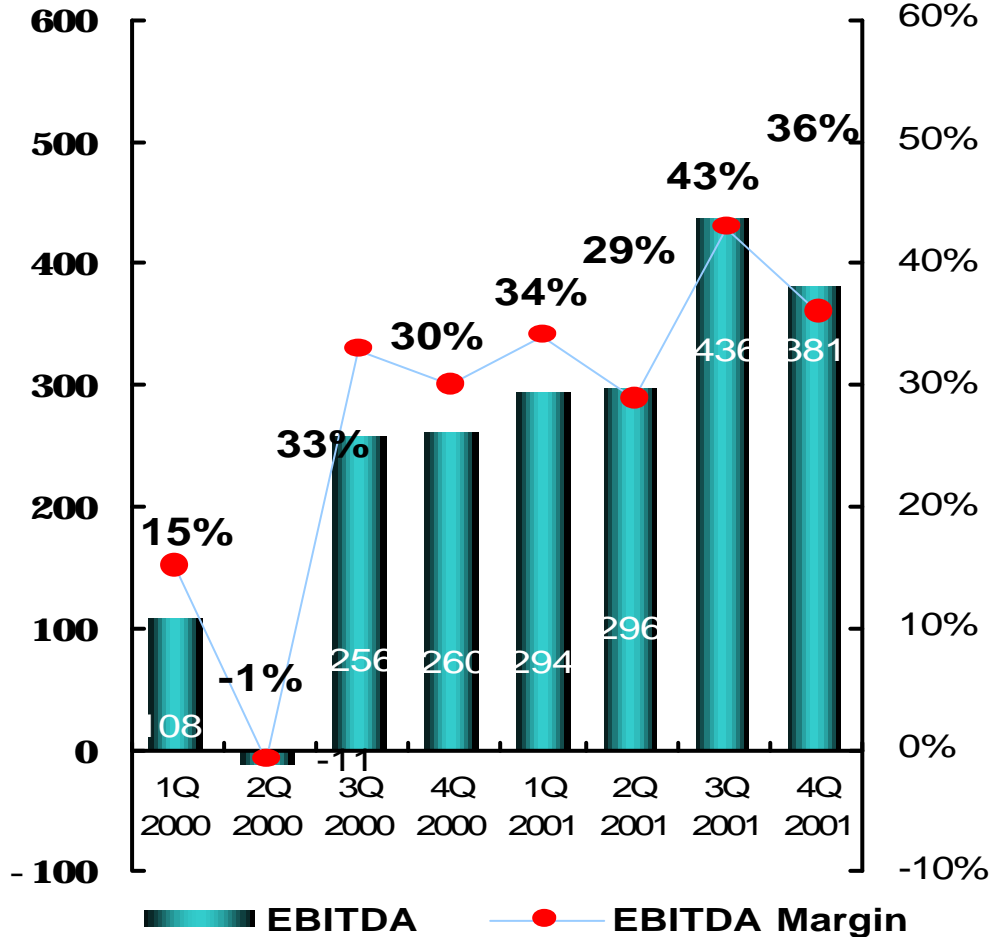


FY2002 : 1x subscriber increase without huge marketing cost due to increasing demand

4Q increase compared to 3Q
 - Gross subs. Add : 4Q 1.0mn, 3Q 0.6mn
 - multi-pack trial service and launching

EBITDA

(Unit : KRW bn)

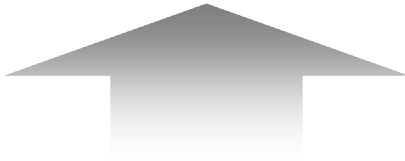


) EBITDA = Operating income + Depreciation - (Handset sales - cost of handset sold) + Lease

EBITDA margin = EBITDA / PCS sector sales

129% EBITDA Growth YoY

**2H EBITDA margin 39%
by profitability management**



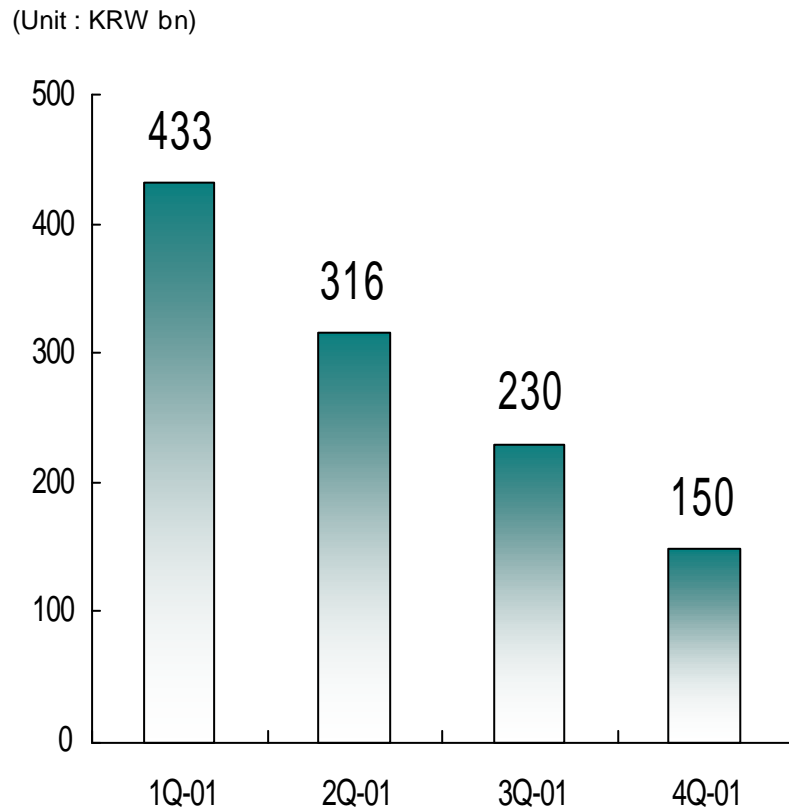
- Decreased Marketing(Acquisition) cost
- Increase of Voice ARPU & Data ARPU
- Higher ARPU with 1x subscribers
- Efficient network after merger

(Unit : KRW bn)

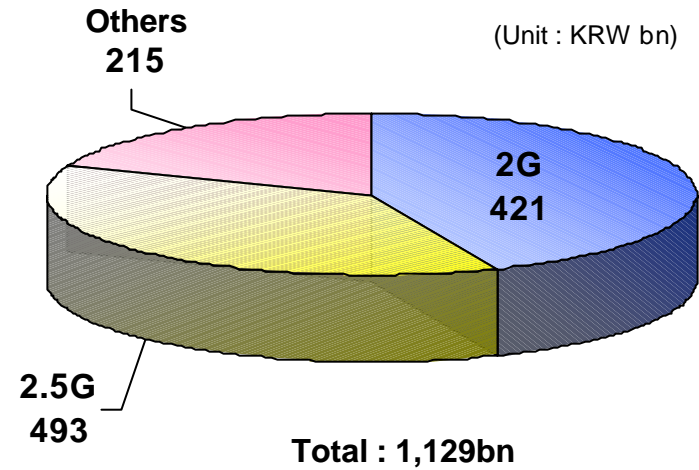
4Q EBITDA margin decreased by the increase of			
- marketing cost	39.9	- rent	11.2
- leased line cost	27.6	- repair	10.1

CAPEX

Quarterly Capex



FY2001 Capex



Less capex in 2H

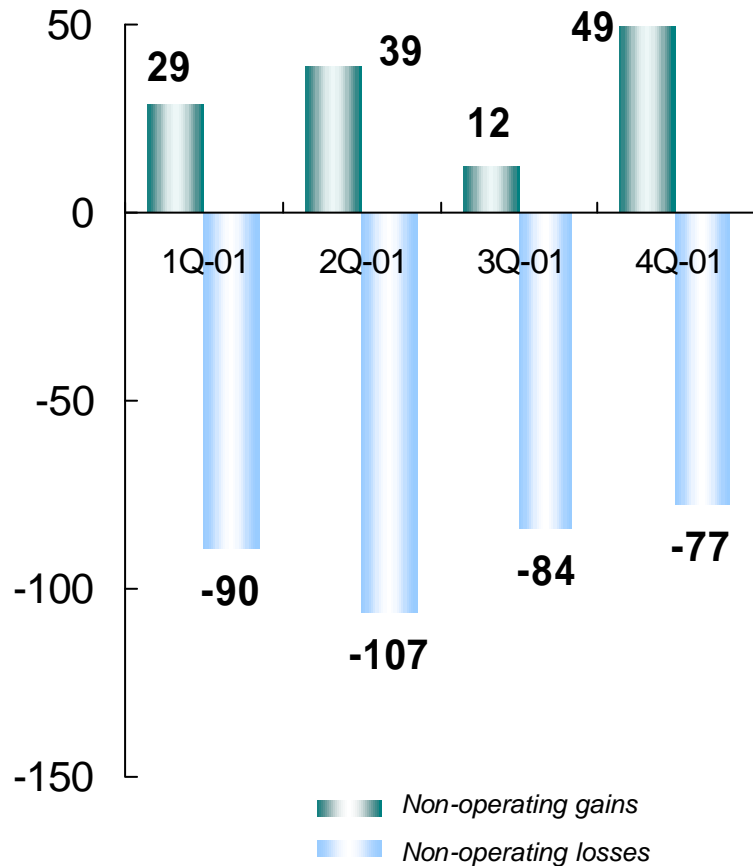
- Faster capex expenditure in 1H to support 1H rapid subscriber growth (1.28 net adds)

Sales & Lease back contract in 4Q

- 2G PCX and BSC
- book value : 106.9 bn
- 3.3bn lease cost per month till Dec. 2004.

Non-operating items

(Unit : KRW bn)



Net cash inflow from 3Q improved 4Q interest expense

Decreased interest payment

- Debt payment by using net cash inflow
- Good credit and stabilized financial market situation (Average rate : 7.8% 4Q new borrowings : around 5%)
- Interest expense (3.5bn) of 2Q and 3Q was transported to lease cost

Description	1Q-01	2Q-01	3Q-01	4Q-01
Interest gain	35	85	45	74
Interest loss	665	787	705	611
Net	630	702	661	537

FX transaction/translation gain of 24.1bn in 4Q

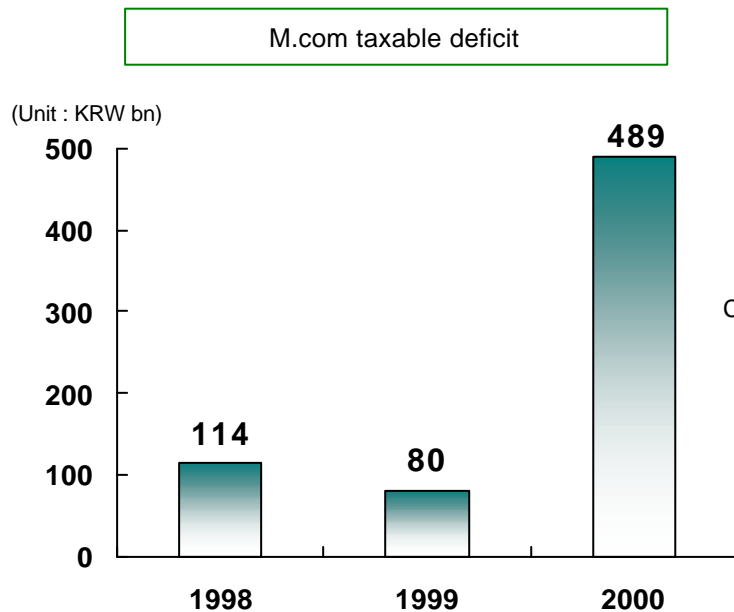
- FX denominated debt : KRW 270bn (USD 25.1mn, JPY 23.6bn)
- 4Q FX rate change (Sep to Dec)
 - VUSD : 1,309.1 1,326.1
 - VJPY : 10.9539 10.05

Income tax

Tax Credit from M.com's accumulated taxable deficit

Taxable deficit of M.com was not allowed to be deducted in KTF
M.com's deferred tax asset was expensed on 4Q-00
: 231.6 bn

Revised corporate tax law allows the deduction of M.com tax deficit from M.com sector income in KTF



Carry-forward
5 years

Decrease of income tax payment

Effect

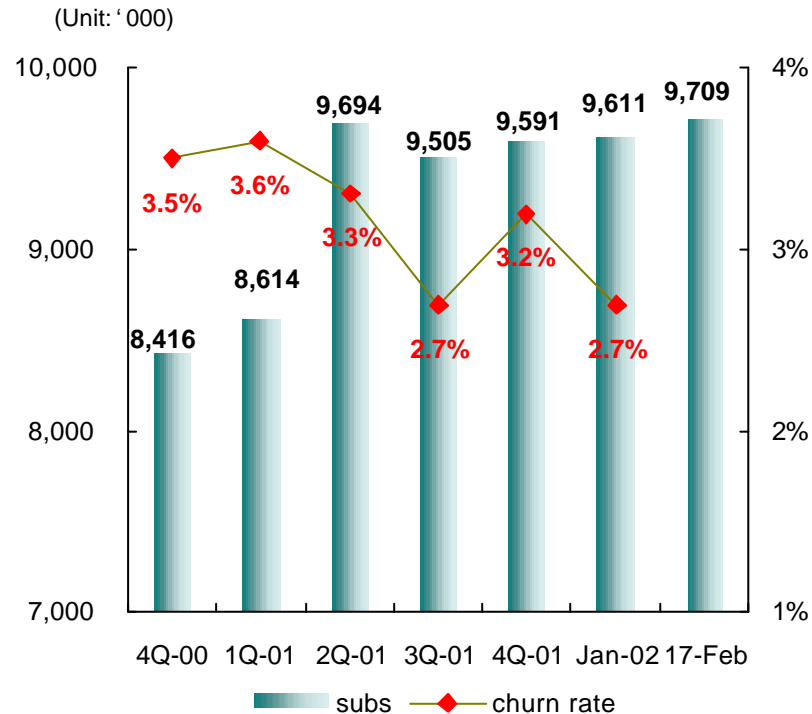
: about 45bn of tax decrease in 4Q-01
: 230bn tax payment saving in max(E).

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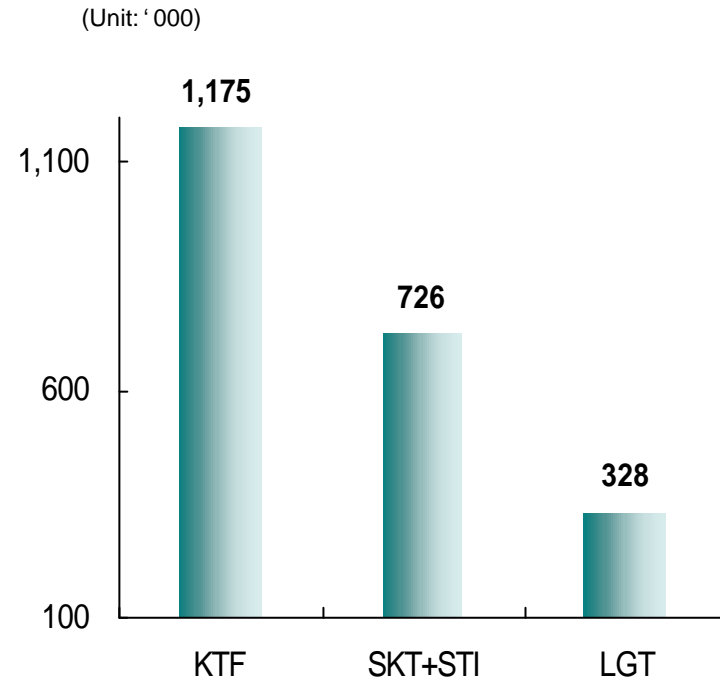
Subscribers and Churn Trend

Subscribers & Churn Trend



- Net addition of 86,000 subs in 4Q compared to 3Q → No more sharply increase in subscribers numbers focusing on balancing growth and profitability, and strengthening the quality of subscribers base
- 4Q's high churn rate is a one-time happening as a result from cleaning up delinquent subs and canceling pre-activated ones → overall churn rate keeps steadily declining trends on a yearly base

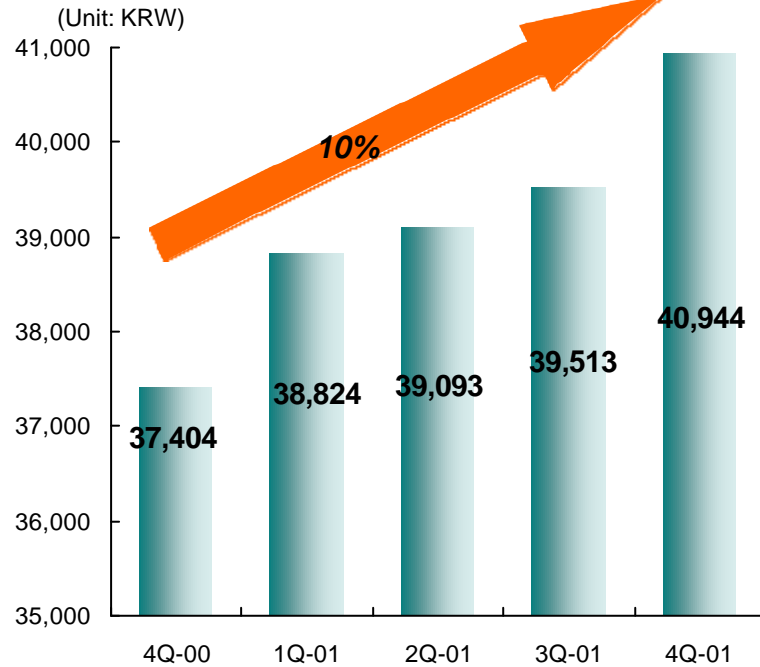
Subs Net Addition in 2001



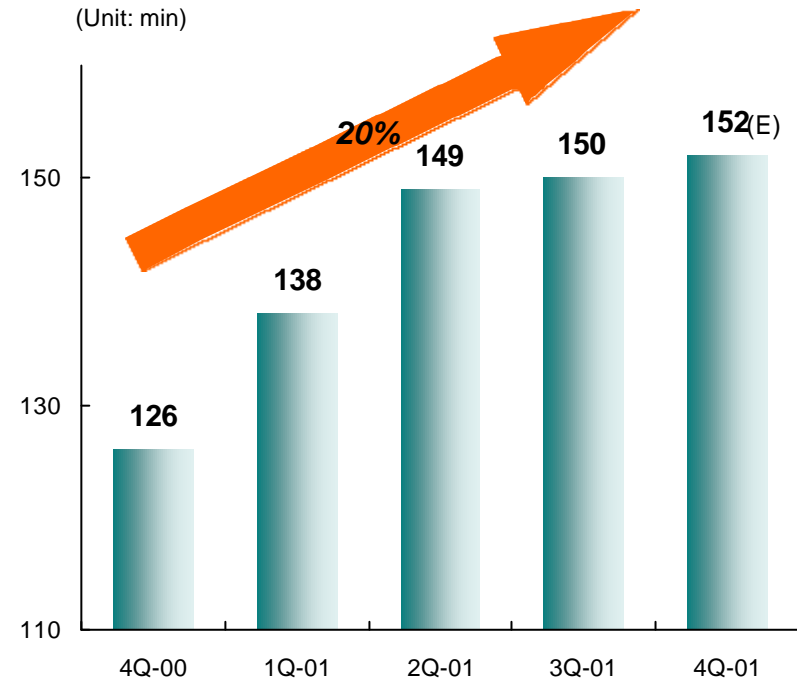
- 1.17mln net addition from Dec 2000 with 14% growth rate, an outstanding growth in terms of subscribers numbers in 2001
- Due to the visible effect from the merger with KTM.com and aggressive marketing efforts during 1H

ARPU & MOU

ARPU *



Outgoing MOU



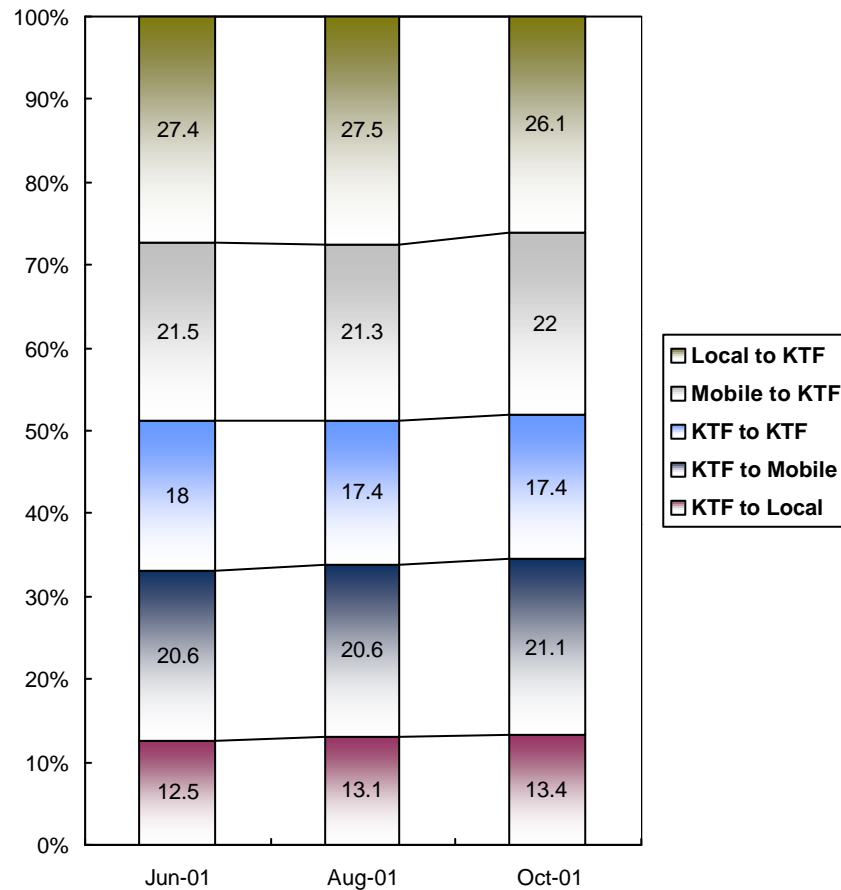
*ARPU including interconnection revenue

ARPU and MOU shows 10% and 20% growth from 4Q 2000 respectively

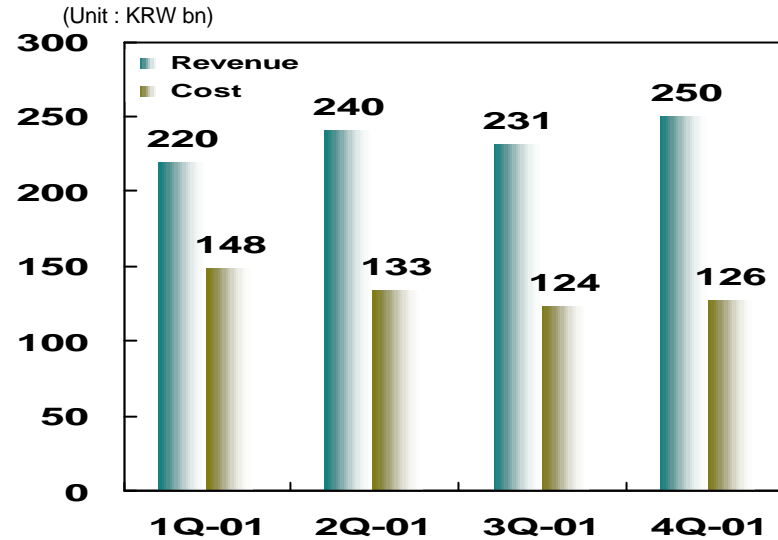
- Maintaining continuous increasing trends in ARPU and MOU with the sound subscribers base
- Activated 1x service and increasing wireless data demand boosted 4Q s ARPU by 3.6% compared with 3Q s

Call Traffic and Interconnection

Traffic trend



Interconnection



Increase of Net interconnection gain

- VAT savings from merger
(by eliminating internal transaction)
- Tax revision from telephone tax to VAT
: same with 10% cost down

(Unit : KRW bn)

Descriptions	1Q-01	2Q-01	3Q-01	4Q-01	
Rev.	LM	121	133	127	135
	MM	99	107	104	115
Cost	ML	23	18	23	20
	USF	7	3	1	-6
	MM	118	112	100	112

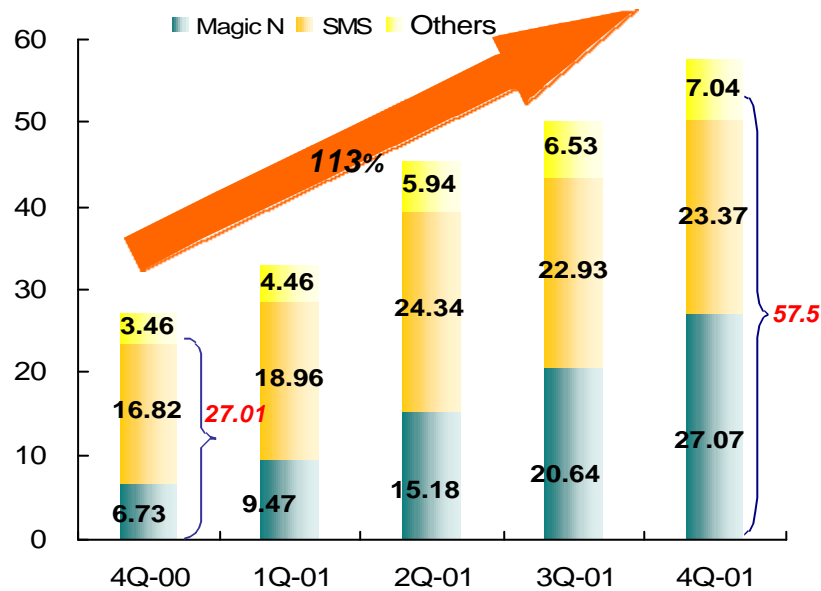
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- **Wireless Data & CDMA2000 1x Performance**
- New Revenue Source Opportunities

Wireless Data ARPU

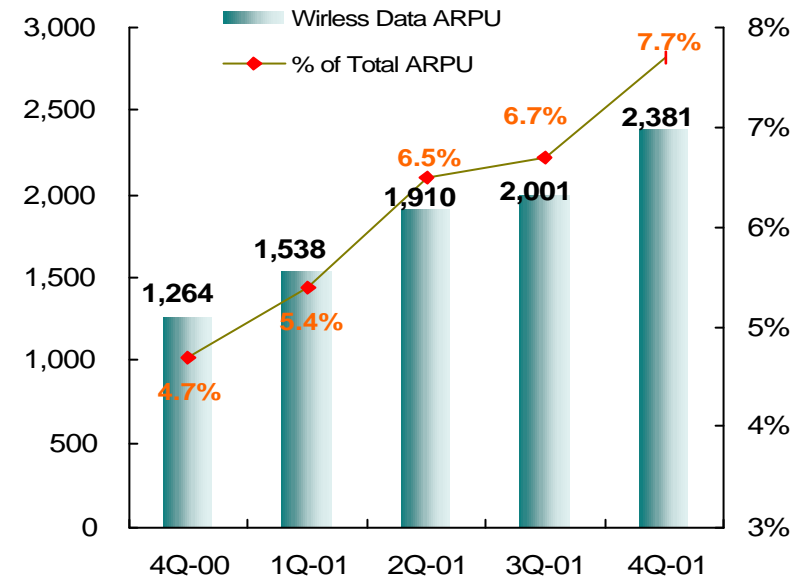
Wireless Data Sales Composition

(Unit: KRW bn)



- Wireless data revenue shows high growth rate of 113% compared with 4Q 2000 contributed by increasing wireless internet usage through our wireless portal "MagicN", which is more activated as 1x service is popularized especially with color handsets

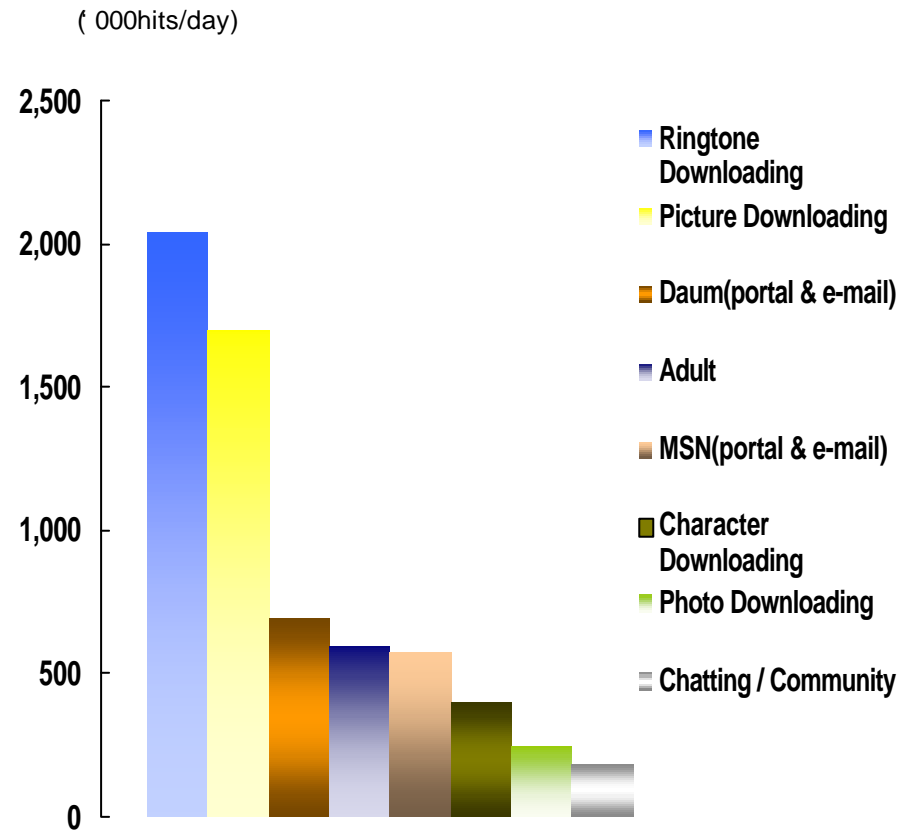
Wireless Data ARPU



- Rapid growth of 88% from 4Q 2000
- Increased portion of wireless data's contribution to total ARPU(excl.interconnection) up to 7.7% at the end of 2001
- Realizing high wireless data ARPU due to 1x service's activation

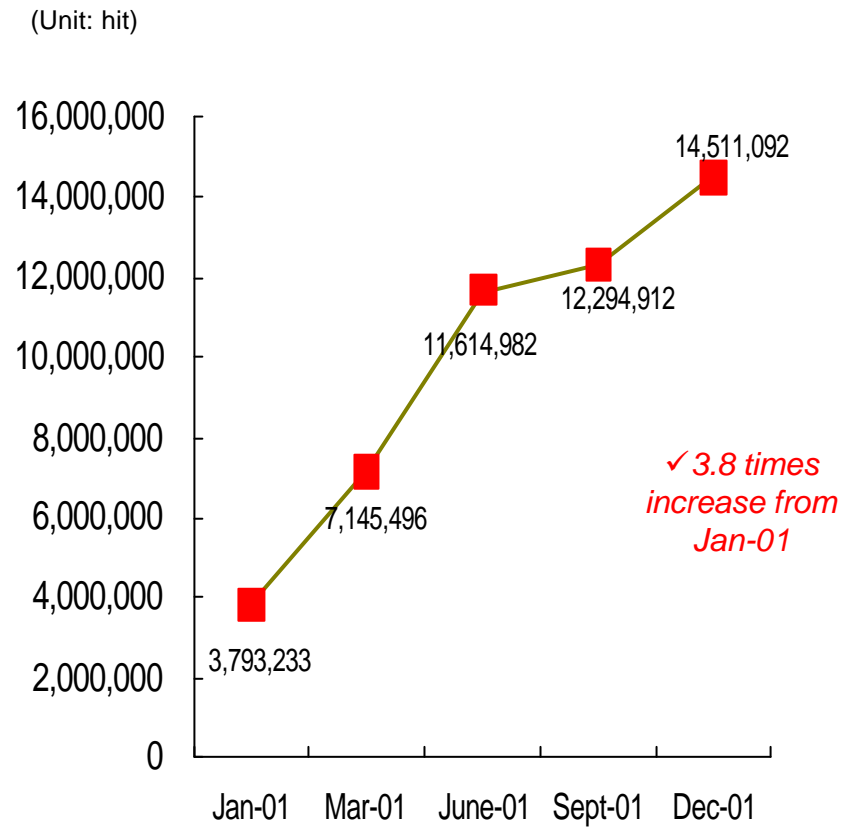
Wireless Data Contents

Magic Portal Top Contents



**As of Dec 2001*

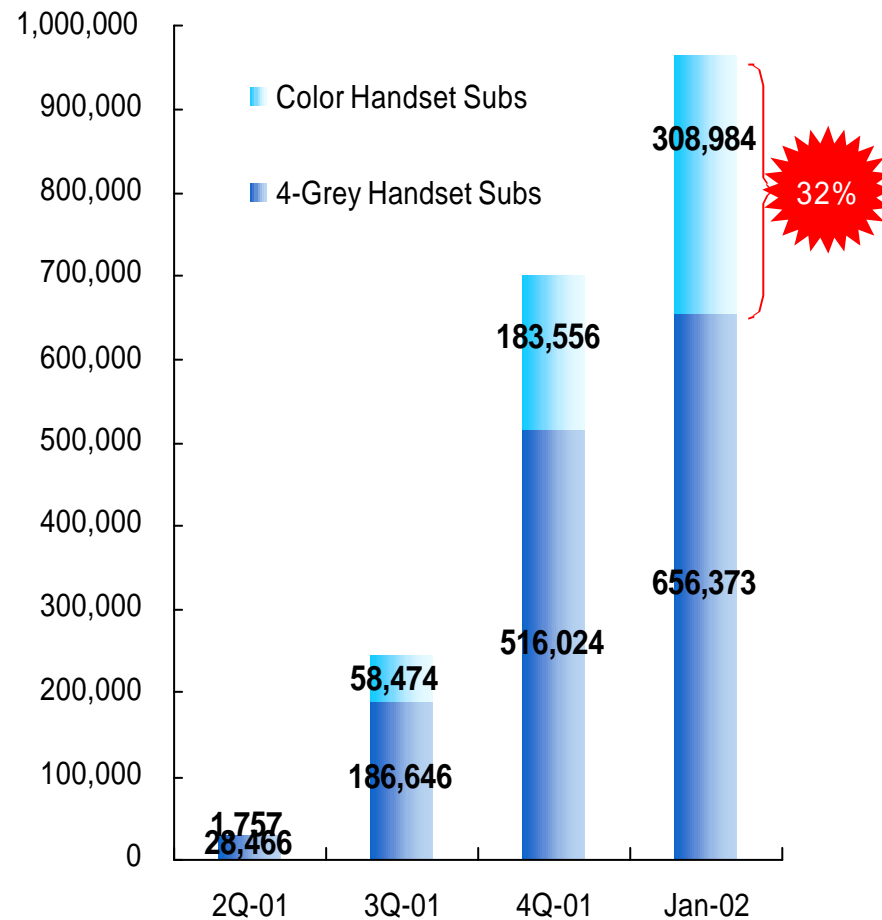
Daily Average Hit



CDMA2000-1X Performance by Handsets

2.5G Subs by Handset

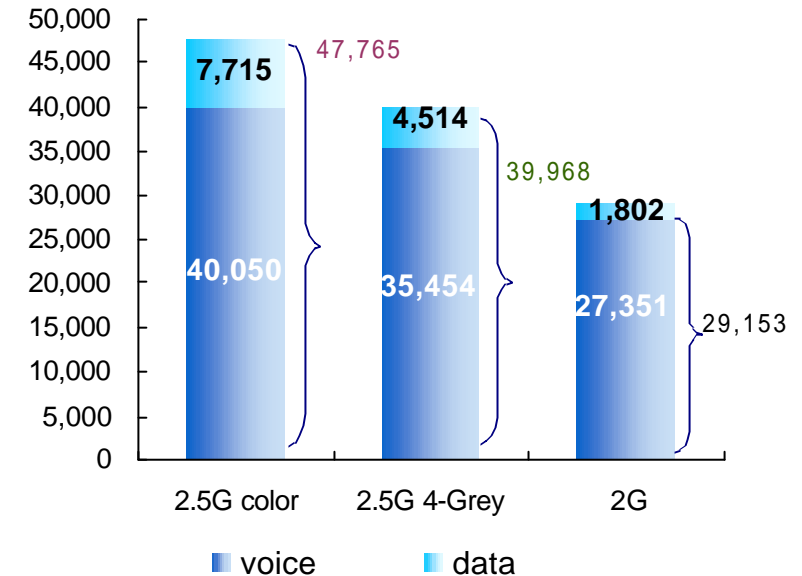
: High portion of deployed color handsets



2.5G vs. 2G ARPU*

(Unit: KRW)

*As of Dec 2001



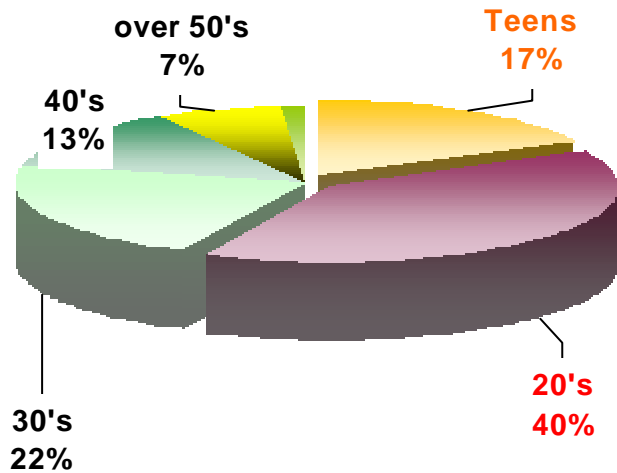
*ARPU excluding interconnection revenue

- 2.5G ARPU and 2.5G data ARPU of color handset subscribers is approximately 1.6 times and 4 times higher than that of 2G, respectively
- Somewhat stabilized trends after peaking in August when the mass production of color handsets was just started

CDMA2000-1X Performance by Age-Bracket

2.5G Subs
: 57% portion of young subscribers in 2.5G !!

**As of Dec 2001*

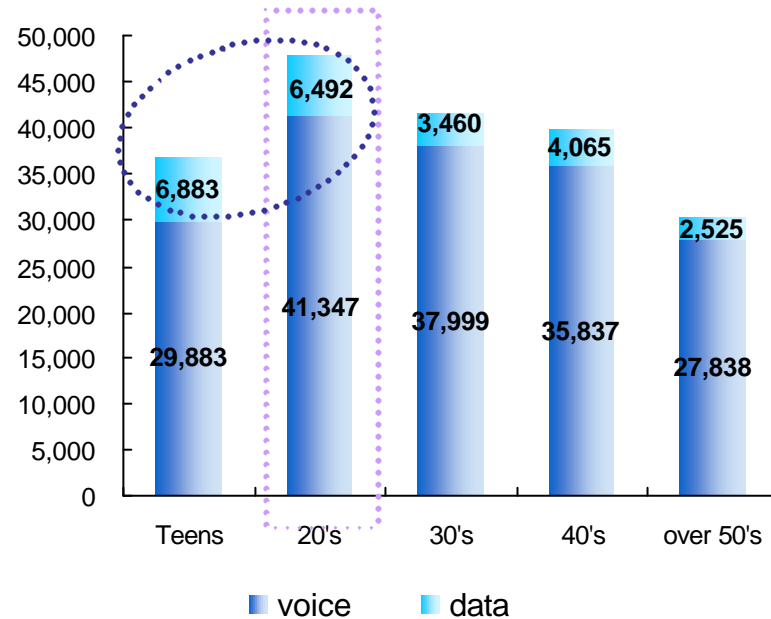


**Excluding KT Resale*

2.5G ARPU*

**ARPU excluding interconnection revenue*

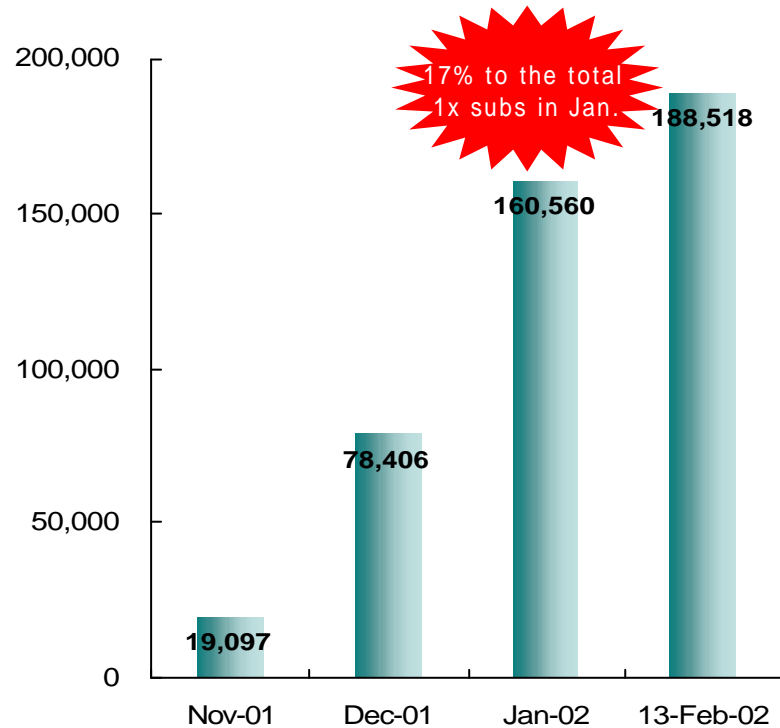
**As of Dec 2001*



- 20's contribution to the total 2.5G ARPU is the most among the age brackets with KRW47,840 (overall 2.5G ARPU in Dec. is KRW41,901)
- Impressively, teens generate the highest 2.5G wireless data ARPU of KRW6,883, which is 1.3times higher than that of overall 2.5G wireless data ARPU in Dec. **➔** *Potential in 2.5G further growth with young subscribers base*

Multi-pack Service (Launched in Nov. 2001)

Multi-pack Subscribers Trend

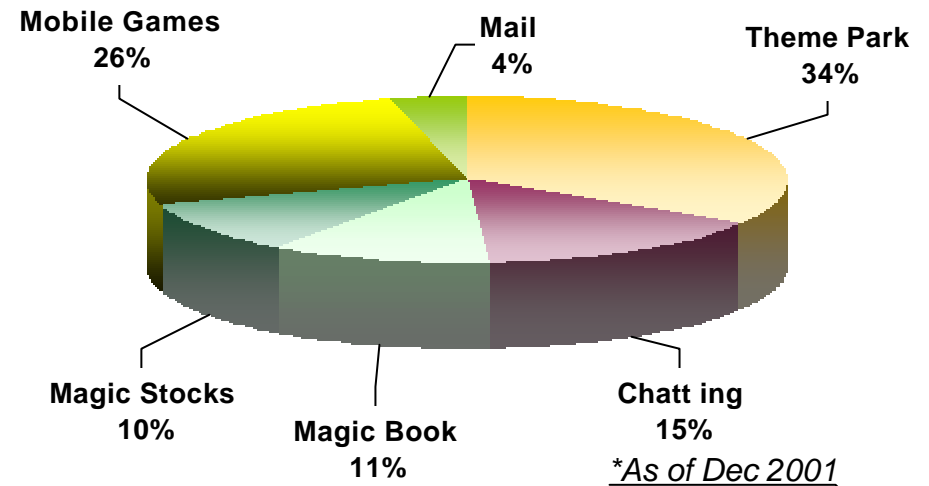


- Most of the color handsets comprise Multi-pack handsets currently
- User friendly interface with icon-based
- Multi-pack subscribers' ARPU is KRW50,141 in Dec, 72% and 20% higher than 2G ARPU and 1x ARPU respectively

Multi-pack Top Contents

• Multi-pack top contents classified by daily average packets

- Theme Park : Picture, Ring tone, Photo Downloading
- Magic Book : Information & Entertainment (Magazine, Books, Cartoons, News)
- Mobile Games: Fortuneteller, Fortress II, etc



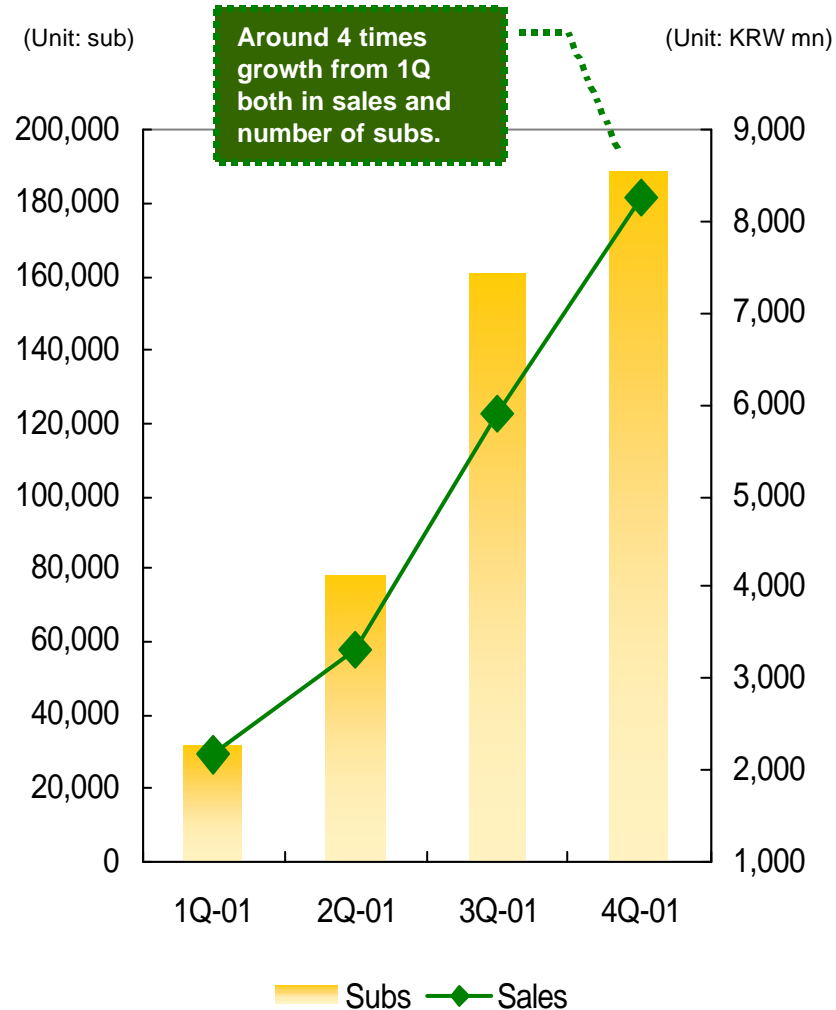
- Preference to entertainment related contents such as ring tone & picture downloading and mobile games
- Plan to develop various contents using VOD, network type, and Worldcup applications
- Around 100 contents is on service for Multi-pack → increase up to 600 by year-end

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VIZ- For Corporate Market

2001 VIZ Performance



Take Initiative with Core Solutions

Wireless Modem

- Further growth in EV-DO market
- 2001 total revenue: 5.1bn/2002 target 12bn

PDA

- Secure various line-up for each segmented customer
- 2002 subs target : 38,000 (3times more than 2001)

Telematics (First in Korea)

- Alliance with Daewoo Motors
- Pre-dominant power in the market

Zone (First in Korea)

- Co-operation with Samsung Electronics
- 2002 subs target: 23,000 sales target: 5.1bn
- Open a vertical market by acquiring major customer clients in advance

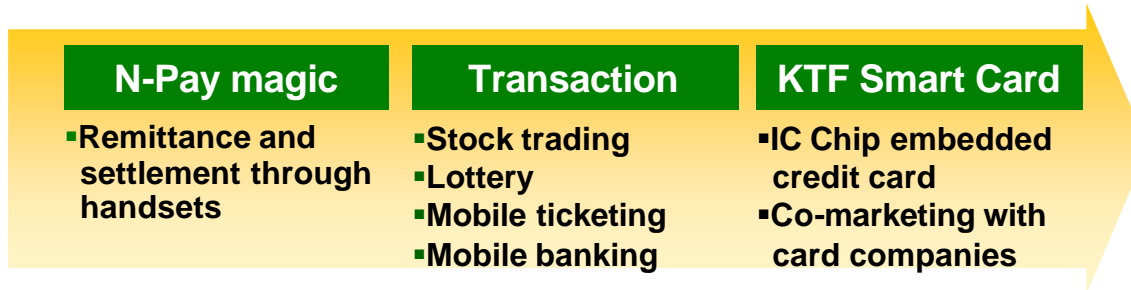
LBS (Location Based Service)

- Cell-Typed, GPS-Typed
- geleye: based on gpsOne solution combined GPS satellites with CDMA network
- Target market: kids,silver,logistics

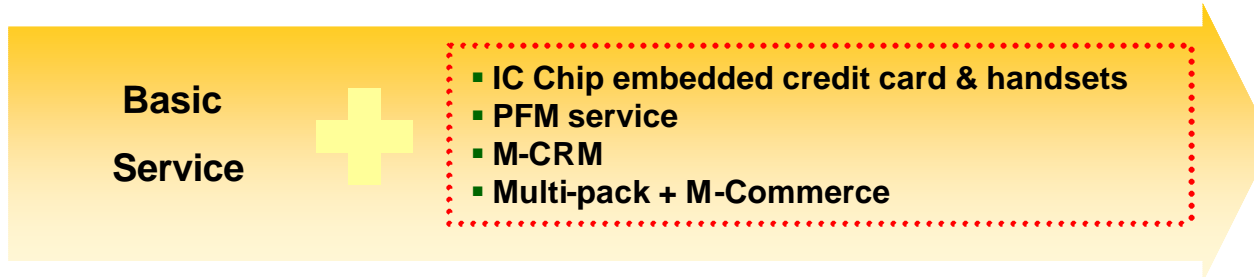
M-Commerce – New Revenue Source



Basic Service



Enhanced Service



M-Commerce Market expectation

(Unit : KRW bn)

	2002(E)	2005 (E)
Total market	60	350
KTF	25	200
M/S	42%	57%